

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
 OF THE SECURITIES AND EXCHANGE ACT OF 1934

For Quarter Ended
 JUNE 30, 2000

Commission File Number:
 0-21026

ROCKY SHOES & BOOTS, INC.

(Exact name of registrant as specified in its charter)

OHIO

31-1364046

(State of Incorporation)

(IRS Employer Identification Number)

39 E. CANAL STREET
 NELSONVILLE, OHIO 45764

(Address of principal executive offices)

(740) 753-1951

(Registrant's telephone number, including area code)

(Former name, former address, and former Fiscal year
 if changed since last report.)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety (90) days.

Yes X No
 --- ---

4,489,215 common shares, no par value, outstanding at August 1, 2000
 ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES

FORM 10-Q

<TABLE>

INDEX

<CAPTION>

PART I.	FINANCIAL INFORMATION	PAGE
<S>	<C> <C>	<C>
	Item 1. Financial Statements	
	Condensed Consolidated Balance Sheets June 30, 2000 (unaudited) and December 31, 1999	3
	Unaudited Condensed Consolidated Statements of Operations For the Three Months and Six Months Ended June 30, 2000 and 1999	4
	Unaudited Condensed Consolidated Statements of Cash Flows For the Six Months Ended June 30, 2000 and 1999	5
	Notes to Interim Unaudited Condensed Consolidated Financial Statements	6 - 7
	Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8 - 13
PART II.	OTHER INFORMATION	
	Item 1. Legal Proceedings	14
	Item 2. Changes in Securities and Use of Proceeds	14

Item 3.	Defaults Upon Senior Securities	14
Item 4.	Submission of Matters to a Vote of Security Holders	14
Item 5.	Other Information	14
Item 6.	Exhibits and Reports on Form 8-K	15

SIGNATURES 16

EXHIBIT INDEX 17

</TABLE>

2

PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

<TABLE>

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<CAPTION>

	June 30, 2000 (unaudited)	December 31, 1999
	-----	-----
<S>	<C>	<C>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,351,350	\$ 2,330,324
Trade receivables - net	22,850,112	18,712,588
Other receivables	4,983,912	5,227,394
Inventories	46,284,130	32,573,067
Deferred income taxes	1,017,331	1,017,331
Prepaid expenses	1,991,155	1,222,914
	-----	-----
Total current assets	78,477,990	61,083,618
FIXED ASSETS - net	26,213,787	26,132,222
OTHER ASSETS	2,515,139	2,117,514
	-----	-----
TOTAL ASSETS	\$107,206,916	\$89,333,354
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
CURRENT LIABILITIES:		
Accounts payable	\$ 10,556,046	\$ 2,128,112
Current maturities - long term debt	37,774,865	8,599,897
Accrued taxes - other	896,153	412,721
Accrued salaries and wages	863,749	569,203
Accrued other	838,620	905,783
	-----	-----
Total current liabilities	50,929,433	12,615,716
LONG TERM DEBT-less current maturities	6,030,372	25,176,918
DEFERRED LIABILITIES	1,290,261	1,311,590
	-----	-----
TOTAL LIABILITIES	58,250,066	39,104,224
SHAREHOLDERS' EQUITY:		
Common stock, no par value;		
10,000,000 shares authorized;		
issued and outstanding June 30, 2000 - 4,489,215 shares;		
December 31, 1999 - 4,489,215 shares	35,284,159	35,284,159
Retained earnings	13,672,691	14,944,971
	-----	-----
Total shareholders' equity	48,956,850	50,229,130
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$107,206,916	\$89,333,354
	=====	=====

</TABLE>

See notes to the unaudited condensed consolidated financial statements.

3

<TABLE>

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<CAPTION>

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2000	1999	2000	1999
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
NET SALES	\$22,918,457	\$23,200,428	\$37,760,568	\$36,823,158
COST OF GOODS SOLD	17,642,373	17,237,006	29,240,724	27,681,066
--				
GROSS MARGIN	5,276,084	5,963,422	8,519,844	9,142,092
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	4,392,552	4,605,435	9,379,462	7,949,946
--				
INCOME (LOSS) FROM OPERATIONS	883,532	1,357,987	(859,618)	1,192,146
OTHER INCOME AND (EXPENSES):				
Interest expense	(473,661)	(543,875)	(1,131,721)	
(1,050,680)				
Other - net	71,556	108,426	180,059	241,359
--				
Total other - net	(402,105)	(435,449)	(951,662)	
(809,321)				
--				
INCOME (LOSS) BEFORE INCOME TAXES	481,427	922,538	(1,811,280)	382,825
INCOME TAX (BENEFIT) EXPENSE	138,139	334,888	(539,000)	117,148
--				
NET INCOME (LOSS)	\$ 343,288	\$ 587,650	\$ (1,272,280)	\$ 265,677
=====				
NET INCOME (LOSS) PER SHARE				
Basic	\$ 0.08	\$ 0.12	\$ (0.28)	\$
0.05				
=====				
Diluted	\$ 0.08	\$ 0.12	\$ (0.28)	\$
0.05				
=====				
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	4,489,215	4,747,558	4,489,215	4,872,855
=====				
Diluted	4,489,714	4,763,049	4,489,215	4,882,817
=====				

</TABLE>

See notes to the unaudited condensed consolidated financial statements.

4

<TABLE>

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<CAPTION>

	Six Months Ended	
	June 30,	
	2000	1999
	----	----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (1,272,280)	\$ 265,677
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,286,699	1,770,658
Deferred taxes and other		(50,000)
Deferred compensation and pension - net	(21,328)	(170,369)
Loss on sale of fixed assets	1,226	
Change in assets and liabilities:		
Receivables	(3,894,042)	(6,864,297)
Inventories	(13,711,063)	(8,300,069)
Other current assets	(768,241)	(209,382)
Other assets	(413,304)	5,314

Accounts payable	8,315,069	5,284,346
Accrued and other liabilities	710,814	158,155
	-----	-----
Net cash used in operating activities	(8,766,450)	(8,109,967)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(2,426,429)	(5,827,090)
Proceeds from sale of fixed assets	185,483	
	-----	-----
Net cash used in investing activities	(2,240,946)	(5,827,090)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	26,845,000	18,252,000
Payments on long term debt	(16,816,578)	(6,809,943)
Purchase treasury stock		(3,807,300)
	-----	-----
Net cash used in financing activities	10,028,422	7,634,757
	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS	(978,974)	(6,302,300)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,330,324	7,232,876
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,351,350	\$ 930,576
	=====	=====

</TABLE>

See notes to the unaudited condensed consolidated financial statements.

5
ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM FINANCIAL REPORTING

In the opinion of management, the accompanying 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 interim consolidated financial statements are considered to be of a normal and recurring nature. The results of the operations for the six month periods ended June 30, 2000 and 1999 are not necessarily indicative of the results to be expected for the whole year. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for year ended December 31, 1999.

2. INVENTORIES

Inventories are comprised of the following:

<TABLE>
<CAPTION>

	June 30, 2000	December 31, 1999
	-----	-----
<S>	<C>	<C>
Raw materials	\$ 9,755,977	\$ 4,133,520
Work-in Process	4,918,058	2,128,738
Manufactured finished good	28,771,644	24,110,469
Factory outlet finished goods	3,048,561	2,645,340
Reserve for obsolescence or lower of cost or market	(210,110)	(445,000)
	-----	-----
Total	\$46,284,130	\$32,573,067
	=====	=====

</TABLE>

3. SUPPLEMENTAL CASH FLOW INFORMATION

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

<TABLE>
<CAPTION>

Six Months Ended

	June 30,	
	2000	1999
	----	----
<S>	<C>	<C>
Interest	\$1,188,114	\$1,001,663
	=====	=====
Federal, state and local income taxes	\$ 86,725	\$ 91,000
	=====	=====

</TABLE>

Accounts payable at June 30, 2000 and December 31, 1999 included a total of \$302,524 and \$189,659, respectively, relating to the purchase of fixed assets.

4. PER SHARE INFORMATION

Basic earnings per share (EPS) is computed by dividing net income available to common

6

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, 2000 and 1999 is as follows:

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2000	1999	2000	1999
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Basic-Weighted average shares outstanding	4,489,215	4,747,558	4,489,215	4,872,855
Diluted securities:				
Stock options	499	15,491		9,962
	-----	-----	-----	-----
Diluted-weighted average shares outstanding	4,489,714	4,763,049	4,489,215	4,882,817
	=====	=====	=====	=====

</TABLE>

5. ACCOUNTING STANDARDS

The Securities and Exchange Commission published Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements," SAB 101A and SAB 101B in December 1999, March 2000, and June 2000, respectively. These bulletins summarize certain aspects of the Commissions views in applying accounting principles generally accepted in the United States of America to revenue recognition in financial statements. The bulletins are effective no later than the fourth fiscal quarter of the fiscal year beginning after December 15, 1999. Management has not yet completed its analysis of these bulletins and their impact on the Company's financial statements and disclosures.

6. DEBT AGREEMENT

At June 30, 2000, the Company was not in compliance with certain financial ratio covenants under its bank revolving credit line (up to \$42,000,000) and term loan (\$1,250,000) credit facilities but has obtained a waiver from the bank through August 31, 2000, which may be extended to September 20, 2000 provided that the Company has obtained a commitment on or prior to August 18, 2000 to refinance the credit facilities and there has been no material adverse change in financial condition. The Company has classified all debt under these credit facilities as current on the June 30, 2000 balance sheet. During the second quarter, the Company began negotiations with another lender to refinance the bank credit facilities, and the Company anticipates that it will have a commitment to refinance on or before August 18, 2000, and that the refinancing will be completed by September 20, 2000.

7

ITEM 2.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, information derived from the Company's unaudited Condensed Consolidated Financial Statements, expressed as a percentage of net sales. The discussion that follows the table should be read in conjunction with the unaudited Condensed Consolidated Financial Statements of the Company.

<TABLE>

PERCENTAGE OF NET SALES

<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	77.0%	74.3%	77.4%	75.2%
	----	----	----	----
Gross Margin	23.0%	25.7%	22.6%	24.8%
Selling, General and Administrative Expenses	19.1%	19.8%	24.9%	21.6%
	----	----	----	----
Income from Operations	3.9%	5.9%	(2.3%)	3.2%
	=====	=====	=====	=====

</TABLE>

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

Net Sales

Net sales for the quarter ended June 30, 2000, decreased \$281,971, or 1.2% to \$22,918,457 from \$23,200,428 for the same period a year ago. Net sales declined primarily as a result of decreased shipments of military footwear. This decrease was essentially offset by increased shipments of outdoor and rubber footwear. Prices were approximately 2% higher for the first half of 2000 than the prior year.

At June 30, 2000 the Company's backlog was \$35 million, which remained unchanged from the first quarter 2000. It includes solid orders for key styles of ROCKY(R) branded footwear and particularly strong acceptance of new footwear, especially styles in recently introduced, Scent Control System™ and Wild Wolf™ by Rocky lines. Order backlogs are subject to timing differences, cancellations and changes, and are not necessarily reflective of future sales or sales trends.

Gross Margin

Gross margin for the quarter ended June 30, 2000 decreased \$687,338 to \$5,276,084 from \$5,963,422 for the same period a year ago. As a percent of net sales, gross margin was 23.0% in the second quarter of 2000 versus 25.7% for the same period in 1999.

8

During the first half of 2000, the Company consolidated its Puerto Rican manufacturing operations into a single plant with greater capacity than its two former facilities. The related moving and start up expenses resulted in lower absorption of manufacturing overhead which was a substantial factor in the decrease in gross margin.

The Company continued to shift manufacturing to its plants in Puerto Rico and the Dominican Republic during second quarter 2000. Although this shift resulted in temporary production inefficiencies, it is anticipated that gross margin will improve during the second half of 2000 as production increases in response to orders and benefits from lower cost production in the Company's Caribbean factories are realized.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses (SG&A) were \$4,392,552 for the three months ended June 30, 2000, or \$212,883 below the same period last year. Expressed as a percent of net sales, SG&A declined to 19.1% for the second quarter 2000 from 19.8% in 1999. Specific plans have been implemented during 2000 to reduce SG&A in total dollars and as a percentage of net sales versus a year ago. The most significant impact to date has been in administrative expenses, which were down 28% for the second quarter 2000 versus the prior year. Factors contributing to this reduction include, improving efficiencies in the operation of the new distribution center and a realignment of the sales force with a renewed emphasis on the Company's core product lines.

Interest Expense

Interest expense for the quarter ended June 30, 2000 decreased \$70,214 or 12.9%, to \$473,661 versus \$543,875 for the same period a year ago. The decrease in interest expense is a result of a gain on the sale of an interest rate swap agreement which was partially offset by increased levels of borrowing and higher rates of interest.

Income Taxes

Income taxes decreased \$196,749, or 58.8%, to \$138,139 for the three months ended June 30, 2000, versus \$334,888 for the same period a year ago. The Company's effective tax rate decreased to 28.7% for second quarter 2000 from 36.3% in 1999. The decrease in the Company's effective tax rate is due to more income being earned in taxing locations with lower effective tax rates than in prior periods.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1999

Net Sales

Net sales for the six months ended June 30, 2000 increased \$934,410 or 2.5% to \$37,760,568 versus \$36,823,158 for the same period a year ago. The increase in net sales is due in part to higher shipments of outdoor and work/occupational footwear during the first half of 2000. Prices were approximately 2% higher for the first half of 2000 than the prior year.

9

Gross Margin

Gross margin for the six months ended June 30, 2000 decreased \$622,248, to \$8,519,844 versus \$9,142,092 for the same period a year ago. As a percent of net sales, gross margin was 22.6% in the first half of 2000 versus 24.9% for the same period a year ago. During the first half of 2000, the Company consolidated its Puerto Rican manufacturing operations into a single plant with greater capacity than the two previous facilities. The related moving and start up expenses resulted in lower absorption of manufacturing overhead which was a substantial factor in the decrease in gross margin. It is anticipated that gross margin will improve during the second half of 2000 as production increases in response to orders and benefits from lower cost production in the Company's Caribbean factories are realized.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses (SG&A) for the six months ended June 30, 2000 were \$9,379,462 compared with \$7,949,946 for the same period a year ago. As a percent of net sales, SG&A was 24.8% in the first half of 2000 versus 21.6% for the same period in 1999. The increase was primarily the result of increased sales salaries and related expenses for sales persons added following first quarter 1999, tradeshow expenses, and costs associated with developing the Company's key footwear categories. There were also additional depreciation expenses for the Company's new finished goods distribution center, which was completed in December 1999. The Company has been implementing plans during the first half of this year to control and reduce SG&A expenses. Most of the benefits thus far were realized in lower administrative expenses for the second quarter 2000 compared to the same period last year.

Interest Expense

Interest expense for the first six months ended June 30, 2000 increased \$81,041 or 7.7% to \$1,131,721 versus \$1,050,680 for the same period a year ago. The increase is a result of rising interest rates and the completion of mortgage financing for the Company's new distribution center, warehouse, and corporate office building.

Income Taxes

Income tax benefit increased for the six months ended June 30, 2000 to \$539,000 compared to an income tax expense of \$117,148 for 1999. The Company's effective tax benefit rate of 29.8% for the first half of 2000 compares with 30.6% for the same period last year. The income tax benefit for first half of 2000 and 1999 is primarily generated from the Company's domestic operations.

Liquidity and Capital Resources

The Company has principally funded its working capital requirements and capital expenditures through borrowings under its line of credit and other indebtedness. Working capital is primarily used to support changes in accounts receivable and

inventory as a result of the Company's seasonal business cycle and business expansion. These requirements are generally lowest in the months of January through March of each year and highest during the months of May through October of each year. In addition, the Company requires financing to support additions to machinery, equipment and facilities as well as the introduction of new footwear styles.

At June 30, 2000, the Company had working capital of \$27,548,557 versus \$48,467,902, at December 31, 1999. The Company has a revolving line of credit with maximum borrowing limits of \$25,000,000 during the period of January 28th through May 15th of each year, after which the line increases to \$42,000,000 for the remainder of the year. The line of credit expires May 31, 2003. Changes in the line of credit during the year match the Company's seasonal requirements for working capital. As of June 30, 2000, the Company had borrowed \$36,060,000 against its available line of credit of \$42,000,000.

At June 30, 2000, the Company was not in compliance with certain financial ratio covenants under its bank revolving credit line (up to \$42,000,000) and term loan (\$1,250,000) credit facilities but has obtained a waiver from the bank through August 31, 2000, which may be extended to September 20, 2000 provided that the Company has obtained a commitment on or prior to August 18, 2000 to refinance the credit facilities and there has been no material adverse change in financial condition. The Company has classified all debt under these credit facilities as current on the June 30, 2000 balance sheet. During the second quarter, the Company began negotiations with another lender to refinance the bank credit facilities, and the Company anticipates that it will have a commitment to refinance on or before August 18, 2000, and that the refinancing will be completed by September 20, 2000.

The Company reacquired and retired 619,900 common shares for \$3,807,300 under its share repurchase program during the six-month period ended June 30, 1999.

During the first half of 2000 the Company completed mortgage financing with GE Capital for three of its facilities totaling \$6,300,000, with monthly payments of \$63,100 to 2014. The proceeds were used to reduce borrowings under the revolving line of credit facility.

The Company's cash flow used in operations increased to \$8,766,450 in first half of 2000 from \$8,109,967 for the same period in the prior year. The primary cause of the cash used in operations for the first half of 2000 and 1999 was due to an increase in accounts receivable and inventories, which was partially offset by increased accounts payable. All of the responsible balance sheet fluctuations are normal and reflect the seasonal nature of the Company's business.

Inventory was 16% lower at \$46,284,130 on June 30, 2000 versus \$55,410,080 as of the same date last year. Controlled production schedules during the past year combined with improved inventory management contributed to the favorable comparison. The Company's centralized finished goods distribution center, which became fully operational in January 2000, is an integral part of the improved inventory management compared to

11

second quarter 1999. The current level of inventory reflects production activities consistent with the significant backlog at June 30, 2000 for the fall and winter seasons.

The principal use of cash flows in investing activities for the first quarters of both 2000 and 1999 has been for investment in property, plant, and equipment. In the first quarter of 2000, property, plant, and equipment expenditures were \$2,426,000 or \$3,401,000 below expenditures for the same period in 1999. The reduction resulted from the completion of the Company's new distribution center at year-end 1999.

The Company's cash flows from financing activities reflect the net increase or decrease in borrowings under its revolving credit facility and new long-term mortgage facility to finance working capital requirements and other operating capital expenditures. In addition, in the first half of 1999, the Company acquired treasury stock in the amount of \$3,807,300.

Capital expenditures for 2000 are expected to be approximately \$3,250,000 for machinery and equipment to support increased production and for lasts, dies, and patterns for new footwear styles. This amount, although higher than originally anticipated, is in response to the initial customer response to Wild Wolf(TM) by Rocky, a new line of footwear the Company introduced this year. The Company believes it will be able to finance such additions and meet operating expenditure requirements in 2000 through available cash on hand, additional long-term borrowings and operating cash flows.

Inflation

The Company cannot determine the precise effects of inflation; however, inflation continues to have an influence on the cost of materials, salaries, and employee benefits. The Company attempts to offset the effects of inflation through increased selling prices, productivity improvements, and reduction of costs.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, all statements regarding the intent, belief and expectations of the Company and its management, and include statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations regarding the Company's orders (paragraph 3), future gross margins (paragraphs 5 and 10), reduction in SG&A (paragraphs 6 and 11), ability to finance its operations (paragraph 16), and inventory management (paragraph 20). Investors are cautioned that such statements involve risks and uncertainties, including, but not limited to, changes in consumer demand, seasonality, impact of weather, competition, reliance on suppliers, changing retailing trends, reliance on foreign manufacturing, changes in tax rates, limited protection of proprietary technology, and other risks, uncertainties and factors described in the Company's most recent Annual Report on Form 10-K and other

12

filings from time to time with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes since December 31, 1999.

13

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Submission of Matters to a Vote of Security Holders.

Proposal 1: The election of Class II Directors of the Company, to serve until the 2002 Annual Meeting of Shareholders or until their successors are elected and qualified:

<TABLE>
<CAPTION>

	Number of Shares Voted		
	FOR	WITHHOLD AUTHORITY	TOTAL
	-----	-----	-----
<S>	<C>	<C>	<C>
Leonard L. Brown	3,783,892	92,430	3,876,322
David Fraedrich	3,783,892	92,430	3,876,322
Curtis A. Loveland	3,783,892	92,430	3,876,322
Robert D. Rockey	3,783,892	92,430	3,876,322

</TABLE>

Proposal 2: To ratify the appointment of Deloitte & Touche LLP to serve as the Company's independent public accountants for the fiscal year ending December 31, 2000.

<TABLE>
<CAPTION>

Number of Shares Voted

	FOR	AGAINST	ABSTAINED	TOTAL
<S>	3,869,012	<C> 6,060	<C> 1,250	<C> 3,786,322

</TABLE>

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

The exhibits to this report begin at page 18.

(b) Reports on Form 8-K.

15
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 thereunto duly authorized.

ROCKY SHOES & BOOTS, INC.

Date: August 14, 2000

By: /s/ David Fraedrich

David Fraedrich, Executive Vice President,
Treasurer and Chief Financial Officer
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

<TABLE>
16
ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES
FORM 10-Q
EXHIBIT INDEX

<CAPTION>

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	PAGE NUMBER
<S>	<C>	<C>
10.1	Promissory Note, dated December 30, 1999, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$1,050,000.	
10.2	Promissory Note, dated December 30, 1999, in favor of General Electric Capital 10.3 Business Asset Funding Corporation in the amount of \$1,500,000.	
10.3	Promissory Note, dated December 30, 1999, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$3,750,000.	
10.4	Limited Waiver and Modification Agreement, dated May 14, 2000, by and among the Registrant, Five Star Enterprises Ltd., Lifestyle Footwear, Inc., Bank One, NA, The Huntington National Bank, and Bank One, NA, as agent.	
10.5	Extension of Limited Waiver and Modification Agreement, dated June 30, 2000, by and among the Registrant, Five Star Enterprises Ltd., Lifestyle Footwear, Inc., Bank One, NA, The Huntington National Bank, and Bank One, NA, as agent.	

27
</TABLE> Financial Data Schedule

LOAN NO. 001-5056-003

PROMISSORY NOTE

\$1,050,000.00

DECEMBER 30, 1999

FOR VALUE RECEIVED, ROCKY SHOES & BOOTS, INC., an Ohio corporation ("BORROWER"), promises to pay to the order of GENERAL ELECTRIC CAPITAL BUSINESS ASSET FUNDING CORPORATION ("GE CAPITAL") at GE CAPITAL's office at 10900 N.E. 4th St., Suite 500, Bellevue, Washington 98004, Attention: Real Estate Department, or at such other address as the holder hereof may from time to time designate in writing, the principal sum of ONE MILLION FIFTY THOUSAND AND NO/100 DOLLARS (\$1,050,000.00) together with interest from the date the proceeds of the loan (the "Loan") evidenced by this Promissory Note (this "Note") are initially disbursed until maturity on the principal balance from time to time remaining unpaid hereon at the rate of 8.275% per annum (computed on the basis of a 360-day year of twelve (12) consecutive thirty (30)-day months) in installments as follows: (i) interest only in advance at the rate of \$241.35 per day shall be due and payable on the date the proceeds of the Loan are initially disbursed to or for the benefit of BORROWER (including, without limitation, disbursement into an escrow for the benefit of BORROWER) for the period beginning on the date of such disbursement and ending on December 31, 1999; (ii) one hundred seventy-nine (179) installments of principal and interest in the amount of \$10,201.75 each shall be payable commencing on February 1, 2000, and continuing on the first day of each and every succeeding month until and including December 1, 2014, and (iii) on January 1, 2015, all then unpaid principal and interest hereon shall be due and payable.

If any payment shall not be paid when due and shall remain unpaid for ten (10) days, BORROWER shall pay an additional charge equal to five percent (5.00%) of the delinquent payment or the highest additional charge permitted by law, whichever is less.

Upon not less than thirty (30) days advance written notice to GE CAPITAL at any time after February 1, 2005, and upon payment of the Prepayment Premium, BORROWER shall have the right to prepay all, but not less than all, of the outstanding balance of this Note on any regularly scheduled principal and interest payment date. The Prepayment Premium shall be determined by (i) calculating the decrease (expressed in basis points) in the current weekly average yield of ten (10)-year U.S. Treasury Constant Maturities (as published in Federal Reserve Statistical Release H.15 [519]) (the "Index") from Friday, June 4, 1999, to the Friday immediately preceding the week in which the prepayment is made, (ii) dividing the decrease by 100, (iii) multiplying the result by the following described applicable premium factor (the "Premium Factor"), and (iv) multiplying the product by the principal balance to be prepaid. If the Index is unchanged or has increased from Friday, June 4, 1999, to the Friday immediately preceding the prepayment date, no Prepayment Premium shall be due. The Premium Factor shall be the amount shown on the following chart for the month in which prepayment occurs:

Number of Months Remaining -----	(Years) -----	Premium Factor -----
144 - 133	(12)	.059
132 - 121	(11)	.054
120 - 109	(10)	.049
108 - 97	(9)	.044
96 - 85	(8)	.039
84 - 73	(7)	.035
72 - 61	(6)	.030
60 - 49	(5)	.025
48 - 37	(4)	.020
36 - 25	(3)	.015
24 - 13	(2)	.010
12 - 1	(1)	.005

If the Federal Reserve Board ceases to publish the Index, then the decrease in the weekly average yield of ten (10)-year U.S. Treasury Constant Maturities will be determined from another comparable source designated by GE CAPITAL. Prepayment prior to February 1, 2005 will not be permitted.

If GE CAPITAL at any time accelerates this Note after an Event of Default (defined below), then BORROWER shall be obligated to pay the Prepayment Premium

in accordance with the foregoing schedule. The Prepayment Premium shall not be payable with respect to condemnation awards or insurance proceeds from fire or other casualty which GE CAPITAL applies to prepayment, nor with respect to BORROWER's prepayment of the Note in full during the last three (3) months of the term of this Note unless an Event of Default has occurred. BORROWER expressly acknowledges that the Prepayment Premium is not a penalty but is intended solely to compensate GE CAPITAL for the loss of its bargain and the reimbursement of internal expenses and administrative fees and expenses incurred by GE CAPITAL.

The Loan is secured, in part, by a certain Open-End Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the "Mortgage") covering the real property and other assets (the "Property") described therein, and by certain other documents executed and delivered in connection herewith (the "Loan Documents").

Each of the following shall constitute an Event of Default ("Event of Default") hereunder and under the Mortgage:

a. Failure of or refusal by BORROWER to make any payment of principal, interest, or any Prepayment Premium due under this Note when due, and such failure or refusal shall continue for a period of ten (10) days after written notice is given to BORROWER by GE CAPITAL specifying such failure; or

b. Failure of BORROWER within the time required by the Mortgage to make any payment for taxes, insurance or for reserves for such payments, or any other payment

2

necessary to prevent the filing of any lien, and such failure shall continue for a period of ten (10) days after written notice is given to BORROWER by GE CAPITAL specifying such failure; or

c. Failure by BORROWER to observe or perform any obligations of BORROWER to GE CAPITAL on or with respect to any transaction, debt, undertaking or agreement other than the transaction evidenced by this Note and the continuation of such failure beyond the expiration of the applicable cure period, if any, set forth in the documents evidencing or securing such other transaction, debt, undertaking or agreement; or

d. Failure of BORROWER to make any payment or perform any obligation under any superior liens or encumbrances on the Property, within the time required thereunder, or commencement of any suit or other action to foreclose any superior liens or encumbrances; or

e. Failure by BORROWER to observe or perform any of its obligations under any of the lease agreements covering the Property; or

f. The Property is transferred or any agreement to transfer any part or interest in the Property in any manner whatsoever is made or entered into without the prior written consent of GE CAPITAL; or

g. Filing by BORROWER of a voluntary petition in bankruptcy or filing by BORROWER of any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or the seeking, consenting to, or acquiescing by BORROWER in the appointment of any trustee, receiver, custodian, conservator or liquidator for BORROWER, any part of the Property, or any of the income or rents of the Property, or the making by BORROWER of any general assignment for the benefit of creditors, or the inability of or failure by BORROWER to pay its debts generally as they become due, or the insolvency on a balance sheet basis or business failure of BORROWER, or the making or suffering of a preference within the meaning of federal bankruptcy law or the making of a fraudulent transfer under applicable federal or state law, or concealment by BORROWER of any of its property in fraud of creditors, or the imposition of a lien upon any of the property of BORROWER which is not discharged in the manner permitted by the Mortgage, or the giving of notice by BORROWER to any governmental body of insolvency or suspension of operations; or

h. Filing of a petition against BORROWER seeking any reorganization, arrangement, composition, readjustment, liquidation, or similar relief under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief for debts, or the appointment of any trustee, receiver, custodian, conservator or liquidator of BORROWER, of any part of the Property or of any of the income or rents of the Property, unless such petition shall be dismissed within ninety (90) days after such filing, but in any event prior to the entry of an order, judgment or decree approving such petition; or

i. The institution of any proceeding for the dissolution or termination of BORROWER voluntarily, involuntarily, or by operation of law, or the death of BORROWER; or

3

j. A material adverse change occurs in the assets, liabilities or net worth of BORROWER or any of the guarantors of the indebtedness evidenced by this Note from the assets, liabilities or net worth of BORROWER or any of the guarantors of the indebtedness evidenced by this Note previously disclosed to GE CAPITAL; or

k. Any warranty, representation or statement furnished to GE CAPITAL by or on behalf of BORROWER under this Note, the Mortgage, or any of the Loan Documents shall prove to have been false or misleading in any material respect; or

l. Failure of BORROWER to observe or perform any other covenant or condition contained in this Note and such failure shall continue for thirty (30) days after notice is given to BORROWER specifying the nature of the failure. No notice of default and no opportunity to cure shall be required if during the prior twelve (12) months GE CAPITAL has already sent a notice to BORROWER concerning default in performance of the same obligation; or

m. Failure of BORROWER to observe or perform any other obligation under the Mortgage or any of the Loan Documents when such observance or performance is due, and such failure shall continue beyond the applicable cure period set forth in the Loan Documents, or if the default cannot be cured within such applicable cure period, if BORROWER fails within such time to commence and pursue curative action with reasonable diligence or fails at any time after expiration of such applicable cure period to continue with reasonable diligence all necessary curative actions. No notice of default and no opportunity to cure shall be required if during the prior twelve (12) months GE CAPITAL has already sent a notice to BORROWER concerning default in performance of the same obligation; or

n. Any of the foregoing events occur with respect to any tenant of the Property, with respect to any guarantor of any of BORROWER's obligations in connection with the indebtedness evidenced by this Note or with respect to any guarantor of any tenant's obligations relating to the Property, or such guarantor dies or becomes incompetent; or

o. The occurrence of any event of default under the documents evidencing or securing (i) GE CAPITAL Loan No. 001-5056-002 in the original principal amount of \$1,500,000.00 or (ii) any other amounts owed to GE CAPITAL by Borrower or any entity related to Borrower or any of the guarantors of the indebtedness evidenced by this Note.

Upon the occurrence of any Event of Default, GE CAPITAL shall have the option to declare the entire amount of principal and interest due under this Note immediately due and payable without notice or demand, and GE CAPITAL may exercise any of its rights under this Note, under the Mortgage and under the Loan Documents. After acceleration or maturity, BORROWER shall pay interest on the outstanding principal balance of this Note at the rate of five percent (5.00%) per annum above Chase Manhattan Bank's prime interest rate in effect from time to time, or fifteen percent (15.00%) per annum, whichever is higher, provided that such interest rate shall not exceed the maximum interest rate permitted by law.

4

All payments of the principal and interest on this Note shall be made in coin or currency of the United States of America which at the time shall be the legal tender for the payment of public and private debts.

If this Note is placed in the hands of an attorney for collection, BORROWER agrees to pay reasonable attorneys' fees and costs incurred by GE CAPITAL in connection therewith, and in the event suit or action is instituted to enforce or interpret this Note (including without limitation efforts to modify or vacate any automatic stay or injunction), the prevailing party shall be entitled to recover all expenses reasonably incurred at, before or after trial and on appeal, whether or not taxable as costs, or in any bankruptcy proceeding, or in connection with post-judgment collection efforts, including, without limitation, attorneys' fees, witness fees (expert and otherwise), deposition costs, copying charges and other expenses.

This Note shall be governed and construed in accordance with the laws of the State of Ohio applicable to contracts made and to be performed therein (excluding choice-of-law principles).

This Note is given in a commercial transaction for business purposes.

This Note may be declared due prior to its expressed maturity date, all in the events, on the terms, and in the manner provided for in the Mortgage.

BORROWER and all sureties, endorsers, guarantors and other parties now or hereafter liable for the payment of this Note, in whole or in part, hereby severally (i) waive demand, notice of demand, presentment for payment, notice of nonpayment, notice of default, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices, and further waive diligence in collecting this Note or in enforcing any of the security for this Note; (ii) agree to any substitution, subordination, exchange or release of any security for this Note or the release of any party primarily or secondarily liable for the payment of this Note; (iii) agree that GE CAPITAL shall not be required to first institute suit or exhaust its remedies hereon against BORROWER or others liable or to become liable for the payment of this Note or to enforce its rights against any security for the payment of this Note; and (iv) consent to any extension of time for the payment of this Note, or any installment hereof, made by agreement by GE CAPITAL with any person now or hereafter liable for the payment of this Note, even if BORROWER is not a party to such agreement.

All agreements between BORROWER and GE CAPITAL, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand or acceleration of the final maturity of this Note or otherwise, shall the interest contracted for, charged, received, paid or agreed to be paid to GE CAPITAL exceed the maximum amount permissible under the applicable law. If, from any circumstance whatsoever, interest would otherwise be payable to GE CAPITAL in excess of the maximum amount permissible under applicable law, the interest payable to GE CAPITAL shall be reduced to the maximum amount permissible under applicable law; and if from any circumstance GE CAPITAL shall ever receive anything of value deemed interest by applicable law in excess of the maximum amount permissible under applicable law, an amount equal to the excessive interest shall be applied to the reduction of the principal hereof and not to the payment of

interest, or if such excessive amount of interest exceeds the unpaid balance of principal hereof, such excess shall be refunded to BORROWER. All interest paid or agreed to be paid to GE CAPITAL shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period (including any renewal or extension) until payment in full of the principal so that the interest hereon for such full period shall not exceed the maximum amount permissible under applicable law. GE CAPITAL expressly disavows any intent to contract for, charge or receive interest in an amount which exceeds the maximum amount permissible under applicable law. BORROWER expressly acknowledges and represents that the Loan is a "business loan" within the meaning of Chapter 1343 of the Ohio Revised Code.

BORROWER authorizes any attorney-at-law to appear in any Court of Record in the State of Ohio or in any other state or territory of the United States after the above indebtedness becomes due, whether by acceleration or otherwise, after not less than ten (10) days' written notice to BORROWER to waive the issuing and service of process, and to confess judgment against BORROWER in favor of the holder of this Note for the amount then appearing due together with costs of suit, and thereupon to waive all error and all rights of appeal and stays of execution.

[SIGNATURE PAGE FOLLOWS]

IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS WRITTEN CONTRACT MAY BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS AGREEMENT ONLY BY ANOTHER WRITTEN AGREEMENT.

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT WILL BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Signed in the presence of:

BORROWER:

ROCKY SHOES & BOOTS, INC.,
an Ohio corporation

/s/ Brenda Hammond

Print Name: Brenda Hammond

/s/ Susan Harmony

Print Name: Susan Harmony

By: /s/ David Fraedrich

Print: David Fraedrich

Its: Exec VP & CFO

LOAN NO. 001-5056-002

PROMISSORY NOTE

\$1,500,000.00

DECEMBER 30, 1999

FOR VALUE RECEIVED, ROCKY SHOES & BOOTS, INC., an Ohio corporation ("BORROWER"), promises to pay to the order of GENERAL ELECTRIC CAPITAL BUSINESS ASSET FUNDING CORPORATION ("GE CAPITAL") at GE CAPITAL's office at 10900 N.E. 4th St., Suite 500, Bellevue, Washington 98004, Attention: Real Estate Department, or at such other address as the holder hereof may from time to time designate in writing, the principal sum of ONE MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$1,500,000.00) together with interest from the date the proceeds of the loan (the "Loan") evidenced by this Promissory Note (this "Note") are initially disbursed until maturity on the principal balance from time to time remaining unpaid hereon at the rate of 8.275% per annum (computed on the basis of a 360-day year of twelve (12) consecutive thirty (30)-day months) in installments as follows: (i) interest only in advance at the rate of \$344.79 per day shall be due and payable on the date the proceeds of the Loan are initially disbursed to or for the benefit of BORROWER (including, without limitation, disbursement into an escrow for the benefit of BORROWER) for the period beginning on the date of such disbursement and ending on December 31, 1999; (ii) one hundred forty-three (43) installments of principal and interest in the amount of \$16,463.82 each shall be payable commencing on February 1, 2000, and continuing on the first day of each and every succeeding month until and including December 1, 2011, and (iii) on January 1, 2012, all then unpaid principal and interest hereon shall be due and payable.

If any payment shall not be paid when due and shall remain unpaid for ten (10) days, BORROWER shall pay an additional charge equal to five percent (5.00%) of the delinquent payment or the highest additional charge permitted by law, whichever is less.

Upon not less than thirty (30) days advance written notice to GE CAPITAL at any time after February 1, 2005, and upon payment of the Prepayment Premium, BORROWER shall have the right to prepay all, but not less than all, of the outstanding balance of this Note on any regularly scheduled principal and interest payment date. The Prepayment Premium shall be determined by (i) calculating the decrease (expressed in basis points) in the current weekly average yield of ten (10)-year U.S. Treasury Constant Maturities (as published in Federal Reserve Statistical Release H.15 [519]) (the "Index") from Friday, June 4, 1999, to the Friday immediately preceding the week in which the prepayment is made, (ii) dividing the decrease by 100, (iii) multiplying the result by the following described applicable premium factor (the "Premium Factor"), and (iv) multiplying the product by the principal balance to be prepaid. If the Index is unchanged or has increased from Friday, June 4, 1999, to the Friday immediately preceding the prepayment date, no Prepayment Premium shall be due. The Premium Factor shall be the amount shown on the following chart for the month in which prepayment occurs:

Number of Months Remaining	(Years)	Premium Factor
-----	-----	-----
144 - 133	(12)	.059
132 - 121	(11)	.054
120 - 109	(10)	.049
108 - 97	(9)	.044
96 - 85	(8)	.039
84 - 73	(7)	.035
72 - 61	(6)	.030
60 - 49	(5)	.025
48 - 37	(4)	.020
36 - 25	(3)	.015
24 - 13	(2)	.010
12 - 1	(1)	.005

If the Federal Reserve Board ceases to publish the Index, then the decrease in the weekly average yield of ten (10)-year U.S. Treasury Constant Maturities will be determined from another comparable source designated by GE CAPITAL. Prepayment prior to February 1, 2005 will not be permitted.

If GE CAPITAL at any time accelerates this Note after an Event of Default (defined below), then BORROWER shall be obligated to pay the Prepayment Premium in accordance with the foregoing schedule. The Prepayment Premium shall not be

payable with respect to condemnation awards or insurance proceeds from fire or other casualty which GE CAPITAL applies to prepayment, nor with respect to BORROWER's prepayment of the Note in full during the last three (3) months of the term of this Note unless an Event of Default has occurred. BORROWER expressly acknowledges that the Prepayment Premium is not a penalty but is intended solely to compensate GE CAPITAL for the loss of its bargain and the reimbursement of internal expenses and administrative fees and expenses incurred by GE CAPITAL.

The Loan is secured, in part, by a certain Open-End Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the "Mortgage") covering the real property and other assets (the "Property") described therein, and by certain other documents executed and delivered in connection herewith (the "Loan Documents").

Each of the following shall constitute an Event of Default ("Event of Default") hereunder and under the Mortgage:

a. Failure of or refusal by BORROWER to make any payment of principal, interest, or any Prepayment Premium due under this Note when due, and such failure or refusal shall continue for a period of ten (10) days after written notice is given to BORROWER by GE CAPITAL specifying such failure; or

b. Failure of BORROWER within the time required by the Mortgage to make any payment for taxes, insurance or for reserves for such payments, or any other payment

2

necessary to prevent the filing of any lien, and such failure shall continue for a period of ten (10) days after written notice is given to BORROWER by GE CAPITAL specifying such failure; or

c. Failure by BORROWER to observe or perform any obligations of BORROWER to GE CAPITAL on or with respect to any transaction, debt, undertaking or agreement other than the transaction evidenced by this Note and the continuation of such failure beyond the expiration of the applicable cure period, if any, set forth in the documents evidencing or securing such other transaction, debt, undertaking or agreement; or

d. Failure of BORROWER to make any payment or perform any obligation under any superior liens or encumbrances on the Property, within the time required thereunder, or commencement of any suit or other action to foreclose any superior liens or encumbrances; or

e. Failure by BORROWER to observe or perform any of its obligations under any of the lease agreements covering the Property; or

f. The Property is transferred or any agreement to transfer any part or interest in the Property in any manner whatsoever is made or entered into without the prior written consent of GE CAPITAL; or

g. Filing by BORROWER of a voluntary petition in bankruptcy or filing by BORROWER of any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or the seeking, consenting to, or acquiescing by BORROWER in the appointment of any trustee, receiver, custodian, conservator or liquidator for BORROWER, any part of the Property, or any of the income or rents of the Property, or the making by BORROWER of any general assignment for the benefit of creditors, or the inability of or failure by BORROWER to pay its debts generally as they become due, or the insolvency on a balance sheet basis or business failure of BORROWER, or the making or suffering of a preference within the meaning of federal bankruptcy law or the making of a fraudulent transfer under applicable federal or state law, or concealment by BORROWER of any of its property in fraud of creditors, or the imposition of a lien upon any of the property of BORROWER which is not discharged in the manner permitted by the Mortgage, or the giving of notice by BORROWER to any governmental body of insolvency or suspension of operations; or

h. Filing of a petition against BORROWER seeking any reorganization, arrangement, composition, readjustment, liquidation, or similar relief under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief for debts, or the appointment of any trustee, receiver, custodian, conservator or liquidator of BORROWER, of any part of the Property or of any of the income or rents of the Property, unless such petition shall be dismissed within ninety (90) days after such filing, but in any event prior to the entry of an order, judgment or decree approving such petition; or

i. The institution of any proceeding for the dissolution or

termination of BORROWER voluntarily, involuntarily, or by operation of law, or the death of BORROWER; or

3

j. A material adverse change occurs in the assets, liabilities or net worth of BORROWER or any of the guarantors of the indebtedness evidenced by this Note from the assets, liabilities or net worth of BORROWER or any of the guarantors of the indebtedness evidenced by this Note previously disclosed to GE CAPITAL; or

k. Any warranty, representation or statement furnished to GE CAPITAL by or on behalf of BORROWER under this Note, the Mortgage, or any of the Loan Documents shall prove to have been false or misleading in any material respect; or

l. Failure of BORROWER to observe or perform any other covenant or condition contained in this Note and such failure shall continue for thirty (30) days after notice is given to BORROWER specifying the nature of the failure. No notice of default and no opportunity to cure shall be required if during the prior twelve (12) months GE CAPITAL has already sent a notice to BORROWER concerning default in performance of the same obligation; or

m. Failure of BORROWER to observe or perform any other obligation under the Mortgage or any of the Loan Documents when such observance or performance is due, and such failure shall continue beyond the applicable cure period set forth in the Loan Documents, or if the default cannot be cured within such applicable cure period, if BORROWER fails within such time to commence and pursue curative action with reasonable diligence or fails at any time after expiration of such applicable cure period to continue with reasonable diligence all necessary curative actions. No notice of default and no opportunity to cure shall be required if during the prior twelve (12) months GE CAPITAL has already sent a notice to BORROWER concerning default in performance of the same obligation; or

n. Any of the foregoing events occur with respect to any tenant of the Property, with respect to any guarantor of any of BORROWER's obligations in connection with the indebtedness evidenced by this Note or with respect to any guarantor of any tenant's obligations relating to the Property, or such guarantor dies or becomes incompetent; or

o. The occurrence of any event of default under the documents evidencing or securing (i) GE CAPITAL Loan No. 001-5056-003 in the original principal amount of \$1,050,000.00 or (ii) any other amounts owed to GE CAPITAL by Borrower or any entity related to Borrower or any of the guarantors of the indebtedness evidenced by this Note.

Upon the occurrence of any Event of Default, GE CAPITAL shall have the option to declare the entire amount of principal and interest due under this Note immediately due and payable without notice or demand, and GE CAPITAL may exercise any of its rights under this Note, under the Mortgage and under the Loan Documents. After acceleration or maturity, BORROWER shall pay interest on the outstanding principal balance of this Note at the rate of five percent (5.00%) per annum above Chase Manhattan Bank's prime interest rate in effect from time to time, or fifteen percent (15.00%) per annum, whichever is higher, provided that such interest rate shall not exceed the maximum interest rate permitted by law.

4

All payments of the principal and interest on this Note shall be made in coin or currency of the United States of America which at the time shall be the legal tender for the payment of public and private debts.

If this Note is placed in the hands of an attorney for collection, BORROWER agrees to pay reasonable attorneys' fees and costs incurred by GE CAPITAL in connection therewith, and in the event suit or action is instituted to enforce or interpret this Note (including without limitation efforts to modify or vacate any automatic stay or injunction), the prevailing party shall be entitled to recover all expenses reasonably incurred at, before or after trial and on appeal, whether or not taxable as costs, or in any bankruptcy proceeding, or in connection with post-judgment collection efforts, including, without limitation, attorneys' fees, witness fees (expert and otherwise), deposition costs, copying charges and other expenses.

This Note shall be governed and construed in accordance with the laws of the State of Ohio applicable to contracts made and to be performed therein (excluding choice-of-law principles).

This Note is given in a commercial transaction for business purposes.

ROCKY SHOES & BOOTS, INC.,
an Ohio corporation

/s/ Christine Lehman

Print Name: Christine Lehman

By: /s/ David Fraedrich

Print: David Fraedrich

/s/ Brenda Hammond

Print Name: Brenda Hammond

Its: Exec VP & CFO

LOAN NO. 001-5056-001

PROMISSORY NOTE

\$3,750,000.00

JANUARY 31, 2000

FOR VALUE RECEIVED, ROCKY SHOES & BOOTS, INC., an Ohio corporation ("BORROWER"), promises to pay to the order of GENERAL ELECTRIC CAPITAL BUSINESS ASSET FUNDING CORPORATION ("GE CAPITAL") at GE CAPITAL's office at 10900 N.E. 4th St., Suite 500, Bellevue, Washington 98004, Attention: Real Estate Department, or at such other address as the holder hereof may from time to time designate in writing, the principal sum of THREE MILLION SEVEN HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$3,750,000.00) together with interest from the date the proceeds of the loan (the "Loan") evidenced by this Promissory Note (this "Note") are initially disbursed until maturity on the principal balance from time to time remaining unpaid hereon at the rate of 8.275% per annum (computed on the basis of a 360-day year of twelve (12) consecutive thirty (30)-day months) in installments as follows: (i) interest only in advance at the rate of \$861.98 per day shall be due and payable on the date the proceeds of the Loan are initially disbursed to or for the benefit of BORROWER (including, without limitation, disbursement into an escrow for the benefit of BORROWER) for the period beginning on the date of such disbursement and ending on January 31, 2000; (ii) one hundred seventy-nine (179) installments of principal and interest in the amount of \$36,434.82 each shall be payable commencing on March 1, 2000, and continuing on the first day of each and every succeeding month until and including January 1, 2015, and (iii) on February 1, 2015, all then unpaid principal and interest hereon shall be due and payable.

If any payment shall not be paid when due and shall remain unpaid for ten (10) days, BORROWER shall pay an additional charge equal to five percent (5.00%) of the delinquent payment or the highest additional charge permitted by law, whichever is less.

Upon not less than thirty (30) days advance written notice to GE CAPITAL at any time after March 1, 2005, and upon payment of the Prepayment Premium, BORROWER shall have the right to prepay all, but not less than all, of the outstanding balance of this Note on any regularly scheduled principal and interest payment date. The Prepayment Premium shall be determined by (i) calculating the decrease (expressed in basis points) in the current weekly average yield of ten (10)-year U.S. Treasury Constant Maturities (as published in Federal Reserve Statistical Release H.15 [519]) (the "Index") from Friday, June 4, 1999, to the Friday immediately preceding the week in which the prepayment is made, (ii) dividing the decrease by 100, (iii) multiplying the result by the following described applicable premium factor (the "Premium Factor"), and (iv) multiplying the product by the principal balance to be prepaid. If the Index is unchanged or has increased from Friday, June 4, 1999, to the Friday immediately preceding the prepayment date, no Prepayment Premium shall be due. The Premium Factor shall be the amount shown on the following chart for the month in which prepayment occurs:

Number of Months Remaining	(Years)	Premium Factor
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24 - 13	(2)	.010
12 - 1	(1)	.005

If the Federal Reserve Board ceases to publish the Index, then the decrease in the weekly average yield of ten (10)-year U.S. Treasury Constant Maturities will be determined from another comparable source designated by GE CAPITAL. Prepayment prior to March 1, 2005 will not be permitted.

If GE CAPITAL at any time accelerates this Note after an Event of Default (defined below), then BORROWER shall be obligated to pay the Prepayment Premium in accordance with the foregoing schedule. The Prepayment Premium shall not be payable with respect to condemnation awards or insurance proceeds from fire or other casualty which GE CAPITAL applies to prepayment, nor with respect to BORROWER's prepayment of the Note in full during the last three (3) months of the term of this Note unless an Event of Default has occurred. BORROWER expressly acknowledges that the Prepayment Premium is not a penalty but is intended solely to compensate GE CAPITAL for the loss of its bargain and the reimbursement of internal expenses and administrative fees and expenses incurred by GE CAPITAL.

The Loan is secured, in part, by a certain Open-End Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing (the "Mortgage") covering the real property and other assets (the "Property") described therein, and by certain other documents executed and delivered in connection herewith (the "Loan Documents").

Each of the following shall constitute an Event of Default ("Event of Default") hereunder and under the Mortgage:

a. Failure of or refusal by BORROWER to make any payment of principal, interest, or any Prepayment Premium due under this Note when due, and such failure or refusal shall continue for a period of ten (10) days after written notice is given to BORROWER by GE CAPITAL specifying such failure; or

2

b. Failure of BORROWER within the time required by the Mortgage to make any payment for taxes, insurance or for reserves for such payments, or any other payment necessary to prevent the filing of any lien, and such failure shall continue for a period of ten (10) days after written notice is given to BORROWER by GE CAPITAL specifying such failure; or

c. Failure by BORROWER to observe or perform any obligations of BORROWER to GE CAPITAL on or with respect to any transaction, debt, undertaking or agreement other than the transaction evidenced by this Note and the continuation of such failure beyond the expiration of the applicable cure period, if any, set forth in the documents evidencing or securing such other transaction, debt, undertaking or agreement; or

d. Failure of BORROWER to make any payment or perform any obligation under any superior liens or encumbrances on the Property, within the time required thereunder, or commencement of any suit or other action to foreclose any superior liens or encumbrances; or

e. Failure by BORROWER to observe or perform any of its obligations under any of the lease agreements covering the Property; or

f. The Property is transferred or any agreement to transfer any part or interest in the Property in any manner whatsoever is made or entered into without the prior written consent of GE CAPITAL; or

g. Filing by BORROWER of a voluntary petition in bankruptcy or filing by BORROWER of any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or the seeking, consenting to, or acquiescing by BORROWER in the appointment of any trustee, receiver, custodian, conservator or liquidator for BORROWER, any part of the Property, or any of the income or rents of the Property, or the making by BORROWER of any general assignment for the benefit of creditors, or the inability of or failure by BORROWER to pay its debts generally as they become due, or the insolvency on a balance sheet basis or business failure of BORROWER, or the making or suffering of a preference within the meaning of federal bankruptcy law or the making of a fraudulent transfer under applicable federal or state law, or concealment by BORROWER of any of its property in fraud of creditors, or the imposition of a lien upon any of the property of BORROWER which is not discharged in the manner permitted by the Mortgage, or the giving of notice by BORROWER to any governmental body of insolvency or suspension of operations; or

h. Filing of a petition against BORROWER seeking any reorganization, arrangement, composition, readjustment, liquidation, or similar relief under any present or future federal, state or other law or regulation relating to bankruptcy, insolvency or other relief for debts, or the appointment of any trustee, receiver, custodian, conservator or liquidator of BORROWER, of any part of the Property or of any of the income or rents of the Property, unless such petition shall be dismissed within ninety (90) days after such filing, but in any event prior to the entry of an order, judgment or decree approving such petition; or

i. The institution of any proceeding for the dissolution or termination of BORROWER voluntarily, involuntarily, or by operation of law, or the death of BORROWER; or

j. A material adverse change occurs in the assets, liabilities or net worth of BORROWER or any of the guarantors of the indebtedness evidenced by this Note from the assets, liabilities or net worth of BORROWER or any of the guarantors of the indebtedness evidenced by this Note previously disclosed to GE CAPITAL; or

k. Any warranty, representation or statement furnished to GE CAPITAL by or on behalf of BORROWER under this Note, the Mortgage, or any of the Loan Documents shall prove to have been false or misleading in any material respect; or

l. Failure of BORROWER to observe or perform any other covenant or condition contained in this Note and such failure shall continue for thirty (30) days after notice is given to BORROWER specifying the nature of the failure. No notice of default and no opportunity to cure shall be required if during the prior twelve (12) months GE CAPITAL has already sent a notice to BORROWER concerning default in performance of the same obligation; or

m. Failure of BORROWER to observe or perform any other obligation under the Mortgage or any of the Loan Documents when such observance or performance is due, and such failure shall continue beyond the applicable cure period set forth in the Loan Documents, or if the default cannot be cured within such applicable cure period, if BORROWER fails within such time to commence and pursue curative action with reasonable diligence or fails at any time after expiration of such applicable cure period to continue with reasonable diligence all necessary curative actions. No notice of default and no opportunity to cure shall be required if during the prior twelve (12) months GE CAPITAL has already sent a notice to BORROWER concerning default in performance of the same obligation; or

n. Any of the foregoing events occur with respect to any tenant of the Property, with respect to any guarantor of any of BORROWER's obligations in connection with the indebtedness evidenced by this Note or with respect to any guarantor of any tenant's obligations relating to the Property, or such guarantor dies or becomes incompetent; or

o. The occurrence of any event of default under the documents evidencing or securing (i) GE CAPITAL Loan No. 001-5056-002 in the original principal amount of \$1,500,000.00, (ii) GE CAPITAL Loan No. 001-5056-003 in the original principal amount of \$1,050,000.00, or (ii) any other amounts owed to GE CAPITAL by Borrower or any entity related to Borrower or any of the guarantors of the indebtedness evidenced by this Note.

Upon the occurrence of any Event of Default, GE CAPITAL shall have the option to declare the entire amount of principal and interest due under this Note immediately due and payable without notice or demand, and GE CAPITAL may exercise any of its rights under this Note, under the Mortgage and under the Loan Documents. After acceleration or maturity, BORROWER shall pay interest on the outstanding principal balance of this Note at the rate of five percent (5.00%) per annum above Chase Manhattan Bank's prime interest rate in effect from

time to time, or fifteen percent (15.00%) per annum, whichever is higher, provided that such interest rate shall not exceed the maximum interest rate permitted by law.

All payments of the principal and interest on this Note shall be made in coin or currency of the United States of America which at the time shall be the legal tender for the payment of public and private debts.

If this Note is placed in the hands of an attorney for collection, BORROWER agrees to pay reasonable attorneys' fees and costs incurred by GE CAPITAL in connection therewith, and in the event suit or action is instituted to enforce or interpret this Note (including without limitation efforts to modify or vacate any automatic stay or injunction), the prevailing party shall be entitled to recover all expenses reasonably incurred at, before or after trial and on appeal, whether or not taxable as costs, or in any bankruptcy proceeding, or in connection with post-judgment collection efforts, including, without limitation, attorneys' fees, witness fees (expert and otherwise), deposition costs, copying charges and other expenses.

This Note shall be governed and construed in accordance with the laws of

the State of Ohio applicable to contracts made and to be performed therein (excluding choice-of-law principles).

This Note is given in a commercial transaction for business purposes.

This Note may be declared due prior to its expressed maturity date, all in the events, on the terms, and in the manner provided for in the Mortgage.

BORROWER and all sureties, endorsers, guarantors and other parties now or hereafter liable for the payment of this Note, in whole or in part, hereby severally (i) waive demand, notice of demand, presentment for payment, notice of nonpayment, notice of default, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices, and further waive diligence in collecting this Note or in enforcing any of the security for this Note; (ii) agree to any substitution, subordination, exchange or release of any security for this Note or the release of any party primarily or secondarily liable for the payment of this Note; (iii) agree that GE CAPITAL shall not be required to first institute suit or exhaust its remedies hereon against BORROWER or others liable or to become liable for the payment of this Note or to enforce its rights against any security for the payment of this Note; and (iv) consent to any extension of time for the payment of this Note, or any installment hereof, made by agreement by GE CAPITAL with any person now or hereafter liable for the payment of this Note, even if BORROWER is not a party to such agreement.

All agreements between BORROWER and GE CAPITAL, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand or acceleration of the final maturity of this Note or otherwise, shall the interest contracted for, charged, received, paid or agreed to be paid to GE CAPITAL exceed the maximum amount permissible under the applicable law. If, from any circumstance whatsoever, interest would otherwise be payable to GE CAPITAL in excess of the maximum amount permissible under applicable law, the interest payable to GE CAPITAL shall be reduced to the maximum amount permissible under applicable law; and if from any circumstance GE

5

CAPITAL shall ever receive anything of value deemed interest by applicable law in excess of the maximum amount permissible under applicable law, an amount equal to the excessive interest shall be applied to the reduction of the principal hereof and not to the payment of interest, or if such excessive amount of interest exceeds the unpaid balance of principal hereof, such excess shall be refunded to BORROWER. All interest paid or agreed to be paid to GE CAPITAL shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full period (including any renewal or extension) until payment in full of the principal so that the interest hereon for such full period shall not exceed the maximum amount permissible under applicable law. GE CAPITAL expressly disavows any intent to contract for, charge or receive interest in an amount which exceeds the maximum amount permissible under applicable law. BORROWER expressly acknowledges and represents that the Loan is a "business loan" within the meaning of Chapter 1343 of the Ohio Revised Code.

BORROWER authorizes any attorney-at-law to appear in any Court of Record in the State of Ohio or in any other state or territory of the United States after the above indebtedness becomes due, whether by acceleration or otherwise, after not less than ten (10) days' written notice to BORROWER to waive the issuing and service of process, and to confess judgment against BORROWER in favor of the holder of this Note for the amount then appearing due together with costs of suit, and thereupon to waive all error and all rights of appeal and stays of execution.

[SIGNATURE PAGE FOLLOWS]

6

IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS WRITTEN CONTRACT MAY BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS AGREEMENT ONLY BY ANOTHER WRITTEN AGREEMENT.

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT WILL BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON

HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Signed in the presence of:

BORROWER:

/s/ Brenda Hammond

Print Name: Brenda Hammond

ROCKY SHOES & BOOTS, INC.,
an Ohio corporation

By: /s/ David Fraedrich

Print: David Fraedrich

/s/ Susan Harmony

Print Name: Susan Harmony

Its: Exec VP & CFO

LIMITED WAIVER AND LOAN MODIFICATION AGREEMENT

THIS LIMITED WAIVER AND LOAN MODIFICATION AGREEMENT (the "Waiver Agreement") is made effective as of May 15, 2000 by and among Rocky Shoes & Boots, Inc., an Ohio corporation ("Rocky Inc."), Five Star Enterprises Ltd., a Cayman Islands corporation ("Five Star"), Lifestyle Footwear, Inc., a Delaware corporation ("Lifestyle") (the foregoing parties being referred to herein individually as a "Borrower" and collectively as the "Borrowers"), Bank One, NA, a national banking association ("Bank One"), The Huntington National Bank, a national banking association ("HNB") (Bank One and HNB shall be referred to herein individually as a "Bank" and collectively as the "Banks"), and Bank One, NA, as Agent, acting in the manner and to the extent described in Article IX of the Agreement referred to herein (in such capacity, the "Agent").

BACKGROUND INFORMATION

A. The Borrowers, Bank One, HNB and the Agent entered into a certain Revolving Credit Loan Agreement, dated as of January 28, 1997, as amended by (i) a Term Loan Agreement and First Amendment to Revolving Credit Loan Agreement, dated effective as of April 18, 1997, (ii) a Second Amendment to Revolving Credit Loan Agreement, dated effective as of May 29, 1998, (iii) a Third Amendment to Revolving Credit Loan Agreement, dated effective as of April 1, 1999, and (iv) a Fourth Amendment to Revolving Credit Loan Agreement, dated effective as of July 23, 1999 (such agreement, as so amended, the "Agreement"), pursuant to which Bank One and HNB agreed to provide revolving credit loans to the Borrowers, upon and subject to the terms and conditions as set forth in the Agreement.

B. Events of Default have occurred under the terms of the Facility Documents, and the Borrowers have requested that the Banks waive certain provisions of the Agreement, and the Banks are willing do to so, but only in accordance with the terms as set forth in this Waiver Agreement.

PROVISIONS

NOW, THEREFORE, in consideration of the waiver of the Banks as set forth herein, the mutual agreements hereunder and under the Facility Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Banks and the Agent hereby agree as follows:

SECTION 1. CAPITALIZED TERMS. Except as provided for herein, the capitalized terms used herein shall have the same meanings as set forth in the Agreement.

SECTION 2. CURRENT AMOUNT OF REVOLVING CREDIT LOANS. The Borrowers certify, acknowledge, agree and state that (i) as of May 3, 2000, the total principal amount of Revolving Credit Loans owed to the Banks under the Agreement and the Notes is \$25,925,000 (with \$15,555,000 being owed to Bank One and \$10,370,000 being owed to HNB), and that such amounts are payable to the Banks without any offsets, counterclaim, defense or reductions, and

(ii) the aggregate undrawn amount of outstanding Commercial L/Cs and Standby L/Cs is \$2,657,303.82 (with Bank One's participation therein being \$1,594,382.29 and HNB's participation therein being \$1,062,921.53).

SECTION 3. DEFAULT; WAIVER BY THE BANKS; WAIVER FEE; INCREASE IN INTEREST RATE; DISCUSSIONS AMONG BANKS AND BORROWERS.

(a) The Borrowers acknowledge and agree that the Borrowers are currently in default with respect to the following sections of the Agreement (such sections being referred to collectively as the "Subject Sections"):

(i) Section 7.2(1) (i) (relating to the Consolidated Net Worth financial covenant);

(ii) Section 7.2(1) (ii) (relating to the Consolidated Fixed Charge Coverage Ratio financial covenant); and

(iii) Section 7.2(1)(iii) (relating to the Consolidated Funded Debt to Consolidated EBITDA Ratio financial covenant).

(b) Subject to the terms of this Waiver Agreement, the Banks

hereby waive compliance (the "Waiver") by the Borrowers with the Subject Sections for the period (the "Waiver Period") commencing on March 30, 2000 (the "Effective Date") and continuing through and including June 29, 2000 (the "Termination Date"). EACH BORROWER ACKNOWLEDGES AND AGREES THAT THE BANKS DO NOT INTEND TO EXTEND, AND NEITHER BANK IS MAKING ANY COMMITMENT TO EXTEND, THE WAIVER PROVIDED FOR HEREIN BEYOND THE TERMINATION DATE.

(c) The Borrowers, jointly and severally, shall pay to the Agent for the ratable benefit the Banks a waiver fee in the amount of \$20,000.00.

(d) During the Waiver Period, in determining the interest rate applicable to each LIBOR Rate Loan (whether outstanding on the Effective Date or originating thereafter), the Applicable Margin shall be 225 basis points, rather than the Applicable Margin that would otherwise be in effect pursuant to the Agreement.

(e) Although the Banks are agreeing to the Waiver as set forth herein, the Banks (i) are not waiving, abandoning, discharging, releasing, modifying, extending, canceling or relinquishing any right, claims, or causes of action, and (ii) are not accepting any security or promise granted herein as payment of any right, claims, or causes of action. The Waiver by the Banks as set forth herein shall not affect or impair any right that the Banks may have against any Borrower or any other party.

(f) The Banks and the Borrowers have had discussions with respect to the possible modification and adjustment of certain terms of the Agreement, including with

2

respect to the Subject Sections, and it is anticipated that such discussions will continue in the near future. HOWEVER, THE BANKS HAVE NOT MADE ANY COMMITMENT, AND THIS WAIVER AGREEMENT SHALL NOT BE A CONSIDERED TO BE A COMMITMENT BY THE BANKS, TO (i) CONTINUE ANY SUCH DISCUSSIONS OR (ii) MODIFY, AMEND OR OTHERWISE CHANGE ANY TERMS OF THE AGREEMENT OR ANY OTHER FACILITY DOCUMENTS AND THE CREDIT FACILITIES PROVIDED THEREBY.

SECTION 4. ABSENCE OF WAIVER. The Borrowers and the Banks agree that the agreements set forth in Section 3 hereof shall not be deemed to:

(a) except as expressly set forth in Section 3 of this Waiver Agreement, modify or limit any other term the Facility Documents;

(b) impose upon the Banks any obligation, express or implied, to consent to any amendment or modification of the Facility Documents; or

(c) prejudice any right or remedy that the Banks may now have or may in the future have under the Facility Documents or any instrument or agreement referred to therein including, without limitation, any right or remedy resulting from any Default or Event of Default not covered by the Waiver with respect to the Subject Sections.

SECTION 5. CONTINUING OBLIGATIONS; MODIFICATIONS; ADDITIONAL OBLIGATIONS; PROVISION OF ADDITIONAL ITEMS.

(a) Except with respect to the Subject Sections, the Borrowers shall continue to comply, observe and perform all of their obligations under the Agreement and the other Facility Documents.

(b) Effective as the date hereof and continuing hereafter:

(i) Exhibit D of the Agreement, containing the form of the Borrowing Base Certificate, is hereby amended by deleting said Exhibit D in its entirety and substituting in place thereof a new Exhibit D in the form of Annex A attached hereto, and whenever the Borrowers are required to provide a Borrowing Base Certificate to the Agent and/or the Banks under the Agreement or this Waiver Agreement, the form of such Borrowing Base Certificate shall be in the form attached hereto as Annex A, appropriately completed and signed by the Borrowers; and

(ii) Notwithstanding anything in the Agreement and the other Facility Documents to the contrary, the Borrowers hereby consent and agree that the Banks and the Agent shall have, and the Banks and the Agent hereby reserve, the right and ability to reduce, modify and otherwise change in any manner the Borrowing Base, which right may be exercised in the Banks' and the Agent's sole and absolute discretion and at anytime and from time to time; without limiting the

generality of the foregoing, the Banks and the Agent shall have the right to (x) reduce the percentage of Eligible Accounts Receivable (currently 80%) and Inventory (currently 50%) which may be included in calculating the Borrowing Base, (y) which Accounts Receivable shall constitute Eligible Accounts Receivable, (z) which Inventory may be included in calculating the Borrowing Base.

(c) In addition to their current obligations under the Agreement and the other Facility Documents, the Borrowers shall:

(i) provide to the Agent, not later than 2:00 p.m. on each Monday during the Waiver Period, a Borrowing Base Certificate, certified by an officer of the Borrowers as true and correct, setting forth the amount of Eligible Accounts Receivable and Inventory, in each case as of the close of business of the preceding Friday; as currently provided in the Agreement, notwithstanding any provision in the Facility Documents or herein to the contrary, the total amount of outstanding Revolving Credit Loans under the Aggregate Commitment, when taken together with the total aggregate Dollar amount available to be drawn under outstanding Commercial L/Cs and Standby L/Cs, shall at no time exceed the lesser of (i) the Aggregate Commitment or (ii) the Borrowing Base as set forth on the most recent weekly Borrowing Base Certificate provided to the Agent, plus 50% of the Dollar amount available to be drawn under outstanding Commercial L/Cs;

(ii) provide to the Agent as soon as available, but in any event not later than 25 days after the end of each month (beginning with April, 2000 and continuing during the Waiver Period), the unaudited internally prepared consolidated balance sheet of the Borrowers as at the end of such month and the related unaudited unconsolidated statements of income and shareholders equity of the Borrowers for such month and the portion of the Fiscal Year through such date, setting forth in each case in comparative form the figures for the previous year, certified by an appropriate officer as being fairly stated in all material respects;

(iii) concurrently with the delivery of the monthly financial statements referred to in subsection (ii) above, a certificate of an appropriate officer of the Borrowers (in such form as shall be reasonably acceptable to the Banks) stated to have been made after due examination by such officer (x) stating that, to the best of such officer's knowledge, except with respect to the Subject Sections, the Borrowers during such period have observed or performed in all material respects all of its covenants and other agreements, and satisfied every condition, contained in the Facility Documents to be observed, performed or satisfied by the Borrowers and that such officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate, (y) showing in detail the calculations used in determining the financial covenants set forth in the Subject Sections, and (z) stating that, to the best of such officer's knowledge, the

representations and warranties expressed in Article V are true, correct and complete in all material respects on and as of the date of such financial statements delivered concurrently therewith, except in each case of (x), (y) or (z) as may otherwise be specifically set forth in such certificate; and

(iv) execute such additional documents reasonably requested by the Banks and/or the Agent, including without limitation to protect, perfect or continue perfection of liens.

SECTION 6. TRUTH OF REPRESENTATIONS AND WARRANTIES. The Borrowers hereby represent and warrant that the following are true and correct as of the date of this Waiver Agreement:

(a) the representations and warranties of the Borrowers contained in the Facility Documents are true and correct on and as of the date of this Waiver Agreement as if made on and as of such date unless stated to relate to a specific earlier date;

(b) all financial statements of the Borrowers provided to the Banks are true, accurate and complete in all material respects as of the date of, and for the periods covered by, such financial statements;

(c) neither this Waiver Agreement nor any other document,

certificate or written statement furnished to the Banks or the Agent by or on behalf of any Borrower in connection herewith or with the Revolving Credit Loans and the transactions contemplated hereby and by the Facility Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading;

(d) each Borrower has full power and authority (i) to make the borrowings contemplated by the Facility Documents, (ii) to execute, deliver and perform this Waiver Agreement, and (iii) to incur the obligations provided for herein, all of which have been duly authorized by all necessary and proper corporate action;

(e) no consent, waiver or authorization of, or filing with, any person or any governmental authority is required to be made or obtained by the Borrowers in connection with the borrowings under the Facility Documents, or the execution, delivery, performance, validity or enforceability of this Waiver Agreement;

(f) this Waiver Agreement constitutes the legal, valid and binding obligation of each Borrower, enforceable against each Borrower in accordance with its terms; and

(g) the execution and delivery by the Borrowers of this Waiver Agreement and the performance by the Borrowers of this Waiver Agreement: (i) do not and will not violate any law or regulation; (ii) do not and will not violate any order, decree or judgment by which any Borrower is bound; (iii) do not and will not violate or conflict with, result in a breach of or constitute (with notice, lapse of time, or otherwise) a default under any material agreement, mortgage, indenture or other contractual obligation to

5

which any Borrower is a party, or by which any Borrower's properties are bound; or (iv) do not and will not result in the creation or imposition of any lien upon any property or assets of any Borrower.

SECTION 7. CONDITIONS TO THE BANKS 'S OBLIGATIONS. The obligations of the Banks to enter into this Waiver Agreement and be bound by the terms hereof are subject to the satisfaction of the following conditions precedent:

(a) DELIVERY OF DOCUMENTS AND ITEMS. Contemporaneously with or before the execution of this Waiver Agreement by the Banks, the Agent shall have received the following, each in form and substance satisfactory to the Agent, the Banks and their counsel:

(i) WAIVER AGREEMENT. This Waiver Agreement, duly executed by the Borrowers;

(ii) WAIVER FEE. The waiver fee required to be paid by the Borrowers pursuant to Section 3(c) of this Waiver Agreement; and

(iii) OTHER REQUIREMENTS. Such other certificates, documents and other items as the Banks and/ or the Agent deem necessary or desirable.

(b) REPRESENTATIONS AND WARRANTIES. The representations and warranties made by the Borrowers in this Waiver Agreement shall be true and correct in all material respects as of the date hereof.

SECTION 8. ADDITIONAL EVENTS OF DEFAULT; REVOCATION OF WAIVER. Upon (i) the failure of the Borrowers, or any of them, to observe, comply or perform any of their obligations under this Waiver Agreement, or (ii) the occurrence of an Event of Default, other than with respect to the Subject Sections, during the Waiver Period, the Waiver provided herein may, in the sole and absolute discretion of the Banks, be revoked by giving notice thereof by the Agent to the Borrowers, and upon such revocation, the Waiver shall be null and void and the Banks and the Agent shall be entitled to exercise all rights and remedies that the Banks and the Agent now have at law or under the Facility Documents or any instrument or agreement referred to therein with respect to such failure or Event of Default, including an Event of Default with respect to any of the Subject Sections.

SECTION 9. REAFFIRMATION OF LIABILITY; RELEASE OF CLAIMS. Each Borrower hereby reaffirms its liability to the Banks and the Agent under the Facility Documents and all other agreements and instruments executed by the Borrower for the benefit of the Banks and the Agent in connection therewith. Each Borrower acknowledges and agrees that the Banks and the Agent have performed all of their respective obligations under the Facility Documents and that the Banks and the Agent, or any of them, are not in default under any

obligation it has or ever did have to any Borrower under the Facility Documents or any other agreement or otherwise. As a specific inducement and consideration to the Banks to enter into this Waiver Agreement and agree to the transactions contemplated hereby, each Borrower hereby waives and releases the

6

Banks and the Agent, their respective officers, directors, employees and representatives, from any and all claims or causes of actions, if any, accruing on or before the date hereof and arising out of the past and/or present business relationship between any Borrower and the Banks and/or the Agent which any Borrower now has or may have or in the future may have against the Banks and/or the Agent or any of their respective officers, directors, employees or representatives.

SECTION 10. EFFECTIVENESS OF FACILITY DOCUMENTS. The Borrowers have read and understand all terms and provisions of the Facility Documents and this Waiver Agreement and, subject to the Waiver provided hereby, all of the terms, covenants and conditions of, and the obligations of the Borrowers under, all Facility Documents shall remain valid, binding and in full force and effect. No delay on the part of the Banks or the Agent in the exercise of any right or remedy under the Facility Documents shall operate as a waiver. No single or partial exercise by the Banks or the Agent of any such right or remedy shall preclude any other future exercise of such right or remedy or the exercise of any other right or remedy. No waiver or indulgence by the Banks of any Default or Event of Default shall be effective unless in writing and signed by the Banks, nor shall a waiver on one occasion be construed as a bar to or waiver of that right on any future occasion.

SECTION 11. PRESERVATION OF EXISTING SECURITY INTERESTS. Each mortgage, security interest, pledge, assignment, lien or other conveyance or encumbrance, including without limitation pursuant to the Security Agreement, of any right, title, or interest in any property of any kind delivered to the Banks at any time by any person or entity in connection with the Facility Documents or to secure the performance of the obligations of the Borrowers under the Facility Documents, shall remain in full force and effect following the execution of this Waiver Agreement.

SECTION 12. APPLICABLE LAW. This Waiver Agreement shall be deemed to be a contract made under the laws of the State of Ohio and for all purposes shall be construed in accordance with the laws of such state.

SECTION 13. SEVERABILITY. Any provision of this Waiver Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 14. INTERPRETATION. This Waiver Agreement is to be deemed to have been prepared jointly by the parties hereto, and any uncertainty or ambiguity existing herein shall not be interpreted against any party but shall be interpreted according to the rules for the interpretation of arm's length agreements. The various headings in this Waiver Agreement are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Waiver Agreement or any provision hereof.

SECTION 15. ENTIRE AGREEMENT. This Waiver Agreement embodies the entire agreement and understanding among the Borrowers, the Agent and the Banks relating to, and supersedes all prior agreements and understandings among the Borrower, the Agent and the Banks relating to, the subject matter hereof.

7

SECTION 16. COVENANTS TO SURVIVE, BINDING AGREEMENT. This Waiver Agreement shall be binding upon and inure to the benefit of the Agent, the Banks, the Borrowers and their respective successors or assigns; provided, however, that the Borrowers may not assign or otherwise dispose of any of its rights or obligations hereunder.

SECTION 17. AMENDMENTS AND SUPPLEMENTS. This Waiver Agreement may not be amended or supplemented except by an instrument in writing executed by the Borrowers, the Banks and the Agent.

SECTION 18. EXPENSES. The Borrowers, jointly and severally, shall reimburse the Banks and the Agent for any costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Banks and the Agent, which attorneys may be employees of the Banks or the Agent) paid or incurred by the Banks and/or the Agent in connection with the preparation, negotiation, execution, delivery, review, amendment, modification, and administration of this Waiver Agreement and the other Facility

Documents. The Borrowers, jointly and severally, also agree to reimburse the Banks for any costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Banks, which attorneys may be employees of the Banks) paid or incurred by the Banks in connection with the collection and enforcement of the Facility Documents.

SECTION 19. COUNTERPARTS. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall become effective upon receipt by the Agent of counterparts hereof signed by each of the parties hereto or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Agent in form satisfactory to it of telegraphic, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party. Any such telegraphic, facsimile or other written confirmation from such party of execution of a counterpart hereof shall be fully effective as an original counterpart hereof.

SECTION 20. WAIVER OF JURY TRIAL. THE BANKS, THE AGENT AND EACH BORROWER, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED UPON OR ARISING OUT OF THIS WAIVER, THE AGREEMENT, THE NOTES, THE OTHER FACILITY DOCUMENTS, OR ANY RELATED INSTRUMENT OR AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY, OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF ANY OF THEM. THIS WAIVER SHALL NOT IN ANY WAY AFFECT THE AGENT'S OR THE BANKS' ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED IN ANY FACILITY DOCUMENT. NEITHER THE BANKS, THE AGENT NOR ANY BORROWER SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN

8

WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY THE BANKS, THE AGENT OR THE BORROWERS EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

SECTION 21. CONFESSION OF JUDGMENT. Each Borrower irrevocably authorizes any attorney-at-law, including any attorney-at-law employed or retained by the Banks or the Agent, to appear for the Borrower in any court of record in Franklin County, Ohio (which the Borrower acknowledges to be the place where the Agreement and this Waiver Agreement were made) or any other state or jurisdiction wherein the Borrower may then reside, to (i) waive the issuing and service of process, (ii) confess judgment against the Borrower in favor of the holder of the Agreement for all amounts then due thereunder and under the Notes, together with costs of suit, (iii) release all errors, and (iv) waive all rights of appeal. Each Borrower consents to the jurisdiction and venue of that court. Each Borrower waives any conflict of interest that any attorney-at-law employed or retained by the Banks or the Agent may have in confessing judgment under the Agreement and the Notes and consents to payment of a legal fee to any attorney-at-law confessing judgment thereunder. After judgment is entered against one or more of the Borrowers, the power conferred may be exercised as to one or more of the other Borrowers.

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9

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized officers as of the date first written above.

BORROWERS:

Rocky Shoes & Boots, Inc.,
an Ohio corporation

By: /s/ David Fraedrich

Title: V.P.

WARNING -- BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO
NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT

JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Five Star Enterprises Ltd.,
a Cayman Islands corporation

Lifestyle Footwear, Inc.,
a Delaware corporation

By: /s/ David Fraedrich

By: /s/ David Fraedrich

Title: Exec. V.P.

Title: V.P.

[Signatures continued on next page]

BANKS:

Bank One, NA,
a national banking association

By: /s/ Donald G. Beckman

Donald G. Beckman, Vice President

The Huntington National Bank,
a national banking association

By: /s/ Geoffrey Mowery

Geoffrey Mowery, Vice President

AGENT:

Bank One, NA, as Agent,
a national banking association

By: /s/ Donald G. Beckman

Donald G. Beckman, Vice President

ANNEX A

FORM OF BORROWING BASE CERTIFICATE

EXTENSION OF LIMITED WAIVER AND LOAN MODIFICATION AGREEMENT

THIS EXTENSION OF LIMITED WAIVER AND LOAN MODIFICATION AGREEMENT (the "Extension") is made effective as of June 30, 2000 by and among Rocky Shoes & Boots, Inc., an Ohio corporation ("Rocky Inc."), Five Star Enterprises Ltd., a Cayman Islands corporation ("Five Star"), Lifestyle Footwear, Inc., a Delaware corporation ("Lifestyle") (the foregoing parties being referred to herein individually as a "Borrower" and collectively as the "Borrowers"), Bank One, NA, a national banking association ("Bank One"), The Huntington National Bank, a national banking association ("HNB") (Bank One and HNB shall be referred to herein individually as a "Bank" and collectively as the "Banks"), and Bank One, NA, as Agent, acting in the manner and to the extent described in Article IX of the Agreement referred to herein (in such capacity, the "Agent").

BACKGROUND INFORMATION

A. The Borrowers, Bank One, HNB and the Agent entered into a certain Revolving Credit Loan Agreement, dated as of January 28, 1997, as amended by (i) a Term Loan Agreement and First Amendment to Revolving Credit Loan Agreement, dated effective as of April 18, 1997, (ii) a Second Amendment to Revolving Credit Loan Agreement, dated effective as of May 29, 1998, (iii) a Third Amendment to Revolving Credit Loan Agreement, dated effective as of April 1, 1999, and (iv) a Fourth Amendment to Revolving Credit Loan Agreement, dated effective as of July 23, 1999 (such agreement, as so amended, the "Agreement"), pursuant to which Bank One and HNB agreed to provide term and revolving credit loans to the Borrowers, upon and subject to the terms and conditions as set forth in the Agreement.

B. Events of Default have occurred under the terms of the Facility Documents, and the Borrowers and the Banks entered into a Limited Waiver and Loan Modification Agreement, made effective as of May 15, 2000 (the "Waiver Agreement"), pursuant to which the Banks waived certain provisions of the Agreement and the Facility Documents until June 29, 2000.

C. Such Events of Default have continued to occur under the terms of the Facility Documents, and the Borrowers have requested that the Banks extend the waiver of certain provisions of the Agreement granted pursuant to the Waiver Agreement, and the Banks are willing to do so, but only in accordance with the terms as set forth in this Extension.

PROVISIONS

NOW, THEREFORE, in consideration of the extension of the waiver of the Banks as set forth herein, the mutual agreements hereunder and under the Facility Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Banks and the Agent hereby agree as follows:

SECTION 1. CAPITALIZED TERMS. Except as provided for herein, the capitalized terms used herein shall have the same meanings as set forth in the Agreement.

SECTION 2. CURRENT AMOUNT OF LOANS. The Borrowers certify, acknowledge, agree and state that as of August 2, 2000, (i) the total principal amount of Revolving Credit Loans owed to the Banks under the Agreement and the Notes is \$40,700,000 (with \$24,420,000 being owed to Bank One and \$16,280,000 being owed to HNB), and that such amounts are payable to the Banks without any offsets, counterclaim, defense or reductions, (ii) the total principal amount of Term Loans owed to the Banks under the Agreement and the Term Loan Notes is \$1,250,000 (with \$750,000 being owed to Bank One and \$500,000 being owed to HNB), and that such amounts are payable to the Banks without any offsets, counterclaim, defense or reductions, and (iii) the aggregate undrawn amount of outstanding Commercial L/Cs and Standby L/Cs is \$872,787 (with Bank One's participation therein being \$523,672.21 and HNB's participation therein being \$349,114.79).

SECTION 3. DEFAULT; WAIVER BY THE BANKS; WAIVER FEE; INCREASE IN INTEREST RATES.

(a) The Borrowers acknowledge and agree that the Borrowers continue to be in default with respect to the following sections of the Agreement (such sections being referred to collectively as the "Subject Sections"):

(i) Section 7.2(1) (i) (relating to the Consolidated Net Worth

financial covenant);

(ii) Section 7.2(1) (ii) (relating to the Consolidated Fixed Charge Coverage Ratio financial covenant); and

(iii) Section 7.2(1)(iii) (relating to the Consolidated Funded Debt to Consolidated EBITDA Ratio financial covenant).

(b) Subject to the terms of this Extension, the Banks hereby extend the waiver of compliance (the "Waiver") by the Borrowers with the Subject Sections for the period (the "Waiver Period") commencing on June 30, 2000 (the "Effective Date") and continuing through and including August 31, 2000 (the "Termination Date"). EACH BORROWER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS PROVIDED IN THE FOLLOWING SUBSECTION (C), THE BANKS DO NOT INTEND TO EXTEND, AND NEITHER BANK IS MAKING ANY COMMITMENT TO EXTEND, THE WAIVER PROVIDED FOR HEREIN BEYOND THE TERMINATION DATE.

(c) The Termination Date and the Waiver provided by this Extension shall be extended from August 31, 2000 to and including September 20, 2000, and the Waiver Period shall be extended to and including September 20, 2000, provided that (i) in the judgment of the Agent, no material adverse change in the financial condition of the Borrowers has occurred prior to August 31, 2000, and (ii) on or prior to August 18, 2000, the Borrowers deliver to the Agent (x) a commitment letter (the "Commitment Letter")

2

for a refinancing (the "Refinancing") of the Revolving Credit Loans and the Term Loans (collectively, the "Loans") from another financing source, with such source and the terms of such Commitment Letter being acceptable to the Agent, and (y) evidence satisfactory to Banc One Leasing Corporation ("BOLC") that all equipment leases between any Borrower and BOLC (the "Leases") will be refinanced or otherwise dealt with in a manner satisfactory to BOLC by the date of any refinancing of the Loans.

(d) (i) The maturity date of the Term Loans shall be extended from May 1, 2000 to August 31, 2000, and, if the Termination Date and the Waiver provided by this Extension is extended from August 31, 2000 to September 20, 2000, and the Waiver Period is extended to and including September 20, 2000, pursuant to subsection (c) above, such maturity date of the Term Loans shall be extended to September 20, 2000.

(ii) The interest rate on the Term Loans as set forth in the Term Loan Notes shall increase from the rate equal to the sum of the "prime" rate plus 25 basis points, to the rate equal to the sum the "prime" rate plus 50 basis points, effective as of May 1, 2000.

(e) (i) The interest rate on the Revolving Credit Loans shall increase to a rate equal to the Prime Rate, effective as of June 30, 2000.

(ii) The option of the Borrowers to have Revolving Credit Loans bear interest based on the LIBOR Rate shall terminate on June 30, 2000, and any outstanding LIBOR Rate Loans on such date shall be converted to Prime Rate Loans.

(f) The Borrowers, jointly and severally, shall pay to the Agent for the ratable benefit the Banks the following waiver fee(s) upon the occurrence of either or both of the following:

(i) if a Commitment Letter satisfying the requirements set forth in Section 3(c) is not delivered to the Agent on or prior to August 18, 2000, a waiver fee in the amount of \$25,000 shall be payable immediately; and

(ii) if, on or prior to September 20, 2000, (x) the Loans are not paid in full or refinanced in a form satisfactory to the Agent, and (y) the Leases are not refinanced or otherwise dealt with in a manner satisfactory to BOLC, a waiver fee in the amount of \$25,000 shall be payable immediately.

(g) Although the Banks are agreeing to the Waiver as set forth herein, the Banks (i) are not waiving, abandoning, discharging, releasing, modifying, extending, canceling or relinquishing any right, claims, or causes of action, and (ii) are not accepting any security or promise granted herein as payment of any right, claims, or causes of action. The Waiver by the Banks as set forth herein shall not affect or impair any right that the Banks may have against any Borrower or any other party.

3

SECTION 4. ABSENCE OF WAIVER. The Borrowers and the Banks agree that the

agreements set forth in Section 3 hereof shall not be deemed to:

(a) except as expressly set forth in Section 3 of this Extension, modify or limit any other term of the Facility Documents;

(b) impose upon the Banks any obligation, express or implied, to consent to any amendment or modification of the Facility Documents; or

(c) prejudice any right or remedy that (i) the Banks and/or the Agent may now have or may in the future have under the Facility Documents or any instrument or agreement referred to therein including, without limitation, any right or remedy resulting from any Default or Event of Default not covered by the Waiver with respect to the Subject Sections, or any other failure of any Borrowers to comply with the terms of this Extension, including without limitation the terms set forth in Section 5 hereof, or (ii) BOLC may now have or may in the future have under the Leases or any instrument or agreement referred to therein.

SECTION 5. CONTINUING OBLIGATIONS; MODIFICATIONS; ADDITIONAL OBLIGATIONS; PROVISION OF ADDITIONAL ITEMS.

(a) Except with respect to the Subject Sections, the Borrowers shall continue to comply, observe and perform all of their obligations under the Agreement and the other Facility Documents.

(b) Effective as the date hereof and continuing hereafter, notwithstanding anything in the Agreement and the other Facility Documents to the contrary, the Borrowers hereby consent and agree that the Banks and the Agent shall have, and the Banks and the Agent hereby reserve, the right and ability to reduce, modify and otherwise change in any manner the Borrowing Base, which right may be exercised in the Banks' and the Agent's sole and absolute discretion at anytime and from time to time; without limiting the generality of the foregoing, the Banks and the Agent shall have the right to (x) reduce the percentage of Eligible Accounts Receivable (currently 80%) and Inventory (currently 50%) which may be included in calculating the Borrowing Base, (y) determine which Accounts Receivable shall constitute Eligible Accounts Receivable, and (z) determine which Inventory may be included in calculating the Borrowing Base.

(c) In addition to their current obligations under the Agreement and the other Facility Documents, the Borrowers shall:

(i) provide to the Agent, not later than 2:00 p.m. on each Tuesday during the Waiver Period, a Borrowing Base Certificate in the form attached hereto, certified by an officer of the Borrowers as true and correct, setting forth the amount of Eligible Accounts Receivable and Inventory, in each case as of the close of business of the preceding Friday; as currently provided in the Agreement, notwithstanding any provision in the Facility Documents or herein to

4

the contrary, the total amount of outstanding Revolving Credit Loans under the Aggregate Commitment, when taken together with the total aggregate Dollar amount available to be drawn under outstanding Commercial L/Cs and Standby L/Cs, shall at no time exceed the lesser of (i) the Aggregate Commitment or (ii) the Borrowing Base as set forth on the most recent weekly Borrowing Base Certificate provided to the Agent, plus 50% of the Dollar amount available to be drawn under outstanding Commercial L/Cs;

(ii) provide to the Agent as soon as available, but in any event not later than 25 days after the end of each month (beginning with July, 2000 and continuing during the Waiver Period), the unaudited internally prepared consolidated balance sheet of the Borrowers as at the end of such month and the related unaudited unconsolidated statements of income and shareholders equity of the Borrowers for such month and the portion of the Fiscal Year through such date, setting forth in each case in comparative form the figures for the previous year, certified by an appropriate officer as being fairly stated in all material respects;

(iii) concurrently with the delivery of the monthly financial statements referred to in subsection (ii) above, a certificate of an appropriate officer of the Borrowers (in such form as shall be reasonably acceptable to the Banks) stated to have been made after due examination by such officer (x) stating that, to the best of such officer's knowledge, except with respect to the Subject Sections, the Borrowers during such period have observed or performed in all material respects all of its covenants and other agreements, and satisfied every condition, contained in the Facility Documents to be observed, performed or satisfied by the Borrowers

and that such officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate, (y) showing in detail the calculations used in determining the financial covenants set forth in the Subject Sections, and (z) stating that, to the best of such officer's knowledge, the representations and warranties expressed in Article V are true, correct and complete in all material respects on and as of the date of such financial statements delivered concurrently therewith, except in each case of (x), (y) or (z) as may otherwise be specifically set forth in such certificate;

(iv) provide to the Agent as soon as available, but in any event not later than 15 days after the end of each month (beginning with July, 2000 and continuing during the Waiver Period), an accounts receivable aging report as of the end of such month, in a form acceptable to the Agent;

(v) provide to the Agent as soon as available, but in any event not later than 15 days after the end of each month (beginning with July, 2000 and continuing during the Waiver Period), an accounts payable aging report as of the end of such month, in a form satisfactory to the Agent;

5

(vi) provide to the Agent a copy of each appraisal completed by third party appraisers in connection with the Refinancing process as promptly as possible after receipt thereof by any Borrower, but in any event not later than 14 days after receipt; and

(vi) execute such additional documents reasonably requested by the Banks and/or the Agent to carry out the intent of the Facility Documents or this Extension, including without limitation to protect, perfect or continue perfection of liens.

SECTION 6. TRUTH OF REPRESENTATIONS AND WARRANTIES. The Borrowers hereby represent and warrant that the following are true and correct as of the date of this Extension:

(a) the representations and warranties of the Borrowers contained in the Facility Documents are true and correct on and as of the date of this Extension as if made on and as of such date unless stated to relate to a specific earlier date;

(b) all financial statements of the Borrowers provided to the Banks are true, accurate and complete in all material respects as of the date of, and for the periods covered by, such financial statements;

(c) neither this Extension nor any other document, certificate or written statement furnished to the Banks or the Agent by or on behalf of any Borrower in connection herewith or with the Revolving Credit Loans and the transactions contemplated hereby and by the Facility Documents contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading;

(d) each Borrower has full power and authority (i) to make the borrowings contemplated by the Facility Documents, (ii) to execute, deliver and perform this Extension, and (iii) to incur the obligations provided for herein, all of which have been duly authorized by all necessary and proper corporate action;

(e) no consent, waiver or authorization of, or filing with, any person or any governmental authority is required to be made or obtained by the Borrowers in connection with the borrowings under the Facility Documents, or the execution, delivery, performance, validity or enforceability of this Extension;

(f) this Extension constitutes the legal, valid and binding obligation of each Borrower, enforceable against each Borrower in accordance with its terms; and

(g) the execution and delivery by the Borrowers of this Extension and the performance by the Borrowers of this Extension: (i) do not and will not violate any law or regulation; (ii) do not and will not violate any order, decree or judgment by which any Borrower is bound; (iii) do not and will not violate or conflict with, result in a breach of or constitute (with notice, lapse of time, or otherwise) a default under any material

6

agreement, mortgage, indenture or other contractual obligation to which any Borrower is a party, or by which any Borrower's properties are bound; or (iv) do not and will not result in the creation or imposition of any lien upon any property or assets of any Borrower.

SECTION 7. CONDITIONS TO THE BANKS 'S OBLIGATIONS. The obligations of the Banks to enter into this Extension and be bound by the terms hereof are subject to the satisfaction of the following conditions precedent:

(a) DELIVERY OF DOCUMENTS AND ITEMS. Contemporaneously with or before the execution of this Extension by the Banks, the Agent shall have received the following, each in form and substance satisfactory to the Agent, the Banks and their counsel:

(i) EXTENSION. This Extension, duly executed by the Borrowers;

(ii) OTHER DOCUMENTS AND ITEMS. All certificates, documents and other items currently required to be furnished by the Borrowers to the Agent and/or the Banks pursuant to this Extension shall have been so furnished; and

(iii) OTHER REQUIREMENTS. Such other certificates, documents and other items as the Banks and/or the Agent deem necessary or desirable.

(b) REPRESENTATIONS AND WARRANTIES. The representations and warranties made by the Borrowers in this Extension shall be true and correct in all material respects as of the date hereof.

SECTION 8. ADDITIONAL EVENTS OF DEFAULT; REVOCATION OF WAIVER. Upon (i) the failure of the Borrowers, or any of them, to observe, comply or perform any of their obligations under this Extension, (ii) the occurrence of an Event of Default, other than with respect to the Subject Sections, during the Waiver Period, or (iii) the failure of the Borrowers, or any of them, to observe, comply or perform any of their obligations under any of the Leases, the Waiver provided herein may, in the sole and absolute discretion of the Banks, be revoked by giving notice thereof by the Agent to the Borrowers, and upon such revocation, the Waiver shall be null and void and the Banks and the Agent shall be entitled to exercise all rights and remedies that the Banks and the Agent now have at law or under the Facility Documents or any instrument or agreement referred to therein with respect to such failure or Event of Default, including an Event of Default with respect to any of the Subject Sections.

SECTION 9. REAFFIRMATION OF LIABILITY; RELEASE OF CLAIMS.

(a) Each Borrower hereby reaffirms its liability to (i) the Banks and the Agent under the Facility Documents and all other agreements and instruments executed by the Borrowers for the benefit of the Banks and the Agent in connection therewith, and (ii) to BOLC under the Leases and all other agreements and instruments executed by the Borrowers for the benefit of BOLC in connection therewith.

7

(b) Each Borrower acknowledges and agrees that (i) the Banks and the Agent have performed all of their respective obligations under the Facility Documents, (ii) BOLC has performed all of its obligations under the Leases, (iii) the Banks and the Agent, or any of them, are not in default under any obligation it has or ever did have to any Borrower under the Facility Documents or any other agreement or otherwise, and (iv) BOLC is not in default under any obligation it has or ever did have to any Borrower under the Leases or any other agreement or otherwise.

(c) As a specific inducement and consideration to the Banks to enter into this Extension and agree to the transactions contemplated hereby, each Borrower hereby waives and releases the Banks, the Agent and BOLC, their respective officers, directors, employees and representatives, from any and all claims or causes of actions, if any, accruing on or before the date hereof and arising out of the past and/or present business relationship between any Borrower and the Banks, the Agent and/or BOLC which any Borrower now has or may have or in the future may have against the Banks, the Agent and/or BOLC or any of their respective officers, directors, employees or representatives.

SECTION 10. EFFECTIVENESS OF FACILITY DOCUMENTS. The Borrowers have read and understand all terms and provisions of the Facility Documents and this Extension and, subject to the Waiver provided hereby, all of the terms, covenants and conditions of, and the obligations of the Borrowers under, all Facility Documents shall remain valid, binding and in full force and effect. No delay on the part of the Banks or the Agent in the exercise of any right or remedy under the Facility Documents shall operate as a waiver. No single or partial exercise by the Banks or the Agent of any such right or remedy shall preclude any other future exercise of such right or remedy or the exercise of any other right or remedy. No waiver or indulgence by the Banks of any Default

or Event of Default shall be effective unless in writing and signed by the Banks, nor shall a waiver on one occasion be construed as a bar to or waiver of that right on any future occasion.

SECTION 11. PRESERVATION OF EXISTING SECURITY INTERESTS. Each mortgage, security interest, pledge, assignment, lien or other conveyance or encumbrance, including without limitation pursuant to the Security Agreement, of any right, title, or interest in any property of any kind delivered to the Banks at any time by any person or entity in connection with the Facility Documents or to secure the performance of the obligations of the Borrowers under the Facility Documents, shall remain in full force and effect following the execution of this Extension.

SECTION 12. APPLICABLE LAW. This Extension shall be deemed to be a contract made under the laws of the State of Ohio and for all purposes shall be construed in accordance with the laws of such state.

SECTION 13. SEVERABILITY. Any provision of this Extension which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

8

SECTION 14. INTERPRETATION. This Extension is to be deemed to have been prepared jointly by the parties hereto, and any uncertainty or ambiguity existing herein shall not be interpreted against any party but shall be interpreted according to the rules for the interpretation of arm's length agreements. The various headings in this Extension are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Extension or any provision hereof.

SECTION 15. ENTIRE AGREEMENT. This Extension embodies the entire agreement and understanding among the Borrowers, the Agent and the Banks relating to, and supersedes all prior agreements and understandings among the Borrower, the Agent and the Banks relating to, the subject matter hereof.

SECTION 16. COVENANTS TO SURVIVE, BINDING AGREEMENT. This Extension shall be binding upon and inure to the benefit of the Agent, the Banks, the Borrowers and their respective successors or assigns; provided, however, that the Borrowers may not assign or otherwise dispose of any of its rights or obligations hereunder.

SECTION 17. AMENDMENTS AND SUPPLEMENTS. This Extension may not be amended or supplemented except by an instrument in writing executed by the Borrowers, the Banks and the Agent.

SECTION 18. EXPENSES. The Borrowers, jointly and severally, shall reimburse the Banks and the Agent for any costs, internal charges and out-of-pocket expenses (including reasonable auditors' fees, attorneys' fees and time charges of attorneys for the Banks and the Agent, which auditors and attorneys may be employees of the Banks or the Agent) paid or incurred by the Banks and/or the Agent in connection with the preparation, negotiation, execution, delivery, review, amendment, modification, and administration of this Extension and the other Facility Documents. The Borrowers, jointly and severally, also agree to reimburse the Banks for any costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Banks, which attorneys may be employees of the Banks) paid or incurred by the Banks in connection with the collection and enforcement of the Facility Documents.

SECTION 19. COUNTERPARTS. This Extension may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Extension by signing any such counterpart. This Extension shall become effective upon receipt by the Agent of counterparts hereof signed by each of the parties hereto or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Agent in form satisfactory to it of telegraphic, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party. Any such telegraphic, facsimile or other written confirmation from such party of execution of a counterpart hereof shall be fully effective as an original counterpart hereof.

SECTION 20. WAIVER OF JURY TRIAL. THE BANKS, THE AGENT AND EACH BORROWER, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY

9

WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED

UPON OR ARISING OUT OF THIS EXTENSION, THE AGREEMENT, THE NOTES, THE OTHER FACILITY DOCUMENTS, OR ANY RELATED INSTRUMENT OR AGREEMENT, OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY, OR ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF ANY OF THEM. THIS WAIVER SHALL NOT IN ANY WAY AFFECT THE AGENT'S OR THE BANKS' ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED IN ANY FACILITY DOCUMENT. NEITHER THE BANKS, THE AGENT NOR ANY BORROWER SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS SHALL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY THE BANKS, THE AGENT OR THE BORROWERS EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

SECTION 21. CONFESSION OF JUDGMENT. Each Borrower irrevocably authorizes any attorney-at-law, including any attorney-at-law employed or retained by the Banks or the Agent, to appear for the Borrower in any court of record in Franklin County, Ohio (which the Borrower acknowledges to be the place where the Agreement and this Extension were made) or any other state or jurisdiction wherein the Borrower may then reside, to (i) waive the issuing and service of process, (ii) confess judgment against the Borrower in favor of the holder of the Agreement for all amounts then due thereunder and under the Notes, together with costs of suit, (iii) release all errors, and (iv) waive all rights of appeal. Each Borrower consents to the jurisdiction and venue of that court. Each Borrower waives any conflict of interest that any attorney-at-law employed or retained by the Banks or the Agent may have in confessing judgment under the Agreement and the Notes and consents to payment of a legal fee to any attorney-at-law confessing judgment thereunder. After judgment is entered against one or more of the Borrowers, the power conferred may be exercised as to one or more of the other Borrowers.

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IN WITNESS WHEREOF, the parties hereto have caused this Extension to be executed by their duly authorized officers as of the date first written above.

BORROWERS:

Rocky Shoes & Boots, Inc.,
an Ohio corporation

By: /s/s David Fraedrich

Title: Exec V.P.

WARNING -- BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Five Star Enterprises Ltd.,
a Cayman Islands corporation

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a Delaware corporation

By: /s/ David Fraedrich

By: /s/ David Fraedrich

Title: Exec V.P.

Title: V.P.

[Signatures continued on next page]

BANKS:

Bank One, NA,
a national banking association

By: /s/ Michael A. Reeves

Michael A. Reeves, Vice President

The Huntington National Bank,
a national banking association

By: /s/ David A. Kirkley

David A. Kirkley, Vice President

AGENT:

Bank One, NA, as Agent,
a national banking association

By: /s/ Michael A. Reeves

Michael A. Reeves, Vice President

12

ANNEX A

FORM OF BORROWING BASE CERTIFICATE

13

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This schedule contains summary financial information extracted from Rocky Shoes & Boots, Inc. interim unaudited condensed consolidated financial statements as of June 30, 2000 and for the six months ended June 30, 2000 and is qualified in its entirety by reference to such financial statements.

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<CIK> 0000895456

<NAME> ROCKY SHOES & BOOTS, INC.

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<EPS-DILUTED>	(0.28)

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