

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES AND EXCHANGE ACT OF 1934For Quarter Ended
JUNE 30, 1998
-----Commission File Number:
0-21026
-----ROCKY SHOES & BOOTS, INC.

(Exact name of registrant as specified in its charter)

OHIO

(State of Incorporation)

31-1364046

(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)

Not Applicable

(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
----- -----

5,465,415 common shares, no par value, outstanding at August 5, 1998.

PART 1 - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTSROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS<TABLE>
<CAPTION>

	June 30, 1998 (Unaudited) -----	Dec. 31, 1997 -----
<S>	<C>	<C>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,367,642	\$ 8,556,883
Trade Receivables	21,419,037	17,789,329
Other Receivables	922,741	475,593
Inventories	44,615,892	32,894,236
Deferred Taxes	1,474,799	1,474,799
Other Current Assets	1,926,908	850,018
	-----	-----
Total Current Assets	71,727,019	62,040,858
Fixed Assets - Net	18,811,036	17,608,454
Other Assets	1,340,897	1,305,526
	-----	-----

Total Assets	\$ 91,878,952	\$80,954,838
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current Liabilities:		
Accounts Payable	\$ 2,422,748	\$ 2,414,936
Current Maturities - Long Term Debt	1,082,879	1,173,840
Accrued Liabilities	2,366,460	2,464,511
	-----	-----
Total Current Liabilities	5,872,087	6,053,287
Long-Term Debt-less current maturities	22,798,863	13,406,962
Deferred Liabilities	2,428,791	2,298,059
	-----	-----
Total Liabilities	31,099,741	21,758,308
Shareholders' Equity:		
Preferred Stock, Series A, no par value; 1997 -90,000 shares issued and 82,857 shares outstanding		5,400
Common Stock, no par value;10,000,000 shares authorized; issued 1998-5,462,165 shares; 1997-5,476,620 shares and outstanding 1998-5,462,165 shares; 1997-5,359,668 shares	41,567,361	42,604,658
Common Stock held in Treasury, at cost		(1,226,059)
Retained Earnings	19,211,850	17,812,531
	-----	-----
Total Shareholders' Equity	60,779,211	59,196,530
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 91,878,952	\$80,954,838
	=====	=====

</TABLE>

The accompanying notes are an integral part of the financial statements

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

<TABLE>
<CAPTION>

Ended	Three Months Ended		Six Months
	June 30,		June 30,
	1998	1997	1998
1997			
	----	----	----
<S>	<C>	<C>	<C>
<C>			
Net Sales	\$ 21,487,803	\$ 22,006,185	\$ 34,444,733
34,268,258			\$
Cost of Goods Sold	15,588,467	15,724,912	25,047,865
24,710,110	-----	-----	-----

Gross Margin	5,899,336	6,281,273	9,396,868
9,558,148			
Selling, General and Administrative			
Expenses	4,161,856	4,141,606	7,233,463
6,718,144	-----	-----	-----

Income From Operations 2,840,004	1,737,480	2,139,667	2,163,405	
Other Income (Expense):				
Interest Expense (1,106,298)	(331,044)	(641,031)	(523,536)	
Other - net (9,135)	114,850	(23,566)	277,024	
-----	-----	-----	-----	
Total other - net (1,115,433)	(216,194)	(664,597)	(246,512)	
-----	-----	-----	-----	
Income Before Income Taxes 1,724,571	1,521,286	1,475,070	1,916,893	
Income Taxes 518,502	413,654	457,980	517,574	
-----	-----	-----	-----	
Net Income 1,206,069	\$ 1,107,632	\$ 1,017,090	\$ 1,399,319	\$
=====	=====	=====	=====	
Net Income Per Share				
Basic .33	\$.20	\$.27	\$.26	\$
-----	-----	-----	-----	
Diluted 31	\$.20	\$.26	\$.25	\$
-----	-----	-----	-----	
Weighted Average Number of Common Shares Outstanding				
Basic 3,703,024	5,450,414	3,719,014	5,432,112	
=====	=====	=====	=====	
Diluted 3,928,331	5,602,723	3,960,388	5,606,901	
=====	=====	=====	=====	

</TABLE>

The accompanying notes are an integral part of the financial statements

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

	Six Months Ended	
	1998	1997
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$1,399,319	\$ 1,206,069
Adjustments to Reconcile Net Income To Net Cash Used In Operating Activities:		
Depreciation and Amortization	2,033,080	1,362,973
Deferred compensation & pension - net	130,732	55,473
Change in Assets and Liabilities:		
Receivables	(4,076,856)	(8,023,455)

Inventories	(11,721,656)	(15,326,057)
Other current assets	(1,076,890)	(429,787)
Other Assets	(45,023)	(34,583)
Accounts payable	(50,375)	9,452,128
Accrued and Other Liabilities	(98,051)	(383,341)
	-----	-----
Net Cash Used In Operating Activities	(13,505,720)	(12,120,580)
	-----	-----
CASH FLOWS FROM		
INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(3,167,823)	(1,453,902)
	-----	-----
CASH FLOWS FROM		
FINANCING ACTIVITIES:		
Proceeds from Long Term Debt	24,205,000	20,392,250
Payments on Long Term Debt	(14,904,060)	(7,089,322)
Proceeds from exercise of stock options including related income tax effect	183,362	724,044
	-----	-----
Net Cash Provided By Financing Activities	9,484,302	14,026,972
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,189,241)	452,490
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,556,883	349,637
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$1,367,642	\$ 802,127
	-----	-----

The accompanying notes are an integral part of the financial statements

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ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM FINANCIAL REPORTING

In the opinion of management, the unaudited condensed consolidated financial statements include all normal recurring adjustments the Company considers necessary for a fair presentation of such financial statements in accordance with generally accepted accounting principles.

2. INVENTORIES

Inventories are comprised of the following:

	June 30, 1998	Dec. 31, 1997
Raw materials	\$ 9,287,621	\$ 6,210,161
Work-in Process	4,533,150	3,348,275
Manufactured finished goods	28,278,105	21,140,951
Factory outlet finished goods	2,517,016	2,194,849
	-----	-----
Total	\$44,615,892	\$32,894,236
	=====	=====

3. SUPPLEMENTAL CASH FLOW INFORMATION

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

Six Months Ended

	June 30,	
	1998	1997
	----	----
Interest	\$ 573,478 =====	\$1,067,151 =====
Federal, state and local income taxes	\$1,009,570 =====	\$1,184,300 =====

Accounts payable at June 30, 1998 and December 31, 1997 included a total of \$191,204 and \$133,017, respectively, relating to the purchase of fixed assets.

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4. LONG-TERM DEBT

In May 1998 the Company entered into an amendment to its Revolving Credit Loan Agreement due in 2003, which allows the Company to increase its borrowings under a revolving line of credit to a maximum amount that ranges from \$25,000,000 to \$42,000,000. Interest on the revolving line of credit facility is payable monthly as a factor of, at the Company's option, the bank's prime rate or LIBOR.

The Company also entered into an interest rate swap agreement with its lender. The agreement effectively fixes the interest rate at 6.07% on \$15,000,000 in principal amount of floating rate debt provided under the loan agreement with the bank. The interest swap expires on June 1, 2005 and is based on one-month LIBOR. The interest rate swap is accounted for using settlement accounting.

5. PER SHARE INFORMATION

A reconciliation of the shares used in the basic and diluted income per share computation for the three months and six months ended June 30, 1998 and 1997 is as follows:

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Basic-Weighted average shares outstanding	5,450,414	3,719,014	5,432,112	3,703,024
Diluted securities:				
Preferred Stock	0	83,626	14,730	88,242
Stock options	152,309	157,748	160,059	137,065
	-----	-----	-----	-----
Diluted-weighted average shares outstanding	5,602,723 =====	3,960,388 =====	5,606,901 =====	3,928,331 =====

</TABLE>

6. RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130 and SFAS No. 131. SFAS No. 130 "Reporting Comprehensive Income" is not applicable due to the absence of other items of comprehensive income. SFAS No. 131 "Disclosures About Segments of an Enterprise and Related Information" will require adoption in December, 1998. SFAS No. 131 requires companies to report financial and descriptive information about its reportable operating segments. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company has not yet determined what, if any, impact the adoption of this Statement will have on its financial statements.

In February 1998, the FASB issued SFAS No. 132 "Employers' Disclosures about Pensions and other Postretirement Benefits" which will require adoption in December 1998. SFAS No. 132 revises employers' disclosures about pension and

other postretirement benefit plans. It does not change the measurement or recognition of those plans. The statement standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis, and eliminates certain disclosures. Restatement of disclosures for earlier periods is required. The Company has not yet determined what effect the adoption of this Statement will have on its financial statements.

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In June 1998, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" which will require adoption by the first quarter of 2000. SFAS No. 133 requires that derivatives be reported on the balance sheet at fair value. Changes in fair value are recognized in net income or, for derivatives which are hedging market risk related to future cash flows, in the accumulated other comprehensive income section of shareholders' equity. The cumulative effect of adoption is reflected in net income and accumulated other comprehensive income, as appropriate. The Company has not yet determined the effect or timing of implementation of this Statement.

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PART 1 - FINANCIAL INFORMATION
ITEM 2

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

RESULTS OF OPERATIONS

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

PERCENTAGE OF NET SALES

<TABLE>
<CAPTION>

	Three months Ended June 30,		Six months Ended June 30,	
	1998 ----	1997 ----	1998 ----	1997 ----
<S>	<C>	<C>	<C>	<C>
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Goods Sold	72.5%	71.5%	72.7%	72.1%
	-----	-----	-----	-----
Gross Margin	27.5%	28.5%	27.3%	27.9%
Selling, General and Administrative Expenses	19.4%	18.8%	21.0%	19.6%
	-----	-----	-----	-----
Income from Operations	8.1%	9.7%	6.3%	8.3%
	=====	=====	=====	=====

</TABLE>

THREE MONTHS ENDED JUNE 30, 1998 COMPARED TO THREE MONTHS ENDED JUNE 30, 1997

Net Sales

Net sales for the quarter ended June 30, 1998 decreased \$518,382, or 2.4%, to \$21,487,803 from \$22,006,185 for the same period last year. Increased sales of occupational and work shoe footwear were more than offset by lower shipments of footwear uppers for a private label customer. Rugged outdoor footwear shipments were relatively flat in the second quarter of 1998 versus a year ago due to higher levels of customer carryover inventory from the mild weather last winter. Sales prices were approximately 2% higher than the same period last year.

Gross Margin

Gross margin decreased \$381,937, or 6.1% to \$5,899,336 from \$6,281,273 for the same period in 1997. As a percentage of net sales, gross margin was 27.5% for the second quarter versus 28.5% the prior year. The decrease in gross margin was primarily attributable to certain manufacturing facilities being operated at lower levels during the three months ended June 30, 1998 in order to proactively manage inventory, especially for insulated outdoor boots. The factories increased production by the end of the second quarter in response to new orders for the upcoming fall season.

Selling, General and Administrative Expenses

Selling, general and administrative (S,G&A) expenses rose \$20,250, or 0.5%, to \$4,161,856 for the three months ended June 30, 1998, compared with \$4,141,606 in 1997. The decline in net sales for the second quarter of 1998 was the primary factor which contributed to an increase in S,G&A expenses to 19.4% of net sales for the second quarter from 18.8% the prior year.

Interest Expense

Interest expense for the second quarter decreased \$309,987, or 48.4%, to \$331,044 from \$641,031 for the same period last year. The decline in interest expense was due to lower outstanding balances and more favorable interest rates on the amounts outstanding under the Company's credit facilities.

Income Taxes

Income taxes decreased \$44,326, or 9.7%, to \$413,654 for the three months ended June 30, 1998, versus \$457,980 for the same period a year ago. The Company's effective tax rate declined to 27.2% for the second quarter from 31.0% in 1997. The relatively low effective tax rate resulted from favorable tax treatment afforded income earned by the Company's subsidiary in Puerto Rico and local tax abatements available to the Company's subsidiary in Puerto Rico.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1997.

Net Sales

Net sales for the first half of 1998 rose \$176,475, or 0.5%, to \$34,444,733 compared with \$34,268,258 last year. The increase was primarily attributable to higher sales of occupational work boots, which was partially offset by decreased shipments of shoe uppers to a private label customer. Shipments of rugged outdoor footwear, especially insulated boots, were relatively flat versus a year ago.

Gross Margin

Gross margin for the six months ended June 30, 1998 was \$9,396,868, a decline of \$161,280 or 1.7% from the same period in 1997. As a percentage of net sales, gross margin was 27.3% for the first half

of 1998 versus 27.9% a year ago. The decrease in gross margin was primarily a result of lower production in the Company's manufacturing facilities in order to bring inventories of insulated rugged outdoor boots in line with demand. As a result, fixed overhead costs adversely impacted gross margin for the first six months of 1998 compared with 1997.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$515,319, or 7.7%, for the six months ended June 30, 1998 versus the same period last year. As a percentage of net sales, S,G&A expenses rose to 21.0% for the first half of 1998 from 19.6% a year ago. The 1998 year-to-date increase is due to higher salaries and fringe benefits compared with the prior year, which has a greater impact in the first quarter of this year. S,G&A expenses as a percentage of sales are expected to be more in line with historical levels during the second half of 1998 when management believes net sales will be substantially higher than the first half of 1998.

Interest Expense

Interest expense for the first six months of 1998 declined \$582,762 or 52.7%, to \$523,536 from \$1,106,298 for the same period last year. The decrease is due to lower outstanding balances and lower rates on the Company's indebtedness. The Company utilized the net proceeds from a \$26.9 million follow-on offering in the fourth quarter of 1997 to pay down outstanding debt.

Income Taxes

Income taxes decreased \$928 or 0.2% to \$517,574 for the six months ended June 30, 1998 versus \$518,502 for 1997. The Company's effective tax rate was 27.0% for the first half of 1998 compared with 30.1% for the same period last year. The relatively low effective tax rate is due to favorable tax treatment afforded income earned by the Company's subsidiary in Puerto Rico.

LIQUIDITY AND CAPITAL RESOURCES

The Company has primarily funded its working capital requirements and capital expenditures through borrowings under its line of credit and other indebtedness, and in fiscal 1997, through issuance of additional shares of common stock. 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 footwear styles.

At June 30, 1998, the Company had working capital of \$65,854,932 versus \$55,987,571, at December 31, 1997. During the fourth quarter of 1997, the Company received \$26.9 million net proceeds from a follow-on common stock offering and the exercise of the underwriters' over-allotment option in connection therewith. The proceeds were used to reduce outstanding debt and

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increase working capital.

The Company renegotiated its credit facilities during the second quarter of 1998 which reduced its cost of borrowed funds. The credit facility permits maximum borrowing of \$25,000,000 for the period from January 28, through and including May 15, of each year and of \$42,000,000 from May 16, through and including January 27, of the following year. The credit facility expires May 31, 2003. Changes in the line of credit during the year reflect the Company's seasonal requirements for working capital. As of June 30, 1998, the Company had borrowed \$20,500,000 against its available line of credit.

Capital expenditures for 1998 are expected to be approximately \$4,500,000 for machinery and equipment to support increased production and for lasts, dies and patterns for new footwear styles, and construction of a new distribution facility. The Company believes it will be able to finance such additions and meet operating expenditure requirements in 1998 through available cash on hand, additional long-term borrowing and operating cash flows.

INFORMATION SYSTEMS AND THE YEAR 2000

As is the case with most other companies using computers in their operations, the Company is in the process of addressing the Year 2000 problem. The company is currently engaged in a comprehensive project to upgrade its information, technology, manufacturing and facilities computer software to programs that will consistently and properly recognize the Year 2000. Most of the Company's systems include new packaged software recently purchased from large vendors who have represented that these systems are already Year 2000 compliant.

The Company will utilize both internal and external resources to reprogram or replace and text all of its software for Year 2000 compliance, and the Company expects to complete the project in early 1999. The estimated cost for this project could range as high as \$300,000, including the cost of new systems which will be capitalized. This cost is being funded through operating cash flows. Failure by the Company and/or vendors and customers to complete Year 2000 compliance work in a timely manner could have a material adverse effect on certain of the Company's operations.

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. 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 filings from

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time to time with the Securities and Exchange Commission. There can be no assurance that the forward-looking statements included herein will prove to be accurate, and the inclusion of such statements herein should not be regarded as a representation by the Company, its management or any other person that the objectives and plans of the Company will be achieved. All forward looking statements made herein are based on information presently available to the management of the Company. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

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PART II -- OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 2. Changes in Securities.

None

Item 3. Defaults Upon Senior Securities.

None

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

The Company held its Annual Meeting of Shareholders on May 19, 1998 for the purpose of electing Class II Directors of the Company to serve until the 2000 Annual Meeting of Shareholders or until their successors are elected and qualified, to approve and adopt amendments to the Company's 1995 Stock Option Plan, and to ratify the appointment of Deloitte & Touche LLP to serve as the Company's independent public accountants for the fiscal year ending December 31, 1998.

All of the Management's nominees for directors as listed in the Proxy Statement were elected with the following vote:

<TABLE>
<CAPTION>

	NUMBER OF SHARES VOTED		
	FOR	AGAINST	ABSTAIN
<S>	<C>	<C>	<C>
Leonard L. Brown	4,124,829	434,760	0
David Fraedrich	4,124,829	434,760	0
Barbara Brooks Fuller	4,124,829	434,760	0
Curtis A. Loveland	4,123,839	435,750	0

</TABLE>

The adoption of amendments to the Company's 1995 Stock Option Plan was approved by the following vote:

<TABLE>
<CAPTION>

NUMBER OF SHARES VOTED			
FOR	AGAINST	ABSTAINED	TOTAL

<S>	<C>	<C>	<C>
1,939,594	1,767,953	21,830	3,729,377
-----	-----	-----	-----

</TABLE>

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The appointment of Deloitte & Touche LLP as independent accountants was approved by the following vote:

<TABLE>			
<CAPTION>			

NUMBER OF SHARES VOTED			

FOR	AGAINST	ABSTAINED	TOTAL
-----	-----	-----	-----
<S>	<C>	<C>	<C>
4,550,079	1,110	8,400	4,559,589
-----	-----	-----	-----

</TABLE>

Item 5. Other Information.

Any shareholder proposal submitted outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934, as amended, for presentation to the Company's 1999 Annual Meeting of Shareholders will be considered untimely filed for purposes of Rule 14a-4 and 14a-5 if notice thereof is not received by the Company by February 24, 1999.

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

(a) Exhibits

The exhibits to this report begin at page ____.

(b) Reports on Form 8-K.

None.

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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, 1998

By: /s/ DAVID FRAEDRICH

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

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EXHIBIT
NUMBER

EXHIBIT
DESCRIPTION

- 10.1 Lease Agreement, dated May 1, 1998, between Rocky Shoes & Boots, Inc. and William Brooks Real Estate Company regarding Nelsonville factory.
- 10.2 Second Amendment to Revolving Credit Loan Agreement dated May 29, 1998, among Rocky Shoes & Boots, Inc.; Five Star Enterprises Ltd.; Lifestyle Footwear, Inc.; Bank One, NA; The Huntington National Bank; and Bank One, NA, as Agent.
- 10.3 Second Amended and Restated Master Business Loan Note, dated May 29, 1998, among Rocky Shoes & Boots, Inc.; Five Star Enterprises Ltd.; Lifestyle Footwear, Inc.; and payable to Bank One, NA.
- 10.4 Second Amended and Restated Master Business Loan Note, dated May 29, 1998, among Rocky Shoes & Boots, Inc.; Five Star Enterprises Ltd.; Lifestyle Footwear, Inc.; and payable to The Huntington National Bank.
- 27 Financial Data Schedule

SECOND AMENDMENT TO REVOLVING CREDIT LOAN AGREEMENT

This Second Amendment to Revolving Credit Loan Agreement (the "Amendment"), effective as of May 29, 1998, is made and entered into 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 (formerly known as Bank One, Columbus, 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 (formerly known as Bank One, Columbus, 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 a Term Loan Agreement and First Amendment to Revolving Credit Loan Agreement, dated effective as of April 18, 1997 (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. The Borrowers have requested, among other things, that (i) an additional interest rate option be available, and (ii) certain fees be reduced.

C. The Banks are willing to consent to (i) the additional interest rate option, and (ii) the reduction of certain fees, upon and subject to the terms and conditions as hereinafter set forth.

PROVISIONS

NOW, THEREFORE, in consideration of the foregoing, the provision of the agreements and covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Banks, the Agent and the Borrowers hereby agree as follows (capitalized terms not defined herein shall have the meanings set forth in the Agreement):

Section 1. Amendment of the Agreement.

(a) The following definitions set forth in Section 1.1 of the Agreement shall be amended in their entireties to provide as follows:

"Aggregate Commitment" shall mean the collective, but several, Commitments of the Banks to make Revolving Credit Loans to the Borrowers and issue, provide and fund Commercial L/Cs and Standby L/Cs on behalf of the Borrowers up to the following maximum aggregate amounts, subject to the terms and conditions of this Agreement:

(i) from January 28 through and including May 15 of each year, the maximum aggregate amount of \$25,000,000; and

(ii) from May 16 of each year through and including January 27 of the next year, the maximum aggregate amount of \$42,000,000.

"Applicable Margin" shall have the meaning set forth in Section 3.1(b)(i).

"Business Day" shall mean (i) for all purposes other than as covered by clause (ii) below, any day excluding Saturday, Sunday or any day that shall be in the City of Columbus, Ohio or New York, New York, a legal holiday or a day on which banking institutions are authorized by law or a Governmental Authority to close, and (ii) with respect to all determinations and notices in connection with, and payments of principal and interest on, LIBOR Rate Loans, any day that is a Business Day described in clause (i) above and that is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"Commitment" shall mean:

(a) with respect to Bank One, the commitment of Bank One to make Revolving Credit Loans to the Borrowers and issue, provide and fund Commercial L/Cs and Standby UCs on behalf of the Borrowers up to the following maximum

aggregate amounts, subject to the terms and conditions of this Agreement:

(i) from January 28 through and including May 15 of each year, the maximum aggregate amount of \$15,000,000; and

(ii) from May 16 of each year through and including January 27 of the next year, the maximum aggregate amount of \$25,200,000;

(b) with respect to HNB, the commitment of HNB to make Revolving Credit Loans to the Borrowers and to purchase participations from Bank One with respect to Commercial L/Cs and Standby L/Cs on behalf of the Borrowers up to the following maximum aggregate amounts, subject to the terms and conditions of this Agreement:

(i) from January 28 through and including May 15 of each year, the maximum aggregate amount of \$10,000,000; and

(ii) from May 16 of each year through and including January 27 of the next year, the maximum aggregate amount of \$16,800,000;

"Commitment Period" shall mean the period of time from the date hereof through and including May 31, 2003,

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(b) The following additional definitions shall be added to Section 1.1 of the Agreement in alphabetical order:

"Capitalized Lease" of the Borrowers shall mean any lease which, in accordance with GAAP, is or should be capitalized on the financial statements of the Borrowers.

"Consolidated Depreciation and Amortization" of the Borrowers shall mean, for any period, the total amount of all charges for depreciation and amortization included or required to be included, pursuant to GAAP, in a consolidated statement of income of the Borrowers for such period.

"Consolidated EBITDA" shall mean, for any period, the Borrowers' Consolidated Earnings after all charges and reserves (excluding, however, extraordinary items of gain or loss) but before deduction of (i) Consolidated Interest Expense, (ii) income taxes paid, and (iii) Consolidated Depreciation and Amortization, all as determined in accordance with GAAP.

"Consolidated Fixed Charge Coverage Ratio" of the Borrowers shall mean the ratio of (i) the sum of Consolidated EBITDA plus Consolidated Lease Expense, to (ii) the sum of Consolidated Interest Expense plus Consolidated Lease Expense of the Borrowers, as determined at the end of each Fiscal Quarter of the Borrowers' Fiscal Year, based on such financial data for the previous four (4) Fiscal Quarters.

"Consolidated Funded Debt" of the Borrowers shall mean, at any time, that part of the total Indebtedness of the Borrowers which consists of interest bearing funded debt of the Borrower, including Capitalized Leases.

"Consolidated Interest Expense" of the Borrowers shall mean, for any period, total interest expense, both expensed and capitalized (including, without limitation, that portion of any Capitalized Lease obligation attributable to interest expense in conformity with GAAP, amortization of debt discount, all capitalized interest, the interest portion of any deferred payment obligations, all commissions, discounts and other fees and charges owed with respect to letter of credit and bankers acceptance financing, the net costs and net payments under any interest rate hedging, cap or similar agreement or arrangement, prepayment charges, agency fees, administrative fees, commitment fees and capitalized transaction costs allocated to interest expense) paid, payable or accrued during such period, without duplication for any period, with respect to all outstanding Indebtedness of the Borrowers, whether captioned as interest or otherwise, included or required to be included, pursuant to GAAP, in a consolidated statement of income of the Borrowers for such period.

"Consolidated Lease Expense" of the Borrowers shall mean, for any period, all payment obligations of the Borrowers during such period under agreements for the lease, hire or use of any real or personal property, including Capitalized Leases and obligations in the

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nature of operating leases (including the interest expense, if any, associated therewith), without duplication for any period, as determined on a consolidated basis for the Borrowers in accordance with GAAP.

"Interest Payment Date" shall mean the first day of each month, commencing on February 1, 1997, and continuing on the first day of each month thereafter, and on the Termination Date.

"Interest Period" shall mean, with respect to any LIBOR Rate

Loan:

(a) initially, the period commencing on the Revolving Credit Borrowing Date or the Interest Rate Conversion Date, as the case may be, with respect to such LIBOR Rate Loan and ending one month, two months or three months thereafter, as selected by the Borrowers pursuant to Section 2.5 or Section 2.11; and

(b) thereafter (if continued as a LIBOR Rate Loan in accordance with this Agreement), each such period commencing on the last day of the next preceding Interest Period applicable to such LIBOR Rate Loan and ending one month, two months or three months thereafter, as selected by the Borrowers pursuant to Section 2.11;

provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) any Interest Period which would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) no Interest Period shall extend beyond the Termination Date;

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"Interest Rate" shall mean the rate of interest in effect at any time with respect to a Revolving Credit Loan, whether at the Prime Rate or based on the LIBOR Rate.

"Interest Rate Conversion Date" shall have the meaning set forth in Section 2.11(b)(i).

"LIBOR Rate" shall mean with respect to each Interest Period, the offered rate for Dollar deposits of not less than \$1,000,000.00 as of 11:00 A.M. City of London, England time two (2) Business Days prior to the first date of each Interest Period as shown on the display designated as "British Bankers Assoc. Interest Settlement Rates" on the Telerate

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System ("Telerate"), Page 3750 or Page 3740, or such other page or pages as may replace such pages on Telerate for the purpose of displaying such rate; provided, however, that if such rate is not available on Telerate then such offered rate shall be otherwise independently determined by the Agent from an alternate, substantially similar independent source available to Agent or shall be calculated by the Agent by a substantially similar methodology as that theretofore used to determine such offered rate in Telerate.

"LIBOR Rate Loan" shall mean, at any time, any outstanding Revolving Credit Loan that bears interest based on the LIBOR Rate,

"Notice of Interest Rate Conversion" shall have the meaning set forth in Section 2.4(b)(i).

"Prime Rate Loan" shall mean, at any time, any outstanding Loan that bears interest at the Prime Rate.

"Rate Determination Date" shall have the meaning set forth in Section 3.1(b)(ii).

(c) The definitions of "Annual Review Date" "Borrowing Base", "Borrowing Base Certificate", "Cash Flow Coverage", "Consolidated Current

Assets", "Consolidated Current Liabilities", "Consolidated Liabilities" and "Current Ratio" set forth in Section 1.1 of the Agreement shall be deleted in their entirety.

(d) Section 2.1 (a) of the Agreement shall be amended in its entirety to provide as follows:

(a) Subject to the terms and conditions of this Agreement, each Bank severally agrees to make Revolving Credit Loans to the Borrowers from time to time during the Commitment Period; provided that, immediately after each such Revolving Credit Loan is made, the aggregate principal amount of Revolving Credit Loans by such Bank shall not exceed the amount of its Commitment (as such Commitment may be reduced from time to time in accordance with the terms of this Agreement), either as to Dollar amount or its Revolving Credit Loan Commitment Percentage. Each borrowing for (i) a Prime Rate Loan may be in any Dollar amount, and (ii) a LIBOR Rate Loan shall be in an aggregate principal amount of at least \$500,000, or larger multiples of \$500,000, and shall be made by the Banks in accordance with each Bank's respective Revolving Credit Loan Commitment Percentage. During the Commitment Period and as long as no Event of Default exists, the Borrowers may use the Aggregate Commitment by borrowing, repaying the Revolving Credit Loans, in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(e) Section 2.1(c) of the Agreement shall be amended in its entirety to provide as follows:

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(c) Notwithstanding any provision hereof 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 UCs, shall at no time exceed the Aggregate Commitment.

(f) Section 2.4 of the Agreement shall be amended in its entirety to provide as follows:

Section 2.4 Notes: Termination Date.

(a) The Revolving Credit Loans made by the Banks to the Borrowers pursuant hereto shall be evidenced by the Notes, payable to the order of the respective Bank and evidencing the obligation of the Borrowers to pay the aggregate unpaid principal amount of the Revolving Credit Loans made by such Bank, with interest thereon as prescribed in Article III. Each Bank is hereby authorized to record electronically or otherwise the date and amount of each Revolving Credit Loan disbursement made by such Bank, the date and amount of each payment or repayment of principal thereof, the type of such borrowing (whether a LIBOR Rate Loan or a Prime Rate Loan), and such other information as it deems necessary or appropriate and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, the failure of such Bank to make any such recordation(s) shall not affect the obligation of the Borrowers to repay outstanding principal, interest or any other amount due hereunder or under such Note in accordance with the terms hereof and thereof.

(b) Each Note shall mature on the Termination Date. The Borrowers' right to obtain Revolving Credit Loans and have Commercial UCs and Standby UCs issued on their behalf under this Agreement shall terminate as of the Termination Date.

(g) Section 2.5(a) of the Agreement shall be amended in its entirety to provide as follows:

(a) When the Borrowers desire to borrow under the Aggregate Commitment, the Borrowers shall certify compliance with the conditions precedent set forth in Article VI, and further shall give the Agent prior written, telephonic or telegraphic notice (which notice shall be irrevocable) (a "Notice of Borrowing") of their intention to borrow not later than (x) 1:00 p.m. Columbus, Ohio time, at least two (2) Business Days prior to the proposed date of the borrowing, which date shall be a Business Day (a "Revolving Credit Borrowing Date"), if all or any part of the requested Revolving Credit Loans are to be initially LIBOR Rate Loans, or (y) 1:00 p.m., Columbus, Ohio time on the Revolving Credit Borrowing Date, if all of the requested Revolving Credit Loans are to be initially Prime Rate Loans, Each such Notice of Borrowing shall specify (i) the amount to be borrowed (which amount shall not exceed the Available Commitment and otherwise conform to the requirements hereof), (ii) the requested Revolving Credit Borrowing Date, (iii)

whether the borrowing is to be of LIBOR Rate Loans, Prime Rate Loans or a combination thereof, and (iv) if the borrowing is to be entirely

or partly of LIBOR Rate Loans, the amount and the Interest Period with respect to each LIBOR Rate Loan.

(h) New Sections 2.5(d) and (e) shall be added to the Agreement and shall provide as follows:

(d) In the event that a Notice of Borrowing fails to specify whether the Revolving Credit Loans are to be LIBOR Rate Loans or Prime Rate Loans, or a combination thereof, such Revolving Credit Loans shall be made as Prime Rate Loans.

(e) There may be no more than five (5) different Interest Periods for LIBOR Rate Loans outstanding at the same time (for which purpose Interest Periods described in the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous).

(i) Effective as of July 1, 1998, Section 2.8(a) of the Agreement shall be amended in its entirety to provide as follows:

(a) Aggregate Commitment. During the Commitment Period, the Borrowers shall pay to the Agent for the benefit of each Bank a commitment fee on the daily average unused amount of the Aggregate Commitment at the rate(s) per annum set forth below (calculated on the basis of a 360-day year for the actual number of days elapsed); provided, however, that the aggregate Dollar amount available to be drawn under outstanding Commercial UCs and Standby UCs shall not be included as usage in determining this commitment fee. Such commitment fee shall accrue on the unused amount of the Aggregate Commitment beginning on the date hereof and shall continue to accrue thereafter through the Termination Date, The accrued commitment fee shall be payable quarterly in arrears beginning on September 30, 1998, upon written notice to the Borrowers by the Agent setting forth such accrued commitment fee.

Ratio of Consolidated Funded Debt to Consolidated EBITDA	Commitment Fee
less than 2:1	0.15%
greater than 2:1 but less than 2.5:1	0.18%
greater than 2.5:1 but less than 3:1	0.20%
greater than 3:1	0.22%

Any change in the applicable commitment fee shall be made on each Rate Determination Date in the same manner used for determining the Applicable Margin.

(j) Section 2.10 of the Agreement shall be amended in its entirety to provide as follows:

Section 2.10 Illegality and Impossibility.

(a) In the event that any applicable law, treaty, rule or regulation (whether domestic or foreign) now or hereafter in effect and whether or not presently applicable to either Bank, or any interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by either Bank with any request or directive of such authority (whether or not having the force of law), including without limitation exchange controls, shall make it unlawful or impossible for either Bank to:

(i) maintain any loan or transaction under this Agreement, the Borrowers shall, upon receipt of notice thereof from such Bank, immediately repay in full the then outstanding principal amount of all Revolving Credit Loans made by such Bank so affected, together with all accrued interest thereon to the date of payment; or

(ii) make, maintain or fund its LIBOR Rate

Loans, such Bank shall forthwith give notice thereof to the Agent and the Borrowers, whereupon until such Bank notifies the Agent and the Borrowers that the circumstances giving rise to such suspension no longer exist, the obligation of the Banks to make or continue LIBOR Rate Loans, or to convert outstanding Prime Rate Loans to LIBOR Rate Loans, shall be suspended. If such notice is given, each LIBOR Rate Loan of the Banks then outstanding shall be converted to a Prime Rate Loan immediately.

(b) This Section 2.10 is for the benefit of the Banks and is not intended to increase the yield to the Banks above the rates of interests provided for in this Agreement. This Section 2.10 shall apply only as long as such illegality exists. The Banks shall use reasonable, lawful efforts to avoid the impact of such law, treaty, rule or regulation.

(k) A new Section 2.11 shall be added to the Agreement and shall provide as follows:

Section 2.11 Conversion and Continuation Options.

(a) Each Revolving Credit Loan shall bear interest at the initial Interest Rate selected by the Borrowers for such Revolving Credit Loan until (i) the Interest Rate is converted to another Interest Rate in accordance with Section 2.10 or this Section 2.11, or (ii) the Borrowers elect to convert such Interest Rate to a different Interest Rate in accordance with the terms of this Agreement.

(b) The Borrowers may elect from time to time to convert the Interest Rate with respect to outstanding Revolving Credit Loans from one Interest Rate to the other Interest Rate as follows:

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(i) The Borrowers may elect from time to time to convert outstanding Revolving Credit Loans from LIBOR Rate Loans to Prime Rate Loans by giving the Agent prior written, telephonic or telegraphic notice of such election (which notice shall be irrevocable) (a "Notice of Interest Rate Conversion") of their intention to so convert outstanding Revolving Credit Loans not later than 1:00 p.m. Columbus, Ohio time, at least two (2) Business Days prior to the proposed conversion date, which date shall be a Business Day (an "Interest Rate Conversion Date"); provided, however, that any such conversion of LIBOR Rate Loans may only be made on the last day of an Interest Period with respect thereto, Each such Notice of Interest Rate Conversion shall specify (i) the Revolving Credit Loans to be so converted, and (ii) the requested Interest Rate Conversion Date.

(ii) The Borrowers may elect from time to time to convert outstanding Revolving Credit Loans from Prime Rate Loans to LIBOR Rate Loans by giving the Agent a Notice of Interest Rate Conversion not later than 1:00 p.m. Columbus, Ohio time, at least two (2) Business Days prior to the proposed Interest Rate Conversion Date. Each such Notice of Interest Rate Conversion shall specify (i) the Revolving Credit Loans to be so converted, (ii) the requested Interest Rate Conversion Date, and (iii) the respective amounts of each LIBOR Rate Loan and the Interest Period with respect thereto.

(c) All or any part of outstanding LIBOR Rate Loans and Prime Rate Loans may be converted as provided herein, provided that (x) no Revolving Credit Loan may be converted into a LIBOR Rate Loan when any Default or Event of Default has occurred and is continuing hereunder, (y) no Revolving Credit Loan may be converted into, or continued as, a LIBOR Rate Loan after the date that is one month prior to the Termination Date, and (z) such conversion otherwise complies with the applicable provisions of the proposed Interest Period and this Agreement.

(d) All Prime Rate Loans shall continue to bear interest at the Prime Rate unless and until the Interest Rate with respect to such Prime Rate Loans is converted to LIBOR Rate Loans in accordance with the terms of this Agreement.

(e) The Borrowers may elect from time to time to continue any LIBOR Rate Loan as such upon the expiration of the then current Interest Period with respect thereto by giving the Agent prior written, telephonic or telegraphic notice not later than 1:00 p.m. Columbus,

Ohio time, at least two (2) Business Days prior to expiration of the then current Interest Period; provided that no LIBOR Rate Loan may be continued as such (x) when any Default or Event of Default has occurred and is continuing, (y) after the date that is one month prior to the Termination Date, and (z) unless such continuation otherwise complies with the applicable provisions of the proposed Interest Period and this Agreement. Each such notice shall specify (i) the Revolving Credit Loans to be so continued, (ii) the expiration of the then current Interest Period, and (iii) the Interest Period with respect thereto. If the

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Borrowers shall fail to give notice as described in this subsection with respect to the continuation of a LIBOR Rate Loan, or if such continuation is not permitted pursuant to the terms of this Agreement, such LIBOR Rate Loan shall be automatically converted to a Prime Rate Loan on the last day of such then expiring Interest Period.

(1) Section 3.1 of the Agreement shall be amended in its entirety to provide as follows:

Section 3.1 Interest.

(a) Each Prime Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Prime Rate Loan is made and continuing while outstanding and unpaid, at a rate equal to the Prime Rate. Such interest shall be payable on each applicable Interest Payment Date. The Prime Rate shall be adjusted automatically and as of the effective date of any change in the Prime Rate. Interest on Prime Rate Loans shall be calculated on the basis of the actual number of days elapsed in a year of 360 days, until maturity, whether by demand, acceleration or otherwise.

(b) (i) "Applicable Margin" shall be as follows:

Ratio of Consolidated Funded Debt to Consolidated EBITDA -----	Applicable Margin -----
less than 2:1	100 basis points
greater than 2:1 but less than 2.5:1	125 basis points
greater than 2.5:1 but less than 3:1	150 basis points
greater than 3:1	160 basis points

(ii) The Applicable Margin shall be determined as of the first day of each Fiscal Quarter (each a "Rate Determination Date") based upon the calculation of the ratio of Consolidated Funded Debt to Consolidated EBITDA of the Borrowers as of the end of the second Fiscal Quarter next preceding a Rate Determination Date, and such calculation shall be set forth in the certificate of the officer of the Borrowers required to be delivered to the Banks pursuant to Section 7.1 (b) (i). Such Applicable Margin shall remain in effect from such Rate Determination Date until the next Rate Determination Date, provided that:

(A) in the case of an Applicable Margin determined from such certificate of such officer for the fourth and final Fiscal Quarter of every Fiscal Year, in the event that the annual financial statements for such Fiscal Year subsequently provided to the Banks indicate that the Applicable Margin originally determined to be effective on the second Rate Determination Date immediately following the end of such Fiscal Quarter was inappropriate in light of such annual financial statements,

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then the Applicable Margin shall be adjusted retroactively to such Rate Determination Date to reflect the proper Applicable Margin; and

(B) if on any Rate Determination Date the Borrowers shall have failed to have delivered to the Bank such certificate of such officer required be delivered pursuant to Section 7.1(b) (i) with respect to such second preceding Fiscal Quarter, then for the period beginning on such Rate Determination Date and ending on the earlier of (x) the date

on which the Borrowers shall deliver to the Bank the delinquent certificate or (y) the date on which the Borrowers shall deliver to the Banks such certificate of such officer required to be delivered pursuant to Section 7.1(b)(i) with respect to the Fiscal Year which includes such Fiscal Quarter, the Applicable Margin shall be determined as if the ratio of Consolidated Funded Debt to Consolidated EBITDA of the Borrowers was less than 3:1. Any change in the Applicable Margin on any Rate Determination Date shall immediately result in a corresponding change to the Interest Rate applicable to each LIBOR Rate Loan outstanding on such Rate Determination Date.

(iii) Each LIBOR Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such LIBOR Rate Loan is made and continuing while outstanding and unpaid, at a rate per annum equal to the sum of (i) the LIBOR Rate, plus (ii) the Applicable Margin. Such interest shall be payable on each applicable Interest Payment Date, Interest on LIBOR Rate Loans shall be calculated on the basis of the actual number of days elapsed in a year of 360 days, until maturity, whether by demand, acceleration or otherwise.

(c) Upon the occurrence of an Event of Default hereunder or under either Note, and during the continuance of such, the Interest Rate per annum shall be 300 basis points above the highest Interest Rate then in effect for any Revolving Credit Loan.

(d) The Agent shall determine the Interest Rate applicable to the Revolving Credit Loans hereunder. The Agent shall give prompt notice to the Borrowers and the Banks by telex, cable or telecopy of each interest rate so determined, and its determination shall be conclusive in the absence of manifest error.

(m) Section 3.3 of the Agreement shall be amended in its entirety to provide as follows:

Section 3.3 Prepayments and Funding Losses.

(a) Optional Prepayments. Subject in the case of any LIBOR Rate Loan to subsection (c) below, at their option and upon prior written, telephonic or telegraphic notice to the Agent not later than 1:00 p.m., Columbus, Ohio time on a Business Day which is at least two (2) Business Days prior to the proposed date of prepayment (which also must be

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a Business Day), the Borrowers may prepay the Revolving Credit Loans in whole at any time or in part from time to time, without premium or penalty. In their notice of prepayment, the Borrowers shall specify the date of prepayment, the amount of the prepayment and the Revolving Credit Loan(s) to be prepaid. Each such optional prepayment shall be applied to prepay ratably the Revolving Credit Loans of the Banks. Upon receipt of notice of prepayment pursuant to this subsection, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share of such prepayment and such notice shall not thereafter be revocable by the Borrowers.

(b) Mandatory Prepayment. Subject in the case of any LIBOR Rate Loan to subsection (c) below, the Borrower shall repay the Revolving Credit Loans or provide cash to the Agent with respect to outstanding and undrawn Commercial L/Cs and/or Standby L/Cs on each such date as and to the extent the outstanding balance of all Revolving Credit Loans plus the Dollar amount available to be drawn under outstanding Commercial L/Cs and/or Standby L/Cs exceeds the Aggregate Commitment. Each such mandatory prepayment shall be applied to prepay ratably the Revolving Credit Loans of the Banks. Upon receipt of any prepayment pursuant to this subsection, the Agent shall promptly notify each Bank of such Bank's ratable share of such prepayment.

(c) Prepayment Losses. If the Borrowers make any such prepayment of a LIBOR Rate Loan other than on the last day of an Interest Period with respect to such LIBOR Rate Loan, the Borrowers shall pay all accrued interest on the principal amount prepaid with such prepayment and, on demand, shall reimburse the Banks and the Agent and hold the Banks and the Agent harmless from all losses and expenses incurred by the Banks and the Agent as a result of such prepayment, including, without limitation, any losses and expenses arising from the liquidation or reemployment of deposits acquired to fund or maintain the principal amount prepaid. Such reimbursement shall be calculated as

though the Banks funded the principal amount prepaid through the purchase of Dollar deposits in the London, England interbank market having a maturity corresponding to such Interest Period and bearing an interest rate based on the LIBOR Rate of such Interest Period, whether in fact that is the case or not. The Banks' and the Agent 's determination of the amount of such reimbursement shall be conclusive in the absence of manifest error.

(d) Funding Losses. If any LIBOR Rate Loan is converted to a Prime Rate Loan pursuant to this Agreement on any day other than the last day of any Interest Period applicable thereto, or if the Borrowers fail to borrow, prepay, convert or continue any LIBOR Rate Loan after notice has been given to the Agent in accordance with this Agreement, the Borrowers shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it, including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion, provided that such Bank shall have delivered to the Borrowers a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

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(n) Subpart (y) of Section 7.1(b)(i) of the Agreement shall be amended in its entirety to provide as follows:

[...] (y) showing in detail the calculations supporting such statement in respect of Sections 7.2 (l) (i), (ii), (iii) and (iv), [...]

(o) The word "and" shall be added at the end of Section 7.1 (b)(iii) and the first Section 7.1 (b)(iv) of the Agreement shall be deleted in its entirety.

(p) A new Section 7.1(o) shall be added to the Agreement and shall provide as follows:

(o) Operating Accounts. Maintain its primary operating accounts with Bank One.

(q) Section 7.2(l) of the Agreement shall be amended in its entirety to provide as follows:

(l) Financial Covenants.

(i) Consolidated Tangible Net-Worth. Permit Consolidated Tangible Net Worth to be less than \$56,000,000, which amount shall increase annually on the last day of each Fiscal Year by 50% of Consolidated Earnings for such Fiscal Year (but not decreased by any losses), commencing with the Fiscal Year ending December 31, 1998.

(ii) Consolidated Fixed Charge Coverage Ratio. Permit the Consolidated Fixed Charge Coverage Ratio to be less than 2.0:1.0.

(iii) Consolidated Funded Debt to Consolidated EBITDA Ratio. Permit the ratio of Consolidated Funded Debt to Consolidated EBITDA to exceed 3.5 to 1.0.

(iv) Capital Expenditures. Permit Capital Expenditures to exceed \$5,000,000 in any Fiscal Year.

(r) Exhibit D to the Agreement relating to the form of the "Borrowing Base Certificate" shall be deleted in its entirety.

Section 2. Amended and Restated Notes. To reflect the changes to the Agreement and the terms of the Revolving Credit Loans set forth in Section 1 above, the Notes will be amended and restated to make corresponding changes therein, which Notes shall be substantially in form of Exhibit A and Exhibit B attached hereto.

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Section 3. Conditions to Banks' Obligations. The obligations of the Banks to enter into this Amendment and be bound by the terms hereof are subject to the satisfaction of the following conditions precedent:

(a) Delivery of Documents. Contemporaneously with or before the execution of this Amendment by the Banks, the Agent shall have received the following, each in form and substance satisfactory to the Banks and their counsel:

(i) Amended and Restated Promissory Notes. The Second Amended and Restated Master Business Loan Notes in the form of Exhibits A and B attached hereto, duly executed by the Borrowers;

(ii) Certified Resolutions. Certified copies of (i) the corporate resolutions of each Borrower authorizing the execution and delivery of this Amendment and all documents and instruments referred to herein and the transactions contemplated hereby and thereby;

(iii) Secretary's Certificate. Signed copy of (i) a certificate of the Secretary or Assistant Secretary of each Borrower, which shall certify the names of the officers of such Borrower authorized to sign this Amendment and the other documents or certificates of such Borrower to be executed and delivered pursuant hereto; and

(iv) Other Requirements. Such other certificates, documents and other items as the Banks, in their reasonable discretion, deem necessary or desirable.

(b) Representations and Warranties. The representations and warranties made by the Borrowers in this Amendment shall be true and correct in all material respects as of the date hereof.

Section 4. Truth of Representations and Warranties; No Defaults. The Borrowers hereby represent and warrant that the following shall be true and correct as of the date of this Amendment:

(a) The representations and warranties of the Borrower contained in Article V of the Agreement are true and correct on and as of the date of this Amendment as if made on and as of such date unless stated to relate to a specific earlier date;

(b) No event or condition exists which constitutes a Default or an Event of Default;

(c) All financial information heretofore provided to the Banks and the Agent is true, accurate and complete in all material respects; and

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(d) Neither this Amendment nor any other document, certificate or written statement furnished to the Banks or to the Agent by or on behalf of the Borrowers in connection with the transactions contemplated hereby 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.

Section 5. Reaffirmation of Liability. The Borrowers hereby reaffirm their respective liability to the Banks and the Agent under the Agreement and all other agreements and instruments executed by the Borrowers for the benefit of the Banks and the Agent in connection with the Agreement (the "Bank Documents"). In addition, the Borrowers agree that the Banks and the Agent have performed all of their respective obligations under the Agreement and the Bank Documents and that neither Bank nor the Agent is currently in default under any obligation any of them have or ever did have to the Borrowers under the Agreement, the Bank Documents or any other agreement.

Section 6. Effectiveness of Agreement. All of the terms, covenants and conditions of, and the obligations of the Borrowers under, the Agreement and the Bank Documents shall remain in full force and effect as amended hereby.

Section 7. Preservation of Existing Security Interests. Each mortgage, security interest, pledge, assignment, lien or other conveyance or encumbrance of any right, title, or interest in any Collateral or other property of any kind delivered to the Banks and/or the Agent at any time by the Borrowers or any Person in connection with the Agreement or the Bank Documents or to secure the performance of the obligation of the Borrowers under the Agreement and the Bank Documents shall remain in full force and effect following the execution of this Amendment.

Section 8. Reservation of Rights; Effective Insolvency Proceeding. Nothing herein shall be construed to release, waive, relinquish, discharge, or

in any other manner modify or affect the ability of any party hereto to contest the discharge or dischargeability in bankruptcy of the obligation of any Person or entity in connection with the Agreement and the Bank Documents.

Section 9. Governing Law. This Amendment is being delivered, and is intended to be performed in, the State of Ohio and shall be construed and enforced in accordance with, and governed by, the laws of the State of Ohio.

Section 10. Severability. Any provision of this Amendment 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 11. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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Section 12. Headings. The headings of the sections of this Amendment are for convenience only and shall not affect the construction or interpretation of this Amendment.

Section 13. Interpretation. This Amendment 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.

Section 14. 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 AMENDMENT, 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 15. Waiver of Subrogation. Each Borrower expressly waives any and all rights of subrogation, contribution, reimbursement, indemnity, exoneration, implied contract, recourse to security or any other claim (including any claim, as that term is defined in the federal Bankruptcy Code, and any amendments) which such Borrower may now have or later acquire against any other Borrower, any other entity directly or contingently liable for the obligations of the Borrowers under this Amendment, the Agreement and the other Facility Documents or against the Collateral, arising from the existence or performance of such Borrower's obligations under this Amendment, the Agreement and the other Facility Documents.

Section 16. 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 Amendment was 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 this Agreement, as amended by this Amendment, for all amounts then due thereunder, together with costs of suit, (iii) release all

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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 -as amended by this Amendment 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.

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: 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

Lifestyle Footwear, Inc.,
a Delaware corporation

By: /s/ DAVID FRAEDRICH

Title: Exec. V.P.

By: /s/ DAVID FRAEDRICH

Title: Exec. V.P.

BANKS:

Bank One NA
(formerly known as Bank One, Columbus, NA),
a national banking association

By: /s/ THOMAS E. REDMOND

Title: Vice President

The Huntington National Bank,
a national banking association

By: /s/ GEOFFREY E. MOWERY

Title: Vice President

AGENT:

Bank One, NA, as Agent
(formerly known as Bank One, Columbus, NA),
a national banking association

By: /s/ THOMAS E. REDMOND

Title: Vice President

EXHIBIT A

Bank One Second Amended and Restated Note

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SECOND AMENDED AND RESTATED MASTER BUSINESS LOAN NOTE

Due: May 31, 2003

\$25,200,000

No. _____

Date: May 29, 1998

Promise to Pay: On or before May 31, 2003 (or such later date as may be provided in the Loan Agreement (defined below)), for value received, the undersigned, Rocky Shoes & Boots, Inc., an Ohio corporation, Five Star Enterprises Ltd., a Cayman Islands corporation, and Lifestyle Footwear, Inc., a Delaware corporation (collectively referred to as the "Borrower"), promise to pay, jointly and severally, to Bank One, NA (formerly known as Bank One, Columbus, NA), a national banking association (the "Bank"), or order, at the office of the Agent (defined below) located at 100 East Broad Street, Columbus, Ohio 43271-0170, or at such other address as the Agent may give notice of to the Borrower, the sum of \$25,200,000 or such lesser sum as is indicated on the Bank's records, plus interest on the unpaid principal balance from time to time outstanding hereunder until paid in full at the rate(s) of interest determined in accordance with Loan Agreement referred to herein,

In no event shall the interest rate exceed the maximum rate allowed by law; any interest payment which would for any reason be deemed unlawful under applicable law shall be applied to principal.

Interest will be computed on the unpaid principal balance from the date of each borrowing until paid.

Such principal and interest shall be due and payable on the dates set forth in the Loan Agreement.

The Borrower may only prepay this Note in accordance with the terms of the Loan Agreement.

The Bank shall have the right to assess a late payment processing fee in the amount of the greater of \$50.00 or 5% of the scheduled payment in the event of a default in payment that remains uncured for a period of five (5) days.

Master Note: The Bank has authorized a committed credit facility to the Borrower in a principal amount not to exceed the face amount of this Note. The credit facility is in the form of loans made from time to time by the Bank to the Borrower. This Note evidences the Borrower's obligation to repay those loans. The aggregate principal amount of debt evidenced by this Note shall be the amount reflected from time to time in the records of the Bank, but shall not exceed the face amount of this Note. This Note amends and restates in its entirety the Amended and Restated Master Business Loan Note, dated April 18, 1997, in the original principal amount of \$25,200,000 executed by the Borrower and payable to the order of the Bank, which in turn had amended and restated in its entirety the Master Business Loan Note, dated January 28, 1997, in the original principal amount of \$21,000,000, executed by the Borrower and payable to the order of the Bank, and is the "Bank One Note" identified in the Loan Agreement. This Note evidences the continuing indebtedness under the Loan Agreement and such Bank One Note and is not to be construed as a satisfaction or refinancing of such indebtedness.

Credit Agreement: This Note evidences a certain debt under the terms of a Revolving Credit Loan Agreement between the Bank, the Borrower, The Huntington National Bank and Bank One, NA (formerly known as Bank One, Columbus, NA), as Agent (the "Agent"), dated as of January 28, 1997, as amended by a (i) Term Loan Agreement and First Amendment to Revolving Credit Loan Agreement, dated as of April 18, 1997, and (ii) Second Amendment to Revolving Credit Loan Agreement, dated as of May 29, 1998 (such agreement, as so amended and as the same may be further amended, modified, supplemented, restated or replaced from time to time, the "Loan Agreement"). Reference is made to the Loan Agreement for additional provisions relating to the debt evidenced by this Note.

Security: To secure the payment of this Note and other present and future liabilities of the Borrower to the Bank, the Borrower has pledged and granted to the Agent, for the ratable benefit of the Bank and The Huntington National Bank, among other things, a continuing security interest in certain assets of the Borrower pursuant to a Continuing Security Agreement dated as of January 28, 1997, as the same may be amended, modified, supplemented, restated or replaced from time to time. The Bank shall have the right at any time to apply its own debt or liability to the Borrower or to any other party liable on this Note in whole or partial payment of this Note or other present or future liabilities, without any requirement for mutual maturity.

Related Documents: The terms of any other documents executed as part of the loan evidenced by this Note are incorporated herein by reference.

Representations by Borrower: Each Borrower represents that it is a corporation duly organized and existing under the laws of its jurisdiction of formation, and that the execution and delivery of this Note and the performance of the obligations it imposes are within its corporate powers, have been duly authorized by all necessary action of its directors and do not contravene the terms of its articles (certificate) of incorporation and code of regulations (by-laws). Each Borrower represents that the execution and delivery of this Note and the performance of the obligations it imposes do not violate any law, do not conflict with any agreement by which it is bound, do not require the consent or approval of any governmental authority or any third party, and that this Note is a valid and binding agreement, enforceable according to its terms, except as enforcement of such terms may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or similar laws affecting creditors' rights generally, provided, however, that each Borrower represents and warrants that no such limitations currently exist as of the date of this Note, or (ii) equitable principles which may limit the availability of the remedy of specific performance or other equitable remedies. Each Borrower also represents that this Note evidences a business loan exempt from the Federal Truth In Lending Act (15 USC Section 1601, et seq.), and the Board of Governors of the Federal Reserve System's Regulation Z (12 CFR Section 226, et seq.).

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Additional Terms and Conditions

Events of Default: If any of the following events (each an "Event of Default") occurs:

- 1 . Any Borrower fails to pay when due any amount payable under this

Note, and such failure continues for more than five (5) days after such payment became due,

2. Any Borrower (a) fails to observe or perform any other term of this Note, and such failure to observe or perform continues for more than fifteen (15) days after such failure shall first become known to any officer of any Borrower, provided, however, that such fifteen (15) day cure period shall not apply to (i) any such failure which in the Bank's good faith opinion is incapable of cure; and (ii) any such failure which has previously occurred; (b) makes any materially incorrect or misleading representation, warranty, or certificate to the Agent or the Bank; (c) makes any materially incorrect or misleading representation in any financial statement or other information delivered to the Agent or the Bank; or (d) defaults under the terms of any agreement or instrument relating to any debt for borrowed money (other than the debt evidenced by this Note) such that the creditor declares the debt due before its maturity;

3. Any other default occurs under the terms of any loan agreement, mortgage, security agreement, or any other document, including the Loan Agreement, executed as part of the loan evidenced by this Note or any other obligation or indebtedness of any Borrower owed to the Bank at any time, and such default continues for more than fifteen (15) days after such default shall first become known to any officer of any Borrower, provided, however that such fifteen (15) day cure period shall not apply to (a) any default which in the Bank's good faith opinion is incapable of cure; (b) any default which has previously occurred; (c) any failure to maintain and keep in effect any insurance required under the Loan Agreement; or (d) any failure to provide to the Bank the financial statements, documents and information required to be provided pursuant to Sections 7.1 (a), (b), and (c) of the Loan Agreement;

4. A "reportable event" (as defined in the Employee Retirement Income Security Act of 1974, as amended) occurs that would permit the Pension Benefit Guaranty Corporation to terminate any employee benefit plan of any Borrower or any affiliate of any Borrower, or the occurrence of an "ERISA Event" (as defined in the Loan Agreement) which shall not have been cured within thirty (30) days after any officer of any Borrower has knowledge thereof;

5. Any Borrower becomes insolvent or unable to pay its debts as they become due;

6. Any Borrower (a) makes an assignment for the benefit of creditors; (b) consents to the appointment of a custodian, receiver, or trustee for itself or for a substantial part of its assets; or (c) commences or consents to any proceeding under any bankruptcy, reorganization, liquidation, insolvency or similar laws of any jurisdiction;

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7. A custodian, receiver or trustee is appointed for any Borrower or for a substantial part of its assets without its consent and is not removed within sixty (60) days after such appointment;

8. Proceedings are commenced against any Borrower under any bankruptcy, reorganization, liquidation, or similar laws of any jurisdiction, and such proceedings remain undismissed for sixty (60) days after commencement,

9. Any judgment is entered against any Borrower, or any attachment, levy or garnishment is issued against any property of any Borrower, in excess of \$250,000.00, and which judgment, attachment, levy or garnishment has not been discharged or stayed within thirty (30) days after issuance, or for such longer period as the Bank may agree to in writing;

10. Any Borrower, without the Bank's written consent, (a) is dissolved, (b) merges or consolidates with any third party, (c) sells a material part of its assets or business outside the ordinary course of its business, or (d) agrees to do any of the foregoing;

11. There is a substantial change (other than with respect to changes in the normal course of any Borrower's business, such as seasonal fluctuations) in the existing or prospective financial condition of any Borrower which the Bank in good faith determines to be materially adverse; or

12. The Bank in good faith deems itself insecure:

then this Note shall become due immediately, without notice, at the Bank's option.

Remedies: If this Note is not paid at maturity, whether by demand, acceleration or otherwise, the Agent and the Bank shall have all of the rights and remedies provided by any law or agreement. Any requirement of reasonable notice shall be met if the Agent or the Bank sends the notice to the Borrower at least seven (7)

days prior to the date of public or private sale, disposition or other event giving rise to the required notice. Upon default, the Agent and the Bank are authorized to cause all or any part of any collateral securing this Note to be transferred to or registered in its (their) name(s) or in the name of any other person, firm or corporation, with or without designation of the capacity of such nominee. The Borrower shall be liable for any deficiency remaining after disposition of any collateral securing this Note. The Borrower is liable to the Agent and the Bank for all reasonable costs and expenses of every kind incurred in the making or collection of this Note, including, without limitation, reasonable attorneys' fees and court costs. These costs and expenses shall include, without limitation, any reasonable costs or expenses incurred by the Agent and the Bank in any bankruptcy, reorganization, insolvency or other similar proceeding.

Waiver: Each endorser and any other party liable on this Note severally waives demand, presentment, notice of dishonor and protest, and consents to any extension or postponement of time of its payment without limit as to the number or period, to any substitution, exchange or release of all or part of the collateral securing this Note, to the addition of any party, and to the release or discharge of, or suspension of any rights and remedies against, any person who may be liable for the

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payment of this Note. No delay on the part of the Bank in the exercise of any right or remedy shall operate as a waiver, No single or partial exercise by the Bank of any right or remedy shall preclude any other future exercise of it or the exercise of any other right or remedy. No waiver or indulgence by the Bank of any default shall be effective unless in writing and signed by the Bank, nor shall a waiver on one occasion be construed as a bar to or waiver of that right on any future occasion.

Miscellaneous: Each Borrower shall be jointly and severally liable under this Note. This Note shall be binding on each Borrower and its successors, and shall inure to the benefit of the Bank, its successors and assigns. Any reference to the Bank shall include any holder of this Note. This Note is delivered in the State of Ohio and governed by Ohio law. Section headings are for convenience of reference only and shall not affect the interpretation of this Note. This Note and all related loan documents embody the entire agreement between the Borrower and the Bank regarding the terms of the loan evidenced by this Note, and supersede all oral statements and prior writings relating to that loan.

WAIVER OF JURY TRIAL. EACH BORROWER, THE AGENT AND THE BANK, 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 NOTE, THE LOAN AGREEMENT, 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 BANKS OR THE AGENT'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN, IN THE LOAN AGREEMENT OR ANY RELATED INSTRUMENT OR AGREEMENT. NO BORROWER NOR THE BANK AND THE AGENT 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 BORROWER, THE AGENT OR THE BANK EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

Each Borrower irrevocably authorizes any attorney-at-law, including any attorney-at-law employed or retained by the Bank 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 this Note was 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 this Note for the amount then due, 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 Bank or the Agent may have in confessing judgment under this Note and consents to payment of a legal fee to any attorney-

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at-law confessing judgment under the Note. 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.

The undersigned have executed this Note in Columbus, Ohio, as of the date and year first above written.

Rocky Shoes & Boots, Inc.,
an Ohio corporation

By: _____
Title: _____

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: _____
Title: _____

By: _____
Title: _____

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EXHIBIT B

HNB Second Amended and Restated Note

SECOND AMENDED AND RESTATED MASTER BUSINESS LOAN NOTE

Due: May 31, 2003

\$16,800,000

No. _____

Date: May 29, 1998

Promise to Pay: On or before May 31, 2003 (or such later date as may be provided in the Loan Agreement (defined below)), for value received, the undersigned, Rocky Shoes & Boots, Inc., an Ohio corporation, Five Star Enterprises Ltd., a Cayman Islands corporation, and Lifestyle Footwear, Inc., a Delaware corporation (collectively referred to as the "Borrower"), promise to pay, jointly and severally, to The Huntington National Bank, a national banking association (the "Bank"), or order, at the office of the Agent (defined below) located at 100 East Broad Street, Columbus, Ohio 43271-0170, or at such other address as the Agent may give notice of to the Borrower, the sum of \$16,800,000 or such lesser sum as is indicated on the Bank's records, plus interest on the unpaid principal balance from time to time outstanding hereunder until paid in full at the rate(s) of interest determined in accordance with Loan Agreement referred to herein.

In no event shall the interest rate exceed the maximum rate allowed by law; any interest payment which would for any reason be deemed unlawful under applicable law shall be applied to principal.

Interest will be computed on the unpaid principal balance from the date of each borrowing until paid.

Such principal and interest shall be due and payable on the dates set forth in the Loan Agreement.

The Borrower may only prepay this Note in accordance with the terms of the Loan Agreement.

The Bank shall have the right to assess a late payment processing fee in the amount of the greater of \$50.00 or 5% of the scheduled payment in the event of a default in payment that remains uncured for a period of five (5) days.

Master Note: The Bank has authorized a committed credit facility to the Borrower in a principal amount not to exceed the face amount of this Note. The credit facility is in the form of loans made from time to time by the Bank to the Borrower. This Note evidences the Borrower's obligation to repay those loans. The aggregate principal amount of debt evidenced by this Note shall be the amount reflected from time to time in the records of the Bank, but shall not exceed the face amount of this Note. This Note amends and restates in its entirety the Amended and Restated Master Business Loan Note, dated April 18, 1997, in the original principal amount of \$16,800,000 executed by the Borrower and payable to the order of the Bank, which in turn had amended and restated in its entirety the Master Business Loan Note, dated January 28, 1997, in the original principal amount of \$14,000,000 executed by the Borrower and payable to the order of the Bank, and is the "HNB Note" identified in the Loan Agreement. This Note evidences the continuing indebtedness under the Loan Agreement and such HNB Note and is not to be construed as a satisfaction or refinancing of such indebtedness.

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Credit Agreement: This Note evidences a certain debt under the terms of a Revolving Credit Loan Agreement between the Bank, the Borrower, Bank One, NA (formerly known as Bank One, Columbus, NA) and Bank One, NA (formerly known as Bank One, Columbus, NA), as Agent (the "Agent"), dated as of January 28, 1997, as amended by a (i) Term Loan Agreement and First Amendment to Revolving Credit Loan Agreement, dated as of April 18, 1997, and (ii) Second Amendment to Revolving Credit Loan Agreement, dated as of May 29, 1998 (such agreement, as so amended and as the same may be further amended, modified, supplemented, restated or replaced from time to time, the "Loan Agreement"), Reference is made to the Loan Agreement for additional provisions relating to the debt evidenced by this Note.

Security: To secure the payment of this Note and other present and future liabilities of the Borrower to the Bank, the Borrower has pledged and granted to the Agent, for the ratable benefit of the Bank and Bank One, NA (formerly known as Bank One, Columbus, NA), among other things, a continuing security interest in certain assets of the Borrower pursuant to a Continuing Security Agreement dated as of January 28, 1997, as the same may be amended, modified, supplemented, restated or replaced from time to time. The Bank shall have the right at any time to apply its own debt or liability to the Borrower or to any other party liable on this Note in whole or partial payment of this Note or other present or future liabilities, without any requirement for mutual maturity.

Related Documents: The terms of any other documents executed as part of the loan evidenced by this Note are incorporated herein by reference.

Representations by Borrower: Each Borrower represents that it is a corporation duly organized and existing under the laws of its jurisdiction of formation, and that the execution and delivery of this Note and the performance of the obligations it imposes are within its corporate powers, have been duly authorized by all necessary action of its directors and do not contravene the terms of its articles (certificate) of incorporation and code of regulations (by-laws). Each Borrower represents that the execution and delivery of this Note and the performance of the obligations it imposes do not violate any law, do not conflict with any agreement by which it is bound, do not require the consent or approval of any governmental authority or any third party, and that this Note is a valid and binding agreement, enforceable according to its terms, except as enforcement of such terms may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or similar laws affecting creditors' rights generally, provided, however, that each Borrower represents and warrants that no such limitations currently exist as of the date of this Note, or (ii) equitable principles which may limit the availability of the remedy of specific performance or other equitable remedies. Each Borrower also represents that this Note evidences a business loan exempt from the Federal Truth In Lending Act (15 USC Section 1601, et seq.), and the Board of Governors of the Federal Reserve System's Regulation Z (12 CFR Section 226, et seq.).

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Additional Terms and Conditions

Events of Default: If any of the following events (each an "Event of Default") occurs:

1 . Any Borrower fails to pay when due any amount payable under this Note, and such failure continues for more than five (5) days after such payment became due;

2. Any Borrower (a) fails to observe or perform any other term of this Note, and such failure to observe or perform continues for more than fifteen (15) days after such failure shall first become known to any officer of any Borrower, provided, however, that such fifteen (15) day cure period shall not apply to (i) any such failure which in the Bank's good faith opinion is incapable of cure; and (ii) any such failure which has previously occurred; (b) makes any materially incorrect or misleading representation, warranty, or certificate to the Agent or the Bank; (c) makes any materially incorrect or misleading representation in any financial statement or other information delivered to the Agent or the Bank; or (d) defaults under the terms of any agreement or instrument relating to any debt for borrowed money (other than the debt evidenced by this Note) such that the creditor declares the debt due before its maturity;

3. Any other default occurs under the terms of any loan agreement, mortgage, security agreement, or any other document, including the Loan Agreement, executed as part of the loan evidenced by this Note or any other obligation or indebtedness of any Borrower owed to the Bank at any time, and such default continues for more than fifteen (15) days after such default shall first become known to any officer of any Borrower, provided, however that such fifteen (15) day cure period shall not apply to (a) any default which in the Bank's good faith opinion is incapable of cure; (b) any default which has previously occurred; (c) any failure to maintain and keep in effect any insurance required under the Loan Agreement; or (d) any failure to provide to the Bank the financial statements, documents and information required to be provided pursuant to Sections 7.1 (a), (b), and (c) of the Loan Agreement;

4. A "reportable event" (as defined in the Employee Retirement Income Security Act of 1974, as amended) occurs that would permit the Pension Benefit Guaranty Corporation to terminate any employee benefit plan of any Borrower or any affiliate of any Borrower, or the occurrence of an "ERISA Event" (as defined in the Loan Agreement) which shall not have been cured within thirty (30) days after any officer of any Borrower has knowledge thereof;

5. Any Borrower becomes insolvent or unable to pay its debts as they become due;

6. Any Borrower (a) makes an assignment for the benefit of creditors; (b) consents to the appointment of a custodian, receiver, or trustee for itself or for a substantial part of its assets; or (c) commences or consents to any proceeding under any bankruptcy, reorganization, liquidation, insolvency or similar laws of any jurisdiction;

7. A custodian, receiver or trustee is appointed for any Borrower or for a substantial part of its assets without its consent and is not removed within sixty (60) days after such appointment,

8. Proceedings are commenced against any Borrower under any bankruptcy, reorganization, liquidation, or similar laws of any jurisdiction, and such proceedings remain undismissed for sixty (60) days after commencement;

9. Any judgment is entered against any Borrower, or any attachment, levy or garnishment is issued against any property of any Borrower, in excess of \$250,000.00, and which judgment, attachment, levy or garnishment has not been discharged or stayed within thirty (30) days after issuance, or for such longer period as the Bank may agree to in writing;

10. Any Borrower, without the Bank's written consent, (a) is dissolved, (b) merges or consolidates with any third party, (c) sells a material part of its assets or business outside the ordinary course of its business, or (d) agrees to do any of the foregoing;

11. There is a substantial change (other than with respect to changes in the normal course of any Borrower's business, such as seasonal fluctuations) in the existing or prospective financial condition of any Borrower which the Bank in good faith determines to be materially adverse; or

12. The Bank in good faith deems itself insecure:

then this Note shall become due immediately, without notice, at the Bank's option.

Remedies: If this Note is not paid at maturity, whether by demand, acceleration or otherwise, the Agent and the Bank shall have all of the rights and remedies provided by any law or agreement. Any requirement of reasonable notice shall be met if the Agent or the Bank sends the notice to the Borrower at least seven (7) days prior to the date of public or private sale, disposition or other event giving rise to the required notice. Upon default, the Agent and the Bank are authorized to cause all or any part of any collateral securing this Note to be transferred to or registered in its (their) name(s) or in the name of any other person, firm or corporation, with or without designation of the capacity of such nominee. The Borrower shall be liable for any deficiency remaining after disposition of any collateral securing this Note. The Borrower is liable to the Agent and the Bank for all reasonable costs and expenses of every kind incurred in the making or collection of this Note, including, without limitation, reasonable attorneys' fees and court costs. These costs and expenses shall include, without limitation, any reasonable costs or expenses incurred by the Agent and the Bank in any bankruptcy, reorganization, insolvency or other similar proceeding.

Waiver: Each endorser and any other party liable on this Note severally waives demand, presentment, notice of dishonor and protest, and consents to any extension or postponement of time of its payment without limit as to the number or period, to any substitution, exchange or release of all or part of the collateral securing this Note, to the addition of any party, and to the release or discharge of, or suspension of any rights and remedies against, any person who may be liable for the

payment of this Note. No delay on the part of the Bank in the exercise of any right or remedy shall operate as a waiver. No single or partial exercise by the Bank of any right or remedy shall preclude any other future exercise of it or the exercise of any other right or remedy. No waiver or indulgence by the Bank of any default shall be effective unless in writing and signed by the Bank, nor shall a waiver on one occasion be construed as a bar to or waiver of that right on any future occasion.

Miscellaneous: Each Borrower shall be jointly and severally liable under this Note. This Note shall be binding on each Borrower and its successors, and shall inure to the benefit of the Bank, its successors and assigns. Any reference to the Bank shall include any holder of this Note. This Note is delivered in the State of Ohio and governed by Ohio law. Section headings are for convenience of reference only and shall not affect the interpretation of this Note. This Note and all related loan documents embody the entire agreement between the Borrower and the Bank regarding the terms of the loan evidenced by this Note, and supersede all oral statements and prior writings relating to that loan.

WAIVER OF JURY TRIAL. EACH BORROWER, THE AGENT AND THE BANK, 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 NOTE, THE LOAN AGREEMENT, 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 BANKS OR THE AGENT'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN, IN THE LOAN AGREEMENT OR ANY RELATED INSTRUMENT OR AGREEMENT. NO BORROWER NOR THE BANK AND THE AGENT 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 BORROWER, THE AGENT OR THE BANK EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

Each Borrower irrevocably authorizes any attorney-at-law, including any attorney-at-law employed or retained by the Bank 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 this Note was 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 this Note for the amount then due, 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 Bank or the Agent may have in confessing judgment under this Note and consents to payment of a legal fee to any attorney-

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at-law confessing judgment under the Note. 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.

The undersigned have executed this Note in Columbus, Ohio, as of the date and year first above written.

Rocky Shoes & Boots, Inc.,
an Ohio corporation

By: _____

Title: _____

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: _____

By: _____

Title: _____

Title: _____

SECOND AMENDED AND RESTATED MASTER BUSINESS LOAN NOTE

Due: May 31, 2003

\$25,200,000

No. _____

Date: May 29, 1998

Promise to Pay: On or before May 31, 2003 (or such later date as may be provided in the Loan Agreement (defined below)), for value received, the undersigned, Rocky Shoes & Boots, Inc., an Ohio corporation, Five Star Enterprises Ltd., a Cayman Islands corporation, and Lifestyle Footwear, Inc., a Delaware corporation (collectively referred to as the "Borrower"), promise to pay, jointly and severally, to Bank One, NA (formerly known as Bank One, Columbus, NA), a national banking association (the "Bank"), or order, at the office of the Agent (defined below) located at 100 East Broad Street, Columbus, Ohio 43271-0170, or at such other address as the Agent may give notice of to the Borrower, the sum of \$25,200,000 or such lesser sum as is indicated on the Bank's records, plus interest on the unpaid principal balance from time to time outstanding hereunder until paid in full at the rate(s) of interest determined in accordance with Loan Agreement referred to herein,

In no event shall the interest rate exceed the maximum rate allowed by law; any interest payment which would for any reason be deemed unlawful under applicable law shall be applied to principal.

Interest will be computed on the unpaid principal balance from the date of each borrowing until paid.

Such principal and interest shall be due and payable on the dates set forth in the Loan Agreement.

The Borrower may only prepay this Note in accordance with the terms of the Loan Agreement.

The Bank shall have the right to assess a late payment processing fee in the amount of the greater of \$50.00 or 5% of the scheduled payment in the event of a default in payment that remains uncured for a period of five (5) days.

Master Note: The Bank has authorized a committed credit facility to the Borrower in a principal amount not to exceed the face amount of this Note. The credit facility is in the form of loans made from time to time by the Bank to the Borrower. This Note evidences the Borrower's obligation to repay those loans. The aggregate principal amount of debt evidenced by this Note shall be the amount reflected from time to time in the records of the Bank, but shall not exceed the face amount of this Note. This Note amends and restates in its entirety the Amended and Restated Master Business Loan Note, dated April 18, 1997, in the original principal amount of \$25,200,000 executed by the Borrower and payable to the order of the Bank, which in turn had amended and restated in its entirety the Master Business Loan Note, dated January 28, 1997, in the original principal amount of \$21,000,000, executed by the Borrower and payable to the order

of the Bank, and is the "Bank One Note" identified in the Loan Agreement. This Note evidences the continuing indebtedness under the Loan Agreement and such Bank One Note and is not to be construed as a satisfaction or refinancing of such indebtedness.

Credit Agreement: This Note evidences a certain debt under the terms of a Revolving Credit Loan Agreement between the Bank, the Borrower, The Huntington National Bank and Bank One, NA (formerly known as Bank One, Columbus, NA), as Agent (the "Agent"), dated as of January 28, 1997, as amended by a (i) Term Loan Agreement and First Amendment to Revolving Credit Loan Agreement, dated as of April 18, 1997, and (ii) Second Amendment to Revolving Credit Loan Agreement, dated as of May 29, 1998 (such agreement, as so amended and as the same may be further amended, modified, supplemented, restated or replaced from time to time, the "Loan Agreement"). Reference is made to the Loan Agreement for additional provisions relating to the debt evidenced by this Note.

Security: To secure the payment of this Note and other present and future liabilities of the Borrower to the Bank, the Borrower has pledged and granted to the Agent, for the ratable benefit of the Bank and The Huntington National Bank, among other things, a continuing security interest in certain assets of the Borrower pursuant to a Continuing Security Agreement dated as of January 28, 1997, as the same may be amended, modified, supplemented, restated or replaced from time to time. The Bank shall have the right at any time to apply its own debt or liability to the Borrower or to any other party liable on this Note in

whole or partial payment of this Note or other present or future liabilities, without any requirement for mutual maturity.

Related Documents: The terms of any other documents executed as part of the loan evidenced by this Note are incorporated herein by reference.

Representations by Borrower: Each Borrower represents that it is a corporation duly organized and existing under the laws of its jurisdiction of formation, and that the execution and delivery of this Note and the performance of the obligations it imposes are within its corporate powers, have been duly authorized by all necessary action of its directors and do not contravene the terms of its articles (certificate) of incorporation and code of regulations (by-laws). Each Borrower represents that the execution and delivery of this Note and the performance of the obligations it imposes do not violate any law, do not conflict with any agreement by which it is bound, do not require the consent or approval of any governmental authority or any third party, and that this Note is a valid and binding agreement, enforceable according to its terms, except as enforcement of such terms may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or similar laws affecting creditors' rights generally, provided, however, that each Borrower represents and warrants that no such limitations currently exist as of the date of this Note, or (ii) equitable principles which may limit the availability of the remedy of specific performance or other equitable remedies. Each Borrower also represents that this Note evidences a business loan exempt from the Federal Truth In Lending Act (15 USC Section 1601, et seq.), and the Board of Governors of the Federal Reserve System's Regulation Z (12 CFR Section 226, et seq.).

Additional Terms and Conditions

Events of Default: If any of the following events (each an "Event of Default") occurs:

1. Any Borrower fails to pay when due any amount payable under this Note, and such failure continues for more than five (5) days after such payment became due,
2. Any Borrower (a) fails to observe or perform any other term of this Note, and such failure to observe or perform continues for more than fifteen (15) days after such failure shall first become known to any officer of any Borrower, provided, however, that such fifteen (15) day cure period shall not apply to (i) any such failure which in the Bank's good faith opinion is incapable of cure; and (ii) any such failure which has previously occurred; (b) makes any materially incorrect or misleading representation, warranty, or certificate to the Agent or the Bank; (c) makes any materially incorrect or misleading representation in any financial statement or other information delivered to the Agent or the Bank; or (d) defaults under the terms of any agreement or instrument relating to any debt for borrowed money (other than the debt evidenced by this Note) such that the creditor declares the debt due before its maturity;
3. Any other default occurs under the terms of any loan agreement, mortgage, security agreement, or any other document, including the Loan Agreement, executed as part of the loan evidenced by this Note or any other obligation or indebtedness of any Borrower owed to the Bank at any time, and such default continues for more than fifteen (15) days after such default shall first become known to any officer of any Borrower, provided, however that such fifteen (15) day cure period shall not apply to (a) any default which in the Bank's good faith opinion is incapable of cure; (b) any default which has previously occurred; (c) any failure to maintain and keep in effect any insurance required under the Loan Agreement; or (d) any failure to provide to the Bank the financial statements, documents and information required to be provided pursuant to Sections 7.1 (a), (b), and (c) of the Loan Agreement;
4. A "reportable event" (as defined in the Employee Retirement Income Security Act of 1974, as amended) occurs that would permit the Pension Benefit Guaranty Corporation to terminate any employee benefit plan of any Borrower or any affiliate of any Borrower, or the occurrence of an "ERISA Event" (as defined in the Loan Agreement) which shall not have been cured within thirty (30) days after any officer of any Borrower has knowledge thereof;
5. Any Borrower becomes insolvent or unable to pay its debts as they become due;
6. Any Borrower (a) makes an assignment for the benefit of creditors; (b) consents to the appointment of a custodian, receiver, or trustee for itself or for a substantial part of its assets; or (c) commences or consents to any proceeding under any bankruptcy, reorganization, liquidation, insolvency or similar laws of any jurisdiction;

7. A custodian, receiver or trustee is appointed for any Borrower or for a substantial part of its assets without its consent and is not removed within sixty (60) days after such appointment;

8. Proceedings are commenced against any Borrower under any bankruptcy, reorganization, liquidation, or similar laws of any jurisdiction, and such proceedings remain undismissed for sixty (60) days after commencement,

9. Any judgment is entered against any Borrower, or any attachment, levy or garnishment is issued against any property of any Borrower, in excess of \$250,000.00, and which judgment, attachment, levy or garnishment has not been discharged or stayed within thirty (30) days after issuance, or for such longer period as the Bank may agree to in writing;

10. Any Borrower, without the Bank's written consent, (a) is dissolved, (b) merges or consolidates with any third party, (c) sells a material part of its assets or business outside the ordinary course of its business, or (d) agrees to do any of the foregoing;

11. There is a substantial change (other than with respect to changes in the normal course of any Borrower's business, such as seasonal fluctuations) in the existing or prospective financial condition of any Borrower which the Bank in good faith determines to be materially adverse; or

12. The Bank in good faith deems itself insecure:

then this Note shall become due immediately, without notice, at the Bank's option.

Remedies: If this Note is not paid at maturity, whether by demand, acceleration or otherwise, the Agent and the Bank shall have all of the rights and remedies provided by any law or agreement. Any requirement of reasonable notice shall be met if the Agent or the Bank sends the notice to the Borrower at least seven (7) days prior to the date of public or private sale, disposition or other event giving rise to the required notice. Upon default, the Agent and the Bank are authorized to cause all or any part of any collateral securing this Note to be transferred to or registered in its (their) name(s) or in the name of any other person, firm or corporation, with or without designation of the capacity of such nominee. The Borrower shall be liable for any deficiency remaining after disposition of any collateral securing this Note. The Borrower is liable to the Agent and the Bank for all reasonable costs and expenses of every kind incurred in the making or collection of this Note, including, without limitation, reasonable attorneys' fees and court costs. These costs and expenses shall include, without limitation, any reasonable costs or expenses incurred by the Agent and the Bank in any bankruptcy, reorganization, insolvency or other similar proceeding.

Waiver: Each endorser and any other party liable on this Note severally waives demand, presentment, notice of dishonor and protest, and consents to any extension or postponement of time of its payment without limit as to the number or period, to any substitution, exchange or release of all or part of the collateral securing this Note, to the addition of any party, and to the release or discharge of, or suspension of any rights and remedies against, any person who may be liable for the payment of this Note. No delay on the part of the Bank in the exercise of any right or remedy shall operate as a waiver, No single or partial exercise by the Bank of any right or remedy shall preclude any other future exercise of it or the exercise of any other right or remedy.

No waiver or indulgence by the Bank of any default shall be effective unless in writing and signed by the Bank, nor shall a waiver on one occasion be construed as a bar to or waiver of that right on any future occasion.

Miscellaneous: Each Borrower shall be jointly and severally liable under this Note. This Note shall be binding on each Borrower and its successors, and shall inure to the benefit of the Bank, its successors and assigns. Any reference to the Bank shall include any holder of this Note. This Note is delivered in the State of Ohio and governed by Ohio law. Section headings are for convenience of reference only and shall not affect the interpretation of this Note. This Note and all related loan documents embody the entire agreement between the Borrower and the Bank regarding the terms of the loan evidenced by this Note, and supersede all oral statements and prior writings relating to that loan.

WAIVER OF JURY TRIAL. EACH BORROWER, THE AGENT AND THE BANK, 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 NOTE, THE LOAN AGREEMENT, 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 BANKS OR THE AGENT'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN, IN THE LOAN AGREEMENT OR ANY RELATED INSTRUMENT OR AGREEMENT. NO BORROWER NOR THE BANK AND THE AGENT 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 BORROWER, THE AGENT OR THE BANK EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

Each Borrower irrevocably authorizes any attorney-at-law, including any attorney-at-law employed or retained by the Bank 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 this Note was 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 this Note for the amount then due, 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 Bank or the Agent may have in confessing judgment under this Note and consents to payment of a legal fee to any attorney-at-law confessing judgment under the Note. 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.

The undersigned have executed this Note in Columbus, Ohio, as of the date and year first above written.

Rocky Shoes & Boots, Inc.,
an Ohio corporation

By: /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

Lifestyle Footwear, Inc.,
a Delaware corporation

By: /s/ DAVID FRAEDRICH

By: /s/ DAVID FRAEDRICH

Title: Exec. V.P.

Title: Exec. V.P.

SECOND AMENDED AND RESTATED MASTER BUSINESS LOAN NOTE

Due: May 31, 2003
No. _____

\$16,800,000
Date: May 29, 1998

Promise to Pay: On or before May 31, 2003 (or such later date as may be provided in the Loan Agreement (defined below)), for value received, the undersigned, Rocky Shoes & Boots, Inc., an Ohio corporation, Five Star Enterprises Ltd., a Cayman Islands corporation, and Lifestyle Footwear, Inc., a Delaware corporation (collectively referred to as the "Borrower"), promise to pay, jointly and severally, to The Huntington National Bank, a national banking association (the "Bank"), or order, at the office of the Agent (defined below) located at 100 East Broad Street, Columbus, Ohio 43271-0170, or at such other address as the Agent may give notice of to the Borrower, the sum of \$16,800,000 or such lesser sum as is indicated on the Bank's records, plus interest on the unpaid principal balance from time to time outstanding hereunder until paid in full at the rate(s) of interest determined in accordance with Loan Agreement referred to herein.

In no event shall the interest rate exceed the maximum rate allowed by law; any interest payment which would for any reason be deemed unlawful under applicable law shall be applied to principal.

Interest will be computed on the unpaid principal balance from the date of each borrowing until paid.

Such principal and interest shall be due and payable on the dates set forth in the Loan Agreement.

The Borrower may only prepay this Note in accordance with the terms of the Loan Agreement.

The Bank shall have the right to assess a late payment processing fee in the amount of the greater of \$50.00 or 5% of the scheduled payment in the event of a default in payment that remains uncured for a period of five (5) days.

Master Note: The Bank has authorized a committed credit facility to the Borrower in a principal amount not to exceed the face amount of this Note. The credit facility is in the form of loans made from time to time by the Bank to the Borrower. This Note evidences the Borrower's obligation to repay those loans. The aggregate principal amount of debt evidenced by this Note shall be the amount reflected from time to time in the records of the Bank, but shall not exceed the face amount of this Note. This Note amends and restates in its entirety the Amended and Restated Master Business Loan Note, dated April 18, 1997, in the original principal amount of \$16,800,000 executed by the Borrower and payable to the order of the Bank, which in turn had amended and restated in its entirety the Master Business Loan Note, dated January 28, 1997, in the original principal amount of \$14,000,000 executed by the Borrower and payable to the order

of the Bank, and is the "HNB Note" identified in the Loan Agreement. This Note evidences the continuing indebtedness under the Loan Agreement and such HNB Note and is not to be construed as a satisfaction or refinancing of such indebtedness.

Credit Agreement: This Note evidences a certain debt under the terms of a Revolving Credit Loan Agreement between the Bank, the Borrower, Bank One, NA (formerly known as Bank One, Columbus, NA) and Bank One, NA (formerly known as Bank One, Columbus, NA), as Agent (the "Agent"), dated as of January 28, 1997, as amended by a (i) Term Loan Agreement and First Amendment to Revolving Credit Loan Agreement, dated as of April 18, 1997, and (ii) Second Amendment to Revolving Credit Loan Agreement, dated as of May 29, 1998 (such agreement, as so amended and as the same may be further amended, modified, supplemented, restated or replaced from time to time, the "Loan Agreement"), Reference is made to the Loan Agreement for additional provisions relating to the debt evidenced by this Note.

Security: To secure the payment of this Note and other present and future liabilities of the Borrower to the Bank, the Borrower has pledged and granted to the Agent, for the ratable benefit of the Bank and Bank One, NA (formerly known as Bank One, Columbus, NA), among other things, a continuing security interest in certain assets of the Borrower pursuant to a Continuing Security Agreement dated as of January 28, 1997, as the same may be amended, modified,

supplemented, restated or replaced from time to time. The Bank shall have the right at any time to apply its own debt or liability to the Borrower or to any other party liable on this Note in whole or partial payment of this Note or other present or future liabilities, without any requirement for mutual maturity.

Related Documents: The terms of any other documents executed as part of the loan evidenced by this Note are incorporated herein by reference.

Representations by Borrower: Each Borrower represents that it is a corporation duly organized and existing under the laws of its jurisdiction of formation, and that the execution and delivery of this Note and the performance of the obligations it imposes are within its corporate powers, have been duly authorized by all necessary action of its directors and do not contravene the terms of its articles (certificate) of incorporation and code of regulations (by-laws). Each Borrower represents that the execution and delivery of this Note and the performance of the obligations it imposes do not violate any law, do not conflict with any agreement by which it is bound, do not require the consent or approval of any governmental authority or any third party, and that this Note is a valid and binding agreement, enforceable according to its terms, except as enforcement of such terms may be limited by (i) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or similar laws affecting creditors' rights generally, provided, however, that each Borrower represents and warrants that no such limitations currently exist as of the date of this Note, or (ii) equitable principles which may limit the availability of the remedy of specific performance or other equitable remedies. Each Borrower also represents that this Note evidences a business loan exempt from the Federal Truth In Lending Act (15 USC Section 1601, et seq.), and the Board of Governors of the Federal Reserve System's Regulation Z (12 CFR Section 226, et seq.).

Additional Terms and Conditions

Events of Default: If any of the following events (each an "Event of Default") occurs:

1. Any Borrower fails to pay when due any amount payable under this Note, and such failure continues for more than five (5) days after such payment became due;
2. Any Borrower (a) fails to observe or perform any other term of this Note, and such failure to observe or perform continues for more than fifteen (15) days after such failure shall first become known to any officer of any Borrower, provided, however, that such fifteen (15) day cure period shall not apply to (i) any such failure which in the Bank's good faith opinion is incapable of cure; and (ii) any such failure which has previously occurred; (b) makes any materially incorrect or misleading representation, warranty, or certificate to the Agent or the Bank; (c) makes any materially incorrect or misleading representation in any financial statement or other information delivered to the Agent or the Bank; or (d) defaults under the terms of any agreement or instrument relating to any debt for borrowed money (other than the debt evidenced by this Note) such that the creditor declares the debt due before its maturity;
3. Any other default occurs under the terms of any loan agreement, mortgage, security agreement, or any other document, including the Loan Agreement, executed as part of the loan evidenced by this Note or any other obligation or indebtedness of any Borrower owed to the Bank at any time, and such default continues for more than fifteen (15) days after such default shall first become known to any officer of any Borrower, provided, however that such fifteen (15) day cure period shall not apply to (a) any default which in the Bank's good faith opinion is incapable of cure; (b) any default which has previously occurred; (c) any failure to maintain and keep in effect any insurance required under the Loan Agreement; or (d) any failure to provide to the Bank the financial statements, documents and information required to be provided pursuant to Sections 7.1 (a), (b), and (c) of the Loan Agreement;
4. A "reportable event" (as defined in the Employee Retirement Income Security Act of 1974, as amended) occurs that would permit the Pension Benefit Guaranty Corporation to terminate any employee benefit plan of any Borrower or any affiliate of any Borrower, or the occurrence of an "ERISA Event" (as defined in the Loan Agreement) which shall not have been cured within thirty (30) days after any officer of any Borrower has knowledge thereof;
5. Any Borrower becomes insolvent or unable to pay its debts as they become due;
6. Any Borrower (a) makes an assignment for the benefit of creditors; (b) consents to the appointment of a custodian, receiver, or trustee for itself or for a substantial part of its assets; or (c) commences or consents to any

proceeding under any bankruptcy, reorganization, liquidation, insolvency or similar laws of any jurisdiction;

7. A custodian, receiver or trustee is appointed for any Borrower or for a substantial part of its assets without its consent and is not removed within sixty (60) days after such appointment,

8. Proceedings are commenced against any Borrower under any bankruptcy, reorganization, liquidation, or similar laws of any jurisdiction, and such proceedings remain undismissed for sixty (60) days after commencement;

9. Any judgment is entered against any Borrower, or any attachment, levy or garnishment is issued against any property of any Borrower, in excess of \$250,000.00, and which judgment, attachment, levy or garnishment has not been discharged or stayed within thirty (30) days after issuance, or for such longer period as the Bank may agree to in writing;

10. Any Borrower, without the Bank's written consent, (a) is dissolved, (b) merges or consolidates with any third party, (c) sells a material part of its assets or business outside the ordinary course of its business, or (d) agrees to do any of the foregoing;

11. There is a substantial change (other than with respect to changes in the normal course of any Borrower's business, such as seasonal fluctuations) in the existing or prospective financial condition of any Borrower which the Bank in good faith determines to be materially adverse; or

12. The Bank in good faith deems itself insecure:

then this Note shall become due immediately, without notice, at the Bank's option.

Remedies: If this Note is not paid at maturity, whether by demand, acceleration or otherwise, the Agent and the Bank shall have all of the rights and remedies provided by any law or agreement. Any requirement of reasonable notice shall be met if the Agent or the Bank sends the notice to the Borrower at least seven (7) days prior to the date of public or private sale, disposition or other event giving rise to the required notice. Upon default, the Agent and the Bank are authorized to cause all or any part of any collateral securing this Note to be transferred to or registered in its (their) name(s) or in the name of any other person, firm or corporation, with or without designation of the capacity of such nominee. The Borrower shall be liable for any deficiency remaining after disposition of any collateral securing this Note. The Borrower is liable to the Agent and the Bank for all reasonable costs and expenses of every kind incurred in the making or collection of this Note, including, without limitation, reasonable attorneys' fees and court costs. These costs and expenses shall include, without limitation, any reasonable costs or expenses incurred by the Agent and the Bank in any bankruptcy, reorganization, insolvency or other similar proceeding.

Waiver: Each endorser and any other party liable on this Note severally waives demand, presentment, notice of dishonor and protest, and consents to any extension or postponement of time of its payment without limit as to the number or period, to any substitution, exchange or release of all or part of the collateral securing this Note, to the addition of any party, and to the release or discharge of, or suspension of any rights and remedies against, any person who may be liable for the payment of this Note. No delay on the part of the Bank in the exercise of any right or remedy shall operate as a waiver. No single or partial exercise by the Bank of any right or remedy shall preclude any other future exercise of it or the exercise of any other right or remedy.

No waiver or indulgence by the Bank of any default shall be effective unless in writing and signed by the Bank, nor shall a waiver on one occasion be construed as a bar to or waiver of that right on any future occasion.

Miscellaneous: Each Borrower shall be jointly and severally liable under this Note. This Note shall be binding on each Borrower and its successors, and shall inure to the benefit of the Bank, its successors and assigns. Any reference to the Bank shall include any holder of this Note. This Note is delivered in the State of Ohio and governed by Ohio law. Section headings are for convenience of reference only and shall not affect the interpretation of this Note. This Note and all related loan documents embody the entire agreement between the Borrower and the Bank regarding the terms of the loan evidenced by this Note, and supersede all oral statements and prior writings relating to that loan.

WAIVER OF JURY TRIAL. EACH BORROWER, THE AGENT AND THE BANK, 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 NOTE, THE LOAN AGREEMENT, 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 BANKS OR THE AGENT'S ABILITY TO PURSUE REMEDIES PURSUANT TO ANY CONFESSION OF JUDGMENT OR COGNOVIT PROVISION CONTAINED HEREIN, IN THE LOAN AGREEMENT OR ANY RELATED INSTRUMENT OR AGREEMENT. NO BORROWER NOR THE BANK AND THE AGENT 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 BORROWER, THE AGENT OR THE BANK EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ALL OF THEM.

Each Borrower irrevocably authorizes any attorney-at-law, including any attorney-at-law employed or retained by the Bank 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 this Note was 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 this Note for the amount then due, 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 Bank or the Agent may have in confessing judgment under this Note and consents to payment of a legal fee to any attorney-at-law confessing judgment under the Note. 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.

The undersigned have executed this Note in Columbus, Ohio, as of the date and year first above written.

Rocky Shoes & Boots, Inc.,
an Ohio corporation

By: /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

Lifestyle Footwear, Inc.,
a Delaware corporation

By: /s/ DAVID FRAEDRICH

By: /s/ DAVID FRAEDRICH

Title: Exec. V.P.

Title: Exec. V.P.

LEASE AGREEMENT

This lease agreement ("Lease") is made and entered into as of the 1st day of May, 1998, at Nelsonville, Ohio, by and between William Brooks Real Estate Company, 39 East Canal Street, Nelsonville, Ohio 45764, an Ohio corporation ("Lessor"), and Rocky Shoes & Boots, Inc., 39 East Canal Street, Nelsonville, Ohio 45764, an Ohio corporation ("Lessee").

AGREEMENT

ARTICLE 1. DEMISE, DESCRIPTION, AND TERM

1.01 Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, that certain property (the "Leased Premises") situated in the City of Nelsonville, Athens County, Ohio, and described as follows:

Being the Shoe Factory located at 45 East Canal Street and the parking lot located at 13-75 Myers Street in Nelsonville, which is more particularly described in the attached Exhibit "A".

for the term of five years commencing as of May 1, 1998, and ending on April 30, 2003 ("Initial Term") subject to two five year renewal options ("Renewal Terms") as specified in Article 13. Hereinafter "Term" shall refer to the Initial Term and any Renewal Term.

1.02 Lessor warrants that it holds good title to the Leased Premises in fee simple, and has full power and authority to enter into this lease agreement.

ARTICLE 2. RENT AND PLACE OF PAYMENT

2.01 Lessee shall pay Lessor at 39 East Canal Street, Nelsonville, Ohio, or at such other place as the Lessor shall designate from time to time in writing, as rent ("Rent") for the Leased Premises, the following sums:

- (a) During the first through third lease years: \$7,000 per month;
- (b) During the fourth and fifth lease years: \$7,500 per month.

The monthly lease payments shall be paid without set off or deduction in advance on the first day of each calendar month.

2.02 Effect of Default in Rent and Other Payments. If Lessee defaults in the payment of any installment of rent hereunder, such installment shall bear interest at the rate of twelve percent (12%) per annum from the day it is due until actually paid. All other obligations, benefits, and moneys which may become due to Lessor from Lessee under the terms hereof, or which are paid by Lessor because of Lessee's default hereunder, shall bear interest at the rate of twelve percent (12%) per annum from the due date until paid, or, in the case of sums paid by Lessor, because of Lessee's default hereunder, from the date such payments are made by Lessor until the date Lessor is reimbursed by Lessee therefor.

ARTICLE 3. USE OF LEASED PREMISES

3.01 Use of Premises. Lessee shall have the right to use and occupy the Leased Premises for any lawful purpose.

3.02 Compliance by Lessee. Except as provided otherwise herein, Lessee shall comply with all laws, ordinances, rules and regulations of all federal, state, county, and municipal governments applicable to the Leased Premises now in force or that may be enacted hereafter, and with all directions, rules, and regulations of the fire marshal, health officer, building inspector, or other proper officers of the governmental agencies having jurisdiction over the Leased Premises, and with standards established from time to time by the National Fire Protection Association or any similar bodies (collectively, all of the foregoing are "Laws"), if such Laws are applicable to Lessee's

specific use and occupancy of the Leased Premises. Lessee shall make all repairs and structural alterations to the Leased Premises which hereafter may be required in order to comply with the foregoing. Lessee may contest in good faith

any applicable Law for which Lessee's compliance is required.

ARTICLE 4. TAXES AND ASSESSMENTS

4.01 Payment by Lessee. In addition to the Rent, Lessee shall, as further consideration for this Lease, pay and discharge all taxes, general and special assessments, and other charges of every description which during the term of this lease may be levied on or assessed against the Leased Premises and all interests therein and all improvements and other property thereon, whether belonging to Lessor or to Lessee, or to which either of them may become liable in relation thereto. Lessee shall pay all such taxes, assessments, and charges at least ten (10) days prior to the date of delinquency thereof and shall give written notice of each such payment to Lessor within five days after such payment is made.

4.02 Lessor's Option to Pay. If Lessee fails to pay such taxes, assessments or charges, or fails to give written notice of any payment thereof as herein provided at least ten days prior to the time the same becomes delinquent, Lessor may, at its option, at any time within or after such ten day period, pay such taxes, assessments, or charges, together with all penalties and interest which may have been added thereto because of Lessee's delinquency or default, and may likewise redeem the Leased Premises or any part thereof, or the buildings or improvements situated thereof, from any tax sale or sales. Any such amounts so paid by Lessor shall become immediately due and payable as rent by Lessee to Lessor in accordance with Article 11 hereof.

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4.03 Proration of Taxes. All such taxes and assessments for the first and last years of this Lease shall be prorated between Lessor and Lessee on the basis of the ratio between the time the Leased Premises are leased to Lessee and the time the Leased Premises are not so leased.

4.04 Contesting Levy, Assessment, or Charge. Lessee shall have the privilege, acting in the name of the Lessor, before delinquency occurs, of protesting, contesting, objecting to, or opposing the legality or amount of any such taxes, assessments, or public charges to be paid by Lessee hereunder, if Lessee shall, in good faith, deem the same to be illegal or excessive. In the event of any such contest, Lessee may to the extent provided by law defer payment of any such tax, assessment, fees or charge so long as the legality or the amount thereof is so contested in good faith; provided, however, that if at any time payment of the whole or any part thereof shall become necessary in order to prevent the termination, by sale or otherwise, of the right of redemption of any property affected thereby, or to prevent eviction of either Lessor or Lessee because of nonpayment thereof, Lessee shall pay the same in order to prevent such termination of the right of redemption or such eviction. Any such contest, whether before or after payment, may be made in the name of Lessor or Lessee, or both, as Lessee may determine, but if such contest is made by Lessee in the name of Lessor, then Lessor shall be notified thereof at least ten days prior to the commencement of the proceeding, and Lessor shall cooperate, reasonably, in such contest. Any such contest shall be at the sale cost and expense of Lessee. Each refund of any tax, assessment, fee, or charge so contested shall be paid to Lessee. Lessor shall not, without the prior approval of Lessee, make or enter into or finally agree to any settlement, compromise, or any disposition of any contest, or discontinue or withdraw any contest, or accept any refund, other adjustments or credit of or from any such tax or assessment as a result of any contest.

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4.05 Taxes Excluded. Nothing herein contained requires, or shall be construed to require, Lessee to pay any property, gift, estate, inheritance, or other tax assessed against Lessor, its successors or assigns, or any income or other tax, assessment, charge, or levy on the Rent payable by Lessee under this Lease.

ARTICLE 5. INSURANCE

5.01 Lessee's Obligations. Lessee shall secure from insurance carriers acceptable to Lessor, and maintain during the entire Term and any Renewal Term of this Lease, the following coverage:

(a) Fire and extended coverage insurance on the Leased Premises in an amount not less than 100% percent of the replacement value of the Leased Premises and other improvements on the Leased Premises, provided that insurance in that percentage can be obtained, and, if not, then to the highest percentage that can be obtained less than the said 100%.

(b) Comprehensive general public liability insurance covering all loss

or damage to the person or property of others arising out of the use, ownership, operation or conduct on the Leased Premises with the limits of not less than \$1,000,000 for loss from an accident resulting in bodily injury to or death of one or more persons, and \$500,000.00 for all liability arising out of damage to or destruction of property, in any one occurrence.

5.02 Required Provisions. All insurance policies maintained in accordance with this Article 5 shall name Lessor as owner as additional insured and shall provide that no cancellation reduction in amount or change in coverage shall be effective unless at least 30 days written notice has been given to the named insureds.

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5.03 Failure to Secure. If Lessee at any time during the Term hereof fails to secure or maintain the foregoing insurance, Lessor shall be permitted but not obligated to obtain such insurance in Lessee's name or as agent of Lessee and shall be compensated by Lessee for the cost of the insurance premiums in accordance with Article 11 hereof.

ARTICLE 6. FIRE, CASUALTY, OR OTHER LOSS

6.01 Casualty and Restoration. If the building or other improvements on the Leased Premises are destroyed or damaged by fire, flood, or other casualty, Lessee shall give immediate written notice thereof to Lessor. Subject to Section 6.02 below, Lessor will proceed with reasonable diligence to restore, repair, replace and rebuild the Leased Premises as the same existed prior to the destruction or damage, reasonable wear and tear excepted.

6.02 Material Casualty. If all or parts of the Leased Premises are damaged by fire or other casualty and the cost to repair such damage exceeds 50% of the replacement cost of the improvements (a "Material Casualty"), this Lease may, at the election of Lessor or Lessee, be terminated as of the date of the casualty. Within 60 days of such Material Casualty, if Lessor or Lessee desires to terminate this Lease, such party will so notify the other party hereto. If the damage does not constitute a Material Casualty or if neither party elects to terminate this Lease as permitted, Lessor shall make all repairs and restore the Leased Premises promptly in accordance with Section 6.01. If Lessor does not substantially complete the repair and reconstruction within one hundred eighty (180) days after the loss or damage occurs, Lessee may, at its election, terminate this Lease by written notice to Lessor.

6.03 Rent Abatement. From and after the date of any casualty or damage, and irrespective of the time period required for making repairs, rent and all other amounts due from Lessee under this

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Lease shall abate equitably during the time from the casualty or damage until repaired or restored, or until the Lease is terminated, in an amount equal to the ratio that the portion of the improvements reasonably usable for commercial purposes bears to the total area of the improvements.

6.04 Insurance Proceeds. If Lessor or Lessee terminates this Lease pursuant to Section 6.02, all insurance proceeds from all policies covering the improvements on the Leased Premises shall be paid to Lessor, except for any separate insurance maintained by Lessee covering Lessee's contents and personal property.

ARTICLE 7. UTILITIES

Lessee shall during the Term hereof pay before delinquency all charges for telephone, telecommunications, gas, electricity, sewage, and water used in or on the Leased Premises and for the removal of rubbish therefrom immediately on becoming due and shall hold Lessor harmless from any liability therefor. Lessee further agrees to pay all charges for repairs to water meters and lines, sewer lines, electric, gas and telephone utilities on the Leased Premises whether necessitated by ordinary wear and tear, temperature extremes, accident, or any other causes. Such payments shall be made immediately on becoming due.

ARTICLE 8. WASTE AND NUISANCE

Lessee shall not commit, or suffer to be committed, any waste on the Leased Premises, nor shall it maintain, commit, or permit the maintenance or commission of any nuisance on the Leased Premises or use the Leased Premises for any unlawful purpose.

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ARTICLE 9. REPAIRS AND MAINTENANCE

9.01 Lessee's Duty. Lessee agrees to keep the Leased Premises in good order and repair, reasonable wear and tear excepted. Lessee agrees to maintain in good order and repair all of the leasehold improvements, including, but not limited to, the structure, roof, doors, windows, walls, plumbing fixtures, pipes, floors, stairways, railings, heating and air conditioning facilities and all other portions of the Leased Premises. Lessee also agrees to maintain the curbs and pavements in and about the Leased Premises, together with facilities reasonably appurtenant thereto, including entryway and awnings. Lessee shall keep the said pavements and appurtenances free of ice and snow and trash and expressly assumes sole liability for accidents alleged to have been caused by their defective condition.

9.02 Hazardous Substances. Lessee shall not cause or permit any Hazardous Substance to be manufactured, stored, discharged, leaked or emitted on, in or under the Leased Premises in violation of any Applicable Environmental Laws. For purposes of this Lease, the term "Hazardous Substance" shall mean any product, substance, chemical, waste or electromagnetic emissions that is or shall hereafter be listed or defined as hazardous, toxic, or dangerous under Applicable Environmental Laws. "Hazardous Substance" includes without limitation petroleum products and polychlorobiphenyls ("pcbs"). The term "Applicable Environmental Laws" shall mean the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. 9601 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. 6901 et seq., the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq., the Clean Air Act, 42 U.S.C. 7401 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. 1471 et seq., the Toxic Substances Control Act, 15 U.S.C. 2601 through 2629, the Safe Drinking Water Act, 42 U.S.C. 300f through

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300j, and any similar state and local laws and ordinances, and the regulations implementing such statutes. Lessee hereby agrees to indemnify, defend (with counsel reasonably acceptable to Lessor) and hold harmless Lessor and Lessor's employees, contractors, agents, officers, partners, assigns and successors of Lessor and their affiliates from any claims (including without limitation third party claims for personal injury or real or personal property damage), actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities (including sums paid in settlement of claims), interest or losses, including attorneys' fees (including any fees and expenses incurred in enforcing this indemnity), consultant fees, and expert fees that arise directly or indirectly from or in connection with the presence, suspected presence, release or suspected release of any Hazardous Substance of any kind, whether into the air, soil, surface water, ground water, pavement, structures, fixtures, equipment, tanks, containers or other personalty on, in, under or above the Leased Premises caused by Lessee or Lessee's invitees, (which term shall not include Lessor and Lessor's invitees), contractors, agents, employees or representatives. The indemnification obligation of Lessee set forth in the preceding sentence shall survive the termination of this Lease and shall include, without limitation, costs, including capital, operating and maintenance costs incurred in any cleanup, remedial, removal or restoration work required or performed by any federal, state or local governmental agency or political subdivision or performed by any nongovernmental entity or person because of the presence, suspected presence, release or suspected release of any Hazardous Substance on, in, under or above the Leased Premises (hereinafter the "remedial work").

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ARTICLE 10. ALTERATIONS, IMPROVEMENTS, AND FIXTURES

10.01 Lessee shall not alter or improve the Leased Premises without the prior written consent of Lessor to do so, which consent shall not be unreasonably withheld. All improvements, equipment, and fixtures placed on the Leased Premises by Lessee shall at all times be and remain the property of Lessee, and Lessee shall have the right to remove said improvements, equipment, and fixtures at any time during the term hereof. Should Lessee fail to remove such improvements, equipment, fixtures, or any of them on or before the date of termination of this Lease, such property remaining on the Leased Premises shall be deemed abandoned by Lessee and shall thereupon become the absolute property of Lessor without compensation to Lessee. Lessee nevertheless covenants and agrees that any such improvements shall be made in a careful, workmanlike manner and in compliance with all applicable, federal, state, and municipal laws and

regulations.

ARTICLE 11. LESSOR'S RIGHT TO PERFORM FOR LESSEE

If Lessee fails to perform or comply with any of its agreements contained herein, Lessor shall give notice of such failure to Lessee and, 20 days after such notice is given, Lessor may itself make such payment or perform or comply with such agreement (except that if Lessee's failure creates substantial risk of harm to or forfeiture of the Leased Premises, Lessor may make such payment or perform or comply with such agreement concurrently with or at any time after the giving of such notice), and the amount of such payment and the amount of the reasonable expenses of Lessor (including attorneys' fees) incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, shall be paid by Lessee to Lessor together with interest thereon at an annual rate equal to 12% from the date of such payment and expenses until paid to Lessor by Lessee.

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ARTICLE 12. QUIET POSSESSION

12.01 Covenant of Quiet Possession. Lessor covenants that at all times during the Term of this Lease so long as Lessee is not in default hereunder, Lessee's quiet enjoyment of the Leased Premises shall not be disturbed.

12.02 Encumbrance. Lessor reserves the right to encumber the Leased Premises at any time during the Term of this Lease, and this Lease and any renewal or extensions of the Term hereof shall be subordinate, at the option of the Lessor, to any and all encumbrances given by Lessor to secure funds for the Leased Premises. This subordination shall not defeat the continuation of the Term of this Lease under the provisions of Articles 1.

ARTICLE 13. OPTION TO RENEW OR EXTEND 13.01 Renewal Option. If Lessee is not then in default of its obligation to pay rent or of any other obligations hereunder, Lessee shall have the right to renew this Lease for two Renewal Terms of five years each beginning on May 1, 2003, and May 1, 2008 respectively under the same terms and conditions as this Lease; provided, however that the monthly base Rent during the two Renewal Terms shall be increased to \$8,000 and \$8,500, respectively. Lessee may exercise the options to renew by giving Lessor written notice thereof on or before January 1, 2003, and January 1, 2008 respectively. 13.02 Effect of Holding Over. If Lessee does not renew or extend the term of this Lease as herein provided, and holds over beyond the expiration of the Term hereof, such holding over shall be deemed a month-to-month tenancy only, with Rent payable on the 1st day of each and every month thereafter until the tenancy is terminated in a manner provided by law. Rent during such

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holdover period shall be at the same monthly level as was payable with respect to the last month of the Term.

ARTICLE 14. OPTION TO PURCHASE LEASED PREMISES

14.01 Grant of Option to Lessee. Lessor grants to Lessee the option ("Option") to purchase the Leased Premises at any time during the Initial Term or Renewal Term of this Lease provided that Lessee is not then in default of any of its obligations hereunder.

14.02 Method of Exercising Option. Lessee shall exercise the Option by giving notice ("Option Notice") to Lessor.

14.03 Establishing Price. The purchase price shall be the greater of (a) \$250,000.00 and (b) the fair market value established by appraisal, as hereinafter provided. Upon Lessee's exercise of the Option, the parties shall attempt to appoint a qualified real estate appraiser acceptable to Lessor and Lessee, within 15 days after the Option Notice is given to Lessor. The appraiser shall have at least five (5) years commercial appraisal experience in the area in which the Leased Premises are located and shall appraise and set the fair market value of the Leased Premises. If a party does not participate in the appointment of the appraiser within fifteen (15) days after Lessee exercises the Option, the appraiser appointed by the other party shall be the sole appraiser and shall set the fair market value of the Leased Premises. If the Lessor and Lessee do not mutually agree on an appraiser, each of Lessor and Lessee shall have the right to appoint an appraiser within said 15 day period, and if two appraisers are appointed by the parties, they shall meet promptly and attempt to set the fair market value of the Leased Premises. If the two appraisers do not agree on the fair market value within thirty (30) days after the second appraiser has been appointed, the two appraisers shall attempt to elect a third appraiser meeting the qualifications stated in this section within ten (10)

days after the last day the two appraisers are given to set the fair market value. If the two appraisers do not agree on the third appraiser, either of the parties to this Lease, by giving ten (10) days notice to the other party, can apply to the then president of the county real estate board of the county in which the Leased Premises are located, or to the presiding judge of the superior court of that county, for the selection of a third appraiser who meets the qualifications stated in this section. Each of the parties shall bear one half of the cost of appointing the third appraiser and of paying the third appraiser's fee. The third appraiser, however, selected, shall be a person who has not previously acted in any capacity for either party.

Within thirty (30) days after the selection of the third appraiser, a majority of the appraisers shall set the fair market value of the Leased Premises. If a majority of the appraisers do not set the fair market value within the stipulated period of time, the three appraisers' appraisals shall be added together and their total divided by three and the resulting quotient shall be the fair market value for purposes of the purchase price of the Leased Premises.

The value established by appraisal shall be the fair market value of the Leased Premises at the time of appraisal. In appraising the Leased Premises as provided in this Article, the appraisers shall not take into consideration the existence of this Lease or Lessee improvements.

After the fair market value for the Leased Premises has been set, the appraisers shall immediately notify the parties. If Lessee objects to the fair market value that has been set, Lessee shall have the right to elect not to purchase the Leased Premises, as long as Lessee pays all the costs in connection with the appraisal procedure that set the fair market value. Lessee's election not to purchase the Leased Premises must be exercised within thirty (30) days after receipt of notice from the appraisers of the purchase price. If Lessee does not exercise the election not to purchase within

the thirty (30) day period, Lessee shall purchase the Leased Premises from Lessor, as provided in this Article.

14.04 Method of Payment. The purchase price shall be payable in cash in lawful money of the United States to Lessor by Lessee at closing (the date the deed is recorded).

14.05 Title To Premises. Lessor shall deliver to Lessee an executed general warranty deed in recordable form conveying the Leased Premises. Title to the Leased Premises shall be conveyed by Lessor to Lessee, subject only to current real estate taxes not yet due and payable and title defects or encumbrances created by Lessee.

14.06 Proration. Rent shall be prorated as of the date of closing. Any other prepaid rent previously paid by Lessee to Lessor will be credited to Lessee against the purchase price.

14.07 Closing Costs. Transfer taxes, recording fees on the deed, and all other closing costs shall be allocated between and paid by the parties hereto.

14.08 Deed and Other Documents. At time of closing, Lessor shall convey good and marketable title to the Leased Premises by a transferrable and recordable duly executed general warranty deed, which shall include release of all dower interests, if applicable.

ARTICLE 15. CONDEMNATION

15.01 All of Premises. If during the Term of this Lease or any extension or renewal thereof, all or substantially all of the Leased Premises should be taken for any public or quasi-public use under any law, ordinance, or regulation or by right of eminent domain, or should be sold to the condemning authority under threat of condemnation, this Lease shall terminate on the date of taking of possession of the Leased Premises by the condemning authority. "Substantially all" of the Leased Premises will be deemed to have been taken if 50% or more of the Leased Premises are taken or if

such portion of the Leased Premises as will make it impracticable to use the Leased Premises is taken.

15.02 Partial. If less than all of the Leased Premises shall be taken for any public or quasi-public use under any law, ordinance, or regulation, or by right of eminent domain, or should be sold to the condemning authority under threat of condemnation, this Lease shall not terminate but Lessor shall forthwith at its sole expense, restore and reconstruct the building and other improvements situated on the Leased Premises, provided such restoration and reconstruction shall make the Leased Premises reasonably suitable for the uses for which the Leased Premises are leased. The award for any such partial taking shall be paid to Lessor. The Rent payable hereunder during the unexpired portion of this Lease shall be adjusted equitably.

15.03 Awards. Lessor and Lessee shall each be entitled to receive and retain such separate awards and portions of lump sum awards as may be allocated to their respective interests in any condemnation proceedings. The termination of this Lease shall not affect the rights of the respective parties to such awards.

ARTICLE 16. DEFAULTS

16.01 Default by Lessee. At any time during the Term, Lessee shall be in default under this Lease if (i) Lessee shall default in the payment of any rent or of any other sum of money whatsoever which Lessor shall be obligated to pay under the provisions hereof, and such default shall remain uncured for a period of thirty (30) days following written notice thereof, or (ii) Lessee shall default in the performance or observance of any of the other terms, covenants, conditions or agreements hereof and Lessee fails to cure such nonmonetary default for thirty (30) days after written notice, or, if such nonmonetary default shall be of such a nature that the same cannot practicably be cured

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within said thirty (30) day period, Lessee shall not within said thirty (30) day period commence with due diligence to cure and perform such defaulted term, covenant, conditions or agreement, or Lessee shall within said thirty (30) day period commence with due diligence to cure and perform such defaulted term, covenant, condition or agreement, but shall thereafter fail or neglect to prosecute and complete with due diligence, the curing and performance of any such defaulted term, covenant, condition or agreement.

16.02 Remedies. Upon the occurrence of such default, Lessor, at Lessor's option, may elect to terminate this Lease at any time, and the Term shall expire upon such election as fully and completely as if said date were the date herein originally fixed for the expiration of the Term hereof, and Lessee shall thereupon quit and peacefully surrender the Leased Premises to Lessor, without any payment therefor by Lessor, and Lessor may re-enter and remove all persons and property therefrom pursuant to such proceedings as are provided by law. Lessor may, at its option, elect to re-enter the Leased Premises, pursuant to such proceedings as are provided by law, without terminating the Lease, in which case Lessee shall surrender the Leased Premises to Lessor.

Lessor may take possession of the Leased Premises as provided herein and/or terminate this Lease without waiving or releasing any other rights or remedies provided by law.

ARTICLE 17. SURRENDER OF PREMISES

Lessee shall without demand therefor and at its own cost and expense on or prior to expiration of the Term hereof or of any extended Term hereof, remove all property belonging to it and all alterations, additions or improvements, and fixtures which by the terms hereof it is permitted to remove, repair all damage to the Leased Premises caused by such removal, and restore the Leased Premises to the condition they were in prior to the installation of the property so removed. Any

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property not so removed shall be deemed to have been abandoned by Lessee and may be retained or disposed of by Lessor.

ARTICLE 18. INSPECTION BY LESSOR

Lessee shall permit Lessor and its agents to enter into and upon the Leased Premises at all reasonable times for the purpose of inspecting the same or for the purpose of determining Lessee's compliance with the obligations of

this Lease.

ARTICLE 19. ASSIGNMENT AND SUBLEASE

Lessee shall not assign this Lease nor sublet all or any portion of the Leased Premises without the prior written consent of Lessor, which consent may be unreasonably withheld. Lessor is expressly given the right to assign any or all of its interest under the terms of this lease.

ARTICLE 20. MISCELLANEOUS

20.01 Parties Bound. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrator, legal representations, successors, and assigns when permitted by this Lease.

20.02 Ohio Law to Apply. This Lease shall be construed under and in accordance with the laws of the State of Ohio, and all obligations of the parties created hereunder are performable in Athens County, Ohio.

20.03 Legal Construction. In case any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceable shall not effect any other provision thereof and this Lease shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

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20.04 Sole Agreement of the Parties. This Lease constitutes the sole and only agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties respecting the within subject matter.

20.05 Amendment. No amendment, modification, or alteration of the terms hereof shall be binding unless the same be in writing, dated; subsequent to the date hereof, and duly executed by the parties hereto.

20.06 Rights and Remedies Cumulative. The rights and remedies provided by this Lease are cumulative and the use of any one right or remedy by either party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance, or otherwise.

20.07 Waiver of Default. No waiver by the parties hereto of any default or breach of any term, condition, or covenant of this Lease shall be deemed to be a waiver of any other breach of the same or any other term, condition, or covenant contained herein.

20.08 Time of Essence. Time is of the essence of this agreement.

20.09 Exculpation of Lessor. If Lessor shall convey title to the Leased Premises pursuant to a sale or exchange of property, the Lessor shall not be liable to Lessee or any immediate or remote assignee or successor of Lessee as to any act or omission from and after such conveyance.

ARTICLE 21. SAVE HARMLESS CLAUSE

Lessee does hereby agree to save the Lessor harmless from and against all claims, demands, damages and causes of action arising with respect to the Leasehold Premises or the use thereof by Lessee during the Term of this Lease or any extension thereof.

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ARTICLE 22. NOTICES

All notices hereby provided for or which may be given in connection with this Lease shall be in writing, and such notices shall be deemed to have been properly given when delivered personally at the address last designated hereunder for the intended party or when sent by U.S. Registered or Certified Mail Postage Prepaid, Return Receipt Requested or by overnight mail by a recognized national carrier. If given to Lessor, notice shall be addressed to Lessor at 39 East Canal Street, Nelsonville, Ohio 45764, Attention: Patricia Robey. If given to Lessee, notice shall be addressed to Lessee at 39 East Canal Street, Nelsonville, Ohio 45764, Attention: Mike Brooks, President. The mailing of such notice in the manner aforesaid shall be deemed sufficient service and shall be deemed given as of the date of the deposit thereof for mailing in a

duly constituted United States Post Office or branch thereof located in the same state as is shown in the address to which directed, or on the third day after such deposit if made in a Post Office or branch thereof in any other state in the United States of America or one business day after deposit with an overnight carrier.

IN WITNESS WHEREOF, the undersigned Lessor and Lessee hereto execute this agreement as of the day and year first above written.

Signed and acknowledged
presence of:

WILLIAM BROOKS REAL ESTATE COMPANY
LESSOR

/s/ CHRISTINE LEHMAN

By /s/ PATRICIA H. ROBEY

Its President

/s/ BRENDA HAMMOND

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ROCKY SHOES & BOOTS, INC.
LESSEE

/s/ BRENDA HAMMOND

By /s/ DAVID FRAEDRICH

Its Exec. V.P.

/s/ CHRISTINE LEHMAN

STATE OF OHIO,
COUNTY OF ATHENS, ss.

Before me, a Notary Public in and for said County, personally appeared the above named William Brooks Real Estate Company, the Lessor, by Patricia H. Robey its President in the foregoing lease, and acknowledged the signing thereof to be the voluntary act and deed of the said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 5th day of June, 1998.

/s/ ALAN C. YOUNG

Notary Public

STATE OF OHIO,
COUNTY OF ATHENS, ss.

Before me, a Notary Public in and for said County, personally appeared the above named Rocky Shoes & Boots, Inc., the Lessee, David Fraedrich its Executive Vice President in the foregoing Lease, and acknowledged the signing thereof to be the voluntary act and deed of the said corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 5th day of June, 1998.

/s/ ALAN C. YOUNG

Notary Public

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