FORM 10-K
U.S. Securities and Exchange Commission
Washington, D.C. 20549
(Mark One)

[x]ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1997
OR

[ ]TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1943

Commission File Number: 0-21026

ROCKY SHOES & BOOTS, INC.
(Exact name of Registrant as specified in its charter)

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

39 EAST CANAL STREET
NELSONVILLE, OHIO 45764
(Address of principal executive offices, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:	Common Stock, without par value Preferred Stock Purchase Rights

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the filing requirements for at least the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant was approximately $83,021,381 on March 13, 1998.

There were 5,444,025 shares of the Registrant's Common Stock outstanding on March 13, 1998.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1997, are incorporated by reference in Part II.

Portions of the Registrant's Proxy Statement for 1998 Annual Meeting of Shareholders are incorporated by reference in Part III.

This Annual Report on Form 10-K 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. The words "anticipate," "believe," "expect," "estimate," and "project" and similar words and expressions identify forward-looking statements which speak only as of the date hereof. Investors are cautioned that such statements involve risks and uncertainties that could cause actual results to differ materially from historical or anticipated results due to many factors, including, but not limited to, the factors discussed in "Business - Business Risks." The Company undertakes no obligation to publicly update or revise any forward-looking statements.

PART I

ITEM 1. BUSINESS.

Rocky Shoes & Boots, Inc. has two subsidiaries: Five Star Enterprises Ltd. ("Five Star"), a Cayman Islands corporation, which operates a manufacturing facility in La Vega, Dominican Republic, and Lifestyle Footwear, Inc.

("Lifestyle"), a Delaware corporation, which operates a manufacturing facility in Aquadilla, Puerto Rico. Unless the context otherwise requires, all references to "Rocky" or the "Company" include Rocky Shoes & Boots, Inc. and its subsidiaries.

OVERVIEW

The Company is the successor to the business of The Wm. Brooks Shoe Company, a company established in 1932 by William Brooks, who was later joined by F. M. Brooks, the grandfather of the Company's current Chairman, President and Chief Executive Officer, Mike Brooks. The business was sold in 1959 to a company headquartered in Lancaster, Ohio. John W. Brooks, the father of Mike Brooks, remained as an employee of the business when it was sold. In 1975, John W. Brooks formed John W. Brooks, Inc. (later known as Rocky Shoes & Boots Co. ("Rocky Co.")) as an Ohio corporation, reacquired the Nelsonville, Ohio operating assets of the original company and moved the business' principal executive offices back to Nelsonville, Ohio. In 1993, the Company, Rocky Co., Lifestyle and Five Star were parties to a reorganization, and in 1996, Rocky Co. was merged with and into the Company, resulting in the Company's present corporate structure.

Following completion of the Company's initial public offering in 1993, the Company began to convert all of its factories to a modular "Team Pass-Through" manufacturing system. This system substantially increased total manufacturing capacity and operating efficiencies. Most of the Company's footwear is manufactured in the Company's facilities located in Nelsonville, Ohio, the Dominican Republic and Puerto Rico. The Company purchases raw materials from a number of domestic and foreign sources. The principal raw materials used in the production of the Company's footwear, in terms of dollar value, are leather, GORE-TEX waterproof fabric, CORDURA nylon fabric and soling materials. The Company's footwear is distributed nationwide and in Canada from the Company's warehouse located in Nelsonville, Ohio. The Company stores finished goods in the warehouse until they are used to fill an order. If the product ordered is in inventory, it can be shipped to customers within one week of the order; however, a majority of the Company's orders for rugged outdoor footwear are placed in January through April for delivery in July through October.

In the past, the Company has benefited from a relatively low effective tax rate. The Company receives favorable tax treatment on income earned by its subsidiary in Puerto Rico and benefits from local tax abatements available to such subsidiary. During the fourth quarter of Fiscal 1996, the Company elected to repatriate future earnings of its subsidiary in the Dominican Republic. The repatriation of earnings from its subsidiary in the Dominican Republic is subject to federal income tax, but is exempt from state and local taxation.

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ROCKY(R) is a federally registered trademark of Rocky Shoes & Boots, Inc. This report also refers to trademarks of corporations other than the Company. See "Business - Patents, Trademarks and Trade Names."

STRATEGY

The Company's objective is to increase sales within its core product categories and markets and to leverage the ROCKY brand into new market segments with products that emphasize the reputation of the Company's footwear for quality, comfort and durability. Key elements of the Company's strategy are as follows:

Maintain Innovation and Quality. Innovation and quality are hallmarks of the ROCKY brand. The Company believes it has developed a competitive advantage through its ability to produce high quality footwear incorporating premium materials such as GORE-TEX waterproof breathable fabric. The Company continually strives to develop new products and to introduce innovations in each of its footwear market segments. The Company stresses quality control at every stage of its manufacturing process. Each manufacturing facility is staffed with trained quality assurance personnel, and a portion of each manufacturing employee's compensation is based on the level of product quality of each employee's respective work group.

Increase Awareness of the ROCKY Brand. The Company believes that its long-term reputation for quality has increased awareness of the ROCKY brand. To increase the strength of its brand, the Company has reformulated its advertising strategy by shifting its focus from the retail trade directly to the consumer. A key component of this new strategy includes advertising through cost-effective cable broadcasts aimed at audiences which share the demographic profile of the Company's typical customers. Similarly, the Company is shifting its national print advertising campaign to more consumer-oriented publications. Management believes that by directly targeting the consumer it can convey a broader and more consistent image of the ROCKY brand, thereby increasing demand for its products at higher retail prices.

Leverage the ROCKY Brand. The Company believes that the ROCKY brand has become a recognizable and established brand name for quality-conscious consumers in the rugged outdoor and occupational segments of the men's footwear market.

The Company intends to continue to leverage the ROCKY brand with a major emphasis on broadening its share of the handsewn casual market segment. The Company has discontinued private label manufacturing of handsewn casual footwear in favor of producing a line of ROCKY brand products in this market segment. Additionally, the Company licenses the ROCKY brand for use on certain complementary products, such as socks and hats, in an effort to expand brand recognition.

Develop an Exclusive Rocky-Focused Sales Force. The Company has historically sold its footwear through manufacturers' representatives who carried ROCKY brand products as well as other non-competing products. In an effort to ensure full representation of its complete product line and consistent support of its customers, late in 1995, the Company began replacing its manufacturers' representatives with exclusive sales representatives who sell only ROCKY brand products. Currently, 60% of the Company's sales force is comprised of exclusive sales representatives. The Company's objective is for at least 80% sales force to be exclusive sales representatives.

Capitalize on Manufacturing Process. The Company manufactures its products under a twin-plant concept by producing its labor intensive "upper portion" in its lower wage rate plants in the Dominican Republic and Puerto Rico and completing its footwear in Puerto Rico and Nelsonville, Ohio where it uses state-of-the-art bottoming techniques. The Company utilizes a modular "Team Pass-Through" manufacturing system in each of its manufacturing facilities. The Company believes that this system, which allows each person to perform a number of different tasks, is superior to a traditional assembly line approach, which requires each person to perform a single repetitive task. This system increases the number of pairs of footwear produced per square foot of manufacturing space, reduces work-in-process inventory and direct labor and improves the Company's production yields. In addition, the Company believes that its manufacturing process allows it to respond quickly to changes in product demand and consumer preferences.

Expand Product Sourcing. In 1997 the Company sourced approximately 8.1% of its products in the Far East. The Company sources products to reach price points that it cannot obtain with products manufactured in its own facilities. A greater portion of the Company's products may be sourced in the future if the Company expands and reaches capacity in its manufacturing facilities. The Company employs a full-time quality assurance staff to inspect each shipment

sourced in the Far East. All of the Company's sourced footwear is designed by the Company's design and engineering team.

PRODUCT LINES

The Company's product lines consist of rugged outdoor, occupational and handsewn casual footwear. ROCKY brand products emphasize quality, patented materials, such as GORE-TEX waterproof breathable fabric, CORDURA nylon fabric, CAMBRELLE cushioned lining and THINSULATE thermal insulation. The following table summarizes the Company's product lines:

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	RUGGED OUTDOOR	OCCUPATIONAL	HANDSEWN CASUAL
<S>	<C>	<C>	<C>
TARGET MARKET.......	Hunters and outdoorsmen	Law enforcement personnel, security guards, postal workers, paramedics and factory and construction workers	Retail customers of premium casual wear
SUGGESTED RETAIL PRICE RANGE........	\$89 - \$239	\$69 - \$179	\$79 - \$149
DISTRIBUTION CHANNELS...........	Sporting goods stores, outdoor specialty stores and mail order catalogs	Retail uniform stores, mail order catalogs, specialty safety stores and independent retail stores	Independent retail stores, department store chains, mail order catalogs and sporting goods stores
COMPANY'S LEADING BRAND NAMES........	BEAR CLAW, SNOW STALKER, SUPERSTALKERS and MOUNTAIN STALKERS	ELIMINATOR, ROCKY 911 SERIES, ALPHA, CROSSTECH, WORKSMART and BEAR CLAW STEEL TOE	TUFF TERRAINERS and OUTBACKS

</TABLE>

Rugged Outdoor Footwear. Rugged outdoor footwear, which is the Company's largest product line in terms of total net sales, represented \$49.8 million, or 52.4%, of fiscal 1997 net sales. The Company's rugged outdoor footwear consists of all season sport/hunting boots that are typically waterproof and insulated. These products are designed to keep outdoorsmen comfortable in extreme conditions. Most of the Company's rugged outdoor footwear have outsoles which are designed to provide excellent cushioning and traction. Although Rocky's rugged outdoor footwear is regularly updated to incorporate new camouflage patterns, the Company believes its products in this category are relatively insensitive to changing fashion trends. For example, two of the Company's most popular current boot styles were introduced in 1984 and 1988, respectively.

Occupational Footwear. Occupational footwear, which is the Company's second largest product line, represented $23.1 million, or 24.3%, of Fiscal 1997 net sales. All occupational footwear styles are designed to be comfortable, flexible, lightweight, slip resistant and durable and are typically worn by people who are required to spend a majority of their time at work on their feet. The Company recently began to incorporate Gore's CROSSTECH fabric, which is resistant to blood born pathogens, into certain styles of its occupational footwear. Several of the Company's occupational footwear products are similar in design to certain of the Company's rugged outdoor footwear styles, except the Company's occupational footwear is primarily black in color and features innersole support systems. This product category includes work/steel toe footwear designed for industrial, construction and manufacturing workers who demand leather work boots that are durable, flexible and comfortable. Many companies require their workers to wear steel toe boots and often provide purchase programs for their employees' footwear needs.

Handsewn Casual Footwear. Aggregate sales of the Company's handsewn casual footwear were $7.8 million in Fiscal 1997, accounting for 8.2% of net sales. The Company's handsewn casual products target the upscale segment of the market and include well-styled, comfortable leather shoes of a variety of constructions, including traditional handsewn. Most of the Company's footwear in this segment is waterproof and highly functional for outdoor activity. The Company has placed increased emphasis on expanding its market share within the casual segment by increasing the number of its product offerings and more directly targeting the retail consumer. The Company currently offers 20

styles of footwear within this market segment. Prior to Fiscal 1996, the Company manufactured handsewn casual products primarily on a private label basis. The Company discontinued manufacturing on a private label basis in order to manufacture handsewn casual footwear exclusively under the ROCKY brand.

Other. The Company manufactures and/or markets a variety of accessories, including GORE-TEX waterproof oversocks, GORE-TEX waterproof booties, innersole support systems, foot warmers, laces and foot powder. GORE-TEX waterproof oversocks are sold under the ROCKY brand and as private label products. Additionally, the Company periodically contracts its excess manufacturing capacity for shoe uppers and bottoms to other shoe manufacturers. Aggregate sales of other products, including contract manufacturing, were $9.4 million in Fiscal 1997, representing 9.9% of net sales.

Net Sales Composition. The following table indicates the percentage of net sales derived from each major product line and the factory outlet store for the periods indicated. Historical percentages may not be indicative of the Company's future product mix.

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	FISCAL 1995	TRANSITION PERIOD	FISCAL 1996	FISCAL 1997
<S>	<C>	<C>	<C>	<C>
Rugged outdoor footwear.....................	57.6%	65.7%	57.8%	52.4%
Occupational footwear.......................	24.0	20.9	23.3	24.3
Handsewn casual footwear....................	8.1	2.1	5.7	8.2
Factory outlet store........................	6.1	7.6	6.6	5.2
Other.	4.2	3.7	6.6	9.9
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	100.0%	100.0%	100.0%	100.0%
	======	======	======	======

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PRODUCT DESIGN AND DEVELOPMENT

Product design and development are initiated both internally by the Company's development staff and externally by customers and suppliers. The Company's product development personnel, marketing personnel and sales representatives work closely to identify opportunities for new styles, camouflage patterns, design improvements and the incorporation of new materials. These opportunities are reported to the Company's development staff which oversees the development and testing of the new footwear. The Company also receives design and product innovation ideas from tradeshows and from its customers and suppliers who work with the Company to design footwear incorporating desired features or product innovations. The Company strives to develop products which respond to the changing needs and tastes of consumers under time constraints imposed by the market. As part of the design process, the Company maintains a computer aided design (CAD) system, which significantly shortens the development period for new footwear styles. Once the product design has been approved for production, a last (a reusable form utilized in the manufacture of footwear) is developed by the Company and then reproduced by a third-party supplier.

SALES, MARKETING AND ADVERTISING

The Company has developed comprehensive marketing and advertising programs to gain national exposure for its ROCKY brand products in its targeted markets. By creating strong brand awareness, the Company seeks to increase the general level of retail prices for its products, expand its customer base and increase brand loyalty. The Company's footwear is sold by more than 2,600 retail and mail order companies in the United States and Canada. The Company's largest customers include: Cabela's, Inc., Bass Pro Shops, Inc. and Dick's Clothing and Sporting Goods for rugged outdoor footwear; Fecheimer Brothers Uniforms, Inc. and R & R Uniforms, Inc. for occupational footwear; and J.C. Penney Company, Inc. for handsewn casual footwear. No single customer accounted for more than 10% of the Company's revenues in Fiscal 1997.

The Company's sales and marketing personnel are responsible for developing and implementing all aspects of advertising and promotion of the Company's products. In addition, the Company maintains a network of 48 exclusive sales representatives and manufacturers' representatives, operating in 14 geographic territories, who sell the Company's products throughout the United States and in Canada. The Company has historically sold its products through manufacturers' representatives who carried ROCKY brand products as well as other non-competing products. In an effort to ensure full representation of its complete product line and consistent support of its customers, late in 1995, the Company began replacing its manufacturers' representatives with exclusive sales representatives who sell only ROCKY brand products. Currently, 60% of the Company's sales force is comprised of exclusive sales representatives. The Company's objective is for at least 80% of its sales force to be exclusive sales representatives. The Company also changed its sales and manufacturing representatives compensation program by setting performance goals based on sales growth, development of new accounts and increased penetration of existing accounts with new products. The Company's exclusive sales representatives and manufacturers' representatives are paid on a commission basis and are responsible for sales, service and follow-up.

The Company advertises and promotes the ROCKY brand through a variety of methods, including product packaging, national print advertising and a telemarketing operation. In addition, the Company attends numerous tradeshows. The Company's marketing personnel have developed a product list, product catalog and dealer support system which includes attractive point-of-sale displays and co-op advertising programs. In the future, the Company plans to attend a greater number of tradeshows, which have historically been an important source of new orders, in response to increasing demand and favorable results received from attending such shows.

The Company believes that its long-term reputation for quality has increased awareness of the ROCKY brand. To further increase the strength of its brand, the Company has reformulated its advertising strategy by shifting its focus from the retail trade directly to the consumer. A key component of this new strategy includes advertising through cost-effective cable broadcasts aimed at audiences which share the demographic profile of the Company's typical customers. Similarly, the Company is shifting its national print advertising campaign to more consumer-oriented publications. The Company places full page advertisements in a number of magazines and other publications having national and international circulations, including Sports Afield, Field & Stream, North American Hunter, Outdoor Life, North American Fisherman, Police and Security News, Rescue and Law and Order. The Company's print advertisements and television commercials emphasize the waterproof nature of the Company's footwear as well as its high quality, comfort, functionality and durability. Management believes that by directly targeting the consumer it can create a more recognizable, consistent image of the ROCKY brand, thereby increasing demand for its products at higher retail prices.

All of the Company's advertisements include a toll free number for consumers to inquire about the Company's products and to locate their nearest retailer. The Company's national telemarketing operation is a "store-locator" system. A potential customer calls into the telemarketing center where trained telemarketing representatives, who are familiar with all styles of ROCKY footwear, respond to questions and refer the caller to one to three retailers in or near the caller's area according to ZIP code. The telemarketing representative records the name, address and telephone number of the caller, and a letter is sent to the potential customer thanking him or her for the inquiry, again identifying the nearby retailers and inviting the caller to visit the stores to try on a pair of ROCKY shoes or boots. An additional letter is sent to each of the retailers who were recommended to the caller, providing the retailers with the name, address and telephone number of the caller and requesting that their staff contact the potential customer and personally invite them to the store to shop for ROCKY footwear. A ROCKY postcard is provided for the retailer's convenience. A similar process is used with reader service cards placed in various publications which advertise the Company's products.

MANUFACTURING AND SOURCING

The Company manufactures its products under a twin-plant concept by producing the labor intensive "upper portions" in its lower wage rate plants in the Dominican Republic and Puerto Rico and completing its footwear in Puerto Rico and Nelsonville, Ohio where it uses state-of-the-art bottoming techniques. The Company utilizes a modular "Team

Pass-Through" manufacturing system in each of its manufacturing facilities. The Company believes that this system, which allows each person to perform a number of different tasks, is superior to a traditional assembly line approach, which requires each person to perform a single repetitive task. This system increases the number of pairs of footwear produced per square foot of manufacturing space, reduces work-in-process inventory and direct labor and improves the Company's production yields. In addition, the Company believes that its manufacturing process allows it to respond quickly to changes in product demand and consumer preferences.

Quality control is stressed at every stage of the manufacturing process and is monitored by trained quality assurance personnel at each of the Company's manufacturing facilities. Every pair of ROCKY footwear, or its component parts, produced at the Company's facilities is inspected at least five times during the manufacturing process with some styles inspected up to nine times. Every GORE-TEX waterproof fabric bootie liner is individually tested by filling it with compressed air and submerging it in water to verify that it is waterproof. Quality control personnel at the Nelsonville, Ohio warehouse conduct quality control testing on incoming sourced finished goods and raw materials and inspect random samples from the finished goods inventory from each of the Company's manufacturing facilities to ensure that all items meet the Company's high quality standards. A portion of each manufacturing employee's compensation is based on the level of product quality of each employee's respective work group.

Most of the Company's footwear is produced in its own facilities in Nelsonville, Ohio, the Dominican Republic and Puerto Rico. The Company sources some footwear from manufacturers in the Far East, primarily China, which in 1997 accounted for approximately 8.1% of its products. A greater portion of the Company's products may be sourced in the future if the Company expands and reaches capacity in its manufacturing facilities. The Company sources products to reach price points that it cannot obtain with products manufactured in its own facilities. The Company will source products from outside facilities only if the Company believes that these facilities will maintain the high quality that has become associated with ROCKY brand footwear. All product sourcing is planned and implemented under the direction and supervision of the Company's Director of Sourcing.

Compliance with federal, state and local regulations with respect to the environment has not had, nor does the Company expect it to have, any material effect on the earnings, manufacturing process, capital expenditures or competitive position of the Company.

SUPPLIERS

The Company purchases raw materials from a number of domestic and foreign sources. The Company does not have any long-term supply contracts for the purchase of its raw materials, except for limited blanket orders on leather to protect the Company's wholesale selling prices for an extended period of time. The principal raw materials used in the production of the Company's footwear, in terms of dollar value, are leather, GORE-TEX waterproof breathable fabric, CORDURA nylon fabric and soling materials. The Company believes that these materials will continue to be available from its current suppliers, and that, with the exception of GORE-TEX waterproof breathable fabric, there are acceptable present alternatives to these suppliers and materials.

GORE-TEX waterproof fabric is purchased under license directly from W. L. Gore & Associates, Inc. A majority of the Company's footwear incorporates GORE-TEX waterproof breathable fabric. The Company, which has been a customer of Gore since 1980, was the first footwear manufacturer licensed by Gore to manufacture, promote, sell and distribute footwear worldwide using GORE-TEX waterproof breathable fabric. The Company is currently one of the largest customers of GORE-TEX waterproof breathable fabric for footwear. Although other waterproofing techniques or materials are available, the Company places a high value on its GORE-TEX license because the GORE-TEX trade name has high brand name recognition and the GORE-TEX waterproof breathable fabric used in the manufacture of ROCKY footwear has a reputation for quality and proven performance.

Under the Company's licensing agreement with Gore, a prototype or sample of each style of shoe or boot designed and produced by the Company that incorporates GORE-TEX waterproof breathable fabric must be tested and approved by Gore before the Company is permitted to manufacture or sell commercial quantities of that style of footwear. Gore's

testing involves immersing the Company's footwear prototype for days in a water exclusion tester and flexing the prototype 500,000 times, simulating a 500-mile march through several inches of water. The prototype is then placed in a sweat absorption and transmission tester to measure "breathability," which is the amount of perspiration that can escape from the footwear.

All of the Company's GORE-TEX fabric footwear is guaranteed to be waterproof for one year from the date of purchase. When a customer claims that a product is not waterproof, the product is returned to the Nelsonville, Ohio manufacturing facility for further testing. If the product fails this testing process, it is either replaced or credit is given, at the customer's discretion. The Company believes that, historically, the claims associated with this guarantee have been consistent with guarantee claims in the footwear industry.

SEASONALITY AND WEATHER

The Company has historically experienced significant seasonal fluctuations in the sale of its rugged outdoor footwear. A majority of orders for the Company's rugged outdoor footwear are placed in January through April for delivery in July through October. In order to meet demand, the Company must manufacture its rugged outdoor footwear year round to be in a position to ship advance orders during the last two quarters of each calendar year. Accordingly, average inventory levels have been highest during the second and third quarters of each calendar year and sales have been highest in the last two quarters of each calendar year. Because of seasonal fluctuations, there can be no assurance that the results for any particular interim period will be indicative of results for the full year or for future interim periods.

Many of the Company's products, particularly its rugged outdoor footwear line, are used by consumers in cold or wet weather. Mild or dry weather can have a material adverse effect on sales of the Company's products, particularly if mild or dry weather conditions occur in broad geographical areas during late fall or early winter. Also, due to variations in weather conditions from year to year, results for any single quarter or year may not be indicative of results for any future quarter or year. Due to a relatively mild winter in many areas of the United States during the last winter season, the Company believes some of its customers may not have sold a significant portion of their inventory to retail consumers.

Footwear retailers in general have begun placing orders closer to the selling season. This increases the Company's business risk because it must produce and carry inventories for relatively longer periods. In addition, the later placement of orders may change the historical pattern of orders and sales and increase the seasonal fluctuations in the Company's business. There can be no assurance that the results for any particular interim period or year will be indicative of results for the full year or for any future interim period or year.

BACKLOG

At June 30, 1997 and June 30, 1996, the Company had unfilled orders from its customers in the amount of approximately $32.2 million and $25.3 million, respectively. By comparison, at December 31, 1997 and December 31, 1996, backlog was $3.7 and $3.3 million, respectively. Because a majority of the Company's orders are placed in January through April for delivery in July through October, the Company's backlog is lowest during the October through December period and peaks during the April through June period. Factors other than seasonality could have a significant impact on the Company's backlog and, therefore, the Company's backlog at any one point in time may not be indicative of future results. Generally, orders may be canceled by customers prior to shipment without penalty.

PATENTS, TRADEMARKS AND TRADE NAMES

The Company owns eighteen United States patents for shoe upper designs. The Company has two other United States design patent applications for shoe soles that have been allowed, but for which patents have not yet been issued. The Company has eight additional United States design patent applications pending for shoe soles and two for shoe uppers. The Company is not aware of any infringement of its patents or that it is infringing any patents owned by third parties.

The Company owns United States federal registrations for its marks ROCKY(R), ROCKY BOOTS(R) (which claims a ram's head Design as part of the mark), BEAR CLAW(R), CORNSTALKERS(R), COME WALK WITH U.S. and Design(R), ROCKY 911 SERIES and Design(R), SNOW STALKER(R), 4 WAY STOP and Design(R), and STALKERS(R). Additional mark variations for ROCKY BOOTS(R) and Design (which claims a ram's head Design as part of the mark), ROCKY and Design(TM) for cigars, and ROCKY ROCKY SHOES & BOOTS INC. SINCE 1932 and Design(R) plus a detailed full ram Design are the subject of pending United States federal applications for registration. In addition, the Company uses and has common law rights in the marks ROCKY(R) MOUNTAIN STALKERS(R), and other ROCKY(R) marks. During 1994, the Company began to increase distribution of its goods in several countries, including countries in Western Europe, Canada and Japan. The Company has applied for trademark registration of its ROCKY(R) mark in a number of foreign countries.

The Company also uses in its advertising and in other documents the following trademarks owned by corporations other than the Company: GORE-TEX(R) and CROSSTECH(R) are registered trademarks of W.L. Gore & Associates, Inc.; CORDURA(R) is a registered trademark of E.I. DuPont de Nemours and Company; THINSULATE(R) is a registered trademark of Minnesota Mining and Manufacturing Company; and CAMBRELLE(R) is a trademark of Koppers Industries, Inc. The Company is not aware of any material conflicts concerning its marks or its use of marks owned by other corporations.

COMPETITION

The Company operates in a very competitive environment. Product function, design, comfort, quality, technological improvements, brand awareness, timeliness of product delivery and pricing are all important elements of competition in the markets for the Company's footwear. The Company believes that, based on these factors, it competes favorably in its rugged outdoor footwear and occupational footwear market niches. Many of the Company's competitors have greater financial, distribution and marketing resources than the Company. The Company has at least five major competitors in each of its markets. All of these competitors have strong brand name recognition in the markets that they serve.

The footwear industry is subject to rapid changes in consumer preferences. The Company's handsewn casual product line and certain styles within its rugged outdoor and occupational product lines are susceptible to fashion trends. Therefore, the success of these products and styles are more dependent on the Company's ability to anticipate and respond to changing fashion trends and consumer demands within its niche market in a timely manner. The Company's inability or failure to do so could adversely affect consumer acceptance of these product lines and styles and could have a material adverse effect on the Company's business, financial condition and results of operations.

EMPLOYEES

At December 31, 1997, the Company had approximately 1,666 full-time employees and 30 part-time employees. Approximately 1,271 of these full-time employees are in the Dominican Republic and Puerto Rico, including approximately 1,008 in production and the balance in managerial and administrative positions. The production employees at the Nelsonville, Ohio facility are represented by the Amalgamated Clothing and Textile Workers Union. The current collective bargaining agreement between the Company and the union was reached in May 1996 and will expire in May 1998. The Company believes the agreement is consistent with other contracts in the footwear industry. Management considers its relations with all of its employees, both union and non-union, to be good.

BUSINESS RISKS

The Company desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). In addition to the other information in this report, readers should carefully consider that the following important factors, among others, in some cases have affected, and in the future could affect, the Company's actual results and could cause the Company's actual consolidated results of operations for 1998 and beyond, to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Company.

Changes in Consumer Demand. The footwear industry is subject to rapid changes in consumer preferences. Demand for the Company's products, particularly the Company's handsewn casual product line and certain styles within its rugged outdoor and occupational product lines, may be adversely affected by changing fashion trends. The future success of the Company will depend upon the Company's ability to anticipate and respond to changing consumer preferences and fashion trends in a timely manner. The Company's failure to adequately anticipate or respond to such changes could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, sales of the Company's products may be negatively affected by weak consumer spending as a result of adverse economic trends or uncertainties regarding the economy. See "Business -- Competition."

Seasonality. The Company has historically experienced, and expects to continue to experience, significant seasonal fluctuations in the sale of its products. The Company's operating results have varied significantly in the past, and may vary significantly in the future, partly due to such seasonal fluctuations. A majority of the orders for the Company's rugged outdoor footwear are placed in January through April for delivery in July through October. To meet demand, the Company must manufacture its products year-round. Accordingly, average inventory levels have been highest during the second and third quarters of each calendar year, and sales have been highest in the last two quarters of each calendar year. The Company believes that sales of its products will continue to follow this seasonal cycle. Additionally, the Company does not have long-term contracts with its customers. Accordingly, there is no assurance that the results for any particular quarter will be indicative of results for the full year or for the future. The Company believes that comparisons of its interim results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. Due to the factors mentioned above as well as factors discussed elsewhere in this Form 10-K, it is likely that in some future quarter the Company's operating results will be below the expectations of public market analysts and investors. In such event, the price of the Company's Common Stock will likely be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business -- Seasonality and Weather."

Impact of Weather. Many of the Company's products, particularly its rugged outdoor footwear line, are used primarily in cold or wet weather. Mild or dry weather may have a material adverse effect on sales of the Company's products, particularly if mild or dry weather conditions occur in broad geographical areas during late fall or early winter. Also, due to variations in weather conditions from year to year, results for any single quarter or year may not be indicative of results for any future period. See "Business -- Seasonality and Weather."

Competition. The footwear industry is intensely competitive, and the Company expects competition to increase in the future. Many of the Company's competitors have greater financial, distribution and marketing resources than the Company. The Company's ability to succeed depends on its ability to remain competitive with respect to the quality, design, price and timely delivery of its products. Competition could materially adversely affect the Company's business, financial condition and results of operations. See "Business -- Competition."

Reliance on Suppliers. The Company purchases raw materials from a number of domestic and foreign sources. The Company does not have any long-term supply contracts for the purchase of its raw materials, except for limited blanket orders on leather. The principal raw materials used in the production of the Company's footwear, in terms of dollar value, are leather, GORE-TEX waterproof fabric, CORDURA nylon fabric and soling materials. The Company believes that currently there are acceptable alternatives to these suppliers and materials, with the exception of the GORE-TEX waterproof fabric.

The Company is currently one of the largest customers of GORE-TEX waterproof fabric for use in footwear. The Company's licensing agreement with W.L. Gore & Associates, Inc. may be terminated by either party upon 90 days written notice. Although other waterproofing techniques and materials are available, the Company places a high value on its GORE-TEX waterproof breathable fabric license because GORE-TEX has high brand name recognition and the GORE-TEX waterproof fabric used in the manufacture of ROCKY footwear has a reputation for quality and proven performance. Even though the Company does not believe that its supply of GORE-TEX waterproof fabric will be interrupted in the future, no assurance can be given in this regard. The Company's loss of its license to use GORE-TEX

waterproof breathable fabric could materially adversely affect the Company's competitive position, which could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business - -- Suppliers."

The Company delivers a majority of shipments to its customers via United Parcel Service ("UPS"). Possible interruptions of UPS's service in the future could have a material adverse effect on the Company's business, financial condition and results of operations.

Changing Retailing Trends. Historically, the Company has chosen not to sell products to discount mass merchandisers. A continued shift in the marketplace from traditional independent retailers to large discount mass merchandisers has increased the pressure on many footwear manufacturers to sell products to large discount mass merchandisers at less favorable margins. Because of competition from large discount mass merchandisers, a number of small retailing customers of the Company have gone out of business, and in the future more of such customers may go out of business, which could have a material adverse effect on the Company's business, financial condition and results of operations. Although progressive independent retailers have attempted to improve their competitive position by joining buying groups, stressing personal service and stocking more products that address specific local needs, a continued shift to discount mass merchandisers could have a material adverse effect on the Company's business, Financial condition and results of operations and could cause the Company to reevaluate its strategy. See "Business -- Sales, Marketing and Advertising."

Reliance on Key Personnel. The development of the Company's business has been, and will continue to be, highly dependent upon Mike Brooks, Chairman, President and Chief Executive Officer, David Fraedrich, Executive Vice President and Chief Financial Officer and William S. Moore, Senior Vice President -- Sales and Marketing. Each of these executive officers has an at-will employment agreement with the Company. Messrs. Brooks' and Fraedrich's employment agreements provide that in the event of termination of employment with the Company, they may not compete with the Company for a period of one year. Mr. Moore's employment agreement provides that in the event of termination of employment with the Company, he may not compete with the Company for a period of three months, which period may be extended an additional six months by the

Company. The Company has obtained key man life insurance on Messrs. Brooks, Fraedrich and Moore in the amount of $1,146,022, $1,143,602 and $888,989, respectively. The loss of the services of any of these officers could have a material adverse effect upon the Company's business, financial condition and results of operations.

Reliance on Foreign Manufacturing. Most of the Company's rugged outdoor and handsewn casual footwear uppers are produced in the Dominican Republic. Therefore, the Company's business is subject to the risks of doing business offshore, such as: the imposition of additional United States legislation and regulations relating to imports, including quotas, duties, taxes or other charges or restrictions; weather conditions in the Dominican Republic; foreign governmental regulation and taxation; fluctuations in foreign exchange rates; changes in economic conditions; changes in the political stability of the Dominican Republic; and changes in relationships between the United States and the Dominican Republic. If any such factors were to render the conduct of business in the Dominican Republic undesirable or impracticable, the Company would have to locate new facilities for its manufacturing operations. There can be no assurance that additional facilities would be available to the Company or, if available, that such facilities could be obtained on terms favorable to the Company. Such a development would have a material adverse effect on the Company's business, financial condition and results of operations. See "Business - -- Manufacturing and Sourcing."

Changes in Tax Rates. In past years, the Company's effective tax rate typically has been substantially below the United States federal statutory rates. The Company has paid minimal income taxes on income earned by its subsidiary in Puerto Rico due to tax credits afforded the Company under Section 936 of the Internal Revenue Code and local tax abatements. However, Section 936 of the Internal Revenue Code has been repealed such that future tax credits available to the Company will be capped beginning in 2002 and terminate in 2006. In addition, the Company's local tax abatements in Puerto Rico are due to expire in 2004. Prior to Fiscal 1996, the Company paid no foreign income tax on the income generated by its subsidiary in the Dominican Republic. During the fourth quarter of Fiscal 1996, the

Company elected to repatriate future earnings of its subsidiary in the Dominican Republic. The Company's future tax rate will vary depending on many factors, including the level of relative earnings and tax rates in each jurisdiction in which it operates and the repatriation of any foreign income to the United States. Accordingly, since October 1, 1996, the Company has accrued taxes on all amounts repatriated and will accrue taxes on future earnings as they are no longer deemed permanently invested. The Company cannot anticipate future changes in such laws. Increases in effective tax rates or changes in tax laws may have a material adverse effect on the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Concentration of Stock Ownership; Certain Corporate Governance Measures. The directors, executive officers and principal shareholders of the Company beneficially own approximately 17.1% of the Company's outstanding Common Stock. As a result, these shareholders are able to exert significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. Such concentration of ownership may also have the effect of delaying or preventing a change in control of the Company. The Company has also adopted certain corporate governance measures which, individually or collectively, could delay or frustrate the removal of incumbent directors and could make more difficult a merger, tender offer or proxy contest involving the Company even if such events might be deemed by certain shareholders to be beneficial to the interest of the shareholders.

Volatility of Market Price. From time to time, there may be significant volatility in the market price of the Common Stock. The Company believes that the current market price of its Common Stock reflects expectations that the Company will be able to continue to market its products profitably and develop new products with market appeal. If the Company is unable to market its products profitably and develop new products at a pace that reflects the expectations of the market, investors could sell shares of the Common Stock at or after the time that it becomes apparent that such expectations may not be realized, resulting in a decrease in the market price of the Common Stock.

In addition to the operating results of the Company, changes in earnings estimates by analysts, changes in general conditions in the economy or the financial markets or other developments affecting the Company or its industry could cause the market price of the Common Stock to fluctuate substantially. In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies, including the Company, for reasons unrelated to their operating performance. See "Market for the Registrant's Common Equity and Related Matters."

Limited Protection of Intellectual Property. The Company regards certain of its footwear designs as proprietary and relies on patents to protect those designs. The Company believes that the ownership of the patents is a significant factor in its business. Existing intellectual property laws afford only limited protection of the Company's proprietary rights, and it may be possible for unauthorized third parties to copy certain of the Company's footwear designs or to reverse engineer or otherwise obtain and use information that the Company regards as proprietary. The Company believes its patents provide a measure of security against competition, and the Company intends to enforce its patents against infringement by third parties. However, if the Company's patents are found to be invalid, to the extent they have served, or would in the future serve, as a barrier to entry to the Company's competitors, such invalidity could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company owns United States federal registrations for a number of its trademarks, trade names and designs. Additional trademarks, trade names and designs are the subject of pending federal applications for registration. The Company also uses and has common law rights in certain trademarks. During 1994, the Company began to increase distribution of its goods in several foreign countries. Accordingly, the Company has applied for trademark registrations in a number of these countries. The Company intends to enforce its trademarks and trade names against unauthorized use by third parties. However, existing trademark and trade name laws afford only limited protection, and the laws of countries other than the United States may not protect the Company's proprietary rights to as great an extent as do the laws of the United States. Accordingly, regardless of the legal rights of the Company, it may be possible for unauthorized third parties to use the Company's trademarks, trade names or designs and realize monetary gain at the Company's expense. Although such unauthorized use may be illegal, the Company may be forced to expend substantial

resources to enforce its rights and nonetheless be divested of a portion of its goodwill as a result of such unauthorized use. See "Business -- Patents, Trademarks and Trade Names."

RISKS ASSOCIATED WITH FORWARD LOOKING STATEMENTS. This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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, such as statements concerning the Company's future profitability and its operating and growth strategy. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, the factors set forth under the caption "Business Risks" in this Annual Report on Form 10-K and other factors detailed from time to time in the Company's filings with the Securities and Exchange Commission. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate. Therefore, there can be no assurance that the forward-looking statements included in this Annual Report on Form 10-K will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

ITEM 2. PROPERTIES.

The Company's executive offices and factory outlet store are located in Nelsonville, Ohio in a two-story 25,000 square foot building adjacent to the Company's Nelsonville manufacturing facility. The first floor of this building, which consists of approximately 12,500 square feet, houses the Company's factory outlet store which was opened in late 1994. The second floor houses the Company's executive offices. The Company also owns a 5,000 square foot building, in Nelsonville, Ohio, subject to a mortgage, which is used to house administrative staff.

The Company owns a 98,000 square foot distribution warehouse in Nelsonville, Ohio. This warehouse receives and stores raw materials for all of the Company's manufacturing facilities. Additionally, under a two-year lease entered into in January 1997, the Company leases 18,000 square feet of warehouse space in Logan, Ohio, which it uses to store raw materials.

The Company leases a 41,000 square foot manufacturing facility in Nelsonville, Ohio, from the William Brooks Real Estate Company, an entity owned by certain members of the Brooks family, including Mike Brooks and Barbara Brooks Fuller, who are also executive officers and directors of the Company. The lease expires in February 2002 and is renewable for one five-year term.

On a temporary basis the Company is leasing a 50,000 square foot facility in Newark, Ohio to store overflow finished goods inventory and rubber products and retail inventory. The Company is currently negotiating a permanent lease for this facility.

Lifestyle leases a 20,500 square foot manufacturing facility and a 22,700 square foot manufacturing facility and warehouse in Puerto Rico from the Puerto Rico Industrial Development Company under net noncancellable operating leases, one of which expires in 1998 and one of which expires in 2002. These leases will automatically renew for additional ten-year periods unless otherwise terminated.

Five Star's manufacturing facility, consisting of three connected buildings and a stand-alone building, is located in a tax-free trade zone in the Dominican Republic. Five Star leases 82,600 square feet of this facility from the Dominican Republic Corporation for Industrial Development (the "DRCID") under a Consolidation of Lease Contract, dated as of December 13, 1993, the term of which expires on February 1, 2003. Five Star leases 32,000 square feet of this facility from the DRCID under a temporary lease. The Company is currently negotiating a permanent lease for the 32,000 square foot facility.

ITEM 3. LEGAL PROCEEDINGS.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

MARKET INFORMATION

The Company's Common Stock trades on the Nasdaq National Market under the symbol "RCKY." The following table sets forth the range of high and low sales prices for the Common Stock for the periods indicated, as reported by the Nasdaq National Market:

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QUARTER ENDED	HIGH	LOW
March 31, 1996	6.75	5.00
June 30, 1996	8.50	5.50
September 30, 1996	8.25	6.75
December 31, 1996	10.00	6.75
March 31, 1997	16.25	8.25
June 30, 1997	17.38	12.63
September 30, 1997	19.38	15.88
December 31, 1997	21.50	14.38

</TABLE>

On March 13, 1998, the last reported sales price of the Common Stock on the Nasdaq National Market was $15.25 per share. As of March 13, 1998, there were approximately 183 shareholders of record of the Common Stock.

The Company presently intends to retain its earnings to finance the growth and development of its business and does not anticipate paying any cash dividends in the foreseeable future. Future dividend policy will depend upon the earnings and financial condition of the Company, the Company's need for funds and other factors. Presently, the Line of Credit (as defined below) restricts the payment of dividends on the Common Stock. At December 31, 1997, approximately $10,450,439 of retained earnings was available for distribution.

ITEM 6. SELECTED FINANCIAL DATA.

SELECTED FINANCIAL DATA

(in thousands, except for per share data)

	YEARS ENDED 12/31/97	YEARS ENDED 12/31/96	TWELVE MONTHS ENDED 12/31/95 (UNAUDITED)	SIX MONTHS ENDED 12/31/95	YEAR ENDED JUNE 30, 1995	1994	1993
INCOME STATEMENT DATA							
Net sales............................	$95,027	$73,148	$60,384	$36,124	$60,227	$52,895	$41,205
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle...........	4,761	2,806	(537)	(490)	1,433	1,820	1,767
Net income (loss)....................	$4,761	$2,806	$(537)	$(490)	$1,433	$1,820	$1,753
BALANCE SHEET DATA							
Total assets.........................	$80,955	$58,090	$49,081	$49,081	$59,458	$51,943	$38,528
Total long-term debt.................	13,407	19,520	16,554	16,554	15,503	17,357	5,251
Shareholders' equity.................	59,197	26,375	23,569	23,569	24,059	22,627	21,594
PER SHARE							
Income (loss) before extraordinary loss and cumulative effect of change in accounting principle:							
Basic..........................	$1.16	$0.77	$(0.15)	$(0.13)	$0.39	$0.49	$0.63
Diluted........................	$1.10	$0.74	$(0.15)	$(0.13)	$0.38	$0.48	$0.60
Net income (loss):							
Basic..........................	$1.16	$0.77	$(0.15)	$(0.13)	$0.39	$0.49	$0.63
Diluted........................	$1.10	$0.74	$(0.15)	$(0.13)	$0.38	$0.48	$0.60
Weighted average number of shares outstanding:							
Basic..........................	4,088	3,666	3,666	3,666	3,666	3,707	2,793
Diluted........................	4,330	3,776	3,666	3,666	3,762	3,831	2,906

Note: During fiscal 1993, the Company retired all outstanding 13.25% subordinated debentures originally due 2005 resulting in an extraordinary loss of $148,400. Also in fiscal 1993, the Company changed its method of accounting for income taxes resulting in the cumulative effect of an increase in net income of $134,000.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this item is included under the caption "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" in the Company's Annual Report to Shareholders and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The Company's consolidated financial balance sheets as of December 31, 1997 and 1996, and the related consolidated statements of operations, shareholder's equity, and cash flow for the years ended December 31, 1997 and 1996, the six months ended December 31, 1995, and the year ended June 30, 1995, together with the independent auditors' report thereon appear in the Company's Annual Report to Shareholders and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item is included under the captions "ELECTION OF DIRECTORS" and "INFORMATION CONCERNING THE DIRECTORS, EXECUTIVE OFFICERS, AND PRINCIPAL SHAREHOLDERS - EXECUTIVE OFFICERS" and "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in the Company's Proxy Statement for the 1998 Annual Meeting of Shareholders (the "Proxy Statement") to be held on May 19, 1998, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is included under the captions "INFORMATION CONCERNING THE DIRECTORS, EXECUTIVE OFFICERS AND PRINCIPAL SHAREHOLDERS - MEETINGS, COMMITTEES, AND COMPENSATION OF THE BOARD OF DIRECTORS," "- EXECUTIVE COMPENSATION," and "- COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" in the Company's Proxy Statement, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is included under the caption "INFORMATION CONCERNING THE DIRECTORS, EXECUTIVE OFFICERS AND PRINCIPAL SHAREHOLDERS - OWNERSHIP OF COMMON STOCK BY MANAGEMENT" and "- OWNERSHIP OF COMMON STOCK BY PRINCIPAL SHAREHOLDERS," in the Company's Proxy Statement, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is included under the caption "INFORMATION CONCERNING THE DIRECTORS, EXECUTIVE OFFICERS AND PRINCIPAL SHAREHOLDERS - COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" in the Company's Proxy Statement, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) THE FOLLOWING DOCUMENTS ARE FILED AS PART OF THIS REPORT:

(1) The following Financial Statements are included in the Company's Annual Report to Shareholders and are incorporated herein by reference.

Consolidated Balance Sheets as of December 31, 1997 and December 31, 1996

Consolidated Statements of Operations for the fiscal years ended December 31, 1997 and December 31, 1996, the six months ended December 31, 1995, and the fiscal year ended June 30, 1995

Consolidated Statements of Shareholders' Equity for the fiscal years ended December 31, 1997 and December 31, 1996, the six months ended December 31, 1995, and the fiscal year ended June 30, 1995

Consolidated Statements of Cash Flows for the fiscal years ended December 31, 1997 and December 31, 1996, the six months ended December 31, 1995, and the fiscal year ended June 30, 1995

Notes to Consolidated Financial Statements for the fiscal years ended December 31, 1997 and December 31, 1996, the six months ended December 31, 1995, and the fiscal year ended June 30, 1995

Independent Auditors' Report

(2) The following financial statement schedule for the fiscal years ended December 31, 1997, December 31, 1996, the six months ended December 31, 1995, and the fiscal year ended June 30, 1995 is included in this

Annual Report on Form 10-K and should be read in conjunction with the Consolidated Financial Statements contained in the Annual Report.

Schedule II -- Consolidated Valuation and Qualifying Accounts

Schedules not listed above are omitted because of the absence of the conditions under which they are required or because the required information is included in the Consolidated Financial Statements or the notes thereto.

(3) Exhibits:

Exhibit Number	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant.
3.2	Amended and Restated Code of Regulations of the Registrant (incorporated by reference to Exhibit 3.2 to the Registration Statement).
4.1	Form of Stock Certificate for the Registrant (incorporated by reference to Exhibit 4.1 to the Registration Statement).
4.2	Articles Fourth, Fifth, Sixth, Seventh, Eighth, Eleventh, Twelfth, and Thirteenth of the Registrant's Amended and Restated Articles of Incorporation (see Exhibit 3.1).
4.3	Articles I and II of the Registrant's Code of Regulations (see Exhibit 3.2).
10.1	Form of Employment Agreement, dated July 1, 1995, for executive officers (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (the "1995 Form 10-K")).
10.2	Information concerning Employment Agreements substantially similar to Exhibit 10.1.
10.3	Deferred Compensation Agreement, dated May 1, 1984, between Rocky Shoes & Boots Co. and Mike Brooks (incorporated by reference to Exhibit 10.3 to the Registration Statement).
10.4	Information concerning Deferred Compensation Agreements substantially similar to Exhibit 10.3.
10.5	Form of Company's amended 1992 Stock Option Plan (incorporated by reference to Exhibit 10.5 to the 1995 Form 10-K).
10.6	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.6 to the Registration Statement).
10.7	Revolving Credit Loan Agreement, dated January 28, 1997, among Rocky Shoes & Boots, Inc., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., Bank One Columbus, N.A., The Huntington National Bank, and Bank One, Columbus, N.A., as Agent (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (the "1996 Form 10- K")).
10.8	Term Loan Agreement and First Amendment to Revolving Credit Loan Agreement, dated as of April 18, 1997, between the Registrant, Five Star Enterprises Ltd., Lifestyle Footwear, Inc., Bank One, Columbus, N.A., the Huntington National Bank, and Bank One, Columbus, N.A., as Agent (incorporated by reference to Exhibit 10.8 to Form S-2 filed September 11, 1997, registration number 333-35391).

Exhibit Number	Description
10.9	Buy-Sell Agreement, dated December 21, 1992, among the Registrant, Mike Brooks, Charles Stuart Brooks, Jay W. Brooks, Barbara Brooks Fuller, and Patricia H. Robey (incorporated by reference to Exhibit 10.8 to the Registration Statement).
10.10	First Amendment to Buy-Sell Agreement, dated as of March 30, 1995, among the

	Registrant, Mike Brooks, Barbara Brooks Fuller, Patricia H. Robey, Jay W. Brooks and Charles Stuart Brooks (incorporated by reference to Exhibit No. 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995 (the "March 31, 1995 Form 10-Q")).
10.11	Second Amendment to Buy-Sell Agreement, dated as of June 30, 1996, among the Registrant, Mike Brooks, Barbara Brooks Fuller, Patricia H. Robey, Jay W. Brooks and Charles Stuart Brooks (incorporated by reference to Exhibit 10.11 to Form S-2 filed September 11, 1997, registration number 333-35391).
10.12	Master Agreement, dated as of February 1, 1996, by and between Bank One, Columbus, N.A., and Rocky Shoes & Boots Co. (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the transition period ended December 31, 1995).
10.13	Indemnification Agreement, dated December 21, 1992, between the Registrant and Mike Brooks (incorporated by reference to Exhibit 10.10 to the Registration Statement).
10.14	Information concerning Indemnification Agreements substantially similar to Exhibit 10.13 (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1993 (the "1993 Form 10-K")).
10.15	Trademark License Agreement and Manufacturing Certification Agreement, each dated May 14, 1994, between Rocky Shoes & Boots Co. and W. L. Gore & Associates, Inc. (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1994 (the "1994 Form 10-K")).
10.16	Decree of Tax Exemption from the Government of the Commonwealth of Puerto Rico (incorporated by reference to Exhibit 10.13 to the Registration Statement).
10.16A	English Translation of Addendum to Exhibit 10.16 (incorporated by reference to Exhibit 10.13A to the Registration Statement).
10.17	Lease Agreement, dated March 1, 1987, as amended, between Rocky Shoes & Boots Co. and William Brooks Real Estate Company regarding Nelsonville factory (incorporated by reference to Exhibit 10.14 to the Registration Statement).
10.18	Lease Contract, dated August 31, 1988, between Lifestyle Footwear, Inc. and The Puerto Rico Industrial Development Company regarding factory location 1 (incorporated by reference to Exhibit 10.15 to the Registration Statement).

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Exhibit Number	Description
<S>	<C>
10.19	Lease Contract, undated, between Lifestyle Footwear, Inc. and The Puerto Rico Industrial Development company regarding factory location 2 (incorporated by reference to Exhibit 10.16 to the Registration Statement).
10.19A	English translation of Exhibit 10.19 (incorporated by reference to Exhibit 10.16A to the Registration Statement).
10.20	Lease Agreement, dated December 13, 1993, between Five Star Enterprises Ltd. and the Dominican Republic Corporation for Industrial Development regarding buildings and annexes of a combined manufacturing surface of 75,526 square feet, located in the Industrial Free Zone of La Vega (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 (the "September 30, 1995 Form 10-Q")).
10.20A	English translation of Exhibit 10.20 (incorporated by reference to Exhibit 10.2A to the September 30, 1995 Form 10-Q).
10.21	Continuing Security Agreement, dated January 28, 1997, among Rocky Shoes & Boots, Inc., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and Bank One, Columbus, N.A., as Agent (incorporated by reference to Exhibit 10.18 to the 1996 Form 10-K).
10.22	Loan Purchase, Assignment and Master Amendment Agreement, dated as of February 1, 1996, among Bank One Columbus, N.A., NBD Bank, NBD Bank, as Agent, Rocky Shoes & Boots, Inc., Rocky Shoes & Boots, Co., Five Star Enterprises Ltd., and Lifestyle Footwear, Inc. (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the transition period ended December 31, 1995).
10.23	Installment Business Loan Note, dated August 19, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.20 to the 1994 Form 10-K).
10.24	Second Amendment to Business Loan Note, dated January 28, 1997, among Rocky Shoes & Boots, Inc., Five Star Enterprises Ltd., and Lifestyle Footwear, Inc. (incorporated by reference to Exhibit 10.21 to the 1996 Form 10-K).

10.25	Term Lease Master Agreement, dated April 27, 1993, between Rocky Shoes & Boots, Inc. and IBM Credit Corporation (incorporated by reference to Exhibit 10.22 to the 1993 Form 10-K).
10.26	Fourth Amendment to Promissory Note, dated January 28, 1997, among Rocky Shoes & Boots, Inc., Five Star Enterprises Ltd., and Lifestyle Footwear, Inc. (incorporated by reference to Exhibit 10.23 to the 1996 Form 10-K).
10.27	Acceptance Credit Agreement, dated May 4, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.24 to the 1994 Form 10-K).

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Exhibit Number	Description
<S>	<C>
10.28	Adjustable Rate Note, dated May 23, 1988, between Nelsonville Home and Savings Association and Rocky Shoes & Boots Co. (incorporated by reference to Exhibit 10.25 to the Registration Statement).
10.29	First Amendment to Acceptance Credit Agreement, dated October 20, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.26 to the 1994 Form 10-K).
10.30	Form of Company's 1995 Stock Option Plan (incorporated by reference to Exhibit 10.27 to the 1995 Form 10-K).
10.31	Form of Stock Option Agreement under the 1995 Stock Option Plan (incorporated by reference to Exhibit 10.28 to the 1995 Form 10-K).
10.32	Open-End Mortgage, Security Agreement and Assignment of Rents and Leases, dated March 30, 1995, between Rocky Shoes & Boots Co. and NBD Bank, as Agent (incorporated by reference to Exhibit No. 10.3 to the March 31, 1995 Form 10-Q).
10.33	Installment Business Loan Note, dated May 11, 1994, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.30 to the 1994 Form 10-K).
10.34	Construction and Term Loan Agreement, dated October 27, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.31 to the 1994 Form 10-K).
10.35	Promissory Note, dated October 27, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.32 to the 1994 Form 10- K).
10.36	Open-End Mortgage, Security Agreement and Assignment of Rents and Leases, dated October 27, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.33 to the 1994 Form 10-K).
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</TABLE>

<TABLE>
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Exhibit Number	Description
<S>	<C>
10.39	First Amendment to Open-End Mortgage, Security Agreement and Assignment of Rents and Leases, dated January 28, 1994, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.36 to the 1994 Form 10-K).

10.40	Letter Agreement between the Registrant and the Kravetz Group, dated August 3, 1994 (incorporated by reference to Exhibit No. 10.6 to the March 31, 1995 Form 10-Q).
10.41	Amended and Restated Master Business Loan Note, dated March 30, 1995, among the Registrant, Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc. (incorporated by reference to Exhibit No. 10.4 to the March 31, 1995 Form 10-Q).
10.42	Third Amendment to Construction and Term Loan Agreement, dated as of March 30, 1995, among the Registrant, Rocky Shoes & Boots Co., Five Star Enterprises Ltd., and Lifestyle Footwear, Inc. (incorporated by reference to Exhibit No. 10.5 to the March 31, 1995 Form 10-Q).
10.43	Loan Agreement, dated as of October 7, 1994, between the Director of Development of the State of Ohio and Rocky Shoes & Boots Co. (incorporated by reference to Exhibit 10.43 to the 1995 Form 10-K).
10.44	Promissory Note, dated October 7, 1994, by Rocky Shoes & Boots Co. to the Director of Development of the State of Ohio (incorporated by reference to Exhibit 10.44 to the 1995 Form 10-K).
10.45	Security Agreement, dated as of October 7, 1994, between the Director of Development of the State of Ohio and Rocky Shoes & Boots Co. (incorporated by reference to Exhibit 10.45 to the 1995 Form 10-K).
10.46	Form of Employment Agreement, dated September 7, 1995, for executive officers (incorporated by reference to Exhibit 10.5 to the September 30, 1995 Form 10-Q).
10.47	Information covering Employment Agreements substantially similar to Exhibit 10.46 (incorporated by reference to Exhibit 10.5 to the September 30, 1995 Form 10-Q).
13	Portions of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1997.
21	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21 to Form S-2 filed September 11, 1997, registration number 333-35391).
23	Consent of Deloitte & Touche LLP.
24	Powers of Attorney.
27	Financial Data Schedule.

</TABLE>

The Registrant agrees to furnish to the Commission upon its request copies of any omitted schedules or exhibits to any Exhibit filed herewith.

(B) REPORTS ON FORM 8-K

Form 8-K, dated November 5, 1997, filed November 14, 1997, regarding shareholders rights plan (Item 5.)

(C) EXHIBITS

The exhibits to this report begin on page _____.

(D) FINANCIAL STATEMENT SCHEDULES

The financial statement schedule and the independent auditors' report thereon are included on the following pages.

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Rocky Shoes & Boots, Inc. and subsidiaries as of December 31, 1997 and 1996, and for the years ended December 31, 1997 and 1996, the six months ended December 31, 1995, and the year ended June 30, 1995, and have issued our report thereon dated March 6, 1998; such financial statements and report are included in your 1997 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of Rocky Shoes & Boots, Inc. and subsidiaries, listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statements schedule, when considered in relation to the basic consolidated financial statement taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

March 6, 1998
Columbus, Ohio

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES

SCHEDULE II

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS FOR THE YEARS DECEMBER 31, 1997 and 1996, THE SIX MONTHS ENDED DECEMBER 31, 1995, AND FISCAL YEAR ENDED JUNE 30, 1995

Column A	Column B	Column C		Column D	Column E
		Additions Charged To			
DESCRIPTION	Balance at Beginning of Period	Costs and Expenses	Other Accounts	Deductions	Balance at End of Period
ALLOWANCE FOR DOUBTFUL ACCOUNTS:					
Year ended December 31, 1997	$291,000	$413,678		$(214,678)	$490,000
Year ended December 31, 1996	$156,000	$384,813		$(249,813)	$291,000
Six months ended December 31, 1995	$285,000	$119,940		$(248,940)	$156,000
Fiscal year ended June 30, 1995	$180,000	$189,385		$ (84,385)	$285,000
RESERVE FOR OBSOLETE INVENTORY:					
Year ended December 31, 1997	$642,000	$291,000		$(642,000)	$291,000
Year ended December 31, 1996	$ 0	$642,000		$ 0	$642,000

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 26, 1998

By: /s/ Dave Fraedrich
Dave Fraedrich, Executive Vice President, Treasurer and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the dates indicated.

Signature	Title	Date
* Mike Brooks Mike Brooks	Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 26, 1997
/s/ Dave Fraedrich	Executive Vice President, Treasurer,	March 26, 1997

Dave Fraedrich	Chief Financial Officer and Director (Principal Financial and Accounting Officer)	
* Curtis A. Loveland Curtis A. Loveland	Secretary and Director	March 26, 1997
* Leonard L. Brown Leonard L. Brown	Director	March 26, 1997
* Barbara Brooks Fuller Barbara Brooks Fuller	Director	March 26, 1997
* Stanley I. Kravetz Stanley I. Kravetz	Director	March 26, 1997
* James L. Stewart James L. Stewart	Director	March 26, 1997
* Robert D. Stix Robert D. Stix	Director	March 26, 1997

*By: /s/ Dave Fraedrich

Dave Fraedrich, Attorney-in-Fact

</TABLE>

ROCKY SHOES & BOOTS, INC.

EXHIBIT INDEX

TO

ANNUAL REPORT
ON FORM 10-K

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1997

<TABLE>
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Exhibit Number	Description
3.1	Second Amended and Restated Articles of Incorporation of the Registrant.

3.2	Amended and Restated Code of Regulations of the Registrant (incorporated by reference to Exhibit 3.2 to the Registration Statement).
4.1	Form of Stock Certificate for the Registrant (incorporated by reference to Exhibit 4.1 to the Registration Statement.
4.2	Articles Fourth, Fifth, Sixth, Seventh, Eighth, Eleventh, Twelfth, and Thirteenth of the Registrant's Amended and Restated Articles of Incorporation (see Exhibit 3.1).
4.3	Articles I and II of the Registrant's Code of Regulations (see Exhibit 3.2).
10.1	Form of Employment Agreement, dated July 1, 1995, for executive officers (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (the "1995 Form 10-K")).
10.2	Information concerning Employment Agreements substantially similar to Exhibit 10.1.
10.3	Deferred Compensation Agreement, dated May 1, 1984, between Rocky Shoes & Boots Co. and Mike Brooks (incorporated by reference to Exhibit 10.3 to the Registration Statement).
10.4	Information concerning Deferred Compensation Agreements substantially similar to Exhibit 10.3.
10.5	Form of Company's amended 1992 Stock Option Plan (incorporated by reference to Exhibit 10.5 to the 1995 Form 10-K).
10.6	Form of Stock Option Agreement (incorporated by reference to Exhibit 10.6 to the Registration Statement).
10.7	Revolving Credit Loan Agreement, dated January 28, 1997, among Rocky Shoes & Boots, Inc., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., Bank One Columbus, N.A., The Huntington National Bank, and Bank One, Columbus, N.A., as Agent (incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (the "1996 Form 10- K")).
10.8	Term Loan Agreement and First Amendment to Revolving Credit Loan Agreement, dated as of April 18, 1997, between the Registrant, Five Star Enterprises Ltd., Lifestyle Footwear, Inc., Bank One, Columbus, N.A., the Huntington National Bank, and Bank One, Columbus, N.A., as Agent (incorporated by reference to Exhibit 10.8 to Form S-2 filed September 11, 1997, registration number 333-35391).
10.9	Buy-Sell Agreement, dated December 21, 1992, among the Registrant, Mike Brooks, Charles Stuart Brooks, Jay W. Brooks, Barbara Brooks Fuller, and Patricia H. Robey (incorporated by reference to Exhibit 10.8 to the Registration Statement).

</TABLE>

<TABLE>
<CAPTION>

Exhibit Number	Description
<S>	<C>
10.10	First Amendment to Buy-Sell Agreement, dated as of March 30, 1995, among the Registrant, Mike Brooks, Barbara Brooks Fuller, Patricia H. Robey, Jay W. Brooks and Charles Stuart Brooks (incorporated by reference to Exhibit No. 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995 (the "March 31, 1995 Form 10-Q")).
10.11	Second Amendment to Buy-Sell Agreement, dated as of June 30, 1996, among the Registrant, Mike Brooks, Barbara Brooks Fuller, Patricia H. Robey, Jay W. Brooks and Charles Stuart Brooks (incorporated by reference to Exhibit 10.8 to Form S-2 filed September 11, 1997, registration number 333-35391).
10.12	Master Agreement, dated as of February 1, 1996, by and between Bank One, Columbus, N.A., and Rocky Shoes & Boots Co. (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the transition period ended December 31, 1995).
10.13	Indemnification Agreement, dated December 21, 1992, between the Registrant and Mike Brooks (incorporated by reference to Exhibit 10.10 to the Registration Statement).
10.14	Information concerning Indemnification Agreements substantially similar to Exhibit 10.13 (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1993 (the "1993 Form 10-K")).
10.15	Trademark License Agreement and Manufacturing Certification Agreement, each dated May 14, 1994, between Rocky Shoes & Boots Co. and W. L. Gore & Associates, Inc. (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1994 (the "1994 Form 10-K")).

10.16	Decree of Tax Exemption from the Government of the Commonwealth of Puerto Rico (incorporated by reference to Exhibit 10.13 to the Registration Statement).
10.16A	English Translation of Addendum to Exhibit 10.16 (incorporated by reference to Exhibit 10.13A to the Registration Statement).
10.17	Lease Agreement, dated March 1, 1987, as amended, between Rocky Shoes & Boots Co. and William Brooks Real Estate Company regarding Nelsonville factory (incorporated by reference to Exhibit 10.14 to the Registration Statement).
10.18	Lease Contract, dated August 31, 1988, between Lifestyle Footwear, Inc. and The Puerto Rico Industrial Development Company regarding factory location 1 (incorporated by reference to Exhibit 10.15 to the Registration Statement).
10.19	Lease Contract, undated, between Lifestyle Footwear, Inc. and The Puerto Rico Industrial Development company regarding factory location 2 (incorporated by reference to Exhibit 10.16 to the Registration Statement).
10.19A	English translation of Exhibit 10.19 (incorporated by reference to Exhibit 10.16A to the Registration Statement).

</TABLE>

<TABLE>
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Exhibit Number	Description
<S>	<C>
10.20	Lease Agreement, dated December 13, 1993, between Five Star Enterprises Ltd. and the Dominican Republic Corporation for Industrial Development regarding buildings and annexes of a combined manufacturing surface of 75,526 square feet, located in the Industrial Free Zone of La Vega (incorporated by reference to Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 (the "September 30, 1995 Form 10-Q")).
10.20A	English translation of Exhibit 10.20 (incorporated by reference to Exhibit 10.2A to the September 30, 1995 Form 10-Q).
10.21	Continuing Security Agreement, dated January 28, 1997, among Rocky Shoes & Boots, Inc., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and Bank One, Columbus, N.A., as Agent (incorporated by reference to Exhibit 10.18 to the 1996 Form 10-K).
10.22	Loan Purchase, Assignment and Master Amendment Agreement, dated as of February 1, 1996, among Bank One Columbus, N.A., NBD Bank, NBD Bank, as Agent, Rocky Shoes & Boots, Inc., Rocky Shoes & Boots, Co., Five Star Enterprises Ltd., and Lifestyle Footwear, Inc. (incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K for the transition period ended December 31, 1995).
10.23	Installment Business Loan Note, dated August 19, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.20 to the 1994 Form 10-K).
10.24	Second Amendment to Business Loan Note, dated January 28, 1997, among Rocky Shoes & Boots, Inc., Five Star Enterprises Ltd., and Lifestyle Footwear, Inc. (incorporated by reference to Exhibit 10.21 to the 1996 Form 10-K).
10.25	Term Lease Master Agreement, dated April 27, 1993, between Rocky Shoes & Boots, Inc. and IBM Credit Corporation (incorporated by reference to Exhibit 10.22 to the 1993 Form 10-K).
10.26	Fourth Amendment to Promissory Note, dated January 28, 1997, among Rocky Shoes & Boots, Inc., Five Star Enterprises Ltd., and Lifestyle Footwear, Inc. (incorporated by reference to Exhibit 10.23 to the 1996 Form 10-K).
10.27	Acceptance Credit Agreement, dated May 4, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.24 to the 1994 Form 10-K).
10.28	Adjustable Rate Note, dated May 23, 1988, between Nelsonville Home and Savings Association and Rocky Shoes & Boots Co. (incorporated by reference to Exhibit 10.25 to the Registration Statement).
10.29	First Amendment to Acceptance Credit Agreement, dated October 20, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.26 to the 1994 Form 10-K).

</TABLE>

Exhibit Number	Description
10.30	Form of Company's 1995 Stock Option Plan (incorporated by reference to Exhibit 10.27 to the 1995 Form 10-K).
10.31	Form of Stock Option Agreement under the 1995 Stock Option Plan (incorporated by reference to Exhibit 10.28 to the 1995 Form 10-K).
10.32	Open-End Mortgage, Security Agreement and Assignment of Rents and Leases, dated March 30, 1995, between Rocky Shoes & Boots Co. and NBD Bank, as Agent (incorporated by reference to Exhibit No. 10.3 to the March 31, 1995 Form 10-Q).
10.33	Installment Business Loan Note, dated May 11, 1994, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.30 to the 1994 Form 10-K).
10.34	Construction and Term Loan Agreement, dated October 27, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.31 to the 1994 Form 10-K).
10.35	Promissory Note, dated October 27, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.32 to the 1994 Form 10- K).
10.36	Open-End Mortgage, Security Agreement and Assignment of Rents and Leases, dated October 27, 1993, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.33 to the 1994 Form 10-K).
10.37	First Amendment to Construction and Term Loan Agreement, dated January 28, 1994, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.34 to the 1994 Form 10-K).
10.38	First Amendment to Promissory Note, dated January 28, 1994, among Rocky Shoes & Boots, Inc., Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc., and NBD Bank (incorporated by reference to Exhibit 10.35 to the 1994 Form 10-K).
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10.40	Letter Agreement between the Registrant and the Kravetz Group, dated August 3, 1994 (incorporated by reference to Exhibit No. 10.6 to the March 31, 1995 Form 10-Q).

Exhibit Number	Description
10.41	Amended and Restated Master Business Loan Note, dated March 30, 1995, among the Registrant, Rocky Shoes & Boots Co., Five Star Enterprises Ltd., Lifestyle Footwear, Inc. (incorporated by reference to Exhibit No. 10.4 to the March 31, 1995 Form 10-Q).
10.42	Third Amendment to Construction and Term Loan Agreement, dated as of March 30, 1995, among the Registrant, Rocky Shoes & Boots Co., Five Star Enterprises Ltd., and Lifestyle Footwear, Inc. (incorporated by reference to Exhibit No. 10.5 to the March 31, 1995 Form 10-Q).
10.43	Loan Agreement, dated as of October 7, 1994, between the Director of Development of the State of Ohio and Rocky Shoes & Boots Co. (incorporated by reference to Exhibit 10.43 to the 1995 Form 10-K).
10.44	Promissory Note, dated October 7, 1994, by Rocky Shoes & Boots Co. to the Director of Development of the State of Ohio (incorporated by reference to Exhibit 10.44 to the 1995 Form 10-K).
10.45	Security Agreement, dated as of October 7, 1994, between the Director of Development of the State of Ohio and Rocky Shoes & Boots Co. (incorporated by reference to Exhibit 10.45 to the 1995 Form 10-K).

10.46	Form of Employment Agreement, dated September 7, 1995, for executive officers (incorporated by reference to Exhibit 10.5 to the September 30, 1995 Form 10-Q).
10.47	Information covering Employment Agreements substantially similar to Exhibit 10.46 (incorporated by reference to Exhibit 10.5 to the September 30, 1995 Form 10-Q).
13	Portions of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1997.
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</TABLE>

Exhibit 3.1

SECOND AMENDED AND RESTATED
ARTICLES OF INCORPORATION
OF
ROCKY SHOES & BOOTS, INC.
(adopted November 5, 1997)

Mike Brooks, President, and Curtis A. Loveland, Secretary, of Rocky Shoes & Boots, Inc. (the "Corporation"), with its principal offices located at Nelsonville, Athens County, Ohio, do hereby certify that pursuant to the authority conferred upon the Board of Directors by the Amended and Restated Articles of Incorporation of the Corporation, the Board of Directors on November 5, 1997, adopted a resolution creating a series of 125,000 (one hundred-twenty five thousand) shares of Voting Preferred Stock, no par value, designated as Series B Junior Participating Cumulative Preferred Stock, and that the Amended and Restated Articles of Incorporation have been amended and restated as follows:

FIRST: The name of the Corporation shall be Rocky Shoes & Boots, Inc.

SECOND: The place in Ohio where its principal office is to be located is Athens County, the City of Nelsonville, Ohio.

THIRD: The purposes for which it is formed are to engage in any business or activity for which corporations may be formed under Sections 1701.01 to 1701.98, inclusive, of the Revised Code of Ohio.

FOURTH: The total number of shares of all classes of stock which the Corporation shall have the authority to issue is Ten Million Five Hundred Thousand (10,500,000) consisting of:

1. Ten Million (10,000,000) shares of Common Stock, without par value (the "Common Stock");

2. Two Hundred Fifty Thousand (250,000) shares of Voting Preferred Stock, without par value (the "Voting Preferred Stock"); and

3. Two Hundred Fifty Thousand (250,000) shares of Non-Voting Preferred Stock, without par value (the "Non-Voting Preferred Stock").

A. COMMON STOCK

The holders of the Common Stock are entitled at all times to one vote for each share and to such dividends as the Board of Directors may in its discretion from time to time legally declare, subject, however, to the voting and dividend rights, if any, of the holders of the Voting Preferred Stock and the Non-Voting Preferred Stock. In the event of any liquidation, dissolution or winding up of the Corporation, the remaining assets of the Corporation after the payment of all debts and necessary expenses shall be distributed among the holders of the Common Stock pro rata in accordance with their respective holdings, subject, however, to the rights of the holders of the Voting Preferred Stock and the Non-Voting Preferred Stock then outstanding. The Common Stock is subject to all of the terms and provisions of the Voting Preferred Stock and the Non-Voting Preferred Stock as fixed by the Board of Directors as hereinafter provided.

B. VOTING PREFERRED STOCK

The Board of Directors is hereby expressly authorized to adopt amendments to the Articles of Incorporation to provide for the issuance of one or more series of Voting Preferred Stock, to establish from time to time the number of shares to be included in each such series, to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof, including without limitation the following, and the shares of each series may vary from the shares of any other series in the following respects:

(a) the division of such shares into series and the designation and authorized number of shares of each series;

(b) the annual dividend rate on the shares;

(c) the dates of payment of dividends, whether the dividends shall be cumulative and, if cumulative, the date from which dividends shall accumulate;

(d) the redemption price or prices for the particular series, if redeemable, and the terms and conditions of such redemption;

(e) sinking fund requirements, if any;

(f) the preference, if any, of the shares of such series in the event of any voluntary or involuntary liquidation, dissolution, or winding up of affairs of the Corporation;

(g) the right, if any, of the shares of such series to be converted into shares of any other series or class and the terms and conditions of such conversion; and

(h) any other relative rights, preferences, and limitations of that series.

The holders of Voting Preferred Stock shall be entitled at all times to one vote for each share, voting as a class.

C. NON-VOTING PREFERRED STOCK

The Board of Directors is hereby expressly authorized to adopt amendments to the Articles of Incorporation to provide for the issuance of one or more series of Non-Voting Preferred Stock, and to establish from time to time the number of shares to be included in each such series, to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereof, including without limitation the following, and the shares of each series may vary from the shares of any other series in the following respects:

(a) the division of such shares into series and the designation and authorized number of shares of each series;

(b) the annual dividend rate on the shares;

(c) the dates of payment of dividends, whether the dividends shall be cumulative and, if cumulative, the date from which dividends shall accumulate;

(d) the redemption price or prices for the particular series, if redeemable, and the terms and conditions of such redemption;

(e) sinking fund requirements, if any;

(f) the preference, if any, of the shares of such series in the event of any voluntary or involuntary liquidation, dissolution, or winding up of affairs of the Corporation;

(g) the right, if any, of the shares of such series to be converted into shares of any other series or class and the terms and conditions of such conversion; and

(h) any other relative rights, preferences, and limitations of that series.

Except as otherwise required by law, no holders of Non-Voting Preferred Stock shall be entitled to vote on any matter submitted to the shareholders of the Corporation.

D. SERIES A CONVERTIBLE NON-VOTING PREFERRED STOCK

There shall be created out of the authorized number of shares of Non-Voting Preferred Stock of the Corporation a series of Non-Voting Preferred Stock designated as Series A Non-Voting Convertible Preferred Stock (the "Series A Stock"), to consist of 125,000 shares, with a stated value of $.06 per share, of which the preferences and relative and other rights, and the qualifications, limitations or restrictions thereof, shall be (in addition to those set forth elsewhere in this Article FOURTH) as follows:

1. CERTAIN DEFINITIONS. Unless the context otherwise requires, the terms defined in this paragraph shall have, for the purposes of this paragraph and paragraphs 2 through 10 below, the meanings herein specified.

COMMON STOCK. The term "Common Stock" shall mean all shares now or hereafter authorized of any class of Common Stock of the Corporation and any other shares of the Corporation, howsoever designated, authorized after the Issue Date, which have the right (subject always to prior rights of any class or series of Voting and Non-Voting Preferred Stock) to participate in the distribution of the assets and earnings of the Corporation without limit as to per share amount.

ISSUE DATE. The term "Issue Date" shall mean the date that shares of Series A Stock are first issued by the Corporation.

JUNIOR STOCK. The term "Junior Stock" shall mean the Common Stock and any class or series of shares of the Corporation issued after the Issue Date not entitled to receive any assets upon the liquidation, dissolution or winding up of the affairs of the Corporation until the shares of Series A Stock shall have received the Stated Value of all outstanding shares of Series A Stock as of the date of such liquidation, dissolution or winding up, plus any accrued and unpaid dividends to such date.

PARITY STOCK. The term "Parity Stock" shall mean, for purposes of paragraph 3 below, any class or series of shares of the Corporation issued after the Issue Date entitled to receive assets upon the liquidation, dissolution or winding up of the affairs of the Corporation on a parity with the Series A Stock.

SENIOR STOCK. The term "Senior Stock" shall mean any class or series of shares of the Corporation issued after the Issue Date ranking senior to the Series A Stock in respect of the right to receive dividends, as discussed in paragraph 2 below, or assets upon the liquidation, dissolution or winding up of the affairs of the Corporation, as discussed in paragraph 3 below.

STATED VALUE. The term "Stated Value" when used in reference to the Series A Stock shall mean $.06 per share of Series A Stock.

2. DIVIDEND RATE; PAYMENT. The dividend rate and dates of payment for Series A Stock shall be identical to the Common Stock.

3. DISTRIBUTIONS UPON LIQUIDATION, DISSOLUTION OR WINDING UP. In the event of any voluntary or involuntary liquidation, subject to the prior preferences and other rights of any shares of Senior Stock, but before any distribution or payment shall be made to the holders of Junior Stock, the holders of the shares of Series A Stock shall be entitled to be paid the Stated Value of all outstanding shares of Series A Stock as of the date of such liquidation or dissolution or such other winding up, plus any accrued and unpaid dividends thereon to such date, in cash or in property taken at its fair value as determined by the Board of Directors, or both, at the election of the Board of Directors. If such payment shall have been made in full to the holders of the Series A Stock, and if payment shall have been made in full to the holders of any Senior Stock and Parity Stock of all amounts to which such holders shall have a preference, then the remaining assets and funds of the Corporation shall be distributed pro rata, on a share-for-share basis, among the holders of shares of Series A Stock, Parity Stock and Junior Stock. If, upon any such liquidation, dissolution or other winding up of the affairs of the Corporation, the net assets of the Corporation distributable among the holders of all outstanding shares of Series A Stock and of any shares of Parity Stock shall be insufficient to permit the payment in full to such holders of the preferential amounts to which they are entitled, then the entire net assets of the Corporation remaining after the distributions to holders of any shares of Senior Stock of the full amounts to which they may be entitled shall be distributed among the holders of the shares of Series A Stock and of any Parity Stock ratably in proportion to the full amounts to which they would otherwise be respectively entitled. Neither the consolidation nor merger of the Corporation into or with another corporation or corporations, nor the sale of all or substantially all of the assets of the Corporation to another

corporation shall be deemed a liquidation, dissolution or winding up of the affairs of the Corporation within the meaning of this paragraph 3.

4. VOTING RIGHTS. Except as otherwise required by law, no holder of the Series A Stock shall be entitled to vote on any manner submitted to the shareholders of the Corporation.

5. CONVERSION. Each share of Series A Stock may, at the option of the holder, be converted into one share of Common Stock of the Corporation at any time after the second anniversary of the Issue Date. All remaining issued and outstanding shares of Series A Stock shall, without further action by the holders thereof, convert into an equal number of shares of Common Stock on the fifth anniversary of the Issue Date.

6. ADJUSTMENTS FOR STOCK SPLITS OR COMBINATIONS. If the Corporation shall at any time or from time to time after the Issue Date of the shares of Series A Stock, effect a stock split or stock dividend or other subdivision of the Common Stock, the Series A Stock shall be proportionately subdivided. Conversely, if the Corporation shall at any time or from time to time after the Issue Date of the Series A Stock, effect a combination of the Common

Stock, the Series A Stock shall be proportionately combined. In addition to the foregoing adjustment to the number of Series A Stock, the Stated Value shall be proportionately adjusted with any subdivision or combination of the Series A Stock. Any adjustment under this paragraph 6 shall become effective as of the close of business on the date the subdivision or combination becomes effective.

7. OTHER TERMS. Except as may otherwise be provided in this Article FOURTH or as required by law, the terms of the Series A Stock shall be identical to those of the Common Stock.

8. HEADINGS OF SUBDIVISIONS. The headings of the paragraphs 1 through 10 hereof are for convenience of reference only and shall not affect the interpretation of the provisions hereof.

9. SEVERABILITY OF PROVISIONS. If any right, preference or limitation of the Series A Stock set forth in paragraphs 1 through 10 hereof (as may be amended from time to time) is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other rights, preferences and limitations set forth in paragraphs 1 through 10 hereof (as so amended) which can be given effect without the invalid, unlawful and unenforceable right, preference or limitation shall, nevertheless, remain in full force and effect, and no right, preference or limitation herein set forth shall be deemed dependent upon any other such right, preference or limitation unless so expressed herein.

10. STATUS OF REACQUIRED SHARES. Upon conversion or redemption of all issued and outstanding shares of Series A Stock, shares reserved for the Series A Stock shall (upon compliance with any applicable provisions of the laws of the State of Ohio) have the status of authorized and unissued Non-Voting Preferred Stock issuable in series undesignated as to series and may be redesignated and reissued.

E. SERIES B JUNIOR PARTICIPATING CUMULATIVE PREFERRED STOCK.

There shall be created out of the authorized number of shares of Voting Preferred Stock of the Corporation a series of Voting Preferred Stock designated as Series B Junior Participating Cumulative Preferred Stock (the "Series B Preferred Stock"), to consist of 125,000 shares, without par value, of which the preferences and relative and other rights, and the qualifications, limitations or restrictions thereof, shall be (in addition to those set forth elsewhere in this Article FOURTH) as follows:

1. DIVIDENDS AND DISTRIBUTIONS.

(a) The holders of shares of Series B Preferred Stock, in preference to the holders of shares of Common Stock, without par value, of the Corporation (the "Common Stock") and of any other junior stock of the Corporation that may be outstanding, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the tenth day of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (i) $0.25 per share ($1.00 per annum), or (ii) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series B Preferred Stock. In the event that the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then and in each such event, the amount to which the holder of each share of Series B Preferred Stock was entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series B Preferred Stock as provided in paragraph (a) of this Section 1 immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided, however, that in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $0.25 per share ($1.00 per annum) on the Series B Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series B Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a

Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which cases such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall cumulate but shall not bear interest. Dividends paid on the shares of Series B Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

2. VOTING RIGHTS. The holders of shares of Series B Preferred Stock shall have the following voting rights:

(a) Each share of Series B Preferred Stock shall entitle the holder thereof to 100 votes (and each one one-hundredth of a share of Series B Preferred Stock shall entitle the holder thereof to one vote) on all matters submitted to a vote of the shareholders of the Corporation. In the event that the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then and in each such event, the number of votes per share to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided in the Second Amended and Restated Articles of Incorporation of the Corporation or by law, the holders of shares of Series B Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(c) In addition, the holders of shares of Series B Preferred Stock shall have the following special voting rights:

(i) In the event that at any time dividends on Series B Preferred Stock, whenever accrued and whether or not consecutive, shall not have been paid

or declared and a sum sufficient for the payment thereof set aside, in an amount equivalent to six quarterly dividends on all shares of Series B Preferred Stock at the time outstanding, then and in each such event, the holders of shares of Series B Preferred Stock and each other series of preferred stock now or hereafter issued that shall be accorded such class voting right by the Board of Directors and that shall have the right to elect one director (or, in the event any such other series is entitled to a greater number of directors, such number of directors, which shall be cumulative with and not in addition to the director provided for herein, such director or directors being hereinafter referred to as "Special Directors") as the result of a prior or subsequent default in payment of dividends on such series (each such other series being hereinafter called "Other Series of Preferred Stock"), voting separately as a class without regard to series, shall be entitled to elect the Special Director at the next annual meeting of shareholders of the Corporation, in addition to the directors to be elected by the holders of all shares of the Corporation entitled to vote for the election of directors, and the holders of all shares (including the Series B Preferred Stock) otherwise entitled to vote for directors, voting separately as a class, shall be entitled to elect the remaining members of the Board of Directors, provided that the Series B Preferred Stock and each Other Series of Preferred Stock, voting as a class, shall not have the right to elect more than one Special Director (in addition to any Special Director to which the holders of any Other Series of Preferred Stock are then entitled). Such special voting right of the holders of shares of Series B Preferred Stock may be exercised until all dividends in default on the

Series B Preferred Stock shall have been paid in full or declared and funds sufficient therefor set aside, and when so paid or provided for, such special voting right of the holders of shares of Series B Preferred Stock shall cease, but subject always to the same provisions for the vesting of such special voting rights in the event of any such future dividend default or defaults.

(ii) At any time after such special voting rights shall have so vested in the holders of shares of Series B Preferred Stock, the Chairman of the Board, President, or Chief Executive Officer of the Corporation may, and upon the written request of the holders of record of 10% or more in number of the shares of Series B Preferred Stock and each Other Series of Preferred Stock then outstanding addressed to the President at the principal executive office of the Corporation shall, call a special meeting of the holders of shares of Preferred Stock so entitled to vote, for the election of the Special Directors to be elected by them as herein provided, to be held within 60 days after such call and at the place and upon the notice provided by law and in the Code of Regulations for the holding of meetings of shareholders; provided, however, that the Chairman of the Board, President, or Chief Executive

Officer shall not be required to call such special meeting in the case of any such request received less than 90 days before the date fixed for any annual meeting of shareholders, and if in such case such special meeting is not called or held, the holders of shares of Preferred Stock so entitled to vote shall be entitled to exercise the special voting rights provided in this paragraph at such annual meeting. If any such special meeting required to be called as above provided shall not be called by the Chairman of the Board, President, or Chief Executive Officer within 30 days after receipt of any such request, then the holders of record of 10% or more in number of the shares of Series B Preferred Stock and each Other Series of Preferred Stock then outstanding may designate in writing one of their number to call such meeting, and the person so designated may, at the expense of the Corporation, call such meeting to be held at the place and upon the notice given by such person, and for that sole purpose shall have access to the stock books of the Corporation. No such special meeting and no adjournment thereof shall be held on a date later than 60 days before the annual meeting of shareholders. If, at any meeting so called or at any annual meeting held while the holders of shares of Series B Preferred Stock have the special voting rights provided for in this paragraph, the holders of not less than 10% of the aggregate voting power of Series B Preferred Stock and each Other Series of Preferred Stock then outstanding are present in person or by proxy, which percentage shall be sufficient to constitute a quorum for the election of additional directors as herein provided, the then authorized number of directors of the Corporation shall be increased by the number of Special Directors to be elected, as of the time of such special meeting or the time of the first such annual meeting held while such holders have special voting rights and such quorum is present, and the holders of shares of Series B Preferred Stock and each Other Series of Preferred Stock, voting as a class, shall be entitled to elect the Special Director or Directors so provided for. If the directors of the Corporation are then divided into classes under provisions of the Second Amended and Restated Articles of Incorporation of the Corporation or the Code of Regulations, the Special Director or Directors shall belong to each class of directors in which a vacancy is created as a result of such increase in the authorized number of directors. If the foregoing expansion of the size of the Board of Directors shall not be valid under applicable law, then the holders of shares of Series B Preferred Stock and of each Other Series of Preferred Stock, voting as a class, shall be entitled, at the meeting of shareholders at which they would otherwise have voted, to elect a Special Director or Directors to fill any then existing vacancies on the Board of Directors, and shall additionally be entitled, at such meeting and each subsequent meeting of shareholders at which directors are elected, to elect all of the directors then

being elected until by such class vote the appropriate number of Special Directors has been so elected.

(iii) Upon the election at such meeting by the holders of shares of Series B Preferred Stock and each Other Series of Preferred Stock, voting as a class, of the Special Director or Directors they are entitled so to elect, the persons so elected, together with such persons as may be directors or as may have been elected as directors by the holders of all shares (including Series B Preferred Stock) otherwise entitled to vote for directors, shall constitute the duly elected directors of the Corporation. Each Special Director so elected by holders of shares of Series B Preferred Stock and each Other Series of Preferred Stock, voting as a class, shall serve until the next annual meeting or until their respective successors shall be elected and qualified, or if any such Special Director is a member of a class of directors under provisions dividing the directors into classes, each such Special Director shall serve until the annual meeting at which the term of office of such Special Director's class shall expire or until such Special Director's successor shall be elected and shall qualify, and at each subsequent meeting of shareholders at which the directorship of any Special Director is up for election, said special class voting rights shall apply in the reelection of such Special Director or in the election of such Special Director's successor; provided, however, that whenever the holders of shares of Series B Preferred Stock and each Other Series of Preferred Stock shall be divested of the special rights to elect one or more Special Directors as above provided, the terms of office of all persons elected as Special Directors, or elected to fill any vacancies resulting from the death, resignation, or removal of Special Directors shall forthwith terminate (and the number of directors shall be reduced accordingly).

(iv) If, at any time after a special meeting of shareholders or an annual meeting of shareholders at which the holders of shares of Series B Preferred Stock and each Other Series of Preferred Stock, voting as a class, have elected one or more Special Directors as provided above, and while the holders of shares of Series B Preferred Stock and each Other Series of Preferred Stock shall be entitled so to elect one or more Special Directors, the number of Special Directors who have been so elected (or who by reason of one or more resignations, deaths or removals have succeeded any Special Directors so elected) shall by reason of resignation, death or removal be reduced the vacancy in the Special Directors may be filled by any one or more remaining Special Director or Special Directors. In the event that such election shall not occur within 30 days after such vacancy arises, or in the event that there shall not be incumbent at least one Special Director, the Chairman of the Board, President, or Chief Executive Officer of the Corporation may, and upon the written request of the holders of record of 10% or more in number of the shares of Series B Preferred Stock and each Other Series of Preferred Stock then outstanding addressed to the Secretary at the principal office of the Corporation shall, call a special meeting of the holders of shares of Series B Preferred Stock and each Other Series of Preferred Stock so entitled to vote, for an election to fill such vacancy or vacancies, to be held within 60 days after such call and at the place and upon the notice provided by law and in the Code of Regulations for the holding of meetings of shareholders; provided, however, that the Chairman of the Board, President, or Chief Executive Officer shall not be required to call such special meeting in the case of any such request received less than 90 days before the date fixed for any annual meeting of shareholders, and if in such case such special meeting is not called, the holders of shares of Preferred Stock so entitled to vote shall be entitled to fill such vacancy or vacancies at such annual meeting. If any such special meeting required to be called as above provided shall not be called by the Chairman of the Board, President, or Chief Executive Officer within 30 days after receipt of any such request, then the holders of record of 10% or more in number of the shares of Series B Preferred Stock and each Other Series of Preferred Stock then outstanding may designate in writing one of their number to call such meeting, and the person so designated may, at the expense of the Corporation, call such meeting to be held at the place and upon the notice above provided, and for that purpose shall have access to the stock books of the Corporation; no such special meeting and no adjournment thereof shall be held on a date later than 60 days before the annual meeting of shareholders.

(d) Nothing herein shall prevent the directors or shareholders from taking any action to increase the number of authorized shares of Series B Preferred Stock, or increasing the number of authorized shares of Preferred Stock of the same class as the Series B Preferred Stock or the number of authorized shares of Common Stock, or changing the par value of the Common Stock or Preferred Stock, or issuing options, warrants or rights to any class of stock of the Corporation as authorized by the Second Amended and Restated Articles of Incorporation of the Corporation, as they may hereafter be amended.

(e) Except as set forth herein, holders of shares of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote as set forth in the Second Amended and Restated Articles of Incorporation of the Corporation or by law) for taking any corporate action.

3. CERTAIN RESTRICTIONS.

(a) Whenever any dividends or other distributions payable on the Series B Preferred Stock as provided in paragraph 1 hereof are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series B Preferred Stock outstanding shall have been paid in full, the Corporation shall not, directly or indirectly:

(i) declare or pay dividends on, or make any other distributions with respect to, any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock;

(ii) declare or pay dividends on, or make any other distributions with respect to, any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except dividends paid ratably on shares of the Series B Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series B Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series B Preferred Stock, or any shares of stock ranking on a parity with the Series B Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration, directly or indirectly, any shares of stock of the Corporation unless the Corporation could, under paragraph (a) of this paragraph 3, purchase or otherwise acquire such shares at such time and in such manner.

4. REACQUIRED SHARES. Any shares of Series B Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of preferred stock, without designation as to series, and may be reissued as part of any series of preferred stock created by resolution or resolutions of the Board of Directors (including Series B Preferred Stock), subject to the conditions and restrictions on issuance set forth herein.

5. LIQUIDATION, DISSOLUTION OR WINDING UP. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made to:

(a) the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received the greater of (i) $1.00 per share ($0.001 per one one-hundredth of a share), plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, or (ii) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock; or

(b) the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B Preferred Stock, except distributions made ratably on the Series B Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up.

In the event that the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then and in each such event, the aggregate amount to which the holder of each share of Series B Preferred Stock was entitled immediately prior to such event under the proviso in clause (a) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

6. CONSOLIDATION, MERGER, ETC. In the event that the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, or otherwise changed, then and in each such event, the shares of Series B Preferred

Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event that the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then and in each such event, the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event, and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

7. NO REDEMPTION. The shares of Series B Preferred Stock shall not be redeemable. Notwithstanding the foregoing, the Corporation may acquire shares of Series B Preferred Stock in any other manner permitted by law or the Second Amended and Restated Articles of Incorporation of the Corporation.

8. RANK. Unless otherwise provided in the Second Amended and Restated Articles of Incorporation of the Corporation or an amendment of the Articles of Incorporation relating to a subsequent series of preferred stock of the Corporation, the Series B Preferred Stock shall rank junior to all other series of the Corporation's preferred stock as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding up, and senior to the Common Stock of the Corporation.

9. AMENDMENT. The Second Amended and Restated Articles of Incorporation of the Corporation shall not be amended in any manner that would materially and adversely alter or change the powers, preferences or special rights of the Series B Preferred Stock without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock, voting together as a single series.

10. FRACTIONAL SHARES. Series B Preferred Stock may be issued in fractions of a share (in one one-hundredths (1/100) of a share and integral multiples thereof) that shall entitle the holder thereof, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of holders of shares of Series B Preferred Stock.

FIFTH: The Corporation, through its Board of Directors, shall have the right and power to repurchase any of its outstanding shares at such times, for such consideration and upon such terms and conditions as may be agreed upon between the Corporation and the selling shareholder or shareholders.

SIXTH: No holders of shares of the Corporation shall have any preemptive right to subscribe for or to purchase any shares of the Corporation of any class, whether now or hereafter authorized.

SEVENTH: The provisions of Section 1701.831 of the Revised Code of Ohio, as may be amended from time to time, relating to control share acquisitions shall not be applicable to this Corporation.

EIGHTH: The affirmative vote of the holders of the shares entitling them to exercise two-thirds of the voting power of the corporation shall be required for the approval or authorization of any (i) merger or consolidation of the Corporation with or into any other corporation or (ii) sale, lease, exchange or other disposition of all or substantially all of the assets of the Corporation to or with any other corporation, person or other entity; provided, however, that such two-thirds voting requirement shall not be applicable if the Board of Directors of the Corporation shall have approved such a transaction described in clause (i) or (ii) by resolution adopted by two-thirds of the members of the Board of Directors.

NINTH: It is hereby declared to be a proper corporate purpose, reasonably calculated to benefit shareholders, for the Board of Directors to base the response of the Corporation to any "Acquisition Proposal" on the Board of Directors' evaluation of what is in the best interest of the Corporation and for the Board of Directors, in evaluating what is in the best interest of the Corporation, to consider:

(i) The best interest of the shareholders; for this purpose the Board shall consider, among other factors, not only the consideration being offered in the Acquisition Proposal, in relation to the then current market price, but also in relation to the then current value of the Corporation in a freely negotiated transaction and in relation to the Board of Directors' then estimate of the future value of the Corporation as an independent entity, the business and financial conditions and earnings prospects of the acquiring person or persons, and the competence, experience and integrity of the acquiring person or persons and its or their management; and

(ii) such other factors as the Board of Directors determines to be relevant, including, among other factors, the social, legal and economic effects of the Acquisition Proposal upon employees, suppliers, customers and business.

"Acquisition Proposal" means any proposal of any person (a) for a tender offer or exchange offer for any equity security of the Corporation, (b) to merge or consolidate the Corporation with another corporation, or (c) to purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation.

TENTH: Indemnification and Insurance.

The Corporation may indemnify any director, officer, incorporator or any former director or officer of the Corporation and any person who is or has served at the request of the Corporation as a director, officer or trustee of another corporation, partnership, joint venture, trust or other enterprise (and his heirs, executors and administrators) against expenses, including attorneys fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him by reason of the fact that he is or was such director, officer, incorporator or trustee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, to the full extent and according to the procedures and requirements set forth in the Ohio General Corporation Law as the same may be in effect from time to time. The indemnification provided for herein shall not be deemed to restrict the right of the Corporation to (i) indemnify employees, agents and others as permitted by such Law, (ii) purchase and maintain insurance or provide similar protection on behalf of the directors, officers or such other persons against liabilities asserted against them or expenses incurred by them arising out of their service to the Corporation as contemplated herein, and (iii) enter into agreements with such directors, officers, incorporators, employees, agents or others indemnifying them against any and all liabilities (or such lesser indemnification as may be provided in such agreements) asserted against them or incurred by them arising out of their service to the Corporation as contemplated herein.

ELEVENTH: Notwithstanding any provision of Chapter 1701 of the Ohio Revised Code, now or hereafter in effect, no shareholder shall have the right to vote cumulatively in the election of directors.

TWELFTH: The provisions of Chapter 1704 of the Ohio Revised Code, now or hereafter in effect, shall be applicable to this corporation.

THIRTEENTH: These Amended and Restated Articles may be amended by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the Corporation on the proposal; provided, however, that the provisions set forth in Articles Seventh, Eighth, Ninth, Eleventh, Twelfth and Thirteenth, herein, may not be repealed or amended in any respect unless such action is approved by the affirmative vote of the holders of shares entitling them to exercise two-thirds of the voting power of the Corporation on the proposal.

FOURTEENTH: These Second Amended and Restated Articles of Incorporation take the place of and supersede the existing Amended and Restated Articles of Incorporation as heretofore amended.

IN WITNESS WHEREOF, Mike Brooks, President, and Curtis A. Loveland, Secretary, of Rocky Shoes & Boots, Inc., acting for and on behalf of the Corporation, have hereunto subscribed their names this 5th day of November, 1997.

ROCKY SHOES & BOOTS, INC.

By: /s/ Mike Brooks

Mike Brooks, President

By: /s/ Curtis A. Loveland

Curtis A. Loveland, Secretary

EXHIBIT 10.2

INFORMATION CONCERNING EMPLOYMENT AGREEMENTS SUBSTANTIALLY SIMILAR TO EXHIBIT 10.1.

Employee	Title	Salary
Mike Brooks	Chairman, Chief Executive Officer, and President	$167,000
David S. Fraedrich	Executive Vice President, Chief Financial Officer, and Treasurer	$125,000

EXHIBIT 10.4

INFORMATION CONCERNING DEFERRED COMPENSATION AGREEMENTS

SUBSTANTIALLY SIMILAR TO EXHIBIT 1O.3

The following employees have entered into Deferred Compensation Agreements with Rocky Shoes & Boots, Inc., substantially similar to the Deferred Compensation Agreement filed as Exhibit 10.3:

Employee	Effective Date of Agreement	Monthly Benefit
David S. Fraedrich	5/1/84	$2,083.33
Allen Sheets	5/1/84	$1,250.00

EXHIBIT 10.14

INFORMATION CONCERNING INDEMNIFICATION AGREEMENTS SUBSTANTIALLY SIMILAR TO EXHIBIT 10.13

The following persons have entered into Indemnification Agreements with the Registrant substantially similar to the Indemnification Agreed filed as Exhibit 10.10:

Indemnitees	Date of Agreement
David S. Fraedrich	December 21, 1992
Barbara Brooks Fuller	December 21, 1992
Curtis A. Loveland	December 21, 1992
Allen Sheets	December 21, 1992
Stanley I. Kravetz	February 28, 1993
Robert D. Stix	February 28, 1993
Leonard L. Brown	February 28, 1993
James L. Stewart	August 7, 1996

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

References to Fiscal 1997 and Fiscal 1996 are to fiscal years of the Company ended December 31 of the respective year

PERCENTAGE OF NET SALES

	YEARS ENDED DECEMBER 31, 1997	YEARS ENDED DECEMBER 31, 1996	TWELVE MONTHS ENDED DECEMBER 31, 1995 (UNAUDITED)
Net Sales	100.0%	100.0%	100.0%
Cost of Goods Sold	72.9	75.3	81.7
Gross Margin	27.1	24.7	18.3
Selling, General and Administrative Expenses	17.3	16.9	17.5
Income from Operations	9.8%	7.8%	0.8%

FISCAL 1997 COMPARED TO FISCAL 1996

NET SALES

Net sales increased $21,878,965, or 29.9%, to $95,026,786 for Fiscal 1997, versus $73,147,821 in Fiscal 1996. The increase in net sales was principally due to increased sales of rugged outdoor footwear, which grew $7.5 million, increased sales of occupational footwear, which grew $6.1 million, and to a lesser extent, sales of the Company's handsewn casual footwear which grew $3.6 million. During Fiscal 1997, the Company opened 440 new accounts and continues to benefit from diversification of its customer base with sales to new accounts in each of its product categories. The Company principally sells its products through mail order catalogs, outdoor specialty stores, sporting goods stores, specialty safety stores, department store chains and independent retail stores. Average selling prices were approximately 3% higher across the Company's product categories in Fiscal 1997.

GROSS MARGIN

The Company's gross margin improved $7,682,472, or 42.6%, to $25,726,715 for Fiscal 1997, compared with $18,044,243 for Fiscal 1996. As a percentage of net sales, gross margin rose to 27.1% in Fiscal 1997, versus 24.7% in Fiscal 1996. The increase in gross margin as a percentage of net sales is primarily the result of higher production levels in all of the Company's manufacturing plants and increased sales of newer products with higher gross margin.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses ("SG&A") increased $4,083,822, or 33.1%, to $16,416,341 for Fiscal 1997,, versus $12,332,519 in Fiscal 1996. As a percentage of net sales, SG&A expenses rose to 17.3% in Fiscal 1997, from 16.9% in Fiscal 1996. The increase in SG&A expense for Fiscal 1997 resulted from higher sales commissions due to the growth in net sales, additional selling and administrative salaries, and consulting expenses associated with the implementation of new financial and production software systems.

INTEREST EXPENSE

Interest expense rose $449,176, or 21.4%, to $2,552,732 for Fiscal 1997, versus $2,103,556 in Fiscal 1996. The increase in interest expense is attributable primarily to higher outstanding balances during Fiscal 1997 on the Company's line of credit. The line of credit is used to support increased inventory and accounts receivable balances related to higher net sales. The Company benefited from lower interest expense during the fourth quarter of Fiscal 1997 due to net proceeds of $26.9 million from a follow-on stock offering which were used in part to reduce outstanding debt.

INCOME TAXES

Income taxes were $2,105,000 for Fiscal 1997, versus $918,154 for Fiscal 1996. The Company's effective tax rate was 30.7% in Fiscal 1997 versus 24.7% in Fiscal 1996. The relatively low effective tax rates result from favorable income tax treatment afforded income earned by the Company's subsidiary in Puerto Rico. The income of this subsidiary is exempt from taxation under Section 936 of the Internal Revenue Code. However, Section 936 of the Internal Revenue Code has been repealed such that future tax credits available to the Company will be capped beginning in 2002 and terminate in 2006. Additionally, the Company receives abatements on its commonwealth and municipal taxes on its subsidiary in Puerto Rico. The increase in the effective tax rate in Fiscal 1997 is due to a smaller portion of the Company's income being earned in Puerto Rico and the Dominican Republic in Fiscal 1997 versus Fiscal 1996.

FISCAL 1996 COMPARED TO TWELVE MONTHS ENDED DECEMBER 31, 1995

NET SALES

Net sales for Fiscal 1996 rose $12,764,160, or 21.1%, to $73,147,821 from $60,383,661 for 1995. The Company's sales of rugged outdoor footwear increased $5.8 million, sales of occupational footwear increased $2.2 million, sales of handsewn casual footwear increased $1.4 million and sales in the factory outlet store increased $.07 million. Net sales increased in Fiscal 1996 from further diversification of the customer base, which included increased penetration in certain geographic markets, the addition of many smaller customers and substantial re-orders. The Company also began selling through new retail sales channels which included regional and national department stores. Average selling prices were approximately 3.0% higher in Fiscal 1996 than 1995 across the Company's product categories.

GROSS MARGIN

The Company's gross margin increased $6,995,405, or 63.3%, to $18,044,243 for Fiscal 1996, from $11,048,838 for the same period in 1995. As a percentage of net sales, gross margin rose to 24.7% for Fiscal 1996, versus 18.3% for the same period in 1995. The increase in gross margin was due to improved factory utilization in all of the Company's manufacturing facilities as a result of increased new orders and re-orders by a growing number of customers. In addition, increased sales of the Company's brand handsewn casual footwear contributed to the improved gross margin for Fiscal 1996.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses increased $1,762,695, or 16.7%, to $12,332,519 for Fiscal 1996, from $10,569,824 in 1995. As a percentage of net sales, SG&A expenses declined to 16.9% in Fiscal 1996, from 17.5% in 1995. The decrease as a percentage of net sales was due to increased sales volume with no increase in the fixed cost component of SG&A expenses combined with a decrease in advertising expenses. In 1995, the Company implemented specific marketing initiatives, including increased advertising and

additional sales personnel. The impact of such initiatives resulted in greater sales volumes in Fiscal 1996 with minimal additional costs.

INTEREST EXPENSE

Interest expense increased $3,187, or 0.2%, to $2,103,556 for Fiscal 1996, from $2,100,369 in 1995. Interest expense remained relatively constant due to improved cash flow in Fiscal 1996, similar average balances outstanding on the Company's line of credit, and generally stable interest rates during Fiscal 1996 and 1995.

INCOME TAXES

Income taxes for Fiscal 1996 were $918,154, versus a benefit of $988,395 in 1995. The Company's relatively low effective tax rate of 24.7% for Fiscal 1996 resulted from favorable income tax treatment afforded under the Internal Revenue Code for income earned by the Company's subsidiary in Puerto Rico and local tax abatements available to such subsidiary. In addition, during the first three quarters of 1996, the Company provided no income taxes on the earnings of its Dominican Republic subsidiary as the Company intended to reinvest such earnings in that subsidiary on a long-term basis. In the fourth quarter of 1996, the Company determined that it would repatriate future earnings from its subsidiary in the Dominican Republic and, accordingly, began to provide appropriate income taxes on such earnings.

The high effective tax benefit rate in 1995 of 64.8% was due to the reasons cited for Fiscal 1996 and to losses incurred domestically for which a full tax benefit was obtained compared to earnings in the Puerto Rico and Dominican Republic subsidiaries for which the related tax effect was minimal.

LIQUIDITY AND CAPITAL RESOURCES

The Company has principally funded its working capital requirements and capital expenditures through borrowings under its line of credit and other indebtedness, 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 December 31, 1997, the Company had working capital of $55,987,571 versus $30,608,581 on the same date in 1996. During the fourth quarter of 1997, the Company received $26.9 million of 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 for working capital.

The Company has a revolving line of credit which provides for advances based on a percentage of eligible accounts receivable and inventory with maximum borrowing limits of $42,000,000 until January 1, 1998, when the line decreased to $25,000,000. The maximum available under the line of credit increases to $42,000,000 on May 16, 1998 through January 1, 1999, when it decreases to $25,000,000. The line of credit expires April 30, 1999. Changes in the line of credit during the year match the Company's seasonal requirements for working capital. As of December 31, 1997, the Company had borrowed $10,600,000 against its available line of credit of $29,687,481. In early 1998, the Company initiated discussions with its primary lender to re-negotiate more favorable terms on the existing line of credit agreement.

Cash paid for capital expenditures during Fiscal 1997 was $4,462,236, which was funded through operating cash flows, long-term debt and equity financing. Capital expenditures for 1998 are expected to be

---

approximately $3,000,000 for machinery and equipment to support increased production and for lasts, dies and patterns for new footwear styles. 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 borrowings and operating cash flows.

INFLATION

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

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 test 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.

RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which will require adoption in 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.

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

This Annual 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. These forward-looking statements include statements regarding growth opportunities, fashion trends, product acceptance, expanded use of sourced products, distribution channels, marketing plans, sales, profitability, income taxes, working capital, and anticipated capital expenditures and financing thereof. Investors are cautioned that such statements involve risks and uncertainties that to many factors, including, but not limited to, the 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 time to time with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Rocky Shoes & Boots, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 31, 1997 and 1996, the six months ended December 31, 1995, and the year ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Rocky Shoes & Boots, Inc. and subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for the years ended December 31, 1997 and 1996, the six months ended December 31, 1995, and the year ended June 30, 1995 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Columbus, Ohio
March 6, 1998
ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1997	DECEMBER 31, 1996
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,556,883	$ 349,637
Accounts receivable - trade, net	17,789,329	12,409,920
Other receivables	475,593	678,293
Inventories	32,894,236	25,389,902
Deferred income taxes	1,474,799	926,297
Other current assets	850,018	706,097
Total current assets	62,040,858	40,460,146
FIXED ASSETS, AT COST:		
Property, plant and equipment	30,557,770	25,544,360
Less - accumulated depreciation	(12,949,316)	(10,035,763)
Total fixed assets - net	17,608,454	15,508,597
DEFERRED PENSION ASSET	216,260	953,211
OTHER ASSETS	1,089,266	1,168,217
TOTAL ASSETS	$ 80,954,838	$ 58,090,171

See notes to consolidated financial statements.

<TABLE>
<CAPTION>
CONSOLIDATED BALANCE SHEETS

<S>	DECEMBER 31, 1997 <C>	DECEMBER 31, 1996 <C>
CURRENT LIABILITIES:		
Accounts payable	$ 2,414,936	$ 3,036,705
Current maturities - long-term debt	1,173,840	3,609,645
Accrued taxes - other	355,134	447,203
Accrued income taxes	304,808	802,658
Accrued salaries and wages	1,118,331	921,034
Accrued other	686,238	1,034,320
Total current liabilities	6,053,287	9,851,565
LONG-TERM DEBT - Less current maturities	13,406,962	19,520,029
DEFERRED LIABILITIES:		
Deferred compensation	241,673	246,500
Deferred income taxes	2,049,256	1,344,507
Deferred pension liability	7,130	752,481
Total deferred liabilities	2,298,059	2,343,488
Total liabilities	21,758,308	31,715,082
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred stock, Series A, no par value, $.06 stated value; issued 1997 - 90,000 shares; 1996 - 100,000 shares	5,400	6,000
Common stock, no par value; 10,000,000 shares authorized; issued 1997 - 5,476,620 shares; 1996 - 3,782,500 shares	42,604,658	14,543,947
Stock held in treasury, at cost - 116,952 common		

shares and 7,143 preferred shares	(1,226,059)	(1,226,059)
Retained earnings	17,812,531	13,051,201
Total shareholders' equity	59,196,530	26,375,089
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$80,954,838	$58,090,171

</TABLE>

See notes to consolidated financial statements.

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	TWELVE MONTHS ENDED DECEMBER 31, 1995 (UNAUDITED)	SIX MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED JUNE 30, 1995
<S>	<C>	<C>	<C>	<C>	<C>
NET SALES	$95,026,786	$73,147,821	$60,383,661	$36,123,862	$60,226,827
COST OF GOODS SOLD	69,300,071	55,103,578	49,334,823	28,886,555	48,366,376
GROSS MARGIN	25,726,715	18,044,243	11,048,838	7,237,307	11,860,451
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	16,416,341	12,332,519	10,569,824	6,863,623	8,629,172
INCOME FROM OPERATIONS	9,310,374	5,711,724	479,014	373,684	3,231,279
OTHER INCOME AND (EXPENSES):					
Interest expense	(2,552,732)	(2,103,556)	(2,100,369)	(1,211,646)	(2,104,787)
Other - net	108,688	115,945	95,999	14,523	109,649
Total other - net	(2,444,044)	(1,987,611)	(2,004,370)	(1,197,123)	(1,995,138)
INCOME (LOSS) BEFORE INCOME TAXES	6,866,330	3,724,113	(1,525,356)	(823,439)	1,236,141
INCOME TAX EXPENSE (BENEFIT)	2,105,000	918,154	(988,395)	(333,185)	(196,440)
NET INCOME (LOSS)	$ 4,761,330	$ 2,805,959	$ (536,961)	$ (490,254)	$ 1,432,581
NET INCOME (LOSS) PER SHARE:					
Basic	$ 1.16	$ 0.77	$ (0.15)	$ (0.13)	$ 0.39

Diluted	$ 1.10	$ 0.74	$ (0.15)	$ (0.13)	$ 0.38
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:					
Basic	4,087,682	3,665,548	3,665,548	3,665,548	3,665,548
Diluted	4,329,907	3,776,045	3,665,548	3,665,548	3,762,226

</TABLE>

See notes to consolidated financial statements.

<TABLE>
<CAPTION>
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	COMMON STOCK	PREFERRED STOCK	RETAINED EARNINGS	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
<S>	<C>	<C>	<C>	<C>	<C>
YEAR ENDED JUNE 30, 1995:					
Balance, June 30, 1994	$14,543,947	$6,000	$ 9,302,915	$(1,226,059)	$22,626,803
Net income			1,432,581		1,432,581
BALANCE, JUNE 30, 1995	14,543,947	6,000	10,735,496	(1,226,059)	24,059,384
SIX MONTHS ENDED DECEMBER 31, 1995 - Net loss			(490,254)		(490,254)
BALANCE, DECEMBER 31, 1995	14,543,947	6,000	10,245,242	(1,226,059)	23,569,130
YEAR ENDED DECEMBER 31, 1996 - Net income			2,805,959		2,805,959
BALANCE, DECEMBER 31, 1996	14,543,947	6,000	13,051,201	(1,226,059)	26,375,089
YEAR ENDED DECEMBER 31, 1997:					
Net income			4,761,330		4,761,330
Shares issued (1,570,000) pursuant to public offering, net of costs of $453,483	26,895,917				26,895,917
Stock options exercised	1,020,794				1,020,794
Tax benefit related to stock options	143,400				143,400
Preferred stock converted to common stock	600	(600)			
BALANCE, DECEMBER 31, 1997	$42,604,658	$5,400	$17,812,531	$(1,226,059)	$59,196,530

</TABLE>

See notes to consolidated financial statements.

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

<TABLE>
<CAPTION>
CONSOLIDATED STATEMENTS OF CASH FLOWS

<S>	YEAR ENDED DECEMBER 31, 1997 <C>	YEAR ENDED DECEMBER 31, 1996 <C>	TWELVE MONTHS ENDED DECEMBER 31, 1995 (UNAUDITED) <C>	SIX MONTHS ENDED DECEMBER 31, 1995 <C>	YEAR ENDED JUNE 30, 1995 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ 4,761,330	$ 2,805,959	$ (536,961)	$ (490,254)	$ 1,432,581
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,925,932	2,392,716	2,053,338	1,039,829	1,815,624
Deferred income taxes	156,247	62,375	(701,200)	(572,335)	34,587
Deferred compensation and pension - net	(13,227)	(587,852)	132,525	189,288	(56,763)
Loss on sale of fixed assets	1,213	94,614			
Change in assets and liabilities:					
Receivables	(5,176,709)	(1,780,457)	(2,330,912)	2,871,466	144,463
Inventories	(7,504,334)	(7,053,010)	4,777,807	8,854,652	(1,809,282)
Other current assets	(143,921)	(72,212)	915,979	1,287,108	(1,403,781)
Other assets	78,951	198,674	(789,528)	(751,521)	(18,538)
Accounts payable	(711,792)	1,665,330	(1,467,104)	(5,336,585)	3,159,331
Accrued liabilities	(740,704)	2,105,676	(173,688)	(443,705)	(232,169)
Net cash provided by (used in) operating activities	(6,367,014)	(168,187)	1,880,256	6,647,943	3,066,053
CASH FLOWS FROM INVESTING ACTIVITIES - Purchase of fixed assets	(4,462,236)	(3,302,761)	(2,695,732)	(683,542)	(6,546,127)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term debt	77,050,000	34,913,394	22,734,117	13,370,000	20,799,547
Payments on long-term debt	(86,073,615)	(32,946,783)	(21,693,655)	(17,658,248)	(17,393,407)
Proceeds form issuance of stock (net of offering expenses)	26,895,917				
Proceeds from exercise of stock options, including related tax benefit	1,164,194				
Net cash provided by (used in) financing activities	19,036,496	1,966,611	1,040,462	(4,288,248)	3,406,140

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,207,246	(1,504,337)	224,986	1,676,153	(73,934)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	349,637	1,853,974	1,628,988	177,821	251,755
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,556,883	$ 349,637	$ 1,853,974	$ 1,853,974	$ 177,821

</TABLE>

See notes to consolidated financial statements.

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996, THE SIX MONTHS ENDED DECEMBER 31, 1995 AND THE YEAR ENDED JUNE 30, 1995

1. ACCOUNTING POLICIES

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

FISCAL YEAR - Effective December 31, 1995, the Company changed its fiscal year end from June 30 to December 31. The unaudited financial information for the twelve months ended December 31, 1995 is presented for comparative purposes. The following presents unaudited summarized consolidated financial information, which includes all normal recurring adjustments the Company considers necessary for a fair presentation of such financial information in accordance with generally accepted accounting principles, for the six months ended December 31, 1994:

Net sales	$35,967,028
Gross margin	7,832,959
Income taxes	458,770
Net income	1,479,288
Net income per share:	
Basic	$ 0.39
Diluted	$ 0.39

BUSINESS ACTIVITY - The Company designs, manufactures, and markets high quality men's and women's footwear primarily under the registered trademark, ROCKY(R). The Company maintains a nationwide network of independent and Company sales representatives who sell the Company's products primarily through independent shoe, sporting goods, specialty, and uniform stores and catalogs throughout the United States. The Company did not have any customers that accounted for more than 10.0% of consolidated net sales in 1997 and 1996. The Company had one customer that accounted for 14.7% of consolidated net sales for the six months ended December 31, 1995 and 11.9% of consolidated net sales for the year ended June 30, 1995.

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

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

TRADE RECEIVABLES - Trade receivables are presented net of the related allowance for doubtful accounts of approximately $490,000 and $291,000 at December 31, 1997 and 1996, respectively.

CONCENTRATION OF CREDIT RISK - The Company's exposure to credit risk is impacted by the economic climate affecting its industry. The Company manages this risk by performing ongoing credit evaluations of its customers and maintains reserves for potential uncollectible accounts.

SUPPLIER AND LABOR CONCENTRATIONS - The Company purchases raw materials from a number of domestic and foreign sources. The Company currently buys all of its waterproof fabric, a component used in a significant portion of the Company's shoes and boots, from one supplier (GORE-TEX(R)). The Company has had a relationship with this supplier for over 17 years and has no reason to believe that such relationship will not continue.

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

INVENTORIES - Inventories are valued at the lower of cost, determined on a first-in, first-out (FIFO) basis, or market.

During the fiscal year ended June 30, 1995, the Company exchanged inventory totaling approximately $1,200,000 for prepaid advertising credits. No gain or loss was recognized on the transaction.

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

	Years
Building and improvements	5-40
Machinery and equipment	5-12
Furniture and fixtures	8-12
Lasts, dies, and patterns	7-12

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

ADVERTISING - The Company expenses advertising costs as incurred. Advertising expense was $1,334,034 and $1,399,398 for the years ended December 31, 1997 and 1996, respectively, $1,890,400 for the six months ended December 31, 1995 and $1,736,617 for the year ended June 30, 1995.

REVENUE RECOGNITION - Revenue is recognized at the time footwear product is shipped to the customer and is recorded net of estimated sales discounts and returns.

PER SHARE INFORMATION - Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128 "Earnings per Share", which requires retroactive adoption for all periods presented. Under SFAS No. 128, basic net income per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed similarly but including the effect of the Company's Series A preferred stock and stock options. A reconciliation of the shares used in the basic and diluted income per share computations is as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1997	1996	TWELVE MONTHS ENDED DECEMBER 31, 1995 (UNAUDITED)	SIX MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED JUNE 30, 1995
<S>	<C>	<C>	<C>	<C>	<C>
Basic - Weighted average shares outstanding	4,087,682	3,665,548	3,665,548	3,665,548	3,665,548
Dilutive securities:					
Preferred stock	85,549	92,857			92,857
Stock options	156,676	17,640			3,821
	---------	---------	---------	---------	---------
Diluted - Weighted average shares outstanding	4,329,907	3,776,045	3,665,548	3,665,548	3,762,226

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</TABLE>

Dilutive securities were not considered in the per share computations for the twelve months and six months ended December 31, 1995 as the effect would have been antidilutive. No adjustments to net income (loss) was required for purposes of computing diluted per share amounts.

RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS - In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which will require adoption in 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.

2. INVENTORIES

Inventories are comprised of the following:

	DECEMBER 31,	
	1997	1996
Raw materials	$ 6,210,161	$ 4,482,381
Work-in-process	3,348,275	5,192,326
Manufactured finished goods	21,140,951	13,891,772
Factory outlet finished goods	2,194,849	1,823,423
Total	$32,894,236	$25,389,902

3. FIXED ASSETS

Fixed assets are comprised of the following:

	DECEMBER 31,	
	1997	1996
Land	$ 224,115	$ 218,130
Building and improvements	5,769,949	5,060,207
Machinery and equipment	17,187,561	14,432,261
Furniture and fixtures	2,303,893	2,014,616
Lasts, dies and patterns	4,482,705	3,782,250
Construction work-in-progress	589,547	36,896
Total	30,557,770	25,544,360
Less - accumulated depreciation	(12,949,316)	(10,035,763)
Net fixed assets	$17,608,454	$15,508,597

4. LONG-TERM DEBT

Long-term debt is comprised of the following:

	DECEMBER 31,	
	1997	1996
Bank - revolving credit facility	$10,600,000	$19,820,000
Equipment and other obligations	3,388,242	1,027,952
Real estate obligations	83,634	1,596,292
Note payable - shareholder		367,818
Other	508,926	317,612
Total long-term debt	14,580,802	23,129,674
Less current maturities	1,173,840	3,609,645
Net long-term debt	$13,406,962	$19,520,029

The Company has a loan agreement with a bank, as amended, that provides for advances based on a percentage of eligible accounts receivable and inventory with maximum borrowings that range from $25,000,000 to $42,000,000 through April 30, 1999. Interest on the revolving credit facility is payable monthly as a factor of the bank's prime rate (8.5% at December 31, 1997) and the principal is due April 30, 1999. At December 31, 1997, $29,687,481 was available under the credit agreement of which $10,600,000 had been borrowed. At December 31, 1997 and 1996, $0 and $2,820,000 was classified as current based on the expected reduction in the available line in the subsequent year in accordance with management's projection of eligible accounts receivable and inventory balances.

Any amounts borrowed under the agreement are secured by the accounts receivable, inventories, and equipment of the Company. The agreement contains restrictive covenants which, among others, require the Company to maintain a certain level of tangible net worth, as defined. At December 31, 1997 approximately $10,450,439 of retained earnings are available for distribution.

Equipment and other obligations at December 31, 1997 bear interest at fixed and variable rates ranging from 3% to 8.75% and are payable in monthly installments to 2002. The obligations are secured by equipment and are subject to the security agreement and covenants applicable to the revolving credit facility.

Real estate obligation at December 31, 1997 bears interest at a variable rate of 7.875% and is payable in monthly installments through 2003. The obligation is secured by real estate and is subject to the security agreement and covenants applicable to the revolving credit facility.

In December 1993, the Company entered into a Stock Purchase and Pledge Agreement with a shareholder of the Company whereby the Company purchased 116,952 shares of its common stock and 7,143 shares of preferred stock for $1,226,059, including a note for $919,544. The note was paid in full in 1997.

At December 31, 1997, essentially all trade accounts receivable, inventories and property are held as collateral for the Company's long-term debt.

Long-term debt matures as follows for the years ended December 31:

1998	$ 1,173,840
1999	11,530,971
2000	1,707,328
2001	142,772
2002	18,191
Thereafter	7,700
Total	$14,580,802

The estimated fair value of the Company's long-term obligations approximated their carrying amount at December 31, 1997 and 1996, based on current market prices for the same or similar issues or on debt available to the Company with similar rates and maturities.

5. OPERATING LEASES

The Company leases certain machinery and manufacturing facilities under operating leases that generally provide for renewal options. The Company incurred approximately $643,000, $541,000, $245,000 and $455,000 in rent expense under operating lease arrangements for the years ended December 31, 1997 and 1996, the six months ended December 31, 1995, and the year ended June 30, 1995, respectively.

Included in total rent expense above are payments of $6,000 per month for the Company's Ohio manufacturing facility leased from an entity in which the owners are also shareholders of the Company.

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

1998	$345,000
1999	225,000
2000	121,000
2001	63,000
2002	41,000
Total	$795,000

6. INCOME TAXES

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

At December 31, 1997, a provision has not been made for U.S. taxes on the accumulated undistributed earnings of Five Star through the third quarter of 1996 of approximately $3,079,000 that would become payable upon repatriation to the United States. In addition, the Company has not provided any U.S. tollgate taxes on approximately $2,257,000 of accumulated undistributed earnings of Lifestyle prior to the fiscal year ended June 30, 1994, that would be payable if such earnings were repatriated to the United States. It is the intention of the Company to reinvest all such earnings. If the Five Star and Lifestyle undistributed earnings were distributed to the Company in the form of dividends, the related taxes on such distributions would be approximately $1,047,000 and $226,000, respectively.

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

Income taxes (benefits) are summarized as follows:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED JUNE 30, 1995
<S>	<C>	<C>	<C>	<C>
Federal:				
Current	$1,556,631	$640,053	$ 217,000	$(296,827)
Deferred	146,143	115,883	(635,234)	172,685
Total Federal	1,702,774	755,936	(418,234)	(124,142)
State and local:				
Current	392,122	215,726	22,150	65,800
Deferred	10,104	(53,508)	62,899	(138,098)
Total state and local	402,226	162,218	85,049	(72,298)
Total	$2,105,000	$918,154	$(333,185)	$(196,440)

</TABLE>

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED JUNE 30, 1995
<S>	<C>	<C>	<C>	<C>
Expected (benefit) expense at statutory rate	$2,334,552	$1,266,198	$(279,969)	$ 420,288
Increase (decrease) in income taxes resulting from:				
Exempt income from operations in Puerto Rico, net of tollgate taxes	(476,493)	(279,414)	8,279	(362,540)
Exempt income from Dominican Republic operations		(158,075)	(72,527)	(298,775)
State and local income taxes	(136,757)	(55,154)	(28,917)	24,581
Other - net	(18,528)	(17,619)	(45,100)	92,304

Total	$1,702,774	$ 755,936	$(418,234)	$(124,142)

</TABLE>

Deferred income taxes recorded in the consolidated balance sheets at December 31, 1997 and 1996 consist of the following:

	DECEMBER 31, 1997	DECEMBER 31, 1996
Deferred tax assets:		
State and local income taxes	$ 55,644	$ 38,167
Asset valuation allowances	398,959	600,973
Pension and deferred compensation	296,952	197,673
Net operating loss carryforwards	287,260	359,075
Inventories	812,437	152,423
Total deferred tax assets	1,851,252	1,348,311
Deferred tax liabilities:		
Fixed assets	(1,706,586)	(1,260,837)
Tax on Five Star earnings	(64,339)	(64,339)
Tollgate tax on Lifestyle earnings	(654,784)	(441,345)
Total deferred tax liabilities	(2,425,709)	(1,766,521)
Net deferred tax liability	$ (574,457)	$ (418,210)

At December 31, 1997, the Company has approximately $845,000 of net operating loss carryforwards for Federal income tax purposes with annual utilization limitations over the next four years and expiring in 2010. Effective during 1996 the Company began to provide U.S. income taxes on the earnings of Five Star based on the Company's intention to repatriate these earnings in the future.

7. RETIREMENT PLANS

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

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

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1997	YEAR ENDED DECEMBER 31, 1996	SIX MONTHS ENDED DECEMBER 31, 1995	YEAR ENDED JUNE 30, 1995
<S>	<C>	<C>	<C>	<C>
Service cost	$ 215,263	$ 182,955	$ 86,551	$ 130,310
Interest	284,420	231,140	111,767	204,551
Actual return on plan assets	(953,212)	(306,853)	(171,109)	(135,486)
Amortization and deferral	781,589	177,854	126,980	72,263
Net pension cost	$ 328,060	$ 285,096	$ 154,189	$ 271,638

</TABLE>

The funded status of the Company's plans and reconciliation of accrued pension cost at December 31, 1997 and 1996 are presented below (information with respect to benefit obligations and plan assets is as of September 30):

<TABLE>
<CAPTION>

	DECEMBER 31, 1997	DECEMBER 31, 1996
<S>	<C>	<C>
Plan assets at fair value	$3,897,093	$2,669,944

Actuarial present value of benefit obligations:		
Vested	3,967,364	3,590,876
Nonvested	153,319	131,549
Accumulated benefit obligation	4,120,683	3,722,425
Effects of salary progression	365,854	359,989
Projected benefit obligation	4,486,537	4,082,414
Funded status - excess of projected benefit obligation over plan assets	589,444	1,412,470
Remaining unrecognized benefit obligation existing at transition	(316,039)	(343,931)
Unrecognized prior service costs due to plan amendments	(562,859)	(610,320)
Unrecognized net (loss) gain	296,784	(358,949)
Adjustment required to recognize minimum liability	216,260	953,211
Additional contributions (September 30 - December 31)	(216,460)	(300,000)
Accrued pension cost	$ 7,130	$ 752,481

</TABLE>

The assets of the plans consist primarily of common stocks, bonds, and cash equivalents. The assets of the plans include 31,900 shares of the Company's common stock with a market value of $576,210 at September 30, 1997. The Company's unrecognized benefit obligations existing at the date of transition for the union and non-union plans are being amortized over 23 and 21 years, respectively. Actuarial assumptions used in the accounting for the plans were as follows:

	DECEMBER 31, 1997	DECEMBER 31, 1996
Discount rate	7.0%	7.0%
Average rate of increase in compensation levels (non-union only)	3.0%	3.0%
Expected long-term rate of return on plan assets	9.0%	9.0%

SFAS No. 87, "Employers' Accounting for Pensions," generally requires the Company to recognize a minimum liability in instances in which a plan's accumulated benefit obligation exceeds the fair value of plan assets. In accordance with the Statement, the Company has recorded in the accompanying financial statements a non-current pension liability and a non-current intangible asset of $216,260 and $953,211 as of December 31, 1997 and 1996, respectively.

8. CAPITAL STOCK

The Company has authorized 250,000 shares of voting preferred stock without par value. No shares are issued or outstanding. Also, the Company has authorized 250,000 shares of non-voting preferred stock without par value. Of these, 125,000 shares have been designated Series A non-voting convertible preferred stock with a stated value of $.06 per share, of which 90,000 and 100,000 shares are issued and 82,857 shares and 92,857 shares are outstanding at December 31, 1997 and 1996, respectively. In accordance with its terms, all of the outstanding Series A preferred stock was converted into common shares of the Company on a one for one basis on February 3, 1998.

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

On December 21, 1992, the Company adopted the 1992 Stock Option Plan which provides for the issuance of options to purchase up to 400,000 common shares of the Company. On October 11, 1995, the Company adopted the 1995 Stock Option Plan which provides for the issuance of options to purchase up to an additional 400,000 common shares of the Company. All employees, officers, directors, consultants and advisors providing services to the Company are eligible to receive options under the Plans. In addition, the Plans provide for the annual issuance of options to purchase 3,000 (5,000 effective January 1, 1998) shares of common stock to each non-employee director of the Company. The plans generally provide for grants with the exercise price equal to fair value on the date of grant, graduated vesting periods of up to 5 years, and lives not exceeding 8 years. The following summarizes all stock option transactions from July 1, 1994 through December 31, 1997:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at June 30, 1994	127,250	10.12
Issued	170,300	9.79
Forfeited	(9,900)	9.82

Outstanding at June 30, 1995	287,650	9.94
Issued	97,250	7.59

Outstanding at December 31, 1995	384,900	9.34
Issued	93,000	6.25
Forfeited	(30,000)	8.81

Outstanding at December 31, 1996	447,900	8.74
Issued	85,500	9.37
Exercised	(114,120)	8.94
Forfeited	(11,320)	8.28

Outstanding at December 31, 1997	407,960	$ 8.82
	=======	
Options exerciseable at December 31:		
1995	171,085	$10.05
1996	240,253	$ 9.62
1997	235,140	$ 9.24

The following table summarizes information about options outstanding at December 31, 1997:

<TABLE>
<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
$5.625 - $6.00	83,250	5.5	$ 5.91	34,750	$ 5.89
$7.50 - $8.875	139,000	6.1	$ 8.61	38,250	$ 8.40
$9.50 - $10.125	171,210	3.2	$ 9.77	156,140	$ 9.77
$13.125 - $20.00	14,500	5.0	$16.38	6,000	$20.00
	-------			-------	
Total	407,960	4.8	$ 8.82	235,140	$ 9.24
	=======		======	=======	======

</TABLE>

The Company applies APB Opinion No. 25 and related Interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for its stock option plans. Had compensation costs for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income (loss) and net income (loss) per share would have resulted in the amounts as reported below. In determining the estimated fair value of each option granted on the date of grant the Company uses the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in the years ended December 31, 1997, 1996, and 1995, respectively; dividend yield of 0%; expected volatility of 40%, 47% and 47%; risk-free interest rates of 6.40%, 6.50%, and 6.50%; and expected life of 6 years. The weighted average grant date fair value of options issued during the years ended December 31, 1997 and 1996 and the six months ended December 31, 1995 was $4.62, $3.39, and $4.01, respectively.

	YEAR ENDED DECEMBER 31, 1997	1996	SIX MONTHS ENDED DECEMBER 31, 1995
Net income (loss):			
As reported	$4,761,330	$2,805,959	$(490,254)
Pro forma	$4,498,370	$2,561,260	$(675,838)
Income (loss) per share:			
As reported:			
Basic	$ 1.16	$ 0.77	$ (0.13)
Diluted	$ 1.10	$ 0.74	$ (0.13)
Pro forma:			
Basic	$ 1.10	$ 0.70	$ (0.18)
Diluted	$ 1.04	$ 0.68	$ (0.18)

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

9. SUPPLEMENTAL CASH FLOW INFORMATION

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

<TABLE>
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<S>	YEAR ENDED DECEMBER 31, 1997 <C>	1996 <C>	TWELVE MONTHS ENDED DECEMBER 31, 1995 (UNAUDITED) <C>	SIX MONTHS ENDED DECEMBER 31, 1995 <C>	YEAR ENDED JUNE 30, 1995 <C>
Interest	$2,619,374	$2,066,365	$1,956,831	$1,262,057	$1,913,000
Federal, state and local income taxes - net of refunds	$2,306,150	$ (813,225)	$ 22,150	$ 10,150	$ 487,000

</TABLE>

During the years ended December 31, 1997 and 1996, and the six months ended December 31, 1995, the Company entered into capital lease arrangements for certain equipment which had a present value of $474,743, $216,832, and $111,591, respectively. Accounts payable at December 31, 1997 and 1996 include a total of $133,017 and $42,994, respectively, relating to the purchase of fixed assets.

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-65052 and 333-4434 of Rocky Shoes & Boots, Inc. on Form S-8 of our reports dated March 6, 1998, appearing in and incorporated by reference in this Annual Report on Form 10-K of Rocky Shoes & Boots, Inc., for the year ended December 31, 1997.

DELOITTE & TOUCHE LLP

Columbus, Ohio
March 26, 1998

Exhibit 24

POWER OF ATTORNEY

Each director and officer of Rocky Shoes & Boots, Inc., an Ohio corporation (the "Company"), whose signature appears below hereby appoints Mike Brooks and Curtis A. Loveland, or either of them, as his or her attorney-in-fact, to sign, in his or her name and behalf and in any and all capacities stated below, and to cause to be filed with the Securities and Exchange Commission, the Company's Annual Report on Form 10-K (the "Annual Report") for the fiscal year ended December 31, 1997, and likewise to sign and file any amendments, including post-effective amendments, to the Annual Report, and the Company hereby also appoints such persons as its attorneys-in-fact and each of them as its attorney-in-fact with like authority to sign and file the Annual Report and any amendments thereto in its name and behalf, each such person and the Company hereby granting to such attorney-in-fact full power of substitution and revocation, and hereby ratifying all that such attorney-in-fact or his substitute may do by virtue hereof.

IN WITNESS WHEREOF, we have executed this Power of Attorney, in counterparts if necessary, effective as of March ___, 1998.

DIRECTORS/OFFICERS:
<TABLE>
<CAPTION>

Signature	Title
<S>	<C>
/s/ Mike Brooks - ------------------------------------- Mike Brooks	Chairman, Chief Executive Officer, and President (Principal Executive Officer)
/s/ David Fraedrich - ------------------------------------- David Fraedrich	Executive Vice President, Chief Financial Officer, Treasurer and a Director (Principal Financial and Principal Accounting Officer)
/s/ Curtis A. Loveland - ------------------------------------- Curtis A. Loveland	Secretary and a Director
/s/ Stanley I. Kravetz - ------------------------------------- Stanley I. Kravetz	Director
/s/ Barbara B. Fuller - ------------------------------------- Barbara B. Fuller	Director
/s/ Leonard L. Brown - ------------------------------------- Leonard L. Brown	Director
/s/ Robert D. Stix - ------------------------------------- Robert D. Stix	Director
/s/ James L. Stewart - ------------------------------------- James L. Stewart	Director

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<CIK> 0000895456
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<CURRENCY> U.S. DOLLARS

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<S>	<C>	<C>	<C>	<C>
<PERIOD-TYPE>	YEAR	3-MOS	6-MOS	9-MOS
<FISCAL-YEAR-END>	DEC-31-1996	DEC-31-1996	DEC-31-1996	DEC-31-1996
<PERIOD-START>	JAN-01-1996	JAN-01-1996	JAN-01-1996	JAN-01-1996
<PERIOD-END>	DEC-31-1996	MAR-31-1996	JUN-30-1996	SEP-30-1996
<CASH>	349,637	325,115	365,404	1,235,443
<SECURITIES>	0	0	0	0
<RECEIVABLES>	13,378,883	8,969,239	15,842,777	27,477,369
<ALLOWANCES>	290,670	374,672	660,460	807,106
<INVENTORY>	25,389,902	23,319,925	30,600,366	31,402,783
<CURRENT-ASSETS>	40,460,146	33,246,434	47,065,889	60,642,478
<PP&E>	25,544,360	22,732,240	23,544,873	24,044,610
<DEPRECIATION>	10,035,763	8,179,209	8,726,080	9,323,124
<TOTAL-ASSETS>	58,090,171	49,954,948	63,976,294	77,177,592
<CURRENT-LIABILITIES>	9,851,565	9,240,140	23,504,587	35,310,512
<BONDS>	19,520,029	16,110,449	14,929,124	14,852,611
<PREFERRED-MANDATORY>	0	0	0	0
<PREFERRED>	6,000	6,000	6,000	6,000
<COMMON>	14,543,947	14,543,947	14,543,847	14,543,847
<OTHER-SE>	11,825,142	8,818,988	9,678,010	11,047,197
<TOTAL-LIABILITY-AND-EQUITY>	58,090,171	49,954,948	63,976,294	77,177,592
<SALES>	73,147,821	10,260,665	25,450,219	49,347,778
<TOTAL-REVENUES>	73,365,629	10,260,665	28,531,362	53,896,478
<CGS>	55,103,578	7,434,072	18,260,316	36,602,849
<TOTAL-COSTS>	67,436,097	7,434,072	18,260,316	36,602,849
<OTHER-EXPENSES>	101,863	0	42,299	24,081
<LOSS-PROVISION>	384,813	29,926	136,656	211,942
<INTEREST-EXPENSE>	2,103,556	345,517	743,006	1,422,450
<INCOME-PRETAX>	3,724,113	(250,243)	855,619	2,493,574
<INCOME-TAX>	918,154	(50,048)	196,792	465,560
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<ALLOWANCES>	535,858	893,036	1,068,832
<INVENTORY>	34,971,961	40,715,959	38,441,793
<CURRENT-ASSETS>	47,211,083	64,691,935	80,520,696
<PP&E>	26,259,935	27,702,902	28,869,329
<DEPRECIATION>	10,720,023	11,398,735	12,175,355
<TOTAL-ASSETS>	64,877,979	83,152,113	99,165,437
<CURRENT-LIABILITIES>	14,040,312	28,785,659	19,671,426
<BONDS>	21,492,760	19,520,029	46,879,079
<PREFERRED-MANDATORY>	0	0	0
<PREFERRED>	6,000	5,400	5,400
<COMMON>	14,905,725	15,268,591	15,330,841
<OTHER-SE>	12,014,121	13,031,211	14,804,830
<TOTAL-LIABILITY-AND-EQUITY>	64,877,979	83,152,133	99,165,437
<SALES>	12,262,073	34,268,258	65,830,000
<TOTAL-REVENUES>	12,262,073	34,334,474	65,891,299
<CGS>	8,985,198	24,710,110	47,527,279
<TOTAL-COSTS>	11,561,736	31,428,254	59,339,601
<OTHER-EXPENSES>	27,709	75,351	78,645
<LOSS-PROVISION>	30,528	62,559	133,678
<INTEREST-EXPENSE>	465,267	1,106,298	1,996,277
<INCOME-PRETAX>	249,501	1,724,571	4,415,477
<INCOME-TAX>	60,522	518,502	1,435,789
<INCOME-CONTINUING>	188,979	1,206,069	2,979,688
<DISCONTINUED>	0	0	0
<EXTRAORDINARY>	0	0	0
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<EPS-PRIMARY>	0.05	0.33	0.80
<EPS-DILUTED>	0.05	0.31	0.75

</TABLE>