

United States  
Securities and Exchange Commission  
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
Commission File Number: 001-34382

**ROCKY BRANDS, INC.**  
(Exact name of Registrant as specified in its charter)

**Ohio**  
(State or other jurisdiction of  
incorporation or organization)

**No. 31-1364046**  
(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:

Title of each class  
Common Shares, without par value

Name of each exchange on which registered  
The NASDAQ Stock Market, Inc.

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

Indicate by check mark if the registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act). Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Exchange Act Rule 12b-2). (Check one):  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the Registrant's Common Stock held by non-affiliates of the Registrant was approximately \$43,167,952 on June 30, 2010.

There were 7,459,037 shares of the Registrant's Common Stock outstanding on February 22, 2011.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the 2011 Annual Meeting of Shareholders are incorporated by reference in Part III.

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*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 “Item 1A, Risk Factors.” The Company undertakes no obligation to publicly update or revise any forward-looking statements.*

## PART I

### ITEM 1. BUSINESS.

All references to “we,” “us,” “our,” “Rocky Brands,” or the “Company” in this Annual Report on Form 10-K mean Rocky Brands, Inc. and our subsidiaries.

We are a leading designer, manufacturer and marketer of premium quality footwear and apparel marketed under a portfolio of well recognized brand names including Rocky, Georgia Boot, Durango, Lehigh, and the licensed brands Mossy Oak and Michelin. Our brands have a long history of representing high quality, comfortable, functional and durable footwear and our products are organized around four target markets: outdoor, work, duty and western. Our footwear products incorporate varying features and are positioned across a range of suggested retail price points from \$29.95 for our value priced products to \$314.99 for our premium products. In addition, as part of our strategy of outfitting consumers from head-to-toe, we market complementary branded apparel and accessories that we believe leverage the strength and positioning of each of our brands.

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

#### Competitive Strengths

Our competitive strengths include:

- *Strong portfolio of brands.* We believe the Rocky, Georgia Boot, Durango, Lehigh, Mossy Oak and Michelin brands are well recognized and established names that have a reputation for performance, quality and comfort in the markets they serve: outdoor, work, duty and western. We plan to continue strengthening these brands through product innovation in existing footwear markets, by extending certain of these brands into our other target markets and by introducing complementary apparel and accessories under our owned brands.
- *Commitment to product innovation.* We believe a critical component of our success in the marketplace has been a result of our continued commitment to product innovation. Our consumers demand high quality, durable products that incorporate the highest level of comfort and the most advanced technical features and designs. We have a dedicated group of product design and development professionals, including well recognized experts in the footwear and apparel industries, who continually interact with consumers to better understand their needs and are committed to ensuring our products reflect the most advanced designs, features and materials available in the marketplace.
- *Long-term retailer relationships.* We believe that our long history of designing, manufacturing and marketing premium quality, branded footwear has enabled us to develop strong relationships with our retailers in each of our distribution channels. We reinforce these relationships by continuing to offer innovative footwear products, by continuing to meet the individual needs of each of our retailers and by working with our retailers to improve the visual merchandising of our products in their stores. We believe that strengthening our relationships with retailers will allow us to increase our presence through additional store locations and expanded shelf space, improve our market position in a consolidating retail environment and enable us to better understand and meet the evolving needs of both our retailers and consumers.

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

## **Growth Strategy**

We intend to increase our sales through the following strategies:

- *Expand into new target markets under existing brands.* We believe there is significant opportunity to extend certain of our brands into our other target markets. We intend to continue to introduce products across varying feature sets and price points in order to meet the needs of our retailers.
- *Cross-sell our brands to our retailers.* We believe that many retailers of our existing and acquired brands target consumers with similar characteristics and, as a result, we believe there is significant opportunity to offer each of our retailers a broader assortment of footwear and apparel that target multiple markets and span a range of feature sets and price points.
- *Expand Business Internationally.* We intend to extend certain of our brands into international markets. We believe this is a significant opportunity because of the long history and authentic heritage of these brands. We intend on growing our business internationally through a network of distributors.
- *Increase apparel offerings.* We believe the long history and authentic heritage of our owned brands provide significant opportunity to extend each of these brands into complementary apparel. We intend to continue to increase our Rocky apparel offerings and believe that similar opportunities exist for our Georgia Boot and Durango brands in their respective markets.
- *Acquire or develop new brands.* We intend to continue to acquire or develop new brands that are complementary to our portfolio and could leverage our operational infrastructure and distribution network.

## **Product Lines**

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

- *Outdoor.* Our outdoor product lines consist of footwear, apparel and accessory items marketed to outdoor enthusiasts who spend time actively engaged in activities such as hunting, fishing, camping or hiking. Our consumers demand high quality, durable products that incorporate the highest level of comfort and the most advanced technical features, and we are committed to ensuring our products reflect the most advanced designs, features and materials available in the marketplace. Our outdoor product lines consist of all-season sport/hunting footwear, apparel and accessories that are typically waterproof and insulated and are designed to keep outdoorsmen comfortable on rugged terrain or in extreme weather conditions.
- *Work.* Our work product lines consist of footwear and apparel marketed to industrial and construction workers, as well as workers in the hospitality industry, such as restaurants or hotels. All of our work products are specially designed to be comfortable, incorporate safety features for specific work environments or tasks and meet applicable federal and other standards for safety. This category includes products such as safety toe footwear for steel workers and non-slip footwear for kitchen workers.
- *Duty.* Our duty product line consists of footwear products marketed to law enforcement, security personnel and postal employees who are required to spend a majority of time at work on their feet. All of our duty footwear styles are designed to be comfortable, flexible, lightweight, slip resistant and durable. Duty footwear is generally designed to fit as part of a uniform and typically incorporates stylistic features, such as black leather uppers in addition to the comfort features that are incorporated in all of our footwear products.
- *Western.* Our western product line currently consists of authentic footwear products marketed to farmers and ranchers who generally live in rural communities in North America. We also selectively market our western footwear to consumers enamored with the western lifestyle.

Our products are marketed under four well-recognized, proprietary brands, Rocky, Georgia Boot, Durango and Lehigh, in addition to the licensed brands of Michelin and Mossy Oak.

### *Rocky*

Rocky, established in 1979, is our premium priced line of branded footwear, apparel and accessories. We currently design Rocky products for each of our four target markets and offer our products at a range of suggested retail price points: \$99.95 to \$314.95 for our footwear products, \$29.95 to \$49.95 for tops and bottoms in our apparel lines and \$49.95 to \$199.95 for our basic and technical outerwear.

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

We also produce Rocky duty footwear targeting law enforcement professionals, military, security workers and postal service employees, and we believe we have established a leading market share position in this category.

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

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

### *Georgia Boot*

Georgia Boot was launched in 1937 and is our moderately priced, high quality line of work footwear. Georgia Boot footwear is sold at suggested retail price points ranging from \$79.95 to \$109.95. This line of products primarily targets construction workers and those who work in industrial plants where special safety features are required for hazardous work environments. Many of our boots incorporate steel toes or metatarsal guards to protect wearers' feet from heavy objects and non-slip outsoles to prevent slip related injuries in the work place. All of our boots are designed to help prevent injury and subsequent work loss and are designed according to standards determined by the Occupational Safety & Health Administration or other standards required by employers.

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

We believe the Georgia Boot brand can be extended into moderately priced duty footwear as well as outdoor and work apparel.

### *Durango*

Durango is our moderately priced, high quality line of western footwear. Launched in 1965, the brand has developed broad appeal and earned a reputation for authenticity and quality in the western footwear market. Our current line of products is offered at suggested retail price points ranging from \$79.95 to \$149.95, and we market products designed for both work and casual wear. Our Durango line of products primarily targets farm and ranch workers who live in the heartland where western influenced footwear and apparel is worn for work and casual wear and, to a lesser extent, this line appeals to urban consumers enamored with western influenced fashion. Many of our western boots marketed to farm and ranch workers are designed to be durable, including special "barn yard acid resistant" leathers to maintain integrity of the uppers, and incorporate our proprietary "Comfort Core" system to increase ease of wear and reduce foot fatigue. Other products in the Durango line that target casual and fashion oriented consumers have colorful leather uppers and shafts with ornate stitch patterns and are offered for men, women and children.

### *Lehigh*

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

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

### *Michelin*

Michelin is a premier price point line of work footwear targeting specific industrial professions, primarily indoor professions. The license to design, develop and manufacture footwear under the Michelin name was secured in 2006. Suggested retail prices for the Michelin brand are from \$99.95 to \$159.95. The license agreement for the Michelin brand expires on December 31, 2012.

### *Mossy Oak*

Mossy Oak is high quality, value priced line of casual and hunting footwear. The license to design, develop and manufacture footwear under the Mossy Oak name was secured in 2008. Suggested retail prices for the Mossy Oak Brand are from \$39.95 to \$79.95 for casual footwear and \$49.95 to 89.95 for hunting footwear.

### *Dickies*

Our licensing agreement for the Dickies brand expired on December 31, 2010. Sales of our Dickies branded merchandise approximated \$7.6 million in 2010. Per our agreement with Dickies, they purchased some of the remaining inventory and we have the right to sell the remaining inventory through June 30, 2011.

## **Sales and Distribution**

Our products are distributed through three distinct business segments: wholesale, retail and military. You can find more information regarding our three business segments in Note 14 to our consolidated financial statements.

### ***Wholesale***

In the U.S., we distribute Rocky, Georgia Boot, Durango, Michelin, and Mossy Oak products through a wide range of wholesale distribution channels. As of December 31, 2010, our products were offered for sale at over 10,000 retail locations in the U.S. and Canada.

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

Our wholesale distribution channels vary by market:

- Our outdoor products are sold primarily through sporting goods stores, outdoor specialty stores, catalogs and mass merchants.
- Our work-related products are sold primarily through retail uniform stores, catalogs, farm store chains, specialty safety stores, independent shoe stores and hardware stores.

- Our duty products are sold primarily through uniform stores and catalog specialists.
- Our western products are sold through western stores, work specialty stores, specialty farm and ranch stores and more recently, fashion oriented footwear retailers.

### ***Retail***

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

#### *Mobile and Retail Stores*

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

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

Lehigh continues to focus on converting our customers from delivery via our mobile stores to purchasing via the Internet and delivery direct to the consumer via a freight carrier. This is our lowest cost safety shoe solution for our customers and our most profitable.

#### *Outlet Store*

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

#### *Websites*

We sell our product lines on our websites at [www.rockyboots.com](http://www.rockyboots.com), [www.georgiaboot.com](http://www.georgiaboot.com), [www.lehighoutfitters.com](http://www.lehighoutfitters.com), [www.lehighsafetyshoes.com](http://www.lehighsafetyshoes.com), [www.slipgrips.com](http://www.slipgrips.com) and [www.dickiesfootwear.com](http://www.dickiesfootwear.com). We believe that our internet presence allows us to showcase the breadth and depth of our product lines in each of our target markets and enables us to educate our consumers about the unique technical features of our products.

### ***Military***

While we are focused on continuing to build our wholesale and retail business, we also actively bid on footwear contracts with the U.S. military, which requires products to be made in the U.S. Our manufacturing facilities in Puerto Rico, a U.S. territory, allow us to competitively bid for such contracts. In July 2007, we were awarded a \$6.4 million order to produce footwear for the U.S. military, which includes an option for four yearly renewals at similar amounts. In January 2008, we were awarded a \$5.0 million order to produce footwear for the U.S. Military, which includes an option for four yearly renewals at similar amounts. In July 2009, we were awarded a \$29.0 million blanket purchase order from the GSA to produce footwear for the U.S. Military through 2014.

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

## **Marketing and Advertising**

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

We have focused the majority of our advertising efforts on consumers in support of our retail partners. A key component of this strategy includes in-store point of purchase materials that add a dramatic focus to our brands and the products our retail partners carry. We also advertise through targeted national and local cable programs and print publications aimed at audiences that share the demographic profile of our typical customers. For example, we are a main sponsor of the hit outdoor TV shows, “Archer’s Choice” and “the Choice” featuring hosts Ralph and Vicki Cianciarulo; Mossy Oak’s “Hunting the Country” on The Outdoor Channel; as well as “Obsession Revealed” and “Turkey Thugs” on the Pursuit Network. In addition we advertise in such print publications as Outdoor Life and North American Hunter and on targeted cable broadcasts for NASCAR and NHRA on The Outdoor Channel and Versus television networks. We also promote our products through event sponsorships. We are a sponsor of the Kevin Harvick NASCAR racing team and the Kallita MotoSports NHRA racing team. These events are broadcasted on the ESPN and FOX television networks. These sponsorship properties provide significant national exposure for all of our brands, as well as direct connection to our target customers. Our print advertisements and radio and television commercials emphasize the technical features of our products as well as their high quality, comfort, functionality and durability.

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

## **Product Design and Development**

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

## **Manufacturing and Sourcing**

We manufacture footwear in facilities that we operate in the Dominican Republic and Puerto Rico, and source footwear, apparel and accessories from third-party facilities, primarily in China. We do not have long-term contracts with any of our third-party manufacturers. The products purchased from General Shoes US Corporation and its subsidiaries, one of our third-party manufacturers in China with whom we have had a relationship for over 20 years and which has historically accounted for a significant portion of our manufacturing, represented approximately 20% of our net sales in 2010. We believe that operating our own facilities significantly improves our knowledge of the entire raw material sourcing and manufacturing process enabling us to more efficiently source finished goods from third parties that are of the highest quality and at the lowest cost available. In addition, our Puerto Rican facilities allow us to produce footwear for the U.S. military and other commercial businesses that require production by a U.S. manufacturer. Sourcing products from offshore third-party facilities generally enables us to lower our costs per unit while maintaining high product quality and it limits the capital investment required to establish and maintain company operated manufacturing facilities. Because quality is an important part of our value proposition to our retailers and consumers, we source products from manufacturers who have demonstrated the intent and ability to maintain the high quality that has become associated with our brands.



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

Our products are primarily distributed in the United States, Canada, South America, Europe and Asia. We ship our products from our finished goods distribution facilities located in Logan, Ohio and Waterloo, Ontario, Canada. Certain of our retailers receive shipments directly from our manufacturing sources, including all of our U.S. military sales, which are shipped directly from our manufacturing facilities in Puerto Rico.

### **Suppliers**

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

### **Seasonality and Weather**

Historically, we have experienced significant seasonal fluctuations in our business because we derive a significant portion of our revenues from sales of our outdoor products. Many of our outdoor products are used by consumers in cold or wet weather. As a result, a majority of orders for these products are placed by our retailers in January through April for delivery in July through October. In order to meet demand, we must manufacture and source outdoor footwear year round to be in a position to ship advance orders for these products during the last two quarters of each year. Accordingly, average inventory levels have been highest during the second and third quarters of each year and sales have been highest in the last two quarters of each year. In addition, mild or dry weather conditions historically have had a material adverse effect on sales of our outdoor products, particularly if they occurred in broad geographical areas during late fall or early winter. Since 2005, we have experienced and we expect that we will continue to experience less seasonality and that our business will be subject to reduced weather risk because we now derive a higher proportion of our sales from work-related footwear products. Generally, work, duty and western footwear is sold year round and is not subject to the same level of seasonality or variation in weather as our outdoor product lines. However, because of seasonal fluctuations and variations in weather conditions from year to year, there is no assurance that the results for any particular interim period will be indicative of results for the full year or for future interim periods.

### **Backlog**

At December 31, 2010, our backlog was \$11.3 million compared to \$23.2 million at December 31, 2009. Our backlog at December 31, 2010 includes no outstanding orders under contracts with the U.S. Military versus \$11.6 at December 31, 2009. Because a substantial portion of our orders are placed by our retailers in January through April for delivery in July through October, our backlog is lowest during the October through December period and peaks during the April through June period. Factors other than seasonality could have a significant impact on our backlog and, therefore, our backlog at any one point in time may not be indicative of future results. Generally, orders may be canceled by retailers prior to shipment without penalty.

### **Patents, Trademarks and Trade Names**

We own numerous design and utility patents for footwear, footwear components (such as insoles and outsoles) and outdoor apparel in the U.S. and in foreign countries including Canada, Mexico, China and Taiwan. We own U.S. and certain foreign registrations for the trademarks used in our business, including our marks Rocky, Georgia Boot, Durango and Lehigh. In addition, we license trademarks, including Gore-Tex, Mossy Oak and Michelin, in order to market our products. Our license to manufacture and distribute products bearing the Dickies brand terminated on December 31, 2010.

Our license with W. L. Gore & Associates, Inc. permits us to use the Gore-Tex and related marks on products and styles that have been approved in advance by Gore. The license agreement may be terminated by either party upon advance written notice to the other party by October 1 for termination effective December 31 of that same year.

Our license with Mossy Oak permits us to use certain marks and patterns owned by Mossy Oak on our products. The initial term of the license agreement is for two years ending in May 2011, and the term automatically renews for one-year periods. The license agreement may be terminated by either party upon ninety days written notice to the other party.

Our license with Gear Six Technologies LLC permits us to use the Michelin and related marks on our products. The license agreement with Gear Six will terminate on December 31, 2012.

In the U.S., our patents are generally in effect for up to 20 years from the date of the filing of the patent application. Our trademarks are generally valid as long as they are in use and their registrations are properly maintained and have not been found to become generic. Trademarks registered outside of the U.S. generally have a duration of 10 years depending on the jurisdiction and are also generally subject to an indefinite number of renewals for a like period upon appropriate application.

While we have an active program to protect our intellectual property by filing for patents and trademarks, we do not believe that our overall business is materially dependent on any individual patent or trademark. We are not aware of any infringement of our intellectual property rights or that we are infringing any intellectual property rights owned by third parties. Moreover, we are not aware of any material conflicts concerning our trademarks or our use of trademarks owned by others.

### **Competition**

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

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

### **Employees**

At December 31, 2010, we had approximately 2,450 employees of which approximately 2,290 are full time employees. Approximately 1,875 of our employees work in our manufacturing facilities in the Dominican Republic and Puerto Rico. None of our employees are represented by a union. We believe our relations with our employees are good.

### **Available Information**

We make available free of charge on our corporate website, [www.rockybrands.com](http://www.rockybrands.com), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such reports are electronically filed with or furnished to the Securities and Exchange Commission.

## ITEM 1A. RISK FACTORS.

### Business Risks

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

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

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

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

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

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

- the imposition of additional United States legislation and regulations relating to imports, including quotas, duties, taxes or other charges or restrictions;
- foreign governmental regulation and taxation;
- fluctuations in foreign exchange rates;
- changes in economic conditions;
- transportation conditions and costs in the Pacific and Caribbean;
- changes in the political stability of these countries; and
- changes in relationships between the United States and these countries.

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

*Our success depends on our ability to anticipate consumer trends.*

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

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

The development of our business has been, and will continue to be, highly dependent upon Mike Brooks, Chairman and Chief Executive Officer, David Sharp, President and Chief Operating Officer, and James E. McDonald, Executive Vice President, Chief Financial Officer and Treasurer. Messrs. Brooks, Sharp, and McDonald each have an at-will employment agreement with us. Each employment agreement provides that in the event of termination of employment, without cause, the terminated executive will receive a severance benefit. In the event of termination for any reason, the terminated executive may not compete with us for a period of one year. None of our other executive officers and key employees has an employment agreement with our company. The loss of the services of any of these officers could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

***Our outdoor products are seasonal.***

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

***Our outdoor products are sensitive to weather conditions.***

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

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

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

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

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

***We must comply with the restrictive covenants contained in our revolving credit facility.***

Our credit facility requires us to comply with certain financial restrictive covenants that impose restrictions on our operations, including our ability to incur additional indebtedness, make investments of other restricted payments, sell or otherwise dispose of assets and engage in other activities. Any failure by us to comply with the restrictive covenants could result in an event of default under those borrowing arrangements, in which case the lenders could elect to declare all amounts outstanding there under to be due and payable, which could have a material adverse effect on our financial condition. As of December 31, 2010, we were in compliance with all financial restrictive covenants.

***We face intense competition, including competition from companies with significantly greater resources than ours, and if we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.***

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

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

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

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

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

***We are subject to certain environmental and other regulations.***

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

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

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

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

***Our success depends on our ability to forecast sales.***

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

## Risks Related to Our Industry

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

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

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

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

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

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

### ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

### ITEM 2. PROPERTIES.

We own, subject to a mortgage, our 25,000 square foot executive offices that are located in Nelsonville, Ohio which are utilized by all segments. We also own, subject to a mortgage, our 192,000 square foot finished goods distribution facility in Logan, Ohio which is utilized by our wholesale and retail segments. We own outright our 41,000 square foot outlet store and a 5,500 square foot executive office building located in Nelsonville, Ohio, a portion of which is utilized by our retail segment. We lease two manufacturing facilities in Puerto Rico consisting of 44,978 square feet and 39,581 square feet which are utilized by the wholesale and military segments. These leases expire in 2019. In the Dominican Republic, we lease an 81,872 square foot manufacturing facility under a lease expiring in 2014 and lease three additional stand-alone buildings of 24,053 square feet, 39,815 square feet and 28,929 square feet under leases which expire in 2013, 2014 and 2015, respectively. In Waterloo, Ontario, we lease a 30,300 square foot distribution facility under a lease expiring in 2012 which is utilized by our wholesale segment.

**ITEM 3. LEGAL PROCEEDINGS.**

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

**ITEM 4. RESERVED.**

Not applicable.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****Market Information**

Our 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 our common stock for the periods indicated, as reported by the NASDAQ National Market:

<b>Quarter Ended</b>	<b>High</b>	<b>Low</b>
March 31, 2009	\$ 4.96	\$ 2.71
June 30, 2009	\$ 4.32	\$ 3.23
September 30, 2009	\$ 6.40	\$ 3.66
December 31, 2009	\$ 9.65	\$ 5.55
March 31, 2010	\$ 9.97	\$ 7.16
June 30, 2010	\$ 10.66	\$ 6.15
September 30, 2010	\$ 8.45	\$ 5.68
December 31, 2010	\$ 10.44	\$ 7.25

On February 22, 2011, the last reported sales price of our common stock on the NASDAQ National Market was \$13.85 per share. As of February 22, 2011, there were 94 shareholders of record of our common stock.

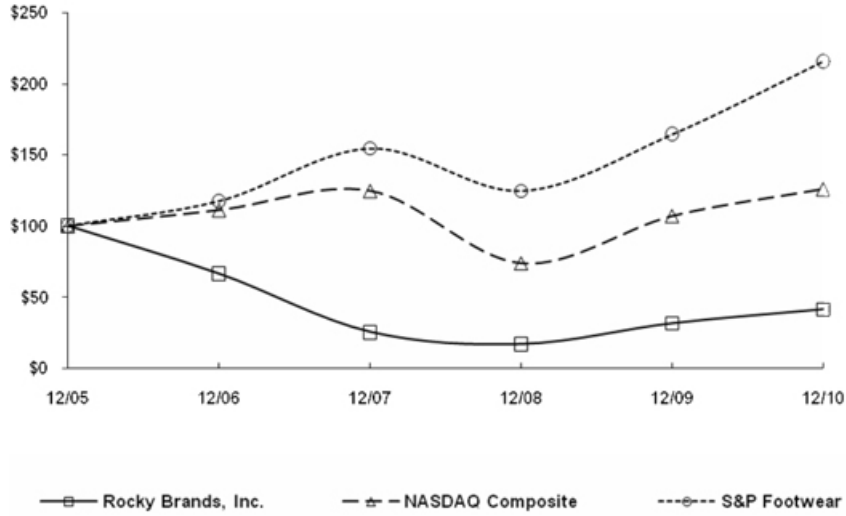
We presently intend to retain our earnings to finance the growth and development of our business and do not anticipate paying any cash dividends in the foreseeable future. Future dividend policy will depend upon our earnings and financial condition, our need for funds and other factors. Presently, our credit facility restricts the payment of dividends on our common stock. At December 31, 2010, we had no retained earnings available for distribution.



**Performance Graph**

The following performance graph compares our performance of the Company with the NASDAQ Stock Market (U.S.) Index and the Standard & Poor's Footwear Index, which is a published industry index. The comparison of the cumulative total return to shareholders for each of the periods assumes that \$100 was invested on December 31, 2005, in our common stock, and in the NASDAQ Stock Market (U.S.) Index and the Standard & Poor's Footwear Index and that all dividends were reinvested.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
 Among Rocky Brands, Inc., the NASDAQ Composite Index  
 and the S&P Footwear Index



\*\$100 invested on 12/31/05 in stock or index, including reinvestment of dividends.  
 Fiscal year ending December 31

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA.

**ROCKY BRANDS, INC. AND SUBSIDIARIES**  
**SELECTED CONSOLIDATED FINANCIAL DATA**  
(in thousands, except for per share data)

	Five Year Financial Summary				
	12/31/10	12/31/09	12/31/08	12/31/07	12/31/06
<b>Income Statement Data</b>					
Net sales	\$ 252,792	\$ 229,486	\$ 259,538	\$ 275,267	\$ 263,491
Gross margin (% of sales)	35.4%	36.8%	39.4%	39.2%	41.5%
Net income (loss)	\$ 7,684	\$ 1,175	\$ 1,167	\$ (23,105)	\$ 4,819
<b>Per Share</b>					
Net (loss) income					
Basic	\$ 1.14	\$ 0.21	\$ 0.21	\$ (4.22)	\$ 0.89
Diluted	\$ 1.14	\$ 0.21	\$ 0.21	\$ (4.22)	\$ 0.86
<b>Weighted average number of common shares outstanding</b>					
Basic	6,748	5,551	5,509	5,476	5,392
Diluted	6,764	5,551	5,513	5,476	5,578
<b>Balance Sheet Data</b>					
Inventories	\$ 58,853	\$ 55,420	\$ 70,302	\$ 75,404	\$ 77,949
Total assets	\$ 168,579	\$ 163,390	\$ 196,862	\$ 216,724	\$ 246,356
Working capital	\$ 98,156	\$ 94,324	\$ 124,586	\$ 135,318	\$ 135,569
Long-term debt, less current maturities	\$ 34,608	\$ 55,080	\$ 87,259	\$ 103,220	\$ 103,203
Stockholders' equity	\$ 105,004	\$ 82,478	\$ 80,950	\$ 81,725	\$ 104,128

The 2009 financial data reflects restructuring charges of \$0.5 million, net of tax benefits. The 2008, 2007 and 2006 financial data reflects non-cash intangible impairment charges of \$3.0 million, \$23.5 million and \$0.5 million, net of tax benefits, respectively.

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

This Management's Discussion and Analysis of Financial Condition and Result of Operations ("MD&A") describes the matters that we consider to be important to understanding the results of our operations for each of the three years in the period ended December 31, 2010, and our capital resources and liquidity as of December 31, 2010 and 2009. Use of the terms "Rocky," the "Company," "we," "us" and "our" in this discussion refer to Rocky Brands, Inc. and its subsidiaries. Our fiscal year begins on January 1 and ends on December 31. We analyze the results of our operations for the last three years, including the trends in the overall business followed by a discussion of our cash flows and liquidity, our credit facility, and contractual commitments. We then provide a review of the critical accounting judgments and estimates that we have made that we believe are most important to an understanding of our MD&A and our consolidated financial statements. We conclude our MD&A with information on recent accounting pronouncements which we adopted during the year, as well as those not yet adopted that are expected to have an impact on our financial accounting practices.

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

## EXECUTIVE OVERVIEW

We are a leading designer, manufacturer and marketer of premium quality footwear and apparel marketed under a portfolio of well recognized brand names including Rocky, Georgia Boot, Durango, Lehigh, and the licensed brands Mossy Oak and Michelin.

Our products are distributed through three distinct business segments: wholesale, retail and military. In our wholesale business, we distribute our products through a wide range of distribution channels representing over ten-thousand retail store locations in the U.S. and Canada. Our wholesale channels vary by product line and include sporting goods stores, outdoor retailers, independent shoe retailers, hardware stores, catalogs, mass merchants, uniform stores, farm store chains, specialty safety stores and other specialty retailers. Our retail business includes direct sales of our products to consumers through our Lehigh mobile stores and our websites. We also sell footwear under the Rocky label to the U.S. military.

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

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

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

## FINANCIAL SUMMARY

- Net sales of the wholesale segment increased \$14.0 million in 2010 over prior year primarily as a result of increased sales in our work footwear category.
- Net sales of the retail segment decreased \$2.5 million in 2010 from the prior year primarily as a result of our ongoing transition to more internet driven transactions and the decision to remove a portion of our Lehigh mobile stores from operations and closing 22 mini-stores. These changes resulted in reductions in both net sales and SG&A expenses.
- Net sales of the military segment increased \$11.8 million in 2010 over the prior year as we continued to ship under the \$29.0 million contract issued in July 2009.
- Gross margin of the wholesale segment increased \$4.9 million in 2010 over the prior year as a result of higher sales.
- Gross margin of the retail segment decreased \$1.6 million in 2010 from the prior year as a result of lower overall sales.
- Gross Margin of the military segment increased \$1.6 million in 2010 over the prior year due primarily to higher sales in 2010.
- Operating expenses decreased \$3.5 million in 2010 from prior year primarily as result of restructuring initiatives implemented in the fourth quarter of 2009 that were initiated to reduce operating expenses. These restructuring initiatives resulted in an additional \$0.7 million of operating expenses in 2009.

- Net interest expense decreased \$1.0 million in 2010 from the prior year, primarily due to the repayment of higher rate debt, partially offset by the write-off of deferred financing costs in 2010.
- Net income increased \$6.5 million in 2010 over prior year results due primarily to higher net sales, expense reductions and lower net interest expense.
- Total debt at December 31, 2010 was \$35.1 million or \$20.5 million lower than the prior year. Total debt minus cash and cash equivalents was \$30.7 million or 21.9% of total capitalization at December 31, 2010 compared to \$53.8 million or 39.0% of total capitalization at year-end 2009. The reduction in debt from the prior year was due primarily to an equity offering in the second quarter of 2010 and from cash generated from operations.
- Our cash provided by operating activities decreased \$21.9 million in 2010 from the prior year, primarily the result of the 2009 cash provided from operations being abnormally high due to usually high inventory and receivable levels at the end of 2008.

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

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

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

#### Percentage of Net Sales

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

	Years Ended December 31,		
	2010	2009	2008
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	64.6%	63.2%	60.6%
Gross margin	35.4%	36.8%	39.4%
SG&A expense	28.6%	32.7%	33.7%
Restructuring charges	0.0%	0.3%	0.0%
Non-cash intangible impairment charges	0.0%	0.0%	1.9%
Income (loss) from operations	6.8%	3.8%	3.8%

#### Results of Operations

##### Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

*Net sales.* Net sales increased 10.2% to \$252.8 million for 2010 compared to \$229.5 million the prior year. Wholesale sales increased \$14.0 million to \$188.3 million for 2010 compared to \$174.3 million for 2009. The increase in wholesale sales was the result of a \$12.3 million or 15.6% increase in our work footwear category, a \$2.3 million or 11.7% increase in our duty footwear category, and a \$1.2 million or 4.0% increase in our western footwear category, which was partially offset by a \$0.7 million or 5.6% decrease in our apparel category, a \$0.6 million or 2.4% decrease in our outdoor footwear category and a \$0.5 million decrease in other. Retail sales were \$47.5 million in 2010 compared to \$50.0 million for 2009. The \$2.5 million decrease in retail sales resulted from our ongoing transition to more internet driven transactions and the decision to remove a portion of our Lehigh mobile stores from operations to help lower operating expenses. Military segment sales, which occur from time to time, were \$17.0 million for 2010 compared to \$5.2 million in 2009. Shipments in 2010 were primarily under the \$29.0 million contract issued in July 2009. Shipments in 2009 were under the \$6.4 million contract issued in July 2007 and the July 2009 contract. Average list prices for our footwear, apparel and accessories were similar in 2010 compared to 2009.

*Gross margin.* Gross margin increased to \$89.4 million or 35.4% of net sales for 2010 compared to \$84.6 million or 36.8% of net sales for the prior year. Wholesale gross margin for 2010 was \$65.5 million, or 34.8% of net sales, compared to \$60.6 million, or 34.8% of net sales in 2009. Retail gross margin for 2010 was \$21.8 million, or 45.9% of net sales, compared to \$23.4 million, or 46.9% of net sales, in 2009. The 100 basis point decrease reflected reduced sales via our mobile stores, which carry the highest gross margin in our retail business. Military gross margin in 2010 was \$2.1 million, or 12.4% of net sales, compared to \$0.6 million, or 10.7% of net sales in 2009. The shipments in 2010 under the \$29.0 million contract had a higher gross margin than shipments under previous contracts.

*SG&A expenses.* SG&A expenses were \$72.3 million, or 28.6% of net sales in 2010 compared to \$75.1 million, or 32.7% of net sales for 2009. The net change primarily resulted from decreases in compensation and benefits expenses of \$2.5 million, bad debt expenses of \$1.0 million, Lehigh store expenses of \$1.0 million and a \$0.5 million decrease in the amortization of finite-lived intangible assets, partially offset by increases in incentive accruals of \$2.3 million. The reductions in compensation, benefits and store expenses were partially a result of the restructuring initiatives that were implemented in the fourth quarter of 2009.

*Restructuring charges.* The restructuring initiatives implemented in the fourth quarter of 2009 were completed during 2010. No additional restructuring charges were recorded during 2010.

*Non-cash intangible impairment charges.* Our 2010 and 2009 evaluation of indefinite lived intangible assets indicated that none of these assets were impaired.

*Interest expense.* Interest expense was \$6.5 million in 2010, compared to \$7.5 million for the prior year. The decrease of \$1.0 million resulted from a reduction in average borrowings compared to the same period last year and the repayment of higher rate debt during 2010, partially offset by the write off of fees of \$2.1 million associated with the early repayment of a portion of the company's term and revolving loans.

*Income taxes.* Income tax expense was \$3.6 million in 2010, compared to an income tax expense of \$0.7 million for the same period a year ago. The increase in income tax expense for 2010 was due to the \$9.4 million increase in pretax income, partially offset by a decrease in the effective tax rate. The effective tax rate for 2010 was 31.7% compared to 36.5% for 2009. The decrease in our effective tax rate for 2010 was due principally to making a permanent capital investment in our operations in the Dominican Republic, which reduced the amount of dividends that we need to provide for U.S income taxes.

#### **Year Ended December 31, 2009 Compared to Year Ended December 31, 2008**

*Net sales.* Net sales decreased 11.6% to \$229.5 million for 2009 compared to \$259.5 million the prior year. Wholesale sales decreased \$13.1 million to \$174.3 million for 2009 compared to \$187.3 million for 2008. The \$13.1 million decrease in wholesale sales was the result of decreased sales in the majority of our footwear categories and apparel. Retail sales were \$50.0 million in 2009 compared to \$65.8 million for 2008. The \$15.8 million decrease in retail sales resulted from plant closings and layoffs in the manufacturing sector as the current economic conditions have impacted a significant portion of our retail customer base. In addition, retail sales were negatively impacted by our ongoing transition to more internet driven transactions and the decision to remove a portion of our Lehigh mobile stores from operations to help lower costs. Military segment sales, which occur from time to time, were \$5.2 million for 2009 compared to \$6.4 million in 2008. Shipments in 2009 were under the \$6.4 million contract issued in July 2007 and the \$29.0 million contract, issued in July 2009. Average list prices for our footwear, apparel and accessories were similar in 2009 compared to 2008.

*Gross margin.* Gross margin decreased to \$84.6 million or 36.8% of net sales for 2009 compared to \$102.2 million or 39.4% of net sales for the prior year. Wholesale gross margin for 2009 was \$60.6 million, or 34.8% of net sales, compared to \$68.5 million, or 36.6% of net sales in 2008. The 180 basis point decrease was the result of additional sales of closeouts at reduced gross margins, an increase in manufacturing costs, and a decrease in sales price per unit for competitive reasons. Retail gross margin for 2009 was \$23.4 million, or 46.9% of net sales, compared to \$33.2 million, or 50.4% of net sales, in 2008. The 350 basis point decrease reflected reduced sales via our mobile stores, which carry the highest gross margin and lowest operating margin in our retail business. Military gross margin in 2009 was \$0.6 million, or 10.7% of net sales, compared to \$0.6 million, or 9.1% of net sales in 2008.

*SG&A expenses.* SG&A expenses were \$75.1 million, or 32.7% of net sales in 2009 compared to \$87.5 million, or 33.7% of net sales for 2008. The net change primarily resulted from decreases in compensation and benefits expenses of \$5.2 million, shipping expenses of \$1.8 million, advertising expenses of \$1.5 million, Lehigh mobile store expenses of \$1.1 million, travel expenses of \$0.7, telephone expense of \$0.4 million and show expenses of \$0.4 million.

*Restructuring charges.* As a result of our decision during the fourth quarter of 2009 to initiate a comprehensive series of actions to reduce the operating cost structure and, increase the operating efficiency of both our wholesale and retail divisions we recognized \$0.7 million of restructuring charges. These actions involved the relocation of our wholesale division's customer care function from Franklin, Tennessee to Nelsonville, Ohio, and the closing of underperforming mini-stores in our retail division. These charges were composed of severance and employee benefits related costs; transition costs; and facility exit costs, which includes facility shut down and lease contract termination costs.

*Non-cash intangible impairment charges.* Our 2009 evaluation of indefinite lived intangible assets indicated that none of these assets were impaired. As a result of our annual evaluation of intangible assets, in 2008 we recognized impairment losses on the carrying values of the Lehigh and Gates trademarks of \$4.0 million and \$0.9 million, respectively. We recognized tax benefits relating to the Lehigh and Gates trademark impairments of \$1.6 million and \$0.3 million, respectively. We estimated fair value based on projections of the future cash flows for each of the trademarks. We then compared the carrying value for each trademark to its estimated fair value. Since the fair value of the trademark was less than its carrying value, we recognized the reductions in fair value as non-cash intangible impairment charges in our 2008 operating expenses.

*Interest expense.* Interest expense was \$7.5 million in 2009, compared to \$9.3 million for the prior year. The decrease of \$1.8 million resulted from a reduction in average borrowings combined with lower interest rates compared to the same period last year.

*Income taxes.* Income tax expense was \$0.7 million in 2009, compared to an income tax benefit of \$0.6 million for the same period a year ago. In 2008, we recognized a \$1.9 million benefit relating to the non-cash intangible impairment charge of \$4.9 million; a \$0.6 million reduction in income tax expense related to the filing of the 2007 Federal income tax return; and, a \$0.1 million reduction in income tax expense related to an adjustment of state deferred tax liabilities.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

Our principal sources of liquidity have been our income from operations and borrowings under our credit facility and other indebtedness.

Over the last several years our principal uses of cash have been for working capital and capital expenditures to support our growth. Our working capital consists primarily of trade receivables and inventory, offset by accounts payable and accrued expenses. Our working capital fluctuates throughout the year as a result of our seasonal business cycle and business expansion and is generally lowest in the months of January through March of each year and highest during the months of May through October of each year. We typically utilize our revolving credit facility to fund our seasonal working capital requirements. As a result, balances on our revolving credit facility will fluctuate significantly throughout the year. Our working capital increased to \$98.2 million at December 31, 2010, compared to \$94.3 million at the end of the prior year.

Our capital expenditures relate primarily to projects relating to our corporate offices, property, merchandising fixtures, molds and equipment associated with our manufacturing operations and for information technology. Capital expenditures were \$4.7 million for 2010 and \$4.9 million in 2009. Capital expenditures for 2011 are anticipated to be approximately \$6.0 million.

In March 2009, we amended the terms of our revolving credit facility with GMAC Commercial Finance ("GMAC") which was set to expire on January 5, 2010. The size of the facility was reduced to \$85 million from \$100 million and the maturity date was extended to April 30, 2012. The interest rates for the term of this amendment were LIBOR plus 3.75% or prime plus 2.25%, at our option. The financing costs associated with this amendment totaled approximately \$1.5 million.

In May 2010, the Company completed a public offering of 1.8 million shares of common stock at a price of \$8.40 per share. We received net proceeds from the offering of \$14.1 million after deducting \$0.9 million in underwriting discounts and \$0.1 million in expenses. The proceeds were used to prepay amounts due under term loans with Laminar Direct Capital L.P. and Whitebox Hedged High Yield Partners, L.P. In connection with this transaction, \$0.2 million of prepayment fees and \$0.2 million of non-cash charges related to deferred financing fees were incurred and have been reflected as a component of interest expense.

In May 2010, we amended the terms of our revolving credit facility with GMAC to advance \$15 million to the Company under the existing revolving portion of its credit facility to prepay amounts due under term loans with Laminar Direct Capital L.P. and Whitebox Hedged High Yield Partners, L.P. After the prepayment, principal under the term loans totaled \$11 million in the aggregate. The term loans had an interest rate of 11.5% payable semi-annually over the five year term of the notes. Principal repayment was due at maturity in May 2012. The interest rate for the revolving portion of the Company's credit facility was LIBOR plus 3.75%. In connection with this transaction, \$0.2 million of prepayment fees and \$0.2 million of non-cash charges related to deferred financing fees were incurred and have been reflected as a component of interest expense.

In October 2010, we entered into a new financing agreement with PNC bank ("PNC") to provide a \$70 million credit facility that replaced the existing revolving credit facility with GMAC. In addition, the new financing agreement with PNC was used to repay the remaining balance of approximately \$11 million under the term loans. The term of the new credit facility is five years and the initial interest rate is generally LIBOR plus 1.75%. In connection with this transaction, we incurred additional interest expense of \$1.3 million in the fourth quarter comprised of \$0.2 million of prepayment fees and \$1.1 million of non-cash charges related to deferred financing fees. The financing costs associated with this amendment totaled approximately \$0.4 million.

The total amount available on our revolving credit facility is subject to a borrowing base calculation based on various percentages of accounts receivable and inventory. As of December 31, 2010, we had \$33.1 million in borrowings under this facility and total capacity of \$61.4 million.

Our credit facility contains a restrictive covenant which requires us to maintain a fixed charge coverage ratio. This restrictive covenant is only in effect upon a triggering event taking place (as defined in the credit facility agreement). At December 31, 2010, there was no triggering event and the covenant was not in effect. Our credit facility places a restriction on the amount of dividends that may be paid. At December 31, 2010, we had no retained earnings available for the payment of dividends.

We believe that our new credit facility coupled with cash generated from operations will provide sufficient liquidity to fund our operations for at least the next twelve months. Our continued liquidity, however, is contingent upon future operating performance, cash flows and our ability to meet financial covenants under our credit facility.

Based on our expected borrowings for 2011, a hypothetical 100 basis point increase in short term interest rates would result, over the subsequent twelve-month period, in a reduction of approximately \$0.4 million in income before income taxes and cash flows. The estimated reductions are based upon the current level of variable debt and assume no changes in the composition of that debt.

### Cash Flows

Cash Flow Summary  
(\$ in millions)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Cash provided by (used in):</b>			
Operating activities	\$ 14.0	\$ 35.9	\$ 18.3
Investing activities	(4.7)	(4.9)	(4.8)
Financing activities	(6.7)	(33.5)	(15.7)
Net change in cash and cash equivalents	<u>\$ 2.6</u>	<u>\$ (2.5)</u>	<u>\$ (2.2)</u>

*Operating Activities.* Net cash provided by operating activities totaled \$14.0 million for 2010, compared to \$35.9 million for 2009, and \$18.3 million for 2008. The principal sources of net cash in 2010 included higher net income and increases in accounts payable and other accrued liabilities, partially offset by slightly higher balances of inventory and accounts receivable. The principal sources of net cash in 2009 included decreases of \$14.2 million in accounts receivable and \$14.9 million in inventory offset by decreases of \$3.1 million in accounts payable. The net cash provided for 2009 was positively impacted by unusually higher inventory levels at the end of 2008 that decreased to normal levels by the end of 2009. The principal sources of net cash in 2008 included decreases of \$5.1 million in accounts receivable, \$5.1 million in inventory and \$0.6 million in income taxes receivable offset by decreases of \$2.1 million in accounts payable and \$1.0 million in accrued and other liabilities.

*Investing Activities.* Net cash used in investing activities was \$4.7 million in 2010 compared to \$4.9 million in 2009 and \$4.8 million in 2008. The principal use of cash in 2010, 2009 and 2008 was for the purchase of molds and equipment associated with our manufacturing operations and for information technology software and system upgrades.

*Financing Activities.* Cash used by financing activities during 2010 was \$6.7 million compared to \$33.5 million in 2009 and \$15.7 million in 2008. Proceeds and repayments of the revolving credit facility reflect daily cash disbursement and deposit activity. The Company's financing activities during 2010 included \$14.1 million of proceeds from the aforementioned issuance of common stock, net borrowings under the revolving line of credit facility of \$20.0 million, repayments on long term debt of \$40.5 million and debt financing costs of \$0.6 million. The Company's financing activities during 2009 included repayments on long term debt of \$0.5 million and debt financing costs of \$1.5 million. The Company's financing activities during 2008 included cash proceeds from the issuance of debt of \$0.4 million and repayments on long term debt of \$0.4 million.

#### **Borrowings and External Sources of Funds**

Our borrowings and external sources of funds were as follows at December 31, 2010 and 2009:

(\$ in millions)	December 31	
	2010	2009
Revolving credit facility	\$ 33.1	\$ 13.1
Term loans	-	40.0
Real estate obligations	1.9	2.3
Other	0.1	0.2
<b>Total debt</b>	<b>35.1</b>	<b>55.6</b>
Less current maturities	0.5	0.5
<b>Net long-term debt</b>	<b>\$ 34.6</b>	<b>\$ 55.1</b>

Our real estate obligations were \$1.9 million at December 31, 2010. The mortgage financing, completed in 2000, includes two of our facilities, with monthly payments of less than \$0.1 million through 2014.

We lease certain machinery, trucks, shoe centers, and manufacturing facilities under operating leases that generally provide for renewal options. Future minimum lease payments under non-cancelable operating leases are \$1.6 million, \$0.9 million, \$0.6 million and \$0.4 million for years 2011 through 2014, respectively, and \$0.0 million for 2015, or approximately \$3.5 million in total.

We continually evaluate our external credit arrangements in light of our growth strategy and new opportunities. In October 2010, we entered into a new financing agreement with PNC bank ("PNC") to provide a \$70 million credit facility that replaced the existing revolving credit facility with GMAC. In addition, the new financing agreement with PNC was used to repay the remaining balance of approximately \$11 million under the term loans. The term of the new credit facility is five years and the initial interest rate is generally LIBOR plus 1.75%.



## Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations at December 31, 2010 resulting from financial contracts and commitments. We have not included information on our recurring purchases of materials for use in our manufacturing operations. These amounts are generally consistent from year to year, closely reflect our levels of production, and are not long-term in nature (less than three months).

Contractual Obligations at December 31, 2010:

	Payments due by Year				
	\$ millions				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Long-term debt	\$ 35.1	\$ 0.5	\$ 0.9	\$ 33.7	\$ -
Minimum operating lease commitments	3.5	1.6	1.5	0.4	-
Minimum royalty commitments	1.9	0.9	1.0	-	-
Expected cash requirements for interest (1)	5.5	1.2	2.3	2.0	-
Total contractual obligations	\$ 46.0	\$ 4.2	\$ 5.7	\$ 36.1	\$ -

(1) Assumes the following interest rates which are consistent with rates as of December 31, 2010: (1) 3.25% on the \$70 million revolving credit facility; and (2) 8.275% on the \$1.9 million mortgage loans.

From time to time, we enter into purchase commitments with our suppliers under customary purchase order terms. Any significant losses implicit in these contracts would be recognized in accordance with generally accepted accounting principles. At December 31, 2010, no such losses existed.

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

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

## Inflation

Our financial performance is influenced by factors such as higher raw material costs as well as higher salaries and employee benefits. Management attempts to minimize or offset the effects of inflation through increased selling prices, productivity improvements, and cost reductions. We were able to mitigate the effects of inflation during 2010 due to these factors. It is anticipated that inflationary pressures during 2011 will be offset through price increases implemented in the beginning of 2011.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

“Management’s Discussion and Analysis of Financial Condition and Results of Operations” discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. A summary of our significant accounting policies is included in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

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

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

### *Revenue recognition*

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

### *Accounts receivable allowances*

Management maintains allowances for uncollectible accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The allowance for uncollectible accounts is calculated based on the relative age and size of trade receivable balances.

### *Sales returns and allowances*

We record a reduction to gross sales based on estimated customer returns and allowances. These reductions are influenced by historical experience, based on customer returns and allowances. The actual amount of sales returns and allowances realized may differ from our estimates. If we determine that sales returns or allowances should be either increased or decreased, then the adjustment would be made to net sales in the period in which such a determination is made. Sales returns and allowances for sales returns were approximately 3.3% and 4.6% of sales for 2010 and 2009, respectively.

### *Inventories*

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

### *Intangible assets*

Intangible assets, including goodwill, trademarks and patents are reviewed for impairment annually, and more frequently, if necessary. We perform such testing of goodwill and indefinite-lived intangible assets in the fourth quarter of each year or as events occur or circumstances change that would more likely than not reduce the fair value of the asset below its carrying amount.

In assessing whether indefinite-lived intangible assets are impaired, we must make certain estimates and assumptions regarding future cash flows, long-term growth rates of our business, operating margins, weighted average cost of capital and other factors such as; discount rates, royalty rates, cost of capital, and market multiples to determine the fair value of our assets. These estimates and assumptions require management's judgment, and changes to these estimates and assumptions could materially affect the determination of fair value and/or impairment for each of our other indefinite-lived intangible assets. Future events could cause us to conclude that indications of intangible asset impairment exist. Impairment may result from, among other things, deterioration in the performance of our business, adverse market conditions, adverse changes in applicable laws and regulations, competition, or the sale or disposition of a reporting segment. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

#### *Pension benefits*

Accounting for pensions involves estimating the cost of benefits to be provided well into the future and attributing that cost over the time period each employee works. To accomplish this, extensive use is made of assumptions about inflation, investment returns, mortality, turnover and discount rates. These assumptions are reviewed annually. See Note 10, "Retirement Plans," to the consolidated financial statements for information on our plan and the assumptions used.

Pension expenses are determined by actuaries using assumptions concerning the discount rate, expected return on plan assets and rate of compensation increase. An actuarial analysis of benefit obligations and plan assets is determined as of December each year. The funded status of our plan and reconciliation of accrued pension cost is determined annually as of December 31. Actual results would be different using other assumptions. On December 31, 2005 we froze the noncontributory defined benefit pension plan for all non-U.S. territorial employees. Future adverse changes in market conditions or poor operating results of underlying plan assets could result in losses or a higher accrual.

#### *Income taxes*

Management has recorded a valuation allowance to reduce its deferred tax assets for a portion of state and local income tax net operating losses that it believes may not be realized. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, however, in the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. At December 31, 2010, approximately \$12.5 million of undistributed earnings remains that would become taxable upon repatriation to the United States.

### **RECENT FINANCIAL ACCOUNTING PRONOUNCEMENTS**

#### **Recently Adopted Accounting Pronouncements**

In June 2009, the FASB modified the accounting standard related to transfers and servicing. This standard, as modified, intends to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This standard, as modified, must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This standard, as modified, must be applied to transfers occurring on or after the effective date. The adoption of the transfers and servicing standard, as modified, did not have a material effect on our consolidated financial statements.

In June 2009, the FASB modified the accounting standard related to consolidation. This standard, as modified, intends to improve financial reporting by enterprises involved with variable interest entities. This standard, as modified, addresses the effects on certain provisions relating to the Consolidation of Variable Interest Entities, as a result of the elimination of the qualifying special-purpose entity concept in the accounting standard related to transfers and servicing, and constituent concerns about the application of certain key provisions of this standard, including those in which the accounting and disclosures under the standard do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. This standard, as modified, is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The adoption of the consolidation standard, as modified, did not have a material effect on our consolidated financial statements.

In January 2010, the FASB issued “Fair Value Measurements and Disclosures - Improving Disclosures about Fair Value Measurements.” This statement requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in FASB Statement “Fair Value Measurement”. The amendments are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this pronouncement did not have a material effect on our consolidated financial statements.

#### **Accounting standards not yet adopted**

In September 2009, the FASB issued an accounting standards update, “Revenue Recognition – Multiple Deliverable Revenue Arrangements”. This update addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how to allocate the consideration to each unit of accounting. This update eliminates the use of the residual value method for determining allocation of arrangement consideration and allows the use of an entity's best estimate to determine the selling price if vendor specific objective evidence and third-party evidence cannot be determined. This update also requires additional disclosure to provide both qualitative and quantitative information regarding the significant judgments made in applying this update. In addition, for each reporting period in the initial year of adoption, this update requires disclosure of the amount of revenue recognized subject to the measurement requirements of this update and the amount of revenue that would have been recognized if the related transactions were subject to the measurement requirements prior to this update. This update is effective for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. Early adoption is permitted. We are currently assessing the potential impact of the adoption of these rules on our consolidated financial statements and related disclosures.

In December 2010, the FASB issued ASU No. 2010-28, “Intangibles - Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts”. This ASU reflects the decision reached in EITF Issue No. 10-A. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. We are currently assessing the potential impact of the adoption of this rule on our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, “Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations”. This ASU reflects the decision reached in EITF Issue No. 10-G. The amendments in this ASU affect any public entity as defined by Topic 805 *Business Combination* that enters into business combinations that are material on an individual or aggregate basis. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. We are currently assessing the potential impact of the adoption of this rule on our consolidated financial statements.

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

This Management's Discussion and Analysis of Financial Conditions and Results of Operations contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, all statements regarding our and management's intent, belief, expectations, such as statements concerning our future profitability and our operating and growth strategy. Words such as "believe," "anticipate," "expect," "will," "may," "should," "intend," "plan," "estimate," "predict," "potential," "continue," "likely" and similar expressions are intended to identify forward-looking statements. Investors are cautioned that all forward-looking statements involve risk and uncertainties including, without limitations, dependence on sales forecasts, changes in consumer demand, seasonality, impact of weather, competition, reliance on suppliers, changing retail trends, economic changes, as well as other factors set forth under the caption "Item 1A, Risk Factors" in this Annual Report on Form 10-K and other factors detailed from time to time in our filings with the Securities and Exchange Commission. Although we believe 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 herein 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 us or any other person that our objectives and plans will be achieved. We assume no obligation to update any forward-looking statements.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Our primary market risk results from fluctuations in interest rates. We are also exposed to changes in the price of commodities used in our manufacturing operations. However, commodity price risk related to the Company's current commodities is not material as price changes in commodities can generally be passed along to the customer. We do not hold any market risk sensitive instruments for trading purposes.

The following item is market rate sensitive for interest rates for the Company: (1) long-term debt consisting of a credit facility (as described below) with a balance at December 31, 2010 of \$33.1 million.

In March 2009, we amended the terms of our revolving credit facility with GMAC Commercial Finance ("GMAC") which was set to expire on January 5, 2010. The size of the facility was reduced to \$85 million from \$100 million and the maturity date was extended to April 30, 2012. The interest rates for the term of this amendment were LIBOR plus 3.75% or prime plus 2.25%, at our option. The financing costs associated with this amendment totaled approximately \$1.5 million.

In May 2010, we amended the terms of our revolving credit facility with GMAC to advance \$15 million to the Company under the existing revolving portion of its credit facility to prepay amounts due under term loans with Laminar Direct Capital L.P. and Whitebox Hedged High Yield Partners, L.P. After the prepayment, principal under the term loans total \$11 million in the aggregate. The term loans had an interest rate of 11.5% payable semi-annually over the five year term of the notes. Principal repayment was due at maturity in May 2012. The interest rate for the revolving portion of the Company's credit facility was LIBOR plus 3.75%. In connection with this transaction, \$0.2 million of prepayment fees and \$0.2 million of non-cash charges related to deferred financing fees were incurred and have been reflected as a component of interest expense.

In October 2010, we entered into a new financing agreement with PNC bank ("PNC") to provide a \$70 million credit facility that replaced the existing revolving credit facility with GMAC. In addition, the new financing agreement with PNC was used to repay the remaining balance of approximately \$11 million under the term loans. The term of the new credit facility is five years and the initial interest rate is generally LIBOR plus 1.75%. In connection with this transaction, we incurred additional interest expense of \$1.3 million in the fourth quarter comprised of \$0.2 million of prepayment fees and \$1.1 million of non-cash charges related to deferred financing fees. The financing costs associated with this amendment totaled approximately \$0.4 million.

Based on our expected borrowings for 2011, a hypothetical 100 basis point increase in short term interest rates would result, over the subsequent twelve-month period, in a reduction of approximately \$0.4 million in income before income taxes and cash flows. The estimated reductions are based upon the current level of variable debt and assume no changes in the composition of that debt.

We do not have any interest rate management agreements as of December 31, 2010.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

Our consolidated balance sheets as of December 31, 2010 and 2009 and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 31, 2010, 2009, and 2008, together with the report of the independent registered public accounting firm thereon appear on pages F-1 through F-30 hereof and are incorporated herein by reference.

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

None.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

### **Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

### **Changes in Internal Control over Financial Reporting**

As part of our evaluation of the effectiveness of internal controls over financial reporting described below, we made certain improvements to our internal controls. However, there were no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our principal executive officer and principal financial officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon that evaluation under the framework in *Internal Control – Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2010. Schneider Downs & Co., Inc., our independent registered public accounting firm has issued an attestation report on the effectiveness of our internal controls over financial reporting which is included on the following page.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Rocky Brands, Inc.:

We have audited Rocky Brands, Inc.'s (the "Company") internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Rocky Brands, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and the related consolidated statements of operations, shareholders' equity, and cash flows of Rocky Brands, Inc., and our report dated February 28, 2011 expressed an unqualified opinion.

/s/ Schneider Downs & Co., Inc.  
Columbus, Ohio  
February 28, 2011



**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item is included under the captions "ELECTION OF DIRECTORS" and "INFORMATION CONCERNING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE," "INFORMATION CONCERNING EXECUTIVE OFFICERS," and "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in the Company's Proxy Statement for the 2011 Annual Meeting of Shareholders (the "Proxy Statement") to be held on May 25, 2011, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics that applies to our directors, officers and all employees. The Code of Business Conduct and Ethics is posted on our website at [www.rockyboots.com](http://www.rockyboots.com). The Code of Business Conduct and Ethics may be obtained free of charge by writing to Rocky Brands, Inc., Attn: Chief Financial Officer, 39 East Canal Street, Nelsonville, Ohio 45764.

**ITEM 11. EXECUTIVE COMPENSATION.**

The information required by this item is included under the captions "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 AND RELATED SHAREHOLDER MATTERS**

The information required by this item is included under the caption "PRINCIPAL HOLDERS OF VOTING SECURITIES - OWNERSHIP OF COMMON STOCK BY MANAGEMENT," "- OWNERSHIP OF COMMON STOCK BY PRINCIPAL SHAREHOLDERS," and "EQUITY COMPENSATION PLAN INFORMATION," in the Company's Proxy Statement, and is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.**

The information required by this item is included under the caption "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION COMPENSATION COMMITTEE" and "INTERLOCKS AND INSIDER PARTICIPATION/RELATED PARTY TRANSACTIONS" in the Company's Proxy Statement, and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

The information required by this item is included under the caption "REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS" in the Company's Proxy Statement, and is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

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

(1) The following Financial Statements are included in this Annual Report on Form 10-K on the pages indicated below:

Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 31, 2010 and 2009	F-2 - F-3
Consolidated Statements of Operations for the years ended December 31, 2010, 2009, and 2008	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2010, 2009, and 2008	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009, and 2008	F-6
Notes to Consolidated Financial Statements for the years ended December 31, 2010, 2009, and 2008	F-7 - F-29

(2) The following financial statement schedule for the years ended December 31, 2010, 2009, and 2008 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:

<b>Exhibit Number</b>	<b>Description</b>
3.1	Second Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006).
3.2	Amendment to Company's Second Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.2 to the Company's Annual Report of Form 10-K for the fiscal year ended December 31, 2006).
3.3	Amended and Restated Code of Regulations of the Company (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1, registration number 33-56118 (the "Registration Statement")).
4.1	Form of Stock Certificate for the Company (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 Company's Amended and Restated Articles of Incorporation (see Exhibit 3.1).
4.3	Articles I and II of the Company's Code of Regulations (see Exhibit 3.3).

- 10.1 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).
- 10.2 Information concerning Deferred Compensation Agreements substantially similar to Exhibit 10.1 (incorporated by reference to Exhibit 10.4 to the Registration Statement).
- 10.3 Indemnification Agreement, dated December 12, 1992, between the Company and Mike Brooks (incorporated by reference to Exhibit 10.10 to the Registration Statement).
- 10.4 Information concerning Indemnification Agreements substantially similar to Exhibit 10. (incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005).
- 10.5 Amended and Restated Lease Agreement, dated March 1, 2002, between Rocky Shoes & Boots Co. and William Brooks Real Estate Company regarding Nelsonville factory (incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002).
- 10.6 Company's Amended and Restated 1995 Stock Option Plan (incorporated by reference to Exhibit 4(a) to the Registration Statement on Form S-8, registration number 333-67357).
- 10.7 Form of Stock Option Agreement under the 1995 Stock Option Plan (incorporated by reference to Exhibit 10.28 to the 1995 Form 10-K).
- 10.8 Lease Contract dated December 16, 1999, between Lifestyle Footwear, Inc. and The Puerto Rico Industrial Development Company (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004).
- 10.9 Promissory Note, dated December 30, 1999, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$1,050,000 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 (the "June 30, 2000 Form 10-Q")).
- 10.10 Promissory Note, dated December 30, 1999, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$3,750,000 (incorporated by reference to Exhibit 10.3 to the June 30, 2000 Form 10-Q).
- 10.11 Company's Second Amended and Restated 1995 Stock Option Plan (incorporated by reference to the Company's Definitive Proxy Statement for the 2002 Annual Meeting of Shareholders held on May 15, 2002, filed on April 15, 2002).
- 10.12 Company's 2004 Stock Incentive Plan (incorporated by reference to the Company's Definitive Proxy Statement for the 2004 Annual Meeting of Shareholders, held on May 11, 2004, filed on April 6, 2004).
- 10.13 Renewal of Lease Contract, dated June 24, 2004, between Five Star Enterprises Ltd. and the Dominican Republic Corporation for Industrial Development (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004).
- 10.14 Second Amendment to Lease Agreement, dated as of July 26, 2004, between Rocky Shoes & Boots, Inc. and the William Brooks Real Estate Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
- 10.15 Form of Option Award Agreement under the Company's 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated January 3, 2005, filed with the Securities and Exchange Commission on January 7, 2005).

- 10.16 Form of Restricted Stock Award Agreement relating to the Retainer Shares issued under the Company's 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K dated January 3, 2005, filed with the Securities and Exchange Commission on January 7, 2005).
- 10.17 Amendment to the Rocky Brands, Inc. Agreement with J. Michael Brooks (dated April 16, 1985), dated December 22, 2008 (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008).
- 10.18 First Amendment to the Rocky Brands, Inc. 2004 Stock Incentive Plan, dated December 30, 2008 (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008).
- 10.19 Amendment No. 2 to the Amended and Restated Loan and Security Agreement, dated as of March 31, 2009, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, and Rocky Brands Retail LLC, as Borrowers, the financial institutions party thereto (each a "Lender" and collectively, the "Lenders"), and GMAC Commercial Finance LLC, as administrative agent and sole lead arranger for the Lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 31, 2009, filed with the Securities and Exchange Commission on April 3, 2009).
- 10.20 Employment Agreement, dated June 12, 2008, between the Company and Mike Brooks (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated June 12, 2009, filed with the Securities and Exchange Commission on June 18, 2009).
- 10.21 Employment Agreement, dated June 12, 2008, between the Company and David Sharp (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated June 12, 2009, filed with the Securities and Exchange Commission on June 18, 2009).
- 10.22 Employment Agreement, dated June 12, 2008, between the Company and James E. McDonald (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K dated June 12, 2009, filed with the Securities and Exchange Commission on June 18, 2009).
- 10.23 Description of Material Terms of Rocky Brands, Inc.'s Bonus Plan for Fiscal Year Ending December 31, 2010 (incorporated by reference to Exhibit 10.27 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009).
- 10.24\* Description of Material Terms of Rocky Brands, Inc.'s Bonus Plan for Fiscal Year Ending December 31, 2011.
- 10.25\* Loan and Security Agreement, dated as of January 6, 2005, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, and Rocky Brands Retail LLC, as Borrowers, the financial institutions party thereto (each a "Lender" and collectively, the "Lenders"), and GMAC Commercial Finance LLC, as administrative agent and sole lead arranger for the Lenders (being filed in response to a comment letter received from the SEC on November 10, 2010, and our response filed with the SEC on November 23, 2010).
- 10.26\* Note Purchase Agreement, dated as of May 25, 2007, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, and Rocky Brands Retail LLC, as the Loan Parties, the purchasers party thereto (each a "Purchaser" and collectively, the "Purchasers"), and Laminar Direct Capital L.P., as collateral agent for the Purchasers (being filed in response to a comment letter received from the SEC on November 10, 2010, and our response filed with the SEC on November 23, 2010).
- 10.27\* Amended and Restated Loan and Security Agreement, dated as of May 25, 2007, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, and Rocky Brands Retail LLC, as Borrowers, the financial institutions party thereto (each a "Lender" and collectively, the "Lenders"), and GMAC Commercial Finance LLC, as administrative agent and sole lead arranger for the Lenders (being filed in response to a comment letter received from the SEC on November 10, 2010, and our response filed with the SEC on November 23, 2010).

- 10.28\* Revolving Credit, Guaranty, and Security Agreement, dated October 20, 2010, among Rocky Brands, Inc., Lehigh Outfitters, LLC, Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, Rocky Brands International, LLC, and Rocky Canada, Inc., as borrowers, and the financial institutions party thereto as lenders, and PNC Bank, National Association as agent for the lenders (being filed in response to a comment letter received from the SEC on November 10, 2010, and our response filed with the SEC on November 23, 2010).
- 10.29\* Amendment No. 2, dated April 30, 2006, to the Loan and Security Agreement, dated as of January 6, 2005, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, and Rocky Brands Retail LLC, as Borrowers, the financial institutions party thereto (each a “Lender” and collectively, the “Lenders”), and GMAC Commercial Finance LLC, as administrative agent and sole lead arranger for the Lenders (being filed in response to a comment letter received from the SEC on November 10, 2010, and our response filed with the SEC on November 23, 2010).
- 10.30\* Amendment No. 3, dated July 5, 2006, to the Loan and Security Agreement, dated as of January 6, 2005, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, and Rocky Brands Retail LLC, as Borrowers, the financial institutions party thereto (each a “Lender” and collectively, the “Lenders”), and GMAC Commercial Finance LLC, as administrative agent and sole lead arranger for the Lenders (being filed in response to a comment letter received from the SEC on November 10, 2010, and our response filed with the SEC on November 23, 2010).
- 10.31\* Amendment No. 4, dated November 8, 2006, to the Loan and Security Agreement, dated as of January 6, 2005, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, and Rocky Brands Retail LLC, as Borrowers, the financial institutions party thereto (each a “Lender” and collectively, the “Lenders”), and GMAC Commercial Finance LLC, as administrative agent and sole lead arranger for the Lenders (being filed in response to a comment letter received from the SEC on November 10, 2010, and our response filed with the SEC on November 23, 2010).
- 10.32\* Amendment No. 5, dated January 1, 2007, to the Loan and Security Agreement, dated as of January 6, 2005, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, and Rocky Brands Retail LLC, as Borrowers, the financial institutions party thereto (each a “Lender” and collectively, the “Lenders”), and GMAC Commercial Finance LLC, as administrative agent and sole lead arranger for the Lenders (being filed in response to a comment letter received from the SEC on November 10, 2010, and our response filed with the SEC on November 23, 2010).
- 21\* Subsidiaries of the Company (incorporated by reference to Exhibit 21 to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2006).
- 23\* Independent Registered Public Accounting Firm’s Consent of Schneider Downs & Co., Inc.
- 24\* Powers of Attorney.
- 31.1\* Rule 13a-14(a) Certification of Principal Executive Officer.
- 31.2\* Rule 13a-14(a) Certification of Principal Financial Officer.
- 32\*\* Section 1350 Certification of Principal Executive Officer and Principal Financial Officer.
- 99\* Financial Statement Schedule.

\* Filed with this Annual Report on Form 10-K.

\*\* Furnished with this Annual Report on Form 10-K.

**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 BRANDS, INC.

Date: February 28, 2011

By: /s/ James E. McDonald  
James E. McDonald, Executive Vice  
President 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mike Brooks</u> Mike Brooks	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2011
<u>/s/ James E. McDonald</u> James E. McDonald	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2011
<u>* David Sharp</u> David Sharp	President and Chief Operating Officer and Director	February 28, 2011
<u>* Curtis A. Loveland</u> Curtis A. Loveland	Secretary and Director	February 28, 2011
<u>* J. Patrick Campbell</u> J. Patrick Campbell	Director	February 28, 2011
<u>* Glenn E. Corlett</u> Glenn E. Corlett	Director	February 28, 2011
<u>* Michael L. Finn</u> Michael L. Finn	Director	February 28, 2011
<u>* G. Courtney Haning</u> G. Courtney Haning	Director	February 28, 2011
<u>* Harley E. Rouda</u> Harley E. Rouda	Director	February 28, 2011
<u>* James L. Stewart</u> James L. Stewart	Director	February 28, 2011
<u>* By: /s/ Mike Brooks</u> Mike Brooks, Attorney-in-Fact		

**ROCKY BRANDS, INC.  
AND SUBSIDIARIES**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Rocky Brands, Inc.:

We have audited the accompanying consolidated balance sheets of Rocky Brands, Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009 and the related consolidated statements of operations, shareholders' equity and cash flows for the years ended December 31, 2010, 2009 and 2008. Our audits also included the financial statement schedule listed in the index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rocky Brands, Inc. and subsidiaries as of December 31, 2010, and 2009, and the results of their operations and their cash flows for the years ended December 31, 2010, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements, as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2011 expressed an unqualified opinion.

/s/ Schneider Downs & Co., Inc.  
Columbus, Ohio  
February 28, 2011



# ROCKY BRANDS, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

	December 31,	
	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 4,362,531	\$ 1,797,093
Trade receivables – net	47,593,807	45,831,558
Other receivables	911,103	1,476,643
Inventories	58,852,556	55,420,467
Deferred income taxes	1,218,101	1,475,695
Prepaid expenses	<u>1,793,852</u>	<u>1,309,138</u>
Total current assets	114,731,950	107,310,594
FIXED ASSETS – net	22,129,282	22,669,876
IDENTIFIED INTANGIBLES	30,495,485	30,516,910
OTHER ASSETS	<u>1,222,712</u>	<u>2,892,683</u>
<b>TOTAL ASSETS</b>	<u>\$ 168,579,429</u>	<u>\$ 163,390,063</u>

See notes to consolidated financial statements

ROCKY BRANDS, INC.  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	<u>2010</u>	<u>2009</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 9,024,851	\$ 6,781,534
Current maturities - long term debt	487,480	511,870
Accrued expenses:		
Salaries and wages	2,702,166	343,345
Co-op advertising	109,003	460,190
Interest	52,440	471,091
Taxes - other	590,217	440,223
Commissions	669,389	487,340
Current portion of pension funding	680,000	700,000
Income taxes payable	422,229	26,242
Other	1,837,966	2,764,783
Total current liabilities	<u>16,575,741</u>	<u>12,986,618</u>
LONG TERM DEBT - less current maturities	34,608,338	55,079,776
<b>DEFERRED LIABILITIES:</b>		
Deferred income taxes	9,374,685	9,071,639
Pension liability	2,839,293	3,589,875
Other deferred liabilities	177,814	184,481
TOTAL LIABILITIES	63,575,871	80,912,389
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, Series A, no par value, \$.06 stated value; none outstanding	-	-
Common stock, no par value; 25,000,000 shares authorized; outstanding; 2010 - 7,426,787 and 2009 - 5,576,465; and additional paid-in capital	69,052,101	54,598,104
Accumulated other comprehensive loss	(2,828,989)	(3,217,144)
Retained earnings	38,780,446	31,096,714
Total shareholders' equity	<u>105,003,558</u>	<u>82,477,674</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 168,579,429</u>	<u>\$ 163,390,063</u>

See notes to consolidated financial statements.

# ROCKY BRANDS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2010	2009	2008
NET SALES	\$ 252,792,263	\$ 229,485,575	\$ 259,538,145
COST OF GOODS SOLD	<u>163,419,549</u>	<u>144,928,219</u>	<u>157,294,936</u>
GROSS MARGIN	89,372,714	84,557,356	102,243,209
OPERATING EXPENSES			
Selling, general and administrative expenses	72,303,259	75,072,208	87,496,049
Restructuring charges	-	711,169	-
Non-cash intangible impairment charges	-	-	4,862,514
Total operating expenses	<u>72,303,259</u>	<u>75,783,377</u>	<u>92,358,563</u>
INCOME FROM OPERATIONS	17,069,455	8,773,979	9,884,646
OTHER INCOME AND (EXPENSES):			
Interest expense	(6,464,449)	(7,500,513)	(9,318,454)
Other - net	<u>652,213</u>	<u>577,856</u>	<u>(26,718)</u>
Total other - net	(5,812,236)	(6,922,657)	(9,345,172)
INCOME BEFORE INCOME TAXES	11,257,219	1,851,322	539,474
INCOME TAX EXPENSE (BENEFIT)	<u>3,573,487</u>	<u>676,515</u>	<u>(627,665)</u>
NET INCOME	<u>\$ 7,683,732</u>	<u>\$ 1,174,807</u>	<u>\$ 1,167,139</u>
NET INCOME PER SHARE			
Basic	\$ 1.14	\$ 0.21	\$ 0.21
Diluted	\$ 1.14	\$ 0.21	\$ 0.21
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	<u>6,747,847</u>	<u>5,551,382</u>	<u>5,508,614</u>
Diluted	<u>6,764,190</u>	<u>5,551,382</u>	<u>5,513,430</u>

See notes to consolidated financial statements

# ROCKY BRANDS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock and Additional Paid-in Capital		Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
	Shares Outstanding	Amount			
BALANCE - December 31, 2007	5,488,293	\$ 53,997,960	\$ (1,051,232)	\$ 28,777,863	\$ 81,724,591
<b>YEAR ENDED DECEMBER 31, 2008</b>					
Change in measurement date, net of tax benefit of \$296,125			(526,850)	(23,095)	(549,945)
Net income				1,167,139	1,167,139
Change in pension liability, net of tax benefit of \$979,187			(1,644,133)		(1,644,133)
Comprehensive loss					(1,026,939)
Stock compensation expense		218,163			218,163
Stock issued and options exercised including related tax benefits	28,605	33,941			33,941
BALANCE - December 31, 2008	<u>5,516,898</u>	<u>\$ 54,250,064</u>	<u>\$ (3,222,215)</u>	<u>\$ 29,921,907</u>	<u>\$ 80,949,756</u>
<b>YEAR ENDED DECEMBER 31, 2009</b>					
Net income				1,174,807	1,174,807
Change in pension liability, net of tax benefit of \$2,876			5,071		5,071
Comprehensive income					1,179,878
Stock compensation expense	30,317	158,477			158,477
Stock issued and options exercised including related tax benefits	29,250	189,563			189,563
BALANCE - December 31, 2009	<u>5,576,465</u>	<u>\$ 54,598,104</u>	<u>\$ (3,217,144)</u>	<u>\$ 31,096,714</u>	<u>\$ 82,477,674</u>
<b>YEAR ENDED DECEMBER 31, 2010</b>					
Net income				7,683,732	7,683,732
Change in pension liability, net of tax benefit of \$221,439			388,155		388,155
Comprehensive income					8,071,887
Stock issuance, net of issuance costs	1,800,000	14,105,600			14,105,600
Stock compensation expense	16,072	129,900			129,900
Stock issued and options exercised including related tax benefits	34,250	218,497			218,497
BALANCE - December 31, 2010	<u>7,426,787</u>	<u>\$ 69,052,101</u>	<u>\$ (2,828,989)</u>	<u>\$ 38,780,446</u>	<u>\$ 105,003,558</u>

See notes to consolidated financial statements.

# ROCKY BRANDS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	2010	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 7,683,732	\$ 1,174,807	\$ 1,167,139
Adjustments to reconcile net income to net cash provided			
by operating activities:			
Depreciation and amortization	5,638,775	6,337,942	6,430,910
Deferred income taxes	339,200	322,111	(2,772,194)
Deferred compensation and pension	(147,655)	(178,169)	130,153
Loss (gain) on disposal of fixed assets	72,545	40,710	(24,930)
Stock compensation expense	129,900	158,477	218,163
Intangible impairment charge		-	4,862,514
Write-off of deferred financing costs due to repayment	1,503,007	-	-
Change in assets and liabilities:			
Receivables	(1,196,709)	14,219,527	5,078,071
Inventories	(3,432,089)	14,881,707	5,101,490
Income tax receivable	-	(75,481)	644,464
Other current assets	(484,714)	296,982	794,806
Other assets	744,409	1,075,734	(168,462)
Accounts payable	1,834,607	(3,127,202)	(2,095,531)
Accrued and other liabilities	1,370,193	789,855	(1,033,761)
Net cash provided by operating activities	<u>14,055,201</u>	<u>35,917,000</u>	<u>18,332,832</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of fixed assets	(4,743,453)	(4,918,816)	(4,810,370)
Proceeds from sales of fixed assets	28,560	41,424	61,885
Investment in trademarks and patents	(25,693)	(79,458)	(39,490)
Net cash used in investing activities	<u>(4,740,586)</u>	<u>(4,956,850)</u>	<u>(4,787,975)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from revolving credit facility	231,819,597	214,198,296	250,144,347
Repayments of revolving credit facility	(211,803,555)	(245,865,589)	(265,953,951)
Proceeds from long-term debt	-	-	407,243
Repayments of long-term debt	(40,511,871)	(480,724)	(403,008)
Debt financing costs	(577,445)	(1,515,916)	-
Issuance of common stock, net of issuance costs	14,105,600	-	-
Proceeds from exercise of stock options	190,620	164,532	32,938
Tax benefit related to stock options	27,877	25,031	1,003
Net cash used in financing activities	<u>(6,749,177)</u>	<u>(33,474,370)</u>	<u>(15,771,428)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,565,438</b>	<b>(2,514,220)</b>	<b>(2,226,571)</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
BEGINNING OF PERIOD	1,797,093	4,311,313	6,537,884
END OF PERIOD	<u>\$ 4,362,531</u>	<u>\$ 1,797,093</u>	<u>\$ 4,311,313</u>

See notes to consolidated financial statements

**ROCKY BRANDS, INC.  
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Rocky Brands, Inc. ("Rocky") and its wholly-owned subsidiaries, Lifestyle Footwear, Inc. ("Lifestyle"), Five Star Enterprises Ltd. ("Five Star"), Rocky Canada, Inc. ("Rocky Canada"), Rocky Brands Wholesale, LLC, Rocky Brands International, LLC and Lehigh Outfitters, LLC, collectively referred to as the "Company." All inter-company transactions have been eliminated.

**Business Activity** - We are a leading designer, manufacturer and marketer of premium quality footwear marketed under a portfolio of well recognized brand names including Rocky Outdoor Gear, Georgia Boot, Durango, and Lehigh. Our brands have a long history of representing high quality, comfortable, functional and durable footwear and our products are organized around four target markets: outdoor, work, duty and western. In addition, as part of our strategy of outfitting consumers from head-to-toe, we market complementary branded apparel and accessories that we believe leverage the strength and positioning of each of our brands.

Our products are distributed through three distinct business segments: wholesale, retail and military. In our wholesale business, we distribute our products through a wide range of distribution channels representing over ten thousand retail store locations in the U.S. and Canada. Our wholesale channels vary by product line and include sporting goods stores, outdoor retailers, independent shoe retailers, hardware stores, catalogs, mass merchants, uniform stores, farm store chains, specialty safety stores and other specialty retailers. Our retail business includes direct sales of our products to consumers through our Lehigh mobile and retail stores (including a fleet of 59 trucks, supported by 12 small warehouses that include retail stores, which we refer to as mini-stores), our Rocky outlet store and our websites. We also sell footwear under the Rocky label to the U.S. military.

We did not have any single customer account for more than 10% of consolidated net sales in 2010, 2009 or 2008.

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

**Cash and Cash Equivalents** - We consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Our cash and cash equivalents are primarily held in five banks. Balances may exceed federally insured limits.

**Trade Receivables** - Trade receivables are presented net of the related allowance for uncollectible accounts of approximately \$868,000 and \$1,178,000 at December 31, 2010 and 2009, respectively. The allowance for uncollectible accounts is calculated based on the relative age and size of trade receivable balances.

**Concentration of Credit Risk** - We have significant transactions with a large number of customers. No customer represented 10% of trade receivables - net as of December 31, 2010 and 2009. Our exposure to credit risk is impacted by the economic climate affecting the retail shoe industry. We manage this risk by performing ongoing credit evaluations of our customers and maintain reserves for potential uncollectible accounts.

**Supplier and Labor Concentrations** - We purchase raw materials from a number of domestic and foreign sources. We currently buy the majority of our waterproof fabric, a component used in a significant portion of our shoes and boots, from one supplier (W.L. Gore & Associates, Inc.). We have had a relationship with this supplier for over 20 years and have no reason to believe that such relationship will not continue.

We produce a portion of our shoes and boots in our Dominican Republic operation and in our Puerto Rico operation. We are not aware of any governmental or economic restrictions that would alter these current operations.

We source a significant portion of our footwear, apparel and gloves from manufacturers in the Far East, primarily China. We are not aware of any governmental or economic restrictions that would alter our current sourcing operations.

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

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

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

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

**Identified intangible assets** - Identified intangible assets consist of indefinite lived trademarks and definite lived trademarks, patents and customer lists. Indefinite lived intangible assets are not amortized.

If events or circumstances change, a determination is made by management, in accordance with the accounting standard for "Property, Plant and Equipment" to ascertain whether property, equipment and certain finite-lived intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, we will recognize an impairment loss in an amount necessary to write down the assets to fair value as determined from expected future discounted cash flows.

In accordance with the accounting standard for "Intangibles – Goodwill and Other", we test intangible assets with indefinite lives for impairment annually or when conditions indicate impairment may have occurred. We perform such testing of our indefinite-lived intangible assets in the fourth quarter of each year or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

**Advertising** - We expense advertising costs as incurred. Advertising expense was approximately \$5,069,000, \$5,247,000, and \$7,005,000 for 2010, 2009 and 2008, respectively.

**Revenue Recognition** - Revenue and related cost of goods sold are recognized at the time products are shipped to the customer and title transfers. Revenue is recorded net of estimated sales discounts and returns based upon specific customer agreements and historical trends.

**Shipping Costs** - In accordance with the accounting standard for "Revenue Recognition," all shipping costs billed to customers have been included in net sales. Shipping costs associated with those billed to customers and included in selling, general and administrative costs totaled approximately \$6,112,000, \$5,547,000 and \$7,299,000 in 2010, 2009 and 2008, respectively. Our gross profit may not be comparable to other entities whose shipping and handling is a component of cost of sales.

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

	Years Ended December 31,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Basic - weighted average shares outstanding	6,747,847	5,551,382	5,508,614
Dilutive securities - stock options	16,343	-	4,816
Diluted - weighted average shares outstanding	<u>6,764,190</u>	<u>5,551,382</u>	<u>5,513,430</u>
Anti-Dilutive securities - stock options	<u>206,538</u>	<u>387,031</u>	<u>404,562</u>

**Comprehensive Income (Loss)** - Comprehensive income (loss) includes changes in equity that result from transactions and economic events from non-owner sources. Comprehensive income (loss) is composed of two subsets – net income (loss) and other comprehensive income (loss).

**Fair Value Measurements** – The fair value accounting standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard clarifies how to measure fair value as permitted under other accounting pronouncements.

The fair value accounting standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. This standard also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:



- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

**Reclassifications** – Certain amounts in the accompanying financial statements and footnotes thereto have been reclassified to conform to the current period’s presentation.

***Recently Adopted Accounting Pronouncements***

In June 2009, the FASB modified the accounting standard related to transfers and servicing. This standard, as modified, intends to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets. This standard, as modified, must be applied as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This standard, as modified, must be applied to transfers occurring on or after the effective date. The adoption of the transfers and servicing standard, as modified, did not have a material effect on our consolidated financial statements.

In June 2009, the FASB modified the accounting standard related to consolidation. This standard, as modified, intends to improve financial reporting by enterprises involved with variable interest entities. This standard, as modified, addresses the effects on certain provisions relating to the Consolidation of Variable Interest Entities, as a result of the elimination of the qualifying special-purpose entity concept in the accounting standard related to transfers and servicing, and constituent concerns about the application of certain key provisions of this standard, including those in which the accounting and disclosures under the standard do not always provide timely and useful information about an enterprise’s involvement in a variable interest entity. This standard, as modified, is effective as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The adoption of the consolidation standard, as modified, did not have a material effect on our consolidated financial statements.

In January 2010, the FASB issued “Fair Value Measurements and Disclosures - Improving Disclosures about Fair Value Measurements.” This statement requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in FASB Statement “Fair Value Measurement”. The amendments are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this pronouncement did not have a material effect on our consolidated financial statements.

## Accounting standards not yet adopted

In September 2009, the FASB issued an accounting standards update, "Revenue Recognition – Multiple Deliverable Revenue Arrangements". This update addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how to allocate the consideration to each unit of accounting. This update eliminates the use of the residual value method for determining allocation of arrangement consideration and allows the use of an entity's best estimate to determine the selling price if vendor specific objective evidence and third-party evidence cannot be determined. This update also requires additional disclosure to provide both qualitative and quantitative information regarding the significant judgments made in applying this update. In addition, for each reporting period in the initial year of adoption, this update requires disclosure of the amount of revenue recognized subject to the measurement requirements of this update and the amount of revenue that would have been recognized if the related transactions were subject to the measurement requirements prior to this update. This update is effective for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. Early adoption is permitted. We are currently assessing the potential impact of the adoption of these rules on our consolidated financial statements and related disclosures.

In December 2010, the FASB issued ASU No. 2010-28, "Intangibles - Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts". This ASU reflects the decision reached in EITF Issue No. 10-A. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. Early adoption is not permitted. We are currently assessing the potential impact of the adoption of this rule on our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations". This ASU reflects the decision reached in EITF Issue No. 10-G. The amendments in this ASU affect any public entity as defined by Topic 805 *Business Combination* that enters into business combinations that are material on an individual or aggregate basis. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. Early adoption is permitted. We are currently assessing the potential impact of the adoption of this rule on our consolidated financial statements.

## 2. INVENTORIES

Inventories are comprised of the following:

	December 31,	
	<u>2010</u>	<u>2009</u>
Raw materials	\$ 7,728,707	\$ 5,438,055
Work-in-process	410,110	497,914
Finished goods	50,764,439	49,522,542
Reserve for obsolescence or lower of cost or market	(50,700)	(38,044)
Total	<u>\$ 58,852,556</u>	<u>\$ 55,420,467</u>

## 3. IDENTIFIED INTANGIBLE ASSETS

A schedule of identified intangible assets is as follows:

<u>December 31, 2010</u>	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Carrying Amount</u>
Trademarks			
Wholesale	\$ 27,243,578	\$ -	\$ 27,243,578
Retail	2,900,000	-	2,900,000
Patents	2,414,692	2,062,785	351,907
Customer Relationships	1,000,000	1,000,000	-
Total Intangibles	<u>\$ 33,558,270</u>	<u>\$ 3,062,785</u>	<u>\$ 30,495,485</u>
<u>December 31, 2009</u>	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>Carrying Amount</u>
Trademarks			
Wholesale	\$ 27,243,578	\$ -	\$ 27,243,578
Retail	2,900,000	-	2,900,000
Patents	2,388,999	2,015,667	373,332
Customer Relationships	1,000,000	1,000,000	-
Total Intangibles	<u>\$ 33,532,577</u>	<u>\$ 3,015,667</u>	<u>\$ 30,516,910</u>

Amortization expense related to finite-lived intangible assets was approximately \$47,000, \$583,000 and \$666,000 in 2010, 2009 and 2008, respectively. Such amortization expense will be approximately \$46,000 per year for 2011 through 2015.

The weighted average lives of patents and customer relationships are 5 years.

Intangible assets, including trademarks and patents are reviewed for impairment annually, and more frequently, if necessary. We perform such testing of indefinite-lived intangible assets in the fourth quarter of each year or as events occur or circumstances change that would more likely than not reduce the fair value of the asset below its carrying amount. Fair value, for the testing, of other indefinite-lived intangible assets is determined using the relief from royalty method.

In assessing whether indefinite-lived intangible assets are impaired, we must make certain estimates and assumptions regarding future cash flows, long-term growth rates of our business, operating margins, weighted average cost of capital and other factors such as; discount rates, royalty rates, cost of capital, and market multiples to determine the fair value of our assets. These estimates and assumptions require management's judgment, and changes to these estimates and assumptions could materially affect the determination of fair value and/or impairment for each of our indefinite-lived intangible assets. Future events could cause us to conclude that indications of intangible asset impairment exist. Impairment may result from, among other things, deterioration in the performance of our business, adverse market conditions, adverse changes in applicable laws and regulations, competition, or the sale or disposition of a reporting segment. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

We evaluate our finite and indefinite lived trademarks under the terms and provisions of the accounting standards for "Intangibles - Goodwill and Other"; and "Property, Plant and Equipment." These pronouncements require that we compare the fair value of an intangible asset with its carrying amount. Our 2010 and 2009 evaluation did not result in the impairment of any of our indefinite lived intangible assets.

As a result of our 2008 evaluation, we recognized impairment losses on the carrying values of the Lehigh and Gates trademarks in the amounts of \$4.0 million and \$0.9 million, respectively, in the fourth quarter of 2008. We estimated fair value based on projections of the future cash flows for each of the trademarks. We then compared the carrying value for each trademark to its estimated fair value. Since the fair value of the trademark was less than its carrying value we recognized the reductions in fair value as non-cash intangible impairment charges in our 2008 operating expenses. These charges are reflected in operating expenses under the caption, "Non-cash intangible impairment charges." The Lehigh trademark is reported under our Retail segment. The Gates trademark is reported under our Wholesale segment.

#### 4. OTHER ASSETS

Other assets consist of the following:

	December 31,	
	<u>2010</u>	<u>2009</u>
Deferred financing costs	\$ 410,669	\$ 2,010,624
Prepaid royalties	396,591	446,595
Other	<u>415,452</u>	<u>435,464</u>
<b>Total</b>	<b><u>\$ 1,222,712</u></b>	<b><u>\$ 2,892,683</u></b>

## 5. FIXED ASSETS

Fixed assets are comprised of the following:

	December 31,	
	2010	2009
Land	\$ 671,035	\$ 671,035
Buildings	17,927,764	17,589,521
Machinery and equipment	28,176,579	28,698,770
Furniture and fixtures	4,206,030	4,259,742
Lasts, dies and patterns	14,074,609	13,804,952
Construction work-in-progress	321,207	203,614
Total	65,377,224	65,227,634
Less - accumulated depreciation	(43,247,942)	(42,557,758)
Net Fixed Assets	<u>\$ 22,129,282</u>	<u>\$ 22,669,876</u>

We incurred approximately \$5,583,000, \$5,739,000 and \$5,765,000 in depreciation expense for 2010, 2009 and 2008, respectively.

## 6. LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31,	
	2010	2009
Bank - revolving credit facility	\$ 33,097,833	\$ 13,081,791
Term loans	-	40,000,000
Real estate obligations	1,926,278	2,309,140
Other	71,707	200,715
Total	35,095,818	55,591,646
Less - current maturities	487,480	511,870
Net long-term debt	<u>\$ 34,608,338</u>	<u>\$ 55,079,776</u>

In March 2009, we amended the terms of our revolving credit facility with GMAC Commercial Finance ("GMAC") which was set to expire on January 5, 2010. The size of the facility was reduced to \$85 million from \$100 million and the maturity date was extended to April 30, 2012. The interest rates for the term of this amendment are LIBOR plus 3.75% or prime plus 2.25%, at our option. The financing costs associated with this amendment totaled approximately \$1.5 million.

In May 2010, we amended the terms of our revolving credit facility with GMAC to advance \$15 million to the Company under the existing revolving portion of its credit facility to prepay amounts due under term loans with Laminar Direct Capital L.P. and Whitebox Hedged High Yield Partners, L.P. After the prepayment, principal under the term loans total \$11 million in the aggregate. The term loans had an interest rate of 11.5% payable semi-annually over the five year term of the notes. Principal repayment was due at maturity in May 2012. The interest rate for the revolving portion of the Company's credit facility was LIBOR plus 3.75%. In connection with this transaction, \$0.2 million of prepayment fees and \$0.2 million of non-cash charges related to deferred financing fees were incurred and have been reflected as a component of interest expense.

In October 2010, we entered into a new financing agreement with PNC bank (“PNC”) to provide a \$70 million credit facility that replaced the existing revolving credit facility with GMAC. In addition, the new financing agreement with PNC was used to repay the remaining balance of approximately \$11 million under the term loans. The term of the new credit facility is five years and the initial interest rate is generally LIBOR plus 1.75%. In connection with this transaction, we incurred additional interest expense of \$1.3 million in the fourth quarter comprised of \$0.2 million of prepayment fees and \$1.1 million of non-cash charges related to deferred financing fees. The financing costs associated with this amendment totaled approximately \$0.4 million.

The total amount available on our revolving credit facility is subject to a borrowing base calculation based on various percentages of accounts receivable and inventory. As of December 31, 2010, we had \$33.1 million in borrowings under this facility and total capacity of \$61.4 million.

Our credit facility contains a restrictive covenant which requires us to maintain a fixed charge coverage ratio. This restrictive covenant is only in effect upon a triggering event taking place (as defined in the credit facility agreement). At December 31, 2010, there was no triggering event and the covenant was not in effect. Our credit facility places a restriction on the amount of dividends that may be paid. At December 31, 2010, we had no retained earnings available for the payment of dividends.

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

2011	\$ 487,480
2012	451,514
2013	490,327
2014	532,477
2015	33,134,020
Thereafter	-
Total	<u>\$35,095,818</u>

As of December 31, 2010, our real estate obligations incur interest at a rate of 8.275%.

## 7. OPERATING LEASES

We lease certain machinery, trucks, and facilities under operating leases that generally provide for renewal options. We incurred approximately \$2,015,488, \$3,258,872 and \$3,297,618 in rent expense under operating lease arrangements for 2010, 2009 and 2008, respectively.

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

2011	\$1,628,774
2012	914,033
2013	563,883
2014	397,039
2015	14,348
Total	<u>\$3,518,077</u>

## 8. FINANCIAL INSTRUMENTS

Fair value measures are classified into a three-tiered fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1 - Observable inputs such as quoted prices in active markets.
- Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 - Unobservable inputs in which there is little or no market data, which require a reporting entity to develop its own assumptions.

Assets and liabilities measured at fair value are based on one or more of the following valuation techniques:

- Market approach (Level 1) - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach (Level 2) - Amount that would be required to replace the service capacity of an asset (replacement cost).
- Income approach (Level 3) - Techniques to convert future amounts to a single present amount based on market expectations (including present-value techniques, option-pricing and excess earning models).

The fair values of cash, accounts receivable, other receivables and accounts payable approximated their carrying values because of the short-term nature of these instruments. Accounts receivable consists primarily of amounts due from our customers, net of allowances. Other receivables consist primarily of amounts due from employees (sales persons' advances in excess of commissions earned and employee travel advances); other customer receivables, net of allowances; and expected insurance recoveries. The carrying amounts of our revolving line of credit, our mortgages and other short-term financing obligations also approximate fair value, as they are comparable to the available financing in the marketplace during the year.

## 9. INCOME TAXES

The Company accounts for income taxes in accordance with the accounting standard 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.

A breakdown of our income tax expense (benefit) is as follows:

	Years Ended December 31,		
	2010	2009	2008
Federal:			
Current	\$ 2,854,818	\$ (70,496)	\$ 1,871,007
Deferred	236,444	333,197	(2,145,508)
Total Federal	3,091,262	262,701	(274,501)
State & local:			
Current	103,993	186,574	163,906
Deferred	115,386	4,540	(675,680)
Total State & local	219,379	191,114	(511,774)
Foreign			
Current	275,476	238,326	109,616
Deferred	(12,630)	(15,626)	48,994
Total Foreign	262,846	222,700	158,610
Total	<u>\$ 3,573,487</u>	<u>\$ 676,515</u>	<u>\$ (627,665)</u>



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

	Years Ended December 31,		
	2010	2009	2008
Expected expense at statutory rate	\$ 3,924,136	\$ 653,852	\$ 191,538
Increase (decrease) in income taxes resulting from:			
Exempt income from Dominican Republic operations due to tax holiday	(1,034,742)	(842,277)	(670,105)
Tax on repatriated earnings from Dominican Republic operations	465,992	842,277	464,116
Impact of Canadian deemed dividend	164,956	-	-
State and local income taxes	142,596	47,045	(114,095)
Section 199 manufacturing deduction	(91,327)	(2,041)	(37,152)
Meals and entertainment	70,236	71,254	69,420
Nondeductible penalties	1,990	2,010	51,183
Stock compensation expense	-	-	34,107
Provision to return filing adjustments and other	(70,350)	(95,605)	(616,677)
<b>Total</b>	<b>\$ 3,573,487</b>	<b>\$ 676,515</b>	<b>\$ (627,665)</b>

Deferred income taxes recorded in the consolidated balance sheets at December 31, 2010 and 2009 consist of the following:

	December 31,	
	2010	2009
<b>Deferred tax assets:</b>		
Asset valuation allowances and accrued expenses	\$ 1,172,254	\$ 1,472,003
Inventories	416,236	407,844
State and local income taxes	333,241	288,310
Pension and deferred compensation	1,369,383	1,648,488
Net operating losses	542,807	693,989
<b>Total deferred tax assets</b>	<b>3,833,921</b>	<b>4,510,634</b>
Valuation allowances	(530,343)	(582,343)
<b>Total deferred tax assets</b>	<b>3,303,578</b>	<b>3,928,291</b>
<b>Deferred tax liabilities:</b>		
Fixed assets	(223,328)	(492,244)
Intangible assets	(10,525,120)	(10,324,861)
Other assets	(332,443)	(327,859)
Tollgate tax on Lifestyle earnings	(379,271)	(379,271)
<b>Total deferred tax liabilities</b>	<b>(11,460,162)</b>	<b>(11,524,235)</b>
<b>Net deferred tax liability</b>	<b>\$ (8,156,584)</b>	<b>\$ (7,595,944)</b>
Deferred income taxes - current	\$ 1,218,101	\$ 1,475,695
Deferred income taxes - non-current	(9,374,685)	(9,071,639)
	<u>\$ (8,156,584)</u>	<u>\$ (7,595,944)</u>

The valuation allowance is related to certain state and local income tax net operating loss carry forwards.

We have provided Puerto Rico tollgate taxes on approximately \$3,684,000 of accumulated undistributed earnings of Lifestyle prior to the fiscal year ended June 30, 1994, that would be payable if such earnings were repatriated to the United States. In 2001, we received abatement for Puerto Rico tollgate taxes on all earnings subsequent to June 30, 1994, thus no other provision for tollgate tax has been made on earnings after that date. If we repatriate the earnings from Lifestyle, approximately \$379,000 of tollgate tax would be due.

As of December 31, 2010, we had approximately \$12,548,000 of undistributed earnings from non-U.S. subsidiaries that are intended to be permanently reinvested in non-U.S. operations. Because these earnings are considered permanently reinvested, no U.S. tax provision has been accrued related to the repatriation of these earnings. If the Five Star undistributed earnings were distributed to the Company in the form of dividends, the related taxes on such distributions would be approximately \$4,392,000.

We file income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. We are no longer subject to U.S. Federal tax examinations for years before 2007. State jurisdictions that remain subject to examination range from 2006 to 2009. Foreign jurisdiction (Canada and Puerto Rico) tax returns that remain subject to examination range from 2004 to 2009. We do not believe there will be any material changes in our unrecognized tax positions over the next 12 months.

Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of the date of adoption of the accounting standard for Income Taxes relating to uncertain tax provisions, accrued interest or penalties were not material, and no such expenses were recognized during the year.

#### **10. RETIREMENT PLANS**

We sponsor a noncontributory defined benefit pension plan covering our non-union workers in our Ohio and Puerto Rico operations. Benefits under the non-union plan are based upon years of service and highest compensation levels as defined. We contribute to the plan the minimum amount required by regulation. On December 31, 2005 we froze the noncontributory defined benefit pension plan for all non-U.S. territorial employees.

The accounting standard for Compensation – Retirement Benefits requires a fiscal year end measurement of plan assets and benefit obligations, eliminating the use of earlier measurement dates previously permissible. The new measurement date requirement was effective for fiscal years ending after December 15, 2008. As a result, we changed our measurement date to December 31 and recognized the pension expense related to the period October 1, 2007 through December 31, 2007 as an adjustment to the January 1, 2008 beginning retained earnings and accumulated other comprehensive loss.

As a result of the change in measurement date, we recognized the increase in the under-funded status of the defined benefit pension plan between September 30, 2007 and December 31, 2007 of \$846,071, as well as the corresponding increase in accumulated other comprehensive loss of \$526,850 and related decrease in our deferred tax liability of \$296,125. The increase in accumulated other comprehensive loss of \$526,850 has been recognized as an adjustment to the opening balance of accumulated other comprehensive loss as of January 1, 2008. We also recognized the net pension expense of \$23,095 relating to the period October 1, 2007 through December 31, 2007 as a reduction of the opening balance of retained earnings as of January 1, 2008.

The funded status of the Company's plan and reconciliation of accrued pension cost at December 31, 2010 and 2009 are presented below (information with respect to benefit obligations and plan assets are as of December 31):

	December 31,	
	2010	2009
<b>Change in benefit obligation:</b>		
Projected benefit obligation at beginning of the year	\$ 11,181,550	\$ 10,024,643
Impact of adoption of the Compensation - Retirement Benefits accounting standard change in measurement date	-	-
Service cost	79,909	115,372
Interest cost	646,708	605,817
Change in discount rate	-	-
Curtailment decrease	-	-
Actuarial (gain)/loss	24,926	816,376
Benefits paid	(384,945)	(380,658)
Projected benefit obligation at end of year	<u>\$ 11,548,148</u>	<u>\$ 11,181,550</u>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	\$ 6,891,675	\$ 6,281,091
Employer contributions	715,192	-
Actual return on plan assets	806,933	991,242
Benefits paid	(384,945)	(380,658)
Fair value of plan assets at end of year	<u>\$ 8,028,855</u>	<u>\$ 6,891,675</u>
<b>Funded status:</b>		
Underfunded	\$ (3,519,293)	\$ (4,289,875)
Remaining unrecognized benefit obligation existing at transition	-	-
Unrecognized prior service costs due to plan amendments	-	-
Unrecognized net loss	-	-
Total	<u>\$ (3,519,293)</u>	<u>\$ (4,289,875)</u>
<b>Amounts in accumulated other comprehensive income that have not yet been recognized as net pension cost:</b>		
Remaining unrecognized benefit obligation existing at transition	\$ -	\$ -
Unrecognized prior service costs due to plan amendments	253,651	326,043
Unrecognized net loss	4,236,846	4,774,048
Total	<u>\$ 4,490,497</u>	<u>\$ 5,100,091</u>
<b>Amounts recognized in the consolidated financial statements:</b>		
Pension liability	\$ (3,519,293)	\$ (4,289,875)
Accumulated other comprehensive loss, net of tax effect of \$1,661,508 for 2010 and \$1,882,947 for 2009	2,828,989	3,217,144
Net amount recognized	<u>\$ (690,304)</u>	<u>\$ (1,072,731)</u>
Accumulated benefit obligation	<u>\$ 11,548,148</u>	<u>\$ 11,181,550</u>
<b>Of the amounts in accumulated other comprehensive income as of December 31, 2010, we expect the following to be recognized as net pension cost in 2011:</b>		
Remaining unrecognized benefit obligation existing at transition	\$ -	
Unrecognized prior service costs due to plan amendments	75,205	
Unrecognized net loss	219,050	
Total	<u>\$ 294,255</u>	

Net pension cost of our plan is as follows:

	Years Ended December 31,		
	2010	2009	2008
Service cost	\$ 79,909	\$ 115,372	\$ 107,851
Interest cost	646,708	605,817	572,246
Expected return on assets	(532,218)	(486,454)	(685,251)
Amortization of unrecognized net loss	287,413	247,143	68,673
Amortization of unrecognized transition obligation	-	-	4,036
Amortization of unrecognized prior service cost	72,392	72,392	73,913
Net periodic pension cost	<u>\$ 554,204</u>	<u>\$ 554,270</u>	<u>\$ 141,468</u>

Our unrecognized benefit obligation existing at the date of transition for the plan is being amortized over 21 years. Actuarial assumptions used in the accounting for the plan was as follows:

	December 31,	
	2010	2009
Discount rate	5.51%	5.91%
Average rate increase in compensation levels	3.00%	3.00%
Expected long-term rate of return on plan assets	8.00%	8.00%

Our pension plan's asset allocations at December 31, 2010 and 2009 by asset category are:

	December 31,	
	2010	2009
Rocky common stock	9.0%	8.0%
Other equity securities	61.0%	53.0%
Municipal bonds	15.0%	21.0%
Corporate obligations	5.0%	0.0%
Cash and cash equivalents	10.0%	18.0%
Accrued income	0.0%	0.0%
Total	<u>100.0%</u>	<u>100.0%</u>

Our investment objectives are to: (1) maintain the purchasing power of the current assets and all future contributions; (2) maximize return within reasonable and prudent levels of risk; (3) maintain an appropriate asset allocation policy (approximately 55% equity securities, 40% debt securities and 5% cash) that is compatible with the actuarial assumptions, while still having the potential to produce positive returns; and (4) control costs of administering the plan and managing the investments.

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

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

2011	\$ 399,000
2012	496,000
2013	553,000
2014	559,000
2015	570,000
Thereafter	<u>3,175,000</u>
Total	<u>\$5,752,000</u>

We are required to make a contribution of approximately \$680,000 to the pension plan in 2011.

Our overall investment strategy is to achieve a balanced return of income and growth of principal for long-term growth and for near-term benefit payments with a diversification of asset types and fund strategies. The target allocation for plan assets is generally 55% equity, 40% fixed income and 5% cash. Of the target allocation for equity securities, approximately 60% is allocated to U.S. large-cap, 20% to U.S. mid and small-cap companies and 20% to international equity. The target allocation for fixed income is allocated 100% to government securities.

The fair values of our pension plan assets at December 31, 2010, by asset category are as follows:

Asset Category	December 31, 2010			Total
	Quoted Prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Cash and cash equivalents	\$ 832,672	\$ -	\$ -	\$ 832,672
Equity Securities:				
U. S. companies	4,716,610	-	-	4,716,610
International companies	850,766	-	-	850,766
Corporate obligations	410,841			410,841
Government securities:				
U.S. government agencies	1,217,966	-	-	1,217,966
	<u>\$ 8,028,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,028,855</u>

We also sponsor a 401(k) savings plan for substantially all of our employees. We provide a contribution of 3% of applicable salary to the plan for all employees with greater than six months of service. Additionally, we match eligible employee contributions at a rate of 0.25%, per one percent of applicable salary contributed to the plan by the employee. This matching contribution will be made by us up to a maximum of 1% of the employee's applicable salary for all qualified employees. Our contributions to the 401(k) plan were approximately \$1.0 million in 2010, \$1.0 million in 2009 and \$1.1 million in 2008.

## 11. COMMITMENTS AND CONTINGENCIES

We are, 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 our financial position, results of operations, or liquidity.

## 12. CAPITAL STOCK AND STOCK BASED COMPENSATION

The Company has authorized 250,000 shares of voting preferred stock without par value. No shares are issued or outstanding. Also, the Company has authorized 250,000 shares of non-voting preferred stock without par value. Of these, 125,000 shares have been designated Series A non-voting convertible preferred stock with a stated value of \$.06 per share, of which no shares are issued or outstanding at December 31, 2010 and 2009, respectively.

In June 2009, our Board of Directors adopted a Rights Agreement, which provides for one preferred share purchase right to be associated with each share of our outstanding common stock. Shareholders exercising these rights would become entitled to purchase shares of Series B Junior Participating Cumulative Preferred Stock. The rights are exercisable 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 our 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 would ultimately entitle the holders of the rights to purchase at the exercise price, shares of common stock of the surviving corporation or purchaser, respectively, with an aggregate market value equal to two times the exercise price. The person or groups effecting such 20 percent acquisition or undertaking such tender offer would not be entitled to exercise any rights. These rights expire during July 2012.

On October 11, 1995, we adopted the 1995 Stock Option Plan which provides for the issuance of options to purchase up to 400,000 common shares. In May 1998, we adopted the Amended and Restated 1995 Stock Option Plan which provides for the issuance of options to purchase up to an additional 500,000 common shares. In addition in May 2002, our shareholders approved the issuance of a total of 400,000 additional common shares of our stock under the 1995 Stock Option Plan. All employees, officers, directors, consultants and advisors providing services to us are eligible to receive options under the Plans. On May 11, 2004 our shareholders approved the 2004 Stock Incentive Plan. The 2004 Stock Incentive Plan includes 750,000 of our common shares that may be granted for stock options and restricted stock awards. As of December 31, 2010, the Company is authorized to issue 360,031 options under the 2004 Stock Incentive Plan; no options can be granted under the amended and restated 1995 Stock Option Plan.

The plans generally provide for grants with the exercise price equal to fair value on the date of grant, graduated vesting periods of up to 5 years, and lives not exceeding 10 years.

The following summarizes stock option transactions from January 1, 2009 through December 31, 2010:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Actual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2008	435,801	\$ 15.88		
Issued	-	\$ -		
Exercised	(29,250)	\$ 5.63		
Forfeited	(71,301)	\$ 8.97		
Outstanding at December 31, 2009	<u>335,250</u>	<u>\$ 18.25</u>	<u>1.6</u>	<u>\$ 188,358</u>
Options exercisable at December 31, 2009	<u>335,250</u>	<u>\$ 18.25</u>	<u>1.6</u>	<u>\$ 188,358</u>
Unvested options at December 31, 2009	<u>-</u>	<u>\$ -</u>	<u>0</u>	<u>\$ -</u>
Outstanding at December 31, 2009	335,250	\$ 18.25		
Issued	-	\$ -		
Exercised	(34,250)	\$ 5.57		
Forfeited	(69,000)	\$ 18.81		
Outstanding at December 31, 2010	<u>232,000</u>	<u>\$ 19.95</u>	<u>0.9</u>	<u>\$ 167,753</u>
Options exercisable at December 31, 2010	<u>232,000</u>	<u>\$ 19.95</u>	<u>0.9</u>	<u>\$ 167,753</u>
Unvested options at December 31, 2010	<u>-</u>	<u>\$ -</u>	<u>0</u>	<u>\$ -</u>
Fair value of options granted during the year:				
2010		<u>\$ -</u>		
2009		<u>\$ -</u>		
2008		<u>\$ -</u>		

During the years ended December 31, 2010, 2009 and 2008, a total of 34,250, 29,250 and 8,500 options were exercised with an intrinsic value of approximately \$0.2 million, \$0.1 million and zero, respectively. During the years ended December 31, 2010, 2009 and 2008, there were no options issued. During the year ended December 31, 2010, a total of 69,000 options were forfeited with a fair value of approximately \$0.6 million. A total of zero, 5,000 and 28,000 options vested during the years ended December 31, 2010, 2009 and 2008 with a fair value of zero, zero and zero, respectively. At December 31, 2010 and 2009, a total of zero options were unvested with a fair value of zero. At December 31, 2008, a total of 23,750 options were unvested with a fair value of zero. For the twelve-month periods ended December 31, 2010 and 2009, our compensation expense related to stock option grants was approximately zero and \$20,251, respectively.

During the year ended December 31, 2010, we issued 16,072 shares of common stock to members of our Board of Directors. We recorded compensation expense of \$129,900, which was the fair market value of the shares on the grant date. The shares are fully vested but cannot be sold for one year.



In May 2010, the Company completed a public offering of 1.8 million shares of common stock at a price of \$8.40 per share. We received net proceeds from the offering of \$14.1 million after deducting \$0.9 million in underwriting discounts and \$0.1 million in expenses. The proceeds were used to prepay amounts due under term loans with Laminar Direct Capital L.P. and Whitebox Hedged High Yield Partners, L.P. After the prepayment, principal under the term loans totaled \$26 million in the aggregate. The term loans have an interest rate of 11.5% payable semi-annually over the five year term of the notes. In connection with this transaction, \$0.2 million of prepayment fees and \$0.2 million of non-cash charges related to deferred financing fees were incurred and have been reflected as a component of interest expense.

### 13. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information including other cash paid for interest and Federal, state and local income taxes was as follows:

	Years Ended December 31,		
	2010	2009	2008
Interest paid	\$ 4,824,238	\$ 6,749,462	\$ 8,726,251
Federal, state and local income taxes paid - net of refunds	\$ 2,810,434	\$ 222,629	\$ 1,463,675
Capitalized interest	\$ 8,330	\$ 5,983	\$ 7,555
Fixed asset purchases in accounts payable	\$ 560,248	\$ 151,534	\$ 112,742

### 14. SEGMENT INFORMATION

**Operating Segments** - We operate our business through three business segments: wholesale, retail and military.

**Wholesale.** In our wholesale segment, our products are offered in over ten thousand retail locations representing a wide range of distribution channels in the U.S. and Canada. These distribution channels vary by product line and target market and include sporting goods stores, outdoor retailers, independent shoe retailers, hardware stores, catalogs, mass merchants, uniform stores, farm store chains, specialty safety stores and other specialty retailers.

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

**Military.** While we are focused on continuing to build our wholesale and retail business, we also actively bid, from time to time, on footwear contracts with the U.S. military. As of December 31, 2010, we have one contract totaling approximately \$29.0 million to produce goods for the U.S. military. This contract contains options for yearly renewals over periods ranging from one to four years. Our military sales fluctuate from year to year.

The following is a summary of segment results for the Wholesale, Retail, and Military segments.

	Years Ended December 31,		
	2010	2009	2008
<b>NET SALES:</b>			
Wholesale	\$ 188,268,830	\$ 174,260,798	\$ 187,322,975
Retail	47,476,715	50,007,177	65,837,775
Military	17,046,718	5,217,600	6,377,395
Total Net Sales	<u>\$ 252,792,263</u>	<u>\$ 229,485,575</u>	<u>\$ 259,538,145</u>
<b>GROSS MARGIN:</b>			
Wholesale	\$ 65,470,287	\$ 60,562,741	\$ 68,482,473
Retail	21,785,077	23,435,034	33,182,929
Military	2,117,350	559,581	577,807
Total Gross Margin	<u>\$ 89,372,714</u>	<u>\$ 84,557,356</u>	<u>\$ 102,243,209</u>

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

**Product Group Information** - The following is supplemental information on net sales by product group:

	2010	% of Sales	2009	% of Sales	2008	% of Sales
Work footwear	\$ 133,970,454	53.0%	\$ 124,095,030	54.1%	\$ 151,285,523	58.3%
Outdoor footwear	26,066,047	10.3%	26,541,959	11.6%	29,498,557	11.4%
Western footwear	30,707,353	12.1%	29,522,876	12.9%	30,971,343	11.9%
Duty footwear	22,190,068	8.8%	19,869,232	8.7%	17,860,778	6.9%
Military footwear	17,046,718	6.7%	5,217,600	2.3%	6,377,395	2.5%
Apparel	11,529,989	4.6%	12,210,926	5.3%	15,807,910	6.1%
Other	11,281,634	4.5%	12,027,952	5.2%	7,736,639	3.0%
	<u>\$ 252,792,263</u>	<u>100%</u>	<u>\$ 229,485,575</u>	<u>100%</u>	<u>\$ 259,538,145</u>	<u>100%</u>

Net sales to foreign countries, primarily Canada, represented approximately 3.1% in 2010, 2.4% of net sales in 2009, and 3.0% of net sales in 2008.

**15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)**

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2010 and 2009:

	<b>1st Quarter</b>		<b>2nd Quarter</b>		<b>3rd Quarter</b>		<b>4th Quarter</b>		<b>Total Year</b>	
<b>2010</b>										
Net sales	\$	56,078,986	\$	55,223,054	\$	74,760,244	\$	66,729,979	\$	252,792,263
Gross margin		18,756,849		19,099,084		27,184,595		24,332,186		89,372,714
Net income (loss)		(560,744)		523,610		4,682,355		3,038,511		7,683,732
Net income (loss) per common share:										
Basic	\$	(0.10)	\$	0.08	\$	0.63	\$	0.41	\$	1.14
Diluted	\$	(0.10)	\$	0.08	\$	0.63	\$	0.41	\$	1.14
<b>2009</b>										
Net sales	\$	50,064,561	\$	51,188,615	\$	66,572,437	\$	61,659,962	\$	229,485,575
Gross margin		20,092,488		17,717,672		24,715,786		22,031,410		84,557,356
Net income (loss)		(1,121,136)		(1,394,968)		2,781,445		909,466(a)		1,174,807
Net income (loss) per common share:										
Basic	\$	(0.20)	\$	(0.25)	\$	0.50	\$	0.16	\$	0.21
Diluted	\$	(0.20)	\$	(0.25)	\$	0.50	\$	0.16	\$	0.21

No cash dividends were paid during 2010 or 2009.

(a) Includes restructuring charges of approximately \$451,000 or \$0.08 per share, net of tax benefits.

## 16. RESTRUCTURING CHARGES

During the fourth quarter of 2009, we initiated a comprehensive series of actions to reduce the operating cost structure and increase the operating efficiency of both our wholesale and retail divisions. These actions involved the relocation of our wholesale division's customer care function from Franklin, Tennessee to Nelsonville, Ohio; and the closing of underperforming mini-stores and trucks in our retail division. These charges were composed of severance and employee benefits related costs; transition costs; and facility exit costs, which includes facility shut down and lease contract termination costs. As a result of these actions, we recorded \$711,169 of restructuring charges that are included in the 2009 Consolidated Results of Operations under the caption Restructuring charges.

The schedule below summarizes the charges included in the accompanying consolidated statement of operations for 2010 for our wholesale and retail divisions:

	<b>Liability Beginning Balance 12/31/2009</b>	<b>Expense</b>	<b>Payments</b>	<b>Liability Ending Balance 12/31/2010</b>
<b>Wholesale</b>				
Severance and employee benefits	\$ 148,080		\$ 148,080	\$ -
Transition costs	-		-	-
Facility exit costs	31,475		31,475	-
Total Wholesale	<u>\$ 179,555</u>	<u>\$ -</u>	<u>\$ 179,555</u>	<u>\$ -</u>
<b>Retail</b>				
Severance and employee benefits	\$ -		\$ -	\$ -
Transition costs	36,091		36,091	-
Facility exit costs	160,717		160,717	-
Total Retail	<u>\$ 196,808</u>	<u>\$ -</u>	<u>\$ 196,808</u>	<u>\$ -</u>
<b>Total</b>	<u>\$ 376,363</u>	<u>\$ -</u>	<u>\$ 376,363</u>	<u>\$ -</u>

**LOAN AND SECURITY AGREEMENT**

**DATED AS OF JANUARY 6, 2005**

**between**

**ROCKY SHOES & BOOTS, INC.,  
LIFESTYLE FOOTWEAR, INC.,  
EJ FOOTWEAR LLC,  
HM LEHIGH SAFETY SHOE CO. LLC,  
GEORGIA BOOT LLC,  
DURANGO BOOT COMPANY LLC,  
NORTHLAKE BOOT COMPANY LLC,  
LEHIGH SAFETY SHOE CO. LLC,  
GEORGIA BOOT PROPERTIES LLC,  
and  
LEHIGH SAFETY SHOE PROPERTIES LLC,  
as Borrowers,**

**GMAC COMMERCIAL FINANCE LLC,  
as Agent and as Lender, and**

**The Financial Institution(s) Listed  
on the Signature Pages Hereof,  
as Lenders**

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## LOAN AND SECURITY AGREEMENT

This AGREEMENT is dated as of January 6, 2005 and entered into among ROCKY SHOES & BOOTS, INC., a corporation organized and existing under the laws of the State of Ohio ("Parent"), LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware ("Lifestyle"), EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware ("EJ Footwear"), HM LEHIGH SAFETY SHOE CO. LLC a limited liability company organized and existing under the laws of the State of Delaware ("HM Lehigh"), GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Georgia Boot"), DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Durango"), NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Northlake"), GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Georgia Properties"), LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Lehigh Properties") and LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Lehigh", and, together with Parent, Lifestyle, EJ Footwear, HM Lehigh, Georgia Boot, Durango, Northlake, Georgia Properties and Lehigh Properties, jointly and severally, as the context requires, "Borrower"), the financial institution(s) listed on the signature pages hereof and their respective successors and Eligible Assignees (each individually a "Lender" and collectively "Lenders") and GMAC COMMERCIAL FINANCE LLC, a Delaware limited liability company (in its individual capacity, "GMAC CF"), for itself and as a Lender and as Agent.

WHEREAS, Borrower desires that Lenders extend a credit facility to finance, in part, the Acquisition (as hereafter defined), to provide working capital financing, refinance certain existing indebtedness and to provide funds for other general corporate purposes; and

WHEREAS, to secure Borrower's obligations under the Loan Documents, Borrower is granting to Agent, for the benefit of Agent and Lenders, a security interest in and lien upon substantially all of Borrower's personal property and certain real property; and

WHEREAS, Borrower may from time to time have Subsidiaries that benefit from the credit facility described above (jointly and severally, as the context requires, "Guarantor"), and in consideration of such benefits will guaranty all of the obligations of Borrower to Agent and Lenders under the Loan Documents and grant to Agent, for the benefit of Agent and Lenders, a security interest in substantially all personal property and certain real property of Guarantor to secure such guaranty;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Borrower, Agent and Lenders agree as follows:

---

SECTION 1. DEFINITIONS AND ACCOUNTING TERMS

1.1. Certain Defined Terms. The capitalized terms not otherwise defined in this Agreement shall have the meanings set forth below:

“ACFS” shall mean American Capital Financial Services, Inc., a Delaware corporation, as agent for the purchasers under the Note Purchase Agreement.

“Acquisition” shall mean the acquisition on the date hereof of all of the equity interests of EJ Footwear, Georgia Boot, HM Lehigh and their respective Subsidiaries, by Parent pursuant to the Acquisition Agreement.

“Acquisition Agreement” shall mean that certain Purchase and Sale of Equity Interests Agreement by and among Parent, SILLC Holdings, LLC, a Delaware limited liability company and Strategic Industries, LLC, dated as of December 6, 2004.

“ACSL” shall mean American Capital Strategies, Ltd., a Delaware corporation.

“Additional Mortgaged Property” means all real property owned by any Loan Party which is unencumbered by a mortgage or deed of trust in favor of a Person which provides financing (not in excess of the purchase price therefor) for the acquisition thereof by such Loan Party, and in which after the Closing Date, Agent requires a mortgage to secure the Obligations.

“Adjustment Date” has the meaning assigned to that term in the definition of Applicable Margin.

“Advance” shall mean an advance under the Revolving Loan.

“Affected Lender” has the meaning assigned to that term in Section 2.11.

“Affiliate” means any Person (other than Agent or any Lender): (a) directly or indirectly controlling, controlled by, or under common control with, any Loan Party; (b) directly or indirectly owning or holding ten percent (10%) or more of any equity interest in any Loan Party; (c) ten percent (10%) or more of whose stock or other equity interest having ordinary voting power for the election of directors or the power to direct or cause the direction of management, is directly or indirectly owned or held by any Loan Party; or (d) which has a senior officer who is also a senior officer of any Loan Party. For purposes of this definition, “control” (including with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”) means the possession directly or indirectly of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or other equity interest, or by contract or otherwise.

“Agent” means GMAC CF in its capacity as agent for the Lenders under the Loan Documents and any successor in such capacity appointed pursuant to Section 9.1(G).

“Agent’s Account” means Bank One Michigan, Detroit Michigan  
ABA No. 072000326  
Account No. 3613249-84  
Reference: Rocky Shoes & Boots

“Agreement” means this Loan and Security Agreement as it may be amended, restated, supplemented or otherwise modified from time to time.

“Applicable Margin” for each type of Loan shall mean, commencing as of the Closing Date and continuing, until the First Adjustment Date (as hereafter defined), the applicable percentage specified below:

<b>TYPE OF LOAN</b>	<b>APPLICABLE MARGIN FOR DOMESTIC RATE LOANS</b>	<b>APPLICABLE MARGIN FOR LIBOR RATE LOANS</b>
Revolving Advances	1.00%	2.50%
Term Loan	1.75%	3.25%

Thereafter on a quarterly basis, effective as of the first day following receipt by Agent of the internal financial statements of Rocky on a Consolidated Basis required under Section 5.1(E)(b) for the previous fiscal quarter (each day of such delivery, an “Adjustment Date”), commencing with the first Business Day following receipt by Agent of the internal financial statements of Rocky on a Consolidated Basis for the fiscal quarter ending December 31, 2005 required under Section 5.1(E)(b) (the “First Adjustment Date”), the Applicable Margin for each type of Loan shall be adjusted, if necessary, to the applicable percent per annum set forth in the pricing table set forth below corresponding to the Total Leverage Ratio for the trailing twelve month period ending on the last day of the most recently completed fiscal quarter prior to the applicable Adjustment Date (each such period, a “Calculation Period”):

<b>TOTAL LEVERAGE RATIO</b>	<b>APPLICABLE MARGIN FOR DOMESTIC RATE LOANS</b>		<b>APPLICABLE MARGIN FOR LIBOR RATE LOANS</b>	
	<b>Revolving Advances</b>	<b>Term Loan A</b>	<b>Revolving Advances</b>	<b>Term Loan A</b>
Greater than or equal to 4.0 to 1.0	1.25%	2.00%	2.75%	3.50%
Greater than or equal to 3.0 to 1.0 but less than 4.0 to 1.0	1.00%	1.75%	2.50%	3.25%
Greater than or equal to 2.0 to 1.0 but less than 3.0 to 1.0	0.75%	1.50%	2.25%	3.00%
Less than 2.0 to 1.0	0.50%	1.25%	2.00%	2.75%

If Borrower shall fail to timely deliver the financial statements, certificates and/or other information required under Section 5.1(E)(b) each Applicable Margin shall be conclusively presumed to equal the highest Applicable Margin specified in the pricing table set forth above for the period commencing on the required delivery date of such financial statements, certificates and/or other information until the delivery thereof.

“Asset Disposition” means the disposition, whether by sale, lease, transfer, loss, damage, destruction, condemnation or otherwise, of any or all of the assets of any Loan Party other than the sale or other disposition of Inventory, sale or transfer of property of any Loan Party to any other Loan Party (to the extent not otherwise prohibited by this Agreement) and assignments and licenses of Intellectual Property, all of the foregoing in the ordinary course of business, and subleases of leases or leases of property not then being utilized in the Business.

“Assignment and Acceptance Agreement” shall mean an Assignment and Acceptance Agreement substantially in the form of Exhibit A.

“Bank Letter of Credit” means each Letter of Credit issued by a bank acceptable to and approved by Agent for the account of a Borrower and supported by guaranty or risk participation agreement issued by GMAC CF or Agent.

“Base Rate” means a variable rate of interest per annum equal to the higher of (a) the rate of interest from time to time published by the Board of Governors of the Federal Reserve System as the “Bank Prime Loan” rate in Federal Reserve Statistical Release H.15(519) entitled “Selected Interest Rates” or any successor publication of the Federal Reserve System reporting the Bank Prime Loan rate or its equivalent, or (b) the Federal Funds Effective Rate plus fifty (50) basis points. The statistical release generally sets forth a Bank Prime Loan rate for each Business Day. The applicable Bank Prime Loan rate for any date not set forth shall be the rate set forth for the last preceding date. In the event the Board of Governors of the Federal Reserve System ceases to publish a Bank Prime Loan rate or its equivalent, the term “Base Rate” shall mean a variable rate of interest per annum equal to the highest of the “prime rate”, “reference rate”, “base rate”, or other similar rate announced from time to time by any of the three largest banks (based on combined capital and surplus) headquartered in New York, New York (with the understanding that any such rate may merely be a reference rate and may not necessarily represent the lowest or best rate actually charged to any customer by any such bank).

“Base Rate Loans” means Loans bearing interest at rates determined by reference to the Base Rate.

“Blocked Account Agreement” has the meaning assigned to that term in Section 6.4.

“Blocked Accounts” has the meaning assigned to that term in Section 6.4.

“Borrower” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“Borrower’s Accountants” means the independent certified public accountants selected by Borrower and its Subsidiaries and reasonably acceptable to Agent.



“Borrowing Base” means, as of any date of determination, an amount equal to the sum of (a) up to 85% of Eligible Accounts less the Dilution Reserve, plus (b) the lesser of (i) \$50,000,000, or (ii) the sum of (A) the lesser of (1) up to 40% of Eligible Inventory consisting of raw materials or (2) 85% times the Net Orderly Liquidation Percentage of such Eligible Inventory, plus (B) the lesser of (1) up to 75% of Eligible Inventory consisting of finished goods or (2) 85% times the Net Orderly Liquidation Percentage of such Eligible Inventory, plus (C) the lesser of (1) up to 75% of Eligible Inventory consisting of eligible retail Inventory or (2) 85% times the Net Orderly Liquidation Percentage of such Eligible Inventory and less, in each case, such reserves as Agent in its reasonable credit judgment may elect to establish; provided, however, that Advances with respect to Eligible Inventory shall also not exceed, at any time, (x) \$8,000,000 with respect to Eligible In-Transit Inventory and (y) \$2,000,000 with respect to finished goods located in Puerto Rico. The calculation of the initial advance rates, utilizing the formulae provided in this definition of Borrowing Base, with respect to different categories of Eligible Inventory, is set forth on Exhibit D.

“Borrowing Agent” means Parent.

“Borrowing Base Certificate” means a certificate and schedule duly executed by an officer of Borrowing Agent appropriately completed and in substantially the form of Exhibit B.

“Business” shall mean the principal business of the Loan Parties as set forth in Section 4.1(B) herein and as such shall continue to be conducted following the consummation of the Transactions.

“Business Day” means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the States of New York or Michigan or is a day on which banking institutions located in any such state are closed, or for the purposes of LIBOR Loans only, a London Banking Day.

“Capital Expenditures” means, with respect to any Person, all expenditures for, or contracts for expenditures with respect to any fixed assets or improvements, or for replacements, substitutions or additions thereto, that, in accordance with GAAP, either would be required to be capitalized on the balance sheet of such Person, or would be classified and accounted for as capital expenditures on a statement of cash flows of such Person.

“Capital Lease” means any lease of any property (whether real, personal or mixed) that, in conformity with GAAP, should be accounted for as a capital lease.

“Cash Flow Prepayments” shall have the meaning assigned to such term in Section 2.4(B)(3).

“Cash Interest Expense” means, without duplication, for any period, for Rocky on a Consolidated Basis: interest expenses deducted in the determination of net income (excluding (a) the amortization of fees and costs with respect to the Transactions which have been capitalized as transaction costs in accordance with the provisions of Section 1.3; and (b) interest paid in kind).

“CERCLA” shall mean the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9604, et seq.), as amended, and rules, regulations and standards, promulgated thereunder.

“Certificate of Exemption” has the meaning assigned to that term in Section 2.9(C).

“Change of Control” shall mean the occurrence of any of the following:

(a) any transaction or series of related transactions resulting in the sale or issuance of securities or any rights to securities of Parent by Parent representing in the aggregate more than fifty percent (50%) of its issued and outstanding securities entitled to vote for the election of directors of Parent, or any transaction or series of related transactions resulting in the sale, transfer, assignment or other conveyance or disposition of any securities or any rights to securities of Parent by any holder or holders thereof representing in the aggregate more than fifty percent (50%) of the issued and outstanding securities entitled to vote for the election of directors of Parent;

(b) a merger, consolidation, reorganization, recapitalization or share exchange (whether or not Parent is the surviving and continuing corporation) in which the stockholders of Parent immediately prior to such transaction own, as a result of such transaction, less than fifty percent (50%) of the securities entitled to vote for the election of directors of the resulting corporation or less than fifty percent (50%) of the capital stock of the resulting corporation;

(c) a sale, transfer or other disposition of all or substantially all of the assets of Parent and its Subsidiaries, on a consolidated basis; and

(d) any sale or issuance or series of sales or issuances of the Common Stock or any other voting security (or security convertible into, exchangeable for, or exercisable for any other voting security) of Parent within a twelve (12) month period that results in a transfer of more than fifty percent (50%) of the issued and outstanding shares of voting stock of Parent or a transfer of more than fifty percent (50%) of the voting power of Parent.

“Charges” shall mean all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation and property taxes, custom duties, fees, assessments, liens, claims and charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts, imposed by any taxing or other Governmental Authority, domestic or foreign (including, without limitation, the PBGC or any environmental agency or superfund), upon the Collateral, the Loan Parties or any of their Affiliates.

“Charter Documents” shall mean, with respect to any Person, the Articles of Incorporation, Certificate of Incorporation, certificate of limited partnership, certificate of limited liability company, charter or analogous organic instrument filed with the appropriate Governmental Authorities of such Person, as applicable, including all amendments and supplements thereto.

“Closing Date” means January 6, 2005.

“Collateral” has the meaning assigned to that term in Section 2.7(A).

“Collateral Assignment” means the agreement of Loan Parties, dated as of the Closing Date, to grant a security interest in any post-closing adjustment or other payment in favor of Loan Parties with respect to the Acquisition Agreement paid directed to Agent by the applicable escrow agent or paying agent.

“Collecting Banks” has the meaning assigned to that term in Section 6.4.

“Commitment” or “Commitments” means the commitment or commitments of Lenders to make Loans as set forth in Sections 2.1(A) and/or 2.1(B) and to provide Lender Letters of Credit as set forth in Section 2.1(E).

“Common Stock” shall mean the common stock, without par value, of Parent.

“Compliance and Pricing Certificate” means a certificate duly executed by the chief executive officer or chief financial officer of Borrower appropriately completed and in substantially the form of Exhibit C.

“Condition” shall mean any condition that results in or otherwise relates to any Environmental Liabilities.

“Conformed Bills of Lading” means original clean on-board negotiable bills of lading with respect to any shipment of Inventory which (a) are issued by the carrier of the Inventory described in such bills of lading or by a freight forwarder acting on behalf of such carrier; (b) consign such Inventory to Agent (either directly or by means of endorsement); (c) are accompanied by all commercial invoices describing such Inventory and all necessary certificates of inspection, origin and insurance; (d) adequately describe such Inventory; (e) contain language expressly incorporating The International Convention for the Unification of Certain Rules Relating to Bills of Lading for the Carriage of Goods by Sea or The Carriage of Goods by Sea Act; (f) contain standard industry or trade association delivery terms (along with a reference to the particular publication in which said terms are defined); and (g) do not contain any reservation of title clause.

“Control” means “control” as defined in the UCC with respect to a particular item of Collateral.

“Controlled Group” shall mean the “controlled group of corporations” as that term is defined in Section 1563 of the Internal Revenue Code of 1986, as amended, of which the Loan Parties are a part from time to time.

“Copyright Security Agreement” means any Copyright Security Agreement executed and delivered by a Loan Party to Agent, as the same may be amended and in effect from time to time.

“Copyrights” means, collectively, all of the following (a) all copyrights, rights and interests in copyrights, works protectable by copyright, copyright registrations and copyright applications, including those listed in the schedules to any Copyright Security Agreement; (b) all renewals of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including damages or payments for past, present or future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

“Daily Interest Amount” has the meaning assigned to that term in Section 9.8(A)(3).

“Daily Interest Rate” has the meaning assigned to that term in Section 9.8(A)(3).

“Daily Loan Balance” has the meaning assigned to that term in Section 9.8(A)(3).

“Default” means a condition, act or event that, after notice or lapse of time or both, would constitute an Event of Default if that condition, act or event were not cured or removed within any applicable grace or cure period.

“Default Rate” has the meaning assigned to that term in Section 2.2(A).

“Defaulted Amount” means, with respect to any Lender at any time, any amount required to be paid hereunder or under any other Loan Document by such Lender to the Agent or any other Lender which has not been so paid.

“Defaulting Lender” means, at any time, any Lender that owes a Defaulted Amount.

“Dilution Reserve” means, as of any date of determination, a reserve for the amount by which the total dilution of Accounts exceeds five percent (5%); with dilution referring to all actual and reasonably anticipated offsets to Accounts, including, without limitation, customer payment and/or volume discounts, write-offs, credit memoranda, returns and allowances, and billing errors. The Dilution Reserve shall be adjusted after each field examination audit of the Collateral conducted by Agent or any authorized representative designated by Agent.

“EBITDA” means, for any period, without duplication, the total of the following for Rocky on a Consolidated Basis, each calculated for such period: (a) net income determined in accordance with GAAP; plus, to the extent included in the calculation of net income, (b) the sum of (i) income and franchise taxes paid or accrued; (ii) interest expenses, net of interest income, paid or accrued; (iii) amortization and depreciation, (iv) Non-Recurring Charges and (v) other non-cash charges (excluding accruals for cash expenses made in the ordinary course of business); less, to the extent included in the calculation of net income, and (c) the sum of (i) the income of any Person (other than wholly-owned Subsidiaries of Parent) in which Parent or a wholly-owned Subsidiary of Parent has an ownership interest except to the extent such income is received by Parent or such wholly-owned Subsidiary in a cash distribution during such period; (ii) gains or losses from sales or other dispositions of assets (other than Inventory in the normal course of business); and (iii) extraordinary gains. For purposes of Sections 5.3(B), 5.3(C) and 5.3(D), EBITDA for the fiscal quarters ended prior to the Closing Date shall be deemed to have been (w) \$5,733,545 for the fiscal quarter ended March 31, 2004, (x) \$7,898,460 for the fiscal quarter ended June 30, 2004, (y) \$13,845,283 for the fiscal quarter ended September 30, 2004 and (z) \$6,287,713 for the fiscal quarter ended December 31, 2004.

“EJ Financial Information” shall have the meaning assigned to such term in Section 4.1(C)(ii).

“Eligible Accounts” means, as at any date of determination, the aggregate of all Accounts that Agent, in its reasonable credit judgment, deems to be eligible for borrowing purposes. Without limiting the generality of the foregoing, the Agent may determine that the following of Borrower’s Accounts are not Eligible Accounts:

- (1) Accounts which do not consist of accounts receivable or contract receivables, each owed to and owned by any Borrower arising or resulting from the sale of goods or the rendering of services by such Borrower;
- (2) With respect to Accounts having payment terms of net forty-five (45) days or less, any such Account which remains unpaid more than ninety (90) days from the date on which the original invoice rendered in connection with such Account was issued;
- (3) With respect to Accounts having payment terms in excess of forty-five (45) days, (a) any such Account which remains unpaid more than thirty (30) days past due or (b) any such Account which remains unpaid more than one hundred and eighty (180) days from the date on which the original invoice rendered in connection with such Account was issued;
- (4) Accounts which are otherwise eligible with respect to which the Person obligated on such Account is owed a credit by Borrower, but only to the extent of such credit;
- (5) Accounts due from a Person whose principal place of business is located outside the US unless such Account is backed by a Letter of Credit, in form and substance acceptable to Agent and issued or confirmed by a bank that is organized under the laws of the US or a State thereof, that is acceptable to Agent; provided that such Letter of Credit has been delivered to Agent as additional Collateral;
- (6) Accounts due from a Person which Agent has notified Borrower does not have a satisfactory credit standing;
- (7) Accounts with respect to which the Account Debtor or the Person obligated with respect thereto is the US, any state or any municipality, or any department, agency or instrumentality thereof, unless Borrower has, with respect to such Account, complied with the Federal Assignment of Claims Act of 1940 as amended (31 U.S.C. Section 3727 et seq.) or any applicable statute or municipal ordinance of similar purpose and effect;

- (8) Accounts with respect to which the Person obligated is an Affiliate of Borrower or a director, officer, agent, stockholder, member or employee of Borrower or any of its Affiliates;
- (9) Accounts due from a Person if more than fifty percent (50%) of the aggregate amount of Accounts of such Person are not eligible under the criteria specified in clauses (2) or (3) above;
- (10) Accounts with respect to which there is any unresolved dispute with the respective Account Debtor or the Person obligated on such Account (but only to the extent of such dispute);
- (11) Accounts evidenced by an Instrument or Chattel Paper not in the possession of Agent, for the benefit of itself and Lenders;
- (12) Accounts with respect to which Agent, on behalf of itself and Lenders, does not have a valid, first priority and fully perfected security interest;
- (13) Accounts subject to any Lien except those in favor of Agent, for the benefit of itself and Lenders, and ACFS;
- (14) Accounts with respect to which the Account Debtor or the Person obligated on the Account is the debtor under any bankruptcy or other insolvency proceeding;
- (15) Accounts due from a Person to the extent that such Accounts exceed in the aggregate an amount equal to twenty percent (20%) of the aggregate of all Accounts at said date;
- (16) Accounts with respect to which the obligation to pay is conditional or subject to a repurchase obligation or right to return or with respect to which the goods or services giving rise to such Accounts have not been delivered (or performed, as applicable) and accepted by the Account Debtor or the Person obligated on such Account, including progress billings, bill and hold sales, guaranteed sales, sale or return transactions, sales on approval or consignments;
- (17) Accounts with respect to which the Account Debtor or the Person obligated on the Account is located in New Jersey, or any other state denying out of state creditors access to its courts in the absence of a Notice of Business Activities Report or other similar filing, unless the respective Borrower has either qualified as a foreign entity authorized to transact business in such state or has filed a Notice of Business Activities Report or similar filing with the applicable state agency for the then current year;

(18) Accounts with respect to which the Account Debtor or the Person obligated on Account is a creditor of any Borrower; provided, however, that any such Account shall only be ineligible as to that portion of such Account which is less than or equal to the amount owed by such Borrower to such Person.

“Eligible Assignee” shall mean (a) a commercial bank organized under the laws of the US, or any state thereof, and having a combined capital and surplus of at least \$250,000,000; (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the “OECD”), or a political subdivision of any such country, and having a combined capital and surplus of at least \$250,000,000, provided that such bank is acting through a branch or agency located in the US; (c) any other entity which is an “accredited investor” (as defined in Regulation D under the Securities Act) which extends credit or buys loans as one of its businesses, including but not limited to, insurance companies, mutual funds and lease financing companies, (d) a Related Fund, and (e) a Person that is primarily engaged in the business of lending that is (i) a Subsidiary of a Lender, (ii) a Subsidiary of a Person of which a Lender is a Subsidiary, or (iii) a Person of which a Lender is a Subsidiary; provided, however, that no Affiliate of any Loan Party shall be an Eligible Assignee.

“Eligible In-Transit Inventory” means, at any date of determination, the value (determined at the lower of cost or market on a first-in, first-out basis) of all Inventory owned by any Borrower that does not qualify as Eligible Inventory solely because it is in transit to Borrower or an agent or contractor of or for Borrower and that Agent, in its reasonable credit judgment, deems to be eligible for borrowing purposes. Without limiting the generality of the foregoing, Agent may determine that any of the following is not Eligible In-Transit Inventory: (1) Inventory that is not in transit to a location identified pursuant to Section 6.1(Q) or Section 5.2(O) or such location is not a vendor or consignee location, or the location of a warehouseman, bailee, processor or similar third party that has not executed a satisfactory waiver of interest satisfactory to Agent; (2) title to such Inventory has not passed to Borrower; (3) Inventory which is not insured against types of loss, damage, hazards and risks, and in amounts, satisfactory to Agent; (4) such Inventory is not subject to a Conformed Bill of Lading; (5) each original of the applicable Conformed Bill of Lading is not in the possession of Agent or a Person acting as Agent’s agent for purposes of perfecting Agent’s security interest, on behalf of itself and Lenders, in such Conformed Bill of Lading; and (6) Inventory which is not finished goods Inventory.

“Eligible Inventory” means, as at any date of determination, the value (determined at the lower of cost or market on a first-in, first-out basis) of all Inventory owned by Borrower and located in the US (including Puerto Rico) that Agent, in its reasonable credit judgment, deems to be eligible for borrowing purposes. Without limiting the generality of the foregoing, the Agent may determine that any of the following is not Eligible Inventory: (1) work-in-process that is not readily marketable in its current form; (2) Inventory which Agent determines, is unacceptable for borrowing purposes due to age, quality, type, category and/or quantity; (3) packaging, shipping materials or supplies consumed in Borrower’s business; (4) Inventory with respect to which Agent, on behalf of itself and Lenders, does not have a valid, first priority and fully perfected security interest; (5) Inventory with respect to which there exists any Lien in favor of any Person other than Agent, on behalf of itself and Lenders and ACFS; (6) Inventory produced in violation of the Fair Labor Standards Act and subject to the so-called “hot goods” provisions contained in Title 29 U.S.C. Section 215 (a)(i) or any replacement statute; (7) Inventory located at any location other than those identified pursuant to Section 6.1(Q) or Section 5.2(O); (8) Inventory located at a vendor’s location or with a consignee which is not subject to a bailee’s waiver or other agreement satisfactory to Agent; (9) Inventory located with a warehouseman, bailee, processor or similar third party, unless such Person has executed a waiver of interest satisfactory to Agent; and (10) unless otherwise agreed to by Agent, Inventory in any location leased by Borrower for which Agent has not received a Landlord Waiver.

“Environmental Laws” shall mean any Laws that address, are related to or are otherwise concerned with environmental, health or safety issues, including any Laws relating to any emissions, releases or discharges of Pollutants into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling, clean-up or control of Pollutants or any exposure or impact on worker health and safety.

“Environmental Liabilities” shall mean any obligations or Liabilities (including any claims, suits or other assertions of obligations or Liabilities) that are:

(a) related to environmental, health or safety issues (including on-site or off-site contamination by Pollutants of surface or subsurface soil or water, and occupational safety and health); and

(b) based upon or related to (i) any provision of past, present or future US or foreign Environmental Law (including CERCLA and RCRA), common law or treaty of which the US is a signatory, or (ii) any judgment, order, writ, decree, permit or injunction imposed by any court, administrative agency, tribunal or otherwise.

The term “Environmental Liabilities” includes: (i) fines, penalties, judgments, awards, settlements, losses, damages (including foreseeable and unforeseeable consequential damages), costs, fees (including reasonable attorneys’ and consultants’ fees), expenses and disbursements; (ii) defense and other responses to any administrative or judicial action (including claims, notice letters, complaints, and other assertions of liability); and (iii) financial responsibility for (1) cleanup costs and injunctive relief, including any Removal, Remedial or other Response actions, and natural resource damages, and (2) any other compliance or remedial measures.

“EPA” shall mean the United States Environmental Protection Agency and any governmental body or agency succeeding to the functions thereof.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as the same may from time to time be amended, and the rules and regulations of any Governmental Agency or authority, as from time to time in effect, promulgated thereunder.



“ERISA Affiliate” means any Loan Party and any Person who is a member of a group which is under common control with any Loan Party, who together with any Loan Party is treated as a single employer within the meaning of Section 414 of the IRC.

“Event of Default” has the meaning assigned to that term in Section 7.1.

“Excess Cash Flow” means, for any period, the greater of (a) zero (0); or (b) without duplication, the total of the following for Rocky on a Consolidated Basis, each calculated for such period: (i) EBITDA; plus (ii) tax refunds actually received; less (iii) Capital Expenditures (to the extent actually made in cash and/or due to be made in cash within such period, excluding any Capital Expenditures under or with respect to Capital Leases to the extent of the amount financed thereby, but in no event more than the amount permitted in Section 5.3(E); less (iv) income and franchise taxes paid or accrued excluding any provision for deferred taxes included in the determination of net income; less (v) decreases in deferred income taxes resulting from payments of deferred taxes accrued in prior periods; less (vi) Cash Interest Expense; less (vii) voluntary prepayments made under Section 2.4(C); less (viii) mandatory prepayments from Proceeds of Asset Dispositions made under Section 2.4(B)(2), but only to the extent that the transaction that precipitated the mandatory prepayment increased net income of Borrower, as determined in accordance with GAAP; less (ix) payments of principal paid in cash with respect to all long-term Indebtedness (other than Revolving Loans) and Capital Leases.

“Excess Interest” has the meaning assigned to that term in Section 2.2(C).

“Excluded Property” means any of the following:

(a) any lease (including any fixtures or improvements on the property subject to the lease), license, contract, property right or agreement to which any Loan Party is a party or any of its rights or interests thereunder if and only for so long as the grant of a security interest under this Agreement therein shall constitute or result in a breach, termination or default under any such lease, license, contract, property right or agreement (other than to the extent that any such term would be rendered ineffective pursuant to the UCC of any relevant jurisdiction (including, without limitation, under Sections 9-406, 9-407, 9-408 or 9-409 thereof) or any other applicable law or principles of equity); provided that notwithstanding the foregoing (i) no personal property lease, license, contract, property right or agreement or any right or interest thereunder, in each instance, existing on the Closing Date shall constitute Excluded Property unless described on Schedule 1.1, (ii) no Account or money or other amounts due or to become due to any Loan Party under or with respect to any such lease, license, contract, property right or agreement or right or interest thereunder (other than (A) any such property subject to an assignment of rents containing a restriction of the type described above or (B) property described in clauses (d) or (e) of this definition) shall constitute Excluded Property, (iii) no item of tangible property owned by any Loan Party shall constitute Excluded Property unless such item is described in clauses (b), (c) or (f) of this definition, (iv) such lease, license, contract, property right or agreement or right or interest thereunder shall be Excluded Property only to the extent and for so long as the consequences specified above shall result and shall cease to be Excluded Property and shall become subject to the security interest granted under this Agreement, immediately and automatically, at such time as such consequences shall no longer result (including, without limitation and in any event, in the case of any item of tangible property which is the subject of purchase money Indebtedness or other financing permitted hereunder when such financing has been paid in full) and (v) Lenders will be deemed to have, and at all times from and after the date hereof to have had, a security interest in the proceeds of any such Excluded Property to the extent that proceeds of such Excluded Property have come into the possession of any Lender or otherwise constitute a portion of the Collateral;

(b) any Equipment that is subject to a purchase money security interest or Capital Lease, as described on Schedule 1.1, if and only for so long as the grant of a security interest under this Agreement therein shall constitute or result in a breach, termination or default under any applicable purchase money security agreement or Capital Lease agreement (other than to the extent that any such term would be rendered ineffective pursuant to the UCC of any relevant jurisdiction (including, without limitation, under Sections 9-406, 9-407, 9-408 or 9-409 thereof) or any other applicable law or principles of equity);

(c) any real estate owned or leased by the Borrower or its Subsidiaries other than any and all Additional Mortgaged Property;

(d) any life insurance or life insurance policy in which the Borrower or a Subsidiary has an interest;

(e) loans or advances to any officer, director, employee or agent permitted by this Agreement; and

(f) Inventory not located in the US, Canada or Puerto Rico, and Intellectual Property issued under the Laws of a country other than the US or any state thereof.

“Federal Funds Effective Rate” means, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the immediately following Business Day by the Board of Governors of the Federal Reserve System as the Federal Funds Rate or Federal Reserve Statistical Release H.15(519) entitled “Selected Interest Rates” or any successor publication of the Federal Reserve System reporting the Federal Funds Effective Rate or its equivalent or, if such rate is not published for any Business Day, the average of the quotations for the day of the requested Loan received by Agent from three Federal funds brokers of recognized standing selected by Agent.

“Financial Projections” shall have the meaning assigned to such term in Section 4.1(C)(iv).

“Financial Statements” shall have the meaning assigned to such term in Section 4.1(C)(i).

“Fiscal Year” means each twelve (12) month period ending on the last day of December in each year, as modified in accordance with Section 5.2(N).

“Fixed Charge Coverage Ratio” shall mean, for any period, the ratio of EBITDA less Capital Expenditures of Rocky on a Consolidated Basis during such period to Fixed Charges during such period.

“Fixed Charges” shall mean, for any period, and each calculated for such period (without duplication) with respect to Rocky on a Consolidated Basis, the sum of (a) cash interest expense; (b) scheduled payments of principal with respect to all Indebtedness; (c) any cash payment of income or franchise taxes included in the determination of net income, excluding any provision for deferred taxes; and (d) payment of deferred taxes relating to income and franchise taxes accrued in any prior period.

“Foreign Lender” has the meaning assigned to that term in Section 2.9(C).

“Foreign Subsidiary” means, with respect to any Person, a Subsidiary of such Person, which Subsidiary is not incorporated or otherwise organized under the laws of a State of the US.

“Funding Date” means the date of each funding of a Loan or issuance of a Lender Letter of Credit.

“GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board that are applicable to the circumstances as of the date of determination.

“GMAC CF” has the meaning assigned to that term in the third WHEREAS clause of this Agreement.

“GMAC Transactions” shall mean the incurrence of the Obligations by the Loan Parties and the advancing of the Loans and issuance of Lender Letters of Credit, all as contemplated by this Agreement and the Loan Documents.

“Governmental Authorities” shall mean any federal, state or municipal court or other governmental department, commission, board, bureau, agency or instrumentality, governmental or quasi-governmental, domestic or foreign.

“Guarantor” has the meaning assigned to that term in the third WHEREAS clause of this Agreement.

“Guaranty” shall mean any guaranty of the payment or performance of any Indebtedness or other obligation and any other arrangement whereby credit is extended to one obligor on the basis of any promise of another Person, whether that promise is expressed in terms of an obligation to pay the Indebtedness of such obligor, or to purchase an obligation owed by such obligor, or to purchase goods and services from such obligor pursuant to a take-or-pay contract, or to maintain the capital, working capital, solvency or general financial condition of such obligor, whether or not any such arrangement is reflected on the balance sheet of such other Person, firm or corporation, or referred to in a footnote thereto, but shall not include (i) endorsements of items for collection in the ordinary course of business and (ii) obligations, warranties and indemnities incurred in the ordinary course of Business in connection with the sale of Inventory and not in respect of Indebtedness of any Person. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any obligation shall be deemed to be equal to the maximum aggregate amount of such obligation or, if the Guaranty is limited to less than the full amount of such obligation, the maximum aggregate potential liability under the terms of the Guaranty.

“Indebtedness” shall mean, for any Person at the time of any determination, without duplication, all obligations, contingent or otherwise, of such Person that, in accordance with GAAP, should be classified upon the balance sheet of such Person as indebtedness, but in any event including: (i) all obligations for borrowed money, (ii) all obligations arising from installment purchases of property or representing the deferred purchase price of property or services in respect of which such Person is liable, contingently or otherwise, as obligor or otherwise (other than trade payables and other current Liabilities incurred in the ordinary course of business on terms customary in the trade), (iii) all obligations evidenced by notes, bonds, debentures, acceptances or instruments, or arising out of letters of credit or bankers’ acceptances issued for such Person’s account, (iv) all obligations, whether or not assumed, secured by any Lien or payable out of the proceeds or production from any property or assets now or hereafter owned or acquired by such Person, (v) all obligations for which such Person is obligated pursuant to a Guaranty which are classified under GAAP as indebtedness, (vi) the capitalized portion of lease obligations under Capitalized Leases, (vii) all obligations for which such Person is obligated pursuant to any Interest Rate Protection Agreements or derivative agreements or arrangements, (viii) all factoring arrangements and (ix) all obligations of such Person upon which interest charges are customarily paid or accrued.

“Indemnified Liabilities” has the meaning assigned to that term in Section 10.2.

“Indemnities” has the meaning assigned to that term in Section 10.2.

“Intangible Assets” means all intangible assets (determined in conformity with GAAP) including, without limitation, goodwill, Intellectual Property, Software, licenses, organizational costs, deferred amounts, covenants not to compete, unearned income and restricted funds.

“Intellectual Property” means, collectively, all: Copyrights, Patents and Trademarks.

“Intercreditor Agreement” means that certain Intercreditor Agreement dated as of the Closing Date to be executed by ACFS, in a form acceptable to Agent.

“Interest Period” means, in connection with each LIBOR Loan, an interest period which Borrowing Agent shall elect to be applicable to such Loan, which Interest Period shall be either a one (1), two (2), three (3), or six (6) month period; provided that:

- (1) the initial Interest Period for any LIBOR Loan shall commence on the Funding Date of such Loan;

- (2) in the case of successive Interest Periods, each successive Interest Period shall commence on the day on which the immediately preceding Interest Period expires;
- (3) if an Interest Period expiration date is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided that if any Interest Period expiration date is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the immediately preceding Business Day;
- (4) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to part (5) below, end on the last Business Day of a calendar month;
- (5) no Interest Period shall extend beyond the Termination Date;
- (6) no Interest Period for any portion of Term Loan A shall extend beyond the date of the final Scheduled Installment thereof;
- (7) no Interest Period may extend beyond a scheduled principal payment date of any Loan, unless the aggregate principal amount of such Loan that is a Base Rate Loan or that has Interest Periods expiring on or before such scheduled principal payment date equals or exceeds the principal amount required to be paid on such Loan on such scheduled principal payment date; and
- (8) there shall be no more than five (5) Interest Periods relating to LIBOR Loans outstanding at any time.

“Interest Rate” has the meaning assigned to that term in Section 2.2(A).

“Interest Rate Protection Agreement” means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or similar agreement or arrangement designed to protect Loan Parties against fluctuations in interest rates.

“Interest Ratio” has the meaning assigned to that term in Section 9.8(A)(3)(d).

“Interest Settlement Date” has the meaning assigned to that term in Section 9.8(A)(4).

“Investment” as applied to any Person shall mean the amount paid or agreed to be paid or loaned, advanced or contributed to other Persons, and in any event shall include, without limitation, (i) any direct or indirect purchase or other acquisition of any notes, obligations, instruments, stock, securities or ownership interest (including partnership interests and joint venture interests) and (ii) any capital contribution to any other Person

“IRC” means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute and all rules and regulations promulgated thereunder.

“Issuing Lender” has the meaning assigned to that term in Section 2.1(F)(2).

“Landlord Waiver” shall mean a letter in form and substance acceptable to the Agent and executed by a landlord in respect of Personal Property of the Loan Parties located at any leased premises of the Loan Parties pursuant to which such landlord, among other things, waives or subordinates to Agent any Lien such landlord may have in respect of such Personal Property, acknowledges the Liens of the Agent, and permits the Agent access to and use of such premises.

“Laws” shall mean all US and foreign federal, state or local statutes, laws, rules, regulations, ordinances, codes, policies, rules of common law, and the like, now or hereafter in effect, including any judicial or administrative interpretations thereof, and any judicial or administrative orders, consents, decrees or judgments

“Lender” or “Lenders” has the meaning assigned to that term in the Recitals section of this agreement.

“Lender Letter of Credit” has the meaning assigned to that term in Section 2.1(E).

“Letter of Credit Liability” means, all reimbursement and other liabilities of Loan Parties or any of their respective Subsidiaries with respect to each Lender Letter of Credit, whether contingent or otherwise, including: (a) the amount available to be drawn or which may become available to be drawn; (b) all amounts which have been paid or made available by any Lender issuing a Lender Letter of Credit or any bank issuing a Bank Letter of Credit to the extent not reimbursed; and (c) all unpaid interest, fees and expenses related thereto.

“Letter of Credit Reserve” means, at any time, an amount equal to (a) the aggregate amount of Letter of Credit Liability with respect to all Lender Letters of Credit outstanding at such time plus, without duplication, (b) the aggregate amount theretofore paid by Agent or any Lender under Lender Letters of Credit and not debited to the Revolving Loan pursuant to Section 2.1(E)(2) or otherwise reimbursed by Borrowers.

“Letter of Non-Exemption” has the meaning assigned to that term in Section 2.9(C).

“Liabilities” shall have the meaning given that term in accordance with GAAP and shall include, without limitation, Indebtedness.

“LIBOR” means, for each Interest Period, a rate per annum equal to:

(1) the offered rate for deposits in U.S. dollars in an amount comparable to the amount of the applicable Loan in the London interbank market for the relevant Interest Period which is published by the British Bankers’ Association and currently appears on the Dow Jones Telerate Page 3750 as of 11:00 a.m. (London time) on the day which is two (2) Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, that if such a rate ceases to be available to Agent on that or any other source from the British Bankers’ Association, LIBOR shall be equal to a rate per annum equal to the average rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which Agent determines that U.S. dollars in an amount comparable to the amount of the applicable Loans are being offered to prime banks at approximately 11:00 a.m. (London time) on the day which is two (2) Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period for settlement in immediately available funds by leading banks in the London interbank market selected by Agent; divided by

(2) a number equal to one (1.0) minus the maximum reserve percentages (expressed as a decimal fraction) (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other governmental authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of such Board) which are required to be maintained by any Lender by the Board of Governors of the Federal Reserve System; such rate to be rounded upwards, if necessary, to the nearest 1/100 of 1%. LIBOR shall be adjusted automatically on and as of the effective date of any change in any such reserve percentage.

“LIBOR Loans” means at any time that portion of the Loans bearing interest at rates determined by reference to LIBOR.

“Lien” means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind, whether voluntary or involuntary (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest.

“Loan” or “Loans” means an advance or advances under the Term Loan A Commitment or the Revolving Loan Commitment.

“Loan Documents” means this Agreement and all other documents, instruments and agreements executed by or on behalf of any Loan Party and delivered concurrently herewith or at any time hereafter to or for Agent or any Lender in connection with the Loans, any Lender Letter of Credit, and any other transaction contemplated by this Agreement, all as amended, restated, supplemented or modified from time to time.

“Loan Party” means each of Borrower and Guarantor and each Subsidiary of Borrower which is or becomes a Borrower or Guarantor pursuant to the terms of this Agreement or pursuant to any Loan Document.

“Loan Year” means each period of twelve (12) consecutive months commencing on the Closing Date and on each anniversary thereof.

“London Banking Day” means any day on which dealings in deposits in U.S. dollars are transacted in the London Interbank market.

“Manage” and “Management” shall mean generation, production, handling, distribution, processing, use, storage, treatment, operation, transportation, recycling, reuse and/or disposal, as those terms are defined in CERCLA, RCRA and other Environmental Laws (including as those terms are further defined, construed, or otherwise used in rules, regulations, standards, guidelines and publications issued pursuant to, or otherwise in implementation of, such Environmental Laws).

“Material Adverse Change” shall mean any change that has a Material Adverse Effect.

“Material Adverse Effect” means a material adverse effect upon (a) the business, operations, prospects, properties, assets or condition (financial or otherwise) of the Loan Parties taken as a whole or (b) the ability of Parent or EJ Footwear, or the Loan Parties taken as a whole, to perform its (or their) obligations under any Loan Document to which it is (or they are) a party or (c) the ability of Agent or any Lender to enforce or collect any of the Obligations.

“Material Contracts” shall have the meaning assigned to such term in Section 4.1(Y).

“Material License Agreements” shall mean and include each of the following: (a) Trademark License Agreement between Georgia Boot, as Licensee and W.L Gore & Associates (“Gore”), W.L. Gore & Associates GmbH, and Japan Gore-Tex, Inc., collectively as Licensor, dated May 20, 2002, (b) Trademark License Agreement between Rocky, as Licensee and Gore, as Licensor, dated July 11, 2001 and (c) Certified Manufacturer Agreement between Rocky and Gore dated July 11, 2001.

“Maximum Rate” has the meaning assigned to that term in Section 2.2(C).

“Maximum Revolving Loan Amount” means, as of any date of determination, the lesser of (a) the aggregate of the Revolving Loan Commitments of all Lenders less the sum of the Letter of Credit Reserve and (b) the Borrowing Base less the sum of the Letter of Credit Reserve.

“Mortgage” means each of the mortgages, deeds of trust, leasehold mortgages, leasehold deeds of trust, collateral assignments of leases or other real estate security documents delivered by any Loan Party to Agent, on behalf of Agent and Lenders, with respect to Additional Mortgaged Property, all in form and substance satisfactory to Agent.

“Multiemployer Plan” shall mean a multiemployer plan (within the meaning of Section 3(37) of ERISA) that is maintained for the benefit of the employees of the Loan Parties or any member of the Controlled Group or an ERISA Affiliate.

“Nelsonville Office” shall mean the real property and improvements consisting of approximately 5000 square feet of office space, owned by Parent at premises having the address 294 South Harper Street, Nelsonville, Ohio.

“Nelsonville Warehouse” shall mean the real property and improvements constituting Parent’s former distribution facility, having the address 296 South Harper Street, Nelsonville, Ohio.



“Net Cash Proceeds” shall mean the proceeds, received in cash or cash equivalents, of any applicable Asset Disposition, minus (i) commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction and payable by such obligated party in connection therewith (in each such case, paid to non-Affiliates), (ii) transfer taxes, (iii) amounts payable to holders of Liens (to the extent such Liens constitute Permitted Liens hereunder and such Liens are senior to the Liens of Agent and the Lenders), if any, on the property subject to the Asset Disposition to the extent the documentation governing such senior Liens required such payment to such holders upon such Asset Disposition and (iv) an appropriate reserve for income taxes in accordance with GAAP in connection therewith.

“Net Orderly Liquidation Percentage” means, with respect to any class of Inventory of a Borrower at any time, the ratio (expressed as a percentage) computed by dividing (i) (x) if such percentage is being determined on the Closing Date or on any date prior to the first delivery of an appraisal of such Borrower's Inventory (containing such class of Inventory) conducted pursuant to Section 2.3(C), the net recovery value of such class of Inventory of such Borrower (which in any event shall give effect to all costs and expenses of liquidation), as set forth in such appraisal of such Borrower's Inventory (containing such class of Inventory) delivered to Agent prior to the Closing Date and (y) if such percentage is being determined on or after the date of the first delivery of an appraisal of such Borrower's Inventory (containing such class of Inventory) conducted pursuant to Section 2.3(C), the net recovery value of such class of Inventory of such Borrower (which in any event shall give effect to all costs and expenses of liquidation), as set forth in the appraisal of such Borrower's Inventory (containing such class of Inventory) most recently delivered to Agent pursuant to Section 2.3(C) by (ii) the value of such class of Inventory of such Borrower, valued at net book value, as set forth in the corresponding appraisal.

“Non-Recurring Charges” shall mean the sum of the aggregate amount of fees, expenses, financing costs and other expenses incurred in connection with the Transactions, to the extent paid substantially contemporaneously with, on or about the Closing Date.

“Note” or “Notes” means the Revolving Notes and the Term A Notes, each appropriately completed and in the form of Exhibit E.

“Note Purchase Agreement” means the Note Purchase Agreement dated as of January 6, 2005 by and among Loan Parties, ACFS and certain Purchasers named therein pursuant to which each Term Note B shall have been issued, as amended, restated, supplemented or otherwise modified from time to time in accordance with the provisions of this Agreement and the Intercreditor Agreement.

“Note Purchase Documents” means the Note Purchase Agreement, the Security Documents (as defined therein) and each Term Note B.

“Notice of Borrowing” means a notice duly executed by an authorized representative of Borrower appropriately completed and in the form of Exhibit F.

“Obligations” means all Liabilities and other obligations of every nature of each Loan Party from time to time owed to Agent or to any Lender under the Loan Documents (whether incurred before or after the Termination Date) including, without limitation, the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing pursuant to any Loan Document, due or payable including, without limitation, all interest, fees, cost and expenses accrued or incurred after the filing of any petition under any bankruptcy or insolvency law.

“Organizational Schedule” has the meaning assigned to that term in Section 4.1(A).

“Parent” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“Parent SEC Reports” has the meaning assigned to that term in Section 4.1(Z).

“Patent Security Agreement” means any Patent Security Agreement executed and delivered by each Loan Party to Agent, as the same may be amended and in effect from time to time.

“Patents” means collectively all of the following: (a) all patents and patent applications including, without limitation, those listed on any schedule to any Patent Security Agreement and the inventions and improvements described and claimed therein, and patentable inventions; (b) the reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

“PBGC” shall mean the Pension Benefit Guaranty Corporation established pursuant to Title IV of ERISA, or any other Governmental Authority succeeding to the functions thereof.

“Permitted Investment” shall have the meaning assigned to such term in Section 5.2(H).

“Permitted Liens” shall have the meaning assigned to such term in Section 5.2(B).

“Person” means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

“Personal Property” shall mean, with respect to any Loan Party, now owned or hereafter acquired goods, merchandise, machinery, Equipment, furniture, fixtures, Inventory and other personal property, wherever located, of any kind, nature or description, and all documents of title or other documents representing them.

“Plan” shall mean any employee benefit plan (within the meaning of Section 3(3) of ERISA) established or maintained by any of the Loan Parties or any member of the Controlled Group or any ERISA Affiliate or any such Plan to which any Loan Party or any ERISA Affiliate or member of the Controlled Group is required to contribute on behalf of any of its employees.

“Pollutant” shall include any “hazardous substance” and any “pollutant or contaminant” as those terms are defined in CERCLA; any “hazardous waste” as that term is defined in RCRA; and any “hazardous material” as that term is defined in the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), as amended (including as those terms are further defined, construed, or otherwise adopted in rules, regulations or standards, promulgated pursuant to, or otherwise in implementation of, said Environmental Laws); and including without limitation any petroleum product or byproduct, solvent, flammable or explosive material, radioactive material, asbestos, polychlorinated biphenyls (“PCBs”), dioxins, dibenzofurans, heavy metals, and radon gas; and including any other substance or material that is reasonably determined to present a threat, hazard or risk to human health or the environment.

“Pro Forma Balance Sheet” shall have the meaning assigned to such term in Section 4.1(C)(iii).

“Pro Rata Share” means (a) with respect to matters relating to a particular Commitment of a Lender, the percentage obtained by dividing (i) such Commitment of that Lender by (ii) all such Commitments of all Lenders and (b) with respect to all other matters, the percentage obtained by dividing (i) the Total Loan Commitment of a Lender by (ii) the Total Loan Commitments of all Lenders, in either (a) or (b), as such percentage may be adjusted by assignments permitted pursuant to Section 9.5; provided, however, if any Commitment is terminated pursuant to the terms hereof, then “Pro Rata Share” means the percentage obtained by dividing (x) the aggregate amount of such Lender’s outstanding Loans related to such Commitment by (y) the aggregate amount of all outstanding Loans related to such Commitment.

“Properties and Facilities” shall have the meaning assigned to such term in Section 4.1(Q).

“Proprietary Rights” shall mean all right, title, and interest in the following intellectual property, including both statutory and common law rights: (i) copyrights in published and unpublished works, and all applications, registrations and renewals relating thereto; (ii) registered or unregistered trademarks, service marks, domain names, logos, trade dress and other source or business identifiers, and the goodwill associated therewith; (iii) patents, patent applications, and other patent or industrial property rights in any country; and (iv) trade secrets, confidential or proprietary information, inventions, ideas, designs, concepts, compilations of information, methods, techniques, procedures, processes, and know-how, whether or not patentable patents, trademarks, trade names, service marks, copyrights, inventions, production methods, licenses, formulas, know-how and trade secrets, regardless of whether such are registered with any Governmental Authorities, including applications therefor.

“RCRA” shall mean the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), as amended, and all rules, regulations, standards, guidelines, and publications issued thereunder.

“Register” has the meaning assigned to that term in Section 9.5(E).

“Related Fund” shall mean, with respect to any Lender, a fund or other investment vehicle that invests in commercial loans and is managed by such Lender or by the same investment advisor that manages such Lender or by an Affiliate of such investment advisor.

“Release” shall mean any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, depositing, or disposing into the indoor or outdoor environment, or into or out of any property, including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Pollutant.

“Removal,” “Remedial” and “Response” actions shall include the types of activities “covered” by CERCLA, RCRA, and other comparable Environmental Laws, and whether the activities are those that might be taken by a government entity or those that a government entity or any other person might seek to require of waste generators, handlers, distributors, processors, users, storers, treaters, owners, operators, transporters, recyclers, reusers, disposers, or other persons under “removal,” “remedial,” or other “response” actions.

“Reportable Event” shall mean any of the events that are reportable under Section 4043 of ERISA and the regulations promulgated thereunder, other than an occurrence for which the thirty (30) day notice contained in 29 C.F.R. § 2615.3(a) is waived.

“Replacement Lender” has the meaning assigned to that term in Section 2.11(A).

“Requisite Lenders” means Lenders, (other than a Defaulting Lender), holding or being responsible for more than 50% of the sum of the (a) outstanding Loans, (b) Letter of Credit Reserve and (c) unutilized Commitments of all Lenders which are not Defaulting Lenders.

“Revolving Advance” means each advance made by Lender(s) under the Revolving Loan Commitment pursuant to Section 2.1 (A).

“Revolving Loan” means the outstanding balance of all Revolving Advances and any amounts added to the principal balance of the Revolving Loan pursuant to this Agreement.

“Revolving Loan Commitment” means (a) as to any Lender, the commitment of such Lender to make Revolving Advances pursuant to Section 2.1 (A), and to purchase participations in Lender Letters of Credit pursuant to Section 2.1(E) in the aggregate amount set forth on the signature page of this Agreement opposite such Lender’s signature or in the most recent Assignment and Acceptance Agreement, if any, executed by such Lender and (b) as to all Lenders, the aggregate commitment of all Lenders to make Revolving Advances and to purchase participations in Lender Letters of Credit. Any reduction of the aggregate Revolving Loan Commitment pursuant to Section 2.4(C) shall reduce each Lender’s respective Revolving Loan Commitment on a Pro Rata Basis.

“Revolving Note” means each promissory note of Borrower in form and substance reasonably acceptable to Agent, issued to evidence the Revolving Loan Commitments.

“Rocky on a Consolidated Basis” means the consolidation, in accordance with GAAP, of the financial accounts of Parent and its Subsidiaries.

“Scheduled Installment” has the meaning assigned to that term in Section 2.1(B).

“S&P” shall have the meaning assigned to such term in Section 5.2(H)(ii).

“SEC” shall mean the Securities and Exchange Commission and any governmental body or agency succeeding to the functions thereof.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Senior Debt” means all Indebtedness of Rocky on a Consolidated Basis other than (a) Indebtedness under Term Loan B and (b) any unsecured Indebtedness of Rocky on a Consolidated Basis.

“Senior Leverage Ratio” shall mean, for any period, the ratio of (x) Senior Debt as of the end of such period to (y) EBITDA for such period.

“Senior Term Loans” means Term Loan A and Term Loan B.

“Settlement Date” has the meaning assigned to that term in Section 9.8(A)(2).

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity of which more than fifty percent (50%) of the total voting power of shares of stock (or equivalent ownership or controlling interest) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other subsidiaries of that Person or a combination thereof.

“Tax Liabilities” has the meaning assigned to that term in Section 2.9(A).

“Term Loan A” means the Advances made pursuant to Section 2.1(B).

“Term Loan A Commitment” means (a) as to any Lender, the commitment of such Lender to make its Pro Rata share of Term Loan A in the maximum aggregate amount set forth on the signature page of this Agreement opposite such Lender’s signature or in the most recent Assignment and Acceptance Agreements, if any, executed by such Lender and (b) as to all Lenders, the aggregate commitment of all Lenders to make Term Loan A.

“Term Loan B” means the advances made by ACSL to Borrower in the original principal sum of \$30,000,000 pursuant to the Note Purchase Agreement.

“Term Note” means each promissory note of Borrower in form and substance acceptable to Agent, issued to evidence the Term Loan A Commitment.

“Termination Date” has the meaning assigned to that term in Section 2.5.

“Total Leverage Ratio” shall mean, for any period, the ratio of (x) total Indebtedness of Rocky on a Consolidated Basis as of the end of such period to (y) EBITDA for such period.

“Total Loan Commitment” means as to any Lender the aggregate commitments of such Lender with respect to its Revolving Loan Commitment and Term Loan A Commitment.

“Trademark Security Agreement” means each Trademark Security Agreement executed and delivered by a Loan Party to Agent, as the same may be amended and in effect from time to time.

“Trademarks” means collectively all of the following: (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, all registrations and recordings thereof, and all applications in connection therewith including, without limitation, those listed on any schedule to any Trademark Security Agreement; (b) all renewals thereof; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing including damages and payments for past, present and future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; (e) all rights corresponding to any of the foregoing throughout the world; and (f) all goodwill associated with and symbolized by any of the foregoing.

“Transactions” shall mean, in the aggregate, the GMAC Transactions, the incurrence of the obligations by the Loan Parties of Term Loan B and the consummation of the Acquisition, all as contemplated by this Agreement, the Note Purchase Documents and the Acquisition Agreement and related documents.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, to the extent the law of any other state or other jurisdiction applies to the attachment, perfection, priority or enforcement of any Lien granted to Agent in any of the Collateral, “UCC” means the Uniform Commercial Code as in effect in such other state or jurisdiction for purposes of the provisions hereof relating to such attachment, perfection, priority or enforcement of a Lien in such Collateral. To the extent this Agreement defines the term “Collateral” by reference to terms used in the UCC, each of such terms shall have the broadest meaning given to such terms under the UCC as in effect in any state or other jurisdiction.

“Undrawn Availability” means an amount at any particular date equal to (a) the Maximum Revolving Loan Amount less (b) the sum of (i) the Revolving Loan, plus (ii) all amounts due Borrower’s trade creditors with respect to accounts payable outstanding beyond customary trade terms, in accordance with the historical practices of Borrower.

“US” shall mean the United States of America.

1.2. UCC Defined Terms. The following terms used in this Agreement shall have the respective meanings provided for in the UCC: “Accounts”, “Account Debtor”, “Buyer in Ordinary Course of Business”, “Chattel Paper”, “Commercial Tort Claim”, “Deposit Account”, “Documents”, “Electronic Chattel Paper”, “Equipment”, “Farm Products”, “Fixtures”, “General Intangibles”, “Goods”, “Instruments”, “Inventory”, “Investment Property”, “Letter of Credit”, “Letter-of-Credit Rights”, “Licensee in Ordinary Course of Business”, “Payment Intangibles”, “Proceeds”, “Record”, “Software”, “Supporting Obligations” and “Tangible Chattel Paper”.

1.3. Accounting Terms. For purposes of this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to such terms in conformity with GAAP. Financial statements and other information furnished to Agent or any Lender pursuant to Section 5.1(E) shall be prepared in accordance with GAAP (as in effect at the time of such preparation) on a consistent basis. In the event any “Accounting Changes” (as defined below) shall occur and such changes affect financial covenants, standards or terms in this Agreement, then Loan Parties and Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of the Loan Parties shall be the same after such Accounting Changes as if such Accounting Changes had not been made, and until such time as such an amendment shall have been executed and delivered by Loan Parties and Requisite Lenders, (A) all financial covenants, standards and terms in this Agreement shall be calculated and/or construed as if such Accounting Changes had not been made, and (B) the Loan Parties shall prepare footnotes to each Compliance Certificate and the financial statements required to be delivered hereunder that show the differences between the financial statements delivered (which reflect such Accounting Changes) and the basis for calculating financial covenant compliance (without reflecting such Accounting Changes). “Accounting Changes” means: (a) changes in accounting principles required by GAAP and implemented by Loan Parties; (b) changes in accounting principles recommended by Loan Parties’ Accountants; and (c) changes in carrying value of any Loan Party’s assets, Liabilities or equity accounts resulting from (i) the application of purchase accounting principles (FASB 141) to the Transactions or (ii) any other adjustments that, in each case, were applicable to, but not included in, the Pro Forma Balance Sheet. All such adjustments resulting from expenditures made subsequent to the Closing Date (including, but not limited to, capitalization of costs and expenses or payment of pre-Closing Date Liabilities) shall be treated as expenses in the period the expenditures are made and deducted as part of the calculation of EBITDA in such period.

1.4. Other Definitional Provisions. References to “Sections”, “subsections”, “Riders”, “Exhibits”, “Schedules” and “Addenda” shall be to Sections, subsections, Riders, Exhibits, Schedules and Addenda, respectively, of this Agreement unless otherwise specifically provided. Any of the terms defined in subsection 1.1 or otherwise in this Agreement may, unless the context otherwise requires, be used in the singular or the plural depending on the reference. In this Agreement, words importing any gender include the other genders; the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; references to agreements and other contractual instruments shall be deemed to include subsequent amendments, assignments, and other modifications thereto, but only to the extent such amendments, assignments and other modifications are not prohibited by the terms of this Agreement or any other Loan Document; references to Persons include their respective permitted successors and assigns or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations.

SECTION 2. LOANS AND COLLATERAL

2.1. Loans.

(A) Revolving Loan. Each Lender, severally, agrees to lend to Borrower from time to time its Pro Rata Share of each advance under the Revolving Loan Commitment. The aggregate amount of the Revolving Loan Commitment shall not exceed at any time \$100,000,000, as reduced by Section 2.4(C). Amounts borrowed under this Section 2.1(A) may be repaid and reborrowed at any time prior to the earlier of (1) the termination of the Revolving Loan Commitment pursuant to Section 7.3 or (2) the Termination Date. Except as otherwise provided herein, no Lender shall have any obligation to make a Revolving Advance to the extent such Revolving Advance would cause the Revolving Loan (after giving effect to any immediate application of the proceeds thereof) to exceed the Maximum Revolving Loan Amount.

(B) Term Loan A. Each Lender, severally, agrees to lend to Borrower, on the Closing Date, its Pro Rata Share of the Term Loan A Commitment which is in the aggregate amount of \$18,000,000. Term Loan A shall be funded in one drawing. Amounts borrowed under this Section 2.1(B) and repaid may not be reborrowed. Borrower shall make principal payments in the amount of the applicable Scheduled Installment of Term Loan A (or such lesser principal amount as shall then be outstanding) on the dates set forth below:

“Scheduled Installment“ of Term Loan A means, for each date set forth below, the amount set forth opposite such date.

Date	Scheduled Installment
April 1, 2005	\$ 1,500,000
July 1, 2005	\$ 1,500,000
October 1, 2005	\$ 1,500,000
January 1, 2006	\$ 1,500,000
April 1, 2006	\$ 1,500,000
July 1, 2006	\$ 1,500,000
October 1, 2006	\$ 1,500,000
January 1, 2007	\$ 1,500,000
April 1, 2007	\$ 1,500,000
July 1, 2007	\$ 1,500,000
October 1, 2007	\$ 1,500,000
January 1, 2008	\$ 1,500,000



( C ) Borrowing Mechanics. (1) LIBOR Loans made on any Funding Date shall be in an aggregate minimum amount of \$500,000 and integral multiples of \$100,000 in excess of such amount. (2) On any day when a Borrower desires a Revolving Advance under this Section 2.1, Borrowing Agent shall give Agent written or telephonic notice of the proposed borrowing by 11:00 a.m. New York time on the Funding Date of a Base Rate Loan and three (3) Business Days in advance of the Funding Date of a LIBOR Loan, which notice shall specify the proposed Funding Date (which shall be a Business Day), whether such Loans shall consist of Base Rate Loans or LIBOR Loans, and, for LIBOR Loans, the Interest Period applicable thereto. Any such telephonic notice shall be confirmed with a Notice of Borrowing on the same day as such request. Neither Agent nor Lender shall incur any liability to any Borrower for acting upon any telephonic notice or a Notice of Borrowing which Agent believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of any Borrower or for otherwise acting in good faith under this Section 2.1(C). Neither Agent nor Lender will be required to make any advance pursuant to any telephonic or written notice or a Notice of Borrowing, unless all of the terms and conditions set forth in Section 3 have been satisfied and Agent has also received the most recent Borrowing Base Certificate and all other documents, to the extent required under Section 5.1(E), by 11:00 a.m. New York time on the date of such funding request. Each Advance shall be deposited by wire transfer in immediately available funds in such account as Borrowing Agent may from time to time designate to Agent in writing. The becoming due of any amount required to be paid under this Agreement or any of the other Loan Documents as principal, Lender Letter of Credit reimbursement obligation, accrued interest, fees, compensation or any other amounts shall be deemed irrevocably to be an automatic request by Borrowing Agent on behalf of the Borrowers for a Revolving Advance, which shall be a Base Rate Loan on the due date of, and in the amount required to pay (as set forth on Agent's books and records), such principal, Lender Letter of Credit reimbursement obligation, accrued interest, fees, compensation or any other amounts.

( D ) Notes. The Borrowers shall execute and deliver to each Lender with appropriate insertions a Note to evidence such Lender's Commitments. In the event of an assignment under Section 9.5, the Borrowers shall, upon surrender of the assigning Lender's Note, issue new Notes to reflect the interest held by the assigning Lender and its Eligible Assignee.

(E) Letters of Credit. The Revolving Loan Commitments may, in addition to Revolving Advances, be utilized, upon the request of Borrowing Agent, for (1) the issuance of letters of credit by Agent; or with Agent's consent any Lender, or (2) the issuance by GMAC CF or Agent of guaranties or risk participations to banks to induce such banks to issue Bank Letters of Credit for the account of Borrowers (each of (1) and (2) above a "Lender Letter of Credit"). Each Lender shall be deemed to have purchased a participation in each Lender Letter of Credit issued on behalf of Borrowers in an amount equal to its Pro Rata Share thereof. In no event shall any Lender Letter of Credit be issued to the extent that the issuance of such Lender Letter of Credit would cause the sum of the Letter of Credit Reserve (after giving effect to such issuance), plus the Revolving Loan to exceed the lesser of (1) the Borrowing Base and (2) the Revolving Loan Commitments.

(1) Maximum Amount. The aggregate amount of Letter of Credit Liability with respect to all Lender Letters of Credit outstanding at any time shall not exceed \$7,500,000.

(2) Reimbursement. The Borrowers shall be irrevocably and unconditionally obligated forthwith without presentment, demand, protest or other formalities of any kind, to reimburse Agent or the issuer for any amounts paid with respect to a Lender Letter of Credit including all fees, costs and expenses paid to any bank that issues a Bank Letter of Credit. Each Borrower hereby authorizes and directs Agent, at Agent's option, to debit Borrowers' account (by increasing the Revolving Loan) in the amount of any payment made with respect to any Lender Letter of Credit. In the event that Agent elects not to debit Borrowers' account and the Borrowers fail to reimburse Agent in full on the date of any payment under a Lender Letter of Credit, Agent shall promptly notify each Lender of the unreimbursed amount of such payment together with accrued interest thereon and each Lender, on the next Business Day, shall deliver to Agent an amount equal to its respective participation in same day funds. The obligation of each Lender to deliver to Agent an amount equal to its respective participation pursuant to the foregoing sentence shall be absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuation of an Event of Default or Default or the failure to satisfy any condition set forth in Section 3. In the event any Lender fails to make available to Agent the amount of such Lender's participation in such Lender Letter of Credit, Agent shall be entitled to recover such amount on demand from such Lender together with interest on such amount calculated at the Federal Funds Effective Rate.

(3) Request for Letters of Credit. Borrowing Agent shall give Agent at least three (3) Business Days prior notice specifying the date a Lender Letter of Credit is to be issued, identifying the beneficiary and describing the nature of the transactions proposed to be supported thereby. The notice shall be accompanied by the form of the Letter of Credit being requested. Any Letter of Credit which Borrowing Agent requests must be in such form, be for such amount, contain such terms and support such transactions as are reasonably satisfactory to Agent. The expiration date of each Lender Letter of Credit shall be on a date which is at least thirty (30) days prior to the Termination Date, unless otherwise agreed to by Agent.

(F) Other Letter of Credit Provisions.

(1) Obligations Absolute. The obligation of the Borrowers to reimburse Agent or any Lender for payments made under, and other amounts payable in connection with, any Lender Letter of Credit shall be unconditional and irrevocable and shall be paid under all circumstances strictly in accordance with the terms of this Agreement including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of any Lender Letter of Credit, or any other agreement;

(b) the existence of any claim, set-off, defense or other right which any Borrower, any of its Subsidiaries or Affiliates or any other Person may at any time have against any beneficiary or transferee of any Lender Letter of Credit (or any Persons for whom any such transferee may be acting), Agent, any Lender, any bank issuing a Bank Letter of Credit, or any other Person, whether in connection with this Agreement, any other Loan Document, or any other related or unrelated agreements or transactions;

- (c) any draft, demand, certificate or any other document presented under any Lender Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;
- (d) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of Loan Parties or any of their Subsidiaries;
- (e) any breach of this Agreement or any other Loan Document by any party thereto;
- (f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing;
- (g) the fact that a Default or an Event of Default shall have occurred and be continuing; or
- (h) payment under any Lender Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Lender Letter of Credit; provided that, in the case of any payment by Agent or a Lender under any Lender Letter of Credit, Agent or such Lender has not acted with gross negligence or willful misconduct (as determined by a final non-appealable order by a court of competent jurisdiction) in determining that the demand for payment under such Lender Letter of Credit complies on its face with any applicable requirements for a demand for payment under such Lender Letter of Credit.

(2) Nature of Lender's Duties. As between any Lender that issues a Lender Letter of Credit (an "Issuing Lender"), on the one hand, and all Lenders on the other hand, all Lenders assume all risks of the acts and omissions of, or misuse of any Lender Letter of Credit by the beneficiary thereof. In furtherance and not in limitation of the foregoing, neither Agent nor any Issuing Lender shall be responsible: (a) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document by any party in connection with the application for and issuance of any Lender Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (b) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Lender Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (c) for failure of the beneficiary of any Lender Letter of Credit to comply fully with conditions required in order to demand payment thereunder; provided that, in the case of any payment under any such Lender Letter of Credit, any Issuing Lender has not acted with gross negligence or willful misconduct (as determined by a final non-appealable order by a court of competent jurisdiction) in determining that the demand for payment under any such Lender Letter of Credit complies on its face with any applicable requirements for a demand for payment thereunder; (d) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (e) for errors in interpretation of technical terms; (f) for any loss or delay in the transmission or otherwise of any document required in order to make a payment under any such Lender Letter of Credit; (g) for the credit of the proceeds of any drawing under any such Lender Letter of Credit; and (h) for any consequences arising from causes beyond the control of Agent or any Lender as the case may be.

(3) Liability. In furtherance and extension of and not in limitation of, the specific provisions herein above set forth, any action taken or omitted by Agent or any Lender under or in connection with any Lender Letter of Credit, if taken or omitted in good faith, shall not put Agent or any Lender under any resulting liability to any Borrower or any other Lender.

(G) Availability of a Lender's Pro Rata Share.

(1) Lender's Amounts Available on a Funding Date. Unless Agent receives written notice from a Lender on or prior to any Funding Date that such Lender will not make available to Agent as and when required such Lender's Pro Rata Share of any requested Loan or Advance, Agent may assume that each Lender will make such amount available to Agent in immediately available funds on the Funding Date and Agent may (but shall not be so required), in reliance upon such assumption, make available to Borrowers on such date a corresponding amount.

(2) Lender's Failure to Fund. A Defaulting Lender shall pay interest to Agent at the Federal Funds Effective Rate on the Defaulted Amount from the Business Day following the applicable Funding Date of such Defaulted Amount until the date such Defaulted Amount is paid to Agent. A notice of Agent submitted to any Lender with respect to amounts owing under this subsection shall be conclusive, absent manifest error. If such amount is not paid when due to Agent, Agent, at its option, may notify Borrowing Agent of such failure to fund and, upon demand by Agent, the Borrowers shall pay the unpaid amount to Agent for Agent's account, together with interest thereon (without duplication and to the extent not paid in connection with such applicable Loan) for each day elapsed since the date of such borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loan made by the other Lenders on such Funding Date. The failure of any Lender to make available any portion of its Commitment on any Funding Date or to fund its participation in a Lender Letter of Credit shall not relieve any other Lender of any obligation hereunder to fund such Lender's Commitment on such Funding Date or to fund any such participation, but no Lender shall be responsible for the failure of any other Lender to honor its Commitment on any Funding Date or to fund any participation to be funded by any other Lender.

(3) Payments to a Defaulting Lender. Notwithstanding any provision to the contrary contained in this Agreement or the other Loan Documents, Agent shall not be obligated to transfer to a Defaulting Lender any payment made by the Borrowers to Agent or any amount otherwise received by Agent for application to the Obligations nor shall a Defaulting Lender be entitled to the sharing of any interest, fees or payments hereunder.

(4) Defaulting Lender's Right to Vote. Notwithstanding any provision to the contrary contained in this Agreement or the other Loan Documents for purposes of voting or consenting to matters with respect to (a) the Loan Documents or (b) any other matter concerning the Loans, a Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitments and outstanding Loans and Advances shall be deemed to be zero.

2.2. Interest.

(A) Rate of Interest. The Loans and all other Obligations shall bear interest from the date such Loans are made or such other Obligations become due to the date paid at a rate per annum equal to (1) in the case of Base Rate Loans and Obligations for which no interest rate basis is specified, the Base Rate plus the Applicable Margin and (2) in the case of LIBOR Loans, LIBOR plus the Applicable Margin (collectively the "Interest Rate"). All Loans made on the Closing Date shall be either (x) Base Rate Loans or (y) LIBOR Loans having an Interest Period of one month, and, in each case, shall remain so until ninety (90) days after the Closing Date or such earlier date as Agent notifies Borrower that it has completed the primary syndication of the Loans. Such designation by Borrowing Agent may be changed from time to time pursuant to Section 2.2(D). If on any day a Loan or a portion of any Loan is outstanding with respect to which notice has not been delivered to Agent in accordance with the terms of this Agreement specifying the basis for determining the rate of interest or if LIBOR has been specified and no LIBOR quote is available, then for that day that Loan or portion thereof shall bear interest determined by reference to the Base Rate.

After the occurrence and during the continuance of an Event of Default (1) the Loans and all other Obligations shall, at the election of Agent or Requisite Lenders, bear interest at a rate per annum equal to two percent (2%) plus the applicable Interest Rate (the "Default Rate"), (2) each LIBOR Loan shall automatically convert to a Base Rate Loan at the end of any applicable Interest Period and (3) no Loans may be converted to LIBOR Loans. If an Event of Default has occurred and is continuing on an Adjustment Date, the Applicable Margin shall be set at its highest level.

(B) Computation and Payment of Interest. Interest on the Loans and all other Obligations shall be computed on the daily principal balance on the basis of a three hundred sixty (360) day year for the actual number of days elapsed. In computing interest on any Loan, the date of funding of the Loan or the first day of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted from a LIBOR Loan, the date of conversion of such LIBOR Loan to such Base Rate Loan, shall be included; and the date of payment of such Loan or the expiration date of an Interest Period applicable to such Loan, or with respect to a Base Rate Loan being converted to a LIBOR Loan, the date of conversion of such Base Rate Loan to such LIBOR Loan, shall be excluded; provided that if a Loan is repaid on the same day on which it is made, one (1) day's interest shall be paid on that Loan. Interest on Base Rate Loans and all other Obligations other than LIBOR Loans shall be payable to Agent for the benefit of Lenders monthly in arrears on the first day of each month, on the date of any prepayment of Loans, and at maturity, whether by acceleration or otherwise. Interest on LIBOR Loans shall be payable to Agent for the benefit of Lenders on the last day of the applicable Interest Period for such Loan, on the date of any prepayment of the Loans, and at maturity, whether by acceleration or otherwise. In addition, for each LIBOR Loan having an Interest Period longer than three (3) months, interest accrued on such Loan shall also be payable on the last day of each three (3) month interval during such Interest Period.

(C) Interest Laws. Notwithstanding any provision to the contrary contained in this Agreement or any other Loan Document, the Borrowers shall not be required to pay, and neither Agent nor any Lender shall be permitted to collect, any amount of interest in excess of the maximum amount of interest permitted by applicable law ("Excess Interest"). If any Excess Interest is provided for or determined by a court of competent jurisdiction to have been provided for in this Agreement or in any other Loan Document, then in such event: (1) the provisions of this subsection shall govern and control; (2) neither any Borrower nor any other Loan Party shall be obligated to pay any Excess Interest; (3) any Excess Interest that Agent or any Lender may have received hereunder shall be, at such Lender's option, (a) applied as a credit against the outstanding principal balance of the Obligations or accrued and unpaid interest (not to exceed the maximum amount permitted by law), (b) refunded to the payor thereof, or (c) any combination of the foregoing; (4) the interest rate(s) provided for herein shall be automatically reduced to the maximum lawful rate allowed from time to time under applicable law (the "Maximum Rate"), and this Agreement and the other Loan Documents shall be deemed to have been and shall be, reformed and modified to reflect such reduction; and (5) neither any Borrower nor any Loan Party shall have any action against Agent or any Lender for any damages arising out of the payment or collection of any Excess Interest. Notwithstanding the foregoing, if for any period of time interest on any Obligations is calculated at the Maximum Rate rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the Maximum Rate, the rate of interest payable on such Obligations shall remain at the Maximum Rate until each Lender shall have received the amount of interest which such Lender would have received during such period on such Obligations had the rate of interest not been limited to the Maximum Rate during such period.

(D) Conversion or Continuation. Subject to the other provisions of this Agreement, including, without limitation, satisfying the conditions set forth in Section 3, Borrowing Agent shall have the option to (1) convert at any time all or any part of outstanding Loans equal to \$500,000 and integral multiples of \$100,000 in excess of that amount from Base Rate Loans to LIBOR Loans or (2) upon the expiration of any Interest Period applicable to a LIBOR Loan, to (a) continue all or any portion of such LIBOR Loan equal to \$500,000 and integral multiples of \$100,000 in excess of that amount as a LIBOR Loan or (b) convert all or any portion of such LIBOR Loan to a Base Rate Loan. The succeeding Interest Period(s) of such continued or converted Loan commence on the last day of the Interest Period of the Loan to be continued or converted; provided that no outstanding Loan may be continued as, or be converted into, a LIBOR Loan, when any Event of Default or Default has occurred and is continuing.

Borrowing Agent shall deliver a Notice of Borrowing with respect to any such conversion/continuation to Agent no later than 11:00 a.m. (New York time) at least three (3) Business Days in advance of the proposed conversion/continuation date. The Notice of Borrowing with respect to such conversion/continuation shall certify: (1) the proposed conversion/continuation date (which shall be a Business Day); (2) the amount of the Loan to be converted/continued; (3) the nature of the proposed conversion/continuation; (4) in the case of conversion to, or a continuation of, a LIBOR Loan, the requested Interest Period; (5) that no Default or Event of Default has occurred and is continuing or would result from the proposed conversion/continuation; and (6) that all conditions to make Loans as set forth in Section 3 have been satisfied.

In lieu of delivering a Notice of Borrowing with respect to any such conversion/continuation, Borrowing Agent may give Agent telephonic notice by the required time of any proposed conversion/continuation under this subsection 2.2(D) (in such telephonic notice Borrowing Agent shall certify to the items set forth above with respect to the Notice of Borrowing); provided that such telephonic notice shall be promptly confirmed in writing by delivery of a Notice of Borrowing (in form and substance described herein) with respect to such conversion/continuation to Agent on or before the proposed conversion/continuation date. Once given, the Borrowers shall be bound by such telephonic notice. Upon the expiration of an Interest Period for a LIBOR Loan, in the absence of a new Notice of Borrowing or a telephonic notice submitted to Agent not less than three (3) Business Days prior to the end of such Interest Period, the LIBOR Loan then maturing shall be automatically converted to a Base Rate Loan.

Neither Agent nor any Lender shall incur any liability to any Borrower or any other Loan Party in acting upon any telephonic notice or a Notice of Borrowing referred to above that Agent believes in good faith to have been given by an officer or other person authorized to act on behalf of Borrowers or for otherwise acting in good faith under this Section 2.2(D).

2.3. Fees.

( A ) Unused Line Fee. The Borrowers shall pay to Agent, for the benefit of Lenders, a fee in an amount equal to the Revolving Loan Commitment less the sum of (1) the average daily balance of each of the Revolving Loan plus, (2) the average daily face amount of the Letter of Credit Reserve during the preceding month multiplied by (3)  $\frac{3}{8}$ th of 1% (0.375%) per annum. Such fee to be calculated on the basis of a three hundred sixty (360) day year for the actual number of days elapsed and to be payable monthly in arrears on the first day of each month following the Closing Date.

( B ) Letter of Credit Fees. The Borrowers shall pay to Agent a fee with respect to the Lender Letters of Credit for the benefit of all Lenders with a Revolving Loan Commitment (based on their respective Pro Rata Share) in the amount of the average daily amount of Letter of Credit Liability outstanding during such month multiplied by 2.50% per annum until the first Adjustment Date and thereafter by the applicable percentage specified as the Applicable Margin for LIBOR Rate Loans consisting of Revolving Advances. Such fees will be calculated on the basis of a three hundred sixty (360) day year for the actual number of days elapsed and will be payable monthly in arrears on the first day of each month. The Borrowers shall also reimburse Agent for any and all fees and expenses, if any, paid by Agent or any Lender to the issuer of any Bank Letter of Credit.

( C ) Audit Fees. The Borrowers agree to pay all fees and expenses of the firm or individual(s) engaged by Agent to perform audits and/or appraisals of Loan Parties' assets and/or operations. Notwithstanding the foregoing, if Agent uses its internal auditors to perform any audit, the Borrowers agree to pay to Agent, for its own account, an audit fee with respect to each such audit equal to \$1,000 per internal auditor per day or any portion thereof together with all out of pocket expenses; provided, however, that prior to a Default, the Borrowers will not have to pay for more than two (2) audits per year.

(D) Other Fees and Expenses. The Borrowers shall pay to Agent, for its own account, all charges for returned items and all other bank charges incurred by Agent, as well as Agent's standard wire transfer charges for each wire transfer made under this Agreement.

(E) Fee Letter. The Borrowers shall pay to GMAC CF, individually, the fees specified in that certain letter agreement dated December 13, 2004 between the Borrowers and GMAC CF.

2.4. Payments and Prepayments.

(A) Manner and Time of Payment. In its sole discretion, Agent may elect to honor the automatic requests by Borrowing Agent for Revolving Advances, for all principal, Lender Letter of Credit reimbursement obligations, interest, fees, compensation and any other amounts due hereunder or under any of the other Loan Documents on their applicable due dates pursuant to the terms of this Agreement, and the proceeds of each such Revolving Advance, if made, shall be applied as a direct payment of the relevant Obligation. To the extent such amounts exceed the Revolving Loan Commitment of all Revolving Loan Lenders, or if Agent elects to bill Borrowers for any amount due hereunder or under any of the other Loan Documents, such amount shall be immediately due and payable with interest thereon accruing from the applicable due date. All payments made by Borrowers with respect to the Obligations shall be made without deduction, defense, setoff or counterclaim. All payments to Agent hereunder shall, unless otherwise directed by Agent, be made to Agent's Account or in accordance with Section 6.4. All proceeds remitted to Agent's Account via wire transfer shall be credited to the Obligations (including for the purpose of calculating interest payable by the Borrowers on the Obligations) on the same Business Day as such proceeds were received.

(B) Mandatory Prepayments.

( 1 ) Over Formula Advance. At any time that the Revolving Loan exceeds the Maximum Revolving Loan Amount (an "Over Formula Advance"), the Borrowers shall, immediately repay the Revolving Loan to the extent necessary to eliminate the Over Formula Advance.



( 2 ) Prepayments from Proceeds of Asset Dispositions. Immediately upon receipt by any Loan Party or any of their respective Subsidiaries of Net Cash Proceeds of any Asset Disposition, which Net Cash Proceeds (together with all other Net Cash Proceeds of Asset Dispositions theretofore consummated by the Loan Parties or any of their respective Subsidiaries during any Fiscal Year) exceed \$50,000 in the aggregate in any Fiscal Year (it being understood that if the Net Cash Proceeds of any Asset Disposition exceed \$50,000, the entire amount and not just the portion above \$50,000 shall be subject to this Section 2.4(B)(2)), the Borrowers shall prepay the Obligations in an amount equal to such proceeds. All such prepayments shall be applied to the Loans in accordance with Section 2.4(E); provided, however, (x) if the Borrowers reasonably expect the proceeds of any Asset Disposition (other than as described in clauses (y) and (z) below) to be reinvested within one hundred eighty (180) days to repair or replace such assets with like assets, the Borrowers shall deliver the proceeds to Agent to be applied to the Revolving Loan and Agent shall establish a reserve against available funds for borrowing purposes under the Revolving Loan for such amount, until such time as such proceeds have been re-borrowed or applied to other Obligations as set forth herein, (y) if Parent sells the Nelsonville Office within twelve (12) months of the Closing Date and, at the time of such sale, no Default or Event of Default has occurred which is then continuing, the first \$500,000 in Net Cash Proceeds of such sale shall be applied to reduce the outstanding principal balance of the Revolving Loans, but not as a permanent reduction of the Revolving Loan Commitment, and any excess Net Cash Proceeds shall be applied as set forth in Section 2.4(E), and (z) if Parent sells the Nelsonville Warehouse within twelve (12) months of the Closing Date and, at the time of such sale, no Default or Event of Default has occurred which is then continuing, the first \$1,500,000 in Net Cash Proceeds of such sale shall be applied to reduce the outstanding principal balance of the Revolving Loans, but not as a permanent reduction of the Revolving Loan Commitment, and any excess Net Cash Proceeds shall be applied as set forth in Section 2.4(E). If any Borrower elects, under clause (x) of this Section 2.4(B)(2), to deliver such proceeds to Agent, the Borrowers may, so long as no Default or Event of Default shall have occurred and be continuing, re-borrow such proceeds only for such repair or replacement. If the Borrowers fail to reinvest such Net Cash Proceeds within one hundred eighty (180) days, the Borrowers hereby authorize Agent and Lenders to make a Revolving Advance in the amount of the remaining reserve to repay the Loans in the manner set forth in Section 2.4(E).

(3) Prepayments from Excess Cash Flow. Until repayment in full of Term Loan A, within thirty (30) days after the date that the annual financial statement of Rocky on a Consolidated Basis is required to be delivered to Agent, the Borrowers shall prepay the Obligations in an amount equal to 50% of Excess Cash Flow for such prior Fiscal Year ("Cash Flow Prepayments") calculated on the basis of the audited financial statements for such Fiscal Year delivered to Agent pursuant to Section 5.1(E) (a). All Cash Flow Prepayments shall be applied to the Loans in accordance with Section 2.4(E). Concurrently with the making of any such payment, Parent shall deliver to Agent and Lenders a certificate of Parent's chief executive officer or chief financial officer demonstrating its calculation of the amount required to be paid. In the event that any such financial statement is not so delivered, then a calculation based upon estimated amounts shall be made by Agent upon which calculation the Borrowers shall make the prepayment required by this Section 2.4(B)(3), subject to adjustment when the financial statement is delivered to Agent as required hereby. The calculation made by Agent shall not be deemed a waiver of any rights Agent or Lenders may have as a result of the failure by Loan Parties to deliver such financial statement.

( 4 ) Prepayments from Issuance of Securities. Immediately upon the receipt by any Loan Party or any of their respective Subsidiaries of the proceeds of the issuance of equity securities (other than proceeds of the issuance of equity securities (i) received on or before the Closing Date, (ii) as a result of the exercise of stock options under equity incentive plans of Parent and (iii) any proceeds received from another Loan Party), the Borrowers shall prepay the Loans in an amount equal to such proceeds, net of underwriting discounts and commissions and other reasonable costs associated therewith. All such prepayments shall be applied to the Loans in accordance with Section 2.4(E).

(5) Prepayments from Tax Refunds Immediately upon the receipt by any Loan Party or any of their respective Subsidiaries of the proceeds of any tax refund, the Borrowers shall prepay the Loans in an amount equal to such proceeds. All such prepayments shall be applied to the Loans in accordance with Section 2.4(E).

(6) Prepayments from Collateral Assignment Immediately upon the receipt by any Loan Party of any post-closing adjustment to the purchase price under the Acquisition Agreement attributable to a working capital adjustment, Borrower shall prepay the Revolving Loans in an amount equal to such proceeds. Immediately upon the receipt by any Loan Party of any other post-closing adjustment under the Acquisition Agreement, Borrower shall prepay the Loans for application in accordance with Section 2.4(E).

(7) Change of Control Immediately upon the occurrence of any Change of Control, Borrower shall prepay the Loans, together with all other then outstanding Obligations, in full, and the Commitments shall be deemed terminated. All such prepayments shall be applied to the Loans in accordance with Section 2.4(E).

(C) Voluntary Prepayments and Repayments Borrower may prepay the outstanding principal amount of the Term Loan A in whole or in part in multiples of (x) \$100,000 or (y) such lesser amount as is then outstanding, at any time without any premium or prepayment penalty together with the accrued interest, if any, on such principal amount prepaid to the date set for prepayment. Borrower may, at any time upon not less than three (3) Business Days prior notice to Agent, (a) reduce the Revolving Loan Commitment in minimum reductions of \$1,000,000 and in integral multiples of \$500,000 in excess thereof (but in no event to a Revolving Loan Commitment of less than \$25,000,000) and/or (b) terminate the Revolving Loan Commitment in full; provided, however, the Revolving Loan Commitment may not be terminated by Borrower until all other Obligations (including, without limitation, Term Loan A) are paid in full. Any reduction or termination of the Revolving Loan Commitment permitted in this Section 2.4(C) shall be subject to the payment of all fees set forth in subsection 2.3, including, without limitation, the fees set forth in the Fee Letter and the payment of any amounts owing pursuant to Section 2.12 resulting from such prepayment. In the event any Lender Letters of Credit are outstanding at the time that Borrowers prepays the Obligations and desires to terminate the Revolving Loan Commitment, the Borrowers shall cause Agent and each Lender to be released from all liability under any Lender Letters of Credit or, at Agent's option, the Borrowers shall (1) deposit with Agent for the benefit of all Lenders with a Revolving Loan Commitment cash in an amount equal to one hundred and five percent (105%) of the aggregate outstanding Letter of Credit Reserve to be available to Agent to reimburse payments of drafts drawn under such Lender Letters of Credit and pay any fees and expenses related thereto and (2) prepay the fees payable under Section 2.3(B) with respect to such Lender Letters of Credit for the full remaining terms of such Lender Letters of Credit. Upon termination of any such Lender Letter of Credit, the unearned portion of such prepaid fee attributable to such Lender Letter of Credit shall be refunded to the Borrowers.

(D) Payments on Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the payment may be made on the next succeeding Business Day and such extension of time shall be included in the computation of the amount of interest or fees due hereunder.

(E) Application of Prepayment Proceeds. Except as otherwise provided therein, all prepayments described in Sections 2.4(B)(2) through 2.4(B)7 shall first be applied in payment of Scheduled Installments of Term Loan A, in the inverse order of maturity, and at any time after Term Loan A shall have been repaid in full, such payments shall be applied to reduce the outstanding principal balance of the Revolving Loans but not as a permanent reduction of the Revolving Loan Commitment. Considering each type of Loan being prepaid separately, any such prepayment shall be applied first to Base Rate Loans of the type required to be prepaid before application to LIBOR Loans of the type required to be prepaid.

2.5. Term of this Agreement. This Agreement shall be effective until the earlier of (a) January 5, 2010 and (b) the acceleration of all Obligations pursuant to Section 7.3 (the "Termination Date"). The Commitments shall terminate (unless earlier terminated pursuant to the terms hereof) upon the Termination Date and all Obligations shall become immediately due and payable without notice or demand. Notwithstanding any termination, until all Obligations have been fully paid and satisfied, Agent, on behalf of itself and Lenders, shall be entitled to retain security interests in and liens upon all Collateral; provided, however, that in the event that all Revolving Loans and Term Loan A are repaid in full, and all other due and owing Obligations and all reasonably anticipated future Obligations (including reasonably anticipated contingent Obligations) are satisfied in full in a manner reasonably satisfactory to Agent, Agent shall, at the request of Borrower, terminate its Liens upon all Collateral. Even after payment of all Obligations hereunder, each Loan Party's obligation to indemnify Agent and each Lender in accordance with the terms hereof shall continue.

2.6. Statements. Agent shall render a monthly statement of account to Borrowing Agent within twenty (20) days after the end of each month. Such statement of account shall constitute an account stated unless any Borrower makes written objection thereto within thirty (30) days from the date such statement is mailed to Borrowing Agent. Agent shall record in its books and records, including computer records, (a) all Loans, interest charges and payments thereof, (b) all Letter of Credit Liability, (c) the charging and payment of all fees, costs and expenses and (d) all other debits and credits pursuant to this Agreement. The balance in the loan accounts shall constitute presumptive evidence, absent manifest error, of the accuracy of the information contained therein; provided, however, that any failure by Agent to so record shall not limit or affect the any Borrower's obligation to pay.

2.7. Grant of Security Interest.

(A) Grant of Liens in the Collateral. To secure the payment and performance of the Obligations, including all renewals, extensions, restructurings and refinancings of any or all of the Obligations, each Loan Party hereby grants to Agent, for the benefit of Agent and Lenders, a continuing security interest in, lien and mortgage in and to, right of setoff against and collateral assignment of all of such Loan Party's Personal Property and real property and all rights to such personal and real property, other than Excluded Property, in each case, whether now owned or existing or hereafter acquired or arising and regardless of where located (all being collectively referred to as the "Collateral") including, without limitation, all: (1) Accounts; (2) Chattel Paper; (3) Commercial Tort Claims, including those specified on Schedule 2.7(A); (4) Deposit Accounts and cash and other monies and property of such Loan Party in the possession or under the control of Agent, any Lender or any participant of any Lender in the Loans; (5) Documents; (6) Equipment; (7) Fixtures; (8) General Intangibles (including Intellectual Property); (9) Goods; (10) Instruments; (11) Inventory; (12) Investment Property; (13) Letter-of-Credit Rights and Supporting Obligations; (14) other Personal Property whether or not subject to the UCC; and (15) Additional Mortgaged Property; together with all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the property described above or are otherwise necessary or helpful in the collection thereof or realization thereon; and Proceeds and products of all or any of the property described above.

(B) Loan Parties Remain Liable. Anything herein to the contrary notwithstanding: (a) each Loan Parties shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of their respective duties and obligations thereunder to the same extent as if this Agreement or the other Loan Documents had not been executed; (b) the exercise by Agent of any of the rights under this Agreement or the other Loan Documents shall not release any Loan Party from any of their respective duties or obligations to the parties under the contracts and agreements included in the Collateral; (c) neither Agent nor any Lender shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement or the other Loan Documents, nor shall Agent nor any Lender be obligated to perform any of the obligations or duties of any Loan Party thereunder or to take any action to collect or enforce any claim for payment assigned under this Agreement or the other Loan Documents; and (d) neither Agent nor any Lender shall have any liability in contract or tort for any Loan Party's acts or omissions.

2.8. Yield Protection.

(A) Capital Adequacy and Other Adjustments. In the event any Lender shall have determined that the adoption after the date hereof of any Law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) from any central bank or Governmental Authority or body having jurisdiction does or shall have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender or any corporation controlling such Lender and thereby reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder, then the Borrowers shall within fifteen (15) days after notice and demand from such Lender (together with the certificate referred to in the next sentence and with a copy to Agent) pay to Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by such Lender to Borrowing Agent shall, absent manifest error, be conclusive and binding for all purposes.

(B) Increased LIBOR Funding Costs. If, after the date hereof, the introduction of, change in or interpretation of any law, rule, regulation, treaty or directive would impose or increase reserve requirements (other than as taken into account in the definition of LIBOR) or otherwise increase the cost to any Lender of making or maintaining a LIBOR Loan, then Borrowers shall from time to time within fifteen (15) days after notice and demand from such affected Lenders (together with the certificate referred to in the next sentence and with a copy to Agent) pay to Agent, for the account of such affected Lenders, additional amounts sufficient to compensate such Lenders for such increased cost. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by such affected Lenders to Borrowing Agent and Agent shall, absent manifest error, be conclusive and binding on Borrower for all purposes.

2.9. Taxes.

( A ) No Deductions. Any and all payments or reimbursements made hereunder shall be made free and clear of and without deduction for any and all Charges and all Liabilities with respect thereto (all such Charges and all Liabilities with respect thereto referred to herein as "Tax Liabilities"; excluding, however, taxes imposed on the net income of any Lender or Agent by the jurisdiction under the laws of which Agent or such Lender is organized or doing business or any political subdivision thereof and taxes imposed on its net income by the jurisdiction of Agent's or such Lender's applicable lending office or any political subdivision). If any Loan Party shall be required by law to deduct any such Tax Liabilities from or in respect of any sum payable hereunder to Agent or any Lender, then the sum payable hereunder shall be increased as may be necessary so that, after making all required deductions, Agent or such Lender receives an amount equal to the sum it would have received had no such deductions been made.

( B ) Changes in Tax Laws. In the event that, subsequent to the Closing Date, (1) any changes in any existing law, regulation, treaty or directive or in the interpretation or application thereof, (2) any new law, regulation, treaty or directive enacted or any interpretation or application thereof, or (3) compliance by Lender with any request or directive (whether or not having the force of law) from any Governmental Authority;

(a) does or shall subject Agent or any Lender to any tax of any kind whatsoever with respect to this Agreement, the other Loan Documents or any Loans made or Lender Letters of Credit issued hereunder, or change the basis of taxation of payments to Agent or such Lender of principal, fees, interest or any other amount payable hereunder (except for net income taxes, or franchise taxes imposed in lieu of net income taxes, imposed generally by federal, state or local taxing authorities with respect to interest or commitment or other fees payable hereunder or changes in the rate of tax on the overall net income of Agent or such Lender); or

(b) does or shall impose on Agent or any Lender any other condition or increased cost in connection with the transactions contemplated hereby or participations herein; and the result of any of the foregoing is to increase the cost to Agent or such Lender of issuing any Lender Letter of Credit or making or continuing any Loan hereunder, as the case may be, or to reduce any amount receivable hereunder;

then, in any such case, the Borrowers shall pay, within fifteen (15) days after notice and demand from Agent or the affected Lender, to Agent or such Lender, upon its notice and demand, any additional amounts necessary to compensate Agent or such Lender, on an after-tax basis, for such additional cost or reduced amount receivable, as determined by Agent or such Lender with respect to this Agreement or the other Loan Documents. If Agent or any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify Borrowing Agent of the event by reason of which Agent or such Lender has become so entitled (with any such Lender concurrently notifying Agent). A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by Agent or any Lender to Borrowing Agent shall, absent manifest error, be conclusive and binding on Borrower for all purposes.

(C) Foreign Lenders. Each Lender organized under the laws of a jurisdiction outside the US (a "Foreign Lender") as to which payments to be made under this Agreement are exempt from US withholding tax or are subject to US withholding tax at a reduced rate under an applicable statute or tax treaty shall provide to Borrowing Agent and Agent (1) a properly completed and executed Internal Revenue Service Form W-8BEN or Form W-8ECI or other applicable form, certificate or document prescribed by the Internal Revenue Service of the US certifying as to such Foreign Lender's entitlement to such exemption or reduced rate of withholding with respect to payments to be made to such Foreign Lender under this Agreement, (a "Certificate of Exemption"), or (2) a letter from any such Foreign Lender stating that it is not entitled to any such exemption or reduced rate of withholding (a "Letter of Non-Exemption"). Prior to becoming a Lender under this Agreement and within fifteen (15) days after a reasonable written request of Borrowing Agent or Agent from time to time thereafter, each Foreign Lender that becomes a Lender under this Agreement shall provide a Certificate of Exemption or a Letter of Non-Exemption to Borrowing Agent and Agent.

If a Foreign Lender is entitled to an exemption with respect to payments to be made to such Foreign Lender under this Agreement (or to a reduced rate of withholding) and does not provide a Certificate of Exemption to Borrowing Agent and Agent within the time periods set forth in the preceding paragraph, the Borrowers shall withhold taxes from payments to such Foreign Lender at the applicable statutory rates and no Borrower shall be required to pay any additional amounts as a result of such withholding; provided, however, that all such withholding shall cease upon delivery by such Foreign Lender of a Certificate of Exemption to Borrowing Agent and Agent.

2.10. Required Termination and Prepayment. If on any date any Lender shall have reasonably determined (which determination shall be conclusive and binding upon all parties) that the making or continuation of its LIBOR Loans has become unlawful or impossible by compliance by such Lender in good faith with any law, governmental rule, regulation or order (whether or not having the force of law and whether or not failure to comply therewith would be unlawful), then, and in any such event, that Lender shall promptly give notice (by telephone confirmed in writing) to Borrowing Agent and Agent of that determination. Subject to prior withdrawal of a Notice of Borrowing or prepayment of LIBOR Loans as contemplated by Section 2.12, the obligation of such Lender to make or maintain its LIBOR Loans during any such period shall be terminated at the earlier of the termination of the Interest Period then in effect or when required by law and the Borrowers shall no later than the termination of the Interest Period in effect at the time any such determination pursuant to this Section 2.10 is made or, earlier (without any breakage fee) when required by Law, repay or prepay LIBOR Loans together with all interest accrued thereon or convert LIBOR Loans to Base Rate Loans.

2.11. Optional Prepayment/Replacement of Lenders Within fifteen (15) days after receipt by Borrowing Agent of: (a) written notice and demand from any Lender for payment or reimbursement of additional costs as provided in Section 2.8 or section 2.9, or (b) written notice of any Lender's inability to make LIBOR Loans as provided in Section 2.10, or information that such Lender is a Defaulting Lender (any such Lender demanding such payment or having such inability or being a Defaulting Lender being referred to herein as an "Affected Lender"), Parent may, at its option notify Agent and such Affected Lender of its intention to take one of the actions set forth herein in subparagraphs (A) or (B) below.

( A ) Replacement of an Affected Lender. The Borrowers may obtain, at Borrowers' expense, a replacement Lender ("Replacement Lender") for an Affected Lender, which Replacement Lender shall be reasonably satisfactory to Agent. In the event the Borrowers obtain a Replacement Lender that will purchase all outstanding Obligations owed to such Affected Lender and assume its Commitments hereunder within ninety (90) days following notice of Borrowers' intention to do so, the Affected Lender shall sell and assign its Loans and Commitments to such Replacement Lender in accordance with the provisions of Section 9.5; provided, however, the Borrowers have (1) reimbursed such Affected Lender for any administrative fee payable by such Affected Lender to Agent pursuant to Section 9.5 and, (2) in any case where such replacement occurs as the result of a demand for payment of certain costs pursuant to Section 2.8 or Section 2.9, paid all increased costs for which such Affected Lender is entitled to under Section 2.8 or Section 2.9 through the date of such sale and assignment; or

( B ) Prepayment of an Affected Lender. Borrowers may prepay in full all outstanding Obligations owed to an Affected Lender and terminate such Affected Lender's Commitments. The Borrowers shall, within ninety (90) days following notice of its intention to do so, prepay in full all outstanding Obligations owed to such Affected Lender, including such Affected Lender's increased costs for which it is entitled to reimbursement under this Agreement through the date of such prepayment, and terminate such Affected Lender's Commitments.

2.12. Compensation. The Borrowers shall promptly compensate Agent for the benefit of Lenders (Agent's calculation of such amounts shall, absent manifest error, be conclusive and binding upon all parties hereto), for any losses, expenses and Liabilities including, without limitation, any loss (including interest paid) sustained by such Lender in connection with the re-employment of funds: (a) if for any reason (other than a default by any Lender) a borrowing of any LIBOR Loan does not occur on a date specified therefor in a Notice of Borrowing or a telephonic request of borrowing by Borrowing Agent; (b) if any prepayment of any of its LIBOR Loans occurs on a date that is not the last day of an Interest Period applicable to that Loan (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise); (c) if any prepayment of any of its LIBOR Loans is not made on any date specified in a notice of prepayment given by the Borrowers; or (d) as a consequence of any other default by the Borrowers to repay its LIBOR Loans when required by the terms of this Agreement; provided, however, during the period while any such amounts have not been paid, Agent may, in its sole discretion, (i) in accordance with Section 2.4(B), elect to honor the automatic request by Borrowing Agent for a Revolving Advance for such amount pursuant to Section 2.1(A) or (ii) reserve an equal amount from amounts otherwise available to be borrowed under the Revolving Loan.

2.13. Booking of LIBOR Loans. Each Lender may make, carry or transfer LIBOR Loans at, to, or for the account of, any of its branch offices or the office of an affiliate of such Lender.

2.14. Assumptions Concerning Funding of LIBOR Loans. Calculation of all amounts payable to each Lender under subsection 2.12 shall be made as though each Lender had actually funded its relevant LIBOR Loan through the purchase of a LIBOR deposit bearing interest at LIBOR in an amount equal to the amount of that LIBOR Loan and having maturity comparable to the relevant Interest Period and through the transfer of such LIBOR deposit from an offshore office to a domestic office in the US; provided, however, each Lender may fund each of its LIBOR Loans in any manner it sees fit and the foregoing assumption shall be utilized only for the calculation of amounts payable under Section 2.12.

2.15. Endorsement; Insurance Claims. Each Borrower hereby constitutes and appoints Agent and all Persons designated by Agent for that purpose as such Borrower's true and lawful attorney-in-fact, with power in the place and stead of such Borrower and in the name of such Borrower (a) to endorse such Borrower's name to any of the items of payment or proceeds described in Section 6.4 below and all proceeds of Collateral that come into Agent's possession or under Agent's control, including without limitation, with respect to any drafts, Instruments, Documents and Chattel Paper, and (b) after consultation with Parent (unless an Event of Default has occurred which is then continuing) to obtain, adjust and settle insurance claims, which are required to be paid to Agent. Each Borrower hereby ratifies and approves all acts of Agent made or taken pursuant to this Section 2.15. Both the appointment of Agent as each Borrower's attorney and Agent's rights and powers are coupled with an interest and are irrevocable, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit.

### SECTION 3. CONDITIONS TO LOANS

The obligations of Agent and each Lender to make Loans and the obligation of Agent or any Lender to issue Lender Letters of Credit on the Closing Date and on each Funding Date are subject to satisfaction of all of the terms and conditions set forth below and the accuracy of all the representations and warranties of the Borrowers and the other Loan Parties set forth herein and in the other Loan Documents:

(A) Closing Deliveries. Agent shall have received, in form and substance satisfactory to Agent, all documents, instruments and information identified on Schedule 3 hereto and all other agreements, notes, certificates, orders, authorizations, financing statements, mortgages and other documents which Agent may at any time reasonably request.



(B) Security Interests. Agent shall have received satisfactory evidence that all security interests and liens granted to Agent for the benefit of Agent and Lenders pursuant to this Agreement or the other Loan Documents have been duly perfected and constitute first priority liens on the Collateral, subject only to Permitted Liens.

(C) Closing Date Availability. After giving effect to the consummation of the Transactions, and the payment by the Borrowers of all costs, fees and expenses relating to the Transactions, Undrawn Availability shall not be less than \$20,000,000.

(D) Representations and Warranties. The representations and warranties contained herein and in the Loan Documents shall be true, correct and complete in all material respects on and as of that Funding Date to the same extent as though made on and as of that date, except for any representation or warranty limited by its terms to a specific date and taking into account any amendments to the Schedules or Exhibits as a result of any disclosures made by the Borrowers to Agent after the Closing Date and approved in writing by Agent.

(E) Fees. With respect to Loans or Lender Letters of Credit to be made or issued on the Closing Date, the Borrowers shall have paid all fees due to Agent or any Lender and payable on the Closing Date.

(F) No Default. No event shall have occurred and be continuing or would result from funding a Loan or issuing a Lender Letter of Credit requested by Borrowing Agent that would constitute an Event of Default or a Default.

(G) Performance of Agreements. Each Loan Party shall have performed in all material respects all agreements and satisfied all conditions which any Loan Document provides shall be performed by it on or before that Funding Date.

(H) No Prohibition. No order, judgment or decree of any court, arbitrator or Governmental Authority shall purport to enjoin or restrain Agent or any Lender from making any Loans or issuing any Lender Letters of Credit.

(I) No Litigation. There shall not be pending or, to the knowledge of any Loan Party, threatened, any action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration by, against or affecting any Loan Party or any property of any Loan Party that has not been disclosed to Agent by a Loan Party in writing, and there shall have occurred no development in any such action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration that, in the opinion of Agent, would reasonably be expected to have a Material Adverse Effect.

( J ) Term Note B Investment. Agent has received or will receive on the Closing Date complete copies of the Note Purchase Documents (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any) and all amendments thereto, waivers relating thereto and other side letters or agreements affecting the terms thereof. None of such documents and agreements has been amended or supplemented, nor have any of the provisions thereof been waived, except pursuant to a written agreement or instrument which has heretofore been delivered to Agent. The transactions contemplated by the Note Purchase Documents shall have been consummated in accordance with the terms thereof including, without limitation, the issuance by Borrower, issued at par, of Term Note B and, in consideration thereof, the receipt by Borrower from ACSL of cash proceeds of not less than \$30,000,000 (including fees and expenses of AFCs and ACSL paid from such sum on or about the Closing Date in the aggregate not to exceed \$1,000,000), which shall be repayable not earlier than six (6) years from the Closing Date, except as otherwise agreed to by Agent, and ACSL shall have entered into the Intercreditor Agreement with Agent.

(K) Acquisition. Agent has received or will receive on the Closing Date complete copies of the Acquisition Agreement (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any) and all amendments thereto, waivers relating thereto and other side letters or agreements affecting the terms thereof. None of such documents and agreements has been amended or supplemented, nor have any of the provisions thereof been waived, except pursuant to a written agreement or instrument which has heretofore been delivered to Agent. The transactions contemplated by the Acquisition Agreement shall have been consummated in accordance with the terms thereof, not less than \$10,000,000 of the purchase price due thereunder shall have been paid by Parent in the form of Common Stock and the Collateral Assignment shall have been executed and delivered to Agent.

( L ) Total Leverage Ratio. As of the Closing Date, the Total Leverage Ratio of Borrower for the twelve (12) months ended November 30, 2004 (on a combined *pro forma* basis after giving effect to the consummation of the Acquisition) shall not exceed 4.00 to 1.00, nor shall EBITDA for such twelve (12) month period (also on a combined *pro forma* basis after giving effect to the consummation of the Acquisition) be less than \$32,000,000) provided, however, that such EBITDA may contain adjustments for non-recurring expenses, and certain other *pro forma* adjustments, which have been reviewed by and deemed acceptable to Agent, in its sole discretion.

#### SECTION 4. REPRESENTATIONS, WARRANTIES OF THE LOAN PARTIES

4.1. Representations and Warranties of Loan Parties. As a material inducement to Agent and each Lender to enter into the Loan Documents, to make and to continue to make Loans and to issue and continue to issue Lender Letters of Credit or risk participations to the banks that issue Bank Letters of Credit, each Loan Party as to itself (and Parent as to itself and the other Loan Parties) represents, warrants to Agent and each Lender as follows:

(A) Organization and Power. Each of the Loan Parties is a legal entity duly organized, validly existing and in good standing under the laws of its state of formation. Each of the Loan Parties has all requisite corporate or other organizational power and authority and all material licenses, permits, approvals and authorizations necessary to own and operate its properties, to carry on its businesses as now conducted and presently proposed to be conducted and to carry out the Transactions, and is qualified to do business in the jurisdictions listed on the "Organizational Schedule" attached hereto as Schedule 4.1(A), which includes every jurisdiction where the failure to so qualify might reasonably be expected to have a Material Adverse Effect (other than Lifestyle, which is not in good standing in Puerto Rico as of the Closing Date but will be restored to good standing in such jurisdiction as soon as reasonably practicable thereafter and in no event no later than July 1, 2005). Each of the Loan Parties has its principal place of business as set forth on the Organizational Schedule. The copies of the Charter Documents and By-Laws of the Loan Parties that have been furnished to Agent reflect all amendments made thereto at any time prior to the date of this Agreement and are correct and complete.

( B ) Principal Business. The Loan Parties are primarily engaged in the business of assembling and selling specialty footwear and related apparel and accessories (the “Business”).

(C) Financial Statements and Financial Projections.

(i) Financial Statements; Historical Statements. Parent has delivered to Agent copies of its audited consolidated year-end financial statements for and as of the end of the three (3) Fiscal Years ended December 31, 2003 together, and unaudited balance sheet, income statements and cash flow statements for the nine (9) month period ended September 30, 2004 (together, the “Financial Statements”). The Financial Statements were compiled from the books and records maintained by Parent’s management are correct and complete and fairly represent the consolidated financial condition of Parent as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied.

(ii) EJ Financial Statements. Parent has delivered to Agent the audited, combined balance sheet, income statement, statements of cash flows and owner’s equity of EJ Footwear and their Subsidiaries for the fiscal year ended September 30, 2004 (the “EJ Financial Information”). To the knowledge of Parent, the EJ Financial Information was derived from the internal books and records of EJ Footwear and has been prepared in a manner consistent with GAAP, and fairly presents, in all material respects, the financial position of EJ Footwear and its Subsidiaries as of such dates and the results of operations of EJ Footwear and its Subsidiaries for the periods covered thereby, in each case on a combined basis, and subject to the absence of footnotes and other presentation items. The EJ Financial Information was prepared for the purpose of the Acquisition Agreement and for the internal management purposes of EJ Footwear. None of the companies that EJ Footwear is comprised of was conducted on a stand-alone basis as a separate entity during the periods indicated in the EJ Financial Information and the allocations and estimates included in the EJ Financial Information are not necessarily indicative of the costs that would have resulted if each of the companies of EJ Footwear had been operated and conducted on a stand-alone basis as a separate entity during such periods.

(iii) Pro Forma Balance Sheet. The unaudited *pro forma* balance sheet of the Rocky on a Consolidated Basis as of December 31, 2004, a copy of which has heretofore been delivered to Agent, gives pro forma effect to the consummation of the Transactions, all as if such events had occurred on such date (the "Pro Forma Balance Sheet"). The Pro Forma Balance Sheet has been prepared in a manner consistent with customary accounting practices and the financial statements described in Section 4.1(c)(i) (subject to the absence of footnotes required by GAAP and subject to normal year-end adjustments) and, subject to stated assumptions made in good faith and having a reasonable basis set forth therein, presents fairly the financial condition of the Loan Parties on an unaudited pro forma basis as of the date set forth therein after giving effect to the consummation of the Transactions.

(iv) Financial Projections. The Loan Parties have delivered to Agent financial projections of Rocky on a Consolidated Basis for the period January 1, 2005 through December 31, 2008 derived from various assumptions of the Loan Parties' management (the "Financial Projections"). The Financial Projections were prepared consistent with GAAP and customary accounting procedures and reflect all information available to the management of the Loan Parties at the time the Financial Projections were produced. The Financial Projections in good faith project the Liabilities of the Loan Parties upon consummation of the Transactions as of the Closing Date

(v) Accuracy of Financial Statements. As of the dates of such Financial Statements, Rocky on a Consolidated Basis did not have any Liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Financial Statements or in the notes thereto, and except as disclosed therein, as of such dates and as disclosed on the Pro-Forma Balance Sheet as of the date hereof, there are no unrealized or anticipated losses from any commitments that are reasonably likely to have a Material Adverse Effect.

(D) Capitalization and Related Matters. As of the Closing Date and immediately thereafter, the authorized capital stock of Parent is as set forth on the "Capitalization Schedule" attached hereto as Schedule 4.1(D). As of the Closing Date, the authorized capital stock or other equity interests of each of the Subsidiaries of Parent and the number and ownership of all outstanding capital stock or equity interests of each of the Loan Parties (other than Parent) is set forth on Schedule 4.1(D). Except as set forth on the Schedule 4.1(D), as of the Closing Date, none of the Loan Parties will have outstanding any stock or securities convertible into or exchangeable for any shares of its capital stock and none will have outstanding any rights or options to subscribe for or to purchase its capital stock (or other equity interests) or any stock or securities convertible into or exchangeable for its capital stock (or other equity interests). As of the Closing Date, none of the Loan Parties will be subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock or other equity interests. As of the Closing, all of the outstanding shares and capital stock or other equity interests of the Loan Parties will be validly issued, fully paid and nonassessable. None of the Loan Parties have violated any applicable federal or state securities Laws, in any material respect, in connection with the offer, sale or issuance of any of its capital stock or other equity interests, and the offer, sale and issuance of the Notes hereunder or of Term Note B do not require registration under the Securities Act or any applicable state securities laws.

(E) Subsidiaries. The Loan Parties do not own, or hold any rights to acquire, any shares of stock or any other security or interest in any other Person, and the Loan Parties have no Subsidiaries, except in each case as set forth on the Organizational Schedule.

(F) Authorization: No Breach. Except as set forth on Schedule 4.1(F), the execution, delivery and performance of this Agreement and the other Loan Documents to which any of the Loan Parties is a party, and the consummation of the Transactions have been duly authorized by each of the Loan Parties. The execution and delivery by each of the Loan Parties of the Loan Documents and the consummation of the Transactions do not and will not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under, (iii) except as created pursuant to the Loan Documents and the Note Purchase Documents result in the creation of any Lien upon any of the Loan Parties' capital stock or assets pursuant to, (iv) give any third party the right to accelerate any obligation under, or (v) result in a violation of, or (vi) require any authorization, consent, approval, exemption or other action by or notice to any Governmental Authority pursuant to, the Charter Documents or By-laws of any of the Loan Parties, or any Law to which any of the Loan Parties is subject, or any material contract or material instrument, or any order, judgment or decree, to which any of the Loan Parties is a party or to which they or their assets are subject.

(G) Governmental Approvals. Except as set forth on Schedule 4.1(G), no registration with or consent or approval of, or other action by, any Governmental Authority is or will be required in connection with the consummation of the GMAC Transactions. Except as specifically provided by the Acquisition Agreement, no registration with or consent or approval of, or other action by, any Governmental Authority was required in connection with the consummation of the Acquisition.

(H) Enforceability. This Agreement constitutes, and each of the other Loan Documents when duly executed and delivered by each of the Loan Parties who are parties thereto will constitute, legal, valid and binding obligations of each of the Loan Parties enforceable in accordance with their respective terms except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(I) No Material Adverse Change. Since September 30, 2004, there has been no Material Adverse Change with respect to either (a) Rocky and its Subsidiaries, taken as a whole, prior to giving effect to the Acquisition, or (b) EJ Footwear, Georgia Boot, HM Lehigh and their respective Subsidiaries, taken as a whole, prior to giving effect to the Acquisition; provided, that the consummation of any of the Transactions shall not, in and of itself, be deemed to be a Material Adverse Change with respect to either or both of (a) or (b) of this Section 4.1(I).

(J) Litigation. Except as described in the "Litigation Schedule" attached hereto as Schedule 4.1(J), as of and after the Closing Date, there are no actions, suits or proceedings at law or in equity or by or before any arbitrator or any Governmental Authority now pending or, to the best knowledge of the Loan Parties' management after reasonable inquiry, threatened against or filed by or affecting Company, any of the Loan Parties or any of their directors or officers or the businesses, assets or rights of any of the Loan Parties which are reasonably likely to have a Material Adverse Effect.

(K) Compliance with Laws. The Loan Parties are not in violation in any material respect of any applicable Law which any such violation (or such violations, if any, in the aggregate) is reasonably likely to have a Material Adverse Effect. The Loan Parties are not in, and the consummation of the Transactions will not cause any, default concerning any judgment, order, writ, injunction or decree of any Governmental Authority. As of and after the Closing Date, there is no investigation, enforcement action or regulatory action pending or, to the knowledge of the Loan Parties, threatened against or affecting any of the Loan Parties by any Governmental Authority, except as set forth on the Litigation Schedule, which is reasonably likely to have a Material Adverse Effect. Except as set forth in the Litigation Schedule, as of and after the Closing Date, there is no remedial or other corrective action that any of the Loan Parties is required to take to remain in compliance with any judgment, order, writ, injunction or decree of any Governmental Authority or to maintain any material permits, approvals or licenses granted by any Governmental Authority in full force and effect which is reasonably likely to have a Material Adverse Effect. To the knowledge of Parent, during the past ten (10) years, none of the executive officers, directors or management of Parent or any of its Subsidiaries before giving effect to the Acquisition have been arrested or convicted of any material crime nor have any of them been bankrupt or an officer or director of a bankrupt corporation or other entity.

(L) Environmental Protection. Except as specified in “Environmental Schedule” attached hereto as Schedule 4.1(L) and after giving effect to the GMAC Transactions and the Acquisition, except for materials, conditions, operations and noncompliance which is not reasonably likely to have a Material Adverse Effect: (i) the business of the Loan Parties and each of their Subsidiaries, the methods and means employed by the Loan Parties (and their Subsidiaries) in the operation thereof (including all operations and conditions at or in the properties of the Loan Parties or any of their Subsidiaries), the assets owned, leased, managed, used, controlled, held or operated by the Loan Parties and/or their Subsidiaries comply in all material respects with all applicable Environmental Laws; (ii) with respect to the Properties and Facilities, and except as disclosed in the Environmental Schedule, the Loan Parties (and their Subsidiaries) have obtained, possess, and are in compliance in all material respects with all permits, licenses, reviews, certifications, approvals, registrations, consents, and any other authorizations required of a Loan Party (or any Subsidiary thereof) or other party under any Environmental Laws; (iii) the Loan Parties or any of their Subsidiaries have not received (x) any claim or notice of violation, lien, complaint, suit, order or other claim or notice to the effect that the Loan Parties (or any of their Subsidiaries) are or may be liable to any Person as a result of (A) the environmental condition of any of their Properties and Facilities or any other property, or (B) the release or threatened release of any Pollutant, or (y) any letter or request for information under Section 104 of the CERCLA, or comparable state Laws, and to the best of the any of Loan Parties’ knowledge, none of the operations of the Loan Parties or any of their Subsidiaries is the subject of any investigation by a Governmental Authority evaluating whether any remedial action is needed to respond to a release or threatened release of any Pollutant at the Properties and Facilities or at any other location, including any location to which the Loan Parties or any of their Subsidiaries have transported, or arranged for the transportation of, any Pollutants with respect to the Properties and Facilities; (iv) except as disclosed in the Environmental Schedule, neither the Loan Parties, nor any of their Subsidiaries nor, to the knowledge of the Loan Parties, any prior owner or operator has incurred in the past, or is now subject to, any Environmental Liabilities; (v) except as disclosed in the Environmental Schedule, to the knowledge of the Loan Parties, there are no Liens, covenants, deed restrictions, notice or registration requirements, or other limitations applicable to the Properties and Facilities, based upon any Environmental Laws or other legal obligations; (vi) to the knowledge of the Loan Parties, there are no USTs located in, at, on, or under the Properties and Facilities or other than the USTs identified in the Environmental Schedule as USTs; and, to the knowledge of the Loan Parties, each of those USTs is in compliance in all material respects with all Environmental Laws and other legal obligations; and (vii) except as disclosed in the Environmental Schedule, to the knowledge of the Loan Parties, there are no PCBs, lead paint, asbestos (of any type or form), or materials, articles or products containing PCBs, lead paint or asbestos, located in, at, on, under, a part of, or otherwise related to the Properties and Facilities, and, to the knowledge of the Loan Parties, all of the PCBs, lead paint, asbestos, and materials, articles and products containing PCBs, lead paint or asbestos identified in the Environmental Schedule are in compliance in all material respects with all Environmental Laws and other legal obligations.

( M ) Legal Investments: Use of Proceeds. The Loan Parties will use the proceeds from the Loans to finance, in part, the Acquisition, repay debt of the Loan Parties and provide for the ongoing working capital and general corporate requirements of the Loan Parties. The Loan Parties are not engaged in the business of extending credit for the purpose of purchasing or carrying any “margin stock” or “margin security” (within the meaning of Regulations T, U or X issued by the Board of Governors of the Federal Reserve System), and no proceeds of the Loans will be used to purchase or carry any margin stock or margin security or to extend credit to others for the purpose of purchasing or carrying any margin stock or margin security.

(N) Taxes. The Loan Parties have filed or caused to be filed all federal, state and local tax returns that are required to be filed by it and their Subsidiaries, and have paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, including payroll taxes, other than such Charges (i) which are being contested in good faith by such Person, as the case may be, by appropriate proceedings diligently instituted and conducted and without the risk of the imposition of a Lien with respect to a material portion of the Collateral and (ii) with respect to which a reserve or other appropriate provision, if any, as is required in conformity with GAAP shall have been made. Parent has no knowledge of any proposed tax assessment against Parent or any of its Subsidiaries that is reasonably likely to have a Material Adverse Effect.

(O) Labor and Employment. Except where noncompliance is not reasonably likely to have a Material Adverse Effect, each Loan Party, ERISA Affiliate and each Plan is in compliance in all material respects with those provisions of ERISA, the Code, the Age Discrimination in Employment Act, and the regulations and published interpretations thereunder that are applicable to the Loan Party, or ERISA Affiliate or any such Plan. As of the date hereof, no Reportable Event has occurred with respect to any Plan maintained by any Loan Party or ERISA Affiliate as to which said Loan Party or ERISA Affiliate is or was required to file a report with the PBGC. No Plan has any amount of unfunded benefit liabilities (within the meaning of Section 4001(a)(18) of ERISA) or any accumulated funding deficiency (within the meaning of Section 302(a)(2) of ERISA), whether or not waived, and none of the Loan Parties, nor any ERISA Affiliate or any member of the Controlled Group has incurred or expects to incur any withdrawal liability under Subtitle E of Title IV of ERISA to a Multiemployer Plan. Except where noncompliance is not reasonably likely to have a Material Adverse Effect, the Loan Parties and ERISA Affiliates are in compliance in all material respects with all labor and employment laws, rules, regulations and requirements of all applicable domestic and foreign jurisdictions. There are no pending or threatened labor disputes, work stoppages or strikes either (x) as of the Closing Date or (y) thereafter that are reasonably likely to have a Material Adverse Effect.

( P ) Investment Company Act; Public Utility Holding Company Act. None of the Loan Parties are (i) an “investment company” or “controlled” by an investment company within the meaning of the Investment Company Act of 1940, as amended, or (ii) a “holding company” or a “subsidiary company” of a “holding company” or an “affiliate” of a “holding company” or of a “subsidiary company” of a “holding company,” within the meaning of the Public Utility Holding Company Act of 1935, as amended.

( Q ) Properties; Security Interests. The Loan Parties have good (and, solely as to real estate, marketable) title to, or valid leasehold interests in, or valid licenses to use, all of the material assets and properties used or useful by the Loan Parties in the Business (collectively, the “Properties and Facilities”), subject to no Liens except for Permitted Liens. On and after the Closing Date, Agent has a valid, perfected and, except for Liens set forth in clauses (c), (e), (g) or (h) of the definition of Permitted Liens, first priority Liens in the Properties and Facilities, all of which constitutes Collateral (except to the extent any of the same constitutes Excluded Property), securing the payment of the Obligations, and such Liens are entitled to all of the rights, priorities and benefits afforded by the UCC or other applicable Law as enacted in any relevant jurisdiction which relates to perfected Liens. All of the Properties and Facilities are in good repair, working order and condition. As of the Closing Date, all real estate owned or leased by the Loan Parties is listed on the “Properties Schedule,” attached hereto as Schedule 4.1(Q).

( R ) Intellectual Property; Licenses. Each of the Loan Parties possesses or licenses all Proprietary Rights necessary to conduct the Business as heretofore conducted or as proposed to be conducted by it. All Proprietary Rights registered in the name of the Loan Parties and applications therefor filed by the Loan Parties are listed on the “Intellectual Property Schedule,” attached hereto as Schedule 4.1(R). No event has occurred that permits, or after notice or lapse of time or both would permit, the revocation or termination of any of the foregoing, which taken in isolation or when considered with all other such revocations or terminations could have a Material Adverse Effect. None of the Proprietary Rights owned by or used under license by the Loan Parties infringes, misappropriates or conflicts with any Proprietary Rights or other rights of any other Person; no products or services sold by any of the Loan Parties in connection with the Business is infringing on, misappropriating or making any unlawful or unauthorized use of any Proprietary Rights or other rights of another Person; and no other Person is infringing upon, misappropriating or making any unlawful or unauthorized use of any Proprietary Rights of any of the Loan Parties; except, in each case, to the extent any such infringement, misappropriation, conflict or unlawful or unauthorized use could not reasonably be expected to have a Material Adverse Effect. None of the Loan Parties has notice or knowledge of any facts or any past, present or threatened occurrence that could preclude or impair the Loan Parties’ ability to retain or obtain any authorization necessary for the operation of the Business.



( S ) Solvency. After giving effect to the Transactions, (i) the fair value of the assets of the Loan Parties, at a fair valuation, will exceed their debts and Liabilities, subordinated, contingent or otherwise, (ii) the present fair saleable value of the property of the Loan Parties will be greater than the amount that will be required to pay the probable liability of their debts and other Liabilities, subordinated, contingent or otherwise, as such debts and other Liabilities become absolute and matured, (iii) the Loan Parties will be able to pay their debts and Liabilities, subordinated, contingent or otherwise, as such debts and Liabilities become absolute and matured, and (iv) the Loan Parties will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted following the Closing Date. The determination of whether a Person is solvent shall take into account all such Person's properties and liabilities regardless of whether, or the amount at which, any such property or liability is included on a balance sheet of such Person prepared in accordance with GAAP, including properties such as contingent contribution or subrogation rights, business prospects, distribution channels and goodwill. The determination of the sum of a Person's properties at a fair valuation or the present fair saleable value of a Person's properties shall be made on a going concern basis, unless at the time of such determination the liquidation of the business in which such properties are used or useful is in process or is reasonably anticipated. In computing the amount of contingent or unrealized properties or contingent or unliquidated liabilities at any time, such properties and liabilities will be computed at the amounts which, in light of all the facts and circumstances existing at such time, represent the amount that reasonably can be expected to become realized properties or matured liabilities, as the case may be. In computing the amount that would be required to pay a Person's probable liability on its existing debts as they become absolute and matured, reasonable valuation techniques, including a present value analysis, shall be applied using such rates over such periods as are appropriate under the circumstances, and it is understood that, in appropriate circumstances, the present value of contingent liabilities or obligations under Guaranties may be zero.

(T) Complete Disclosure. All factual information furnished by or on behalf of the Loan Parties to Agent for purposes of or in connection with the GMAC Transactions, or any of the other Transactions, is, to Parent's knowledge, and all other such factual information hereafter furnished by or on behalf of the Loan Parties, except to the extent any of the same relates expressly to any earlier date, will be, true and accurate in all material respects on the date as of which such information is furnished and not incomplete by omitting to state any fact necessary to make such information not misleading at such time in light of the circumstances under which such information was provided.

( U ) Side Agreements. Except as set forth in Schedule 4.1(U), as of the Closing Date, none of the Loan Parties nor any Affiliate of the Loan Parties nor any director, officer or employee of the Loan Parties or any of their Affiliates, respectively, has entered into, as of the date hereof, any side agreement, either oral or written, with any individual or business, pursuant to which the director, officer, employee, Loan Party or Affiliate agreed to do anything beyond the requirements of the formal, written contracts executed by the Loan Parties and disclosed to the Lenders and Agent herein.

(V) Broker's or Finder's Commissions. No broker's or finder's or placement fee or commission will be payable to any broker or agent engaged by the Loan Parties or any of their officers, directors or agents with respect to the GMAC Transactions, except for fees payable to Agent. The Loan Parties agree to indemnify Agent and Lenders and to hold them harmless from and against any claim, demand or liability for broker's or finder's or placement fees or similar commissions, whether or not payable by the Loan Parties, alleged to have been incurred in connection with the GMAC Transactions, other than any broker's or finder's fees payable to Persons engaged by Agent or Lenders without the knowledge of the Loan Parties.

(W) Material Contracts. Schedule 4.1(W) lists, as of the Closing Date, each material contract to which the Loan Parties are a party, by which any of them or their respective properties is bound or to which any of them is subject (collectively, "Material Contracts"), and also indicates the parties, subject matter and term thereof. As of the Closing Date, (i) each Material Contract is in full force and effect and is enforceable by the Loan Party that is a party thereto in accordance with its terms, and (ii) none of the Loan Parties (nor, to the knowledge of the Loan Parties, any other party thereto) is in breach of or default under any Material Contract in any material respect or has given notice of termination or cancellation of any Material Contract.

(X) Foreign Assets Control Regulations, Etc. None of the Loan Parties are an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§ 1 et seq.), as amended. None of the Loan Parties are in violation of (a) the Trading with the Enemy Act, as amended, (b) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or (c) the USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001 (the "Patriot Act"). No Loan Party (i) is a blocked person described in section 1 of the Anti-Terrorism Order or (ii) to the best of its knowledge, engages in any dealings or transactions, or is otherwise associated, with any such blocked person.

(Y) Parent SEC Reports.

(i) Parent has filed all required material forms, reports, schedules, statements and other documents (including exhibits and other information incorporated therein) with the SEC since December 31, 2001 (collectively, the "Parent SEC Reports"). As of their respective dates, or, if amended, as of the date of the last such amendment, each Parent SEC Report, (a) complied in all material respects with the applicable requirements of the Securities Act, the Securities Exchange Act, and the rules and regulations thereunder applicable to such Parent SEC Reports and (b) did not, and in the case of such forms, reports, schedules, statements and other documents filed after the date hereof will not as of the time they are filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated financial statements included in or incorporated by reference into the Parent SEC Reports (including the related notes and schedules) were, and in the case of such consolidated financial statements filed after the date hereof will be, prepared materially in accordance with the published rules and regulations of the SEC, and fairly presents (as to such previously filed items) in all material respects the consolidated financial position of Parent and its Subsidiaries as of its date, and each of the consolidated statements of operations, stockholders' equity and cash flows included in or incorporated by reference into the Parent SEC Reports (including any related notes and schedules) fairly presents (as to such previously filed items) in all material respects the financial position, results of operations and cash flows, as the case may be, of Parent and its Subsidiaries for the periods set forth therein, in each case in accordance with GAAP consistently applied during the periods involved, except as may be noted therein (and subject, in the case of unaudited statements, to normal year-end audit adjustments and the absence of footnotes).

(ii) As of the Closing Date, (x) there is no investigation by the SEC pending or threatened with respect to any Parent SEC Report, (y) none of the Parent SEC Reports are the subject of open, unresolved comments from the SEC and (z) to the knowledge of Parent, there is no material unresolved violation of the Securities Exchange Act or the published rules and regulations of the SEC asserted by the SEC with respect to the Parent SEC Reports.

( Z ) Current Business Practices. None of the Loan Parties, nor, to the knowledge of the Loan Parties, any of their respective directors, officers, agents, employees or representatives in their capacities as such has knowingly (or unknowingly, in the case where such conduct is reasonably likely to have had a Material Adverse Effect): (i) used any funds for unlawful contributions, unlawful gifts, unlawful entertainment or other unlawful expenses relating to political activity; (ii) directly or indirectly paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any finder, agent or other party acting on behalf of or under the auspices of a governmental official or Governmental Authority, in the US or any other country, which is in any manner related to the Business that was illegal under federal, state or local laws of the US or any other country having jurisdiction; (iii) made any payment to any customer or subcontractor of the Business or to any officer, director, partner, employee or agent of any such customer or subcontractor, for the unlawful influence of any such customer or subcontractor or any such officer, director, partner, employee or agent; (iv) engaged in any other unlawful reciprocal practice, or made any other unlawful payment or given any other unlawful consideration to any such customer or subcontractor or any such officer, director, partner, employee or agent, in respect of the Business; or (v) except as set forth on Schedule 4.1(Z), violated any federal, state or local campaign finance, election or similar laws.

4.2. Absolute Reliance on the Representations and Warranties. All representations and warranties contained in this Agreement and any financial statements, instruments, certificates, schedules or other documents delivered in connection herewith, shall survive the execution and delivery of this Agreement, regardless of any investigation made by Agent or Lenders or on Agent's or Lenders' behalf.

SECTION 5. COVENANTS

5.1. Affirmative Covenants. Each Loan Party (unless otherwise specified) covenants that, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit, each of the Loan Parties shall:

(A) Existence. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence.

(B) Businesses and Properties; Compliance with Laws. At all times (i) do or cause to be done all things necessary to preserve, renew and keep in full force and effect the rights, licenses, registrations, permits, certifications, approvals, consents, franchises, Patents, Copyrights, Trademarks and trade names, and any other trade names that are material to the conduct of its businesses; (ii) comply in all material respects with all Laws applicable to the operation of such business, including but not limited to, all Environmental Laws, whether now in effect or hereafter enacted, (iii) take all action that may be required to obtain, preserve, renew and extend all rights, Patents, Copyrights, Trademarks, tradenames, franchises, registrations, certifications, approvals, consents, licenses, permits and any other authorizations that are material to the operation of such business, (iv) maintain, preserve and protect all property material to the conduct of such business, and (v) except for obsolete, worn-out equipment or equipment no longer useful in the operation of the Business and ordinary wear and tear, keep its property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto deemed necessary by Parent or such Loan Party in order that the Business may be properly conducted at all times.

(C) Insurance. Maintain insurance required by the Loan Documents and any and all contracts entered into by the Loan Parties, including but not limited to: (i) coverage on their insurable properties (including all Inventory, Equipment and real property) against the perils of fire, theft, hazard and burglary; (ii) public liability; (iii) workers' compensation; (iv) business interruption; (v) product liability; and (vi) such other risks as are customary with companies similarly situated and in the same or similar business as that of the Loan Parties under policies issued by financially sound and reputable insurers in such amounts as are customary with companies similarly situated and in the same or similar business. Each of the Loan Parties shall pay or shall cause to be paid all insurance premiums payable by it or its Subsidiaries and, upon Agent's request, shall deliver a copy of the policy or policies of such insurance (or certificates of insurance with copies of such policies) to Agent. All insurance policies of the Loan Parties shall contain endorsements, in form and substance reasonably satisfactory to Agent, providing that the insurance shall not be cancelable except upon prior written notice to Agent given within a period satisfactory to Agent. Agent, on behalf of Lenders, shall be shown as a loss payee and an additional named insured party under all such insurance policies (as well as under all business interruption insurance of Loan Parties), in each case pursuant to appropriate endorsements in form and substance satisfactory to Agent. No notice of cancellation has been received with respect to such policies and each Loan Party, and each of its Subsidiaries, is in material compliance with all conditions contained in such policies. Loan Parties shall provide Agent evidence of the insurance coverage and of the assignments and endorsements required by this Agreement immediately upon request by Agent and upon renewal of any existing policy. If Borrower elects to change insurance carriers, policies or coverage amounts, Borrower shall notify Agent and provide Agent with evidence of the updated insurance coverage and of the assignments and endorsements required by this Agreement. In the event Borrower fails to provide Agent with evidence of the insurance coverage required by this Agreement, Agent may, but is not required to, purchase insurance at Loan Parties' expense to protect Agent's and the Lender's interests in the Collateral. This insurance may, but need not, protect any Loan Party's interests. The coverage purchased by Agent may not pay any claim made by any Loan Party or any claim that is made against any Loan Party in connection with the Collateral. Loan Parties may later cancel any insurance purchased by Agent, but only after providing Agent with evidence that the applicable Loan Party has obtained insurance as required by this Agreement. If Agent purchases insurance for the Collateral, Loan Parties will be responsible for the costs of that insurance, including interest thereon and other charges imposed on Agent in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance, and such costs may be added to the Obligations. The costs of the insurance may be more than the cost of insurance Loan Parties are able to obtain on their own. Any proceeds received from any policies of insurance relating to Collateral shall be applied to the Obligations in accordance with Section 2.4(E); provided, however, if Borrower reasonably expects the proceeds of any insurance to be reinvested within one hundred eighty (180) days to repair or replace such assets with like assets, to the extent not paid directly to Agent by the applicable insurance company, Borrower shall deliver such insurance proceeds to Agent to be applied to the Revolving Loan and Agent shall establish a reserve against available funds for borrowing purposes under the Revolving Loan for such amount, until such time as such proceeds have been borrowed or applied to other Obligations as set forth herein and Borrower may, so long as no Default or Event of Default shall have occurred and be continuing, reborrow such proceeds only for such repair or replacement. If Borrower fails to reinvest such insurance proceeds within one hundred eighty (180) days, Borrower hereby authorizes Agent and Lenders to make a Revolving Advance in the amount of the remaining reserve to repay the Loans in the manner set forth in Section 2.4(E).

(D) Obligations and Taxes. Pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon them or upon their income or profits or in respect of their properties before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise, which, if unpaid, might give rise to Liens or charges upon such properties or any part thereof; provided, however, that the Loan Parties shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as (i) the validity or amount thereof shall be contested in good faith by appropriate proceedings and (ii) the Loan Parties shall have set aside on their books adequate reserves with respect thereto in accordance with GAAP.

(E) Financial Statements; Reports. Parent will furnish to Agent:

( a ) Annual Financial Statements. Within ninety (90) days after the end of each Fiscal Year of Rocky on a Consolidated Basis, financial statements of Rocky on a Consolidated Basis including, but not limited to, statements of income and stockholders' equity and cash flow from the beginning of the current Fiscal Year to the end of such Fiscal Year and the balance sheet as at the end of such Fiscal Year, all prepared in accordance with GAAP applied on a basis consistent with prior practices, and in reasonable detail and reported upon without qualification by an independent certified public accounting firm selected by Parent and satisfactory to Agent (the "Accountants"). The report of the Accountants shall be accompanied by a statement of the Accountants certifying that (i) they have caused the Loan Agreement to be reviewed, (ii) in making the examination upon which such report was based either no information came to their attention which to their knowledge constituted an Event of Default under this Agreement or any related agreement or, if such information came to their attention, specifying any such Event of Default, its nature, when it occurred and whether it is continuing, and such report shall contain or have appended thereto calculations which set forth Loan Parties' compliance with each covenant set forth in Section 5.3. In addition, the reports shall be accompanied by a certificate of Parent's Chief Financial Officer which shall state that, based on an examination sufficient to permit him to make an informed statement, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default, its nature, when it occurred, whether it is continuing and the steps being taken by Loan Parties with respect to such event, and such certificate shall have appended thereto calculations which set forth Loan Parties' compliance with the covenant set forth. The foregoing certificate of Parent's Chief Financial Officer shall also set forth a calculation of the Total Leverage Ratio for purposes of determining the Applicable Margin with respect to the then current Calculation Period.

( b ) Quarterly Financial Statements. Within forty-five (45) days after the end of each fiscal quarter, other than the fourth fiscal quarter of each Fiscal Year, an unaudited balance sheet of Rocky on a Consolidated Basis and unaudited statements of income and stockholders' equity and cash flow of Rocky on a Consolidated Basis reflecting results of operations from the beginning of the Fiscal Year to the end of such quarter and for such quarter, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to normal and recurring year end adjustments that individually and in the aggregate are not material to the business of Rocky on a Consolidated Basis. Each such balance sheet, statement of income and stockholders' equity and statement of cash flow shall set forth a comparison of the figures for (w) the current fiscal period and (x) the current year-to-date with the figures for (y) the same fiscal period and year-to-date period of the immediately preceding Fiscal Year and (z) the projections for such fiscal period and year-to-date period delivered pursuant to Section 5.1(E)(c). The financial statements shall be accompanied by a certificate signed by the Chief Financial Officer of Parent, which shall state that, based on an examination sufficient to permit him to make an informed statement, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default, its nature, when it occurred, whether it is continuing and the steps being taken by Loan Parties with respect to such default and, such certificate shall have appended thereto calculations which set forth Loan Parties' compliance with the covenant set forth in Section 5.3. The foregoing certificate of Parent's Chief Financial Officer shall also set forth a calculation of the Total Leverage Ratio for purposes of determining the Applicable Margin with respect to the then current Calculation Period.

( c ) Monthly Financial Statements. Within thirty (30) days after the end of each month, an unaudited balance sheet of Rocky on a Consolidated Basis and unaudited statements of income and stockholders' equity of Rocky on a Consolidated Basis reflecting results of operations from the beginning of the Fiscal Year to the end of such month and for such month, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to normal and recurring year end adjustments that individually and in the aggregate are not material to the business of Loan Parties. Each such balance sheet, statement of income and stockholders' equity shall set forth a comparison of the figures for (w) the current fiscal period and (x) the current year-to-date with the figures for (y) the same fiscal period and year-to-date period of the immediately preceding Fiscal Year and (z) the projections for such fiscal period and year-to-date period delivered pursuant to Section 5.1(E)(e). The financial statements shall be accompanied by a certificate of Parent's Chief Financial Officer, which shall state that, based on an examination sufficient to permit him to make an informed statement, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default, its nature, when it occurred, whether it is continuing and the steps being taken by Loan Parties with respect to such event and, such certificate shall have appended thereto calculations which set forth Loan Parties' compliance with the covenants set forth in Section 5.3.

( d ) Accountant Reports. Promptly upon the receipt thereof, copies of all reports, if any, submitted to the Loan Parties by independent certified public accountants in connection with each annual, interim or special audit or review of the financial statements of the Loan Parties made by such accountants, including but not limited to, any comment letter submitted by such accountants to management in connection with any annual review.

( e ) Projections. As soon as available, but in no event later than December 31 of each Fiscal Year, a projection of the balance sheets, and income, retained earnings and cash flow statements, respectively, for the then current Fiscal Year (which shall be provided in monthly format) and comparable actual and budgeted figures for the current year, each of the foregoing for Rocky on a Consolidated Basis, and within ten (10) days after any material update or amendment of any such plan or forecast, a copy of such update or amendment, including a description of and reasons for such update or amendment. Each such projection, update or amendment shall be accompanied by a written certificate signed by Parent's Chief Financial Officer to the effect that it has been prepared on the basis of the Loan Parties' historical financial statements and records, together with the assumptions set forth in such projection and that it reflects expectations, after reasonable analysis, of the Loan Parties' management as to the matters set forth therein.

( f ) Variances From Operating Budget. Upon request of Agent, concurrently with the delivery of the financial statements referred to in Sections 5.1(E)(a), (b), and (c), a written report summarizing all material variances from budgets submitted by Loan Parties pursuant to Section 5.1(E)(e) and a discussion and analysis by Parent's management with respect to such variances.

( g ) Borrowing Base Certificate. (A) on the Tuesday immediately after the second Saturday following the Closing Date, a Borrowing Base Certificate calculated as of the last day of the second immediately preceding week and (B) weekly thereafter (or more frequently if required by Agent), a Borrowing Base Certificate calculated as of the last day of the immediately preceding week.

(h) Collateral Reports. On or before the thirtieth (30<sup>th</sup>) day of each month as and for the prior month (a) accounts receivable agings (which shall be in summary form unless a more detailed format is requested by the Agent), (b) accounts payable agings, and (c) Inventory reports. In addition, each Loan Party shall deliver to Agent at such intervals as Agent may require: (i) confirmatory assignment schedules, (ii) copies of Customer's invoices, (iii) evidence of shipment or delivery, and (iv) such further schedules, documents and/or information regarding the Collateral as Agent may require including, without limitation, trial balances and test verifications. Agent shall have the right to confirm and verify all Accounts by any manner and through any medium it considers advisable and do whatever it may deem reasonably necessary to protect its interests hereunder. The items to be provided under Section 5.1(E)(g) and (h) are to be in form satisfactory to Agent and delivered to Agent from time to time solely for Agent's convenience in maintaining records of the Collateral, and any Loan Party's failure to deliver any of such items to Agent shall not affect, terminate, modify or otherwise limit Agent's Lien with respect to the Collateral.

(i) Additional Information. Promptly, from time to time, such other information regarding the compliance by the Loan Parties with the terms of this Agreement and the other Loan Documents or the affairs, operations or condition (financial or otherwise) of the Loan Parties, and any tax returns filed by the Loan Parties, all as Agent may reasonably request and that is capable of being obtained, produced or generated by the Loan Parties or of which the Loan Parties have knowledge.

(j) Reconciliation Statements. If, as a result of any change in accounting principles and policies from those used in the preparation of the audited financial statements referred to in Section 5.1(E) hereof (other than an immaterial change in GAAP), the consolidated financial statements of the Loan Parties delivered pursuant to Section 5.1(E) (a), (b) or (e) hereof will differ in any material respect from the consolidated financial statements that would have been delivered pursuant to such Sections had no such change in accounting principles and policies been made, then (A) together with the first delivery of financial statements pursuant to Section 5.1(E) (a), (b) or (e) hereof following such change, consolidated financial statements of the Loan Parties for (y) the current Fiscal Year to the effective date of such change and (z) the two full Fiscal Years immediately preceding the Fiscal Year in which such change is made, in each case prepared on a pro forma basis as if such change had been in effect during such periods, and (B) together with each delivery of financial statements pursuant to Section 5.1(E) (a), (b) or (e) hereof following such change, a written statement of the chief financial officer of each Loan Party setting forth the differences (including any differences that would affect any calculations relating to the financial covenants set forth in Section 5.3) which would have resulted if such financial statements had been prepared without giving effect to such change.

(F) Litigation and Other Notices. Give Agent written notice (and copies, as applicable) of the following promptly after any Loan Party has or receives notice or knowledge of the following:



( a ) Orders; Injunctions. The issuance by any court or Governmental Authority of any injunction, order, decision or other restraint prohibiting, or having the effect of prohibiting, the making of any loan or the initiation of any litigation or similar proceeding seeking any such injunction, order or other restraint.

(b) Litigation. The notice, filing or commencement of any action, suit or proceeding against any of the Loan Parties whether at law or in equity or by or before any court or any Federal, state, municipal or other Governmental Authority and that, if adversely determined against any of the Loan Parties, could result in uninsured liability in excess of \$750,000 in the aggregate and notice of any material development in such matter.

( G ) Environmental Matters. Promptly notify Agent in writing upon the occurrence of (A) Any Release or threatened Release of any Pollutant required to be reported by a Loan Party or any of its Subsidiaries to any Governmental Authority under any applicable Environmental Laws with respect to the Properties and Facilities or any other property, (B) any Removal, Remedial or Response action taken by any of the Loan Parties or any of their Subsidiaries or any other Person in response to any Pollutant in, at, on or under, a part of or about any of the Properties and Facilities or any other property, (C) any violation by any of the Loan Parties of any Environmental Law, in each case, is reasonably likely to have a Material Adverse Effect, or (D) any notice, claim or other information received by, or knowledge of which is possessed by, a Loan Party that any of the Loan Parties or any of their Subsidiaries might be subject to an Environmental Liability that could result in uninsured Liability in excess of \$500,000.

(H) Default; Material Occurrences. Promptly notify Agent in writing upon the occurrence of (a) any Event of Default or Default, specifying the nature and extent thereof and the action (if any) that is proposed to be taken with respect thereto; (b) any event of default under the Note Purchase Agreement; (c) any event which with the giving of notice or lapse of time, or both, would constitute an event of default under the Note Purchase Agreement; (d) any event, development or circumstance whereby any financial statements or other reports furnished to Agent fail in any material respect to present fairly, in accordance with GAAP consistently applied, the financial condition or operating results of any Loan Party as of the date of such statements; (e) any accumulated retirement plan funding deficiency which, if such deficiency continued for two plan years and was not corrected as provided in Section 4971 of the IRC, could subject any Loan Party to a tax imposed by Section 4971 of the IRC; (f) each and every default by any Loan Party which might result in the acceleration of the maturity of any Indebtedness with an outstanding balance in excess of \$500,000, including the names and addresses of the holders of such Indebtedness with respect to which there is a default existing or with respect to which the maturity has been or could be accelerated, and the amount of such Indebtedness; (g) termination of any of the Material License Agreements which such termination is reasonably likely to have a Material Adverse Effect and (h) any other development in the business or affairs of any Loan Party which is reasonably likely to have a Material Adverse Effect; in each case describing the nature thereof and the action Loan Parties propose to take with respect thereto.

(I) ERISA. Comply in all material respects with the applicable provisions of ERISA and the provisions of the Code relating thereto and furnish to Agent, and if requested by them in writing, furnish to Lenders, (i) as soon as possible, and in any event within thirty (30) days after the Loan Parties know or have reason to know thereof, notice of (A) the establishment by the Loan Parties or ERISA Affiliate of any Plan, (B) the commencement by the Loan Parties or ERISA Affiliate of contributions to a Multiemployer Plan, (C) any failure by the Loan Parties or any of their ERISA Affiliates to make contributions required by Section 302 of ERISA (whether or not such requirement is waived pursuant to Section 303 of ERISA), or (D) the occurrence of any Reportable Event with respect to any Plan or Multiemployer Plan for which the reporting requirement is not waived, together with a statement of an officer setting forth details as to such Reportable Event and the action that the Loan Parties propose to take with respect thereto, together with a copy of the notice of such Reportable Event given to the PBGC if any such notice was provided by the Loan Parties, and (ii) promptly after receipt thereof, a copy of any notice a Loan Party or ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Multiemployer Plan, or to appoint a trustee to administer any Plan or Multiemployer Plan, and (iii) promptly after receipt thereof, a copy of any notice of withdrawal liability from any Multiemployer Plan.

(J) Maintaining Records; Access to Premises and Inspections. Maintain financial records in accordance with generally accepted practices and, upon reasonable notice, at all reasonable times and as often as Agent may reasonably request (and at any time after the occurrence and during the continuation of a Default or Event of Default), permit any authorized representative designated by Agent, subject to the same confidentiality provisions for Agent and Lenders as set forth in this Agreement, to visit and inspect the properties and financial records of the Loan Parties and to make extracts from such financial records, all at the Loan Parties' reasonable expense, and permit any authorized representative designated by Agent to discuss the affairs, finances and condition of the Loan Parties with the Loan Parties' chief financial officers and such other officers as the Loan Parties shall deem appropriate, and the Loan Parties' independent public accountants.

(K) Other Reports. Furnish Agent as soon as available, but in any event within ten (10) days after the issuance thereof, (i) with copies of such financial statements, reports and returns as each Loan Party shall send to its stockholders and (ii) copies of all notices sent pursuant to the Note Purchase Agreement.

(L) Patriot Act Compliance. Loan Parties shall provide such information and take such actions as are reasonably requested by the Agent or any Lender in order to assist the Agent and the Lenders in maintaining compliance with the Patriot Act.

(M) SEC Filings; Press Release. Promptly after the sending or filing thereof, Parent shall (x) send to Agent (either in writing or by e-mail) copies of all press releases and all statements concerning material changes or developments in the business of the Loan Parties made available by the Loan Parties to the public or any other creditor and (y) use reasonable efforts to send to Agent (either in writing or by e-mail) copies of all reports sent to the holders of the Common Stock of Parent generally and all reports and registration statements filed with the SEC or any national or foreign securities exchange or the National Association of Securities Dealers, Inc .

5.2. Negative Covenants. The Loan Parties, jointly and severally, covenant that, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit:

(A) Indebtedness. None of the Loan Parties shall create, incur, assume guarantee or be or remain liable for, contingently or otherwise, or suffer to exist any Indebtedness, except:

- (a) Indebtedness under this Agreement;
- (b) Indebtedness of Borrower incurred in the ordinary course of business with respect to customer deposits, trade payables and other unsecured current Liabilities not the result of borrowing and not evidenced by any note or other evidence of Indebtedness;
- (c) Indebtedness under the Note Purchase Agreement;
- (d) Purchase money Indebtedness of Borrower and Indebtedness consisting of Capital Leases, in the aggregate, not to exceed \$2,500,000 at any time outstanding;
- (e) Intercompany Indebtedness between the Loan Parties, including between Parent and its Subsidiaries (which, for the sake of clarification, do not include trade payables incurred in the ordinary course of business), provided that the aggregate outstanding amount of Intercompany Indebtedness owing at any time by Subsidiaries that are not Loan Parties to Loan Parties shall not exceed \$7,500,000;
- (f) Indebtedness to shareholders of Parent from share repurchases and redemptions under the Stockholders Agreement not to exceed \$250,000 in the aggregate in any Fiscal Year;
- (g) Other Indebtedness of Loan Parties in the aggregate at any time outstanding of \$1,000,000; provided that such Indebtedness is unsecured and/or subordinated to the Indebtedness under this Agreement on terms reasonably satisfactory to Agent;
- (h) Indebtedness of Borrower listed on the Permitted Indebtedness Schedule attached hereto as Schedule 5.2(A);
- (i) Indebtedness incurred in connection with the financing of Loan Parties' insurance premiums;
- (j) Indebtedness incurred in connection with Interest Rate Protection Agreements, in all cases not for speculative purposes, not to exceed in the aggregate a maximum potential Liability for the termination of such any and all such agreements, of \$7,500,000 at any time outstanding;

(k) Indebtedness incurred in connection with the purchase, financing or refinancing of real property, not to exceed the sum of \$5,000,000 in the aggregate at any time outstanding; and

(l) obligations under any lease which is accounted for by the lessee as an operating lease and under which the lessee is intended to be the “owner” of the leased property for Federal income tax purposes.

(B) Negative Pledge; Liens. The Loan Parties shall not create, incur, assume or suffer to exist any Lien of any kind on any of their properties or assets of any kind, except the following (collectively, “Permitted Liens”):

(a) Liens created in connection with the Loan Documents;

(b) Liens created in connection with the Note Purchase Documents which are subordinate and junior to the Liens of Agent and the Lenders and are subject to the terms of the Intercreditor Agreement;

(c) Liens for or priority claims imposed by law that are incidental to the conduct of business or the ownership of properties and assets (including mechanic’s, warehousemen’s, attorneys’ and statutory landlords’ Liens) and deposits and pledges incurred in the ordinary course of business and not in connection with the borrowing of money; provided, however, that in each case, the obligation secured is not overdue, or, if overdue, is being contested in good faith and adequate reserves have been set up by the Loan Parties as the case may be; and provided, further, that the Lien and security interest provided in the Loan Documents or any portion thereof created or intended to be created thereby is not, in the opinion of Agent, unreasonably jeopardized thereby;

(d) Liens securing the payments of Charges incurred in the ordinary course of business that either (A) are not delinquent, or (B) are being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves have been set aside on their books, and so long as during the period of any such contest, the Loan Parties shall suffer no loss of any privilege of doing business or any other right, power or privilege necessary or material to the operation of the Business; provided, however, that a stay of enforcement of any such Lien is in effect and the first priority status of the Lien of Agent under the Loan Documents shall not be affected thereby;

(e) Liens securing Capital Leases and purchase money Indebtedness permitted under Section 5.2(A)(d) which attach solely to the assets being leased or purchased;

(f) Liens securing Indebtedness permitted under Section 5.2(A)(i) which attach solely to the applicable insurance policies and proceeds thereof;

(g) Liens securing Indebtedness permitted under Section 5.2(A)(k) which attach solely to the relevant real property and improvements;

(h) Liens listed on the "Permitted Liens Schedule" attached hereto as Schedule 5.2(B); and

(i) Extensions, renewals and replacements of Liens referred to in clauses (a), (b), (e), (g) or (j) of this Section 5.2(B); provided, however, that any such extension, renewal or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed or replaced and that the obligations secured by any such extension, renewal or replacement Lien shall be in an amount not greater than the amount of the obligations secured by the Lien extended, renewed or replaced at the time of such extension, renewal or replacement;

(j) Liens of any licensor or licensee in connection with license agreements entered into in the ordinary course of business, which such Liens do not constitute security interests in any assets of any Loan Party;

(k) any Lien or encumbrance, UCC financing statement, interest or title of a lessor under any operating lease entered into in the ordinary course of business, or any interest or title of any lessee under any leases or subleases of real property, with respect solely to the leased property and not to any other Collateral;

(l) with respect solely to real property, defects and irregularities in title, survey exceptions, encumbrances, licenses, covenants, restrictions, easements or reservations of others for rights-of-way, roads, pipelines, railroad crossings, services, utilities or other similar purposes; outstanding mineral rights or reservations (including rights with respect to the removal of material resources) which do not materially diminish the value of the surface estate, assuming usage of such surface estate similar to that being carried on by any Person as of the effective date, and Liens arising with respect to zoning restrictions, licenses, covenants, building restrictions and other similar charges or encumbrances on the use of real property of such Person which do not materially interfere with the ordinary conduct of such Person's business;

(m) Liens on any interest in life insurance on any officer, director or employee;

(n) Liens incurred or pledges and deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance, pensions or other types of social security benefits, or to secure the performance of statutory obligations or to secure the performance of bids, tenders, sales and contracts (other than for the repayment of borrowed money) and Liens incurred to secure any surety bonds, appeal bonds, supersedeas bonds or other instruments serving a similar purpose in connection with the appeal of any judgment or defense of any claim relating to a prejudgment Lien;

(o) Liens consisting of financing statements or similar notices filed by a Person of a type listed in Section 9-505 of the UCC solely in such capacity; and

(p) Liens consisting of judgments or attachments that would not constitute an Event of Default under Section 7.1(J).

( C ) Contingent Liabilities. The Loan Parties shall not become liable for any Guaranties, except for (i) the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (ii) guaranties by a Loan Party with respect to Indebtedness of Borrower permitted under Section 5.2(A), (iii) Guaranties of Borrower with respect to a maximum potential liability of \$1,000,000 at any time outstanding, (iv) Guaranties, obligations, warranties and indemnities, not with respect to senior or funded Indebtedness of any Person, which have been or are undertaken or made in the ordinary course of business, in connection with the Transactions or in connection with the issuance of securities of the Parent, and (v) Guaranties of any Loan Party on behalf of such Loan Party's Subsidiary which is not a Loan Party, not to exceed in the aggregate at any time outstanding, guaranteed Indebtedness in the sum of \$1,000,000.

(D) Intentionally Omitted.

(E) Mergers, etc. Except for the Acquisition permitted by this Agreement and a merger or consolidation of any Subsidiary or Loan Party into another Loan Party (except for mergers or consolidations of Borrowers into Guarantors unless consented to in writing by Agent in its sole reasonable discretion), Loan Parties shall not alter the corporate, capital or legal structure of the Loan Parties, or merge into or consolidate or combine with any other Person, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) or purchase, lease or otherwise acquire (in one transaction or a series of related transactions) all or any substantial part of the property or assets of any Person in excess of the aggregate sum of \$2,000,000 during the term hereof, subject to such terms and conditions as Agent shall prescribe in its sole reasonable discretion. The Loan Parties shall not sell, transfer or otherwise dispose of any of its assets, including without limitation the Collateral, other than (i) sales, leases, assignments, transfers, conveyances or other dispositions of Inventory in the ordinary course of business; (ii) the sale of the Nelsonville Office, the Nelsonville Warehouse, and sales, assignments, transfers, conveyances or other dispositions (other than leases or subleases of leases) of properties outside of the ordinary course of business not to exceed in the aggregate more than \$50,000 in any Fiscal Year (exclusive of any sales or other dispositions of Parent's former warehouse property); (iii) in addition to dispositions permitted under clauses (i) and (ii) above, the disposition of Equipment of any Loan Party if such Equipment is obsolete or no longer useful in the ordinary course of such Loan Party's business; (iv) assignments and licenses of intellectual property in the ordinary course of business; (v) the sale or transfer of property of any Loan Party to any other Loan Party (except for sales or transfers by Borrowers to Guarantors unless consented to in writing by Agent in its sole reasonable discretion); and (vi) subleases of leases or leases of property which, at the time of such sublease or lease, is then not currently being utilized in the Business.

(F) Affiliate Transactions. Other than by and between, or among, Parent, the Loan Parties and their respective Subsidiaries, in each case in a manner that is not materially economically detrimental to any Borrower, the Loan Parties shall not make any loan or advance to any director, officer or employee of the Loan Parties or any Affiliate, or enter into or be a party to any transaction or arrangement with any Affiliate of the Loan Parties, including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate, except pursuant to the reasonable requirements of the Loan Parties' business and upon fair and reasonable terms no less favorable to the Loan Parties than would be obtained in a comparable arm's-length transaction with a Person other than an Affiliate.

(G) Dividends. The Loan Parties shall not, directly or indirectly, declare or pay any dividends or make any distribution of any kind on their outstanding capital stock or any other payment of any kind to any of their stockholders or its Affiliates (including any redemption, purchase or acquisition of, whether in cash or in property, securities or a combination thereof, any partnership interests or capital accounts or warrants, options or any of their other securities), or set aside any sum for any such purpose other than for such dividends, distributions or payments paid solely to other Loan Parties and for any other purpose up to \$500,000 in the aggregate in any Fiscal Year.

(H) Advances, Investments and Loans. The Loan Parties shall not purchase, or hold beneficially any stock, other securities or evidences of Indebtedness of, or make or permit to exist any loan, Guaranty or advance to, or make any Investment or acquire any interest whatsoever in, any other Person (including, but not limited to, the formation or acquisition of any Subsidiaries), except, prior to the occurrence and continuance of any Default or Event of Default, and subject to the substantially contemporaneous delivery to Agent of such agreements, documents or instruments reasonably requested by Agent to obtain a first priority perfected security interest in any such Investment (other than those described in clauses (x), (xii) and (xiv) below, which would not constitute Collateral), any of the following (each, a "Permitted Investment"):

(i) securities issued or directly and fully guaranteed or insured by the US or any agency or instrumentality thereof having maturities of not more than six (6) months from the date of acquisition;

(ii) US dollar-denominated time deposits, certificates of deposit and bankers acceptances of any bank whose short-term debt rating from Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("S&P"), is at least A-1 or the equivalent or whose short-term debt rating from Moody's Investors Service, Inc. ("Moody's") is at least P-1 or the equivalent with maturities of not more than six months from the date of acquisition;

(iii) commercial paper with a rating of at least A-1 or the equivalent by S&P or at least P-1 or the equivalent by Moody's maturing within six months after the date of acquisition;

(iv) marketable direct obligations issued by any state of the US or any political subdivision of any such state or any public instrumentality thereof maturing within six months from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's;

- (v) Investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (i) through (iv) above;
- (vi) Deposit Accounts maintained in accordance with the Blocked Account Agreements;
- (vii) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;
- (viii) Accounts owing to the Loan Parties, prepaid expenses and accrued expenses created or acquired in the ordinary course of Business and payable on customary trade terms of the Loan Parties;
- (ix) deposits made in the ordinary course of Business consistent with past practices to secure the performance of leases or in connection with bidding on government contracts;
- (x) loans to employees in an aggregate amount not in excess of \$100,000 at any one time per such employee (not to exceed in the aggregate at any time outstanding the sum of \$1,000,000 with respect to all employees of the Loan Parties), for the purpose of assisting such employees in the purchase of Common Stock;
- (xi) Investments or intercompany loans and advances of (A) Parent or a Subsidiary in or to any other Subsidiary (subject to a maximum amount of such loans and advances (which, for the sake of clarification, do not include trade payables incurred in the ordinary course of business) by Parent and any other Borrower to any and all such Subsidiaries of \$7,500,000 in the aggregate at any one time outstanding and provided that each such loan and advance is evidenced by a promissory note in form and substance satisfactory to Agent which is pledged by the payee as additional security for the Obligations), (B) any Subsidiary in or to the Parent or (C) any Guarantor in or to any other Loan Party;
- (xii) advances to sales representatives of Parent or any of its Subsidiaries in the ordinary course of Business and consistent with past practices;
- (xiii) additional Investments not otherwise permitted in this Section not to exceed \$1,000,000 in the aggregate at any one time outstanding;



(xiv) Investments in certificates of deposit and bank deposits with financial institutions located in Puerto Rico and the Dominican Republic, solely to the extent necessary to maintain preferred tax treatment or country of origin status in such locations, not to exceed \$5,000,000 in the aggregate at any time outstanding;

(xv) Investments made pursuant to acquisitions permitted by this Agreement;

(xvi) Investments in Interest Rate Protection Agreements, derivative agreements, materials future contracts or other arrangements in connection with Indebtedness, in all cases not for speculative purposes, not to exceed in the aggregate a notional amount of \$60,000,000 at any time outstanding; and

(xvii) Deposit Accounts with financial institutions available for withdrawal on demand, subject to the provisions of Sections 6.1(K) and 6.4.

(I) Use of Proceeds. The Loan Parties shall not use any proceeds from the Loans advanced hereunder, directly or indirectly, for the purposes of purchasing or carrying any “margin securities” within the meaning of Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve Board or for the purpose of arranging for the extension of credit secured, directly or indirectly, in whole or in part by collateral that includes any “margin securities.”

(J) Press Release; Public Offering Materials. After the Closing Date, the Loan Parties shall not disclose the name of Agent or any Lender in any press release or in any prospectus, proxy statement or other materials filed with any governmental entity relating to a public offering of the capital stock of any Loan Party except as may be required by Law and then only (x) to the extent required by Law and (y) after providing Agent with prior written notice of such disclosure.

(K) Amendment of Charter Documents. The Loan Parties shall not amend, terminate, modify or waive or agree to the amendment, modification or waiver of any material term or provision of their Charter Documents, or By-laws, other than any amendment, modification or other change to any Charter Document or By-laws that does not adversely affect the rights and privileges of Parent or any Loan Party under the Loan Documents, or the interests of Agent or the Lenders under the Loan Documents or in the Collateral.

(L) Subsidiaries. The Loan Parties shall not establish nor acquire any new Subsidiary except (i) Foreign Subsidiaries, with the prior written consent of Agent not to be unreasonably withheld or (ii) domestic Subsidiaries, in connection with any acquisition permitted by this Agreement and/or where such Subsidiary becomes a Borrower or obligated pursuant to a Guaranty and grants Agent a first priority perfected security interest in substantially all of its assets, subject only to Permitted Liens.

( M ) Business. The Loan Parties shall not engage, directly or indirectly, in any business other than the Business, and any business reasonably incidental thereto.

( N ) Fiscal Year; Accounting. The Loan Parties shall not change their Fiscal Year from ending on December 31, or method of accounting (other than immaterial changes in methods), except as permitted or required by GAAP, in which case Agent shall be provided with not less than thirty (30) days advance written notice of any such change.

( O ) Establishment of New or Changed Business Locations. The Loan Parties shall not relocate their principal executive offices or other facilities or establish new business locations or store any Inventory or other assets at a location not identified to Agent on or before the date hereof, without providing not less than thirty (30) days advance written notice to Agent.

( P ) Business Practices. The Loan Parties shall not engage in, or permit any of their respective directors, officers, agents, employees or representatives in their capacities to engage in, any of the following: (i) use any funds for unlawful contributions, unlawful gifts, unlawful entertainment or other unlawful expenses relating to political activity; (ii) directly or indirectly pay or deliver any fee, commission or other sum of money or item of property, however characterized, to any finder, agent or other party acting on behalf of or under the auspices of a governmental official or Governmental Authority, in the US or any other country, which is in any manner related to the Business that was illegal under federal, state or local laws of the US or any other country having jurisdiction; (iii) make any payment to any customer or subcontractor of the Business or to any officer, director, partner, employee or agent of any such customer or subcontractor, for the unlawful influence of any such customer or subcontractor or any such officer, director, partner, employee or agent; (iv) engage in any other unlawful reciprocal practice, or make any other unlawful payment or give any other unlawful consideration to any such customer or subcontractor or any such officer, director, partner, employee or agent, in respect of the Business; or (v) violate any federal, state or local campaign finance, election or similar Laws, where any such conduct is either (x) done knowingly or (y) reasonably likely to have a Material Adverse Effect.

( Q ) Sale or Discount of Accounts. The Loan Parties shall not, directly or indirectly, sell with recourse, or discount or otherwise sell for less than the face value thereof, any of its Accounts, except without recourse in the ordinary course of business in connection with the compromise or collection thereof and not as part of any financing transactions.

( R ) Changes Relating to Note Purchase Documents; Prepayments. The Loan Parties shall not change or amend the terms of the Note Purchase Agreement or any Term Note B, if such amendment shall not be permitted in accordance with the terms of the Intercreditor Agreement, nor shall Loan Parties make any prepayments in any Fiscal Year in respect of Term Note B except, (x) subsequent to the making of Cash Flow Prepayments to Agent in accordance with Section 2.4(B)(3), and (y) in aggregate amounts equal to not more than 25% of Excess Cash Flow for the applicable prior Fiscal Year.

5.3. Financial Covenants. Parent covenants that, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash of all Obligations and termination of all Lender Letters of Credit, it shall maintain, on a consolidated basis, the following:

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

<u>Period</u>	<u>Fixed Charge Coverage Ratio</u>
Closing Date through March 31, 2005	0.81 to 1.00
Closing Date through June 30, 2005	0.92 to 1.00
Closing Date through September 30, 2005	1.11 to 1.00
Closing Date through December 31, 2005	1.05 to 1.00
Four Quarters ending March 31, 2006	1.05 to 1.00
Four Quarters ending June 30, 2006	1.05 to 1.00
Four Quarters ending September 30, 2006	1.05 to 1.00
Four Quarters ending December 31, 2006	1.15 to 1.00
Four Quarters ending March 31, 2007	1.15 to 1.00
Four Quarters ending June 30, 2007	1.15 to 1.00
Four Quarters ending September 30, 2007	1.15 to 1.00
Four Quarters ending December 31, 2007	1.13 to 1.00
Four Quarters ending March 31, 2008	1.13 to 1.00
Four Quarters ending June 30, 2008	1.13 to 1.00
Four Quarters ending September 30, 2008	1.13 to 1.00
Four Quarters ending December 31, 2008	1.14 to 1.00
Each four Quarter period ending thereafter	1.14 to 1.00

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

<u>Period</u>	<u>Total Leverage Ratio</u>
Four Quarters ending March 31, 2005	3.92 to 1.00
Four Quarters ending June 30, 2005	4.30 to 1.00
Four Quarters ending September 30, 2005	4.71 to 1.00
Four Quarters ending December 31, 2005	3.24 to 1.00
Four Quarters ending March 31, 2006	3.15 to 1.00
Four Quarters ending June 30, 2006	3.15 to 1.00
Four Quarters ending September 30, 2006	3.15 to 1.00
Four Quarters ending December 31, 2006	2.49 to 1.00
Four Quarters ending March 31, 2007	2.49 to 1.00
Four Quarters ending June 30, 2007	2.49 to 1.00
Four Quarters ending September 30, 2007	2.49 to 1.00
Four Quarters ending December 31, 2007	2.04 to 1.00
Four Quarters ending March 31, 2008	2.04 to 1.00
Four Quarters ending June 30, 2008	2.04 to 1.00
Four Quarters ending September 30, 2008	2.04 to 1.00
Four Quarters ending December 31, 2008	1.31 to 1.00
Each four Quarter period ending thereafter	1.31 to 1.00

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

<u>Period</u>	<u>Minimum EBITDA</u>
Four Quarters ending March 31, 2005	\$ 27,575,000
Four Quarters ending June 30, 2005	\$ 28,330,000
Four Quarters ending September 30, 2005	\$ 29,665,000
Four Quarters ending December 31, 2005	\$ 30,270,000
Four Quarters ending March 31, 2006	\$ 30,270,000
Four Quarters ending June 30, 2006	\$ 30,270,000
Four Quarters ending September 30, 2006	\$ 30,270,000
Four Quarters ending December 31, 2006	\$ 33,080,000
Four Quarters ending March 31, 2007	\$ 33,080,000
Four Quarters ending June 30, 2007	\$ 33,080,000
Four Quarters ending September 30, 2007	\$ 33,080,000
Four Quarters ending December 31, 2007	\$ 34,000,000
Four Quarters ending March 31, 2008	\$ 34,000,000
Four Quarters ending June 30, 2008	\$ 34,000,000
Four Quarters ending September 30, 2008	\$ 34,000,000
Four Quarters ending December 31, 2008	\$ 40,000,000
Each four Quarter period ending thereafter	\$ 40,000,000

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

<u>Period</u>	<u>Senior Leverage Ratio</u>
Four Quarters ending March 31, 2005	2.83 to 1.00
Four Quarters ending June 30, 2005	3.24 to 1.00
Four Quarters ending September 30, 2005	3.70 to 1.00
Four Quarters ending December 31, 2005	2.25 to 1.00
Four Quarters ending March 31, 2006	2.16 to 1.00
Four Quarters ending June 30, 2006	2.16 to 1.00
Four Quarters ending September 30, 2006	2.16 to 1.00
Four Quarters ending December 31, 2006	1.58 to 1.00
Four Quarters ending March 31, 2007	1.58 to 1.00
Four Quarters ending June 30, 2007	1.58 to 1.00
Four Quarters ending September 30, 2007	1.58 to 1.00
Four Quarters ending December 31, 2007	1.16 to 1.00
Four Quarters ending March 31, 2008	1.16 to 1.00
Four Quarters ending June 30, 2008	1.16 to 1.00
Four Quarters ending September 30, 2008	1.16 to 1.00
Four Quarters ending December 31, 2008	0.81 to 1.00
Each four Quarter period ending thereafter	0.81 to 1.00

( E ) Capital Expenditures. Capital Expenditures made by Rocky on a Consolidated Basis during any Fiscal Year set forth below, in the aggregate together with all expenditures in respect of Capital Leases, that would exceed the amount set forth opposite each Fiscal Year below; provided, that any unused portion of any such annual amount in each Fiscal Year, up to twenty-five percent (25%) of such maximum amount set forth below may be carried over solely to the immediately succeeding Fiscal Year:

<u>Period</u>	<u>Maximum Capital Expenditures</u>
Fiscal Year ending December 31, 2005	\$ 6,000,000
Fiscal Year ending December 31, 2006	\$ 6,000,000
Fiscal Year ending December 31, 2007	\$ 6,000,000
Fiscal Year ending December 31, 2008	\$ 6,000,000

(F) Undrawn Availability. At all times Undrawn Availability shall not be less than \$5,000,000.

#### SECTION 6. ADDITIONAL REPRESENTATIONS AND COVENANTS

6.1. Representations. As a material inducement to Agent and each Lender to enter into the Loan Documents, to make and to continue to make Loans and to issue and to continue to issue Lender Letters of Credit or risk participations to the banks that issue Bank Letters of Credit, each of the Loan Parties represents, warrants and covenants as to itself (and Parent as to all Loan Parties) to Agent and each Lender that the following statements are and will be true, correct and complete and, unless specifically limited, shall remain so for so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit:

( A ) Accounts Warranties and Covenants. Except as otherwise disclosed to Agent in writing, as to each Loan Party's existing Accounts and each of its hereafter arising Accounts that: at the time of its creation, such Account is a valid, bona fide obligation, representing an undisputed indebtedness incurred by the Account Debtor (and any other Person obligated on such Account) for property actually sold and delivered or for services rendered; there are no defenses, setoffs, offsets, claims, or counterclaims, genuine or otherwise, against such Account; such Account does not represent a sale or provision of services to a Subsidiary or an Affiliate, or a consignment, sale or return or a bill and hold transaction; the amount represented by Loan Parties to Agent as owing by each Account Debtor (and by each of the other Persons obligated on such Account) is, or will be, the correct amount actually and unconditionally owing, no agreement exists permitting any other deduction or discount except in the ordinary course of business; the respective Loan Party is the lawful owner of such Account and has the right to assign the same to Agent, for the benefit of Agent and Lenders; such Account is free of all Liens, other than Permitted Liens and those in favor of Agent, on behalf of itself and Lenders, such Account constitutes, the legally valid and binding obligation of the applicable Account Debtor (and any other Person obligated on such Account) and is due and payable in accordance with its terms.

Each Loan Party shall, at its own expense: (i) cause all invoices evidencing such Loan Party's Accounts and all copies thereof to bear a notice that such invoices are payable to the lockboxes established in accordance with Section 6.4 and (ii) use its reasonable efforts to assure prompt payment of all amounts due or to become due under Accounts. No discounts, credits or allowances will be issued, granted or allowed by any Loan Party to customers and no returns will be accepted without Agent's prior written consent; provided, however, so long as such discounts, credits, allowances or returns are customarily issued or accepted in the ordinary course of business and are in amounts which are not material to any Loan Party, or until Agent notifies Borrower to the contrary, each Loan Party may presume consent. Borrower will promptly notify Agent in the event that any Account Debtor (or any other Person obligated on such Account) alleges any dispute or claim with respect to any Account in excess of an invoice amount of \$250,000 or of any other circumstances known to any Loan Party that may impair the validity or collectibility of any such Account. Agent, or its designee, shall have the right, at any time or times hereafter, to verify the validity, amount or any other matter relating to any Account, by mail, telephone or in person. After the occurrence of an Event of Default and upon the written request of Agent: (i) no Loan Party shall, without the prior consent of Agent, adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any Account Debtor (or any other Person obligated on such Account), or allow any credit or discount thereon, and (ii) Agent shall have the right at any such time (A) to exercise the rights of any Loan Party, with respect to the obligation of the Account Debtor (or any other Person obligated on such Account) to make payment or otherwise render performance to the applicable Loan Party, and with respect to any property that secures the obligations of the Account Debtor or of any such other Person obligated on such Account; and (B) to adjust, settle or compromise the amount or payment of any such Account or release wholly or partly any Account Debtor or obligor thereunder or allow any credit or discount thereon.

(B) Inventory Warranties and Covenants. Except as otherwise disclosed to Agent in writing, all of each Loan Party's Inventory is of good and merchantable quality, free from any defects, such Inventory is not subject to any licensing, patent, trademark, trade name or copyright agreement with any Person that restricts such Loan Party's ability to manufacture and/or sell the Inventory. The completion and manufacturing process of such Inventory by a Person other than a Loan Party would be permitted under any contract to which a Loan Party is a party or to which the Inventory is subject. None of any Loan party's Inventory has been or will be produced in violation of the Fair Labor Standards Act and subject to the so-called "hot goods" provisions contained in Title 29 U.S.C. Section 215 or in violation of any other law. All inventory and products owned by Persons other than Loan Parties and located on any premises owned, leased or controlled by a Loan Party, shall be separately and conspicuously identified as such and shall be segregated from Loan Parties' own Inventory located at such premises. In the event Inventory of Loan Party valued at more than \$500,000 is located on the premises of a consignee, the applicable Loan Party shall perfect a security interest in such Inventory and, at the request of Agent, shall assign of record such security interest to Agent pursuant to documentation in form and substance satisfactory to Agent. In the event Inventory of Loan Party valued at more than \$250,000 is located on the premises of a bailee, the applicable Loan Party shall use reasonable efforts to obtain and deliver to Agent a bailee waiver in form and substance satisfactory to Agent.

( C ) Equipment Warranties and Covenants. Each Loan Party has maintained and shall cause all of its material Equipment used in the Business to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual, and shall promptly make or cause to be made all repairs, replacements, and other improvements in connection therewith that Borrower deems necessary or desirable.

( D ) Chattel Paper Warranties and Covenants. As of the Closing Date, Borrower does not hold any Chattel Paper and does not anticipate holding any Chattel Paper in the ordinary course of its business in excess of \$50,000. To the extent Borrower holds or obtains any such Chattel Paper, Borrower will promptly (i) deliver to Agent all such Tangible Chattel Paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Agent and (ii) provide Agent with Control of all such Electronic Chattel Paper, by having Agent identified as the assignee of the Records(s) pertaining to the single authoritative copy thereof and otherwise complying with the applicable elements of Control set forth in the UCC. Borrower will also deliver to Agent all security agreements securing any Chattel Paper and execute an authorization to file UCC financing statement amendments assigning to Agent any UCC financing statements filed by Borrower in connection with such security agreements. Borrower will mark conspicuously all such Chattel Paper with a legend, in form and substance satisfactory to Agent, indicating that such Chattel Paper is subject to the Lien of Agent.

( E ) Instruments Warranties and Covenants. Upon the request of Agent, each Loan Party will deliver to Agent all Instruments in excess of \$50,000 which constitute Collateral it holds or obtains duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Agent. Each Loan Party will also deliver to Agent all security agreements securing any Instruments and execute an authorization to file UCC financing statement amendments assigning to Agent any UCC financing statements filed by any Loan Party in connection with such security agreements.

( F ) Investment Property Warranties and Covenants. Upon the request of Agent, each Loan Party will take any and all actions necessary (or required or requested by Agent), from time to time, to (i) cause Agent to obtain exclusive Control of any Investment Property in excess of \$50,000 which constitutes Collateral owned by any Loan Party in a manner acceptable to Agent and (ii) obtain from any issuers of such Investment Property and such other Persons, for the benefit of Agent, written confirmation of Agent's Control over such Investment Property upon terms and conditions acceptable to Agent.

(G) Letters of Credit Warranties and Covenants. If requested by Agent, at all times after the occurrence of an Event of Default and during the continuance thereof, each Loan Party will deliver to Agent (i) all Letters of Credit under which it is the beneficiary or is otherwise entitled to receive proceeds duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Agent and (ii) all security agreements securing any such Letters of Credit and execute UCC financing statement amendments assigning to Agent any UCC financing statements filed by any Loan Party in connection with such security agreements. Each Loan Party will take any and all actions reasonably necessary (or required or requested by Agent), from time to time, to cause Agent to obtain exclusive Control of any Letter-of-Credit Rights owned by any Loan Party in a manner acceptable to Agent.

(H) General Intangibles Warranties and Covenants. Each Loan Party shall use its reasonable efforts to obtain any consents, waivers or agreements necessary to enable Agent to exercise remedies hereunder and under the other Loan Documents with respect to any of such Loan Party's rights under any General Intangibles, including Loan Parties' rights as a licensee of computer software.

(I) Intellectual Property Covenants. Each Loan Party shall concurrently herewith deliver to Agent each Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement and all other documents, instruments and other items as may be necessary for Agent to file such agreements with the U.S. Copyright Office and the U.S. Patent and Trademark Office. The Copyrights, Patents and Trademarks listed on the respective schedules to each of the Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement constitute all of the US Patents, Trademarks and government registered Copyrights owned by Loan Parties and their respective Subsidiaries. If, before the Obligations are indefeasibly paid in full, in cash, any Loan Party acquires or becomes entitled to any new or additional US Patents, Trademarks or federally registered Copyrights, or rights thereto, such Loan Party shall give to Agent prompt written notice thereof, and shall amend the schedules to the respective security agreements or enter into new or additional security agreements to include any such new Patents, Trademarks or government registered Copyrights. Each Loan Party shall: (a) prosecute diligently any copyright, patent or trademark application at any time pending, except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect; (b) make application for registration or issuance of all new copyrights, patents and trademarks as reasonably deemed appropriate by such Loan Party, except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect; (c) preserve and maintain all rights in the Intellectual Property, except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect; and (d) use its reasonable efforts to obtain any consents, waivers or agreements necessary to enable Agent to exercise its remedies with respect to the Intellectual Property. Except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect, no Loan Party shall abandon any material right to file a copyright, patent or trademark application nor shall any Loan Party abandon any material pending copyright, patent or trademark application, or Copyright, Patent or Trademark without the prior written consent of Agent. All government registered Intellectual Property owned by any Loan Party and their respective Subsidiaries is valid, subsisting and enforceable and all filings necessary to maintain the effectiveness of such registrations have been made, except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect. The execution, delivery and performance of this Agreement by each Loan Party will not violate or cause a default under any material item of Intellectual Property or any agreement in connection therewith.



(J) Commercial Tort Claims Warranties and Covenants. Except for matters disclosed on Schedule 2.7(A), as of the Closing Date, no Loan Party owns any Commercial Tort Claims. Each Loan Party shall advise Agent promptly upon any Loan Party becoming aware that it owns any additional Commercial Tort Claims in excess of the sum of \$500,000. With respect to any such new Commercial Tort Claim, each Loan Party will execute and deliver such documents as Agent deems necessary to create, perfect and protect Agent's security interest in such Commercial Tort Claim.

(K) Deposit Accounts; Bank Accounts Warranties and Covenants. Schedule 6.1(K) sets forth the account numbers and locations of all Deposit Accounts or other bank accounts of each Loan Party. No Loan Party shall establish any new Deposit Account or other bank accounts (including any term deposit, certificate of deposit or money market account with any Person) or amend or terminate any Blocked Account Agreement or lockbox agreement without Agent's prior written consent. Notwithstanding the foregoing, or any provision of Section 6.4 to the contrary, each retail and Lehigh shoe center location of Borrower may open and maintain a Deposit Account in which a monthly average balance of not more than \$25,000 is maintained.

(L) Bailees. Except as disclosed on Schedule 6.1(L) and Inventory in transit from time to time, as of the Closing Date none of the Collateral is in the possession of any consignee, bailee, warehouseman, agent or processor, and no Collateral shall at any time be in the possession or control of any warehouse, bailee or any of Loan Parties' agents or processors without Agent's prior written consent and unless Agent, if Agent has so requested, has received warehouse receipts or bailee lien waivers satisfactory to Agent prior to the commencement of such possession or control. If any Collateral is at any time in the possession or control of any warehouse, bailee or any of Loan Parties' agents or processors, the applicable Loan Party shall, upon the request of Agent, notify such warehouse, bailee, agent or processor of the Liens in favor of Agent, for the benefit of Agent and Lenders, created hereby, shall instruct such Person to hold all such Collateral for Agent's account subject to Agent's instructions, and shall obtain such Person's acknowledgement that it is holding the Collateral for Agent's benefit. Parent shall deliver to Agent an updated Schedule 6.1(L) on or prior to December 31 in each year, in a form similar to the Schedule 6.1(L) delivered on or about the Closing Date, indicating all locations where Inventory valued in excess of \$50,000 (based upon cost) is then in the possession of any consignee, bailee, warehouseman, agent or processor.

(M) Collateral Description; Use of Collateral. Each Loan Party will furnish to Agent, from time to time upon request, statements and schedules further identifying, updating, and describing the Collateral and such other information, reports and evidence concerning the Collateral, as Agent may reasonably request, all in reasonable detail. No Loan Party will use or permit any Collateral to be used unlawfully or in violation of any provision of applicable law, or any policy of insurance covering any of the Collateral.

(N) Collateral Filing Requirements; Collateral Records. None of the Collateral is of a type in which Liens may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation except for Collateral described on the schedules to the Copyright Security Agreement, the Patent Security Agreement and the Trademark Security Agreement. Each Loan Party shall promptly notify Agent in writing upon acquiring any interest hereafter in Collateral that is of a type where a Lien may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation. Each Loan Party shall keep full and accurate books and records relating to the Collateral and shall stamp or otherwise mark such books and records in such manner as Agent may reasonably request to indicate Agent's Liens in the Collateral, for the benefit of Agent and Lenders.

(O) Federal Claims. None of the Collateral constitutes a claim against the US, or any State or municipal government or any department, instrumentality or agency thereof, the assignment of which claim is restricted by law. Each Loan Party shall notify Agent of any Collateral in excess of the sum of \$100,000 which constitutes a claim against the US, or any State or municipal government or any department, instrumentality or agency thereof, the assignment of which claim is restricted by law. Upon the request of Agent, the applicable Loan Party shall take such steps as may be necessary to comply with any applicable federal assignment of claims laws and other comparable laws.

(P) Agent Authorized. Each Loan Party hereby authorizes and, until such time as the Obligations are indefeasibly paid in full, in cash, shall continue to authorize Agent to file one or more financing or continuation statements, and amendments thereto (or similar documents required by any laws of any applicable jurisdiction), relating to all or any part of the Collateral without the signature of such Loan Party and hereby specifically ratifies all such actions previously taken by Agent.

(Q) Names and Locations. As of the Closing Date, Schedule 6.1(Q) sets forth (a) all legal names and all other names (including trade names, fictitious names and business names) under which each Loan Party currently conducts business, or has at any time conducted business (x) during the past five years, in the case of Parent and its Subsidiaries prior to giving effect to the Acquisition, and (y) since March 24, 2000, in the case of EJ Footwear, Georgia Boot, HM Lehigh and their respective Subsidiaries, (b) the name of any entity which any Loan Party has acquired in whole or in part or from whom any Loan Party has acquired a significant amount of assets (x) during the past five years, in the case of Parent and its Subsidiaries prior to giving effect to the Acquisition, and (y) since March 24, 2000, in the case of EJ Footwear, Georgia Boot, HM Lehigh and their respective Subsidiaries, (c) the location of each Loan Party's principal place of business, (d) the state or other jurisdiction of organization for each Loan Party and sets forth each Loan Party's organizational identification number or specifically designates that one does not exist, (e) the location of each Loan Party's books and records, (f) the location of all other offices of each Loan Party, and (g) all Collateral locations (designating Inventory and Equipment locations and indicating between owned, leased, warehouse, storage, and processor locations). The locations designated on Schedule 6.1(Q) are Loan Parties' sole locations for their respective businesses and the Collateral. Each Loan Party will give Agent at least thirty (30) days advance written notice of any: (a) change of name or of any new trade name or fictitious business name of such Loan Party, (b) change of principal place of business of such Loan Party, (c) change in the location of such Loan Party's books and records or the Collateral, (d) new location for such Loan Party's books and records or the Collateral, or (e) changes in any Loan Party's state or other jurisdiction of organization or its organizational identification number.

(R) Additional Mortgaged Property. Borrower shall as promptly as possible (and in any event within sixty (60) days after such designation) deliver to Agent a fully executed Mortgage, in form and substance satisfactory to Agent together with title insurance policies and surveys on any Additional Mortgaged Property designated by Agent.

( S ) Disclosure of Material Matters. Immediately upon learning thereof, report to Agent all matters materially affecting the value, enforceability or collectibility of any material portion of the Collateral including, without limitation, any Loan Party's reclamation or repossession of, or the return to any Loan Party of, a material amount of goods or claims or disputes asserted by any Customer or other obligor.

6.2. Access to Accountants and Management. Each Loan Party authorizes Agent and Lenders to discuss the financial condition and financial statements of such Loan Party with its Accountants upon reasonable prior notice to Borrower of its intention to do so, and authorizes such Accountants to respond to all of Agent's inquiries. Agent may from time to time (except, during the continuance of an Event of Default, as may be reasonably requested and during normal business hours) confer with each Loan Party's management directly regarding such Loan Party's business, operations and financial condition.

6.3. Amendment of Schedules. Borrower may amend any one or more of the Schedules referred in this Section 6 (subject to prior notice to Agent, as applicable) and any representation, warranty, or covenant contained herein which refers to any such Schedule shall from and after the date of any such amendment refer to such Schedule as so amended; provided however, that in no event shall the amendment of any such Schedule constitute a waiver by Agent and Lenders of any Default or Event of Default that exists notwithstanding the amendment of such Schedule.

6.4. Collection of Accounts and Payments. Loan Parties shall establish lockboxes and blocked accounts (collectively, "Blocked Accounts") in the name of such Loan Party with such banks ("Collecting Banks") as are reasonably acceptable to Agent (subject to irrevocable instructions reasonably acceptable to Agent as hereinafter set forth) to which all Account Debtors or other payment obligors shall directly remit all payments on such Loan Party's Accounts and in which each Collecting Bank or Loan Party will immediately deposit all such payments constituting proceeds of Collateral received by such Loan Party in the identical form in which such payment was made, whether by cash or check (excluding proceeds deposited in local accounts in connection with retail and Lehigh shoe center locations to the extent permitted under Section 6.1(K)). Each Collecting Bank shall acknowledge and agree, in a manner reasonably satisfactory to Agent, and with the written consent of the respective Loan Party, to an agreement (each such agreement, a "Blocked Account Agreement") which provides, to the extent required by Agent in each instance, that (a) all payments made to the Blocked Accounts are the sole and exclusive property of Agent, for its benefit and for the benefit of Lenders, (b) except with respect to making account adjustments related only to the Blocked Accounts, charging fees and expenses associated with this Blocked Accounts and returned unpaid deposit items associated with the Blocked Accounts, the Collecting Banks have no right to setoff against the Blocked Accounts, (c) the Collecting Banks will not take any Lien in the Blocked Accounts, (d) the Collecting Banks will comply with instructions originated by Agent directing disposition of the funds in the Blocked Accounts without the further consent of any Loan Party and (e) all such payments received will be promptly transferred to Agent's Account. Each Loan Party hereby agrees that all payments made to such Blocked Accounts or otherwise received by Agent and whether on the Accounts or as proceeds of other Collateral or otherwise, after delivery of a notice of exclusive control, will be under the sole dominion and control of Agent, for the benefit of itself and Lenders. Each Loan Party shall irrevocably instruct each Collecting Bank to, after delivery of a notice of exclusive control, promptly transfer all payments or deposits to the Blocked Accounts into Agent's Account to be applied to the Obligations in accordance with the terms of this Agreement. Other than as set forth above, if any Loan Party, or its Affiliates, employees, agents or any other Persons acting for or in concert with any Loan Party, shall receive any monies, checks, notes, drafts or any other payments relating to and/or proceeds of such Loan Party's Accounts or other Collateral, the respective Loan Party or such Person shall hold such instrument or funds in trust for Agent, and shall, immediately upon receipt thereof, remit the same or cause the same to be remitted, in kind, to the Blocked Accounts or to Agent at its address set forth in Section 10.3 below.

6.5. Further Assurances. Each Loan Party shall, from time to time, execute such guaranties, financing or continuation statements, documents, security agreements, reports and other documents or deliver to Agent such instruments, certificates of title, mortgages, deeds of trust, or other documents as Agent at any time may reasonably request to evidence, perfect or otherwise implement the guaranties and security for repayment of the Obligations provided for in the Loan Documents. In the event any Loan Party acquires an ownership interest in real property with a value greater than \$500,000 after the Closing Date which is unencumbered by a mortgage or deed of trust in favor of an entity which provides financing for the acquisition thereof by such Loan Party, if then requested by Agent, such Loan Party shall deliver to Agent a fully executed mortgage or deed of trust over such real property in form and substance reasonably satisfactory to Agent, together with such title insurance policies, surveys, appraisals, evidence of insurance, legal opinions, environmental assessments and other documents and certificates as shall be reasonably required by Agent.

#### SECTION 7. DEFAULT, RIGHTS AND REMEDIES

7.1. Event of Default. "Event of Default" shall mean the occurrence or existence of any one or more of the following (for each subsection a different grace or cure period may be specified, if no grace or cure period is specified, such occurrence or existence constitutes an immediate Event of Default):

(A) Payment. Failure to make payment of any of the Obligations when due; or

(B) Default in Other Agreements. (1) Failure of any Loan Party to pay when due any principal or interest on any Indebtedness (other than the Obligations) or (2) breach or default of any Loan Party with respect to any Indebtedness (other than the Obligations); if such failure to pay, breach or default entitles the holder to cause such Indebtedness having an individual principal amount in excess of \$750,000 or having an aggregate principal amount in excess of \$1,500,000 to become or be declared due prior to its stated maturity; or

(C) Breach of Certain Provisions. Failure of any Loan Party to perform or comply with any term or condition (i) contained in Section 5.1(A), or (ii) contained in Section 5.1 (C), (E) or (J) and the failure to comply or perform is not remedied or waived within five (5) days after notice from Agent or Requisite Lenders to Borrowing Agent of such default or (iii) contained in Section 5.2, 5.3 or Section 6 (exclusive of any representation contained in Section 6 which shall be subject to clause (D) below); or

(D) Breach of Warranty. Any representation, warranty, certification or other statement made by any Loan Party in any Loan Document or in any statement or certificate at any time given by such Person in writing pursuant to or in connection with any Loan Document is false in any material respect on the date made; or

( E ) Other Defaults Under Loan Documents. Any Loan Party defaults in the performance of or compliance with any term contained in this Agreement other than those otherwise set forth in this Section 7.1, or defaults in the performance of or compliance with any term contained in the other Loan Documents and such default is not remedied or waived within fifteen (15) days after notice from Agent, or Requisite Lenders, to Borrowing Agent of such default; or

(F) Change in Control. A Change of Control shall have occurred;

(G) Involuntary Bankruptcy; Appointment of Receiver, etc. (1) A court enters a decree or order for relief with respect to any Borrower, or other Loan Party having assets in excess of \$1,000,000, in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed or other similar relief is not granted under any applicable federal or state law; or (2) the continuance of any of the following events for sixty (60) days unless dismissed, bonded or discharged: (a) an involuntary case is commenced against any Borrower, or against any other Loan Party having assets in excess of \$1,000,000, under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or (b) a receiver, liquidator, sequestrator, trustee, custodian or other fiduciary having similar powers over any Loan Party, or over all or a substantial part of their respective property, is appointed; or

( H ) Voluntary Bankruptcy; Appointment of Receiver, etc. (1) Any Loan Party commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case or to the conversion of an involuntary case to a voluntary case under any such law or consents to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or (2) any Borrower, or other Loan Party having assets in excess of \$1,000,000, makes any assignment for the benefit of creditors; or (3) the board of directors of any such Loan Party adopts any resolution or otherwise authorizes action to approve any of the actions referred to in this Section 7.1(H); or

- (I) Liens. Any Lien, levy or assessment, in the aggregate in excess of the sum of \$500,000, is filed or recorded with respect to or otherwise imposed upon all or any part of the Collateral or the assets of any Loan Party by the US or any department or instrumentality thereof or by any state, county, municipality or other governmental agency (other than Permitted Liens) and such lien, levy or assessment is not stayed, vacated, paid or discharged within ten (10) days; or
- (J) Judgment and Attachments. Any money judgment, writ or warrant of attachment, or similar process involving (1) an amount in any individual case in excess of \$500,000 or (2) an amount in the aggregate at any time in excess of \$750,000 (in either case not adequately covered by insurance as to which the insurance company has acknowledged coverage) is entered or filed against any Loan Party or any of their respective assets and remains undischarged, unvacated, unbonded or unstayed for a period of forty (40) days, but in any event not later than five (5) days prior to the date of any proposed sale thereunder; or
- (K) Dissolution. Any order, judgment or decree is entered against any Borrower, or any Loan Party having assets in excess of \$1,000,000, decreeing the dissolution or split up of such Borrower or any such other Loan Party and such order remains undischarged or unstayed for a period in excess of twenty (20) days, but in any event not later than five (5) days prior to the date of any proposed dissolution or split up; or
- (L) Solvency. Any Borrower, or other Loan Party having assets in excess of \$1,000,000, ceases to be solvent (as represented by Loan Parties in Section 4.1(S)) or admits in writing its present or prospective inability to pay its debts as they become due; or
- (M) Injunction. Any Loan Party is enjoined, restrained or in any way prevented by the order of any court or any administrative or regulatory agency from conducting all or any material part of its business and such order continues for thirty (30) days or more; or
- (N) Invalidity of Loan Documents. Any of the Loan Documents for any reason, other than a partial or full release in accordance with the terms thereof, ceases to be in full force and effect or is declared to be null and void, or any Loan Party denies that it has any further liability under any Loan Documents to which it is party, or gives notice to such effect; or
- (O) Failure of Security. Agent, on behalf of itself and Lenders, does not have or ceases to have a valid and perfected first priority security interest in the Collateral (except as otherwise permitted pursuant to this Agreement), in each case, for any reason other than the failure of Agent or any Lender to take any action within its control; or
- ( P ) Damage, Strike, Casualty. Any material damage to, or loss, theft or destruction of, any Collateral, if not adequately insured, or any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty which causes, for more than thirty (30) consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of any Loan Party if any such event or circumstance is reasonably likely to have a Material Adverse Effect; or

( Q ) Licenses and Permits. The loss, suspension or revocation of, or failure to renew, any license or permit now held or hereafter acquired by any Loan Party, if such loss, suspension, revocation or failure to renew is reasonably likely to have a Material Adverse Effect; or

( R ) Forfeiture. There is filed against any Loan Party any civil or criminal action, suit or proceeding under any federal or state racketeering statute (including, without limitation, the Racketeer Influenced and Corrupt Organization Act of 1970), which action, suit or proceeding (1) is not dismissed within one hundred twenty (120) days; and (2) could reasonably be expected to result in the confiscation or forfeiture of any material portion of the Collateral; or

7.2. Suspension of Commitments. Upon the occurrence of any Default or Event of Default, notwithstanding any grace period or right to cure, Agent may or upon demand by Requisite Lenders shall, without notice or demand, immediately cease making additional Loans and the Commitments shall be suspended; provided that, in the case of a Default, if the subject condition or event is waived or cured within any applicable grace or cure period, the Commitments shall be reinstated.

7.3. Acceleration. Upon the occurrence of any Event of Default described in the foregoing Sections 7.1(G) or 7.1(H), all Obligations shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by each Loan Party, and the Commitments shall thereupon terminate. Upon the occurrence and during the continuance of any other Event of Default, Agent may, and upon demand by Requisite Lenders shall, by written notice to Borrowing Agent, (a) declare all or any portion of the Obligations to be, and the same shall forthwith become, immediately due and payable and the Commitments shall thereupon terminate and (b) demand that Loan Parties immediately deposit with Agent an amount equal to one hundred five percent (105%) of the Letter of Credit Reserve and deposit the prepayment of fees payable under Section 2.3(B) with respect to such Lender Letters of Credit for the full remaining terms of such Lender Letters of Credit; provided, however, if any of such Lender Letters of Credit are terminated, the unearned portion of such prepaid fee attributable to such Lender Letter of Credit shall be refunded to Borrower.

7.4. Remedies. If any Event of Default shall have occurred and be continuing, in addition to and not in limitation of any other rights or remedies available to Agent and Lenders at law or in equity, Agent may, and shall upon the request of Requisite Lenders, exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral) and may also (a) require Loan Parties to, and each Loan Party hereby agrees that it will, at its expense and upon request of Agent forthwith, assemble all or part of the Collateral as directed by Agent and make it available to Agent at a place to be designated by Agent which is reasonably convenient to both parties; (b) withdraw all cash in the Blocked Accounts and apply such monies in payment of the Obligations in the manner provided in Section 7.7; and (c) without notice or demand or legal process, enter upon any premises of Loan Parties and take possession of the Collateral. Each Loan Party agrees that, to the extent notice of sale of the Collateral or any part thereof shall be required by law, at least ten (10) days notice to Borrowing Agent of the time and place of any public disposition or the time after which any private disposition (which notice shall include any other information required by law) is to be made shall constitute reasonable notification. At any disposition of the Collateral (whether public or private), if permitted by law, Agent or any Lender may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase, lease, or licensing of the Collateral or any portion thereof for the account of Agent or such Lender. Agent shall not be obligated to make any disposition of Collateral regardless of notice of disposition having been given. Each Loan Party shall remain liable for any deficiency. Agent may adjourn any public or private disposition from time to time by announcement at the time and place fixed therefor, and such disposition may, without further notice, be made at the time and place to which it was so adjourned. Agent is not obligated to make any representations or warranties in connection with any disposition of the Collateral. To the extent permitted by law, each Loan Party hereby specifically waives all rights of redemption, stay or appraisal, which it has or may have under any law now existing or hereafter, enacted. Agent shall not be required to proceed against any Collateral but may proceed against one or more Loan Parties directly.

7.5. Appointment of Attorney-in-Fact. Each Loan Party hereby constitutes and appoints Agent as such Loan Party's attorney-in-fact with full authority in the place and stead of such Loan Party and in the name of such Loan Party, Agent or otherwise, from time to time in Agent's discretion while an Event of Default is continuing to take any action and to execute any instrument that Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including: (a) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral; (b) to enforce the obligations of any Account Debtor or other Person obligated on the Collateral and enforce the rights of any Loan Party with respect to such obligations and to any property that secures such obligations; (c) to file any claims or take any action or institute any proceedings that Agent may deem necessary or desirable for the collection of or to preserve the value of any of the Collateral or otherwise to enforce the rights of Agent and Lenders with respect to any of the Collateral; (d) to pay or discharge taxes or Liens levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Agent in its sole discretion, and such payments made by Agent to become Obligations, due and payable immediately without demand; (e) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, assignments, verifications and notices in connection with Accounts, Chattel Paper or General Intangibles and other Documents relating to the Collateral; and (f) generally to take any act required of any Loan Party under Section 4 or Section 5 of this Agreement, and to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Agent were the absolute owner thereof for all purposes, and to do, at Agent's option and Loan Parties' expense, at any time or from time to time, all acts and things that Agent deems necessary Loan Parties' protect, preserve or realize upon the Collateral. Each Loan Party hereby ratifies and approves all acts of Agent made or taken pursuant to this Section 7.5. The appointment of Agent as each Loan Party's attorney and Agent's rights and powers are coupled with an interest and are irrevocable, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit.



7.6. Limitation on Duty of Agent and Lenders with Respect to Collateral. Beyond the safe custody thereof, Agent and each Lender shall have no duty with respect to any Collateral in its possession (or in the possession of any agent or bailee) or with respect to any income thereon or the preservation of rights against prior parties or any other rights pertaining thereto. Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which Agent accords its own property. Neither Agent nor any Lender shall be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouse, carrier, forwarding agency, consignee, broker or other agent or bailee selected by Loan Parties or selected by Agent in good faith.

7.7. Application of Proceeds. Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuance of an Event of Default, (a) each Loan Party irrevocably waives the right to direct the application of any and all payments at any time or times thereafter received by Agent from or on behalf of any Loan Party, and Agent shall have the continuing and exclusive right to apply and to reapply any and all payments received at any time or times after the occurrence and during the continuance of an Event of Default against the Obligations in such manner as Agent may deem advisable notwithstanding any previous application by Agent and (b) in the absence of a specific determination by Agent with respect thereto, the proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied: first, to all fees, costs and expenses incurred by or owing to Agent and then any Lender with respect to this Agreement, the other Loan Documents or the Collateral; second, to accrued and unpaid interest on the Obligations (including any interest which but for the provisions of any bankruptcy or insolvency law would have accrued on such amounts); third, to the principal amounts of the Obligations outstanding and fourth, to any other Obligations or other obligations or indebtedness of any Loan Party owing to Agent or any Lender under the Loan Documents. Any balance remaining shall be delivered to Borrowing Agent or to whomever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct.

7.8. License of Intellectual Property. Each Loan Party hereby assigns, transfers and conveys to Agent, for the benefit of Agent and Lenders, effective upon the occurrence and during the continuance of any Event of Default hereunder, the non-exclusive right and license to use all Intellectual Property owned or used by any Loan Party together with any goodwill associated therewith, all to the extent necessary to enable Agent to realize on the Collateral and any successor or assign to enjoy the benefits of the Collateral. This right and license shall inure to the benefit of all successors, assigns and transferees of Agent and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license is granted free of charge and does not require the consent of any other person.

7.9. Waivers; Non-Exclusive Remedies. No failure on the part of Agent or any Lender to exercise, and no delay in exercising and no course of dealing with respect to, any right under this Agreement or the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise by Agent or any Lender of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights in this Agreement and the other Loan Documents are cumulative and shall in no way limit any other remedies provided by law.

## SECTION 8. GUARANTY

8.1. Each Guarantor hereby unconditionally guarantees, as a primary obligor and not merely as a surety, jointly and severally with each other Guarantor when and as due, whether at maturity, by acceleration, by notice of prepayment or otherwise, the due and punctual performance of all Obligations of each other party hereto. Each payment made by any Guarantor pursuant to this Guaranty shall be made in lawful money of the US in immediately available funds, (a) without set-off or counterclaim and (b) free and clear of and without deduction or withholding for or on account of any present and future Charges and any conditions or restrictions resulting in Charges and all penalties, interest and other payments on or in respect thereof (except for Charges based on the overall net income of Agent or a Lender) (“**Tax**” or “**Taxes**”) unless Guarantor is compelled by law to make payment subject to such Taxes.

8.2. All Taxes in respect of this Guaranty or any amounts payable or paid under this Guaranty shall be paid by Guarantor when due and in any event prior to the date on which penalties attach thereto. Each Guarantor will indemnify Agent and each of the Lenders against and in respect of all such Taxes. Without limiting the generality of the foregoing, if any Taxes or amounts in respect thereof must be deducted or withheld from any amounts payable or paid by any Guarantor hereunder, such Guarantor shall pay such additional amounts as may be necessary to ensure that the Agent and each of the Lenders receives a net amount equal to the full amount which it would have received had payment (including of any additional amounts payable under this Section 8.2) not been made subject to such Taxes. Within thirty (30) days of each payment by any Guarantor hereunder of Taxes or in respect of Taxes, such Guarantor shall deliver to Agent satisfactory evidence (including originals, or certified copies, of all relevant receipts) that such Taxes have been duly remitted to the appropriate authority or authorities.

8.3. Each Guarantor hereby absolutely, unconditionally and irrevocably waives (i) promptness, diligence, notice of acceptance, notice of presentment of payment and any other notice hereunder, (ii) demand of payment, protest, notice of dishonor or nonpayment, notice of the present and future amount of the Obligations and any other notice with respect to the Obligations, (iii) any requirement that the Agent or any Lender protect, secure, perfect or insure any security interest or Lien or any property subject thereto or exhaust any right or take any action against any other Loan Party, or any Person or any Collateral, (iv) any other action, event or precondition to the enforcement hereof or the performance by each such Guarantor of the Obligations, and (v) any defense arising by any lack of capacity or authority or any other defense of any Loan Party or any notice, demand or defense by reason of cessation from any cause of Obligations other than payment and performance in full of the Obligations by the Loan Parties and any defense that any other guarantee or security was or was to be obtained by Agent.

8.4. No invalidity, irregularity, voidableness, voidness or unenforceability of this Agreement or any Loan Document or any other agreement or instrument relating thereto, or of all or any part of the Obligations or of any collateral security therefor shall affect, impair or be a defense hereunder.

8.5. The Guaranty hereunder is one of payment and performance, not collection, and the obligations of each Guarantor hereunder are independent of the Obligations of the other Loan Parties, and a separate action or actions may be brought and prosecuted against any Guarantor to enforce the terms and conditions of this Section 8.5, irrespective of whether any action is brought against any other Loan Party or other Persons or whether any other Loan Party or other Persons are joined in any such action or actions. Each Guarantor waives any right to require that any resort be had by Agent or any Lender to any security held for payment of the Obligations or to any balance of any deposit account or credit on the books of any Agent or any Lender in favor of any Loan Party or any other Person. No election to proceed in one form of action or proceedings, or against any Person, or on any Obligations, shall constitute a waiver of Agent's right to proceed in any other form of action or proceeding or against any other Person unless Agent has expressed any such waiver in writing. Without limiting the generality of the foregoing, no action or proceeding by Agent against any Loan Party under any document evidencing or securing indebtedness of any Loan Party to Agent shall diminish the liability of any Guarantor hereunder, except to the extent Agent receives actual payment on account of Obligations by such action or proceeding, notwithstanding the effect of any such election, action or proceeding upon the right of subrogation of any Guarantor in respect of any Loan Party.

8.6. As an original and independent obligation under this Guaranty, each Guarantor shall (a) indemnify the Agent and each of the Lenders and keep the Agent and each of the Lenders indemnified against all costs, losses, expenses and liabilities of whatever kind resulting from the failure by any party to make due and punctual payment of any of the Obligations or resulting from any of the Obligations being or becoming void, voidable, unenforceable or ineffective against Borrowers (including, but without limitation, all legal and other costs, Charges and expenses incurred by the Agent and each of the Lenders, or any of them in connection with preserving or enforcing, or attempting to preserve or enforce, its rights under this Guaranty), except to the extent that any of the same results from the gross negligence or wilful misconduct by Agent or any Lender; and (b) pay on demand the amount of such costs, losses, expenses and liabilities whether or not Agent or any of the Lenders have attempted to enforce any rights against any Borrower or any other Person or otherwise.

8.7. The liability of each Guarantor hereunder shall be absolute, unlimited and unconditional and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason, including, without limitation, any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any claim, defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any other Obligation or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor shall not be discharged or impaired, released, limited or otherwise affected by:

(i) any change in the manner, place or terms of payment or performance, and/or any change or extension of the time of payment or performance of, release, renewal or alteration of, or any new agreements relating to any Obligation, any security therefor, or any liability incurred directly or indirectly in respect thereof, or any rescission of, or amendment, waiver or other modification of, or any consent to departure from, this Agreement or any Loan Document, including any increase in the Obligations resulting from the extension of additional credit to any Borrower or otherwise;

(ii) any sale, exchange, release, surrender, loss, abandonment, realization upon any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, all or any of the Obligations, and/or any offset there against, or failure to perfect, or continue the perfection of, any Lien in any such property, or delay in the perfection of any such Lien, or any amendment or waiver of or consent to departure from any other guaranty for all or any of the Obligations;

(iii) the failure of the Agent or any Lender to assert any claim or demand or to enforce any right or remedy against any Borrower or any other Loan Party or any other Person under the provisions of this Agreement or any Loan Document or any other document or instrument executed and delivered in connection herewith or therewith;

(iv) any settlement or compromise of any Obligation, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and any subordination of the payment of all or any part thereof to the payment of any obligation (whether due or not) of any Loan Party to creditors of any Loan Party other than any other Loan Party;

(v) any manner of application of Collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any Collateral for all or any of the Obligations or any other assets of any Loan Party; and

(vi) any other agreements or circumstance of any nature whatsoever that may or might in any manner or to any extent vary the risk of any Guarantor, or that might otherwise at law or in equity constitute a defense available to, or a discharge of, the Guaranty hereunder and/or the obligations of any Guarantor, or a defense to, or discharge of, any Loan Party or any other Person or party hereto or the Obligations or otherwise with respect to the Advances, Letters of Credit or other financial accommodations to any Borrower pursuant to this Agreement and/or the Loan Documents.

8.8. The Agent shall have the right to take any action set forth in Section 8.7 without notice to or the consent of any Guarantor and each Guarantor expressly waives any right to notice of, consent to, knowledge of and participation in any agreements relating to any of the above or any other present or future event relating to Obligations whether under this Agreement or otherwise or any right to challenge or question any of the above and waives any defenses of such Guarantor which might arise as a result of such actions.

8.9. Agent may at any time and from time to time (whether prior to or after the revocation or termination of this Agreement) without the consent of, or notice to, any Guarantor, and without incurring responsibility to any Guarantor or impairing or releasing the Obligations, apply any sums by whomsoever paid or howsoever realized to any Obligations regardless of what Obligations remain unpaid.

8.10. (a) The Guaranty provisions herein contained shall continue to be effective or be reinstated, as the case may be, if claim is ever made upon the Agent or any Lender for repayment or recovery of any amount or amounts received by such Person in payment or on account of any of the Obligations and such Person repays all or part of said amount for any reason whatsoever, including, without limitation, by reason of any judgment, decree or order of any court or administrative body having jurisdiction over such Person or the respective property of each, or any settlement or compromise of any claim effected by such Person with any such claimant (including any Loan Party); and in such event each Guarantor hereby agrees that any such judgment, decree, order, settlement or compromise or other circumstances shall be binding upon such Guarantor, notwithstanding any revocation hereof or the cancellation of any note or other instrument evidencing any Obligation, and each Guarantor shall be and remain liable to the Agent and/or the Lenders for the amount so repaid or recovered to the same extent as if such amount had never originally been received by such Person(s).

(b) Agent shall not be required to marshal any assets in favor of any Guarantor, or against or in payment of Obligations.

(c) No Guarantor shall be entitled to claim against any present or future security held by Agent from any Person for Obligations in priority to or equally with any claim of Agent, or assert any claim for any liability of any Loan Party to any Guarantor in priority to or equally with claims of Agent for Obligations, and no Guarantor shall be entitled to compete with Agent with respect to, or to advance any equal or prior claim to any security held by Agent for Obligations.

(d) If any Loan Party makes any payment to Agent, which payment is wholly or partly subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to any Person under any federal or provincial statute or at common law or under equitable principles, then to the extent of such payment, the Obligation intended to be paid shall be revived and continued in full force and effect as if the payment had not been made, and the resulting revived Obligation shall continue to be guaranteed, uninterrupted, by each Guarantor hereunder.

(e) All present and future monies payable by any Loan Party to any Guarantor, whether arising out of a right of subrogation or otherwise, are assigned to Agent for its benefit and for the ratable benefit of the Lenders as security for such Guarantor's liability to Agent and the Lenders hereunder and are postponed and subordinated to Agent's prior right to payment in full of Obligations. Except to the extent prohibited otherwise by this Agreement, all monies received by any Guarantor from any Loan Party shall be held by such Guarantor as agent and trustee for Agent. This assignment, postponement and subordination shall only terminate when the Obligations are paid in full in cash and this Agreement is irrevocably terminated.

(f) Each Loan Party acknowledges this assignment, postponement and subordination and, except as otherwise set forth herein, agrees to make no payments to any Guarantor without the prior written consent of Agent. Each Loan Party agrees to give full effect to the provisions hereof.

8.11. Upon the occurrence and during the continuance of any Event of Default, the Agent may and upon written request of the Requisite Lenders shall, without notice to or demand upon any Loan Party or any other Person, declare any obligations of such Guarantor hereunder immediately due and payable, and shall be entitled to enforce the obligations of each Guarantor. Upon such declaration by the Agent, the Agent and the Lenders are hereby authorized at any time and from time to time to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Agent or the Lenders to or for the credit or the account of any Guarantor against any and all of the obligations of each Guarantor now or hereafter existing hereunder, whether or not the Agent or the Lenders shall have made any demand hereunder against any other Loan Party and although such obligations may be contingent and unmatured. The rights of the Agent and the Lenders hereunder are in addition to other rights and remedies (including other rights of set-off) which the Agent and the Lenders may have. Upon such declaration by the Agent, with respect to any claims (other than those claims referred to in the immediately preceding paragraph) of any Guarantor against any Loan Party (the "Claims"), the Agent shall have the full right on the part of the Agent in its own name or in the name of such Guarantor to collect and enforce such Claims by legal action, proof of debt in bankruptcy or other liquidation proceedings, vote in any proceeding for the arrangement of debts at any time proposed, or otherwise, the Agent and each of its officers being hereby irrevocably constituted attorneys-in-fact for each Guarantor for the purpose of such enforcement and for the purpose of endorsing in the name of each Guarantor any instrument for the payment of money. Each Guarantor will receive as trustee for the Agent and will pay to the Agent forthwith upon receipt thereof any amounts which such Guarantor may receive from any Loan Party on account of the Claims. Each Guarantor agrees that at no time hereafter will any of the Claims be represented by any notes, other negotiable instruments or writings, except and in such event they shall either be made payable to the Agent, or if payable to any Guarantor, shall forthwith be endorsed by such Guarantor to the Agent. Each Guarantor agrees that no payment on account of the Claims or any security interest therein shall be created, received, accepted or retained during the continuance of any Event of Default nor shall any financing statement be filed with respect thereto by any Guarantor.

8.12. Any acknowledgment or new promise, whether by payment of principal or interest or otherwise and whether by any Loan Party or others with respect to any of the Obligations shall, if the statute of limitations in favor of any Guarantor against the Agent or the Lenders shall have commenced to run, toll the running of such statute of limitations and, if the period of such statute of limitations shall have expired, prevent the operation of such statute of limitations.

8.13. All amounts due, owing and unpaid from time to time by any Guarantor hereunder shall bear interest at the interest rate per annum then chargeable with respect to Base Rate Loans constituting Revolving Advances (without duplication of interest on the underlying Obligation).

8.14. For purposes of the *Interest Act* (Canada), where in this Guaranty a rate of interest is to be calculated on the basis of a year of 360 or 365 days, the yearly rate of interest to which the rate is equivalent is the rate multiplied by the number of days in the year for which the calculation is made and divided by 360 or 365, as applicable.

8.15. Without limiting any other rights in this Agreement, if for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Guaranty or any other Loan Document it becomes necessary to convert into the currency of such jurisdiction (herein called the “**Judgment Currency**”) any amount due hereunder in any currency other than the Judgment Currency, then conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose, “rate of exchange” means the rate at which Agent would, on the relevant date at or about 12:00 noon (New York time), be prepared to sell a similar amount of such currency in New York, New York against the Judgment Currency. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of payment of the amount due, Guarantor will, on the date of payment, pay such additional amounts (if any) as may be necessary to ensure that the amount paid on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of payment is the amount then due under this Guaranty or any other Loan Document in such other currency. Any additional amount due from Guarantor under this Section 8.15 will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement or any of the other Loan Documents.

8.16. Each Guarantor acknowledges receipt of a copy of each of this Agreement and the other Loan Documents. Each Guarantor has made an independent investigation of the Loan Parties and of the financial condition of the Loan Parties. Neither Agent nor any Lender has made and neither Agent nor any Lender does make any representations or warranties as to the income, expense, operation, finances or any other matter or thing affecting any Loan Party nor has Agent or any Lender made any representations or warranties as to the amount or nature of the Obligations of any Loan Party to which this Section 8 applies as specifically herein set forth, nor has Agent or any Lender or any officer, agent or employee of Agent or any Lender or any representative thereof, made any other oral representations, agreements or commitments of any kind or nature, and each Guarantor hereby expressly acknowledges that no such representations or warranties have been made and such Guarantor expressly disclaims reliance on any such representations or warranties.

8.17. The provisions of this Section 8 shall remain in effect until the indefeasible payment in full in cash of all Obligations and irrevocable termination of this Agreement. Payments received from Guarantors pursuant to this Section 8 shall be applied in accordance with Section 7.7 of this Agreement.

SECTION 8A. BORROWING AGENCY.

8A.1. Borrowing Agency Provisions.

(a) Each Borrower hereby irrevocably designates Borrowing Agent to be its attorney and agent and in such capacity to borrow, sign and endorse notes, and execute and deliver all instruments, documents, writings and further assurances now or hereafter required hereunder, on behalf of such Borrower or Borrowers, and hereby authorizes Agent to pay over or credit all loan proceeds hereunder in accordance with the request of Borrowing Agent.

(b) The handling of this credit facility as a co-borrowing facility with a Borrowing Agent in the manner set forth in this Agreement is solely as an accommodation to Borrowers and at their request. None of Agent, any Issuing Lender or any Lender shall incur liability to Borrowers as a result thereof. To induce Agent and the Lenders to do so and in consideration thereof, each Borrower hereby indemnifies Agent, each Issuer and each Lender and holds Agent, each Issuer and each Lender harmless from and against any and all liabilities, expenses, losses, damages and claims of damage or injury asserted against Agent, any Issuer or any Lender by any Person arising from or incurred by reason of the handling of the financing arrangements of Borrowers as provided herein, reliance by Agent or any Lender on any request or instruction from Borrowing Agent or any other action taken by Agent or any Lender with respect to this Section 8A.1 except due to willful misconduct or gross (not mere) negligence by the indemnified party.

(c) All Obligations shall be joint and several, and each Borrower shall make payment upon the maturity of the Obligations by acceleration or otherwise, and such obligation and liability on the part of each Borrower shall in no way be affected by any extensions, renewals and forbearance granted by Agent or any Lender to any Loan Party, failure of Agent or any Lender to give any Borrower notice of borrowing or any other notice, any failure of Agent or any Lender to pursue or preserve its rights against any Loan Party, the release by Agent or any Lender of any Collateral now or thereafter acquired from any Loan Party, and such agreement by each Loan Party to pay upon any notice issued pursuant thereto is unconditional and unaffected by prior recourse by Agent or any Lender to the other Loan Parties or any Collateral for such Loan Party's Obligations or the lack thereof.

8A.2. Waiver of Subrogation. Each Loan Party expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which such Loan Party may now or hereafter have against the other Loan Parties or other Person directly or contingently liable for the Obligations hereunder, or against or with respect to the other Loan Parties' property (including, without limitation, any property which is Collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.



SECTION 9. AGENT

9.1. Agent.

( A ) Appointment. Each Lender hereto and, upon obtaining an interest in any Loan, any participant, transferee or other assignee of any Lender irrevocably appoints, designates and authorizes GMAC CF as Agent to take such actions or refrain from taking such action as its agent on its behalf and to exercise such powers hereunder and under the other Loan Documents as are delegated by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Neither the Agent nor any of its directors, officers, employees or agents shall be liable for any action so taken. The provisions of this subsection 9.1 are solely for the benefit of Agent and Lenders and no Loan Party shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, Agent shall act solely as agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Loan Party. Agent may perform any of its duties hereunder, or under the Loan Documents, by or through its agents or employees.

(B) Nature of Duties. Agent shall have no duties, obligations or responsibilities except those expressly set forth in this Agreement or in the Loan Documents. The duties of Agent shall be mechanical and administrative in nature. Agent shall not have by reason of this Agreement a fiduciary, trust or agency relationship with or in respect of any Lender or any Loan Party. Nothing in this Agreement or any of the Loan Documents, express or implied, is intended to or shall be construed to impose upon Agent any obligations in respect of this Agreement or any of the Loan Documents except as expressly set forth herein or therein. Each Lender shall make its own appraisal of the credit worthiness of each Loan Party, and shall have independently taken whatever steps it considers necessary to evaluate the financial condition and affairs of Loan Parties, and Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto (other than as expressly required herein), whether coming into its possession before the Closing Date or at any time or times thereafter. If Agent seeks the consent or approval of any Lenders to the taking or refraining from taking any action hereunder, then Agent shall send notice thereof to each Lender. Agent shall promptly notify each Lender any time that the Requisite Lenders have instructed Agent to act or refrain from acting pursuant hereto.

( C ) Rights, Exculpation, Etc. Neither Agent nor any of its officers, directors, employees or agents shall be liable to any Lender for any action taken or omitted by them hereunder or under any of the Loan Documents, or in connection herewith or therewith, except that Agent shall be liable to the extent of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. Agent shall not be liable for any apportionment or distribution of payments made by it in good faith and if any such apportionment or distribution is subsequently determined to have been made in error, the sole recourse of any Lender to whom payment was due but not made, shall be to recover from other Lenders any payment in excess of the amount to which they are determined to be entitled (and such other Lenders hereby agree to return to such Lender any such erroneous payments received by them). Neither Agent nor any of its agents or representatives shall be responsible to any Lender for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, or sufficiency of this Agreement or any of the Loan Documents or the transactions contemplated thereby, or for the financial condition of any Loan Party. Agent shall not be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the Loan Documents or the financial condition of any Loan Party, or the existence or possible existence of any Default or Event of Default. Agent may at any time request instructions from Lenders with respect to any actions or approvals which by the terms of this Agreement or of any of the Loan Documents Agent is permitted or required to take or to grant, and if such instructions are promptly requested, Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any Person for refraining from any action or withholding any approval under any of the Loan Documents until it shall have received such instructions from Requisite Lenders or all or such other portion of the Lenders as shall be prescribed by this Agreement. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of Requisite Lenders in the absence of an express requirement for a greater percentage of Lender approval hereunder for such action.

(D) Reliance. Agent shall be under no duty to examine, inquire into, or pass upon the validity, effectiveness or genuineness of this Agreement, any other Loan Document, or any instrument, document or communication furnished pursuant hereto or in connection herewith. Agent shall be entitled to rely, and shall be fully protected in relying, upon any written or oral notices, statements, certificates, orders or other documents or any telephone message or other communication (including any writing, fax, telecopy or telegram) believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining to this Agreement or any of the Loan Documents and its duties hereunder or thereunder. Agent shall be entitled to rely upon the advice of legal counsel, independent accountants, and other experts selected by Agent in its sole discretion.

(E) Indemnification. Lenders will reimburse and indemnify Agent for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, attorneys' fees and expenses), advances or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any of the Loan Documents or any action taken or omitted by Agent under this Agreement or any of the Loan Documents, in proportion to each Lender's Pro Rata Share, but only to the extent that any of the foregoing is not promptly reimbursed by Loan Parties; provided, however, no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, advances or disbursements resulting from Agent's gross negligence or willful misconduct as determined by a final non-appealable judgment by a court of competent jurisdiction. If any indemnity furnished to Agent for any purpose shall, in the opinion of Agent, be insufficient or become impaired, Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against, even if so directed by Lenders or Requisite Lenders, until such additional indemnity is furnished. The obligations of Lenders under this subsection 9.1(E) shall survive the payment in full of the Obligations and the termination of this Agreement.

(F) GMAC CF Individually. With respect to its Commitments and the Loans made by it, GMAC CF shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "Lenders" or "Requisite Lenders" or any similar terms shall, unless the context clearly otherwise indicates, include GMAC CF in its individual capacity as a Lender or one of the Requisite Lenders. GMAC CF, either directly or through strategic affiliations, may lend money to, acquire equity or other ownership interests in, provide advisory services to and generally engage in any kind of banking, trust or other business with any Loan Party as if it were not acting as Agent pursuant hereto and without any duty to account therefor to Lenders. GMAC CF, either directly or through strategic affiliations, may accept fees and other consideration from any Loan Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

(G) Successor Agent.

(1) Resignation. Agent may resign from the performance of all its agency functions and duties hereunder at any time by giving at least thirty (30) Business Days' prior written notice to Borrowing Agent and the Lenders. Such resignation shall take effect upon the acceptance by a successor Agent of appointment as provided below.

(2) Appointment of Successor. Upon any such notice of resignation pursuant to subsection 9.1(G)(1) above, Requisite Lenders shall appoint a successor Agent which, unless an Event of Default has occurred and is continuing, shall be reasonably acceptable to Borrowing Agent. If a successor Agent shall not have been so appointed within said thirty (30) Business Day period, the retiring Agent, upon notice to Borrowing Agent, shall then appoint a successor Agent who shall serve as Agent until such time, if any, as Requisite Lenders appoint a successor Agent as provided above.

(3) Successor Agent. Upon the acceptance of any appointment as Agent under the Loan Documents by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation as Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

(H) Collateral Matters.

(1) Release of Collateral. Lenders hereby irrevocably authorize Agent, at its option and in its discretion, to release any Lien granted to or held by Agent upon any Collateral (a) upon termination of the Commitments and upon payment and satisfaction of all Obligations (other than contingent indemnification obligations to the extent no claims giving rise thereto have been asserted); or (b) constituting property being sold or disposed of if a Loan Party certifies to Agent that the sale or disposition is made in compliance with the provisions of this Agreement (and Agent may rely in good faith conclusively on any such certificate, without further inquiry). In addition, with the consent of Requisite Lenders, Agent may release Liens granted to or held by Agent upon any Collateral having a book value of not greater than ten percent (10%) of the total book value of all Collateral, as determined by Agent, either in a single transaction or in a series of related transactions; provided, however, in no event will Agent, acting under the authority granted to it pursuant to this sentence, release during any calendar year Liens granted to or held by Agent upon any Collateral having a total book value in excess of twenty percent (20%) of the total book value of all Collateral, as determined by Agent.

(2) Confirmation of Authority: Execution of Releases. Without in any manner limiting Agent's authority to act without any specific or further authorization or consent by Lenders (as set forth in subsection 9.1(H)(1) above), each Lender agrees to confirm in writing, upon request by Agent or Borrowing Agent, the authority to release any Collateral conferred upon Agent under clauses (a) and (b) of subsection 9.1(H)(1). To the extent Agent agrees to release any Lien granted to or held by Agent as authorized under subsection 9.1(H)(1), (a) Agent is hereby irrevocably authorized by Lenders to, execute such documents as may be necessary to evidence the release of the Liens granted to Agent, for the benefit of Agent and Lenders, upon such Collateral; provided, however, that Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create upon Agent any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (b) Loan Parties shall provide at least ten (10) Business Days prior written notice of any request for any document evidencing such release of the Liens and Loan Parties agree that any such release shall not in any manner discharge, affect or impair the Obligations or any Liens granted to Agent on behalf of Agent and Lenders upon (or obligations of any Loan Party, in respect of) all interests retained by any Loan Party, including, without limitation, the proceeds of any sale, all of which shall continue to constitute part of the property covered by this Agreement or the Loan Documents.

( 3 ) Absence of Duty. Agent shall have no obligation whatsoever to any Lender or any other Person to assure that the property covered by this Agreement or the Loan Documents exists or is owned by any Loan Party or is cared for, protected or insured or has been encumbered or that the Liens granted to Agent on behalf of Agent and Lenders herein or pursuant hereto have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this Agreement or in any of the Loan Documents, it being understood and agreed that in respect of the property covered by this Agreement or the Loan Documents or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in property covered by this Agreement or the Loan Documents as one of the Lenders and that Agent shall have no duty or liability whatsoever to any of the other Lenders; provided, however, that Agent shall exercise the same care which it would in dealing with loans for its own account.

( I ) Agency for Perfection Agent and each Lender hereby appoint each other Lender as agent for the purpose of perfecting Agent's security interest in assets which, in accordance with the Uniform Commercial Code in any applicable jurisdiction, can be perfected by possession or Control. Should any Lender (other than Agent) obtain possession of any such assets, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor, shall deliver such assets to Agent or in accordance with Agent's instructions. The Agent may file such proofs of claim or documents as may be necessary or advisable in order to have the claims of the Agent and the Lenders (including any claim for the reasonable compensation, expenses, disbursements and advances of the Agent and the Lenders, their respective agents, financial advisors and counsel), allowed in any judicial proceedings relative to any Loan Party, or any of their respective creditors or property, and shall be entitled and empowered to collect, receive and distribute any monies, securities or other property payable or deliverable on any such claims. Any custodian in any judicial proceedings relative to any Loan Party is hereby authorized by each Lender to make payments to the Agent and, in the event that the Agent shall consent to the making of such payments directly to the Lenders, to pay to the Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Agent, its agents, financial advisors and counsel, and any other amounts due the Agent. Nothing contained in this Agreement or the other Loan Documents shall be deemed to authorize the Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Loans, or the rights of any holder thereof, or to authorize the Agent to vote in respect of the claim of any Lender in any such proceeding, except as specifically permitted herein.

(J) Exercise of Remedies. Each Lender agrees that it will not have any right individually to enforce or seek to enforce this Agreement or any Loan Document or to realize upon any collateral security for the Obligations, unless instructed to do so by Agent, it being understood and agreed that such rights and remedies may be exercised only by Agent.

9.2. Notice of Default.

Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to Agent for the account of Lenders, unless Agent shall have received written notice from a Lender or Borrowing Agent referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". Agent will notify each Lender of its receipt of any such notice.

9.3. Action by Agent.

Agent shall take such action with respect to any Default or Event of Default as may be requested by Requisite Lenders in accordance with Section 7. Unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to any Default or Event of Default as it shall deem advisable or in the best interests of Lenders.

9.4. Amendments, Waivers and Consents.

(A) Percentage of Lenders Required. Except as otherwise provided herein or in any of the other Loan Documents, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Requisite Lenders (or, Agent, if expressly set forth herein or in any of the other Loan Documents) and the applicable Loan Party; provided however, no amendment, modification, termination, waiver or consent shall be effective, unless in writing and signed by all Lenders, to do any of the following: (1) increase any of the Commitments; (2) reduce the principal of or the rate of interest on any Loan or reduce the fees payable with respect to any Loan or Lender Letter of Credit other than in accordance with the terms of this Agreement; (3) extend the Termination Date or the scheduled due date for all or any portion of principal of the Loans or any interest or fees due hereunder; (4) amend the definition of the term "Requisite Lenders" or the percentage of Lenders which shall be required for Lenders to take any action hereunder; (5) amend or waive this Section 9.4 or the definitions of the terms used in this Section 9.4 insofar as the definitions affect the substance of this Section 9.4; (6) increase by more than five percent (5%) each of the percentages contained in the definition of Borrowing Base; (7) release Collateral in excess of Collateral having a value of \$750,000 in any Fiscal Year (except if the sale, disposition or release of such Collateral is permitted under Section 5.2(E), Section 9.1(H)(1) or under any other Loan Document); or (8) consent to the assignment, delegation or other transfer by any Loan Party of any of its rights and obligations under any Loan Document; provided, further, that no amendment, modification, termination, waiver or consent affecting the rights or duties of Agent under this Section 9 or under any Loan Document shall in any event be effective, unless in writing and signed by Agent, in addition to the Lenders required to take such action. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 9 shall be binding upon each Lender or future Lender and, if signed by a Loan Party, on such Loan Party. Notwithstanding the foregoing, any waiver or consent which permits any prepayment of the Loans required hereunder in an amount not greater than \$100,000 to be applied to the Revolving Loan rather than Term Loan A, shall only require the consent of Agent.

(B) Specific Purpose or Intent. Each amendment, modification, termination, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination, waiver or consent shall be required for Agent to take additional Collateral.

(C) Failure to Give Consent; Replacement of Non-Consenting Lender. In the event Agent requests the consent of a Lender and does not receive a written consent or denial thereof within ten (10) Business Days after such Lender's receipt of such request, then such Lender will be deemed to have denied the giving of such consent. If, in connection with any proposed amendment, modification, termination or waiver of any of the provisions of this Agreement requiring the consent or approval of all Lenders under this subsection 9.4, the consent of Requisite Lenders is obtained but the consent of one or more other Lenders whose consent is required is not obtained, then Borrowers shall have the right, so long as all such non-consenting Lenders are either replaced or prepaid as described in clauses (1) or (2) below, to either (1) replace the non-consenting Lenders with one or more Replacement Lenders pursuant to subsection 2.11(A), as if such Lender were an Affected Lender thereunder, but only so long as each such Replacement Lender consents to the proposed amendment, modification, termination or waiver, or (2) prepay in full the Obligations of the non-consenting Lenders and terminate the non-consenting Lenders' Commitments pursuant to subsection 2.11(B), as if such Lender were an Affected Lender thereunder.

Notwithstanding anything in this subsection 9.4, Agent and Loan Parties, without the consent of either Requisite Lenders or all Lenders, may execute amendments to this Agreement and the Loan Documents, which consist solely of the making of typographical corrections.

9.5. Assignments and Participations in Loans

(A) Assignments. Each Lender may assign its rights and delegate its obligations under this Agreement to an Eligible Assignee; provided, however, (1) such Lender (other than GMAC CF) shall first obtain the written consent of Agent, and, provided that no Event of Default shall then exist and be continuing, Borrowing Agent, neither of which shall not be unreasonably withheld, (2) the amount of Commitments and Loans of the assigning Lender being assigned shall in no event be less than the lesser of (a) \$5,000,000 or (b) the entire amount of the Commitments and Loans of such assigning Lender and (3)(a) each such assignment shall be of a pro rata portion of all such assigning Lender's Loans and Commitments hereunder, and (b) the parties to such assignment shall execute and deliver to Agent for acceptance and recording a Assignment and Acceptance Agreement together with (i) a processing and recording fee of \$3,500 payable by the assigning Lender to Agent and (ii) the Note originally delivered to the assigning Lender. The administrative fee referred to in clause (3) of the preceding sentence shall not apply to an assignment of a security interest in all or any portion of a Lender's rights under this Agreement or the other Loan Documents, as described in clause (1) of subsection 9.5(D) below. Upon receipt of all of the foregoing, Agent shall notify Borrowing Agent of such assignment and the Borrowers shall comply with its obligations under the last sentence of subsection 2.1(D). In the case of an assignment authorized under this subsection 9.5, the assignee shall be considered to be a "Lender" hereunder and Loan Parties hereby acknowledge and agree that any assignment will give rise to a direct obligation of Loan Parties to the assignee. The assigning Lender shall be relieved of its obligations to make Loans hereunder with respect to the assigned portion of its Commitment.

(B) Participations. Each Lender may sell participations in all or any part of any Loans or Commitments made by it to another Person; provided, however, such Lender shall first obtain the prior written consent of Agent, which consent shall not be unreasonably withheld. All amounts payable by Loan Parties hereunder shall be determined as if that Lender had not sold such participation and the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except action directly effecting (1) any reduction in the principal amount or an interest rate on any Loan in which such holder participates; (2) any extension of the Termination Date or the date fixed for any payment of interest or principal (other than any mandatory prepayment) payable with respect to any Loan in which such holder participates; and (3) any release of substantially all of the Collateral. Loan Parties hereby acknowledge and agree that the participant under each participation shall for purposes of subsections 2.8, 2.9, 2.10, 9.6 and 10.2 be considered to be a "Lender".

(C) No Relief of Obligations; Cooperation; Ability to Make LIBOR Loans. Except as otherwise provided in subsection 9.5(A) no Lender shall, as between Borrower and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the Loans or other Obligations owed to such Lender. Each Lender may furnish any information concerning Loan Parties in the possession of that Lender from time to time to Eligible Assignees and participants (including prospective assignees and participants). Loan Parties agree that they will use their reasonable efforts to assist and cooperate with Agent and any Lender in any manner reasonably requested by Agent or such Lender to effect the sale of a participation or an assignment described above, including without limitation assistance in the preparation of appropriate disclosure documents or placement memoranda. Notwithstanding anything contained in this Agreement to the contrary, so long as the Requisite Lenders shall remain capable of making LIBOR Loans, no Person shall become a Lender hereunder unless such Person shall also be capable of making LIBOR Loans.

( D ) Security Interests; Assignment to Affiliates. Notwithstanding any other provision set forth in this Agreement, any Lender may at any time following written notice to Agent (1) pledge the Obligations held by it or create a security interest in all or any portion of its rights under this Agreement or the other Loan Documents in favor of any Person; provided, however (a) no such pledge or grant of security interest to any Person shall release such Lender from its obligations hereunder or under any other Loan Document and (b) the acquisition of title to such Lender's Obligations pursuant to any foreclosure or other exercise of remedies by such Person shall be subject to the provisions of this Agreement and the other Loan Documents in all respects including, without limitation, any consent required by subsection 9.5; and (2) subject to complying with the provisions of subsection 9.5(A), assign all or any portion of its funded loans to an Eligible Assignee which is a Subsidiary of such Lender or its parent company, to one or more other Lenders, or to a Related Fund.

( E ) Recording of Assignments. Agent shall maintain at its office in New York, New York a copy of each Assignment and Acceptance Agreement delivered to it and a register for the recordation of the names and addresses of Lenders, and the commitments of, and principal amount of the Loans owing to each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be presumptive evidence of the amounts due and owing to Lender in the absence of manifest error. Loan Parties, Agent and each Lender may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrowing Agent and any Lender, at any reasonable time upon reasonable prior notice.

At the request of Agent from time to time both before and after the Closing Date, the Loan Parties will assist Agent in the syndication of the credit facility provided pursuant to this Agreement and the other Loan Documents. Such assistance shall include, but not be limited to (i) prompt assistance in the preparation of an information memorandum and the verification of the completeness and accuracy of the information and the reasonableness of the projections contained therein, (ii) preparation of offering materials and financial projections by Loan Parties and their advisors, (iii) providing Agent with all information reasonably deemed necessary by Agent to successfully complete the syndication, (iv) confirmation as to the accuracy and completeness of such offering materials and information and confirmation that management's projections are based on assumptions believed by the Loan Parties to be reasonable at the time made, and (v) participation of the Loan Parties' senior management in meetings and conference calls with potential lenders at such times and places as Agent may reasonably request.



9.6. Set Off and Sharing of Payments. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized by each Loan Party at any time or from time to time, with reasonably prompt subsequent notice to Borrowing Agent (any prior or contemporaneous notice being hereby expressly waived) to set off and to appropriate and to apply any and all (a) balances held by such Lender at any of its offices for the account of Loan Parties (regardless of whether such balances are then due to Loan Parties), and (b) other property at any time held or owing by such Lender to or for the credit or for the account of any Loan Party, against and on account of any of the Obligations; except that no Lender shall exercise any such right without the prior written consent of Agent. Any Lender exercising its right to set off shall purchase for cash (and the other Lenders shall sell) interests in each of such other Lender's Pro Rata Share of the Obligations as would be necessary to cause all Lenders to share the amount so set off with each other Lender in accordance with their respective Pro Rata Shares. Each Loan Party agrees, to the fullest extent permitted by law, that any Lender may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Obligations and upon doing so shall deliver such amount so set off to Agent for the benefit of Agent and of all Lenders in accordance with their Pro Rata Shares.

9.7. Disbursement of Funds. Agent may, on behalf of Lenders, disburse funds to Borrowers for Loans requested. Each Lender shall reimburse Agent on demand for all funds disbursed on its behalf by Agent, or if Agent so requests, each Lender will remit to Agent its Pro Rata Share of any Loan or Advance before Agent disburses same to Borrowers. If Agent elects to require that each Lender make funds available to Agent prior to a disbursement by Agent to Borrower, Agent shall advise each Lender by telephone, telex, fax or telecopy of the amount of such Lender's Pro Rata Share of the Loan requested by Borrowing Agent no later than 1:00 p.m. New York time on the Funding Date applicable thereto, and each such Lender shall pay Agent such Lender's Pro Rata Share of such requested Loan, in same day funds, by wire transfer to Agent's account on such Funding Date.

9.8. Settlements, Payments and Information.

(A) Revolving Advances and Payments: Fee Payments

(1) Fluctuation of Revolving Loan Balance. The Revolving Loan balance may fluctuate from day to day through Agent's disbursement of funds to, and receipt of funds from, Loan Parties. In order to minimize the frequency of transfers of funds between Agent and each Lender notwithstanding terms to the contrary set forth in Section 2 and subsection 9.7, Revolving Advances and repayments, except as set forth in subsection 2.1(A), will be settled according to the procedures described in this subsection 9.8. Notwithstanding these procedures, each Lender's obligation to fund its portion of any advances made by Agent to Borrowers will commence on the date such advances are made by Agent. Such payments will be made by such Lender without set-off, counterclaim or reduction of any kind.

(2) Settlement Dates. Once each week for the Revolving Loan or more frequently (including daily), if Agent so elects (each such day being a "Settlement Date"), Agent will advise each Lender by telephone, fax or telecopy of the amount of each such Lender's Pro Rata Share of the Revolving Loan. In the event payments are necessary to adjust the amount of such Lender's required Pro Rata Share of the Revolving Loan balance to such Lender's actual Pro Rata Share of the Revolving Loan balance as of any Settlement Date, the party from which such payment is due will pay the other, in same day funds, by wire transfer to the other's account not later than 3:00 p.m. New York time on the Business Day following the Settlement Date.

(3) Settlement Definitions. For purposes of this subsection 9.8(A), the following terms and conditions will have the meanings indicated:

(a) “Daily Loan Balance” means an amount calculated as of the end of each calendar day by subtracting (i) the cumulative principal amount paid by Agent to a Lender on a Loan from the Closing Date through and including such calendar day, from (ii) the cumulative principal amount on a Loan advanced by such Lender to Agent on that Loan from the Closing Date through and including such calendar day.

(b) “Daily Interest Rate” means an amount calculated by dividing the interest rate payable to a Lender on a Loan (as set forth in subsection 2.2) as of each calendar day by three hundred sixty (360).

(c) “Daily Interest Amount” means an amount calculated by multiplying the Daily Loan Balance of a Loan by the associated Daily Interest Rate on that Loan.

(d) “Interest Ratio” means a number calculated by dividing the total amount of the interest on a Loan received by Agent with respect to the immediately preceding by the total amount of interest on that Loan due from Borrower during the immediately preceding month.

(4) Settlement Payments. On the first Business Day of each month (“Interest Settlement Date”), Agent will advise each Lender by telephone, fax or telecopy of the amount of such Lender’s share of interest and fees on each of the Loans as of the end of the last day of the immediately preceding month. Provided that such Lender has made all payments required to be made by it under this Agreement, Agent will pay to such Lender, by wire transfer to such Lender’s account (as specified by such Lender on the signature page of this Agreement or the applicable Assignment and Acceptance Agreement, as amended by such Lender from time to time after the date hereof or in the applicable Assignment and Acceptance Agreement) not later than 3:00 p.m. New York time on the next Business Day following the Interest Settlement Date, such Lender’s share of interest and fees on each of the Loans. Such Lender’s share of interest on each Loan will be calculated for that Loan by adding together the Daily Interest Amounts for each calendar day of the prior month for that Loan and multiplying the total thereof by the Interest Ratio for that Loan. Such Lender’s share of the unused line fee described in Section 2.3(A) shall be an amount equal to (a)(i) such Lender’s average Revolving Loan Commitment during such month, less (ii) the sum of (x) such Lender’s average Daily Loan Balance of the Revolving Loans, plus (y) such Lender’s Pro Rata Share of the average daily aggregate amount of Letter of Credit Reserve, in each case for the preceding month, multiplied by (b) the percentage required by Section 2.3(A). Such Lender’s share of all other fees paid to Agent for the benefit of Lenders hereunder shall be paid and calculated based on such Lender’s Commitment with respect to the Loans on which such fees are associated. To the extent Agent does not receive the total amount of any fee owing by Borrowers under this Agreement, each amount payable by Agent to a Lender under this subsection 9.8(A)(4) with respect to such fee shall be reduced on a pro rata basis. Any funds disbursed or received by Agent pursuant to this Agreement, including, without limitation, under Sections 9.7, 9.8(A)(1), and 9.9, prior to the Settlement Date for such disbursement or payment shall be deemed advances or remittances by GMAC CF, in its capacity as a Lender, for purposes of calculating interest and fees pursuant to this subsection 9.8(A)(4).

(B) Return of Payments.

(1) Recovery after Non-Receipt of Expected Payment. If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from any Loan Party and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender without set-off, counterclaim or deduction of any kind together with interest thereon, for each day from and including the date such amount is made available by Agent to such Lender to but excluding the date of repayment to Agent, at the greater of the Federal Funds Effective Rate and a rate determined by Agent in accordance with banking industry rules on interbank compensation.

(2) Recovery of Returned Payment. If Agent determines at any time that any amount received by Agent under this Agreement must be returned to any Loan Party or paid to any other Person pursuant to any requirement of law, court order or otherwise, then, notwithstanding any other term or condition of this Agreement, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to any Loan Party or such other Person, without set-off, counterclaim or deduction of any kind.

9 . 9 . Discretionary Advances. Notwithstanding anything contained herein to the contrary, Agent may, in its sole discretion, for a period of not more than thirty (30) consecutive days make Revolving Advances in an aggregate amount of not more than \$2,500,000 in excess of the limitations set forth in the Borrowing Base but not in excess of the Revolving Loan Commitment for the purpose of preserving or protecting the Collateral or for incurring any costs associated with collection or enforcing rights or remedies against the Collateral, or incurred in any action to enforce this Agreement or any other Loan Document.

SECTION 10. MISCELLANEOUS

10.1. Expenses and Attorneys' Fees. Whether or not any of the Transactions shall be consummated, each Loan Party agrees to promptly pay all reasonable fees, costs and expenses of Agent incurred in connection with any matters contemplated by or arising out of this Agreement or the other Loan Documents including the following, and all such fees, costs and expenses shall be part of the Obligations, payable on demand and secured by the Collateral: (a) reasonable fees, costs and expenses incurred by Agent (including attorneys' fees and expenses, the allocated costs of Agent's internal legal staff and fees of environmental consultants, accountants and other professionals retained by Agent) incurred in connection with the examination, review, due diligence investigation, documentation and closing of the financing arrangements evidenced by the Loan Documents; (b) reasonable fees, costs and expenses incurred by Agent (including attorneys' fees and expenses, the allocated reasonable costs of Agent's internal legal staff and fees of environmental consultants, accountants and other professionals retained by Agent) incurred in connection with the review, negotiation, preparation, documentation, execution, syndication and administration of the Loan Documents, the Loans, and any amendments, waivers, consents, forbearances and other modifications relating thereto or any subordination or intercreditor agreements, including reasonable documentation charges assessed by Agent for amendments, waivers, consents and any other documentation prepared by Agent's internal legal staff; (c) reasonable fees, costs and expenses (including attorneys' fees and allocated costs of internal legal staff) incurred by Agent in creating, perfecting and maintaining perfection of Liens in favor of Agent, on behalf of Agent and Lenders; (d) reasonable fees, costs and expenses incurred by Agent in connection with forwarding to Borrowers the proceeds of Loans including Agent's or any Lenders' standard wire transfer fee; (e) reasonable fees, costs, expenses and bank charges, including bank charges for returned checks, incurred by Agent or any Lender in establishing, maintaining and handling lock box accounts, Blocked Accounts or other accounts for collection of the Collateral; (f) reasonable fees, costs, expenses (including attorneys' fees and allocated costs of internal legal staff) of Agent or any Lender and costs of settlement incurred in collecting upon or enforcing rights against the Collateral or incurred in any action to enforce this Agreement or the other Loan Documents or to collect any payments due from any Loan Party under this Agreement or any other Loan Document or incurred in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement, whether in the nature of a "workout" or in connection with any insolvency or bankruptcy proceedings or otherwise.

10.2. Indemnity. In addition (and without duplication of) to the payment of expenses pursuant to subsection 10.1, whether or not any of the Transactions shall be consummated, each Loan Party agrees to indemnify, pay and hold Agent and each Lender, and the officers, directors, employees, agents, consultants, auditors, persons engaged by Agent or any Lender, to evaluate or monitor the Collateral, affiliates and attorneys of Agent, Lender and such holders (collectively called the "Indemnities") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for such Indemnities in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnity shall be designated a party thereto) that may be imposed on, incurred by, or asserted against that Indemnity, in any manner relating to or arising out of this Agreement or the other Loan Documents, the consummation of the GMAC Transactions, the statements contained in the commitment letters, if any, delivered by Agent or any Lender, Agent's and each Lender's agreement to make the Loans hereunder, the use or intended use of the proceeds of any of the Loans or the exercise of any right or remedy hereunder or under the other Loan Documents (the "Indemnified Liabilities"); provided that no Loan Party shall have any obligation to an Indemnity hereunder with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of that Indemnity as determined by a final non-appealable judgment by a court of competent jurisdiction.

10.3. Notices. Unless otherwise specifically provided herein, all notices shall be in writing addressed to the respective party as set forth below and may be personally served, faxed, telecopied or sent by overnight courier service or US mail and shall be deemed to have been given: (a) if delivered in person, when delivered; (b) if delivered by fax or telecopy, on the date of transmission if transmitted on a Business Day before 4:00 p.m. New York time or, if not, on the next succeeding Business Day; (c) if delivered by overnight courier, two (2) days after delivery to such courier properly addressed; or (d) if by U.S. Mail, four (4) Business Days after depositing in the US mail, with postage prepaid and properly addressed.

If to any Loan Party: Rocky Shoes & Boots, Inc.  
39 East Canal Street  
Nelsonville, Ohio 45764  
Attn: James E. McDonald  
Chief Financial Officer  
Fax/Telecopy No.: (740) 753-4024

With a copy to: Porter, Wright, Morris & Arthur LLP  
41 South High Street  
Columbus, Ohio 43215  
Attn: Timothy E. Grady, Esq.  
Fax/Telecopy No.: (614) 227-2100

If to Agent or to GMACCF: GMAC COMMERCIAL FINANCE LLC  
1290 Avenue of the Americas, 3rd Floor  
New York, New York 10104  
Attn: Rocky Portfolio Manager  
Fax/Telecopy No.: (212) 884-7692

With copies to: GMAC COMMERCIAL FINANCE LLC  
1290 Avenue of the Americas  
New York, New York 10104  
Attn: Legal Services/SFD  
Fax/Telecopy No.: (212) 884-7693

HAHN & HESSEN LLP  
488 Madison Avenue  
New York, New York 10022  
Attn: Daniel J. Krauss, Esq.  
Fax/Telecopy No.: (212) 478-7400

If to any Lender: Its address indicated on the signature page hereto, in an Assignment and Acceptance Agreement or in a notice to Agent and Borrowing Agent or to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this subsection 10.3.

10.4. Survival of Representations and Warranties and Certain Agreements. All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and the making of the Loans hereunder. Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of each Loan Party, Agent, and Lenders set forth in subsections 9.1(E), 10.1, 10.2, 10.6, 10.11, 10.14, and 10.15 shall survive the payment of the Loans and the termination of this Agreement.

10.5. Indulgence Not Waiver. No failure or delay on the part of Agent, any Lender or any holder of any Note in the exercise of any power, right or privilege hereunder or under any Note shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

10.6. Marshaling; Payments Set Aside. Neither Agent nor any Lender shall be under any obligation to marshal any assets in favor of any Loan Party or any other party or against or in payment of any or all of the Obligations. To the extent that any Loan Party makes a payment or payments to Agent and/or any Lender or Agent and/or any Lender enforces its security interests or exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

10.7. Entire Agreement. This Agreement and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior commitments, agreements, representations, and understandings, whether written or oral, relating to the subject matter hereof, and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto.

10.8. Severability. The invalidity, illegality or unenforceability in any jurisdiction of any provision in or obligation under this Agreement or the other Loan Documents shall not affect or impair the validity, legality or enforceability of the remaining provisions or obligations under this Agreement, or the other Loan Documents.

10.9. Lenders' Obligations Several; Independent Nature of Lenders' Rights. The obligation of each Lender hereunder is several and not joint and neither Agent nor any Lender shall be responsible for the obligation or Commitment of any other Lender hereunder. In the event that any Lender at any time should fail to make a Loan as herein provided, the Lenders, or any of them, at their sole option, may make the Loan that was to have been made by the Lender so failing to make such Loan. Nothing contained in any Loan Document and no action taken by Agent or any Lender pursuant hereto or thereto shall be deemed to constitute Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt.

10.10. Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

10.11. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

10.12. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided, however, no Loan Party may assign its rights or obligations hereunder without the written consent of Lenders.

10.13. No Fiduciary Relationship; No Duty; Limitation of Liabilities.

(A) No Fiduciary Relationship. No provision in this Agreement or in any of the other Loan Documents and no course of dealing between the parties shall be deemed to create any fiduciary duty by Agent or any Lender to any Loan Party.

(B) No Duty. All attorneys, accountants, appraisers, and other professional Persons and consultants retained by Agent or any Lender shall have the right to act exclusively in the interest of Agent or such Lender and shall have no duty of disclosure, duty of loyalty, duty of care, or other duty or obligation of any type or nature whatsoever to any Loan Party or any of any Loan Party's shareholders or any other Person.

(C) Limitation of Liabilities. Neither Agent nor any Lender, nor any affiliate, officer, director, shareholder, employee, attorney, or agent of Agent or any Lender shall have any liability with respect to, and each Loan Party hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by any Loan Party in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, any of the GMAC Transactions or any of the other Transactions. Each Loan Party hereby waives, releases, and agrees not to sue Agent or any Lender or any of Agent's or any Lender's affiliates, officers, directors, employees, attorneys, or agents for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, any of the GMAC Transactions or any of the other Transactions.

10.14. CONSENT TO JURISDICTION. EACH LOAN PARTY HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF NEW YORK, STATE OF NEW YORK AND IRREVOCABLY AGREES THAT, SUBJECT TO AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS SHALL BE LITIGATED IN SUCH COURTS. EACH LOAN PARTY EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH LOAN PARTY HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON BORROWING AGENT BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO BORROWING AGENT, AT THE ADDRESS SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED. EACH LOAN PARTY IN ANY EVENT WILL USE ALL COMMERCIALY REASONABLE EFFORTS TO PRODUCE IN ANY SUCH DISPUTE RESOLUTION PROCEEDING, AT THE TIME AND IN THE MANNER REQUESTED BY AGENT OR ANY LENDER, ALL PERSONS, DOCUMENTS (WHETHER IN TANGIBLE, ELECTRONIC OR OTHER FORM) OR OTHER THINGS UNDER ITS CONTROL AND RELATING TO THE DISPUTE.

10.15. WAIVER OF JURY TRIAL EACH LOAN PARTY, AGENT AND EACH LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. EACH LOAN PARTY, AGENT AND EACH LENDER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH LOAN PARTY, AGENT AND EACH LENDER WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

10.16. Construction. Each Loan Party, Agent and each Lender each acknowledge that it has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement and the other Loan Documents with its legal counsel. This Agreement and the other Loan Documents shall be construed as if jointly drafted by Loan Parties, Agent and each Lender.

10.17. Counterparts; Effectiveness. This Agreement and any amendments, waivers, consents, or supplements may be executed via telecopier or facsimile transmission in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

10.18. Confidentiality. Agent and each Lender agree to exercise their best efforts to keep confidential any non-public information delivered pursuant to the Loan Documents and identified as such by Borrowing Agent and not to disclose such information to Persons other than to: its respective affiliates, officers, directors and employees; or its potential assignees or participants; or Persons employed by or engaged by Agent, a Lender or a Lender's assignees or participants including, without limitation, attorneys, auditors, professional consultants, rating agencies and portfolio management services. The confidentiality provisions contained in this subsection shall not apply to disclosures (a) required to be made by Agent or any Lender to any regulatory or governmental agency or pursuant to legal process or (b) consisting of general portfolio information that does not identify any Loan Party. The obligations of Agent and Lenders under this subsection 10.18 shall supersede and replace the obligations of Agent and Lenders under any confidentiality agreement in respect of this financing executed and delivered by Agent or any Lender prior to the date hereof. In no event shall Agent or any Lender be obligated or required to return any materials furnished by Loan Parties ;provided, however, each potential assignee or participant shall be required to agree that if it does not become an assignee (or participant) it shall return all materials furnished to it by Loan Parties in connection herewith.



Notwithstanding the foregoing, and notwithstanding any other express or implied agreement or understanding to the contrary, each of the parties hereto and their respective employees, representatives, and other agents are authorized to disclose the tax treatment and tax structure of the Transactions to any and all persons, without limitation of any kind. Each of the parties hereto may disclose all materials of any kind (including opinions or other tax analyses) insofar as they relate to the tax treatment and tax structure of the Transactions. This authorization does not extend to disclosure of any other information including (without limitation) (a) the identities of participants or potential participants in the GMAC Transactions (b) the existence or status of any negotiations, (c) any pricing or other financial information or (d) any other term or detail not related to the tax treatment and tax structure of the GMAC Transactions.

10.19. Publication. Each Loan Party consents to the publication by Agent of a tombstone or similar advertising material relating to the GMAC Transactions; provided, however, Agent shall provide a draft of any such tombstone or similar advertising material to Borrowing Agent for review prior to the publication thereof. Agent and Lenders reserve the right to provide industry trade organizations information necessary and customary for inclusion in league table measurements.

[SIGNATURE PAGES FOLLOWS]

Witness the due execution of this Loan and Security Agreement by the respective duly authorized officers of the undersigned as of the date first written above.

**ROCKY SHOES & BOOTS, INC.**

[FEIN: 31-1364046]

**LIFESTYLE FOOTWEAR, INC.**

[FEIN: 66-0448782]

**EJ FOOTWEAR LLC**

[FEIN: 22-3709785]

**HM LEHIGH SAFETY SHOE CO. LLC**

[FEIN: 22-3712239]

**GEORGIA BOOT LLC**

[FEIN: 22-3709787]

**GEORGIA BOOT PROPERTIES LLC**

[FEIN: 16-1583116]

**DURANGO BOOT COMPANY LLC**

[FEIN: 22-3714459]

**NORTHLAKE BOOT COMPANY LLC**

[FEIN: 22-3714464]

**LEHIGH SAFETY SHOE CO. LLC**

[FEIN: 22-3709780]

**LEHIGH SAFETY SHOE PROPERTIES LLC**

[FEIN: 16-1583118]

By:           /s/ James E. McDonald          

Name: James E. McDonald

Title: Chief Financial Officer of each of the  
foregoing Borrowers

**GMAC COMMERCIAL FINANCE LLC**

By:           /s/ William J. Fitzgerald          

Name:           William J. Fitzgerald          

Title:           Vice President          

Revolving Loan Commitment:

\$100,000,000

Term Loan A Commitment:

\$18,000,000

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## EXHIBITS

- A. Assignment and Acceptance Agreement
  - B. Borrowing Base Certificate
  - C. Compliance and Pricing Certificate
  - D. Calculation of initial Advance Rates for Eligible Inventory
  - E. Form of Notes
  - F. Notice of Borrowing
-

## SCHEDULES

Schedule 1.1	Excluded Property
Schedule 2.7(A)	Commercial Tort Claims
Schedule 3	List of Closing Documents
Schedule 4.1(A)	Organizational Schedule
Schedule 4.1(D)	Capitalization Schedule
Schedule 4.1(F)	Authorization; No Breach
Schedule 4.1(G)	Governmental Approvals
Schedule 4.1(J)	Litigation Schedule
Schedule 4.1(L)	Environmental Schedule
Schedule 4.1(R)	Intellectual Property Schedule
Schedule 4.1(W)	Material Contracts
Schedule 4.1(Q)	Properties Schedule
Schedule 4.1(U)	Side Agreements
Schedule 4.1(Z)	Current Business Practices
Schedule 5.2(A)	Permitted Indebtedness Schedule
Schedule 5.2(B)	Permitted Liens Schedule
Schedule 6.1(K)	Deposit Accounts
Schedule 6.1(L)	Bailees
Schedule 6.1(Q)	Names and Locations

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**Exhibit A**

**FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT**

ASSIGNMENT AND ACCEPTANCE AGREEMENT, dated as of \_\_\_\_\_, 200

among \_\_\_\_\_ (the "Transferor Lender"), each Purchasing Lender executing this Assignment and Acceptance Agreement (each, a "Purchasing Lender"), and GMAC COMMERCIAL FINANCE LLC ("GMAC CF") as agent for the Lenders (as defined below) under the Loan Agreement (as defined below).

WITNESSETH

WHEREAS, this Assignment and Acceptance Agreement is being executed and delivered in accordance with Section 9.5 of the Loan and Security Agreement dated as of January 6, 2005 (as from time to time amended, restated, supplemented or otherwise modified in accordance with the terms thereof, the "Loan Agreement") among ROCKY SHOES & BOOTS; INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), the financial institutions party thereto (each a "Lender" and collectively, the "Lenders") and GMAC COMMERCIAL FINANCE LLC, as agent for the Lenders (in such capacity, the "Agent");

WHEREAS, Purchasing Lender wishes to become a Lender party to the Loan Agreement; and

WHEREAS, the Transferor Lender is selling and assigning to Purchasing Lender, rights, obligations and commitments under the Loan Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. All capitalized terms used herein which are not defined shall have the meanings given to them in the Loan Agreement.

2. Upon receipt by the Agent of four counterparts of this Assignment and Acceptance Agreement, to each of which is attached a fully completed Schedule I, and each of which has been executed by the Transferor Lender and Agent, Agent will transmit to Transferor Lender and Purchasing Lender a Transfer Effective Notice, substantially in the form of Schedule II to this Assignment and Acceptance Agreement (a "Transfer Effective Notice"). Such Transfer Effective Notice shall set forth, inter alia, the date on which the transfer effected by this Assignment and Acceptance Agreement shall become effective (the "Transfer Effective Date"), which date shall not be earlier than the first Business Day following the date such Transfer Effective Notice is received. From and after the Transfer Effective Date, each Purchasing Lender shall be a Lender party to the Loan Agreement for all purposes thereof.

3. At or before 1:00 P.M. (Eastern Standard time) on the Transfer Effective Date each Purchasing Lender shall pay to Transferor Lender, in immediately available funds, an amount equal to the purchase price, as agreed between Transferor Lender and such Purchasing Lender (the "Purchase Price"), of the portion of the Loans being purchased by such Purchasing Lender (such Purchasing Lender's "Purchased Percentage") of the outstanding Loans and other amounts owing to the Transferor Lender under the Loan Agreement and its Revolving Note. Effective upon receipt by Transferor Lender of the Purchase Price from Purchasing Lender, Transferor Lender hereby irrevocably sells assigns and transfers to Purchasing Lender, without recourse, representation or warranty, and Purchasing Lender hereby irrevocably purchases, takes and assumes from Transferor Lender, Purchasing Lender's Purchased Percentage of the Loans and other amounts owing to the Transferor Lender under the Loan Agreement and its Revolving Note together with all instruments, documents and collateral security pertaining thereto.

4. Transferor Lender has made arrangements with Purchasing Lender with respect to (i) the portion, if any, to be paid, and the date or dates for payment, by Transferor Lender to Purchasing Lender of any fees heretofore received by Transferor Lender pursuant to the Loan Agreement prior to the Transfer Effective Date and (ii) the portion, if any, to be paid, and the date or dates for payment, by Purchasing Lender to Transferor Lender of fees or interest received by such Purchasing Lender pursuant to the Loan Agreement from and after the Transfer Effective Date.

5. (a) All principal payments that would otherwise be payable from and after the Transfer Effective Date to or for the account of Transferor Lender pursuant to the Loan Agreement and its Revolving Note and Term Note shall, instead, be payable to or for the account of Transferor Lender and Purchasing Lender, as the case may be, in accordance with their respective interests as reflected in this Assignment and Acceptance Agreement.

(b) All interest, fees and other amounts that would otherwise accrue for the account of Transferor Lender from and after the Transfer Effective Date pursuant to the Loan Agreement and its Revolving Note and Term Note shall, instead, accrue for the account of, and be payable to, Transferor Lender and Purchasing Lender, as the case may be, in accordance with their respective interests as reflected in this Assignment and Acceptance Agreement. In the event that any amount of interest, fees or other amounts accruing prior to the Transfer Effective Date was included in the Purchase Price paid by Purchasing Lender, Transferor Lender and Purchasing Lender will make appropriate arrangements for payment by Transferor Lender to Purchasing Lender of such amount upon receipt thereof from Borrowers.

6. Concurrently with the execution and delivery hereof, Transferor Lender will provide to Purchasing Lender conformed copies of the Loan Agreement and all related documents delivered to Transferor Lender.

7. Each of the parties to this Assignment and Acceptance Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment and Acceptance Agreement.

8. By executing and delivering this Assignment and Acceptance Agreement, Transferor Lender and Purchasing Lender confirm to and agree with each other and Agent and Lenders as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any adverse claim, Transferor Lender makes no representation or warrant and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement, its Revolving Note, Term Note or any other instrument or document furnished pursuant thereto; (ii) Transferor Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its Liabilities under the Loan Agreement, its Revolving Note, Term Note or any other instrument or document furnished pursuant hereto; (iii) each Purchasing Lender confirms that it has received a copy of the Loan Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance Agreement; (iv) Purchasing Lender will, independently and without reliance upon Agent, Transferor Lender or any other Lenders and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement; (v) Purchasing Lender appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to the Agent by the terms thereof; (vi) Purchasing Lender agrees that it will perform all of its respective obligations as set forth in the Loan Agreement to be performed by each as a Lender; and (vii) Purchasing Lender represents and warrants to Transferor Lender, Lenders, Agent and each Loan Party that it is either (x) entitled to the benefits of an income tax treaty with the United States of America that provides for an exemption from the United States withholding tax on interest and other payments made by Borrowers under the Loan Agreement and the Other Agreements or (y) is engaged in trade or business within the United States of America.

9. Schedule I hereto sets forth the revised Total Loan Commitment of Transferor Lender and the Total Loan Commitment of Purchasing Lender as well as administrative information with respect to Purchasing Lender.

10. This Assignment and Acceptance Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance Agreement to be executed by their respective duly authorized officers on the date set forth above.

\_\_\_\_\_

as Transferor Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_

as Purchasing Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GMAC COMMERCIAL FINANCE LLC as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_



SCHEDULE I TO ASSIGNMENT AND ACCEPTANCE AGREEMENT

LIST OF OFFICERS, ADDRESSES FOR NOTICES AND COMMITMENT AMOUNTS

[Transferor Lender]	Revolving Loan Commitment:	\$ _____
	Revised Pro Rata Share:	_____ %
	Term Loan	\$ _____
	Revised Pro Rata Share	_____ %
[Purchasing Lender]	Revolving Loan Commitment:	\$ _____
	Revised Pro Rata Share:	_____ %
	Term Loan	\$ _____
	Revised Pro Rata Share	_____ %

Address for Notices to Purchasing Lender

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Telecopier: \_\_\_\_\_

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SCHEDULE II TO ASSIGNMENT AND ACCEPTANCE AGREEMENT

[Form of Transfer Effective Notice]

To: \_\_\_\_\_, as Transferor Lender and  
\_\_\_\_\_, as Purchasing Lender:

The undersigned, as Agent under the Loan and Security Agreement dated as of January 6, 2005 ("Loan Agreement") among ROCKY SHOES & BOOTS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, ET FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), Loan Parties listed therein, the financial institutions party thereto (each a "Lender" and collectively, the "Lenders") and GMAC COMMERCIAL FINANCE LLC, as agent for the Lenders (in such capacity, the "Agent"), acknowledges receipt of four (4) executed counterparts of a completed Assignment and Acceptance Agreement in the form attached hereto. [Note: Attach copy of Assignment and Acceptance Agreement.] All capitalized terms not otherwise defined herein shall have the meanings set forth in the Loan Agreement.

Pursuant to such Assignment and Acceptance Agreement, you are advised that the Transfer Effective Date will be [Insert date of Transfer Effective Notice.]

GMAC COMMERCIAL FINANCE LLC, as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**EXHIBIT B**

**CONSOLIDATED BORROWING BASE CERTIFICATE**

TO: GMAC Commercial Finance, LLC ("Agent")  
3000 Town Center  
Suite 280

ROCKY SHOES & BOOTS, INC.

Date: January 5, 2005  
As of: A/R: 12/25/2004; Inv.: 11/30/04

Southfield, MI 48075 Please refer to the Credit Agreement dated as of January 6, 2005 (as amended or otherwise modified from time to time, the "Credit Agreement") among Rocky Shoes & Boots, Inc. ("Borrower"), various financial institutions and Agent. This certificate, together with the supporting calculations, is delivered to you pursuant to the terms of the Credit Agreement. Terms used but not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

Borrowing Agent hereby certifies and warrants to the Agent and Lenders that the following is a true and correct computation as of the close of business on the date set forth above (the "Computation Date") of the Borrowing Base, and Inventory, Account, and Supplemental balance changes since the previous Borrowing Base Certificate provided to you (the "Prior Certificate").

		<u>Rocky</u>	<u>Lifestyle</u>	<u>Georgia</u>	<u>Lehigh</u>	<u>Consolidated</u>
<b>Accounts Receivable</b>	Balance Per Aging					
	<b>Ineligibles</b>					
	Foreign Receivables					
	Employee Receivables					
	Over 60 Days Past Due					
	Cross Aging (50%)					
	Credit balances over 60 Days Past					
	Accrued Freight					
	Accrued Rebate-Dealer Incentives					
	Coop Advertising Accrual					
	Extended Payment Terms					
	Intercompany Accounts					
	Unreconciled Difference					
	Dilution Reserve					
	Total Ineligibles					
	<b>Eligible</b>					
	<b>Advance Rate</b>					
<b>Borrowing Base</b>						
<b>Finished Goods</b>	Gross Amount					
	<b>Ineligibles</b>					
	Slow Moving Inventory					
	Samples					
	Coop Point of Purchase					
	Capitalized Variance					
	Intercompany Profits					
	Markdown Accrual					
	Consignment Inventory					
	Shrinkage Reserve					
	Commissary Inv. less than \$50,000					
	Total Ineligibles					
	<b>Eligible</b>					
	<b>Advance Rate</b>					
	<b>Borrowing Base</b>					

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**Retail**

Gross Amount

**Ineligibles**

Closeouts

Total Ineligibles

**Eligible**

**Advance Rate**

**Borrowing Base**

**Raw Materials**

**Gross Amount**

**Ineligibles**

Supplies

Total Ineligibles

**Eligible**

**Advance Rate**

**Borrowing Base**

**Intransit**

Gross Amount

**Ineligibles**

Total Ineligibles

**Eligible**

**Advance Rate**

**Borrowing Base**

Borrowing Base availability

less: Outstanding letter of credit

Less: Royalty Reserve

Total available

Revolving loan balance at computation date

Excess availability

Less Minimum availability

Net availability for borrowing

**Loan Activity**

Revolving loan balance carried forward from prior report

Total advances since previous report

Total payments since previous report

Total adjustments since previous report (including interest and fees)

Revolving loan balance at computation date



Borrowing Agent hereby further certifies and warrants to the Agent and Lenders that no Event of Default or event which with the passage of time would be an Event of Default has occurred. IN WITNESS WHEREOF, the Borrowing Agent has caused this Certificate to be executed and delivered by its officer thereunto duly authorized on January 5, 2005.

**ROCKY SHOES & BOOTS, INC**

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Title:

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EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

\_\_\_\_\_20\_\_\_\_\_

GMAC Commercial Finance LLC  
1290 Avenue of the Americas  
New York, New York 10104  
Attention:

Ladies and Gentlemen:

Reference is made to that certain Loan and Security Agreement dated as of January 6, 2005 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and between ROCKY SHOES & BOOTS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), GMAC COMMERCIAL FINANCE LLC ("GMAC CF") and certain other financial institutions (the "Lenders") and GMAC CF as agent for the Lenders (the "Agent"). Capitalized terms used herein, and not otherwise defined herein, have the respective meanings given them in the Loan Agreement.

The undersigned hereby certifies to the Lender as follows:

- I. The undersigned is a duly appointed officer of the Borrowers and is authorized to deliver this Compliance Certificate to the Agent.
2. The undersigned has examined the books and records of the Loan Parties and has conducted such other examinations and investigations as are reasonably necessary to provide this Compliance Certificate.

**1187493 — Rocky Compliance Certificate**

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3. To the best of the undersigned's knowledge, information and belief, no Default or Event of Default has occurred since the date of the last Compliance Certificate, or, if any such Default or Event of Default has occurred, the Loan Parties' actions taken with respect thereto are set forth on Schedule 2 attached hereto.

4. Computations demonstrating compliance with the financial covenants for the Loan Parties' fiscal period ended on the date of the financial statements delivered herewith are set forth on Schedule I attached hereto.

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate as of the date first written above.

By: \_\_\_\_\_

Name:

Title:

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Schedule 1

CALCULATION OF FINANCIAL COVENANTS

1. Minimum Fixed Charge Coverage Ratio:
2. Minimum Debt to EBITDA:
3. Minimum EBITDA:
4. Senior Leverage Ratio:
5. Capital Expenditures:

**1187493 — Rocky Compliance Certificate**

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Schedule 2

DEFAULTS AND/OR EVENTS OF DEFAULT SINCE  
DATE OF LAST COMPLIANCE CERTIFICATE

Indicate "None" or list such Defaults and/or Events of Default and actions taken by Borrowers with respect thereto:

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EXHIBIT E

TERM NOTE

\$18,000,000

New York, New York  
January \_\_, 2005

This Term Note (this "Note") is executed and delivered under and pursuant to the terms of that certain Loan and Security Agreement dated as of the date hereof (as amended, modified; supplemented or restated from time to time, the "Loan Agreement") by and among ROCKY SHOES & BOOTS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), the Various other Loan Parties named therein, the various other financial institutions named therein or which hereafter become a party thereto (together with GMAC COMMERCIAL FINANCE LLC, a Delaware limited liability company ("GMAC CF"), collectively, the "Lenders") and GMAC CF as agent for the Lenders (in such capacity, "Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

FOR VALUE RECEIVED, Borrowers jointly and severally promise to pay to the order of Agent for its benefit and for the ratable benefit of Lenders at Agent's offices located at GMAC Commercial Finance LLC, Structured Finance Division, 1290 Avenue of the Americas, New York, New York 10104, or at such other place as the holder hereof may from time to time designate to Borrowing Agent in writing:

(i) the principal sum of EIGHTEEN MILLION DOLLARS (\$18,000,000), or if different from such amount, the unpaid principal balance of the Term Loan as may be due and owing from time to time under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement or earlier termination of the Loan Agreement pursuant to the terms thereof; and

(ii) interest on the principal amount of this Note from time to time outstanding payable at the applicable Interest Rate in accordance with the provisions of the Loan Agreement. Upon and after the occurrence of an Event of Default, and during the continuation thereof,

interest shall be payable at the applicable Default Rate. In no event, however, shall interest hereunder exceed the maximum interest rate permitted by law.

**1186723 Term Note**

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This Note is one of the Term Notes referred to in the Loan Agreement and is secured, inter alia, by the liens granted pursuant to the Loan Agreement and the Loan Documents, is entitled to the benefits of the Loan Agreement and the Loan Documents, and is subject to all of the agreements, terms and conditions therein contained.

This Note is subject to mandatory prepayment and may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement.

If an Event of Default under Section 7.1(G) and 7.1(H) of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with reasonable attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the Loan Documents which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

This Note shall be governed by and construed in accordance with the laws of the State of New York.

Each Borrower expressly waives any presentment, demand, protest, notice of protest, or notice of any kind except as expressly provided in the Loan Agreement. •

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

By:

Name: James E. McDonald

Title: Chief Financial Officer of each of  
the foregoing Borrowers

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STATE OF OHIO )  
 : ss.:  
COUNTY OF \_\_\_\_\_ )

On the \_\_\_ day of January, 2005, before me personally came James E. McDonald, to me known, who being by me duly sworn, did depose and say that he is the Chief Financial Officer of each of the corporations described in and which executed the foregoing instrument; and that he was authorized to sign his name thereto.

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Notary Public

1186723 Term Note

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EXHIBIT E  
REVOLVING NOTE

\$100,000,000

New York, New York  
January 2005

This Revolving Note (this "Note") is executed and delivered under and pursuant to the terms of that certain Loan and Security Agreement dated as of the date hereof (as amended, modified, supplemented or restated from time to time, the "Loan Agreement") by and among ROCKY SHOES & BOOTS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), the various other Loan Parties named therein, the various other financial institutions named therein or which hereafter become a party thereto (together with GMAC COMIYERICAL FINANCE LLC, a Delaware limited liability company ("GMAC CF"), collectively, the "Lenders") and GMAC CF as agent for the Lenders (in such capacity, "Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

FOR VALUE RECEIVED, Borrowers jointly and severally promise to pay to the order of Agent, for its benefit and for the ratable benefit of the Lenders, at Agent's offices located at GMAC Commercial Finance LLC, Structured Finance Division, 1290 Avenue of the Americas, New York, New York 10104 or at such other place as the holder hereof may from time to time designate to Borrowing Agent in writing:

(i) the principal sum of ONE HUNDRED MILLION DOLLARS (\$100,000,000), or if different from such amount, the unpaid principal balance of Revolving Loans as may be due and owing from time to time under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement, or earlier termination of the Loan Agreement pursuant to the terms thereof; and

(ii) interest on the principal amount of this Note from time to time outstanding, payable at the applicable Interest Rate in accordance with the provisions of the Loan Agreement.

Upon and after the occurrence of an Event of Default, and during the continuation thereof, interest shall be payable at the applicable Default Rate. In no event, however, shall interest hereunder exceed the maximum interest rate permitted by law.

**1186725 Revolving Note**

This Note is the Revolving Note referred to in the Loan Agreement and is secured, inter alia, by the liens granted pursuant to the Loan Agreement and the Loan Documents, is entitled to the benefits of the Loan Agreement and the Loan Documents, and is subject to all of the agreements, terms and conditions therein contained.

This Note may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement.

If an Event of Default under Section 7.1(G) and 7.1(H) of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with reasonable attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the Loan Documents which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

This Note shall be governed by and construed in accordance with the laws of the State- of New York.

Each Borrower expressly waives any presentment, demand, protest, notice of protest, or notice of any kind except as expressly provided in the Loan Agreement.

**ROCKY SHOES & BOOTS, INC.**  
**LIFESTYLE FOOTWEAR, INC.**  
**EJ FOOTWEAR LLC**  
**HM LEHIGH SAFETY SHOE CO. LLC**  
**GEORGIA BOOT LLC**  
**GEORGIA BOOT PROPERTIES LLC**  
**DURANGO BOOT COMPANY LLC**  
**NORTHLAICE BOOT COMPANY LLC**  
**LEHIGH SAFETY SHOE CO. LLC**  
**LEHIGH SAFETY SHOE PROPERTIES LLC**

By: \_\_\_\_\_

Name: James E. McDonald

Title: Chief Financial Officer of each ' of  
the forgoing Borrowers

---

STATE OF OHIO )  
 : ss.:  
COUNTY OF \_\_\_\_\_ )

On the \_\_\_\_\_ day of January, 2005, before me personally came James E. McDonald, to me known, who being by me duly sworn, did depose and say that he is the Chief Financial Officer of each of the corporations described in and which executed the foregoing instrument; and that he • was authorized to sign his name thereto.

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Notary Public

**1186725 Revolving Note**

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EXHIBIT F

Notice of Borrowing

\_\_\_\_\_, 200\_  
GMAC Commercial Finance LLC, as  
Agent for the Lenders party to the  
Loan and Security Agreement  
referred to below  
1290 Avenue of the Americas  
New York, New York 10104

Ladies and Gentlemen:

The undersigned, ROCKY SHOES & BOOTS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EI FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), refers to the Loan and Security Agreement dated as of January 6, 2005 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"; the terms defined therein being used herein as therein defined) by and among Borrowers, the Lenders party thereto and GMAC Commercial Finance LLC, as agent for the Lenders (in such capacity, the "Agent") and hereby gives you notice, pursuant to Section 2.1 of the Loan Agreement, that the Borrowers hereby request a Revolving Advance under the Loan Agreement, and in that connection sets forth below the information relating to such Revolving Advance (the "Proposed Advance") as required by Section 2.1(C) of the Loan Agreement:

- (i) The Proposed Advance is a Revolving Advance in the aggregate amount of \$ \_\_\_\_\_
- (ii) The Proposed Advance is a [LIBOR Loan] [Base Rate Loan].

**1187492 Rocky Notice of Borrowing**

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(iii) If the Proposed Advance is a LIBOR Loan, the requested Interest Period for such Loan is \_\_\_\_ months.

(iv) The Funding Date of the Proposed Advance is \_\_\_\_\_ 200\_\_

The Borrower hereby certifies that the representations and warranties contained in Sections 5 and 6 of the Loan Agreement and in each other Loan Document, certificate or other writing delivered to the Agent pursuant thereto are correct on and as of the date first above written (other than those which expressly speak only as of a different date) and no Default or Event of Default has occurred or is continuing as of the date hereof.

The undersigned hereby requests that Agent disburse the proceeds of the Loans as set forth on Schedule A attached hereto.

Very truly yours,

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**1187492 Rocky Notice of Borrowing**

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Schedule A

1. For the account of \_\_\_\_\_ :

Bank:

ABA Routing No.:

Account No.:

Account Name:

Amount:

Reference No.:

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EXHIBIT D

Calculation of initial Advance Rates for Eligible Inventory

Summary of Net Orderly Liquidation Percentages

Rocky Shoes & Boots, Inc.

	High Selling Period*	Low Selling Period**
Finished Goods		
Raw Materials		
Retail		
Total		

EJ Footwear Group, LLC

	High Selling Period	Low Selling Period
Lehigh		
Wholesale		
In-Transit		
Total		

Summary of Advance Rates\*\*\*

Rocky Shoes & Boots, Inc.

	High Selling Period	Low Selling Period
Finished Goods		
Raw Materials		
Retail		
Total		

EJ Footwear Group, LLC

	High Selling Period	Low Selling Period
Lehigh		
Wholesale		
In-Transit		
Total		

---

*\*The high selling period represents the months of May through October*

*\*\*The low selling period represents the months of November through April*

*\*\*\*Advance rates above are a percentage of cost and are based on the **lesser of** 85% of Net Orderly Liquidation Percentages or (i) 40% of eligible raw materials cost, (ii) 75% of eligible finished goods inventory cost and (iii) 75% of eligible retail inventory cost.*

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**SCHEDULES TO LOAN AND SECURITY AGREEMENT**

**Dated as of January 6, 2005**

**Introduction:**

For purposes of this introduction, the term “Schedules” shall include the following:

Schedule 1.1	Excluded Property
Schedule 2.7(A)	Commercial Tort Claims
Schedule 3	Closing Deliveries
Schedule 4.1(A)	Organizational Schedule
Schedule 4.1(D)	Capitalization Schedule
Schedule 4.1(F)	Authorization; No Breach
Schedule 4.1(G)	Governmental Approvals
Schedule 4.1(J)	Litigation Schedule
Schedule 4.1(L)	Environmental Schedule
Schedule 4.1(Q)	Properties Schedule
Schedule 4.1(R)	Intellectual Property Schedule
Schedule 4.1(U)	Side Agreements
Schedule 4.1(W)	Material Contracts
Schedule 4.1(Z)	Current Business Practices
Schedule 5.2(A)	Permitted Indebtedness Schedule
Schedule 5.2(B)	Permitted Liens Schedule
Schedule 6.1(K)	Deposit Accounts
Schedule 6.1(L)	Bailees/Consignees/Warehouse
Schedule 6.1(Q)	Names and Locations

Unless otherwise defined in these Schedules, all capitalized terms used herein shall have the meanings ascribed to them in the Loan and Security Agreement between and among GMAC Commercial Finance LLC, as Agent and Lender, the financial institutions becoming a party thereto from time to time as Lenders, and Rocky Shoes & Boots, Inc., Lifestyle Footwear, Inc., EJ Footwear LLC, HM Lehigh Safety Shoe Co. LLC, Georgia Boot LLC, Georgia Boot Properties LLC, Durango Boot Company LLC, Northlake Boot Company LLC, Lehigh Safety Shoe Co. LLC and Lehigh Safety Shoe Properties LLC, as borrowers, dated January 6, 2005 (the “Agreement”).

Matters reflected in these Schedules are not necessarily limited to matters required by the Agreement to be reflected in the Schedules. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature. In no event shall the listing of such matters in these Schedules be deemed or interpreted to broaden or otherwise amplify the Company's representations, warranties, covenants or agreements contained in the Agreement.

The headings contained in these Schedules are for reference purposes only and shall not affect in any way the meaning or interpretation of the Agreement or these Schedules. A disclosure with respect to any one matter contained herein shall be deemed a disclosure with respect to all other matters.

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SCHEDULE 1.1

Excluded Property

1. Operating leases for leased personal property consisting of specific equipment as follows:
    - (a) Banc One Leasing Corporation – automatic wrapper, warehouse storage units (Rocky)
    - (b) Worthen Industries - glue machines ( Rocky)
    - (c) Canon Financial Services – imager (Rocky)
    - (d) American – counter forming machine (Rocky)
    - (e) GE Capital – machine adhesives (Rocky)
    - (f) W.L. Gore – dryers, sealer & cutter, centrifugal testers (Rocky/Lifestyle)
    - (g) USM- stitcher (Lifestyle)
    - (h) Manifest Funding (International Absolute) – leased equipment (Lifestyle)
    - (i) NMGH Financial Services, Inc. – leased equipment (EJ Footwear)
    - (j) BSB Bank & Trust Company – leased equipment (EJ Footwear)
    - (k) Pitney Bowes Credit –leased equipment (EJ Footwear)
    - (l) Cab East, LLC– motor vehicles (EJ Footwear)
    - (m) DeLage Landen Financial Services, Inc. – leased equipment (EJ Footwear)
    - (n) BSFS Equipment Leasing –phone system (EJ Footwear/Lehigh)
    - (o) IOS Capital LLC – leased equipment (EJ Footwear/Lehigh)
    - (p) ComSource – computer equipment (EJ Footwear/Lehigh)
    - (q) CitiCapital Fleet – motor vehicles (Lehigh)
    - (r) Key Equipment Finance – motor vehicles (Lehigh)
    - (s) Lease Plan USA– motor vehicles (Lehigh)
    - (t) Navistar Leasing Company/Hardco Leasing Company, Inc. – motor vehicles (Lehigh)
    - (u) Dell Financial Services, LP – computer equipment (Lehigh/Georgia Boot)
    - (v) GE Capital – inserter (Georgia Boot/Lehigh)
    - (w) Bell South – telephone and MIS equipment (Lehigh/Georgia Boot)
    - (x) Ascom Lasler Leasing – postage meter & mail scale (Georgia Boot)
  2. License agreements for “off-the-shelf” Microsoft Corporation and other software
  3. The following license agreements (to the extent a licensor consent other than consent to assignment has not been obtained):
    - (a) Trademark License Agreement between W. L. Gore & Associates, Inc., W. L. Gore & Associates GmbH, and Rocky Shoes & Boots, Inc. dated July 11, 2001
    - (b) Renewal License Agreement between Haas Outdoors, Inc. and Rocky Shoes and Boots dated November 23, 2001
    - (c) License Agreement between Jordan Outdoor Enterprises, Ltd. and Rocky Shoes & Boots, Inc. dated February 14, 2002
    - (d) License Agreement between Williamson-Dickie Manufacturing Company and Georgia Boot LLC dated January 2004, as amended
    - (e) License Agreement between John Deere Shared Services, Inc., a subsidiary of Deere & Company and Georgia Boot LLC dated July 30, 2003 (Agreement terminates if Georgia Boot is sold to one of Deere & Company’s competitors)
-

- (f) Trademark License Agreement between Chromalloy Men's Apparel Group, Inc (now known as After Six Inc.) and EJ Footwear Corp. dated October 7, 1997, as amended
  - (g) Trademark License between W.L. Gore & Associates, Inc. and Georgia Boot dated May 20, 2002
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SCHEDULE 2.7(A)

Commercial Tort Claims

None

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SCHEDULE 3

Closing Deliveries

See Exhibit 3 attached.

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**Exhibit 3 to Schedule 3**

GMAC Commercial Finance LLC ("Agent")

with

Rocky Shoes & Boots, Inc. ("Rocky")  
Lifestyle Footwear, Inc. ("Lifestyle")  
EJ Footwear LLC ("EJ")  
Georgia Boot LLC ("Georgia")  
HM Lehigh Safety Shoe Co. LLC ("Lehigh" and together with EJ and Georgia "Target")  
Georgia Boot Properties LLC ("Georgia Properties")  
Durango Boot Company LLC ("Durango")  
Northlake Boot Company LLC ("Northlake")  
Lehigh Safety Shoe Co. LLC ("Lehigh Safety")  
and Lehigh Safety Shoe Properties LLC ("Lehigh Properties")

(collectively, "Borrowers")

\$118,000,000 Credit Facility

Financing Transaction Checklist

January 6, 2005

(as amended January 19, 2005)

**I. Financing Documentation**

**A. Loan Documentation**

1. Amendment No. 1 to Loan and Security Agreement and Consent dated as of January 19, 2005 and Loan and Security Agreement dated as of January 6, 2005 together with Exhibits and Schedules
  2. \$18,000,000 Original Term Note, which has been replaced by:
    - a. Comerica Bank Amended and Restated Term Note - \$2,898,306.00
    - b. PNC Bank, National Association Amended and Restated Term Note - \$3,203,389.80
    - c. The Royal Bank of Scotland PLC Amended and Restated Term Note - \$3,203,389.80
    - d. Bank of America, N.A. Amended and Restated Term Note — \$3,813,559.20
    - e. GMAC Commercial Finance LLC Amended and Restated Term Note - \$4,881,355.20
  3. \$100,000,000 Original Revolving Note, which has been replaced by:
    - a. Comerica Bank Amended and Restated Revolving Note \$16,101,700.00
-

- b. PNC Bank, National Association Amended and Restated Revolving Note -\$17,796,610.00
  - c. The Royal Bank of Scotland PLC Amended and Restated Revolving Note -\$17,796,610.00
  - d. Bank of America, N.A. Amended and Restated Revolving Note —\$21,186,440.00
  - e. GMAC Commercial Finance LLC Amended and Restated Revolving Note -\$27,118,640.00
- 4. Officer's Certificate re: Conditions Precedent
  - 5. Financial Condition Certificate with Pro Forma Balance Sheet and Cash Flow Projections
  - 6. Accountant's Access Letter
  - 7. Payment Direction Letter
  - 8. Borrowing Base Certificate
  - 9. Payoff Letter with Letters of Credit
    - a. GMAC Payoff together with Back-to-Back L/C to Comerica
    - b. Bank of America payoff letter together with GMAC replacement L/C's
  - 10. Post-Closing Letter

**B. *Dominion Account Documentation***

- 11. Blocked Account Agreements with Mellon Bank
- 12. Blocked Account/Dominion Account Agreement with Comerica
- 13. Blocked Agreement with HSBC

**C. *Intellectual Property Documentation***

- 14. Intellectual Property Searches- **On File at H&H**
- 15. Copyright Security Agreement- Rocky
- 16. Trademark Documentation- Rocky
  - a. Trademark Collateral Security Agreement
  - b. Assignment of Security
  - c. Power of Attorney
- 17. Trademark Documentation- EJ Footwear
  - a. Trademark Collateral Security Agreement
  - b. Assignment of Security

- c. Power of Attorney
- 18. Trademark Documentation- Georgia Boot
  - a. Trademark Collateral Security Agreement
  - b. Assignment of Security
  - c. Power of Attorney
- 19. Trademark Documentation- Lehigh Safety
  - a. Trademark Collateral Security Agreement
  - b. Assignment of Security
  - c. Power of Attorney
- 20. Patent Documentation- Rocky
  - a. Patent Collateral Security Agreement
  - b. Assignment of Security
  - c. Power of Attorney
- 21. Patent Documentation- EJ Footwear
  - a. Patent Collateral Security Agreement
  - b. Assignment of Security
  - c. Power of Attorney
- 22. Patent Documentation- Georgia Boot
  - a. Patent Collateral Security Agreement
  - b. Assignment of Security
  - c. Power of Attorney
- 23. Licensor Consent Letters
  - a. License Agreement with W. L. Gore & Associates, Inc. (GORE-TEX and CROSSTECH Trademarks)- Rocky
  - b. William-Dickie Manufacturing Company — Georgia Boot
  - c. W.L Gore & Associates, Inc., W.L. Gore & Associates Gmbh and Japan Gore-Tex — Georgia Boot
  - d. Deere & Company— Georgia Boot
  - e. After Six— Georgia Boot

**D. *Ancillary Collateral Documentation***

- 24. Pledge Documentation- Rocky
  - a. Pledge Agreement (Rocky pledging 100% of Lifestyle, Georgia, EJ and Lehigh and 65% of Five Star and Rocky Canada)
  - b. Stock Powers
  - c. Stock Certificates
- 25. Pledge Documentation- Georgia Boot
  - a. Pledge Agreement (Georgia Boot pledging 100% of Georgia Properties, Durango and Northlake)

- b. Stock Powers
- c. Stock Certificates
- 26. Pledge Documentation- EJ
  - a. Pledge Agreement (EJ pledging 65% EJ Asia)
  - b. Stock Powers
  - c. Stock Certificates
- 27. Pledge Documentation- Lehigh
  - a. Pledge Agreement (Lehigh pledging 100% Lehigh Safety)
  - b. Stock Powers
  - c. Stock Certificates
- 28. Pledge Documentation- Lehigh Safety
  - a. Pledge Agreement (Lehigh Safety pledging 100% Lehigh Properties)
  - b. Stock Powers
  - c. Stock Certificates
- 29. Collateral Assignment of Rights under Acquisition Agreement in favor of Agent

**E. Insurance Documentation**

- 30. Certificates of Insurance and Copies of Insurance Policies
  - a. Property Insurance
  - b. Liability Insurance
- 31. Loss Payable Endorsement (together with evidence of insurance agent's authority to execute same)

**Opinions of Counsel**

- 32. Opinion of Porter, Wright, Morris & Arthur LLP

**G. Third Party Documentation**

- 33. Landlord Waivers- See Schedule A
  - Copies of Leases omitted from Binder
- 34. Warehouse Waiver- Kane Distribution, Scranton, Pennsylvania
- 35. Mortgagee Waivers — GECC

**H. Intercreditor Documentation**

- 36. Intercreditor Agreement between GMAC and American Capital Strategies, Ltd. ("ACAS")

**II. UCC, Tax Lien and Judgments**

37. UCC, Tax Lien and Judgment Searches — **On File at H&H & Agent**  
(See Schedule B)
38. UCC-1 Financing Statements together with Authorization to File  
(See Schedule C)
39. UCC-3 Termination Statements  
(See Schedule D)

### **III. Term B Documentation**

40. Note Purchase Agreement
41. Senior Secured Term B Notes- \$30,000,000
  - a. Senior Secured Term B Note issued to American Capital Strategies, Ltd. by the Loan in the aggregate amount of \$5,000,000 (Certificate No. 1)
  - b. Senior Secured Term B Note issued to American Capital Strategies, Ltd. by the Loan in the aggregate amount of \$5,000,000 (Certificate No. 2)
  - c. Senior Secured Term B Note issued to American Capital Strategies, Ltd. by the Loan in the aggregate amount of \$5,000,000 (Certificate No. 3)
  - d. Senior Secured Term B Note issued to American Capital Strategies, Ltd. by the Loan in the aggregate amount of \$5,000,000 (Certificate No. 4)
  - e. Senior Secured Term B Note issued to American Capital Strategies, Ltd. by the Loan in the aggregate amount of \$5,000,000 (Certificate No. 5)
  - f. Senior Secured Term B Note issued to American Capital Strategies, Ltd. by the Loan in the aggregate amount of \$5,000,000 (Certificate No. 6)
42. Collateral Assignment of Contract Rights in favor of ACAS

### **IV. Acquisition Documentation**

43. Purchase and Sale of Equity Interests Agreement, dated December 6, 2004
44. Employment Agreements
  - a. David P. Mitchell
    - (i) Executive Employment Agreement
    - (ii) Confidentiality, Assignment and Non-Competition Agreement for Key Personnel
  - b. John Grzybowski
    - (i) Executive Employment Agreement
    - (ii) Confidentiality, Assignment and Non-Competition Agreement for Key Personnel
  - c. Thomas R. Morrison
    - (i) Executive Employment Agreement

- (ii) Confidentiality, Assignment and Non-Competition Agreement for Key Personnel
- d. John M. Hull
  - (i) Executive Employment Agreement
  - (ii) Confidentiality, Assignment and Non-Competition Agreement for Key Personnel
- e. Karyn Brown
  - (i) Executive Employment Agreement
  - (ii) Confidentiality, Assignment and Non-Competition Agreement for Key Personnel

**V. Corporation Authorization**

- 45. Good Standing Certificates and Authorizations to do Business
  - a. Rocky (Ohio, South Carolina)
  - b. Lifestyle (Delaware, Not in good standing in Puerto Rico)
  - c. EJ (Delaware, New York, Tennessee)
  - d. Georgia (Delaware, Georgia, Tennessee, New York)
  - e. Lehigh (Delaware, Pennsylvania)
  - f. Georgia Properties (Delaware)
  - g. Durango (Delaware)
  - h. Northlake (Delaware)
  - i. Lehigh Safety (Delaware, Kentucky, Ohio, New York, California, Missouri, Michigan, New Hampshire, Kansas, South Carolina, Georgia, Pennsylvania, North Carolina, Louisiana, Colorado, Indiana, Texas, Tennessee, Hawaii, Wisconsin, Illinois, Florida, Minnesota, Utah, Virginia)
  - j. Lehigh Properties (Delaware)
- 46. Secretary's Certificate of Borrowers together with Certified Copy of By-Laws, Certificates of Incorporation and Resolutions
  - a. Rocky
  - b. Lifestyle
  - c. EJ
  - d. Georgia
  - e. Lehigh
  - f. Georgia Properties
  - g. Durango
  - h. Northlake
  - i. Lehigh Safety
  - j. Lehigh Properties
- 47. GMAC Consent Letter re: Publication-Borrowers

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H&H = Hahn & Hessen LLP BC  
= Borrower's Counsel

SCHEDULE 4.1(A)  
Organizational Schedule

Name	Principal Place of Business	Qualified to do Business	Subsidiaries
Rocky Shoes & Boots, Inc., an Ohio corporation	39 East Canal Street Nelsonville, OH 45764	Ohio, South Carolina	Lifestyle Footwear, Inc. Rocky Canada, Inc. Five Star Enterprises Ltd.
Lifestyle Footwear, Inc., a Delaware corporation	Road 125 KM 3.8 BO Pueblo Industrial Park Moca, PR 00676-0728	Delaware Not in good standing in Puerto Rico	None
EJ Footwear LLC, a Delaware Limited Liability Company	381 Riverside Drive Suite 300 Franklin, TN 37064	Delaware, New York, Tennessee	EJ Asia Limited (99.99% ownership)
Georgia Boot LLC, a Delaware Limited Liability Company	235 Noah Drive Franklin, TN 37064	Delaware, Georgia, Tennessee, New York	Georgia Boot Properties LLC Durango Boot Company LLC Northlake Boot Company LLC
HM Lehigh Safety Shoe Co. LLC, a Delaware Limited Liability Company	120 Plaza Dr. Vestal, NY	Delaware, Pennsylvania	Lehigh Safety Shoe Co. LLC
Lehigh Safety Shoe Co. LLC, a Delaware Limited Liability Company	120 Plaza Dr. Vestal, NY	KY, OH, NY, CA, MO, MI, NH, KS, SC, GA, PA, NC, LA, CO, IN, TX, TN, HI, WI, IL, FL, MN, UT, VA	Lehigh Safety Shoe Properties LLC
Lehigh Safety Shoe Properties LLC, a Delaware Limited Liability Company	120 Plaza Dr. Vestal, NY	Delaware	None
Georgia Boot Properties LLC, a Delaware Limited Liability Company	235 Noah Drive Franklin, TN 37064	Delaware	None
Durango Boot Company LLC, a Delaware Limited Liability Company	235 Noah Drive Franklin, TN 37064	Delaware	None
Northlake Boot Company LLC, a Delaware Limited Liability Company	235 Noah Drive Franklin, TN 37064	Delaware	None



Capitalization Schedule

**ROCKY SHOES & BOOTS, INC.**

Authorized:

1. 10,000,000 shares of common stock, without par value
2. 250,000 shares of voting preferred stock, without par value
3. 250,000 shares of non-voting preferred stock, without par value, consisting of:
  - a. 125,000 shares of Series A Non-Voting Convertible Preferred Stock
  - b. 125,000 shares of Series B Junior Participating Cumulative Preferred Stock

Issued and Outstanding: only common

Rocky has stock options issued and outstanding under:

1. 1992 Stock Option Plan
2. 1995 Amended and Restated Stock Option Plan
3. 2004 Stock Incentive Plan

As of December 31, 2003, 851,500 shares are issued and outstanding pursuant to option plans.

**LIFESTYLE FOOTWEAR, INC.**

Authorized: 3,000 shares of common stock, without par value

Issued and Outstanding: 2,000 shares to Rocky Shoes & Boots, Inc., Replacement Certificate No. 3.

**ROCKY CANADA, INC.**

Authorized: an unlimited number of common shares

Issued and Outstanding: 100 shares to Rocky Shoes & Boots, Inc., Certificate No. 2 for 65 shares and Certificate No. 3 for 35 shares

**FIVE STAR ENTERPRISES LTD.**

Authorized: 900,000 shares of common stock, valued at One United States Dollar each

Issued and Outstanding: 5,000 shares to Rocky Shoes & Boots, Inc., Replacement Certificate No. 6

**EJ FOOTWEAR LLC**

Authorized: 100 LLC Units

Issued and Outstanding: 100 LLC Units to Rocky Shoes & Boots, Inc., Certificate No. 2

**EJ ASIA LIMITED**

Authorized: 10,000 ordinary shares

Issued and Outstanding: 9,999 shares constituting 99.99% of the equity interests to EJ Footwear LLC, Certificate No. 3 and 1 share constituting .01% of the equity interest to Douglas Bedell Brown, Certificate No. 4

**GEORGIA BOOT LLC**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Rocky Shoes & Boots, Inc., Certificate No. 2

**HM LEHIGH SAFETY SHOE CO. LLC**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Rocky Shoes & Boots, Inc., Certificate No. 2

**GEORGIA BOOT PROPERTIES LLC**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Georgia Boots LLC, Certificate No. 1

**DURANGO BOOT COMPANY LLC**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Georgia Boots LLC, Certificate No. 1

**NORTHLAKE BOOT COMPANY LLC**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Georgia Boots LLC, Certificate No. 1

**LEHIGH SAFETY SHOE CO. LLC**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to HM Lehigh Safety Shoe Co. LLC, Certificate No. 1

**LEHIGH SAFETY SHOE PROPERTIES LLC**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Lehigh Safety Shoe Co. LLC, Certificate No. 1

SCHEDULE 4.1(F)

Authorization; No Breach

None

SCHEDULE 4.1(G)

Governmental Approvals

None

SCHEDULE 4.1(J)

Litigation Schedule

None

SCHEDULE 4.1(L)  
Environmental Schedule

None

SCHEDULE 4.1(Q)

Properties Schedule

A. Rocky Shoes & Boots, Inc.

1. Owned Real Property

39 East Canal Street  
Nelsonville, OH 45764  
(mortgaged to General Electric Capital Business Asset Funding Corporation)

294 South Harper Street  
Nelsonville, OH 45764  
(office subleased to third party; to be sold)

296 South Harper Street  
Nelsonville, OH 45764  
(warehouse subleased to third party; mortgaged to General Electric Capital Business Asset Funding Corporation; to be sold)

37601 Rocky Boots Way  
Logan, OH 43138  
(mortgaged to General Electric Capital Business Asset Funding Corporation)

2. Leased Real Property

45 East Canal Street  
Nelsonville, OH 45764  
(treated as Capital Lease under GAAP)

Denver Merchandise Mart  
451 East 58th Street  
Showrooms 3529 & 4435  
Denver, CO 80216

B. Lifestyle Footwear, Inc.

1. Owned Real Property – None

2. Leased Real Property

Road 125 KM 3.8 BO Pueblo Industrial Park  
Moca, PR 00676-0728

C. EJ Footwear LLC

1. Owned Real Property:

901 Franklin Street E  
Endicott, NY 13761

2. Leased Real Property:

103 Southeast Parkway

Franklin, TN 37064  
Warehouse

120 Plaza Dr.  
Vestal, NY  
Office (Lehigh)

381 Riverside Drive, Suite 300  
Franklin, TN 37064  
Corporate Office

235 Noah Drive  
Franklin, TN 37064  
Office (Georgia Boot)

D. Georgia Boot LLC

1. Owned Real Property – None

2. Leased Real Property:

Denver Merchandise Mart

451 East 58th Street  
Showroom 3541  
Denver, CO 80216

Denver Merchandise Mart  
451 East 58th Street  
Showroom 3641  
Denver, CO 80216

E. Lehigh Safety Shoe Co. LLC

1. Owned Real Property – None

2. Leased Real Property:

12545 Laramie Avenue, Unit 11-B

Alsip, IL 60803

9038 N. IH-35, Suite A  
Austin, TX 78753

8100-F Arrowridge Blvd.  
Charlotte, NC 28273

5001 West 161<sup>st</sup> Street  
Brook Park, OH 44142



Unit E, 400 Northeast Dr.  
Columbia, SC 29203

7250 Bandini Blvd., Unit 102  
Commerce, CA 90040

5264 N. Dixie Drive  
Dixie Square Shopping Plaza  
Dayton, OH 45414

4413 Empire Way  
Westland Commerce Center II  
Lansing, MI 48917

3890 Kipling, Unit K  
Wheat Ridge, CO 80033

2945 S. Miami Blvd., Suite 120  
Durham, NC 27703

Suite 103  
Powerline Business Center  
5601 N.W. 9<sup>th</sup> Avenue  
Fort Lauderdale, FL 33309

284 South Colony Rd.  
Wallingford, CT 06492

1130 N. Nimitz Highway, Suite A-122  
Honolulu, HI 96817

5545 West Raymond Street, Suite C  
Indianapolis, IN 46241

1045 Georgetown Rd.  
Lexington, KY 40511

3103 Fern Valley Rd., Suite 103  
Louisville, KY 40213

2885 Business Park Drive  
Airport Business Park  
Building E  
Memphis, TN 38118

11000 West National Avenue, Suite B  
West Allis, WI 53227

4250 44<sup>th</sup> Avenue, Suite 2  
Moline, IL 61265

Three Progress Avenue  
Nashua, NH 03062

1412 Antioch Pike, Suite 101  
Nashville, TN 37211

5610 Jefferson Highway, C-1  
Elmwood Distribution Center  
Elmwood, LA 70123

3230-S Peachtree Corners Circle  
Norcross, GA 30092

7685 Currency Drive  
Sand Lake Service Center 2  
Orlando, FL 32809

4735 Campbell's Run Road, Space A  
Pittsburgh, PA 15205

7451 Whitepine Road  
Richmond, VA 23237

1333 West 3300 South  
West Valley City, UT 84119

1510 Montague Expressway  
San Jose, CA 95131

Carr 887 km. 0.6 Victoria Industrial Park  
Carolina Commercial Park, Puerto Rico 00987

10 Saratoga Avenue  
South Glen Falls, NY 12803

13609 Lakefront Drive  
Earth City, MO 63045

445 Etna Street, Suite 57, 56b  
St. Paul, MN 55106

6103 E. Malloy Rd.  
E. Syracuse, NY 13057

Corporex Plaza  
3904 Corporex Park Drive  
Suite 101A  
Tampa, FL 33619

1927 S. West Street, Suite B  
Wichita, KS 67213

34-23 38<sup>th</sup> Street  
Long Island City, NY 11101

47 Bridge Street  
Corning, NY 14830

Commercial Center  
2229 E. Division  
Arlington, TX 76011

1707 Center Street  
Deer Park, TX 77536

- F. HM Lehigh Safety Shoe Co. LLC - None
- G. Lehigh Safety Shoe Properties LLC – None
- H. Georgia Boot Properties LLC – None
- I. Durango Boot Company LLC – None
- J. Northlake Boot Company LLC – None

## SCHEDULE 4.1(R)

## Intellectual Property Schedule

ROCKY BRANDS, INC.

FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS

<b>Mark</b>	<b>Serial No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>ALPHAFORCE</b>	Ser. No. 78/098664 Reg. No. 2766744	Filed 12/17/01 Reg. 9/23/03	
<b>AOG</b>	Serial No. 75/010045 Reg. No. 2166173	Filed 10/24/95 Reg. 6/16/98	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>AQUA GUARD</b>	Ser. No. 75/786424 Reg. No. 2538542	Filed 8/27/99 Reg. 2/12/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BEAR CLAW</b>	Ser. No. 74/662553 Reg. No. 1974865	Filed 4/18/95 Reg. 5/21/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CAMO-TEK</b>	Ser. No. 75/603250 Reg. No. 2534492	Filed 12/10/98 Reg. 1/29/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CORNSTALKERS</b>	Ser. No. 74/541038 Reg. No. 1897612	Filed 6/22/94 Reg. 6/6/95	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DESIGN (Boot)</b>	Ser. No. 78/520734 Reg. No. 3057432	Filed 11/22/04 Reg. 2/7/06	
<b>DURANGO MUSTANG</b>	Ser. No. 77/054878	Filed 12/1/06	
<b>FIRSTMED</b>	Ser. No. 76/109464 Reg. No. 2595571	Filed 8/15/00 Reg. 7/16/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FORMZ</b>	Ser. No. 75/674579 Reg. No. 2466342	Filed 4/5/99 Reg. 7/3/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>G (Stylized)</b>	Ser. No. 76/182533 Reg. No. 2967416	Filed 12/18/00 Reg. 7/12/05	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES (Stylized)</b>	Ser. No. 73/464729 Reg. No. 1319524	Filed 2/8/84 Reg. 2/12/85	Assigned to GMAC Commercial Finance LLC 2/2/05

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>GATES (stylized)</b>	Ser. No. 76/186743 Reg. No. 2743239	Filed 12/27/00 Reg. 7/29/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES GLOVES</b>	Ser. No. 73/194276 Reg. No. 1174311	Filed 11/22/78 Reg 10/20/81	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES LITE (stylized)</b>	Ser. No. 73/606294 Reg. No. 1439249	Filed 6/25/86 Reg. 5/12/87	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES ULTRA LITE (stylized)</b>	Ser. No. 73/778191 Reg. No. 1558154	Filed 2/2/89 Reg. 9/26/89	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>INTER-FLEX</b>	Ser. No. 78/655300	Filed 6/21/05	
<b>INTER FLX</b>	Ser. No. 78/720437	Filed 9/26/05	
<b>LONGBEARD</b>	Ser. No. 75/566549 Reg. No. 2515692	Filed 10/5/98 Reg. 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PRO-HIKER</b>	Ser. No. 78/471685	Filed 8/23/04	Assigned to GMAC Financial, LLC 2/2/05
<b>PROHUNTER</b>	Ser. No. 75/533954 Reg. No. 2820566	Filed 8/10/98 Reg. 3/9/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PROHUNTER</b>	Ser. No. 77/022459	Filed 10/17/06	
<b>ROCKY</b>	Ser. No. 73/797529 Reg. No. 1577871	Filed 5/1/89 Reg. 1/16/90	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 75/670045 Reg. No. 2538870	Filed 3/29/99 Reg. 2/19/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 75/671246 Reg. No. 2538872	Filed 3/29/99 Reg. 2/19/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 76/519218 Reg. No. 2898894	Filed 5/19/03 Reg. 11/2/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY 911 SERIES</b>	Ser. No. 74/073129 Reg. No. 3132278	Filed 4/14/05 Reg. 8/22/06	
<b>ROCKY BOOTS and Design</b>	Ser. No. 73/313429 Reg. No. 1313519	Filed 6/5/81 Reg. 1/8/85	Assigned to GMAC Commercial Finance LLC 2/2/05

<i>Mark</i>	<i>Serial. No./Reg. No.</i>	<i>Filing Date/Reg. Date</i>	<i>Comments</i>
<b>ROCKY and Design</b>	Ser. No. 75/977717 Reg. No. 2200673	Filed 5/15/95 Reg. 10/27/98	Assigned to GMAC Business Credit, LLC 9/26/00
<b>ROCKY ELMINATOR</b>	Ser. No. 76/111663 Reg. No. 2587482	Filed 8/17/00 Reg. 7/2/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SAWBLADE</b>	Ser. No. 78/086747 Reg. No. 2730726	Filed 10/3/01 Reg. 6/24/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SILENTHUNTER</b>	Ser. No. 78/135127 Reg. No. 2982826	Filed 6/12/02 Reg. 8/9/05	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SILENTHUNTER</b>	Ser. No. 75/566533 Reg. No. 2553070	Filed 10/5/98 Reg. 3/26/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SMART GLOVE BY GATES</b>	Ser. No. 76/345733	Filed 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SNOW STALKER</b>	Ser. No. 74/663746 Reg. No. 1955171	Filed 4/20/95 Reg. 2/6/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>STALKERS</b>	Ser. No. 74/541039 Reg. No. 1975747	Filed 6/22/94 Reg. 5/28/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TAC•TEAM</b>	Ser. No. 75/565836 Reg. No. 2307328	Filed 10/6/98 Reg. 1/11/00	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TECHNO-RIDE</b>	Ser. No. 77/002482	Filed 9/19/06	
<b>TRAILBLADE</b>	Ser. No. 78/720442	Filed 9/26/05	
<b>TRIAD (stylized)</b>	Ser. No. 73/720906 Reg. No. 1537440	Filed 4/7/88 Reg. 5/2/89	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>WILD WOLF</b>	Ser. No. 78/079724 Reg. No. 2642990	Filed 8/17/01 Reg. 10/29/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>WILD WOLF</b>	Ser. No. 78/079843 Reg. No. 2760278	Filed 8/17/01 Reg. 9/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>WOODS N'WORK</b>	Ser. No. 77/048951	Filed 11/21/06	
<b>WORKSMART</b>	Ser. No. 77/030309	Filed 10/26/06	

<i>Mark</i>	<i>Serial. No./Reg. No.</i>	<i>Filing Date/Reg. Date</i>	<i>Comments</i>
XSP	Ser. No. 78/647155	Filed 6/9/05	

ROCKY BRANDS, INC.

FEDERAL PATENTS AND PATENT APPLICATIONS

<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>WATERPROOF FOOTWEAR LINER AND METHOD OF MAKING THE SAME</b> Inventors: Allen G. Sheets, Richard Finney				10/237001	9/6/02
<b>FOOTWEAR SOLE WITH INTEGRAL DISPLAY ELEMENT</b> Inventors: Mike Brooks, Allen G. Sheets	6539646	4/1/03	1/11/21	09/758583	1/11/01
<b>WATERPROOF FOOTWEAR LINER AND METHOD OF MAKING SAME</b> Inventors: Allen G. Sheets, Richard Finney	6446360	9/10/02	4/9/21	09/829422	4/9/01
<b>PACK BOOT WITH RETRACTABLE CRAMPONS</b> Inventor: Sang Rok Seo	6360455	3/26/02	5/12/20	09/569643	5/12/00
<b>WATERPROOF BREATHABLE GLOVES</b> Inventors: Chuck Dinatale	5682613	11/4/97	7/25/17	08/279958	7/25/94
<b>SHOE SOLE (impact pod)</b> Inventor: Mark Recchi	D507398S	7/19/05	7/19/19	29/205245	5/11/04
<b>SHOE SOLE (retr)</b> Inventor: Mark Recchi	D509346S	9/13/05	9/13/19	29/185759	7/1/03
<b>SHOE SOLE (rk-v)</b> Inventor: Mark Recchi	D507694S	7/26/05	7/26/19	29/185757	7/1/03
<b>SHOE SOLE (ventor)</b> Inventor: Mark Recchi	D498350	11/16/04	11/16/18	29/185801	7/1/03

<b><i>Title</i></b>	<b><i>Patent No.</i></b>	<b><i>Issue Date</i></b>	<b><i>Exp Date</i></b>	<b><i>App. No.</i></b>	<b><i>Filing Date</i></b>
<b>SHOE SOLE (rkt)</b> Inventor: Mark Recchi	D498042	11/9/04	11/9/18	29/185758	7/1/03
<b>SHOE SOLE (rk-z)</b> Inventor: Mark Recchi	D495476	9/7/04	9/7/18	29/193649	11/12/03
<b>SHOE SOLE (rk/ac)</b> Inventor: Mark Recchi	D489884	5/18/04	5/18/18	29/181678	5/14/03
<b>SHOE SOLE (polar trac)</b> Inventor: Mark Recchi	D489881	5/18/04	5/18/18	29/185794	7/1/03
<b>SOLE SOLE (sawblade)</b> Inventor: Mark Recchi	D478714	8/26/03	8/26/17	29/157533	3/21/02
<b>SHOE SOLE</b> Inventor: Mark Recchi	D474586	5/20/03	5/20/17	29/163315	7/2/02
<b>SHOE SOLE (rkl outsole)</b> Inventor: Mark Recchi	D471696	3/18/03	3/18/17	29/156225	2/26/02
<b>SHOE SOLE (bobcat outsole)</b> Inventors: Mark Recchi, Allen Sheets	D468517	1/14/03	1/14/17	29/156224	2/26/02
<b>SHOE SOLE (knobby outsole)</b> Inventors: Mark Recchi, Allen Sheets	D468081	1/7/03	1/7/17	29/156254	2/26/02
<b>SHOE UPPER (7590)</b> Inventors: Richard Finney	D467715	12/31/02	12/31/16	29/149427	10/10/01
<b>SHOE SOLE</b> Inventors: Jamie Zimmer, Allen Sheets	D448147	9/25/01	9/25/15	29/136811	2/7/01
<b>BOOT UPPER WITH DETACHABLE HOLSTER</b> Inventors: James R. Carey, Charles S. Brooks	D447619	9/11/01	9/11/15	29/130656	10/4/00
<b>SHOE UPPER</b> Inventors: Denis Norton, Diana A. Wurfain	D424797	5/16/00	5/16/14	29/092425	8/19/98



<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D422783	4/18/00	4/18/14	29/098204	12/23/98
<b>SHOE SOLE</b> Inventors: Denis Norton, Diana A. Wurfbain	D412777	8/17/99	8/17/13	29/092423	8/19/98
<b>SHOE UPPER</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D410141	5/25/99	5/25/13	29/080764	12/15/97
<b>SHOE UPPER (7258)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D407198	3/30/99	3/30/13	29/080749	12/15/97
<b>SHOE UPPER (7562)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D407197	3/30/99	3/30/13	29/077174	9/29/97
<b>SHOE UPPER (911-139)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D407196	3/30/99	3/30/13	29/077173	9/29/97
<b>SHOE SOLE (prohunter)</b> Inventors: Denis Norton, Diana A. Wurfbain	D402798	12/22/98	12/22/12	29/084098	2/24/98
<b>SHOE UPPER (844)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D402099	12/8/98	12/8/12	29/077188	9/29/97
<b>SHOE SOLE (bear claw)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D401746	12/1/98	12/1/12	29/058393	8/14/96
<b>SHOE UPPER (8444)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D401401	11/24/98	11/24/12	29/077641	9/29/97

<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER (9163)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D401400	11/24/98	11/24/12	29/077187	9/29/97
<b>SHOE UPPER (1761)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D400699	11/10/98	11/10/12	29/073407	7/8/97
<b>SHOE SOLE (alpha)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D395742	7/7/98	7/7/12	29/054776	5/21/96
<b>SHOE SOLE (tuff terrainer)</b> Inventors: Diana A. Wurfbain, Theodore A. Kastner	D394542	5/26/98	5/26/12	29/054777	5/21/96
<b>SHOE UPPER (winter trails nylon)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D386294	11/18/97	11/18/11	29/055442	6/4/96
<b>SHOE UPPER (winter trails propex)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D386293	11/18/97	11/18/11	29/055441	6/4/96
<b>SHOE UPPER (winter trails leather)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D386292	11/18/97	11/18/11	29/055440	6/4/96
<b>SHOE UPPER (winter trails eco pile)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D385992	11/11/97	11/11/11	29/055444	6/4/96
<b>SHOE UPPER (outback sizzler)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D385991	11/11/97	11/11/11	29/055443	6/4/96

<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER (tuff terrainer)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D384195	9/30/97	9/30/11	29/054747	5/21/96
<b>SHOE UPPER (tuff terrainer oxford)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380891	7/15/97	7/15/11	29/054739	5/21/96
<b>SHOE UPPER (alpha boot)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380599	7/8/97	7/8/11	29/054748	5/21/96
<b>SHOE UPPER (stalker expedition)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380598	7/8/97	7/8/11	29/054742	5/21/96
<b>SHOE UPPER (prof demi boot)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380597	7/8/97	7/8/11	29/054740	5/21/96
<b>SHOE UPPER (outback oxford)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380596	7/8/97	7/8/11	29/054741	5/21/96
<b>SHOE UPPER (snow stalker extreme)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D376684	12/24/96	12/24/10	29/035556	3/2/95
<b>SHOE UPPER (snow stalker hunter)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D369019	4/23/96	4/23/10	29/035560	3/2/95

<b><i>Title</i></b>	<b><i>Patent No.</i></b>	<b><i>Issue Date</i></b>	<b><i>Exp Date</i></b>	<b><i>App. No.</i></b>	<b><i>Filing Date</i></b>
<b>SHOE UPPER (winter trails)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D369018	4/23/96	4/23/10	29/035559	3/2/95
<b>SHOE UPPER (snow stalker)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D368797	4/16/96	4/16/10	29/035563	3/2/95
<b>SHOE UPPER (super stalker)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D368361	4/2/96	4/2/10	29/029890	10/18/94
<b>SHOE UPPER (the brute)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D367354	2/27/96	2/27/10	29/031067	11/16/94
<b>SHOE UPPER (outback khaki)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D367165	2/20/96	2/20/10	29/031068	11/16/94

*ROCKY BRANDS, INC.*  
*FEDERAL COPYRIGHT APPLICATIONS AND REGISTRATIONS*

<b><i>Title of Work</i></b>	<b><i>Reg. No.</i></b>	<b><i>Reg. Date</i></b>	<b><i>Comments</i></b>
Rocky Ram	VA-810-954	8/26/96	Assigned to GMAC Commercial Finance LLC 2/2/05
Rocky Shoes & Boots Partnering for Wildlife Conservation	VA 1-239-611	7/28/03	Assigned to GMAC Commercial Finance LLC 2/2/05

*E J FOOTWEAR LLC*  
*FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS*

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>ADVANTA-FLEX</b>	Ser. No. 76/435112 Reg. No. 2783005	Filed 7/29/02 Reg 11/11/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ASTRO and Design</b>	Ser. No. 72/301213 Reg. No. 862801	Filed 6/24/68 Reg 12/31/68	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BARCLAY (stylized)</b>	Ser. No. 71/550334 Reg. No. 516495	Filed 2/21/48 Reg 10/18/49	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BEACON STRATEGIC RESOURCING</b>	Ser. No. 76/362852 Reg. No. 2759986	Filed 1/24/02 Reg 9/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BOOTS UNLIMITED</b>	Ser. No. 76/203030 Reg. No. 2515098	Filed 1/31/01 Reg 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CHIEFTAN</b>	Ser. No. 72/248946 Reg. No. 831865	Filed 6/27/66 Reg 7/11/67	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>COOL NOTES (stylized)</b>	Ser. No. 72/245916 Reg. No. 826943	Filed 5/18/66 Reg 4/4/67	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>EJ and Design</b>	Ser. No. 73/742972 Reg. No. 1530972	Filed 7/29/88 Reg 3/21/89	Assigned from Endicott Johnson Corporation 7/11/00
<b>FARM MASTERS</b>	Ser. No. 73/365988 Reg. No. 1250453	Filed 5/24/82 Reg 9/6/83	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FLX-POINT</b>	Ser. No. 76/470052 Reg. No. 2789949	Filed 11/25/02 Reg 12/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PARACORD (stylized)</b>	Ser. No. 71/277699 Reg. No. 256338	Filed 1/8/29 Reg 5/14/29	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PARACREPE (stylized)</b>	Ser. No. 71/225084 Reg. No. 212124	Filed 12/23/25 Reg 4/27/26	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PONDEROSA</b>	Ser. No. 72/189568 Reg. No. 781810	Filed 3/25/64 Reg 12/15/64	Assigned to GMAC Commercial Finance LLC 2/2/05

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>SIGNATURE TOUR QUALITY FOOTWEAR and Design</b>	Ser. No. 73/678670 Reg. No. 1504024	Filed 8/17/87 Reg 9/13/88	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SPORTSET</b>	Ser. No. 72/289087 Reg. No. 871822	Filed 1/18/68 Reg 6/24/69	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TORQUE SUSPENSION SYSTEM</b>	Ser. No. 76/478609 Reg. No. 2801594	Filed 12/27/02 Reg 12/30/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TRAIL KING</b>	Ser. No. 72/306050 Reg. No. 873081	Filed 8/27/68 Reg 7/15/69	Assigned to GMAC Commercial Finance LLC 2/2/05

*EJ FOOTWEAR LLC  
FEDERAL PATENTS AND PATENT APPLICATIONS*

<b>Title</b>	<b>Patent No.</b>	<b>Issue Date</b>	<b>Exp Date</b>	<b>App. No.</b>	<b>Filing Date</b>
<b>OUTSOLE</b> Inventor: Jeffrey Raymond Rake	D447856	9/18/01	9/18/15	29/982	1/22/01

*GEORGIA BOOT LLC  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS*

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>ARCTIC TOE</b>	Ser. No. 76/212102 Reg. No. 2664307	Filed 2/20/01 Reg 12/17/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BARNSTORMERS and Design</b>	Ser. No. 75/605525 Reg. No. 2421991	Filed 12/7/98 Reg 1/16/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CLIMATRAC</b>	Ser. No. 76/579105 Reg. No. 2978004	Filed 3/4/04 Reg. 7/26/05	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>COMFORT CORE</b>	Ser. No. 74/175689 Reg. No. 1689129	Filed 6/13/91 Reg 5/26/92	Assigned to GMAC Commercial Finance LLC 2/2/05

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>CONSTRUX</b>	Ser. No. 76/606797	Filed 8/10/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>D.TECH (stylized)</b>	Ser. No. 75/544917 Reg. No. 2288942	Filed 8/31/98 Reg 10/26/99	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DURANGO</b>	Ser. No. 72/198549 Reg. No. 790751	Filed 7/27/64 Reg 6/8/65	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DURANGO and Design</b>	Ser. No. 75/084007 Reg. No. 2304436	Filed 4/4/96 Reg 12/28/99	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DURANGO</b>	Ser. No. 75/712688 Reg. No. 2562205	Filed 5/24/99 Reg 4/16/02	Assigned from Georgia Boot Inc. 8/30/00
<b>DURANGO and Design</b>	Ser. No. 75/912800 Reg. No. 2660084	Filed 2/8/00 Reg 12/10/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FARM &amp; RANCH</b>	Ser. No. 74/294738 Reg. No. 1758465	Filed 7/16/92 Reg 3/16/93	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FIELD LITE</b>	Ser. No. 76/635028 Reg. No. 3133612	Filed 4/4/05 Reg. 8/22/06	
<b>GEORGIA BOOT</b>	Ser. No. 73/420215 Reg. No. 1333323	Filed 4/5/83 Reg 4/30/85	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GEORGIA GIANT</b>	Ser. No. 76/581605	Filed 3/17/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GEORGIA WORKWEAR</b>	Ser. No. 76/635029	Filed 4/4/05	
<b>MUD DOG and Design</b>	Ser. No. 75/605540 Reg. No. 2421992	Filed 12/7/98 Reg 1/16/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>NORTHLAKE</b>	Ser. No. 73/215438 Reg. No. 1154957	Filed 5/14/79 Reg 5/19/81	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PROTECH (stylized)</b>	Ser. No. 76/579106 Reg. No. 3052222	Filed 3/4/04 Reg. 1/31/06	Assigned to GMAC Commercial Finance LLC 2/2/05

<u>Mark</u>	<u>Serial. No./Reg. No.</u>	<u>Filing Date/Reg. Date</u>	<u>Comments</u>
<b>SHADES OF THE OLD WEST</b>	Ser. No. 74/294739 Reg. No. 1758466	Filed 7/16/92 Reg 3/16/93	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SNAKE RIVER</b>	Ser. No. 74/541041 Reg. No. 1919870	Filed 6/22/94 Reg 9/19/95	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>X-10</b>	Ser. No. 73/883183	Filed 5/15/06	

*GEORGIA BOOT LLC*  
FOREIGN TRADEMARK REGISTRATIONS

COMFORT CORE - (Canada)  
COMFORT CORE - (Taiwan)  
DURANGO - (Japan)  
DURANGO BOOT (Canada)  
DURANGO - (France)  
DURANGO - (Switzerland)  
DURANGO - (Canada)  
DURANGO - (CTM)  
FARM & RANCH - (Australia)  
GEORGIA BOOT - (Portugal)  
GEORGIA BOOT - (Spain)  
GEORGIA BOOT - (Canada)  
GEORGIA BOOT - (Italy)  
GEORGIA BOOT and  
Design (Large male character with  
GEORGIA BOOT on the body) (Japan)  
GEORGIA BOOT - (Norway)  
GEORGIA BOOT - (CTM)



MUD DOG - (Canada)  
(Stylized)

NORTHLAKE - (Canada)

NORTHLAKE - (France)

NORTHLAKE - (Germany)

NORTHLAKE - (Great Britain)

NORTHLAKE - (Italy)

NORTHLAKE - (Japan)

NORTHLAKE - (Norway)

NORTHLAKE - (Spain)

NORTHLAKE - (Switzerland)

NORTHLAKE - (Taiwan)

GEORGIA BOOT LLC  
FEDERAL PATENTS AND PATENT APPLICATIONS

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
<b>SAFETY SHOE</b> Inventor: David Mitchell	6581304	6/24/03	12/29/19	09/474179	12/29/99
<b>SHOE WITH INSOLE AS PART SOLE FILLER AND METHOD OF MAKING SAME</b> Inventors: Sven E. Oberg, David P. Mitchell	6560901	5/13/03	5/13/20	08/332275	10/31/94
<b>FOOTWEAR WITH MOLDED WEB PLATFORM FOR ATTACHING OUTSOLE</b> Inventor: David Mitchell	6338205	1/15/02	12/29/19	09/474224	12/29/99
<b>SHOE WITH INSOLE AS PART SOLE FILLER AND METHOD OF MAKING SAME</b> Inventors: Sven E. Oberg, David P. Mitchell	6321464	11/27/01	11/27/18	08/463843	6/5/95
<b>CUSHIONED FOOTWEAR AND APPARATUS FOR MAKING THE SAME</b> Inventors: William C. Johnson, Jr., William G. Thomas	6145220	11/14/00	11/22/15	08/562009	11/22/95
<b>METHOD FOR PRECISELY PERFORATING AN OPENING IN FOOTWEAR</b> Inventors: Howard A. Hoffman; Ronald E. Pottorff; Lavert F. Sneed; William G. Thomas	5924345	7/20/99	8/14/16	08/696618	8/14/96
<b>OUTSOLE</b> Inventor: David Mitchell	D493952	8/10/04	8/10/18	29/164377	7/22/02

U.S. Patent Application No. 09/977463 (Boot with oversized toe box for thermal insulation)

U.S. Patent Application No. 11/009421 (Shoe with insole as part sole filler and method for making the same)\*\*

U.S. Patent Application No. 10/799395 (Footwear with improved insole)

U.S. Design Patent Application No. 29/194,981 (Outsole)

*GEORGIA BOOT LLC*

*FOREIGN PATENTS*

Canada Patent No. 2,188,847 (Cushioned footwear and apparatus for making the same )

Mexico Patent No. 204081 (Cushioned footwear and apparatus for making the same )

People's Republic of China Patent No. ZL 96123386.9 (Cushioned footwear and apparatus for making the same )

Canada Patent No. 2,059,761 (Shoe with insole as part sole filler and method for making same)\*\*

Mexico Patent No. 186564 (Shoe with insole as part sole filler and method for making same)\*\*

People's Republic of China Patent No.92100616 (Shoe with insole as part sole filler and method for making same)\*\*

Taiwan Patent No. No. 056563 (Shoe with insole as part sole filler and method for making same)\*\*

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\*\*owned jointly with RoSearch, Inc.

*LEHIGH SAFETY SHOE CO. LLC*  
*FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS*

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>FIT FOR SAFETY</b>	Ser. No. 75/823689 Reg. No. 2628723	Filed 10/15/99 Reg 10/1/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FIT FOR WORK</b>	Ser. No. 75/823688 Reg. No. 2565788	Filed 10/15/99 Reg 4/30/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>INDUSTRY WORKS IN LEHIGH SAFETY SHOES</b>	Ser. No. 75/026492 Reg. No. 2011997	Filed 11/20/95 Reg 10/29/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>L and Design</b>	Ser. No. 76/610147 Reg. No. 3039424	Filed 9/1/04 Reg. 1/10/06	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LEHIGH</b>	Ser. No. 73/153033 Reg. No. 1103936	Filed 12/22/77 Reg 10/10/78	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LEHIGH "FOOTSHIELDS" (stylized)</b>	Ser. No. 72/023484 Reg. No. 658172	Filed 1/30/57 Reg 2/4/58	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LOCKRIM</b>	Ser. No. 72/178690 Reg. No. 783691	Filed 10/10/63 Reg 1/19/65	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>L.S.R. (stylized)</b>	Ser. No. 75/339713 Reg. No. 2201252	Filed 7/24/97 Reg 11/3/98	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>MIRA-LUG</b>	Ser. No. 73/220929 Reg. No. 1159250	Filed 6/25/79 Reg 6/30/81	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>NUGUARD75 (stylized)</b>	Ser. No. 73/741631 Reg. No. 1530662	Filed 7/22/88 Reg 3/21/89	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PROMISE PLUS</b>	Ser. No. 75/668090 Reg. No. 2395071	Filed 3/25/99 Reg 10/17/00	Assigned from Lehigh Safety Shoe Co. 6/17/02
<b>SHIELD TOE</b>	Ser. No. 75/273195 Reg. No. 2153691	Filed 3/24/97 Reg 4/28/98	Assigned to GMAC Commercial Finance LLC 2/2/05

<i>Mark</i>	<i>Serial. No./Reg. No.</i>	<i>Filing Date/Reg. Date</i>	<i>Comments</i>
<b>SLIP GRIPS</b>	Ser. No. 76/489562 Reg. No. 2891737	Filed 2/14/03 Reg 10/5/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SWAMPERS</b>	Ser. No. 76/063389 Reg. No. 2579908	Filed 6/1/00 Reg 6/11/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>US 1 and Design</b>	Ser. No. 76/259815 Reg. No. 2565267	Filed 5/18/01 Reg 4/30/02	Assigned to GMAC Commercial Finance LLC 2/2/05

*LEHIGH SAFETY SHOE CO. LLC  
FEDERAL PATENTS AND PATENT APPLICATIONS*

U.S. Patent Application No. 09/875, 542 (Metatarsal Guard)

*LEHIGH SAFETY SHOE CO. LLC*  
*FOREIGN TRADEMARK REGISTRATIONS*

FIT FOR WORK - (Canada)

FIT FOR SAFETY - (Canada)

LEHIGH - (Japan)

LEHIGH - (Mexico)

LEHIGH - (Taiwan)

LEHIGH - (China)

PROMISE PLUS - (Canada)

SCHEDULE 4.1(U)

Side Agreements

None

SCHEDULE 4.1(W)

Material Contracts

1. Trademark License between W.L. Gore & Associates, Inc., W.L. Gore & Associates GmbH, Japan Gore-Tex, Inc. and Georgia Boot LLC dated May 20, 2002
2. Trademark License Agreement between W. L. Gore & Associates, Inc., W. L. Gore & Associates GmbH, and Rocky Shoes & Boots, Inc. dated July 11, 2001
3. Warehouse and Fulfillment Services Agreement among Kane Distribution, EJ Footwear, Lehigh Safety Shoe Co. LLC and Georgia Boot dated April 18, 2002, as amended
4. Distributor Consignment Agreement between Lehigh Safety Supply Co. and Lehigh Safety Shoe Co. LLC dated July 1, 1978
5. The Agreement and the Note Purchase Agreement
6. Lease Contract dated December 16, 1999, between Lifestyle Footwear, Inc. and The Puerto Rico Industrial Development Company
7. Rocky Shoes & Boots, Inc. Retirement Plan for Non-Union Employees
8. Employment Agreement, dated July 1, 1995, between Parent and Mike Brooks for executive officers (incorporated by reference to Exhibit 10.1 to the Parent's Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (the "1995 Form 10-K"))
9. Promissory Note, dated December 30, 1999, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$1,050,000 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 (the "June 30, 2000 Form 10-Q"))
10. Promissory Note, dated December 30, 1999, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$1,500,000 (incorporated by reference to Exhibit 10.2 to the June 30, 2000 Form 10-Q)
11. Promissory Note, dated December 30, 1999, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$3,750,000 (incorporated by reference to Exhibit 10.3 to the June 30, 2000 Form 10-Q)
12. Amended and Restated Lease Agreement, dated March 1, 2002, between Rocky Shoes & Boots, Inc. and William Brooks Real Estate Company, as amended by Second Amendment to Lease Agreement, dated July 26, 2004 (45 East Canal Street, Nelsonville, Athens County, Ohio 45764)
13. Purchase and Sale of Equity Interests Agreement by and among Parent, SILLC Holdings, LLC, a Delaware limited liability company and Strategic Industries, LLC, dated as of December 6, 2004



SCHEDULE 4.1(Z)

Current Business Practices

None

SCHEDULE 5.2(A)

Permitted Indebtedness Schedule

1. Rocky Shoes & Boots, Inc. obligations to General Electric Capital Business Asset Funding Corporation:

- a. \$1,050,000 promissory note dated December 30, 1999
- b. \$1,500,000 promissory note dated December 30, 1999
- c. \$3,750,000 promissory note dated January 28, 2000

2. Letters of Credit

See Exhibit 5.2 (A) attached.

3. Capital Lease Obligations

Rocky Shoes & Boots, Inc. - Indebtedness pursuant to a certain Amended and Restated Lease Agreement, dated March 1, 2002, between Rocky Shoes & Boots, Inc. and William Brooks Real Estate Company, as amended by Second Amendment to Lease Agreement, dated July 26, 2004 (treated as a Capital Lease under GAAP)

SCHEDULE 5.2(B)

Permitted Liens Schedule

**A. All Loan Parties**

Liens on real estate in which a Loan Party is lessee

**B. Rocky Shoes & Boots, Inc.**

<b>Secured Party</b>	<b>Collateral</b>
GE Capital Business Asset Funding Corporation	Real Estate, fixtures and other property in connection with real properties in Athens County and Hocking County, Ohio, including without limitation that collateral further described in Financing Statement numbers AP0207801, AP0207802, AP0231440 filed with the Ohio Secretary of State, Financing Statement number 200000000069/200000000508 filed with the Hocking County, Ohio Recorder, Financing Statement numbers 20000000000-1/20000000000-2 and 20000000000-3 /20000000000-8 filed with the Athens County, Recorder, and in certain Open-End Mortgages, Security Agreements, Assignments of Rents and Leases and Fixture Filings in Hocking and Athens Counties.
Banc One Leasing Corporation	Specific leased equipment, including without limitation warehouse storage units and other collateral further described in Financing Statement numbers AP0163529 and AP0196827 filed with the Ohio Secretary of State and Financing Statement number 199900000969/199900006769 filed with the Hocking County, Ohio Recorder.
GMAC Business Credit LLC	All business assets
American	Leased counter forming machine
GE Capital	Leased machine adhesives
Worthern Industries	Leased glue machines
Canon Financial Services	Leased 5000 Imager
W.L. Gore	Leased centrifugal testers

**C. Lifestyle Footwear, Inc.**

GMAC Business Credit LLC	All business assets
USM	Leased cement & seat side lasting and high speed stitch
Manifest Funding (International Absolute)	Leased ASHL-GPS machine
W.L. Gore	Leased seam sealing w/auto tape cutter machines, bootie testing machines, centrifugal tester machine and boot dryer

**D. EJ Footwear LLC**

<b>Secured Party</b>	<b>Collateral</b>
NMHG Financial Services, Inc.	Leased equipment further described in Financing Statement number 256107 filed with the New York Secretary of State and Financing Statement number U1 1999 002444 filed in Broome County, NY
BSB Bank & Trust Company	Leased equipment further described in Financing Statement number 046298 filed with the New York Secretary of State and Financing Statement number U1 2000 000403 filed in Broome County, NY
Pitney Bowes Credit Corporation	Leased equipment further described in Financing Statement number 1995001177 filed in Broome County, NY
UST Leasing Corp.	Leased equipment further described in Financing Statement numbers U1 1999 001406 and U1 1999 001407 filed in Broome County, NY
Cab East, LLC	Leased Ford Ranger truck, s/n 1FTYR44U74PA08512
ComSource	Leased computer equipment described in Financing Statement number U1 1999 000721 filed in Broome County, NY
IOS Capital	Leased equipment
DeLage Landen Financial Services, Inc.	Leased equipment
Foothill Capital Corporation	Security assignment from Iron Age Corporation to Foothill Capital Corporation dated 10/3/02 on "TRAILBREAKERS" trademark
Bank of America	Cash Collateral to secure Bank of America letter of credit in favor of Blue Cross Blue Shield

**E. Georgia Boot LLC**

<b>Secured Party</b>	<b>Collateral</b>
BSFS Equipment Leasing	Leased equipment under Lease #7119124, UCC file number 20888648 filed with the Delaware Secretary of State
Dell Financial Services LP	Leased computer equipment under Lease #002118582-001 and #002118582-002, UCC file numbers 201057880 and 201059151 filed with the Tennessee Secretary of State
Ascom Hasler Leasing	Leased postage meter and mail scale
GE Capital	Leased Smart Start II Inserter
Bell South	Leased telephone/MIS equipment

**F. Lehigh Safety Shoe Co. LLC**  
**Secured Party**

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IOS Capital, LLC  
Navistar Leasing Company Hardco Leasing  
Company, Inc.  
Key Equipment Finance  
Lease Plan USA  
CitiCapital Fleet  
ComSource  
Dell Financial Services, Inc.  
Bell South

**Collateral**

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Leased equipment under Lease #382149-TW0032, UCC file number 32369372 filed with the Delaware Secretary of State  
Various leased motor vehicles  
Various leased motor vehicles  
Various leased motor vehicles  
Various leased motor vehicles  
Leased equipment  
Leased computer equipment  
Leased telephone/MIS equipment

SCHEDULE 6.1(K)

Deposit Accounts

**Comerica Bank**

P.O. Box 75000  
Detroit, MI 48275-8149

Name on Account: Rocky Shoes & Boots Inc.  
Type of Account: Comerica Operation Account  
Account Number:

Name on Account: Rocky Shoes & Boots Inc.  
Type of Account: Comerica Controlled Disbursement Account  
Account Number:

Name on Account: Rocky Shoes & Boots Inc.  
Type of Account: Comerica Cash Collateral Account  
Account Number:

Name on Account: EJ Footwear LLC  
Type of Account: Comerica Controlled Disbursement Account  
Account Number:

**First National Bank**

11 Public Square  
Nelsonville, OH 45764

Name on Account: Rocky Shoe & Boots  
Type of Account: FNB Operating Account  
Account Number:

Name on Account: Rocky Shoes & Boots  
Type of Account: FNB Credit Card Account  
Account Number:

Name on Account: Rocky Shoes & Boots Payroll  
Type of Account: FNB Payroll Account  
Account Number:

**Carolina First Bank**

Edgefield, SC

Name on Account: Rocky Shoes & Boots Inc.  
Type of Account: Operating Account  
Account Number:

**Banco Popular**

P.O. Box 362708  
San Juan, Puerto Rico 00936-2708

Name on Account: Lifestyle Footwear Inc.  
Type of Account: General Account  
Account Number:

Name on Account: Lifestyle Footwear Inc.  
Type of Account: Payroll Account  
Account Number:

**HSBC Bank USA**  
243 Main Street  
Johnson City, NY 13790

Name on Account: EJ Footwear LLC  
Type of Account: General Account  
Account Number:

Name on Account: EJ Footwear LLC  
Type of Account: Payroll  
Account Number:

Name on Account: Lehigh Safety Shoe Co. LLC  
Type of Account: Payroll  
Account Number:

**Mellon Bank**  
Mellon Client Service Center  
Room 154-1320  
500 Ross Street  
Pittsburgh, PA 15262-0001

Name on Account: Lehigh Safety Shoe Co. LLC  
Type of Account: Lockbox  
Account Number:

Name on Account: Georgia Boot LLC  
Type of Account: Lockbox  
Account Number:

**Bank of America NA**  
10 Light Street, 20th floor  
Baltimore, MD 21202

Name on Account: EJ Footwear LLC  
Type of Account: EJ Disbursement & Tradecard  
Account Number:

Name on Account: Georgia Boot LLC  
Type of Account: Disbursement  
Account Number:

Name on Account: Georgia Boot LLC  
Type of Account: Payroll  
Account Number:

Bank of America Disbursement Account - EJ Footwear - Account # - Authorized drawers: John Grzybowski, John Wilck, Belinda Mason

Lehigh Safety Shoe Co. LLC shoe center bank accounts:

- (a) 1<sup>st</sup> National Bank of Scotia Account #
- (b) Associated Bank Account #
- (c) Banco Popular Bank Account #
- (d) Bank of America Account #s
- (e) Bank of Colorado Account #
- (f) Bank of Hawaii Account #s
- (g) Bank One Account #s
- (h) BB&T-Virginia Account #
- (i) Carolina Bank Account #
- (j) Centura Bank Account #
- (k) Chase Bank of Texas Account #
- (l) Citizens Bank Account #s
- (m) Citywide Bank Account #
- (n) Comerica Bank Account #
- (o) Community Bank Account #
- (p) First Citizens Bank Account #s
- (q) First Midwest Bank Account #
- (r) Fleet Bank Account #s
- (s) Frontenac Bank Account #
- (t) Glen Falls National Bank Account #
- (u) HSBC Account #s
- (v) Key Bank Account #



- (w) National City Bank Account #s
- (x) PNC Bank Account #
- (y) Southeast National Bank Account #
- (z) Southtrust Bank of GA Account #
- (aa) Sun Trust Bank Account #
- (bb) Union Planters National Account #
- (cc) Wachovia Account #s
- (dd) Wells Fargo Account #s
- (ee) Westsound Bank Account #s
- (ff) Whitney National Bank Account #
- (gg) J.P. Morgan Chase Bank Account #

SCHEDULE 6.1(L)

Bailees/Consignees/Warehouse

Collateral located at each consignee location set forth in the following distributor/consignment/warehouse agreements and such other distribution/consignment/warehouse agreements entered into from time to time:

1. Distributor Consignment Agreement between Lehigh Safety Supply Co. and Lehigh Safety Shoe Co. LLC dated July 1, 1978
2. Distributor Consignment Agreement between Vallen Safety Supply Co. and Lehigh Safety Shoe Co. LLC dated May 11, 1994
3. Amended and Restated Distributor Agreement between Maryland Industrial, Inc. and Lehigh Safety Shoe Co. LLC dated January 5, 2002, as amended
4. Distributor Consignment Agreement between Atlas Safety Equipment Company, Inc. and Lehigh Safety Shoe Co. LLC dated May 15, 2001
5. Industrial Consignment Agreement between Butler Manufacturing Company and Lehigh Safety Shoe Co. LLC dated February 14, 2003
6. Industrial Consignment Agreement between Fairmont Supply Company, Inc. and Lehigh Safety Shoe Co. LLC dated February 25, 2002
7. Distributor Consignment Agreement between Fastenal Company and Lehigh Safety Shoe Co. LLC dated October 20, 2003
8. Distributor Consignment Agreement between Footwear Specialties International, LLC and Lehigh Safety Shoe Co. LLC dated February 24, 2004
9. Industrial Consignment Agreement between General Dynamic/Electric Boat and Lehigh Safety Shoe Co. LLC dated April 4, 2001
10. Distributor Consignment Agreement between General Fire and Safety Equipment Company of Omaha, Inc. and Lehigh Safety Shoe Co. LLC dated February 20, 2003
11. Distributor Consignment Agreement between Global Trading Inc. of Miami and Lehigh Safety Shoe Co. LLC dated March 1, 2004
12. Distributor Consignment Agreement between Industrial Safety Equipment Company Limited and Lehigh Safety Shoe Co. LLC dated February 2, 2004
13. Distributor Consignment Agreement between Albert V. Januzzi Footwear, Inc. and Lehigh Safety Shoe Co. LLC dated January 5, 1994
14. Distributor Consignment Agreement between Magid Glove and Safety Manufacturing Co., LLC. and Lehigh Safety Shoe Co. LLC dated November 1, 1999

15. Distributor Consignment Agreement between Mettam Safety Supply, Inc. and Lehigh Safety Shoe Co. LLC dated January 22, 2002
16. Industrial Consignment Agreement between Milliken & Company and Lehigh Safety Shoe Co. LLC dated March 7, 2002
17. Industrial Consignment Agreement and Norfolk Naval Shipyard Co-operative Association Portsmouth, Virginia 23709-5000 Safety Shoe Consignment Agreement between Norfolk Navy Shipyard Co-operative Association and Lehigh Safety Shoe Co. LLC dated August 1, 1998
18. Industrial Consignment Agreement between ORR Safety Corporation and Lehigh Safety Shoe Co. LLC dated April 13, 2004
19. Industrial Consignment Agreement between J. T. Ryerson & Son Steel and Lehigh Safety Shoe Co. LLC dated May 14, 2001
20. Industrial Consignment Agreement between Safety Footwear Distributors, LLC and Lehigh Safety Shoe Co. LLC dated December 16, 2002
21. Distributor Consignment Agreement between Safety Source, Inc. and Lehigh Safety Shoe Co. LLC dated December 1, 1995
22. Distributor Consignment Agreement between Workshoe Outlet II Inc. (d/b/a Safety Source, Inc.) and Lehigh Safety Shoe Co. LLC dated December 1, 2000
23. Distributor Consignment Agreement between Workshoe Outlet II Inc. and Lehigh Safety Shoe Co. LLC dated December 1, 2000
24. Distributor Consignment Agreement between Safety - West, Inc. and Lehigh Safety Shoe Co. LLC dated November 1, 1999
25. Distributor Consignment Agreement between Safety Zone, Inc. and Lehigh Safety Shoe Co. LLC dated May 14, 2002
26. Distributor Consignment Agreement between Shoes Ltd. and Lehigh Safety Shoe Co. LLC dated January 15, 1999
27. Industrial Consignment Agreement between Sullivan-Brough, Inc. d/b/a Safetywear Division and Lehigh Safety Shoe Co. LLC dated August 11, 2004
28. Industrial Consignment Agreement between Texas Instruments and Lehigh Safety Shoe Co. LLC dated June 1, 2000
29. Industrial Consignment Agreement between United Defense LP, Steel Products Division and Lehigh Safety Shoe Co. LLC dated April 26, 2001
30. Distributor Consignment Agreement between Workforce Outfitters, Inc. and Lehigh Safety Shoe Co. LLC dated December 6, 2001
31. Warehouse and Fulfillment Services Agreement among Kane Distribution, EJ Footwear, Lehigh Safety Shoe Co. LLC and Georgia Boot dated April 18, 2002, as amended

SCHEDULE 6.1(Q)  
Names and Locations

Name(s) / State of Incorporation / Organizational ID Number	Acquisitions	Principal Place of Business and Location of Books and Records	Other Offices And Locations of Collateral
Rocky Shoes & Boots, Inc. Ohio 821674	Purchase of certain assets from Gates-Mills, Inc. on 04/15/03	39 East Canal Street Nelsonville, Ohio 45764 (owned)	564 Weber Street North Unit 4 Waterloo, Ontario Canada, N2L5C6  Rocky Outdoor Gear Room 1303 Hua Kai Commercial Bldg. Sheng He Road, Nancheng Dongguan City, Guangdong China 523071  37601 Rocky Boots Way Logan, Ohio 43138 (owned warehouse)  45 East Canal Street Nelsonville, Ohio 45764 (leased factory outlet store)  203 Main Street Edgefield, SC 29824 (leased factory outlet store)
Lifestyle Footwear, Inc. Delaware 2109896	None	Road 125 KM 3.8 BO Pueblo Industrial Park, Moca, PR 00676- 0728 (leased manufacturing facility and office)  Books and Records: 39 East Canal Street Nelsonville, Ohio 45764	None
EJ Footwear LLC Delaware 3182823  Also does business as Empire, Barclay, and Long Haul	None	381 Riverside Drive Suite 300 Franklin, TN 37064 Leased office	235 Noah Drive Franklin, TN 37064  120 Plaza Dr. Vestal, NY  901 Franklin Street E Endicott, NY 13761  103 Southeast Parkway Franklin, TN 37064

<b>Name(s) / State of Incorporation / Organizational ID Number</b>	<b>Acquisitions</b>	<b>Principal Place of Business and Location of Books and Records</b>	<b>Other Offices And Locations of Collateral</b>
Georgia Boot LLC Delaware 3182983	None	235 Noah Drive Franklin, TN 37064 Leased office	381 Riverside Drive Suite 300 Franklin, TN 37064
Also does business as Durango, Georgia Boot, Long Haul, Northlake			
HM Lehigh Safety Shoe Co. LLC Delaware 3182826	None	120 Plaza Dr. Vestal, NY Leased office	381 Riverside Drive Suite 300 Franklin, TN 37064
Lehigh Safety Shoe Co. LLC Delaware 3182836	None	120 Plaza Dr. Vestal, NY Leased office	381 Riverside Drive Suite 300 Franklin, TN 37064
Also does business as Lehigh Safety Shoe Company			See Schedule 4.1(Q) F.2 for leased retail store locations
Lehigh Safety Shoe Properties LLC Delaware 3182837	None	120 Plaza Dr. Vestal, NY Leased office	381 Riverside Drive Suite 300 Franklin, TN 37064
Georgia Boot Properties LLC Delaware 3182831	None	235 Noah Drive Franklin, TN 37064 Leased office	381 Riverside Drive Suite 300 Franklin, TN 37064
Durango Boot Company LLC Delaware 3182977	None	235 Noah Drive Franklin, TN 37064 Leased office	381 Riverside Drive Suite 300 Franklin, TN 37064
Northlake Boot Company LLC Delaware 3182992	None	235 Noah Drive Franklin, TN 37064 Leased office	381 Riverside Drive Suite 300 Franklin, TN 37064

This Note Purchase Agreement is subject to the provisions of that certain Intercreditor Agreement (as may be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Intercreditor Agreement") dated as of May 25, 2007 among, Laminar Direct Capital L.P., GMAC Commercial Finance LLC, Rocky Brands, Inc. and certain subsidiaries of Rocky Brands, Inc., and each party to this Note Purchase Agreement, by its acceptance hereof, shall be bound by the provisions of the Intercreditor Agreement.

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**NOTE PURCHASE AGREEMENT**

**by and among**

**ROCKY BRANDS, INC.**  
**AND THE OTHER LOAN PARTIES IDENTIFIED ON**  
**THE SIGNATURE PAGES HERETO,**

**LAMINAR DIRECT CAPITAL L.P.,**  
**AS COLLATERAL AGENT,**

**and**

**THE PURCHASERS IDENTIFIED ON**  
**ANNEX A HERETO**

May 25, 2007

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**\$40,000,000 Second Priority Senior Secured Notes Due May 25, 2012**

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## NOTE PURCHASE AGREEMENT

### \$40,000,000 Aggregate Principal Amount of Second Priority Senior Secured Notes Due May 25, 2012

THIS NOTE PURCHASE AGREEMENT (this "**Agreement**"), dated as of May 25, 2007, is by and among ROCKY BRANDS, INC., an Ohio corporation ("**Parent**") and the other parties identified on the signature pages hereto as "**Loan Parties**" (each a "**Loan Party**" and, together with Parent, the "**Loan Parties**"), the note purchasers that are now and hereafter at any time parties hereto and are listed in Annex A (or any amendment or supplement thereto) attached hereto (each, together with its successors and permitted assigns, a "**Purchaser**" and collectively, the "**Purchasers**"), and Laminar Direct Capital L.P., a Delaware limited partnership, as collateral agent for the Purchasers (in such capacity "**Agent**"). Capitalized terms used and not defined elsewhere in this Agreement are defined in Article 1 hereof.

#### RECITALS

A. The Loan Parties have proposed selling Second Priority Senior Secured Notes to the Purchasers designated on Annex A in the aggregate amount of \$40,000,000 for the purpose of (i) refinancing certain existing outstanding indebtedness of the Loan Parties (A) to the Lenders under the GMAC Credit Agreement (as defined herein), including a Term Loan A in the original principal amount of \$18,000,000 ("**Term Loan A**") and a Term Loan C in the original principal amount of \$15,000,000 ("**Term Loan C**") and (B) under a certain Note Purchase Agreement in the original aggregate principal amount in favor of American Capital Financial Services, Inc. and the purchasers thereunder (collectively, the "**Refinancing**"), (ii) paying transaction costs associated with the Refinancing and (iii) providing for general business purposes of the Loan Parties.

B. The Loan Parties have also proposed to enter into an amended and restated revolving credit facility with the Lenders (as defined herein) in the aggregate amount of \$100,000,000.

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

#### ARTICLE 1 DEFINITIONS

**1.1 Certain Definitions.** In addition to other words and terms defined elsewhere in this Agreement, the following words and terms shall have the meanings set forth below:

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“**Affiliate**” shall mean, with respect to any Person, any other Person that is directly or indirectly controlling, controlled by or under common control with such Person or entity or any of its Subsidiaries, and the term “control” (including the terms “controlled by” and “under common control with”) means having, directly or indirectly, the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise. Without limiting the foregoing, the ownership of ten percent (10%) or more of the voting securities of a Person shall be deemed to constitute control and notwithstanding anything to the contrary herein, neither the Purchasers nor any of their respective Affiliates shall be deemed to be Affiliates of the Loan Parties by virtue of the transactions contemplated in this Agreement.

“**Agent**” shall have the meaning assigned to such term in the preamble hereto and shall include any successor agent provided for hereunder.

“**Agreement**” shall mean this Note Purchase Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“**Business**” shall mean the principal business of the Loan Parties as set forth in Section 5.1(b) herein and as such shall continue to be conducted following the purchase and sale of the Senior Term Notes.

“**Business Day**” shall mean any day other than a Saturday, Sunday or other day on which banking institutions in New York are authorized or required by law to close.

“**By-laws**” shall mean, with respect to any Person, the by-laws, partnership agreement, operating agreement, limited liability company agreement or analogous instrument governing the operations of the Loan Parties, as applicable, including all amendments and supplements thereto.

“**Capital Expenditures**” shall mean, for any period of determination, with respect to any Person, the sum of expenditures for, or contracts for expenditures with respect to, any fixed assets or improvements, or for replacements, substitutions or additions thereto, that in accordance with GAAP either would be required to be capitalized on the balance sheet of such Person, or would be classified and accounted for as capital expenditures on a statement of cash flows of such Person.

“**Capitalization Schedule**” shall have the meaning assigned to such term in Section 5.1(d).

“**Capitalized Leases**” shall mean, with respect to any Person, any lease of any property (whether real, personal or mixed) that in conformity with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

“**Cash Interest Expense**” shall mean, without duplication, for any period, for Parent on a Consolidated Basis: interest expense deducted in the determination of net income (excluding (a) the amortization of fees and costs with respect to the Parent’s acquisition of certain equity interests and the financing thereof on or about January 6, 2005, which have been capitalized as transaction costs in accordance with the provisions of Section 1.3; (b) any non-cash charges and/or amortization of other capitalized fees and costs subsequent to January 6, 2005, and (c) interest paid in kind).

“**CERCLA**” shall mean the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9604, et seq.), as amended, and rules, regulations, and standards promulgated thereunder.

“**Change of Control**” shall mean the occurrence of any of the following:

(a) any person or group of persons (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended) shall obtain ownership or control in one or more series of transactions of more than 50% of the common stock or 50% of the voting power of the Parent entitled to vote in the election of members of the board of directors of the Parent;

(b) a merger, consolidation, reorganization, recapitalization or share exchange (whether or not Parent is the surviving and continuing corporation) in which the stockholders of Parent immediately prior to such transaction own, as a result of such transaction, less than fifty percent (50%) of the securities entitled to vote for the election of directors of the resulting corporation or less than fifty percent (50%) of the capital stock of the resulting corporation; or

(c) a sale, transfer or other disposition of all or substantially all of the assets of Parent and its Subsidiaries, on a consolidated basis.

“**Charges**” shall mean all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation and property taxes, custom duties, fees, assessments, liens, claims and charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts, imposed by any taxing or other authority, domestic or foreign (including, without limitation, the PBGC or any environmental agency or superfund), upon the Collateral, the Loan Parties or any of their Affiliates.

“**Charter Documents**” shall mean, with respect to any Person, the articles of incorporation, certificate of incorporation, certificate of limited partnership, certificate of limited liability company, charter or analogous organic instrument filed with the appropriate Governmental Authorities of such Person, as applicable, including all amendments and supplements thereto.

“**Closing**” shall have the meaning assigned in Section 2.3 hereof.

“**Closing Date**” shall have the meaning assigned to such term in Section 2.3 hereof.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended.

“**Collateral**” shall have the meaning assigned to such term in the Security Agreement.

“**Common Stock**” shall mean the common stock, without par value, of Parent.

“**Condition**” shall mean any condition that results in or otherwise relates to any Environmental Liabilities.

“**Controlled Group**” shall mean the “controlled group of corporations” as that term is defined in Section 1563 of the Code, of which the Loan Parties are a party from time to time.

“**Copyright Licenses**” means any agreement, whether written or oral, providing for the grant by or to the Loan Parties or any of their Subsidiaries of any right under any Copyright, including the grant of any right to use, copy, publicly perform, display, create derivative works, manufacture, distribute, exploit or sell materials derived from any Copyright.

“**Copyrights**” means (a) all right, title and interest in or relating to copyrights, whether now owned or hereafter acquired or existing, arising under the laws of the United States or any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any counterparts thereof, and (b) the right to obtain all renewals, continuations, reversions and extensions thereof.

“**Covered Taxes**” shall have the meaning assigned to such term in Section 3.9 hereof.

“**Default**” shall mean any event or condition that, but for the giving of notice or the lapse of time, or both, would constitute an Event of Default.

“**Deposit Account Control Agreements**” shall have the meaning assigned to such term in Section 4.1(c).

“**Domestic Subsidiary**” shall mean, with respect to any Person, a Subsidiary of such Person, which Subsidiary is incorporated or otherwise organized under the laws of a State of the United States of America.

“**EBITDA**” means, for any period, without duplication, the total of the following for Parent on a Consolidated Basis, each calculated for such period: (a) net income determined in accordance with GAAP; plus, to the extent included in the calculation of net income, (b) the sum of (i) income and franchise taxes paid or accrued; (ii) interest expense, net of interest income, paid or accrued; (iii) amortization and depreciation, (iv) Non-Recurring Charges and (v) any non-cash intellectual property impairment charges, non-cash stock compensation expense charges and other non-cash charges (excluding accruals for cash expenses made in the ordinary course of business); less, to the extent included in the calculation of net income, (c) the sum of (i) the income of any Person (other than wholly-owned Subsidiaries of Parent) in which Parent or a wholly-owned Subsidiary of Parent has an ownership interest, except to the extent such income is received by Parent or such wholly-owned Subsidiary in a cash distribution during such period; (ii) gains or losses from sales or other dispositions of assets (other than inventory in the normal course of business) and (iii) extraordinary gains.

“**Environmental Laws**” shall mean any Laws that address, are related to or are otherwise concerned with environmental, health or safety issues, including any Laws relating to any emissions, releases or discharges of Pollutants into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling, clean-up or control of Pollutants or any exposure or impact on worker health and safety.

“**Environmental Liabilities**” shall mean any obligations or liabilities (including any claims, suits or other assertions of obligations or liabilities) that are:

- (a) related to environmental, health or safety issues (including on-site or off-site contamination by Pollutants of surface or subsurface soil or water, and occupational safety and health); and
- (b) based upon or related to (i) any provision of past, present or future United States or foreign Environmental Law (including CERCLA and RCRA) or common law, or (ii) any judgment, order, writ, decree, permit or injunction imposed by any court, administrative agency, tribunal or otherwise.

The term “Environmental Liabilities” includes: (i) fines, penalties, judgments, awards, settlements, losses, damages (including foreseeable and unforeseeable consequential damages), costs, fees (including attorneys’ and consultants’ fees), expenses and disbursements; (ii) defense and other responses to any administrative or judicial action (including claims, notice letters, complaints, and other assertions of liability); and (iii) financial responsibility for (1) cleanup costs and injunctive relief, including any Removal, Remedial or other Response actions, and natural resource damages, and (2) any other compliance or remedial measures.

“**Environmental Schedule**” shall have the meaning assigned to such term in Section 5.1(l) hereof.

“**ERISA**” shall mean the Employee Retirement Income Security Act of 1974, as the same may from time to time be amended, and the rules and regulations of any governmental agency or authority, as from time to time in effect, promulgated thereunder.

“**Equity Equivalent**” shall have the meaning assigned to such term in Section 3.6 hereof.

“**Equity Prepayment**” shall have the meaning assigned to such term in Section 3.6 hereof.

“**Equity Prepayment Premium**” shall have the meaning assigned to such term in Section 3.6 hereof.

“**ERISA Affiliate**” shall mean any Loan Party and any Person who is a member of a group which is under common control with any Loan Party, who together with any Loan Party is treated as a single employer within the meaning of Section 414 of the Internal Revenue Code.

“**Event of Default**” shall mean any of the events of default described in Section 8.1 hereof.

“**Financial Statements**” shall have the meaning assigned to such term in Section 5.1(c) hereof.

“**Financing Statements**” shall have the meaning assigned to such term in Section 4.1(c) hereof.

“**Fiscal Year**” or “fiscal year” shall mean each twelve (12) month period ending on December 31 of each year.

“**Fixed Charge Coverage Ratio**” shall mean, for any period of four (4) consecutive calendar quarters, the ratio of EBITDA of Parent on a Consolidated Basis less Capital Expenditures on a consolidated basis during such period to the Fixed Charges during such period.

“**Fixed Charges**” shall mean, for any period, and each calculated for such period (without duplication) of Parent on a Consolidated Basis, the sum of (a) Cash Interest Expense of the Loan Parties; (b) scheduled payments of principal with respect to all Indebtedness (other than (i) the Revolving Financing and (ii) payments made with respect to Term Loan A and Term Loan C); (c) any provision for income or franchise taxes included in the determination of net income, excluding any provision for deferred taxes; and (d) payment of deferred taxes, income and franchise taxes accrued in any prior period.

“**Foreign Subsidiary**” means, with respect to any Person, a Subsidiary of such Person, which Subsidiary is not incorporated or otherwise organized under the laws of a state of the United States of America.

“**GAAP**” shall have the meaning assigned to such term in Section 1.2 hereof.

“**GMAC**” shall mean GMAC Commercial Finance, LLC, a Delaware limited liability company.

“**GMAC Agent**” shall mean the administrative agent as defined in the GMAC Credit Agreement.

“**GMAC Credit Agreement**” shall mean that certain Amended and Restated Loan and Security Agreement by and among the Loan Parties and GMAC, dated as of May 25, 2007, as such may be amended or modified from time to time as permitted hereunder; and any loan and security agreement, credit agreement or other financing agreement evidencing any refinancing of the Indebtedness evidenced by such GMAC Credit Agreement; provided that (i) the principal amount of such refinanced Indebtedness does not exceed the amount permitted by the definition of “Revolving Financing”, (ii) such Indebtedness does not extend beyond December 31, 2013, (iii) the terms and conditions of the agreements, documents and instruments related to such refinancing, taken as a whole, are not, in the reasonable judgment of Agent or the Required Purchasers, materially more onerous to the Agent and the Required Purchases or the Loan Parties than those set forth in the GMAC Credit Agreement, as in effect on the date of such refinancing and (iv) such Indebtedness, including the documentation therefore, otherwise constitutes Senior Indebtedness under the Intercreditor Agreement and the agent or lender thereunder has executed a joinder or supplement to the Intercreditor Agreement or a new intercreditor agreement on substantially the same terms as the Intercreditor Agreement.

“**GMAC Credit Documents**” shall mean the GMAC Credit Agreement and all ancillary documents and materials entered into in connection with the GMAC Credit Agreement.

“**GMAC Financing**” shall mean, collectively, the Indebtedness and other obligations under or relating to the Revolving Financing.

“**Governmental Authorities**” shall mean any federal, state or municipal court or other governmental department, commission, board, bureau, agency or instrumentality, governmental or quasi-governmental, domestic or foreign.

“**Guaranty**” shall mean any guaranty of the payment or performance of any Indebtedness or other obligation and any other arrangement whereby credit is extended to one obligor on the basis of any promise of another Person, whether that promise is expressed in terms of an obligation to pay the Indebtedness of such obligor, or to purchase an obligation owed by such obligor, or to purchase goods and services from such obligor pursuant to a take-or-pay contract, or to maintain the capital, working capital, solvency or general financial condition of such obligor, whether or not any such arrangement is reflected on the balance sheet of such other Person, firm or corporation, or referred to in a footnote thereto, but shall not include endorsements of items for collection in the ordinary course of business. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any obligation shall be deemed to be equal to the maximum aggregate amount of such obligation or, if the Guaranty is limited to less than the full amount of such obligation, the maximum aggregate potential liability under the terms of the Guaranty.

“**Indebtedness**” shall mean, for any Person at the time of any determination, without duplication, all obligations, contingent or otherwise, of such Person that, in accordance with GAAP, should be classified upon the balance sheet of such Person as indebtedness, but in any event including: (i) all obligations for borrowed money, (ii) all obligations arising from installment purchases of property or representing the deferred purchase price of property or services in respect of which such Person is liable, contingently or otherwise, as obligor or otherwise (other than trade payables and other current liabilities incurred in the ordinary course of business on terms customary in the trade), (iii) all obligations evidenced by notes, bonds, debentures, acceptances or instruments, or arising out of letters of credit or bankers’ acceptances issued for such Person’s account, (iv) all obligations, whether or not assumed, secured by any Lien or payable out of the proceeds or production from any property or assets now or hereafter owned or acquired by such Person, (v) all obligations for which such Person is obligated pursuant to a Guaranty which are classified under GAAP as indebtedness, (vi) the capitalized portion of lease obligations under Capitalized Leases, (vii) all obligations for which such Person is obligated pursuant to any Interest Rate Protection Agreements or derivative agreements or arrangements, (viii) all factoring arrangements and (ix) all obligations of such Person upon which interest charges are customarily paid or accrued.

“**Intellectual Property Agreements**” shall have the meaning assigned to such term in Section 4.1(c) hereof.

“**Intellectual Property Schedule**” shall have the meaning assigned to such term in Section 5.1(r) hereof.

“**Intercreditor Agreement**” shall have the meaning assigned to such term in Section 10.17 hereof.

“**Interest Rate Protection Agreement**” shall mean any interest rate swap, interest rate cap, interest rate collar or other interest rate hedging agreement or arrangement.

“**Investment**” as applied to any Person shall mean the amount paid or agreed to be paid or loaned, advanced or contributed to other Persons, and in any event shall include, without limitation, (i) any direct or indirect purchase or other acquisition of any notes, obligations, instruments, stock, securities or ownership interest (including partnership interests and joint venture interests) and (ii) any capital contribution to any other Person.

“**Laws**” shall mean all U.S. and foreign federal, state or local statutes, laws, rules, regulations, ordinances, codes, policies, rules of common law, and the like, now or hereafter in effect, including any judicial or administrative interpretations thereof, and any judicial or administrative orders, consents, decrees or judgments.

“**Lenders**” shall collectively mean the lenders party to the GMAC Credit Agreement.

“**Liabilities**” shall have the meaning given that term in accordance with GAAP and shall include, without limitation, Indebtedness.

“**Lien**” shall mean any security interest, lien, pledge, bailment, mortgage, hypothecation, deed of trust, conditional sales and title retention agreement (including any lease in the nature thereof), charge, encumbrance or other similar arrangement or interest in real or personal property, now owned or hereafter acquired, whether such interest is based on common law, statute or contract.

“**Litigation Schedule**” shall have meaning assigned to such term in Section 5.1(j) hereof.

“**Loan Party**” and “**Loan Parties**” shall have the meanings assigned to such terms in the preamble hereto.

“**Management**” shall mean generation, production, handling, distribution, processing, use, storage, treatment, operation, transportation, recycling, reuse and/or disposal, as those terms are defined in CERCLA, RCRA and other Environmental Laws (including as those terms are further defined, construed, or otherwise used in rules, regulations, standards, guidelines and publications issued pursuant to, or otherwise in implementation of, such Environmental Laws).



“**Material Adverse Change**” shall mean any change that has a Material Adverse Effect.

“**Material Adverse Effect**” shall mean (a) a material adverse effect on the business, properties, assets, liabilities or condition (financial or otherwise) of the Loan Parties, taken together as a whole, (b) a material impairment of the ability of the Loan Parties, taken as a whole, to perform their material obligations under the Transaction Documents to which they are parties, taken as a whole, or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the Loan Parties of the Transaction Documents to which they are parties, taken as a whole.

“**Material Contracts**” shall have the meaning assigned to such term in Section 5.1(w) hereof.

“**Maturity Date**” shall have the meaning assigned to such term in Section 3.2 hereof.

“**Moody’s**” shall have the meaning assigned to such term in Section 7.2(h) hereof.

“**Multiemployer Plan**” shall mean a multiemployer plan (within the meaning of Section 3(37) of ERISA) that is maintained for the benefit of the employees of the Loan Parties or any member of the Controlled Group.

“**Non-Recurring Charges**” shall mean the sum of the aggregate amount of fees, expenses, financing costs and other expenses incurred in connection with (i) the Parent’s acquisition of certain equity interests and the financing thereof on or about January 6, 2005, to the extent paid substantially contemporaneously with, on or about such acquisition and (ii) the Transactions, to the extent paid substantially contemporaneously with, on or about the Closing Date.

“**Offering Memorandum**” shall mean that certain Second Priority Senior Secured Notes \$40,000,000 Confidential Private Placement Offering Memorandum dated April, 2007, prepared in conjunction with Piper Jaffray & Co.

“**Organization Schedule**” shall have the meaning assigned to such term in Section 5.1(a) hereof.

“**Other Taxes**” shall have the meaning assigned to such term in Section 3.9 hereof.

“**Parent**” shall have the meaning assigned to such term in the preamble hereof.

“**Parent on a Consolidated Basis**” shall mean the consolidation, in accordance with GAAP, of the financial accounts of Parent and its Subsidiaries.

“**Parent SEC Reports**” shall have the meaning assigned to such term in Section 5.1(y) hereof.

“**Patent License**” means all agreements, whether written or oral, providing for the grant by or to the Loan Parties or any of their Subsidiaries of any right to any Patent, including the grant of any right to manufacture, have manufactured, use, import, lease, sell or offer for sale any invention covered in whole or in part by a Patent.

“**Patents**” means (a) all right, title and interest in or relating to letters patent of the United States, any other country or any political subdivision thereof and all reissues, reexaminations, and extensions thereof, (b) all applications for letters patent of the United States or any other country or any political subdivisions thereof and all divisionals, continuations and continuations-in-part thereof and (c) all rights to obtain any reissues, reexaminations or extensions of the foregoing.

“**Patriot Act**” shall have the meaning assigned to such term in Section 5.1(x) hereof.

“**PBGC**” shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, or any other governmental agency, department or instrumentality succeeding to the functions thereof.

“**PCBs**” shall have the mean assigned to such term within the definition of the term “Pollutant” below.

“**Permitted Acquisition**” means any transaction, or any series of related transactions, consummated on or after the date of this Agreement by which the Parent or any Subsidiary thereof (a) acquires any ongoing business or all or a substantially all of the operations or assets of any Person, any division thereof or operating unit thereof, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or in a series of transactions) all or substantially all (in number of votes) of the equity interests of a Person which have ordinary voting power for the election of directors or constitute a majority (by percentage of voting power) of the outstanding equity interests of another Person (any of the foregoing an “**Acquisition**”); provided that:

(i) such Acquisition is made at a time when, after giving effect to such Acquisition and the related financing thereof, no Default or Event of Default exists;

(ii) after giving effect to such Acquisition, no Default or Event of Default exists or would occur based on a 12 month *pro forma* good faith prospective calculation of the covenant set forth in Section 7.3(A) (excluding any Acquisition as a Capital Expenditure), giving effect to the EBITDA of the acquired operations or Person and any higher levels of Indebtedness associated with the acquired operations or Person;

(iii) the acquired Person or post-merger Person (other than any Foreign Subsidiary), if such Acquisition is of equity interests, guarantees all obligations under this Agreement and grants to Agent, for the benefit of Agent and Purchasers, a first Lien upon all of the tangible and intangible personal property of such acquired Person, whether then owned or thereafter acquired or arising, subject only to Liens permitted by this Agreement;

- (iv) if the Acquisition is of equity interests, such Loan Party acquiring such equity interests grants to Agent, for the benefit of Agent and Purchasers, a Lien upon all such equity interests (or not less than 65% of such equity interests if a Foreign Subsidiary) pursuant to a pledge agreement or joinder in form and substance satisfactory to Agent;
- (v) any acquired assets become subject to Liens in favor of Agent, for the benefit of Agent and Purchasers, pursuant to such agreements, instruments and documents as shall be satisfactory in form and substance to Agent, and are free and clear of all other Liens except as permitted under this Agreement;
- (vi) Parent delivers written notice to Agent of its or such Subsidiary's intention to make such Acquisition no less than 15 Business Days prior to the proposed closing date for such Acquisition, together with a certificate that sets forth (A) information regarding liabilities and obligations with respect to tax, ERISA and environmental matters, if any, to be incurred by such Person (including, without limitation, the acquired Person in the event of an Acquisition of equity interests) as a result of such Acquisition, any indemnities afforded under the terms of such Acquisition and the scope and results of any tax, ERISA or environmental review undertaken by the Parent or such Subsidiary in connection therewith and (B) any available financial statements of (1) such acquired Person if such Acquisition of equity interests, and (2) operating unit or division if such Acquisition is of assets;
- (vii) on the date of the closing of the Permitted Acquisition, all representations and warranties under the Transaction Documents shall be true and correct in all material respects as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date;
- (viii) such Acquisition is of or with a Person assembling and selling specialty footwear, apparel and accessories or an industry related thereto;
- (ix) such Acquisition shall have been approved by the board of directors of such Person (or similar governing body if such Person is not a corporation) that is the subject of such Acquisition, and such Person shall not have announced that it will oppose such Acquisition or shall not have commenced any action which alleges that such Acquisition will violate any applicable law;
- (x) the consideration for the Permitted Acquisition shall have been paid only (A) in cash, (B) in deferred installment payments, provided that any indebtedness incurred in connection therewith is permitted pursuant to Section 7.2(a) or equity interests of the Parent or such Subsidiary making such Acquisition, and the purchase price for any such Acquisition, including (1) the original stated purchase price therefor, plus (2) the reasonably estimated transaction costs associated with such Acquisition, plus (3) the amount of Indebtedness for borrowed money assumed (directly or indirectly) as a result thereof, plus (4) all amounts payable of any nature whatsoever, including cost of goods sold, to the seller or any Affiliate of such seller following such Acquisition, shall not exceed the amount set forth in Section 7.2(d) (excluding any portion of any of the foregoing payable in common equity of the Parent or any Subsidiary thereof); and

(xi) on the funding date for any borrowing of any Loans for the purpose of consummating a Permitted Acquisition, Agent shall have received a certificate from an officer of Parent (A) certifying that (1) such Acquisition meets the requirements of the definition of Permitted Acquisition and (2) the liabilities assumed with respect to such Permitted Acquisition do not or are not reasonably likely to have a Material Adverse Effect, and (B) attaching calculations of financial covenant set forth in Section 7.3, copies of the definitive purchase agreement or most recent draft of the same, and copies of all material, business and financial information relating to the business purchased in the Permitted Acquisition, all as Agent may reasonably request.

“**Permitted Encumbrances Schedule**” shall have the meaning assigned to such term in Section 7.2(b) hereof.

“**Permitted Indebtedness Schedule**” shall have the meaning assigned to such term in Section 7.2(a) hereof.

“**Permitted Investment**” shall have the meaning assigned to such term in Section 7.2(h) hereof.

“**Permitted Liens**” shall have the meaning assigned to such term in Section 7.2(b) hereof.

“**Permitted Sale/Leaseback**” means any transaction, or any series of related transactions, consummated on or after the date of this Agreement by which the Parent or any Subsidiary thereof (a) sells any of its real property and equipment which is subject to, as of the Closing Date, a Lien in favor of General Electric Capital Business Asset Funding Corporation and, substantially simultaneously therewith, (b) leases such real property (or a portion thereof) from the purchaser thereof or an Affiliate of such purchaser, or otherwise enters into a contractual relationship pursuant to which such purchaser (or an Affiliate thereof) provides logistic services for one or more of the Loan Parties at such property; provided that:

- (i) such sale/leaseback is made at a time when, after giving effect thereto, no Default or Event of Default exists;
- (ii) the entire balance of the mortgage secured by such real property is paid in full from the sale proceeds thereof;
- (iii) any Net Cash Proceeds (as defined in the GMAC Credit Agreement) thereof are remitted to GMAC Agent in accordance with the GMAC Credit Agreement; and
- (iv) any non-cash proceeds thereof consisting of any notes or other evidence of Indebtedness are delivered to the GMAC Agent as additional Collateral, together with such Transaction Documents as Agent may reasonable request in connection therewith.

“**Person**” shall mean any individual, partnership, limited partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or governmental entity or department, agency or political subdivision thereof.

“**Plan**” shall mean any employee benefit plan (within the meaning of Section 3(3) of ERISA), other than a Multiemployer Plan, established or maintained by the Loan Parties or any member of the Controlled Group.

“**Pledge Agreement**” shall have the meaning assigned to such term in Section 4.1(c) hereof.

“**Pollutant**” shall include any “hazardous substance” and any “pollutant or contaminant” as those terms are defined in CERCLA; any “hazardous waste” as that term is defined in RCRA; and any “hazardous material” as that term is defined in the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), as amended (including as those terms are further defined, construed, or otherwise used in rules, regulations, or standards promulgated pursuant to, or otherwise in implementation of, said Environmental Laws); and including without limitation any petroleum product or byproduct, solvent, flammable or explosive material, radioactive material, asbestos, polychlorinated biphenyls (“PCBs”), dioxins, dibenzofurans, heavy metals, and radon gas; and including any other substance or material that is reasonably determined to present a threat, hazard or risk to human health or the environment.

“**Prepayment Fee**” shall mean a non-refundable fee payable *pro rata* to the Purchasers equal to the principal amount of any Senior Term Note prepaid pursuant to Section 3.3 or 3.5, multiplied by (i) five percent (5%), if such prepayment occurs during the period beginning with the first anniversary of the Closing Date and ending with the day immediately preceding the second anniversary of the Closing Date, (ii) three percent (3%), if such prepayment occurs during the period beginning with the second anniversary of the Closing Date and ending with the day immediately preceding the third anniversary of the Closing Date, (iii) one and one-half percent (1.5%) if such prepayment occurs during the period beginning with the third anniversary of the Closing Date and ending with the day immediately preceding the fourth anniversary of the Closing Date, and (iv) zero percent (0%) if such prepayment occurs at any time thereafter.

“**Pro Forma Balance Sheet**” shall have the meaning assigned to such term in Section 5.1(c)(iii).

“**Properties and Facilities**” shall have the meaning assigned to such term in Section 5.1(q) hereof.

“**Properties Schedule**” shall have the meaning assigned to such term in Section 5.1(q) hereof.

“**Proprietary Rights**” shall mean, collectively, whether now owned or hereafter acquired or existing, (a) all right, title and interest of the Loan Parties or any of their Subsidiaries in or relating to intellectual property or industrial property, whether arising under United States, multinational or foreign laws or otherwise, including Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks, Trademark Licenses, trade secrets, Internet domain names and domain name registrations, software and contract rights relating to software, websites, advertising rights, rights in designs, including registrations thereof, and rights in data, and (b) all right to income, royalties, proceeds and damages now or hereafter due and/or payable under and with respect thereto, including all rights to sue and recover at law or in equity for any past, present and future infringement, misappropriation, dilution, violation or other impairment thereof.

“**Purchaser**” and “**Purchasers**” shall have the meanings assigned to such terms in the preamble hereto and in Section 6.2 hereof.

“**RCRA**” shall mean the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), as amended, and all rules, regulations, standards, guidelines, and publications issued thereunder.

“**Refinancing**” shall have the meaning assigned to such term in the recitals hereto.

“**Removal**,” “**Remedial**” and “**Response**” actions shall include the types of activities “covered” by CERCLA, RCRA, and other comparable Environmental Laws, and whether the activities are those that might be taken by a government entity or those that a government entity or any other person might seek to require of waste generators, handlers, distributors, processors, users, storers, treaters, owners, operators, transporters, recyclers, reusers, disposers, or other persons under “removal,” “remedial,” or other “response” actions.

“**Reportable Event**” shall mean any of the events that are reportable under Section 4043 of ERISA and the regulations promulgated thereunder, other than an occurrence for which the thirty (30) day notice contained in 29 C.F.R. § 2615.3(a) is waived.

“**Required Purchasers**” shall mean, at any time, the Purchasers holding a pro rata percentage of the outstanding principal amount of the Senior Term Notes aggregating at least 50.1% at such time.

“**Revolving Financing**” shall mean a secured revolving line of credit facility pursuant to the GMAC Credit Agreement in an aggregate principal amount not to exceed \$100,000,000, provided, however, that the outstanding principal amount of Revolving Financing may be increased to \$110,000,000, so long as the advance rates and standards for determining the eligible receivables and eligible inventory for inclusion in the borrowing base under the GMAC Credit Agreement in effect on the Closing Date support such increase and are satisfied.

“**S&P**” shall have the meaning assigned to such term in Section 7.2(h) hereof.

“**Sarbanes Oxley**” shall mean the United States Sarbanes-Oxley Act of 2002.

“**SEC**” shall mean the Securities and Exchange Commission and any governmental body or agency succeeding to the functions thereof.

“**Securities Act**” shall mean the Securities Act of 1933, as amended.

“**Securities Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended.

“**Securitization**” shall have the meaning assigned to such term in Section 10.18 hereof.

“**Security Agreement**” shall have the meaning assigned to such term in Section 4.1(c) hereof.

“**Security Documents**” shall mean the Security Agreement, the Pledge Agreement, the Financing Statements, and all other documents, instruments and other materials necessary to create or perfect the security interests created pursuant to the Security Agreement.

“**Senior Term Notes**” shall have the meaning assigned to such term in Section 2.1 hereof.

“**Subsidiary**” of any corporation shall mean any other corporation or limited liability company of which the outstanding capital stock possessing a majority of voting power in the election of directors (otherwise than as the result of a default) is owned or controlled by such corporation directly or indirectly through Subsidiaries.

“**Subsidiary Schedule**” shall have the meaning assigned to such term in Section 5.1(e) hereof.

“**Taxes**” shall have the meaning assigned to such term in Section 3.9 hereof.

“**Term Loan A**” shall have the meaning assigned to such term in the recitals hereto.

“**Term Loan C**” shall have the meaning assigned to such term in the recitals hereto.

“**Third Party Proprietary Rights**” means any right, title or interest of any Person other than the Loan Parties or any of their Subsidiaries under patent, copyright, trademark or trade secret law or any other statutory provision or common law doctrine relating to intellectual property or proprietary rights.

“**Trademark License**” means any agreement, whether written or oral, providing for the grant by or to the Loan Parties or any of their Subsidiaries of any right under any Trademark.

“**Trademarks**” means (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, service marks, logos and other source or business identifiers, and, in each case, all goodwill associated therewith, whether now owned or hereafter acquired or existing, all registrations and recordings thereof and all applications in connection therewith, in each case whether in the United States Patent and Trademark Office or in any similar office or agency of any state thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, and (b) the right to obtain all renewals and extensions thereof.

“**Transaction Documents**” shall mean this Agreement, the Senior Term Notes and the Security Documents and all other agreements, instruments and documents delivered in connection therewith as any or all of the foregoing may be supplemented or amended from time to time.

“**Transactions**” shall mean the incurrence of debt and the issuance of securities in connection therewith, as contemplated by this Agreement, the Senior Term Notes, the consummation of the Refinancing, and all other agreements contemplated hereby and thereby.

“**UCC**” shall mean the New York Uniform Commercial Code.

“**UST**” shall mean an underground storage tank, including as that term is defined, construed and otherwise used in RCRA and in rules, regulations, standards, guidelines and publications issued pursuant to RCRA and comparable state and local laws.

**1.2 Accounting Principles.** The character or amount of any asset, liability, capital account or reserve and of any item of income or expense to be determined, and any consolidation or other accounting computation to be made, and the construction of any definition containing a financial term, pursuant to this Agreement shall be determined or made in accordance with generally accepted accounting principles in the United States of America consistently applied (“**GAAP**”), unless such principles are inconsistent with the express requirements of this Agreement. In the event any “Accounting Changes” (as defined below) shall occur and such changes affect financial covenants, standards or terms in this Agreement, then Loan Parties and Required Purchasers agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of the Loan Parties shall be the same after such Accounting Changes as if such Accounting Changes had not been made, and until such time as such an amendment shall have been executed and delivered by Loan Parties and Requisite Lenders, (A) all financial covenants, standards and terms in this Agreement shall be calculated and/or construed as if such Accounting Changes had not been made, and (B) the Loan Parties shall prepare footnotes to each compliance certificate and the financial statements required to be delivered hereunder that show the differences between the financial statements delivered (which reflect such Accounting Changes) and the basis for calculating financial covenant compliance (without reflecting such Accounting Changes). “Accounting Changes” means: (a) changes in accounting principles required by GAAP and implemented by Loan Parties and (b) changes in accounting principles recommended by Loan Parties’ accountants.



**1.3 Other Definitional Provisions; Construction.** Whenever the context so requires, neuter gender includes the masculine and feminine, the singular number includes the plural and vice versa. The word “including” when used herein shall mean “including without limitation” unless the context states otherwise. The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and references to any section, article, annex, schedule, exhibit or like references are references to this Agreement unless otherwise specified. A Default or Event of Default shall “continue” or be “continuing” until such Default or Event of Default has been cured or waived by Agent and the Required Purchasers or the Purchasers, as applicable, pursuant to Section 10.2. References in this Agreement to any Persons shall include such Persons, successors and permitted assigns. Other terms contained in this Agreement (which are not otherwise specifically defined herein) shall have the meanings provided to such terms in Article 9 of the UCC on the date hereof to the extent the same are used or defined therein.

## **ARTICLE 2 ISSUE AND SALE OF THE SENIOR TERM NOTES**

**2.1 Senior Term Notes.** On the Closing Date, the Loan Parties duly authorized the issuance to the Purchasers designated on Annex A of \$40,000,000 aggregate principal amount of the Loan Parties’ Second Priority Senior Secured Notes due May 25, 2012 (together with any promissory notes issued in substitution therefor pursuant to Sections 6.3 and 6.4, the “**Senior Term Notes**”) substantially in the form of the promissory notes made by the Loan Parties in favor of the Purchasers thereof in the form attached hereto as Exhibit A.

**2.2 Sale and Purchase.** Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Loan Parties shall sell to the Purchasers, and the Purchasers shall purchase from the Loan Parties, in amounts designated in Annex B, the Senior Term Notes in the aggregate principal amount set forth in Section 2.1 hereof.

**2.3 The Closing.** Delivery of and payment for the Senior Term Notes (the “**Closing**”) shall be made at on May 25, 2007, or at such other date as may be mutually agreeable to the Loan Parties and the Purchasers. The date and time of the Closing as finally determined pursuant to this Section 2.3 are referred to herein as the “**Closing Date**.” Delivery of the Senior Term Notes shall be made to the Purchasers against payment of the purchase price therefor, less any amounts payable pursuant to Section 4.1(g) hereof, by wire transfer of immediately available funds in the manner agreed to by the Loan Parties and the Purchasers. The Senior Term Notes shall be issued in such name or names and in such permitted denomination or denominations, numbers and amounts as set forth in Annex A or as the Purchasers may request in writing not less than two (2) Business Days before the Closing Date.

## **ARTICLE 3 REPAYMENT OF SENIOR TERM NOTES**

### **3.1 Interest Rates and Interest Payments**

(a) **Senior Term Notes.** The Loan Parties, jointly and severally, covenant and agree to make payments to the Purchasers holding Senior Term Notes, of accrued interest on the Senior Term Notes semi-annually in arrears on the first Business Day of each June and December, commencing on December 1, 2007, through the date of repayment in full of the Senior Term Notes. The Senior Term Notes shall bear interest on the outstanding principal thereof at a rate equal to the fixed rate of eleven and one-half percent (11.50%).

(b) **Computation of Interest.** Interest on the Senior Term Notes shall be computed on the basis of a year with three hundred sixty (360) days and twelve 30-day months.

**3.2 Repayment of Senior Term Notes.** The Loan Parties, jointly and severally, covenant and agree to repay any and all unpaid principal on the Senior Term Notes, together with all accrued and unpaid interest, fees and other amounts due in connection with the Senior Term Notes upon maturity of the Senior Term Notes on May 25, 2012 (the “**Maturity Date**”).

**3.3 Optional Prepayment of Senior Term Notes.** At any time on or after the first anniversary of the Closing Date, subject to the terms of this Section 3.3, and in connection with any Equity Prepayment pursuant to Section 3.9 (regardless of when such event occurs), the Loan Parties may prepay to the Purchasers the outstanding principal amount of the Senior Term Notes in whole or in part in multiples of \$500,000, or such lesser amount as is then outstanding, plus accrued interest, if any, to the date set for prepayment on the principal amount to be repaid. At the time of each such prepayment made at any time prior to the fourth anniversary of the Closing Date, the Loan Parties shall pay to the Purchasers the applicable Prepayment Fee or Equity Prepayment Premium. All such prepayments shall be so applied after application of such prepayment to any accrued interest payable, if any, in connection therewith and any applicable Prepayment Fee or Equity Prepayment Premium.

**3.4 Notice of Optional Prepayment.** If the Loan Parties shall elect to prepay any Senior Term Notes pursuant to Section 3.3 hereof, the Loan Parties shall give notice of such prepayment to the Agent and the Purchasers not less than thirty (30) days or more than ninety (90) days prior to the date fixed for prepayment, specifying (i) the date on which such prepayment is to be made, (ii) the principal amount of such Senior Term Notes to be prepaid on such date and (iii) the applicable Prepayment Fee or Equity Prepayment Premium, if any, and accrued interest applicable to such prepayment. Such notice shall be accompanied by a certificate of the Chief Executive Officer, the Chief Financial Officer, or the Chief Operating Officer of Parent that such prepayment is being made in compliance with Section 3.3. Notice of prepayment having been so given, the aggregate principal amount of the Senior Term Notes specified in such notice, together with accrued interest thereon and the premium, if any, shall become due and payable on the prepayment date set forth in such notice.

**3.5 Mandatory Prepayment: Change of Control; Event of Default.**

(a) Upon the occurrence of a Change of Control, each Purchaser shall have the right to require the Loan Parties to repurchase all or any part of such Purchaser’s Senior Term Notes pursuant to the offer described below (the “Change of Control Offer”) at an offer price (the “Change of Control Payment”) in cash equal to the outstanding principal amount of the applicable Senior Term Notes, together with all accrued and unpaid interest, fees, expenses and a premium for the ratable benefit of the Purchasers equal to five percent (5%) of the aggregate outstanding principal amounts of the Senior Term Notes being prepaid, in each case as of the date of purchase (the “Change of Control Payment Date”). The Loan Parties will make the Change of Control Offer by delivering a written notice of such offer to the Purchasers at least five (5) Business Days prior to the occurrence of a Change of Control, specifying the Change of Control Payment Date (which such date shall not be more than five (5) Business Days following such Change of Control). A Purchaser may accept such Change of Control Offer by delivering a written notice of acceptance to the Loan Parties within five (5) Business Days after receipt of the Change of Control Offer specifying the amount of the Senior Term Notes to be redeemed.

(b) By 2:00 p.m. (noon) Central Time on the Change of Control Payment Date, the Loan Parties shall (1) accept for payment all Senior Term Notes or portions thereof properly tendered pursuant to the Change of Control Offer, and (2) pay via wire transfer in immediately available funds an amount equal to the Change of Control Payment in respect of all Senior Term Notes or portions thereof so tendered. All payments under this Section 3.5 shall be applied first to all costs, expenses, indemnities and other amounts payable hereunder and under the applicable Senior Term Notes, then to payment of default interest, if any, then to payment of premium, if any, then to payment of accrued interest and thereafter to payment of principal. The Loan Parties shall send to each Purchaser that has tendered its Senior Term Notes the applicable Change of Control Payment for such Senior Term Notes, and the Loan Parties shall promptly execute and mail to each Purchaser a new Senior Term Note equal in principal amount to any unpurchased portion of the Senior Term Notes surrendered, if any.

(c) In addition, the Senior Term Notes shall be prepaid in full, together with all accrued and unpaid interest, fees, any applicable Prepayment Fee, for the ratable benefit of the Purchasers, and expenses upon such Senior Term Notes becoming due as a consequence of an Event of Default (other than due to a Change of Control) pursuant to Section 8.2. If the Senior Term Notes shall become due prior to the first anniversary of the Closing Date as a result of an Event of Default, the applicable Prepayment Fee shall be deemed to be 5.0% of the aggregate principal amount of the Senior Term Notes prepaid.

**3.6 Equity Payment.** In the event the Parent or any Subsidiary shall at any time or from time to time issue any equity securities to any Person other than the Parent or any Subsidiary thereof, notwithstanding any provision of this Agreement, but subject to the terms of this Section 3.6, the Loan Parties may prepay to the Purchasers, on a ratable basis, from the net cash proceeds of any such equity issuance, up to 35% of the aggregate outstanding principal amount of the Senior Term Notes then outstanding (an “**Equity Prepayment**”) in whole or in part in multiples of \$500,000, or such lesser amount as is then outstanding, plus accrued interest, if any, to the date set for prepayment on the principal amount to be repaid. If any such prepayment or redemption is made at any time prior to the first anniversary of the Closing Date, the Loan Parties shall pay to the Purchasers a prepayment premium (an “**Equity Prepayment Premium**”) (expressed as a percentage of principal amount) equal to 11.50% of the aggregate principal amount of the Senior Term Notes prepaid or redeemed with each Equity Prepayment. If any such prepayment or redemption is made at any time on or after the first anniversary of the Closing Date, the Loan Parties shall pay to the Purchasers any applicable Prepayment Fee on the Senior Term Notes prepaid or redeemed with each Equity Prepayment to the extent applicable. In the event of any such prepayment from the net cash proceeds of an equity issuance, at the election of the Parent, and provided no Default or Event of Default then exists, such Equity Prepayment Premium or Prepayment Fee may be paid, subject to the terms of this Section 3.6, either in cash or in equity securities of the Parent. If the Parent elects to pay such Equity Prepayment Premium or Prepayment Fee in equity securities rather than cash, such securities shall be paid in registered, marketable, publicly traded equity securities of the Parent in an amount equal to the Equity Equivalent (as defined below). If the Parent elects to prepay any Senior Term Notes pursuant to this Section 3.6 hereof, the Parent shall give notice of such prepayment to Agent and the Purchasers not less than forty-five (45) days or more than one hundred and five (105) days prior to the date fixed for such Equity Prepayment, specifying (i) the date on which such prepayment is to be made, (ii) the principal amount of such Senior Term Notes to be prepaid on such date, (iii) such Equity Prepayment Premium or Prepayment Fee, if any, and accrued interest applicable to such prepayment and (iv) whether such Equity Prepayment Premium or Prepayment Fee will be paid in cash or equity securities. Such notice shall be accompanied by a certificate of the Chief Executive Officer, the Chief Financial Officer, or the Chief Operating Officer of Parent that such prepayment is being made in compliance with this Section 3.6. Notice of prepayment having been so given, the aggregate principal amount of the Senior Term Notes specified in such notice, together with accrued interest thereon and the premium, if any, shall become due and payable on the prepayment date set forth in such notice. “Equity Equivalent” shall be determined by dividing (i) the cash value of the applicable Equity Prepayment Premium or Prepayment Fee by (ii) the per share average closing price of Parent’s equity securities as reported on the exchange on which such equity securities are then listed for the seven trading days prior to a date that is three trading days prior to the date fixed for prepayment or redemption.

**3.7 Home Office Payment.** The Loan Parties will pay all sums becoming due on any Senior Term Note for principal, prepayment penalty, if any, and interest to the respective Purchasers by the method and at the address specified for such purpose in Annex A, or by such other method or at such other address as the Purchasers shall have from time to time specified to the Loan Parties in writing for such purpose, without the presentation or surrender of such Senior Term Note or the making of any notation thereon, except that upon written request of the Loan Parties made concurrently with or reasonably promptly after payment or prepayment in full of any Senior Term Note, each holder of a Senior Term Note shall surrender such Senior Term Note for cancellation, reasonably promptly after such request, to the Loan Parties at their principal executive office. Notwithstanding anything to the contrary contained herein, all payments of principal and interest due from the Loan Parties hereunder shall be made to the Purchasers on an equal and ratable basis.

**3.8 Maximum Lawful Rate.** This Agreement, the Senior Term Notes and the other Transaction Documents are hereby limited by this Section 3.8. In no event, whether by reason of acceleration of the maturity of the amounts due hereunder or otherwise, shall interest and fees contracted for, charged, received, paid or agreed to be paid to the Purchasers exceed the maximum amount permissible under applicable Law. If, from any circumstance whatsoever, interest and fees would otherwise be payable to Agent or the Purchasers in excess of the maximum amount permissible under applicable Law, the interest and fees shall be reduced to the maximum amount permitted under such Law. If from any circumstance, Agent or the Purchasers shall have received anything of value deemed interest by applicable Law in excess of the maximum lawful amount, an amount equal to any excess of interest shall be applied to the reduction of the principal amount of the Senior Term Notes, in such manner as may be determined by the Purchasers, and not to the payment of fees or interest, or if such excess interest exceeds the unpaid balance of the principal amount of the Senior Term Notes, such excess shall be refunded to the Loan Parties.

**3.9 Taxes.** Any and all payments by the Loan Parties hereunder or under the Senior Term Notes or other Transaction Documents that are made to or for the benefit of the Purchasers shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings and penalties, interests and all other liabilities with respect thereto (collectively, “**Taxes**”), excluding taxes imposed on Agent’s or the Purchasers’ net income or capital and franchise taxes imposed on any of them by the jurisdiction under the laws of which any of them is organized or any political subdivision thereof (all such non-excluded Taxes being hereinafter referred to as “**Covered Taxes**”). If any of the Loan Parties shall be required by Law to deduct any Covered Taxes from or in respect of any sum payable hereunder or under any Senior Term Notes or other Transaction Documents to the Purchasers the sum payable shall be increased as may be necessary so that after making all required deductions of Covered Taxes (including deductions of Covered Taxes applicable to additional sums payable under this paragraph), each Purchaser receives an amount equal to the sum it would have received had no such deductions been made. The Loan Parties shall make such deductions and the Loan Parties shall pay the full amount so deducted to the relevant taxation authority or other authority in accordance with applicable law. In addition, the Loan Parties agree to pay any present or future stamp, documentary, excise, privilege, intangible or similar levies that arise at any time or from time to time from any payment made under any and all Transaction Documents or from the execution or delivery by the Loan Parties or from the filing or recording or maintenance of, or otherwise with respect to the exercise by Agent or the Purchasers of their respective rights under any and all Transaction Documents (collectively, “**Other Taxes**”). The Loan Parties will indemnify Agent and the Purchasers for the full amount of Covered Taxes imposed on or with respect to amounts payable hereunder and Other Taxes, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payment of this indemnification shall be made within thirty (30) days from the date Agent or the Purchasers provide the Loan Parties with a certificate certifying and setting forth in reasonable detail the calculation thereof as to the amount and type of such Taxes. Any such certificates submitted by Agent or the Purchasers in good faith to the Loan Parties shall, absent manifest error, be final, conclusive and binding on all parties. The obligations of the Loan Parties under this Section 3.9 shall survive the payment of the Senior Term Notes and the termination of this Agreement. Within thirty (30) days after the Loan Parties having received a receipt for payment of Covered Taxes and/or Other Taxes, the Loan Parties shall furnish to the Purchasers the original or certified copy of a receipt evidencing payment thereof.

**3.10 Capital Adequacy.** If, after the date hereof, either the introduction of or any change of the interpretation of any Law or the compliance by the Purchasers with any guideline or request from any Governmental Authority (whether or not having the force of Law) has or would have the effect of reducing the rate of return on the capital or assets of the Purchasers as a consequence of, as determined by Agent or the Purchasers in their reasonable discretion, the existence of any Purchaser’s obligations under this Agreement or any other Transaction Documents, then, upon demand by the Purchasers, the Loan Parties immediately shall pay to the Purchasers, from the time as specified by Purchasers, additional amounts sufficient to compensate the Purchaser in light of such circumstances. The obligations of the Loan Parties under this Section 3.10 shall survive the payments of the Senior Term Notes and the termination of this Agreement.

**3.11 Certain Waivers.** The Loan Parties unconditionally waive (i) any rights to presentment, demand, protest or (except as expressly required hereby) notice of any kind, and (ii) any rights of rescission, setoff, counterclaim or defense to payment under the Senior Term Notes or otherwise that the Loan Parties may have or claim against any Purchaser, Agent or any prior Purchaser or Agent.

#### ARTICLE 4 CONDITIONS

**4.1 Conditions to the Purchase of the Senior Term Notes** The obligation of the Purchasers to purchase and pay for the Senior Term Notes is subject to the satisfaction, prior to or at the Closing, of the following conditions:

- (a) **Representations and Warranties True.** The representations and warranties contained in Article 5 hereof shall be true and correct at and as of the Closing Date as though then made, except to the extent of changes caused by the transactions expressly contemplated herein.
- (b) **Material Adverse Change.** There shall have been no Material Adverse Change in the business, financial condition, assets, Business or prospects of Parent on a Consolidated Basis (prior to the effective date of the Transactions), or the capital markets since December 31, 2006.
- (c) **Security Agreement; Etc.** The Loan Parties and Agent, for the benefit of the Purchasers, shall have entered into (i) a security agreement or security agreements with Agent, in form and substance as set forth in Exhibit B attached hereto (as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof, the "**Security Agreement**"), (ii) security agreements for all Patents, Patent Licenses, Trademarks, Trademark Licenses and registered Copyrights of the Loan Parties in form and substance reasonably acceptable to Agent for filing with the United States Patent and Trademark Office and the United States Copyright Office in the form set forth in Exhibit C attached hereto (such security agreements set forth under the foregoing (ii), as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof, the "**Intellectual Property Agreements**"), (iii) a stock pledge and security agreement in form and substance as set forth in Exhibit D attached hereto (as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof, the "**Pledge Agreement**") and (iv) if reasonably requested by GMAC Agent and Agent, the Loan Parties and their depository banks shall have entered into deposit account control agreements in form and substance satisfactory to Agent ("**Deposit Account Control Agreements**"). The Loan Parties shall have executed and delivered to Agent, for the benefit of the Purchasers, an authorization to file such financing statements and other instruments (collectively, "**Financing Statements**"), and shall have delivered to Agent such certificates, instruments and documents, as Agent shall reasonably require in order to perfect and maintain the continued perfection of the security interests created by the agreements described herein. Agent shall have received reports of filings with appropriate government agencies showing that there are no Liens on the assets of the Loan Parties other than Permitted Liens.

(d) **Intercreditor Agreement.** Agent, GMAC Agent and Loan Parties shall have executed the Intercreditor Agreement on terms reasonably satisfactory to Agent and the Purchasers.

(e) **Charter and Bylaws.** Each Loan Party shall have made such amendments to its articles of incorporation, certificate of incorporation, By-laws, membership agreement and such other documents as the Purchasers shall reasonably request.

(f) **Closing Documents.** The Loan Parties will have delivered or caused to be delivered to Agent all of the following documents in form and substance satisfactory to Agent:

(i) a Senior Term Note for each Purchaser pursuant to Section 2.1 and Annex A hereof in the respective aggregate original principal amounts as set forth herein, duly completed and executed by the Loan Parties;

(ii) certificates of good standing dated not more than thirty (30) days prior to the Closing Date for the Loan Parties, issued by their respective jurisdiction of organization and each jurisdiction where a Loan Party is qualified to operate as a foreign corporation, or its equivalent, except where the failure to so qualify is not reasonably likely to have a Material Adverse Effect;

(iii) a copy of the Charter Documents of each of the Loan Parties, certified by the appropriate governmental official of the jurisdiction of its organization as of a date not more than thirty (30) days prior to the Closing Date;

(iv) a copy of the By-laws or members agreement of the Loan Parties, certified as of the Closing Date by the secretary, assistant secretary, manager or general partner, as applicable, of the Loan Parties;

(v) a certificate of the secretary or assistant secretary, manager or general partner of the Loan Parties, certifying as to the names and true signatures of the officers or other authorized person of the Loan Parties authorized to sign this Agreement and the other documents to be delivered by the Loan Parties hereunder;

(vi) copies of the resolutions duly adopted by the board of directors, general partners, board of managers or other governing body of the Loan Parties, authorizing the execution, delivery and performance by the Loan Parties of this Agreement and each of the other agreements, instruments and documents contemplated hereby to which each of the Loan Parties is a party to, and the consummation of all of the other Transactions, certified as of the Closing Date by the secretary, assistant secretary, manager or general partner of the Loan Parties;

(vii) a certificate dated as of the Closing Date from an officer, general partner or manager of each of the Loan Parties stating that the conditions specified in this Section 4.1 have been fully satisfied or waived by Agent and the Purchasers;

- (viii) certificates of insurance evidencing the existence of all insurance required to be maintained by the Loan Parties pursuant to Section 7.1(c), and Agent and the Purchasers shall be satisfied with the type and extent of such coverage;
- (ix) an opinion of Porter, Wright, Morris & Arthur LLP, counsel to Parent, in form and substance satisfactory to Agent and the Purchasers;
- (x) copies of all material leases and contracts to which each of the Loan Parties is a party; and
- (xi) such other documents relating to the Transactions contemplated by this Agreement as Agent, any Purchaser or their respective counsel may reasonably request.

(g) **Purchaser's Fees and Expenses.**

(i) **Other Fees and Expenses.** On the Closing Date, the Loan Parties shall have paid the fees and expenses of Agent and the Purchasers, payable by the Loan Parties pursuant to Section 10.4 hereof (and the Loan Parties hereby authorize each Purchaser to deduct all such applicable amounts from the aggregate proceeds of the sale of the Senior Term Notes by the Loan Parties).

(h) **Legal Investment.** On the Closing Date, the Purchasers' purchases of the Senior Term Notes shall not be prohibited by any applicable law, rule or regulation of any Governmental Authority (including, without limitation, Regulations T, U or X of the Board of Governors of the Federal Reserve System) as a result of the promulgation or enactment thereof or any changes therein, or change in the interpretation thereof by any Governmental Authority, subsequent to the date of this Agreement.

(i) **Proceedings.** All proceedings taken or required to be taken in connection with the transactions contemplated hereby to be consummated at or prior to the Closing and all documents incident thereto will be satisfactory in form and substance to Agent, each Purchaser and their respective counsel.

(j) **Charter and Bylaw Amendments.** The Loan Parties shall have entered into such amendments to their respective articles of incorporation or certificates of incorporation and Bylaws as the Purchasers shall reasonably request.

(k) **Consummation of GMAC Financing and Refinancing.** The GMAC Financing shall have been consummated in form and substance satisfactory to the Purchasers in the Purchasers' sole discretion and the Purchasers shall have been provided copies of all agreements, instruments and documents in connection therewith. The Refinancing shall have occurred and the Agent shall have received payoff and lien release letters and/or other evidence thereof satisfactory to the Agent.

**4.2 Waiver.** Any condition specified in this Article 4 may be waived by Agent and the Purchasers; provided that no such waiver will be effective unless it is set forth in a writing executed by Agent and the Purchasers.



**ARTICLE 5**  
**REPRESENTATIONS AND WARRANTIES OF THE LOAN PARTIES**

**5.1 Representations and Warranties of the Loan Parties.** As a material inducement to Agent and the Purchasers to enter into this Agreement and for the Purchasers to purchase the Senior Term Notes, Parent for itself and each Loan Party and each Loan Party as to itself, hereby represent and warrant to Agent and the Purchasers as follows:

(a) **Organization and Power.** Each of the Loan Parties is a legal entity of the type designated on Schedule 5.1(a). Each of the Loan Parties is duly organized, validly existing and in good standing under the laws of its state of formation. Each of the Loan Parties has all requisite corporate or other organizational power and authority and all material licenses, permits, approvals and authorizations necessary to own and operate its properties, to carry on its businesses as now conducted and presently proposed to be conducted and to carry out the Transactions, and is qualified to do business in the jurisdictions listed on the “**Organizational Schedule**” attached hereto as Schedule 5.1(a), which includes every jurisdiction where the failure to so qualify is reasonably likely to have a Material Adverse Effect. Each of the Loan Parties has its principal place of business as set forth on the Organizational Schedule. The copies of the Charter Documents and By-laws of each of the Loan Parties that have been furnished to Agent reflect all amendments made thereto at any time prior to the date of this Agreement and are correct and complete.

(b) **Principal Business.** The Loan Parties are primarily engaged in the business of assembling and selling specialty footwear and related apparel and accessories (the “**Business**”).

(c) **Financial Statements.**

(i) **Financial Statements; Historical Statements.** Parent has delivered to Agent copies of its audited consolidated year-end financial statements for and as of the end of its fiscal year ended December 31, 2006, and unaudited balance sheet, income statements and cash flow statements for the three (3) month period ended March 31, 2007 (together, the “**Financial Statements**”). The Financial Statements were compiled from the books and records maintained by Parent’s management are correct and complete and fairly represent the consolidated financial condition of Parent as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied (with such interim financial statements being subject to the absence of footnotes required by GAAP and subject to normal year-end adjustments).

(ii) **Offering Memorandum.** The projected financial information contained in the Offering Memorandum has been prepared in good faith based upon assumptions believed to be reasonable at the time of the preparation thereof.

(iii) **Pro Forma Balance Sheet.** The unaudited pro forma balance sheet of Parent on a Consolidated Basis as of the Closing Date, a copy of which has heretofore been delivered to Agent, gives pro forma effect to the consummation of the Refinancing, the initial extensions of credit made under this Agreement, and the payment of transaction fees and expenses related to the foregoing, all as if such events had occurred on such date (the “**Pro Forma Balance Sheet**”). The Pro Forma Balance Sheet has been prepared in a manner consistent with customary accounting practices and the financial statements described in Section 5.1(c)(i) (subject to the absence of footnotes required by GAAP and subject to normal year-end adjustments) and, subject to stated assumptions made in good faith and having a reasonable basis set forth therein, presents fairly the financial condition of the Loan Parties on an unaudited pro forma basis as of the date set forth therein after giving effect to the consummation of the transactions described above.

(iv) **Accuracy of Financial Statements.** As of the dates of such Financial Statements, Parent on a Consolidated Basis did not have any liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Financial Statements or in the notes thereto, and except as disclosed therein, as of such dates, there are no unrealized or anticipated losses from any commitments of the Loan Parties that are reasonably likely to have a Material Adverse Effect.

(d) **Capitalization and Related Matters.** As of the Closing Date and immediately thereafter, the authorized capital stock of Parent is as set forth on the “**Capitalization Schedule**” attached hereto as Schedule 5.1(d). As of the Closing Date, the authorized capital stock or other equity interests of each of the Subsidiaries of Parent and the number and ownership of all outstanding capital stock or equity interests of each of the Loan Parties (other than Parent) is set forth on Schedule 5.1(d). Except as set forth on the Schedule 5.1(d), as of the Closing Date, none of the Loan Parties will have outstanding any stock or securities convertible into or exchangeable for any shares of its capital stock and none will have outstanding any rights or options to subscribe for or to purchase its capital stock or other equity interests or any stock or securities convertible into or exchangeable for its capital stock or other equity interests. As of the Closing Date, none of the Loan Parties will be subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock or other equity interests. As of the Closing Date, all of the outstanding shares and capital stock or other equity interests of the Loan Parties will be validly issued, fully paid and nonassessable. None of the Loan Parties have violated any applicable federal or state securities laws in any material respect in connection with the offer, sale or issuance of any of its capital stock or other equity interests, and the offer, sale and issuance of the Senior Term Notes hereunder do not require registration under the Securities Act or any applicable state securities laws.

(e) **Subsidiaries.** Except as set forth on the “**Subsidiary Schedule**”, attached hereto as Schedule 5.1(e), the Loan Parties do not own, or hold any rights to acquire, any shares of stock or any other security or interest in any other Person.

(f) **Authorization; No Breach.** The execution, delivery and performance of this Agreement, the other Transaction Documents to which each of the Loan Parties is a party, and the consummation of the Transactions and the Refinancing have been duly authorized by the Loan Parties. The execution and delivery by the Loan Parties of the Transaction Documents and the consummation of the Transactions and the Refinancing does not and will not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under, (iii) except as created pursuant to the Security Documents and the GMAC Credit Documents, result in the creation of any Lien upon the Loan Parties' capital stock or assets pursuant to, (iv) give any third party the right to accelerate any material obligation under, (v) result in a violation of, or (vi) require any authorization, consent, approval, exemption or other action by or notice to any Governmental Authority pursuant to, the Charter Documents of the Loan Parties, or any law, statute, rule or regulation to which the Loan Parties are subject, or any material agreement or instrument, order, judgment or decree to which any of the Loan Parties is a party or to which it or each of its respective assets are subject.

(g) **Governmental Approvals.** Except as specifically provided by the Transaction Documents, no registration with or consent or approval of, or other action by, any Governmental Authority is or will be required in connection with the consummation of the Transactions by the Loan Parties. No registration with or consent or approval of, or other action by, any Governmental Authority was required in connection with the consummation of the Refinancing.

(h) **Enforceability.** This Agreement constitutes, and each of the other Transaction Documents when duly executed and delivered by each of the Loan Parties who is a party thereto will constitute, legal, valid and binding obligations of the Loan Parties enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(i) **No Material Adverse Change.** Since December 31, 2006, there has been no Material Adverse Change, with respect to Parent and its Subsidiaries taken as a whole, prior to giving effect to the Transactions; provided, that the consummation of the Transactions shall not, in and of itself, be deemed to be a Material Adverse Change.

(j) **Litigation.** Except as described in the "**Litigation Schedule**" attached hereto as Schedule 5.1(j), as of the Closing Date, there are no actions, suits or proceedings at law or in equity or by or before any arbitrator or any Governmental Authority now pending or, to the knowledge of the Loan Parties' management after reasonable inquiry, threatened against or filed by or affecting the Loan Parties or their respective directors or officers or the businesses, assets or rights of any of the Loan Parties, which are reasonably likely to have a Material Adverse Effect.

(k) **Compliance with Laws.** The Loan Parties are not in violation of any applicable Law which violation or violations are reasonably likely to have a Material Adverse Effect. The Loan Parties are not in, and the consummation of the Transactions will not cause any, default concerning any judgment, order, writ, injunction or decree of any Governmental Authority. As of and after the Closing Date, there is no investigation, enforcement action or regulatory action pending or, to the knowledge of the Loan Parties, threatened against or affecting any of the Loan Parties by any Governmental Authority, except as set forth on the Litigation Schedule, which is reasonably likely to have a Material Adverse Effect. Except as set forth in the Litigation Schedule, as of and after the Closing Date, there is no remedial or other corrective action that any of the Loan Parties is required to take to remain in compliance with any judgment, order, writ, injunction or decree of any Governmental Authority or to maintain any material permits, approvals or licenses granted by any Governmental Authority in full force and effect which is reasonably likely to have a Material Adverse Effect. To the knowledge of Parent, during the past ten (10) years, none of the executive officers, directors or management of Parent or any of its Subsidiaries have been arrested or convicted of any material crime nor have any of them been bankrupt or an officer or director of a bankrupt corporation or other entity.

(l) **Environmental Protection.** Except as specified in “**Environmental Schedule**” attached hereto as Schedule 5.1(l) and after giving effect to the Transactions, except for materials, conditions, operations and noncompliance which are not reasonably likely to have a Material Adverse Effect: (i) the business of the Loan Parties and each of their Subsidiaries, the methods and means employed by the Loan Parties (and their Subsidiaries) in the operation thereof (including all operations and conditions at or in the properties of the Loan Parties or any of their Subsidiaries), the assets owned, leased, managed, used, controlled, held or operated by the Loan Parties and/or their Subsidiaries comply in all material respects with all applicable Environmental Laws; (ii) with respect to the Properties and Facilities, and except as disclosed in the Environmental Schedule, the Loan Parties have obtained, possess, and are in compliance in all material respects with all permits, licenses, reviews, certifications, approvals, registrations, consents, and any other authorizations under any Environmental Laws; (iii) the Loan Parties have not received (x) any claim or notice of violation, lien, complaint, suit, order or other claim or notice to the effect that the Loan Parties are or may be liable to any Person as a result of (A) the environmental condition of any of their Properties and Facilities or any other property, or (B) the release or threatened release of any Pollutant, or (y) any letter or request for information under Section 104 of the CERCLA, or comparable state laws, and to Loan Parties’ knowledge, none of the operations of the Loan Parties is the subject of any investigation by a Governmental Authority evaluating whether any remedial action is needed to respond to a release or threatened release of any Pollutant at the Properties and Facilities or at any other location, including any location to which the Loan Parties have transported, or arranged for the transportation of, any Pollutants with respect to the Properties and Facilities; (iv) except as disclosed in the Environmental Schedule, neither the Loan Parties, nor, to the knowledge of the Loan Parties, any prior owner or operator has incurred in the past, or is now subject to, any Environmental Liabilities; (v) except as disclosed in the Environmental Schedule, to the knowledge of the Loan Parties, there are no Liens, covenants, deed restrictions, notice or registration requirements, or other limitations applicable to the Properties and Facilities, based upon any Environmental Laws or other legal obligations; (vi) to the knowledge of the Loan Parties, there are no USTs located in, at, on, or under the Properties and Facilities or other than the USTs identified in the Environmental Schedule as USTs; and, to the knowledge of the Loan Parties, each of those USTs is in compliance with all Environmental Laws and other legal obligations; and (vii) except as disclosed in the Environmental Schedule, to the knowledge of the Loan Parties, there are no PCBs, lead paint, asbestos (of any type or form), or materials, articles or products containing PCBs, lead paint or asbestos, located in, at, on, under, a part of, or otherwise related to the Properties and Facilities, and, to the knowledge of the Loan Parties, all of the PCBs, lead paint, asbestos, and materials, articles and products containing PCBs, lead paint or asbestos identified in the Environmental Schedule are in compliance with all Environmental Laws and other legal obligations.

(m) **Legal Investments; Use of Proceeds.** The Loan Parties will use the proceeds from the sale of the Senior Term Notes to effect the Refinancing. The Loan Parties are not engaged in the business of extending credit for the purpose of purchasing or carrying any “margin stock” or “margin security” (within the meaning of Regulations T, U or X issued by the Board of Governors of the Federal Reserve System), and no proceeds of the sale of the Senior Term Notes will be used to purchase or carry any margin stock or margin security or to extend credit to others for the purpose of purchasing or carrying any margin stock or margin security.

(n) **Taxes.** The Loan Parties have filed or caused to be filed all federal, state and local tax returns that are required to be filed by it and their Subsidiaries, and have paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, including payroll taxes, other than such Charges (i) which are being contested in good faith by such Person, as the case may be, by appropriate proceedings diligently instituted and conducted and without the risk of the imposition of a Lien with respect to a material portion of the Collateral and (ii) with respect to which a reserve or other appropriate provision, if any, as is required in conformity with GAAP shall have been made. Parent has no knowledge of any proposed tax assessment against Parent or any of its Subsidiaries that is reasonably likely to have a Material Adverse Effect.

(o) **Labor and Employment.** Except where noncompliance is not reasonably likely to have a Material Adverse Effect, each Loan Party, ERISA Affiliate and each Plan is in compliance in all material respects with those provisions of ERISA, the Code, the Age Discrimination in Employment Act, and the regulations and published interpretations thereunder that are applicable to the Loan Party, ERISA Affiliate or any such Plan. As of the date hereof, no Reportable Event has occurred with respect to any Plan maintained by any Loan Party or ERISA Affiliate as to which said Loan Party or ERISA Affiliate is or was required to file a report with the PBGC. No Plan has any amount of unfunded benefit liabilities (within the meaning of Section 4001(a)(18) of ERISA) or any accumulated funding deficiency (within the meaning of Section 302(a)(2) of ERISA), whether or not waived, and none of the Loan Parties, nor any ERISA Affiliate or member of the Controlled Group has incurred or expects to incur any withdrawal liability under Subtitle E of Title IV of ERISA to a Multiemployer Plan. Except where noncompliance is not reasonably likely to have a Material Adverse Effect, the Loan Parties and ERISA Affiliates are in compliance in all material respects with all labor and employment laws, rules, regulations and requirements of all applicable domestic and foreign jurisdictions. There are no pending or threatened labor disputes, work stoppages or strikes as of the Closing Date that are reasonably likely to have a Material Adverse Effect.

(p) **Investment Company Act.** None of the Loan Parties are an “investment company” or “controlled” by an investment company within the meaning of the Investment Company Act of 1940, as amended.

(q) **Properties; Security Interests.** The Loan Parties have good and, solely as to real estate, marketable title to, or valid leasehold interests in, or valid licenses to use, all of the material assets and properties used or useful by the Loan Parties in the Business (collectively, the “**Properties and Facilities**”), subject to no Liens except for Permitted Liens. All of the Properties and Facilities are in good repair, working order and condition and all such assets and properties are owned by the Loan Parties free and clear of all Liens except for Permitted Liens. The Properties and Facilities constitute all of the material assets, properties and rights of the Loan Parties of any type used in or necessary for the conduct of the Business. The Security Agreement creates and grants to Agent a valid and perfected security interest in all the collateral thereunder, subject only to Permitted Liens. All real estate owned or leased by the Loan Parties listed on the “**Properties Schedule**,” attached hereto as Schedule 5.1(q).

(r) **Intellectual Property; Licenses.** The Loan Parties and each of their Subsidiaries owns or licenses, pursuant to a valid and enforceable written license agreement, all Proprietary Rights necessary and sufficient to conduct the Business and all other businesses conducted by the Loan Parties and their Subsidiaries as heretofore conducted and as proposed to be conducted. The “**Intellectual Property Schedule**” attached hereto as Schedule 5.1(r) sets forth a true and complete list of all registered Proprietary Rights and material unregistered Trademarks owned by the Loan Parties and their Subsidiaries and applications therefor filed by the Loan Parties and their Subsidiaries, which list includes the owner, the title and description, the registration or application number, and the registration or application date of each such Proprietary Right and the jurisdiction in which each such Proprietary Right is registered, subject to an application for registration or otherwise arises. No event has occurred that permits, or after notice or lapse of time or both would permit, the revocation or termination of any of the foregoing, which taken in isolation or when considered with all other such revocations or terminations is reasonably likely to have a Material Adverse Effect. The entity identified as of the owner of each such Proprietary Right required to be set forth on the Intellectual Property Schedule is the sole and exclusive owner (unless otherwise indicated) of such Proprietary Right. All Proprietary Rights required to be identified on the Intellectual Property Schedule are valid, subsisting and enforceable, except where the lack of validity or enforceability is not reasonably likely to have a Material Adverse Effect. None of the Proprietary Rights owned, licensed or otherwise used by the Loan Parties infringes, misappropriates, dilutes, violates or otherwise impairs any Third Party Proprietary Rights or other rights of any other Person. The conduct of the Business and all other businesses conducted by the Loan Parties and their Subsidiaries as heretofore conducted and as proposed to be conducted, and the products and services sold by the Loan Parties and their Subsidiaries in connection therewith, does not infringe, misappropriate, dilute, violate or otherwise impair any Third Party Proprietary Rights or other rights of any other Person, except where any such infringement, misappropriation or use is not reasonably likely to have a Material Adverse Effect. No other Person is infringing, misappropriating, diluting, violating or making any other unlawful or unauthorized use of any Proprietary Right, except where any such infringement, misappropriation or use is not reasonably likely to have a Material Adverse Effect. The Loan Parties do not have notice or knowledge of any facts or any past, present or threatened occurrence that could preclude or impair the Loan Parties’ or any of their Subsidiaries’ ability to retain or obtain any authorization necessary for the operation of the Business and all other businesses conducted by the Loan Parties and their Subsidiaries as heretofore conducted and as proposed to be conducted.

(s) **Solvency.** After giving effect to the Transactions, (i) the fair value of the assets of the Loan Parties, at a fair valuation, will exceed their debts and liabilities, subordinated, contingent or otherwise, (ii) the present fair saleable value of the property of the Loan Parties will be greater than the amount that will be required to pay the probable liability of their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured, (iii) the Loan Parties will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured, and (iv) the Loan Parties will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted following the Closing Date. The determination of whether a Person is Solvent shall take into account all such Person's properties and liabilities regardless of whether, or the amount at which, any such property or liability is included on a balance sheet of such Person prepared in accordance with GAAP, including properties such as contingent contribution or subrogation rights, business prospects, distribution channels and goodwill. The determination of the sum of a Person's properties at a fair valuation or the present fair saleable value of a Person's properties shall be made on a going concern basis, unless at the time of such determination the liquidation of the business in which such properties are used or useful is in process or is reasonably anticipated. In computing the amount of contingent or unrealized properties or contingent or unliquidated liabilities at any time, such properties and liabilities will be computed at the amounts which, in light of all the facts and circumstances existing at such time, represent the amount that reasonably can be expected to become realized properties or matured liabilities, as the case may be. In computing the amount that would be required to pay a Person's probable liability on its existing debts as they become absolute and matured, reasonable valuation techniques, including a present value analysis, shall be applied using such rates over such periods as are appropriate under the circumstances, and it is understood that, in appropriate circumstances, the present value of contingent liabilities or obligations under Guaranties may be zero.

(t) **Complete Disclosure.** All factual information furnished by or on behalf of the Loan Parties to Agent and the Purchasers for purposes of or in connection with this Transaction Document and the transactions contemplated hereby and in the Refinancing is, and all other such factual information hereafter furnished by or on behalf of the Loan Parties will be, true and accurate in all material respects on the date as of which such information is furnished and not incomplete by omitting to state any fact necessary to make such information not materially misleading at such time in light of the circumstances under which such information was provided.

(u) **Side Agreements.** Except as set forth in Schedule 5.1(u), none of the Loan Parties nor any Affiliate of the Loan Parties nor any director, officer or employee of the Loan Parties or any of their Affiliates, respectively, has entered into, as of the date hereof, any side agreement, either oral or written, with any individual or business, pursuant to which the director, officer, employee, Loan Party or Affiliate agreed to do anything beyond the requirements of the formal, written contracts executed by the Loan Parties and disclosed to the Purchasers and Agent herein.

(v) **Broker's or Finder's Commissions.** No broker's or finder's or placement fee or commission will be payable to any broker or agent engaged by the Loan Parties or any of their officers, directors or agents with respect to the issuance and sale of the Senior Term Notes or the transactions contemplated by this Agreement, including without limitation the Transactions, except for fees payable to Piper Jaffray & Co., the Purchasers and Agent, if any. The Loan Parties agree to indemnify Agent and the Purchasers and to hold them harmless from and against any claim, demand or liability for broker's or finder's or placement fees or similar commissions, whether or not payable by the Loan Parties, alleged to have been incurred in connection with such transactions, other than any broker's or finder's fees payable to Persons engaged by Agent or the Purchasers without the knowledge of the Loan Parties.

(w) **Material Contracts.** Schedule 5.1(w) lists, as of the Closing Date, each material contract to which the Loan Parties are a party, by which any of them or their respective properties is bound or to which any of them is subject (collectively, “**Material Contracts**”), and also indicates the parties, subject matter and term thereof. As of the Closing Date, (i) each Material Contract is in full force and effect and is enforceable by the Loan Party that is a party thereto in accordance with its terms, and (ii) none of the Loan Parties (nor, to the knowledge of the Loan Parties, any other party thereto) is in breach of or default under any Material Contract in any material respect or has given notice of termination or cancellation of any Material Contract.

(x) **Foreign Assets Control Regulations, Etc.** None of the Loan Parties are an “enemy” or an “ally of the enemy” within the meaning of Section 2 of the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§ 1 et seq.), as amended. None of the Loan Parties are in violation of (a) the Trading with the Enemy Act, as amended, (b) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or (c) the USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001 (the “**Patriot Act**”). No Loan Party (i) is a blocked person described in section 1 of the Anti-Terrorism Order or (ii) to the best of its knowledge, engages in any dealings or transactions, or is otherwise associated, with any such blocked person.

(y) **Parent SEC Reports.**

(i) Parent has filed all required material forms, reports, schedules, statements and other documents (including exhibits and other information incorporated therein) with the SEC since December 31, 2002 (collectively, the “**Parent SEC Reports**”). As of their respective dates, or, if amended, as of the date of the last such amendment, each Parent SEC Report, (a) complied in all material respects with the applicable requirements of the Securities Act, the Securities Exchange Act, and the rules and regulations thereunder applicable to such Parent SEC Reports and (b) did not, and in the case of such forms, reports, schedules, statements and other documents filed after the date hereof will not as of the time they are filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated financial statements included in or incorporated by reference into the Parent SEC Reports (including the related notes and schedules) were, and in the case of such consolidated financial statements filed after the date hereof will be, prepared materially in accordance with the published rules and regulations of the SEC, and fairly presents (as to such previously filed items) in all material respects the consolidated financial position of Parent and its Subsidiaries as of its date, and each of the consolidated statements of operations, stockholders’ equity and cash flows included in or incorporated by reference into the Parent SEC Reports (including any related notes and schedules) fairly presents (as to such previously filed items) in all material respects the financial position, results of operations and cash flows, as the case may be, of Parent and its Subsidiaries for the periods set forth therein, in each case in accordance with GAAP consistently applied during the periods involved, except as may be noted therein (and subject, in the case of unaudited statements, to normal year-end audit adjustments and the absence of footnotes).



(ii) As of the Closing Date, (x) there is no investigation by the SEC pending or threatened with respect to any Parent SEC Report, (y) none of the Parent SEC Reports are the subject of open, unresolved comments from the SEC, and (z) to the knowledge of Parent, there is no material unresolved violation of the Securities Exchange Act or the published rules and regulations of the SEC asserted by the SEC with respect to the Parent SEC Reports.

(z) **Current Business Practices.** None of the Loan Parties, nor, to the knowledge of the Loan Parties, any of their respective directors, officers, agents, employees or representatives in their capacities as such has knowingly (or unknowingly, in the case where such conduct is reasonably likely to have had a Material Adverse Effect): (i) used any funds for unlawful contributions, unlawful gifts, unlawful entertainment or other unlawful expenses relating to political activity; (ii) directly or indirectly paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any finder, agent or other party acting on behalf of or under the auspices of a governmental official or Governmental Authority, in the United States of America or any other country, which is in any manner related to the Business that was illegal under federal, state or local laws of the United States of America or any other country having jurisdiction; (iii) made any payment to any customer or subcontractor of the Business or to any officer, director, partner, employee or agent of any such customer or subcontractor, for the unlawful influence of any such customer or subcontractor or any such officer, director, partner, employee or agent; (iv) engaged in any other unlawful reciprocal practice, or made any other unlawful payment or given any other unlawful consideration to any such customer or subcontractor or any such officer, director, partner, employee or agent, in respect of the Business; or (v) except as set forth on Schedule 5.1(z), violated any federal, state or local campaign finance, election or similar Laws.

**5.2 Absolute Reliance on the Representations and Warranties.** All representations and warranties contained in this Agreement and any financial statements, instruments, certificates, schedules or other documents delivered in connection herewith, shall survive the execution and delivery of this Agreement, regardless of any investigation made by Agent or the Purchasers or on Agent's or the Purchasers' behalf.

## **ARTICLE 6 TRANSFER OF SENIOR TERM NOTES**

**6.1 Restricted Securities.** The Purchasers acknowledge that the Senior Term Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, and that the Loan Parties are not required to register any of the Senior Term Notes under the Securities Act.

**6.2 Legends; Purchasers' Representations** Each of the Purchasers hereby represents and warrants to the Loan Parties that it is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act and is acquiring the Senior Term Notes for investment for its own account, with no present intention of dividing its participation with others (except for a potential transfer or transfers of the Senior Term Notes to an Affiliate or Affiliates of the Purchasers) or reselling or otherwise distributing the same. Each Purchaser understands that the acquisition of the Senior Term Notes has not been registered under the Securities Act or registered or qualified under any state securities law in reliance on specific exemptions therefrom, which exemptions may depend upon, among other things, the bona fide nature of such Purchaser's representations as expressed herein. Each Purchaser will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) the Senior Term Notes, except in compliance with the Securities Act and any applicable state securities laws, and the rules and regulations promulgated thereunder. The Loan Parties may place an appropriate legend on the Senior Term Notes owned by the Purchasers concerning the restrictions set forth in this Article 6. Upon the assignment or transfer by the Purchasers or any of its successors or assignees of all or any part of the Senior Term Notes, the term "**Purchaser**" as used herein shall thereafter mean, to the extent thereof, the then holder or holders of such Senior Term Notes, or portion thereof

**6.3 Transfer of Senior Term Notes.** Subject to Section 6.2, a holder of a Senior Term Note may transfer such Senior Term Note to a new holder, or may exchange such Senior Term Note for Senior Term Notes of different denominations (but in no event of denominations of less than \$1,000,000 in original principal amount), by surrendering such Senior Term Note to the Loan Parties duly endorsed for transfer or accompanied by a duly executed instrument of transfer naming the new holder (or the current holder if submitted for exchange only), together with written instructions for the issuance of one or more new Senior Term Notes specifying the respective principal amounts of each new Senior Term Note and the name of each new holder and each address therefor. The Loan Parties shall simultaneously deliver to such holder or its designee such new Senior Term Notes, shall mark the surrendered Senior Term Notes as canceled and shall provide notice of such transfer to Agent. In lieu of the foregoing procedures, a holder may assign a Senior Term Note (in whole but not in part) to a new holder by allonge or other assignment document and by sending written notice to the Loan Parties and Agent of such assignment specifying the new holder's name and address; in such case, the Loan Parties shall promptly acknowledge such assignment in writing to both the old and new holder.

Notwithstanding anything in the Transaction Documents to the contrary, (a) in the absence of an Event of Default, if after giving effect to any transfer hereunder there are 10 (10) or more unaffiliated holders of Senior Term Notes (i.e., a holder of a Senior Term Note and its Affiliates who hold Senior Term Notes (and who receive notices and payments at a common address) shall count as a single holder for purposes of this clause), an agent shall be appointed by such holders of the Senior Term Notes to handle payments, notices and other administrative matters related to the Senior Term Notes on terms reasonably acceptable to all such holders, (b) a Purchaser may pledge, or grant a security interest in, all or any portion of its Senior Term Notes and other rights and interests under the Transaction Documents to a bank or other funding source in support of borrowings made by such Purchaser from such Person and (c) any Purchaser which is a fund may pledge, or grant a security interest in, all or any portion of its Senior Term Notes and other rights and interests under the Transaction Documents to its trustee in support of its obligations to its trustee.

**6.4 Replacement of Lost Senior Term Notes.** Upon receipt of evidence reasonably satisfactory to the Loan Parties of the mutilation, destruction, loss or theft of any Senior Term Notes and the ownership thereof, the Loan Parties shall, upon the written request of the holder of such Senior Term Notes, execute and deliver in replacement thereof new Senior Term Notes in the same form, in the same original tenor and dated the same date as the Senior Term Notes so mutilated, destroyed, lost or stolen; and such Senior Term Notes so mutilated, destroyed, lost or stolen shall then be deemed no longer outstanding hereunder. If the Senior Term Notes being replaced have been mutilated, they shall be surrendered to the Loan Parties; and if such replaced Senior Term Notes have been destroyed, lost or stolen, such holder shall furnish the Loan Parties with an indemnity in writing to save it harmless in respect of such replaced Senior Term Notes.

**6.5 No Other Representations Affected.** Nothing contained in this Article 6 shall limit the full force or effect of any representation, agreement or warranty made herein or in connection herewith to the Purchasers.

## **ARTICLE 7 COVENANTS**

**7.1 Affirmative Covenants.** The Loan Parties, jointly and severally, covenant that, so long as all or any of the Senior Term Notes shall remain outstanding, the Loan Parties shall and shall cause each of their Subsidiaries to:

(a) **Existence.** Do or cause to be done all things necessary to preserve, renew and keep in full force and effect their legal existence and the legal existence of their Subsidiaries.

(b) **Businesses and Properties; Compliance with Laws.** At all times (i) do or cause to be done all things necessary to preserve, renew and keep in full force and effect the rights, licenses, registrations, permits, certifications, approvals, consents, franchises, and Proprietary Rights that are material to the conduct of their businesses; (ii) comply in all material respects with all Laws and regulations applicable to the operation of such business, including but not limited to, all Environmental Laws, whether now in effect or hereafter enacted and with all other applicable Laws and regulations; (iii) comply in all material respects with Sarbanes Oxley and all regulations promulgated thereunder; (iv) take all action that may be required to obtain, preserve, renew and extend all rights, Proprietary Rights, franchises, registrations, certifications, approvals, consents, licenses, permits and any other authorizations that may be material to the operation of such business; (v) maintain, preserve and protect all property material to the conduct of such business; and (vi) except for obsolete or worn out equipment, keep their property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto necessary in order that the business carried on in connection therewith may be properly conducted at all times.

(c) **Insurance.** Maintain insurance required by the Transaction Documents and any and all contracts entered into by the Loan Parties, including but not limited to: (i) coverage on their insurable properties (including all inventory, equipment and real property) against the perils of fire, theft, hazard and burglary; (ii) public liability; (iii) workers' compensation; (iv) business interruption; (v) product liability; and (vi) such other risks as are customary with companies similarly situated and in the same or similar business as that of the Loan Parties under policies issued by financially sound and reputable insurers in such amounts as are customary with companies similarly situated and in the same or similar business. Each of the Loan Parties shall pay or shall cause to be paid all insurance premiums payable by it or its Subsidiaries and, upon Agent's request, shall deliver copies of the policy or policies of such insurance (or certificates of insurance with copies of such policies) to Agent. All insurance policies of the Loan Parties shall contain endorsements, in form and substance reasonably satisfactory to Agent, providing that the insurance shall not be cancelable except upon thirty (30) days' prior written notice to Agent. Agent, on behalf of the Purchasers, shall be shown as a loss payee and an additional named insured party under all such insurance policies, in each case pursuant to appropriate endorsements reasonably satisfactory to Agent.

(d) **Obligations and Taxes.** Pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon them or upon their income or profits or in respect of their properties before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise, which, if unpaid, might give rise to Liens or charges upon such properties or any part thereof; provided, however, that the Loan Parties shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as (i) the validity or amount thereof shall be contested in good faith by appropriate proceedings and (ii) the Loan Parties shall have set aside on their books adequate reserves with respect thereto.

(e) **Financial Statements; Reports.** Furnish to each Purchaser:

(i) **Annual Statements.** Within ninety (90) days after the end of each fiscal year, a balance sheet and statements of operations, stockholders' equity and cash flows of Parent on a Consolidated Basis showing the financial condition as of the close of such year and the results of operations during such year, all of the foregoing financial statements to be audited by a firm of independent certified public accountants of recognized national standing acceptable to Agent and accompanied by an opinion of such accountants without material exceptions or qualifications. Additionally, such financial statements shall be accompanied by a certificate of such accountants (which shall not contain any qualification exception or scope limitation not acceptable to Agent) stating that in the course of its regular audit of the Business, which audit was conducted in accordance with GAAP, no Default or Event of Default relating to financial and accounting matters has come to their attention, or if any Default or Event of Default exists, a statement as to the nature thereof.

(ii) **Monthly Statements.** Within (A) ninety (90) calendar days after the end of each December, (B) sixty (60) calendar days after the end of each January, (C) forty-five calendar days after the end of each March, June and September and (D) thirty (30) calendar days after the end of each other calendar month, financial statements (including a balance sheet and income statements) showing the financial condition and results of operations of Parent on a Consolidated Basis as of the end of each such month and for the then elapsed portion of the current fiscal year, together with comparisons to the corresponding periods in the preceding year and the budget for such periods, accompanied by a certificate of an officer that such financial statements have been prepared in accordance with GAAP, consistently applied, subject to year end audit adjustments and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year.

(iii) **Certificate of Compliance.** Each financial statement furnished to the Purchasers pursuant to subsections (i) and (ii) of this Section 7.1(e) shall be accompanied by a written certificate signed by the chief financial officer of Parent to the effect that no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Loan Parties to remedy the same, and a compliance certificate in the form of Exhibit E showing the Loan Parties' compliance with the covenants set forth in Section 7.3.

(iv) **Projections.** As soon as available, but in no event later than December 31 of each year, a projection of the balance sheet, and income statement of Parent on a Consolidated Basis, respectively, for the following fiscal year; and within ten (10) days after any material update or amendment of any such plan or forecast, a copy of such update or amendment, including a description of and reasons for such update or amendment. Each such projection, update or amendment shall be accompanied by a written certificate signed by the chief financial officer of Parent to the effect that it has been prepared on the basis of historical financial statements and records, together with the assumptions set forth in such projection and that it reflects expectations, after reasonable analysis, of Parent's management as to the matters set forth therein.

(v) **Additional Information.** Promptly, from time to time, such other information regarding the compliance by the Loan Parties with the terms of this Agreement and the other Transaction Documents or the affairs, operations or condition (financial or otherwise) of the Loan Parties as Agent or Required Purchasers may reasonably request and that is capable of being obtained, produced or generated by the Loan Parties or of which the Loan Parties have knowledge.

(f) **Litigation and Other Notices.** Give Agent and the Purchasers prompt written notice of the following:

(i) **Orders; Injunctions.** The issuance by any court or governmental agency or authority of any injunction, order, decision or other restraint prohibiting, or having the effect of prohibiting, the making of any loan or the initiation of any litigation or similar proceeding seeking any such injunction, order or other restraint.

(ii) **Litigation.** The notice, filing or commencement of any action, suit or proceeding against any of the Loan Parties whether at law or in equity or by or before any court or any Federal, state, municipal or other governmental agency or authority and that, if adversely determined against any of the Loan Parties (or their Subsidiaries), could result in uninsured liability in excess of \$1,000,000 in the aggregate.

(iii) **Environmental Matters.** (A) Any release or threatened release of any Pollutant required to be reported to any Federal, state or local governmental or regulatory agency under any applicable Environmental Laws, (B) any Removal, Remedial or Response action taken by any of the Loan Parties or any other person in response to any Pollutant in, at, on or under, a part of or about the Loan Parties' properties or any other property, (C) any violation by the Loan Parties of any Environmental Law, in each case, that could result in a Material Adverse Effect, or (D) any notice, claim or other information that the Loan Parties might be subject to an Environmental Liability that could result in uninsured liability in excess of \$1,000,000.

(iv) **Default.** Any Default or Event of Default, specifying the nature and extent thereof and the action (if any) that is proposed to be taken with respect thereto.

(v) **Material Adverse Effect.** Any development in the business or affairs of the Loan Parties that is reasonably likely to have a Material Adverse Effect.

(g) **ERISA.** Comply in all material respects with the applicable provisions of ERISA and the provisions of the Code relating thereto and furnish to Agent and the Purchasers (i) as soon as possible, and in any event within thirty (30) days after the Loan Parties knew or had reason to know thereof, notice of (A) the establishment by the Loan Parties or ERISA Affiliate of any Plan, (B) the commencement by a Loan Party or ERISA Affiliate of contributions to a Multiemployer Plan, (C) any failure by any of the Loan Parties or any of their ERISA Affiliates to make contributions required by Section 302 of ERISA (whether or not such requirement is waived pursuant to Section 303 of ERISA), or (D) the occurrence of any Reportable Event with respect to any Plan or Multiemployer Plan for which the reporting requirement is not waived, together with a statement of an officer setting forth details as to such Reportable Event and the action that the Loan Parties propose to take with respect thereto, together with a copy of the notice of such Reportable Event given to the PBGC if any such notice was provided by the Loan Parties, and (ii) promptly after receipt thereof, a copy of any notice a Loan Party or ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Multiemployer Plan, or to appoint a trustee to administer any Plan or Multiemployer Plan, and (iii) promptly after receipt thereof, a copy of any notice of withdrawal liability from any Multiemployer Plan.

(h) **Maintaining Records; Access to Premises and Inspections.** Maintain financial records in accordance with generally accepted practices and, upon reasonable notice, at all reasonable times and as often as Agent or any Purchaser may reasonably request (and at any time after the occurrence and during the continuation of a Default or Event of Default), subject to the same confidentiality provisions for Agent and Purchaser contained in this Agreement, permit any authorized representative designated by Agent or the Required Purchasers to visit and inspect the properties and financial records of the Loan Parties and to make extracts from such financial records, all at the Loan Parties' reasonable expense, and permit any authorized representative designated by Agent or any Purchasers to discuss the affairs, finances and condition of the Loan Parties with the chief financial officer of each of the Loan Parties and such other officers as the Loan Parties shall deem appropriate, and the Loan Parties' independent public accountants.

(i) **Patriot Act Compliance.** The Loan Parties shall provide such information and take such actions as are reasonably required by Agent or any Purchaser in order to assist Agent and the Purchasers with compliance with the Patriot Act.

(j) **Research Reports.** Promptly after the sending, delivery or dissemination thereof, the Loan Parties, if permitted by the preparer thereof, shall send to Agent and the Purchasers copies of research reports, investment memorandum or other similar materials that shall have been prepared for or on behalf of Parent by an investment banking firm, financial institution or other financial advisory firm.

(k) **Non-Loan Party Guaranty.** Any Foreign Subsidiary of Parent, that, after the Closing Date, becomes a Loan Party or Guarantor under the GMAC Credit Agreement, shall enter into a Guaranty, in a form reasonably satisfactory to Agent, in favor of Agent and the Purchasers securing the payment of and guaranteeing all Indebtedness and other obligations incurred by the Loan Parties pursuant to this Agreement or any other Transaction Document.

(l) **Deposit Account Control Agreements, Landlord Waivers.** Within 45 days after the Closing Date (or such later date as the Agent may agree to), the Loan Parties shall use commercially reasonable efforts to enter into and deliver to Agent such Deposit Account Control Agreements and Landlord Waivers (as defined in the GMAC Credit Agreement) that are reasonably satisfactory to Agent with respect to (x) in the case of Deposit Account Control Agreements, any deposit accounts that were subject to deposit account control agreements solely in favor of GMAC Agent as part of the GMAC Financing and (y) in the case of Landlord Waivers, the Kane distribution center. Without limiting the foregoing, if all of the indebtedness under the GMAC Credit Agreement is satisfied and any obligations to lend thereunder are terminated, the Loan Parties shall promptly use commercially reasonable efforts to enter into and deliver to Agent such Deposit Account Control Agreements and all Landlord Waivers that were in favor of GMAC Agent.

7.2 **Negative Covenants.** The Loan Parties, jointly and severally, covenant that, so long as all or any part of the Senior Term Notes shall remain outstanding:

(a) **Indebtedness.** The Loan Parties shall not create, incur, assume guarantee or be or remain liable for, contingently or otherwise, or suffer to exist any Indebtedness, except:

(i) Indebtedness under this Agreement;

(ii) Indebtedness incurred in the ordinary course of business with respect to customer deposits, trade payables and other unsecured current liabilities not the result of borrowing and not evidenced by any note or other evidence of indebtedness;

(iii) Indebtedness under the GMAC Financing, in an amount not to exceed the applicable cap on principal amount set forth in the definition of Revolving Financing;

(iv) Purchase money Indebtedness of any Loan Party and Indebtedness consisting of Capitalized Leases, in the aggregate, not to exceed \$2,500,000 at any time outstanding;

(v) Intercompany Indebtedness between the Loan Parties, including between Parent and its Subsidiaries (which, for the sake of clarification, does not include trade payables incurred in the ordinary course of business); provided, that the aggregate outstanding amount of the intercompany indebtedness owing at any time by Subsidiaries that are not Loan Parties to Loan Parties shall not exceed \$10,000,000;

(vi) Indebtedness to shareholders of Parent from share repurchases and redemptions under the Stockholders Agreement not to exceed \$500,000 in the aggregate in any Fiscal Year;

(vii) Other Indebtedness of Loan Parties in the aggregate at any time outstanding of \$1,000,000; provided that such Indebtedness is unsecured and/or subordinated to the Indebtedness under this Agreement on terms reasonably satisfactory to Agent;

(viii) Indebtedness of any Loan Party listed on the “**Permitted Indebtedness Schedule**” attached hereto as Schedule 7.2(a);

(ix) Indebtedness incurred in connection with the financing of Loan Parties’ insurance premiums;

(x) Indebtedness incurred in connection with Interest Rate Protection Agreements, in all cases not for speculative purposes, not to exceed in the aggregate a maximum potential liability for the termination of such any and all such agreements, of \$7,500,000 at any time outstanding;

(xi) Indebtedness incurred in connection with the purchase, financing or refinancing of real property, not to exceed the sum of \$5,000,000 in the aggregate at any time outstanding;

(xii) obligations under any lease which is accounted for by the lessee as an operating lease and under which the lessee is intended to be the “owner” of the leased property for Federal income tax purposes; and

(xiii) Indebtedness incurred in connection with a Permitted Sale/Leaseback.

(b) **Negative Pledge; Liens.** The Loan Parties shall not create, incur, assume or suffer to exist any Lien of any kind on any of their properties or assets of any kind, except the following (collectively, “**Permitted Liens**”):

(i) Liens created in connection with the Security Documents;



- (ii) Liens created in connection with the GMAC Financing which are subject to the terms of the Intercreditor Agreement;
- (iii) Liens for or priority claims imposed by law that are incidental to the conduct of business or the ownership of properties and assets (including mechanic's, warehousemen's, attorneys' and statutory landlords' Liens) and deposits and pledges incurred in the ordinary course of business and not in connection with the borrowing of money; provided, however, that in each case, the obligation secured is not overdue, or, if overdue, is being contested in good faith and adequate reserves have been set up by the Loan Parties as the case may be; and provided, further, that the Lien and security interest provided in the Security Documents or any portion thereof created or intended to be created thereby is not, in the opinion of Agent, unreasonably jeopardized thereby;
- (iv) Liens securing the payments of Charges incurred in the ordinary course of business that either (A) are not delinquent, or (B) are being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves have been set aside on their books, and so long as during the period of any such contest, the Loan Parties shall suffer no loss of any privilege of doing business or any other right, power or privilege necessary or material to the operation of the Business; provided, however, that a stay of enforcement of any such Lien is in effect and the priority status of the Lien of Agent under the Security Documents shall not be affected thereby;
- (v) Liens securing Capitalized Leases, purchase money Indebtedness permitted under Section 7.2(a) and Indebtedness incurred in connection with a Permitted Sale/Leaseback, in each case which attach solely to the assets being leased or purchased;
- (vi) Liens securing Indebtedness permitted under Section 7.2(a) which attach solely to applicable insurance policies and proceeds thereof;
- (vii) Liens securing Indebtedness permitted under Section 7.2(a) which attach solely to the relevant real property and improvements;
- (viii) Liens listed on the "**Permitted Encumbrances Schedule**" attached hereto as Schedule 7.2(b); and
- (ix) Extensions, renewals and replacements of Liens referred to in clauses (i), (ii), (v), (vi), (vii), (viii) of this Section 7.2(b); provided, however, that any such extension, renewal or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed or replaced and that the obligations secured by any such extension, renewal or replacement Lien shall be in an amount not greater than the amount of the obligations secured by the Lien extended, renewed or replaced at the time of such extension, renewal or replacement;
- (x) Liens of any licensor or licensee in connection with license agreements entered into in the ordinary course of business, which such Liens do not constitute security interests in any assets of any Loan Party;

(xi) any Lien or encumbrance, UCC financing statement, interest or title of a lessor under any operating lease entered into in the ordinary course of business, or any interest or title of any lessee under any leases or subleases of real property, with respect solely to the leased property and not to any other Collateral;

(xii) with respect solely to real property, defects and irregularities in title, survey exceptions, encumbrances, licenses, covenants, restrictions, easements or reservations of others for rights-of-way, roads, pipelines, railroad crossings, services, utilities or other similar purposes; outstanding mineral rights or reservations (including rights with respect to the removal of material resources) which do not materially diminish the value of the surface estate, assuming usage of such surface estate similar to that being carried on by any Person as of the effective date, and Liens arising with respect to zoning restrictions, licenses, covenants, building restrictions and other similar charges or encumbrances on the use of real property of such Person which do not materially interfere with the ordinary conduct of such Person's business;

(xiii) Liens on any interest in life insurance on any officer, director or employee;

(xiv) Liens incurred or pledges and deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance, pensions or other types of social security benefits, or to secure the performance of statutory obligations or to secure the performance of bids, tenders, sales and contracts (other than for the repayment of borrowed money) and Liens incurred to secure any surety bonds, appeal bonds, supersedeas bonds or other instruments serving a similar purpose in connection with the appeal of any judgment or defense of any claim relating to a prejudgment Lien;

(xv) Liens consisting of financing statements or similar notices filed by a Person of a type listed in Section 9-505 of the UCC solely in such capacity;  
and

(xvi) Liens consisting of judgments or attachments that would not constitute an Event of Default under Section 8.1(j).

(c) **Contingent Liabilities.** The Loan Parties shall not become liable for any Guaranties, except for (i) the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (ii) Guaranties by a Loan Party with respect to Indebtedness of any Loan Party permitted under Section 7.2(a), (iii) Guaranties of a Loan Party with respect to a maximum potential liability of \$1,000,000 at any time outstanding, (iv) Guaranties, obligations, warranties and indemnities, not with respect to senior or funded Indebtedness of any Person, which have been or are undertaken or made in the ordinary course of business, in connection with the Transactions or in connection with the issuance of securities of Parent, and (v) Guaranties of any Loan Party on behalf of such Loan Party's Subsidiary which is not a Loan Party not to exceed in the aggregate at any time outstanding, guaranteed Indebtedness in the sum of \$1,000,000.

(d) **Mergers, Asset Sales, etc.** Except for a merger or consolidation of any Subsidiary or Loan Party into another Loan Party, Loan Parties shall not alter the corporate, capital or legal structure of the Loan Parties, or merge into or consolidate or combine with any other Person, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) or purchase, lease or otherwise acquire (in one transaction or a series of related transactions) all or any substantial part of the property or assets of any Person, other than in connection with Permitted Acquisitions the consideration for which does not exceed the aggregate sum of (i) \$5,000,000 for all such Permitted Acquisitions prior to January 10, 2010 and (ii) \$7,500,000 for all such Permitted Acquisitions during the term of this Agreement. The Loan Parties shall not sell, transfer or otherwise dispose of any of their assets, including without limitation the collateral under the respective Security Documents, other than (i) sales, leases, assignments, transfers, conveyances or other dispositions of Inventory in the ordinary course of business; (ii) the sale of Parent's former office and warehouse properties in Nelsonville, Ohio, and sales, assignments, transfers, conveyances or other dispositions (other than leases or subleases of leases) of properties outside of the ordinary course of business not to exceed in the aggregate more than \$250,000 in any Fiscal Year (exclusive of any sales or other dispositions of Parent's former warehouse property); (iii) in addition to dispositions permitted under clauses (i) and (ii) above, the disposition of equipment of any Loan Party if such equipment is obsolete or no longer useful in the ordinary course of such Loan Party's business; (iv) licenses of intellectual property in the ordinary course of business; (v) the sale or transfer of property of any Loan Party to any other Loan Party; (vi) subleases of leases or leases of property which, at the time of such sublease or lease, is not then currently being utilized in the Business; and (vii) any Permitted Sale/Leaseback.

(e) **Affiliate Transactions.** Other than by and between, or among, Parent, the Loan Parties and their respective Subsidiaries, in each case in a manner that is not materially economically detrimental to any Loan Party, the Loan Parties shall not make any loan or advance to any director, officer or employee of any of the Loan Parties or to any Affiliate or enter into or be a party to any transaction or arrangement with any Affiliate of the Loan Parties, including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate, except pursuant to the reasonable requirements of the Loan Parties' business and upon fair and reasonable terms no less favorable to the Loan Parties than would be obtained in a comparable arm's-length transaction with a Person other than an Affiliate.

(f) **Dividends and Stock Purchases.** The Loan Parties shall not, directly or indirectly, declare or pay any dividends or make any distribution of any kind on their outstanding capital stock or any other payment of any kind to any of their stockholders or its Affiliates (including any redemption, purchase or acquisition of, whether in cash or in property, securities or a combination thereof, any partnership interests or capital accounts or warrants, options or any of their other securities), or set aside any sum for any such purpose other than (i) for such dividends, distributions or payments paid solely to other Loan Parties and (ii) for any other purpose up to \$500,000 in the aggregate in any Fiscal Year.

(g) **Advances, Investments and Loans.** The Loan Parties shall not purchase, or hold beneficially any stock, other securities or evidences of Indebtedness of, or make or permit to exist any loan or advance to, or make any Investment or acquire any interest whatsoever in, any other Person (including, but not limited to, the formation or acquisition of any Subsidiaries), except prior to the occurrence and continuance of Default or Event of Default, and subject to the substantially contemporaneous delivery to GMAC Agent and/or Agent of such agreements, documents or instruments reasonably requested by such Agent to obtain a perfected security interest in any such Investment that constitutes Collateral, any of the following (each, a **"Permitted Investment"**):

(i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof having maturities of not more than six (6) months from the date of acquisition;

(ii) United States dollar-denominated time deposits, certificates of deposit and bankers acceptances of any bank whose short-term debt rating from Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("**S&P**") is at least A-1 or the equivalent or whose short-term debt rating from Moody's Investors Service, Inc. ("**Moody's**") is at least P-1 or the equivalent with maturities of not more than six months from the date of acquisition;

(iii) commercial paper with a rating of at least A-1 or the equivalent by S&P or at least P-1 or the equivalent by Moody's maturing within six months after the date of acquisition;

(iv) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within six months from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's;

(v) Investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (i) through (iv) above;

(vi) deposit accounts maintained in accordance with the GMAC Credit Documents;

(vii) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(viii) receivables owing to the Loan Parties, prepaid expenses and accrued expenses created or acquired in the ordinary course of Business and payable on customary trade terms of the Loan Parties;

(ix) deposits made in the ordinary course of Business consistent with past practices to secure the performance of leases or in connection with bidding on government contracts;

(x) loans to employees in an aggregate amount not in excess of \$100,000 at any one (1) time per such employee (not to exceed in the aggregate at any time outstanding the sum of \$1,000,000 with respect to all employees of the Loan Parties), for the purpose of assisting such employees in the purchase of Common Stock;

(xi) Investments or intercompany loans and advances of (A) Parent or a Subsidiary in or to any other Subsidiary (subject to a maximum amount of such loans and advances (which, for the sake of clarification, does not include trade payables incurred in the ordinary course of business) by Parent and any other Loan Party to any and all such Subsidiaries of \$10,000,000 in the aggregate at any one (1) time outstanding and provided that each such loan and advance is evidenced by a promissory note in form and substance satisfactory to Agent which is pledged by the payee as additional security for the obligations), (B) any Subsidiary in or to Parent or (C) any Foreign Subsidiary of Parent, that, after the Closing Date, becomes a Loan Party or Guarantor under the GMAC Credit Agreement and enters into a Guaranty pursuant to this Agreement, in or to any Loan Party;

(xii) advances to sales representatives of Parent or any of its Subsidiaries in the ordinary course of their business and consistent with past practices;

(xiii) additional Investments not otherwise permitted in this Section not to exceed \$1,000,000 in the aggregate at any one (1) time outstanding;

(xiv) Investments in certificates of deposit and bank deposits with financial institutions located in Puerto Rico and the Dominican Republic, solely to the extent necessary to maintain preferred tax treatment or country of origin status in such locations, not to exceed \$5,000,000, in the aggregate at any time outstanding;

(xv) Investments made pursuant to Permitted Acquisitions;

(xvi) Investments in Interest Rate Protection Agreements, derivative agreements, materials future contracts or other arrangements in connection with Indebtedness, in all cases not for speculative purposes, not to exceed in the aggregate a notional amount of \$60,000,000 at any time outstanding; and

(xvii) Deposit Accounts with financial institutions available for withdrawal on demand, subject to the provisions of the GMAC Credit Documents.

(h) **Use of Proceeds.** The Loan Parties shall not use any proceeds from the sale of the Senior Term Notes hereunder, directly or indirectly, for the purposes of purchasing or carrying any "margin securities" within the meaning of Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve Board or for the purpose of arranging for the extension of credit secured, directly or indirectly, in whole or in part by collateral that includes any "margin securities."

(i) **Modifications of Revolving Loan Documents.** The Loan Parties shall not amend, replace, refinance, refund, restructure, supplement, extend or otherwise modify the GMAC Credit Agreement in effect on the Closing Date or any other GMAC Credit Documents in effect on the Closing Date in contravention of the terms set forth in the Intercreditor Agreement.

(j) **Amendment of Charter Documents.** The Loan Parties shall not amend, terminate, modify or waive or agree to the amendment, modification or waiver of any material term or provision of their Charter Documents, or By-laws, other than any amendment, modification or other change to any Charter Document or By-laws that does not adversely affect the rights and privileges of Parent or any Loan Party under this Agreement and the Security Documents, or the interests of Agent or the Purchasers under the Security Documents or in the collateral thereunder.

(k) **Subsidiaries.** The Loan Parties shall not establish nor acquire any new Subsidiary except (i) Foreign Subsidiaries, with the prior written consent of Agent not to be unreasonably withheld; provided, that at least sixty-five percent (65%) of all of the outstanding equity securities of such Foreign Subsidiaries are pledged to the Agent for the benefit of the Purchasers pursuant to a pledge agreement on terms reasonably satisfactory to Agent or (ii) Domestic Subsidiaries, in connection with any acquisition permitted by this Agreement and/or where such Subsidiary becomes a Loan Party or obligated pursuant to a Guaranty and grants Agent a priority perfected security interest in substantially all of its assets, subject only to Permitted Liens.

(l) **Business.** The Loan Parties shall not engage, directly or indirectly, in any business other than the Business and any business reasonably incidental thereto.

(m) **Fiscal Year; Accounting.** The Loan Parties shall not change their Fiscal Year from ending on December 31, or method of accounting (other than immaterial changes in methods), except as required by GAAP.

(n) **Establishment of New or Changed Business Locations.** The Loan Parties shall not relocate their principal executive offices or other facilities or establish new business locations or store any inventory or other assets at a location not identified to Agent on or before the date hereof, without providing not less than thirty (30) days advance written notice to Agent.

(o) **Changed or Additional Business Names.** The Loan Parties shall not change their corporate names, establish new or additional trade names or change their state of organization without providing not less than thirty (30) days advance written notice to Agent.

(p) **Limitations on Affiliate Ownership of Obligations.** No Loan Party nor any Affiliate thereof shall, directly or indirectly, purchase, participate, be assigned or in any way beneficially own any of the Indebtedness arising under any of the Loan Documents or the Revolving Loan Documents.

**7.3 Financial Covenant.** Parent covenants and agrees that, so long as all or any part of the Senior Term Notes remain outstanding, it shall maintain on a consolidated basis the following:

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

<b>Period</b>	<b>Fixed Charge Coverage Ratio</b>
Four Quarters ending June 30, 2007,	1.20 to 1.00
Four Quarters ending September 30, 2007,	1.10 to 1.00
Four Quarters ending December 31, 2007, and	1.05 to 1.00
Each four Quarter period ending thereafter	1.00 to 1.00

#### **ARTICLE 8 EVENTS OF DEFAULT**

**8.1 Events of Default.** An “**Event of Default**” shall mean the occurrence of one or more of the following described events:

(a) any Loan Party shall default in the payment of (i) interest on any Senior Term Note when due, (ii) principal of any Senior Term Note when due, whether at maturity, upon notice of prepayment in accordance with Sections 3.3, 3.4, or 3.9 upon any scheduled payment date, a mandatory prepayment date in accordance with Section 3.5 or by acceleration or otherwise, or (iii) any other amount due under any Transaction Document within 30 Business Days after the same is due;

(b) an event of default shall occur under the GMAC Credit Agreement (i) in respect of any payment due thereunder, (ii) in respect of any other provision thereof and more than 90 days have elapsed since the date of any such event of default without such event of default being cured or waived, or (iii) that has resulted in the acceleration of the Indebtedness thereunder;

(c) with respect to Indebtedness other than the GMAC Financing, there shall occur a default under any agreement under which any Indebtedness having an individual principal amount of \$1,000,000 or more or having an aggregate principal amount of \$2,000,000 or more is created, which default permits the holder(s) of such Indebtedness to accelerate the maturity of such Indebtedness;

(d) any representation or warranty herein made by any of the Loan Parties, or any certificate or financial statement furnished pursuant to the provisions hereof, shall prove to have been false or misleading in any material respect as of the time made or furnished or deemed made or furnished;

(e) any Loan Party shall default in the performance of any covenant, condition or provision set forth in Section 7.2 or 7.3;

(f) a default or event of default shall occur under any other Transaction Document, beyond any applicable notice or cure periods;

(g) any Loan Party shall breach any other covenant, condition or provision of this Agreement, any Senior Term Note or any other Transaction Document not otherwise addressed in this Section 8.1, and such breach shall not be remedied to Agent's or Required Purchasers' satisfaction for a period of fifteen (15) days of the written notice from the Agent of such default;

(h) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of any Loan Party having assets in excess of \$1,000,000 in an involuntary case under any applicable bankruptcy, insolvency or other similar Law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of any such Loan Party or for any substantial part of its property, or for the winding-up or liquidation of their affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days;

(i) any Loan Party shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar Law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such Law, or any Loan Party having assets in excess of \$1,000,000 shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of any Loan Party or for any substantial part of their property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay their debts as they become due, or shall take any action in furtherance of any of the foregoing;

(j) either of the following events shall occur: (i) a Reportable Event, the occurrence of which would have a Material Adverse Effect that could cause the imposition of a Lien under Section 4068 of ERISA, shall have occurred with respect to any Plan or Plans; or (ii) the aggregate amount of the then "current liability" (as defined in Section 412(l)(7) of the Code) of all accrued benefits under such Plan or Plans exceeds the then current value of the assets allocable to such benefits by more than \$1,000,000 at such time;

(k) a final judgment that exceeds \$500,000 or, together with other undischarged final judgments against any Loan Party, exceeds an aggregate of \$1,000,000 (excluding judgments to the extent the applicable Loan Party is fully insured or the deductible or retention limit does not (when aggregated with other undischarged judgments) exceed \$1,000,000 and with respect to which the insurer has assumed responsibility in writing), shall have been entered against the Loan Party if, within thirty (30) days after the entry thereof, such judgment, or any other judgment which, together with such judgment exceeds \$1,000,000 in the aggregate, shall not have been discharged or execution thereof stayed pending appeal or if, within thirty (30) days after the expiration of any such stay, any such judgment shall not have been discharged; or

(l) any material Transaction Document shall at any time after the Closing Date cease for any reason to be in full force and effect or shall cease to create perfected security interests in favor of Agent in the collateral subject or purported to be subject thereto, subject to no other Liens other than Permitted Liens, or such collateral shall have been transferred to any Person other than as permitted under this Agreement without the prior written consent of the holders of a majority in principal amount of the outstanding Senior Term Notes.



## 8.2 Consequences of Event of Default

(a) **Bankruptcy.** If an Event of Default specified in paragraphs (h) or (i) of Section 8.1 hereof shall occur, the unpaid balance of the Senior Term Notes, all interest accrued thereon and all other liabilities of the Loan Parties hereunder and thereunder shall be immediately due and payable, together with any applicable prepayment premium, without presentment, demand, protest or (except as expressly required hereby) notice of any kind, all of which are hereby expressly waived.

(b) **Other Defaults.** If any other Event of Default shall occur, Required Purchasers may at their option, by written notice to the Loan Parties, declare the entire unpaid balance of the Senior Term Notes, all interest accrued thereon and all other liabilities of the Loan Parties hereunder and thereunder to be forthwith due and payable, together with any applicable prepayment premium, and the same shall thereupon become immediately due and payable, without presentment, demand, protest or (except as expressly required hereby) notice of any kind, all of which are hereby expressly waived; provided, that if a Default specified in clause (ii) of paragraph (a) of Section 8.1 hereof shall occur, any holder of a Senior Term Note as to which such Event of Default has occurred may declare the entire unpaid balance of such Senior Term Note (but only such Senior Term Note) and other amounts due hereunder and thereunder with respect to such Senior Term Note immediately due and payable and same shall thereupon become immediately due and payable, without presentment, demand, protest or (except as expressly provided hereby) notice of any kind, all of which are expressly waived.

(c) **Default Interest.** Following the occurrence and during the continuance of any Event of Default, the holders of the Senior Term Notes shall be entitled to receive, to the extent permitted by applicable Law, interest on the outstanding principal of, and premium and overdue interest, if any, on, the Senior Term Notes at a rate per annum equal to 13.5%.

(d) **Security.** Payments of principal of, and premium, if any, and interest on, the Senior Term Notes and all other obligations of the Loan Parties under this Agreement or the Senior Term Notes are secured pursuant to the terms of the Security Documents.

## ARTICLE 9 AGENT

**9.1 Authorization and Action.** Each Purchaser and each subsequent holder of any Senior Term Note, by its acceptance thereof, hereby designates and appoints Laminar Direct Capital L.P. as collateral agent and Agent hereunder and authorizes Laminar Direct Capital L.P. to take such actions as agent on its behalf and to exercise such powers as are delegated to Agent by the terms of this Agreement and the other Transaction Documents, together with such powers as are reasonably incidental thereto. Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Purchaser, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of Agent shall be read into this Agreement or otherwise exist for Agent. In performing its functions and duties hereunder, Agent shall act solely as agent for the Purchasers and does not assume, nor shall be deemed to have assumed, any obligation or relationship of trust or agency with or for the Loan Parties or any of their respective successors or assigns. Agent shall not be required to take any action that exposes Agent to personal liability or that is contrary to this Agreement or applicable Laws. The appointment and authority of Agent hereunder shall terminate at the indefeasible payment in full of the Senior Term Notes and related obligations.

**9.2 Delegation of Duties.** Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

**9.3 Exculpatory Provisions.** Neither Agent nor any of its directors, officers, agents or employees shall be (i) liable for any action lawfully taken or omitted to be taken by it or them under or in connection with this Agreement (except for its, their or such Person's own gross negligence or willful misconduct or, in the case of Agent, the breach of its obligations expressly set forth in this Agreement, unless such action was taken or omitted to be taken by Agent at the direction of the Required Purchasers), or (ii) responsible in any manner to any of the Purchasers for any recitals, statements, representations or warranties made by the Loan Parties contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received under or in connection with, this Agreement or the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other document furnished in connection herewith, or for any failure of the Loan Parties to perform their respective obligations hereunder, or for the satisfaction of any condition specified in Article 4. Agent shall not be under any obligation to any Purchaser to ascertain or to inquire as to the observance or performance of any of the agreements or covenants contained in, or conditions of, this Agreement or any other Transaction Document, or to inspect the properties, books or records of the Loan Parties.

**9.4 Reliance.** Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to Parent and to the other Loan Parties), independent accountants and other experts selected by Agent. Agent shall in all cases be fully justified in failing or refusing to take any action under this Agreement or any other document furnished in connection herewith unless it shall first receive such advice or concurrence of the Required Purchasers or all of the Purchasers, as applicable, as it deems appropriate or it shall first be indemnified to its satisfaction by the Purchasers; provided, that, unless and until Agent shall have received such advice, Agent may take or refrain from taking any action, as Agent shall deem advisable and in the best interests of the Purchasers. Agent shall in all cases be fully protected in acting, or in refraining from acting, in accordance with a request of the Required Purchasers or all of the Purchasers, as applicable, and such request and any action taken or failure to act pursuant thereto shall be binding upon all Purchasers.

**9.5 Non-Reliance on Agent and Other Purchasers.** Each Purchaser expressly acknowledges that neither Agent, nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by Agent or hereafter taken, including, without limitation, any review of the affairs of the Loan Parties, shall be deemed to constitute any representation or warranty by Agent. Each Purchaser represents and warrants to Agent that it has and will, independently and without reliance upon Agent or any other Purchaser and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Loan Parties and made its own decision to enter into this Agreement.

**9.6 No Liability of Purchasers.** The Purchasers shall have no liability to any Loan Party or any other entity as a result of any actions or failures to act by Agent, hereunder or otherwise.

**9.7 Agent in its Individual Capacity.** Agent and each of its Affiliates may make loans to, purchase securities from, provide services to, accept deposits from and generally engage in any kind of business with the Loan Parties or any Affiliate of the Loan Parties as though Agent were not Agent hereunder.

**9.8 Successor Agent.** Agent may, upon forty-five (45) days' notice to the Loan Parties and the Purchasers, and Agent will, upon the direction of the Required Purchasers (other than Agent, in its individual capacity), resign as Agent. If Agent shall resign, then during such forty-five (45) day period the Required Purchasers shall appoint a successor Agent and, if the Required Purchasers direct Agent to resign, such direction shall include an appointment of a successor Agent. If for any reason no successor Agent is appointed by the Required Purchasers during such forty-five (45) day period, then effective upon the expiration of such forty-five (45) day period, the Purchasers shall perform all of the duties of Agent hereunder and the Loan Parties shall make all payments in respect of the Senior Term Notes directly to the applicable Purchasers and for all purposes shall deal directly with the Purchasers. After any retiring Agent's resignation hereunder as Agent, the provisions of Article 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

**9.9 Consent of Purchasers.**

After an acceleration of the Indebtedness, Agent may, after consultation (to the extent reasonably practicable under the circumstances) with all Purchasers and, upon written instruction from the Required Purchasers shall, exercise or refrain from exercising any and all rights, remedies, privileges and options under this Agreement or the other Transaction Documents and available at law or in equity to protect the rights of Agent and the Purchasers and collect the Indebtedness under the Senior Term Notes, including, without limitation, instituting and pursuing all legal actions brought against any Loan Party or to collect the Indebtedness under the Senior Term Notes, or defending any and all actions brought by any Loan Party or other Person; or incurring expenses or otherwise making expenditures to protect the collateral, the Senior Term Notes or Agent's or any Purchaser's rights or remedies.

**9.10 This Article Not Applicable to the Loan Parties** Except for this Section 9.10, this Article 9 is included in this Agreement solely for the purpose of determining certain rights as between Agent and the Purchasers and does not create, nor shall it give rise to, any rights in or obligations on the part of the Loan Parties and all rights and obligations of the Loan Parties (other than as specifically set forth herein) under this Agreement shall be determined by reference to the provisions of this Agreement other than this Article 9.

**ARTICLE 10  
MISCELLANEOUS**

**10.1 Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that (i) the Loan Parties may not assign or transfer its rights hereunder or any interest herein or delegate their duties hereunder and (ii) the Purchasers shall have the right to assign their rights hereunder and under the Senior Term Notes in accordance with Article 6.

**10.2 Modifications and Amendments.** The provisions of this Agreement may be modified, waived or amended, but only by a written instrument signed by each of the Loan Parties and the Required Purchasers; provided that (a) without the prior written consent of all Purchasers then holding Senior Term Notes none of the following modifications may be made: (i) extend any payment date under the Senior Term Notes; (ii) reduce any interest rate applicable to any of the Senior Term Notes or any fee payable to the Purchasers hereunder; (iii) waive any Event of Default under Section 8.1(a); (iv) compromise or settle all or a portion of the Indebtedness under the Senior Term Notes; (v) release any obligor from the Indebtedness under the Senior Term Notes except in connection with full payment and satisfaction of all Indebtedness under the Senior Term Notes; (vi) amend the definition of Required Purchasers, or (vii) amend this Section 10.2 and (b) unless also signed by the Agent, no amendment, waiver or consent shall affect the rights or duties of the Agent under this Agreement or any other Transaction Document.

**10.3 No Implied Waivers; Cumulative Remedies; Writing Required.** No delay or failure in exercising any right, power or remedy hereunder shall affect or operate as a waiver thereof; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or remedy preclude any further exercise thereof or of any other right, power or remedy. The rights and remedies hereunder are cumulative and not exclusive of any rights or remedies that Agent or the Purchasers or any holder of Senior Term Notes would otherwise have. Any waiver, permit, consent or approval of any kind or character of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing, satisfy the conditions set forth in Section 9.11 and shall be effective only to the extent in such writing specifically set forth.

**10.4 Reimbursement of Expenses.** The Loan Parties agree to pay or reimburse Agent and the Purchasers upon demand for all reasonable fees and expenses incurred or payable by Agent or the Purchasers (including, without limitation, reasonable fees and expenses of special counsel for Agent or any Purchaser and charges for services performed for the Purchasers by Agents' internal auditing staff), from time to time (i) up to a mutually agreed amount, arising in connection with the negotiation, preparation and execution of this Agreement, the Senior Term Notes, the other Transaction Documents and all other instruments and documents to be delivered hereunder or thereunder or arising in connection with the transactions contemplated hereunder or thereunder (whether such fees and expenses are invoiced at or after the Closing), (ii) relating to the administration of this Agreement and the Transaction Documents, including any amendments, waivers or consents pursuant to the provisions hereof or thereof, and (iii) arising in connection with the enforcement of this Agreement or any Security Document, or collection of any Senior Term Note.

**10.5 Holidays.** Whenever any payment or action to be made or taken hereunder or under the Senior Term Notes shall be stated to be due on a day that is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

**10.6 Notices.** All notices and other communications given to or made upon any party hereto in connection with this Agreement shall, except as otherwise expressly herein provided, be in writing (including telecopy, but in such case, a confirming copy will be sent by another permitted means) and mailed via certified mail, telecopied or delivered by guaranteed overnight parcel express service or courier to the respective parties, as follows:

**to the Loan Parties:** Rocky Brands, Inc.  
39 East Canal Street  
Nelsonville, Ohio 45764  
Attn: James E. McDonald  
Chief Financial Officer  
Telecopier: 740-753-4024

with a copy to: Porter, Wright, Morris & Arthur LLP  
41 South High Street  
Columbus, Ohio 43215  
Attn: Timothy E. Grady, Esq.  
Telecopier: (614) 227-2100

**to Agent:** Laminar Direct Capital L.P.  
3 Bethesda Metro Center  
Suite 1450  
Bethesda, MD 20814  
Attn: Dean D'Angelo  
Telecopier: (301) 634-3051

with a copy to: D. E. Shaw & Co., L.P.  
120 West 45th Street, 39th Floor  
New York, New York 10036  
Attn: Hilda Blair.  
Telecopier: (212) 478-0100

with a copy to: Moore & Van Allen PLLC  
100 North Tryon Street, 47th Floor  
Charlotte, NC 28202  
Attn: C. Wayne McKinzie, Esq.  
Telecopier: (704) 378-2061

**to the Purchasers:** As set forth on Annex A

or in accordance with any subsequent written direction from the recipient party to the sending party. All such notices and other communications shall, except as otherwise expressly herein provided, be effective upon delivery if delivered by courier or overnight parcel express service; in the case of certified mail, three (3) Business Days after the date sent; or in the case of telecopy, when received.

**10.7 Survival.** All representations, warranties, covenants and agreements of the Loan Parties contained herein or made in writing in connection herewith shall survive the execution and delivery of this Agreement and the purchase of the Senior Term Notes and shall continue in full force and effect so long as any Senior Term Note is outstanding and until payment in full of all of the Loan Parties' obligations hereunder or thereunder. All obligations relating to indemnification hereunder shall survive any termination of this Agreement and shall continue for the length of any applicable statute of limitations.

**10.8 Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

**10.9 Jurisdiction, Consent to Service of Process.**

(a) EACH OF THE LOAN PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN THE STATE OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE SENIOR TERM NOTES OR ANY OTHER TRANSACTION DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT AGENT AND THE PURCHASERS MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE SENIOR TERM NOTES OR ANY OTHER TRANSACTION DOCUMENT AGAINST THE LOAN PARTIES OR THEIR PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(b) EACH OF THE LOAN PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT THEY MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE SENIOR TERM NOTES OR ANY OTHER TRANSACTION DOCUMENT IN ANY OHIO STATE OR FEDERAL COURT. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) EACH PARTY TO THIS AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 10.6 HEREOF. NOTHING IN THIS AGREEMENT SHALL AFFECT THE RIGHT OF ANY PARTY TO THIS AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

**10.10 Jury Trial Waiver.** EACH OF THE LOAN PARTIES HEREBY IRREVOCABLY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING (I) TO ENFORCE OR DEFEND ANY RIGHTS UNDER OR IN CONNECTION WITH THIS AGREEMENT, OR (II) ARISING FROM ANY DISPUTE OR CONTROVERSY IN CONNECTION WITH OR RELATED TO THIS AGREEMENT AND AGREE THAT ANY SUCH ACTION OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

**10.11 Severability.** Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable Law in any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating any other provision of this Agreement.

**10.12 Headings.** Article, section and subsection headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

**10.13 Indemnity.** The Loan Parties, jointly and severally, hereby agree to indemnify, defend and hold harmless Agent and the Purchasers and their officers, directors, employees, agents and representatives, and their respective successors and assigns in connection with any losses, claims, damages, liabilities and expenses, including reasonable attorneys' fees, to which Agent or any Purchaser may become subject (other than as a result of the gross negligence or willful misconduct of any such Person), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or by reason of any investigation, litigation or other proceedings related to or resulting from any act of, or omission by, the Loan Parties or their Affiliates or any officer, director, employee, agent or representative of the Loan Parties or their Affiliates with respect to the Transactions, the Senior Term Notes, Charter Documents, the By-laws or any agreements entered into in connection with any such agreements, instruments or documents and to reimburse Agent and the Purchasers and each such Person and Affiliate, upon demand, for any legal or other expenses incurred in connection with investigating or defending any such loss, claim, damage, liability, expense or action. To the extent that the foregoing undertakings may be unenforceable for any reason, the Loan Parties agree to make the maximum contribution to the payment and satisfaction of indemnified liabilities set forth in this Section 10.13 that is permissible under applicable Law.

**10.14 Environmental Indemnity.** The Loan Parties, and their successors and assigns, hereby release and discharge, and agree to defend, indemnify and hold harmless, Agent, the Purchasers and their Affiliates (including their partners, subsidiaries, customers, guests, and invitees, and the successors and assigns of all of the foregoing, and their respective officers, employees and agents) from and against any and all Environmental Liabilities, (other than as a result of the gross negligence or willful misconduct of any such Person), whenever and by whomever asserted, to the extent that such Environmental Liabilities are based upon, or otherwise relate to: (i) any Condition at any time in, at, on, under, a part of, involving or otherwise related to the Properties and Facilities (including any of the properties, materials, articles, products, or other things included in or otherwise a part of the Properties and Facilities); (ii) any action or failure to act of any Person, including any prior owner or operator of the Properties and Facilities (including any of the properties, materials, articles, products, or other things included in or otherwise a part of the Properties and Facilities), involving or otherwise related to the Properties and Facilities or operations of the Loan Parties; (iii) the Management of any Pollutant, material, article or product (including Management of any material, article or product containing a Pollutant) in any physical state and at any time, involving or otherwise related to the Properties and Facilities or any property covered by clause (iv) (including Management either from the Properties and Facilities or from any property covered by clause (iv)), and Management to, at, involving or otherwise related to the Properties and Facilities or any property covered by clause (iv)); (iv) Conditions, and actions or failures to act, in, at, on, under, a part of, involving or otherwise related to any property other than the Properties and Facilities, which property was, at or prior to the Closing Date, (I) acquired, held, sold, owned, operated, leased, managed, or divested by, or otherwise associated with, (A) the Loan Parties or any of their Subsidiaries, (B) any of the Loan Parties' Affiliates, or (C) any predecessor or successor organization of those identified in (A) or (B); or (II) engaged in any tolling, contract manufacturing or processing, or other similar activities for, with, or on behalf of the Loan Parties; (v) any violation of or noncompliance with or the assertion of any Lien under the Environmental Laws, (vi) the presence of any toxic or hazardous substances, wastes or contaminants on, at or from the past and present properties and facilities, including, without limitation, human exposure thereto; (vii) any spill, release, discharge or emission affecting the past and present properties and facilities, whether or not the same originates or emanates from such properties and facilities or any contiguous real estate, including, without limitation, any loss of value of such properties and facilities as a result thereof; or (viii) a misrepresentation in any representation or warranty or breach of or failure to perform any covenant in respect of Environmental Law made by the Loan Parties in this Agreement. This indemnity and agreement to defend and hold harmless shall survive any termination or satisfaction of the Senior Term Notes or the sale, assignment or foreclosure thereof or the sale, transfer or conveyance of all or part of the past and present Properties and Facilities or any other circumstances that might otherwise constitute a legal or equitable release or discharge, in whole or in part, of the Loan Parties under the Senior Term Notes.

**10.15 Counterparts.** This Agreement may be executed in any number of counterparts and by either party hereto on separate counterparts, each of which, when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.



**10.16 Integration.** This Agreement and the other Transaction Documents set forth the entire understanding of the parties hereto with respect to all matters contemplated hereby and supersede all previous agreements and understandings among them concerning such matters. No statements or agreements, oral or written, made prior to or at the signing hereof, shall vary, waive or modify the written terms hereof.

**10.17 Intercreditor.** The obligations evidenced hereby are subject to that certain Intercreditor Agreement (as amended or otherwise modified from time to time in accordance with its terms, or as replaced with the prior written agreement of the Loan Parties, Agent, the Required Purchasers, and the agent then appointed under the GMAC Credit Agreement, the “**Intercreditor Agreement**”), with respect to the indebtedness and, other liabilities owed by the Loan Parties under and pursuant to the GMAC Credit Agreement and each related GMAC Credit Document, and the Purchasers and Agent, by their acceptance hereof, acknowledge and agree to be bound by the provisions of the Intercreditor Agreement.

**10.18 Confidentiality.** Agent and each Purchaser agree to exercise their best efforts to keep confidential any non-public information delivered pursuant to the Transaction Documents and identified as such by any Loan Party and not to disclose such information to Persons other than to: (a) to any actual or prospective transferee (who agrees to treat such information as confidential) of a Senior Term Note, (b) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates, (c) upon the request or demand of any Governmental Authority, (d) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any applicable Law or rules of any stock exchanges, (e) that has been publicly disclosed, (f) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Purchaser’s investment portfolio in connection with ratings issued with respect to such Purchaser, (g) in connection with the exercise of any remedy hereunder or under any other Transaction Document, (h) to an investor or prospective investor in a Securitization that agrees that its access to information regarding the Loan Parties and the Senior Term Notes and Transaction Documents is solely for purposes of evaluating an investment in such Securitization and who agrees to treat such information as confidential, (i) to a trustee, collateral manager, servicer, backup servicer, noteholder or secured party in a Securitization in connection with the administration, servicing and reporting on the assets serving as collateral for a Securitization, (j) to a nationally recognized rating agency that requires access to information regarding the Loan Parties and the Senior Term Notes and Transaction Documents in connection with ratings issued with respect to a Securitization and (k) to a Purchaser’s lender or other financing source (who agrees to treat such information as confidential) that requires access to information regarding the Loan Parties and the Senior Term Notes and Transaction Documents in connection with providing financing to such Purchaser. The obligations of Agent and Purchasers under this Section 10.18 shall supersede and replace the obligations of Agent and Purchasers under any confidentiality agreement in respect of this financing executed and delivered by Agent or any Purchaser prior to the date hereof. In no event shall Agent or any Purchaser be obligated or required to return any materials furnished by Loan Parties; provided, however, each potential assignee or participant shall be required to agree that if it does not become an assignee (or participant) it shall return all materials furnished to it by Loan Parties in connection herewith.

For purposes of this Section 10.18, "**Securitization**" means a public or private offering by a Purchaser or any of its direct or indirect Affiliates or their respective successors and assigns, of securities which represent an interest in, or which are collateralized, in whole or in part, by the loans evidenced by the Senior Term Notes.

\* \* \*

SIGNATURE PAGE TO  
NOTE PURCHASE AGREEMENT

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

**LOAN PARTIES:**

ROCKY BRANDS, INC.,  
LIFESTYLE FOOTWEAR, INC.,  
ROCKY BRANDS WHOLESALE LLC, and  
ROCKY BRANDS RETAIL LLC

By: /s/ James E. McDonald  
Name: James E. McDonald  
Title: Executive Vice President, Chief  
Financial Officer and Treasurer of each of  
the foregoing Loan Parties

**PURCHASER:**

LAMINAR DIRECT CAPITAL L.P.

By: /s/ Robert J. Ladd  
Name: Robert J. Ladd  
Title: Authorized Signatory

**PURCHASER:**

WHITEBOX HEDGED HIGH YIELD  
PARTNERS, LP

By: /s/ Jonathon Wood  
Name: Jonathon Wood  
Title: Director -CFO

**PURCHASER:**

GPC LIX, L.L.C.

By: /s/ Jonathon Wood  
Name: Jonathon Wood  
Title: Director -CFO

SIGNATURE PAGE TO  
NOTE PURCHASE AGREEMENT

**AGENT:**

LAMINAR DIRECT CAPITAL L.P., as Agent

By: /s/ Robert J. Ladd  
Name: Robert J. Ladd  
Title: Authorized Signatory

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**ANNEX**

Annex A  
Annex B

Information Relating to the Purchasers  
Allocation of Senior Term Notes among the Purchasers

**SCHEDULES**

“Organizational Schedule”	Section 5.1(a)
“Capitalization Schedule”	Section 5.1(d)
“Subsidiary Schedule”	Section 5.1(e)
“Litigation Schedule”	Section 5.1(j)
“Environmental Schedule”	Section 5.1(l)
“Properties Schedule”	Section 5.1(q)
“Intellectual Property Schedule”	Section 5.1(r)
“Side Agreements Schedule”	Section 5.1(u)
“Material Contracts Schedule”	Section 5.1(w)
“Current Business Practices Schedule”	Section 5.1(z)
“Permitted Indebtedness Schedule”	Section 7.2(a)
“Permitted Encumbrances Schedule”	Section 7.2(b)

**EXHIBITS**

EXHIBIT A	Form of Senior Term Note
EXHIBIT B	Form of Security Agreement
EXHIBIT C	Form of Intellectual Property Agreements
EXHIBIT D	Form of Pledge Assignment
EXHIBIT E	Form of Compliance Certificate

**ANNEX A**  
INFORMATION RELATING TO THE PURCHASERS

**Name and Address  
of Initial Purchaser**

**LAMINAR DIRECT CAPITAL L.P.**

(1) All payments:

If by wire:

Bank: HSBC Bank  
ABA#: 021001088  
Credit: Laminar Direct Capital L.P.  
Account #:  
Ref: Rocky Brands, Inc.

If by mail:

Laminar Direct Capital L.P.  
10000 Memorial Drive, Suite 500  
Houston, Texas 77024  
Attention: Debbie Blank  
Facsimile: (703) 292-5454

If by overnight parcel service  
(e.g., FedEx, UPS, etc):

Laminar Direct Capital L.P.  
10000 Memorial Drive, Suite 500  
Houston, Texas 77024  
Attention: Debbie Blank  
Facsimile: (703) 292-5454

with sufficient information  
to identify the source and  
application of such funds.

\*\* All checks should be made payable to "Laminar Direct Capital L.P."

(2) All notices of payments and written confirmations of such wire transfers:

Laminar Direct Capital L.P.  
10000 Memorial Drive, Suite 500  
Houston, Texas 77024  
Attention: Debbie Blank  
Facsimile: (703) 292-5454

(3) All other communications:

Laminar Direct Capital L.P.  
3 Bethesda Metro Center

Suite 1450  
Bethesda, MD 20  
Attn: Dean D'Angelo  
Facsimile: (301) 634-3051

with a copy to:

D. E. Shaw & Co., L.P.  
120 West 45th Street, 39th Floor  
New York, New York 10036  
Attn: Hilda Blair.  
Facsimile: (212) 478-0100

with a copy to:

Moore & Van Allen PLLC  
100 North Tryon Street, 47th Floor  
Charlotte, NC 28202  
Attn: C. Wayne McKinzie, Esq.:  
Facsimile: (704) 378-2061

**Whitebox Hedged High Yield Partners, LP**

3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416

(1) All payments:

If by wire:

Bank: Wells Fargo Bank N.A.  
ABA#: 121000248  
Account Name: Whitebox Hedged High Yield Partners, LP  
Account #:  
Reference Rocky Brands

If by mail:

Whitebox Advisors, LLC  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416

Attn: Barb Reller  
Telephone: 612-253-6014  
Facsimile: 612-253-6114

If by overnight parcel service  
(e.g., FedEx, UPS, etc):

Whitebox Advisors, LLC  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416

Attn: Barb Reller  
Telephone: 612-253-6014  
Facsimile: 612-253-6114

with sufficient information  
to identify the source and  
application of such funds.

\*\* All checks should be made payable to "Whitebox Hedged High Yield Partners, LP"

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(2) All notices of payments and written confirmations of such wire transfers:

Whitebox Advisors, LLC  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416

Attn: Barb Reller  
Telephone: 612-253-6014  
Facsimile: 612-253-6114

(3) All other communications:

Whitebox Advisors, LLC  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416  
Attn: Nick Swenson  
Facsimile: (612) 253-6100

with a copy to:

Faegre & Benson, LLP  
2200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402  
Attn: Daniel J. Amen, Esq.  
Facsimile: (612) 766-1600

**GPC LIX, L.L.C.**  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416

(1) All payments:

If by wire:

Bank: Bank of America, NA  
ABA#: 026009593  
Account Name: Bank of America Securities LLC  
Account #:  
FFC: GPC LIX, L.L.C.  
FFC A/C#: 118-02069  
Reference: Rocky Brands

If by mail:

GPC LIX, L.L.C.  
C/O Whitebox Advisors, LLC  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416

Attn: Barb Reller  
Telephone: 612-253-6014  
Facsimile: 612-253-6114

If by overnight parcel service  
(e.g., FedEx, UPS, etc):

GPC LIX, L.L.C.  
C/O Whitebox Advisors, LLC  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416  
Attn: Barb Reller  
Telephone: 612-253-6014  
Facsimile: 612-253-6114

with sufficient information  
to identify the source and  
application of such funds.

\*\* All check should be made payable to "GPC LIX, L.L.C."

(2) All notices of payments and written confirmations of such wire transfers:

Whitebox Advisors, LLC  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416

Attn: Barb Reller  
Telephone: 612-253-6014  
Facsimile: 612-253-6114

(3) All other communications:

Whitebox Advisors, LLC  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416  
Attn: Nick Swenson  
Facsimile: (612) 253-6100

with a copy to:

Faegre & Benson, LLP  
2200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402  
Attn: Daniel J. Amen, Esq.  
Facsimile: (612) 766-1600

**ANNEX B**  
ALLOCATION OF SENIOR TERM NOTES AMONG PURCHASERS

<b>Senior Term Notes</b>	<b>Allocation</b>	<b>Percentage</b>
Purchaser: Laminar Direct Capital L.P.	\$ 20,000,000	50.00%
Purchaser: Whitebox Hedged High Yield Partners, LP	\$ 17,500,000	43.75%
Purchaser: GPC LIX, L.L.C.	\$ 2,500,000	6.25%

**SCHEDULES**

**EXHIBITS**

## SCHEDULES TO NOTE PURCHASE AGREEMENT

Dated as of May 25, 2007

**Introduction:**

For purposes of this introduction, the term "Schedules" shall include the following:

- Schedule 5.1(a) Organizational Schedule
- Schedule 5.1(d) Capitalization Schedule
- Schedule 5.1(e) Subsidiary Schedule
- Schedule 5.1(j) Litigation Schedule
- Schedule 5.1(l) Environmental Schedule
- Schedule 5.1(q) Properties Schedule
- Schedule 5.1(r) Intellectual Property Schedule
- Schedule 5.1(u) Side Agreements Schedule
- Schedule 5.1(w) Material Contracts Schedule
- Schedule 5.1(z) Current Business Practices Schedule
- Schedule 7.2(a) Permitted Indebtedness Schedule
- Schedule 7.2(b) Permitted Encumbrances Schedule

Unless otherwise defined in these Schedules, all capitalized terms used herein shall have the meanings ascribed to them in the Note Purchase Agreement between and among Laminar Direct Capital L.P., as Agent, the note purchasers that are now and hereafter at any time become parties thereto, as Purchasers, and Rocky Brands, Inc. and the other parties identified on the signature pages thereto, as Loan Parties, dated May 25, 2007 (the "Agreement").

The headings contained in these Schedules are for reference purposes only and shall not affect in any way the meaning or interpretation of the Agreement or these Schedules.

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SCHEDULE 5.1(a)

Organizational Schedule

<b>Name</b>	<b>Principal Place of Business</b>	<b>Qualified to do Business</b>	<b>Subsidiaries</b>
Rocky Brands, Inc., an Ohio corporation	39 East Canal Street Nelsonville, OH 45764	OH, VA and WV	Lifestyle Footwear, Inc. Rocky Brands Wholesale LLC Five Star Enterprises Ltd. Rocky Canada, Inc. Rocky Brands Retail LLC EJ Asia Limited (99.99% ownership)
Lifestyle Footwear, Inc., a Delaware corporation	Road 125 KM 3.8 BO Pueblo Industrial Park Moca, PR 00676-0728	DE and Puerto Rico	None
Rocky Brands Wholesale LLC, a Delaware limited liability company	39 East Canal Street Nelsonville, OH 45764	DE, GA, TN, NY, OH, WV, and LA	None
Rocky Brands Retail LLC, a Delaware limited liability company	39 East Canal Street Nelsonville, OH 45764	DE, KY, OH, NY, CA, MO, MI, NH, KS, SC, GA, PA, NC, LA, CO, IN, TX, TN, HI, WI, IL, FL, MN, VA, and WV	None



SCHEDULE 5.1(d)

Capitalization Schedule

**ROCKY BRANDS, INC. (formerly Rocky Shoes & Boots, Inc.)**

Authorized:

1. 250,000,000 shares of common stock, without par value
2. 250,000 shares of voting preferred stock, without par value
3. 250,000 shares of non-voting preferred stock, without par value, consisting of:
  - a. 125,000 shares of Series A Non-Voting Convertible Preferred Stock
  - b. 125,000 shares of Series B Junior Participating Cumulative Preferred Stock

Issued and Outstanding: only common

Rocky has stock options issued and outstanding under:

1. 1992 Stock Option Plan
2. 1995 Amended and Restated Stock Option Plan
3. 2004 Stock Incentive Plan

As of September 30, 2006, 543,276 shares are issued and outstanding pursuant to option plans.

**LIFESTYLE FOOTWEAR, INC.**

Authorized: 3,000 shares of common stock, without par value

Issued and Outstanding: 2,000 shares to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Replacement Certificate No. 3.

**ROCKY CANADA, INC.**

Authorized: an unlimited number of common shares

Issued and Outstanding: 100 shares to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Certificate No. 2 for 65 shares and Certificate No. 3 for 35 shares

**FIVE STAR ENTERPRISES LTD.**

Authorized: 900,000 shares of common stock, valued at One United States Dollar each

Issued and Outstanding: 5,000 shares to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Replacement Certificate No. 6

**EJ ASIA LIMITED (Pending Dissolution)**

Authorized: 10,000 ordinary shares

Issued and Outstanding: 9,999 shares constituting 99.99% of the equity interests to Rocky Brands, Inc. successor by merger to EJ Footwear LLC, Certificate No. 3 and 1 share constituting .01% of the equity interest to Douglas Bedell Brown, Certificate No. 4

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**ROCKY BRANDS WHOLESALE LLC (formerly Georgia Boot LLC prior to merger of Georgia Boot Properties LLC, Durango Boot Company LLC, and Northlake Boot Company LLC with and into Georgia Boot LLC, with name change to Rocky Brands Wholesale LLC)**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Certificate No. 2

**ROCKY BRANDS RETAIL LLC (formerly Lehigh Safety Shoe Co. LLC prior to mergers of Lehigh Safety Shoe Properties LLC with and into Lehigh Safety Shoe Co. LLC and HM Lehigh Safety Shoe Co. LLC with and into Lehigh Safety Shoe Co. LLC, with name change to Rocky Brands Retail LLC)**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Certificate No. 1

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SCHEDULE 5.1(e)

Subsidiary Schedule

See [Schedule 5.1\(a\)](#)

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SCHEDULE 5.1(j)

Litigation Schedule

None

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SCHEDULE 5.1(1)

Environmental Schedule

None

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SCHEDULE 5.1(q)

Properties Schedule

- A. Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.)
    - 1. Owned Real Property
      - 39 East Canal Street  
Nelsonville, OH 45764  
(mortgaged to General Electric Capital Business Asset Funding Corporation)
      - 29 Fayette St.  
Nelsonville, OH 45764
    - 2. Leased Real Property – None
  - B. Lifestyle Footwear, Inc.
    - 1. Owned Real Property – None
    - 2. Leased Real Property
      - Road 125 KM 3.8 BO Pueblo Industrial Park  
Moca, PR 00676-0728
  - C. Rocky Brands Wholesale LLC (formerly Georgia Boot LLC)
    - 1. Owned Real Property
      - 37601 Rocky Boots Way  
Logan, OH 43138
    - 2. Leased Real Property
      - 235 Noah Drive  
Franklin, TN 37064  
Office
      - Denver Merchandise Mart  
451 East 58th Street  
Showrooms 3529 & 4435  
Denver, CO 80216
  - D. Rocky Brands Retail LLC (formerly Lehigh Safety Shoe Co. LLC)
-

1. Owned Real Property

45 East Canal Street  
Nelsonville, OH 45764

901 Franklin Street E  
Endicott, NY 13761

2. Leased Real Property

120 Plaza Dr.  
Vestal, NY  
Office

12545 Laramie Avenue, Unit 11-B  
Alsip, IL 60803

9038 N. IH-35, Suite A  
Austin, TX 78753

5001 West 161<sup>st</sup> Street  
Cleveland, OH 44142

Unit E, 400 Northeast Dr.  
Columbia, SC 29203

7250 Bandini Blvd., Unit 102  
Commerce, CA 90040

4413 Empire Way  
Westland Industrial Park  
Lansing, MI 48917

3890 Kipling, Unit K  
Wheat Ridge, CO 80033

2945 S. Miami Blvd., Suite 120  
Durham, NC 27703

Powerline Business Center  
5601 N.W. 9<sup>th</sup> Avenue  
Suite 103  
Fort Lauderdale, FL 33309

284 South Colony Rd.  
Route #5  
Wallingford, CT 06492

1130 N. Nimitz Highway, Suite A-122  
Honolulu, HI 96817

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5545 West Raymond Street, Suite C  
Indianapolis, IN 46241

3103 Fern Valley Rd., Suite 103  
Louisville, KY 40213

2885 Business Park Drive  
Airport Business Park  
Building E  
Memphis, TN 38118

2415 Monroe Road  
DePere, WI 54115

4250 44<sup>th</sup> Avenue, Suite 2  
Moline, IL 61265

Three Progress Avenue  
Nashua, NH 03062

1412 Antioch Pike, Suite 101  
Antioch, TN 37211

5610 Jefferson Highway, C-1  
New Orleans, LA 70123

5952 Peachtree Industrial Blvd.  
Suite 17  
Norcross, GA 30071

7685 Currency Drive  
Sand Lake Service Center 2  
Orlando, FL 32809

4735 Campbell's Run Road, Space A  
Pittsburgh, PA 15205

1331 West 3300 South  
Salt Lake City, UT 84119

1510 Montague Expressway  
San Jose, CA 95131

Carr 887 km. 0.6 Victoria Industrial Park  
Carolina Commercial Park, Puerto Rico 00987

10 Saratoga Avenue  
South Glen Falls, NY 12803

13609 Lakefront Drive  
Earth City, MO 63045

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445 Etna Street, Suite 56  
St. Paul, MN 55106

6103 E. Malloy Rd.  
E. Syracuse, NY 13057

Corporex Plaza  
3904 Corporex Park Drive  
Suite 100A  
Tampa, FL 33619

1927 S. West Street, Suite B  
Wichita, KS 67213

34-23 38<sup>th</sup> Street  
Long Island City, NY 11101

47 Bridge Street  
Corning, NY 14830

Commercial Center  
2229 E. Division  
Arlington, TX 76011

1707 Center Street

Deer Park, TX 77536

3240 Peach Orchard Rd., Suite 6  
Augusta, GA 30906

703 E. Ordnance Road, Suite 610  
Baltimore, MD 21226

Carr #2, KM 57.5  
Barceloneta, PR 00617

Carr 887 Km 0.6, Bo Martin Gonzalez  
Carolina, PR 00987

142 State Rd., #189 KM 2.2  
Caguas, PR 00726

1625 Walden Ave.  
Cheektowaga, NY 14225

131 Harbison Blvd.  
Columbia, SC 29212

2914 E. Yandell, Suite 1  
El Paso, TX 79903

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4380 S. Noland Road  
Independence, MO 64055

2224 Paradise Road'  
Las Vegas, NV 89102

Rd. # 2 km 44.7  
Bo Cantera #43 STE  
Manati, PR 00674

2737 W. McDowell Road  
Phoenix, AZ 85009

2341 Avenida Las Americas, Ste 103  
Ponce, PR 00717

3247 NW 29<sup>th</sup> Ave.  
Portland, OR 97210

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## SCHEDULE 5.1(r)

## Intellectual Property Schedule

ROCKY BRANDS, INC.

FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS

<u>Mark</u>	<u>Serial. No./Reg. No.</u>	<u>Filing Date/Reg. Date</u>	<u>Comments</u>
<b>ADVANTA-FLEX</b>	Ser. No. 76/435112 Reg. No. 2783005	Filed 7/29/02 Reg 11/11/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ALPHAFORCE</b>	Ser. No. 78/098664 Reg. No. 2766744	Filed 12/17/01 Reg. 9/23/03	
<b>AOG</b>	Serial No. 75/010045 Reg. No. 2166173	Filed 10/24/95 Reg. 6/16/98	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ASTRO and Design</b>	Ser. No. 72/301213 Reg. No. 862801	Filed 6/24/68 Reg 12/31/68	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>AQUA GUARD</b>	Ser. No. 75/786424 Reg. No. 2538542	Filed 8/27/99 Reg. 2/12/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BARCLAY (stylized)</b>	Ser. No. 71/550334 Reg. No. 516495	Filed 2/21/48 Reg 10/18/49	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BEACON STRATEGIC RESOURCING</b>	Ser. No. 76/362852 Reg. No. 2759986	Filed 1/24/02 Reg 9/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BEAR CLAW</b>	Ser. No. 74/662553 Reg. No. 1974865	Filed 4/18/95 Reg. 5/21/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BOOTS UNLIMITED</b>	Ser. No. 76/203030 Reg. No. 2515098	Filed 1/31/01 Reg 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CAMO-TEK</b>	Ser. No. 75/603250 Reg. No. 2534492	Filed 12/10/98 Reg. 1/29/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CHIEFTAN</b>	Ser. No. 72/248946 Reg. No. 831865	Filed 6/27/66 Reg 7/11/67	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CORNSTALKERS</b>	Ser. No. 74/541038 Reg. No. 1897612	Filed 6/22/94 Reg. 6/6/95	Assigned to GMAC Commercial Finance LLC 2/2/05

<b><i>Mark</i></b>	<b><i>Serial. No./Reg. No.</i></b>	<b><i>Filing Date/Reg. Date</i></b>	<b><i>Comments</i></b>
<b>DESIGN (Boot)</b>	Ser. No. 78/520734 Reg. No. 3057432	Filed 11/22/04 Reg. 2/7/06	
<b>DURANGO MUSTANG</b>	Ser. No. 77/054878	Filed 12/1/06	
<b>EJ and Design</b>	Ser. No. 73/742972 Reg. No. 1530972	Filed 7/29/88 Reg 3/21/89	Assigned from Endicott Johnson Corporation 7/11/00
<b>FARM MASTERS</b>	Ser. No. 73/365988 Reg. No. 1250453	Filed 5/24/82 Reg 9/6/83	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FIRSTMED</b>	Ser. No. 76/109464 Reg. No. 2595571	Filed 8/15/00 Reg. 7/16/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FLX-POINT</b>	Ser. No. 76/470052 Reg. No. 2789949	Filed 11/25/02 Reg 12/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FORMZ</b>	Ser. No. 75/674579 Reg. No. 2466342	Filed 4/5/99 Reg. 7/3/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>G (Stylized)</b>	Ser. No. 76/182533 Reg. No. 2967416	Filed 12/18/00 Reg. 7/12/05	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES (Stylized)</b>	Ser. No. 73/464729 Reg. No. 1319524	Filed 2/8/84 Reg. 2/12/85	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES (stylized)</b>	Ser. No. 76/186743 Reg. No. 2743239	Filed 12/27/00 Reg. 7/29/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES GLOVES</b>	Ser. No. 73/194276 Reg. No. 1174311	Filed 11/22/78 Reg 10/20/81	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES LITE (stylized)</b>	Ser. No. 73/606294 Reg. No. 1439249	Filed 6/25/86 Reg. 5/12/87	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES ULTRA LITE (stylized)</b>	Ser. No. 73/778191 Reg. No. 1558154	Filed 2/2/89 Reg. 9/26/89	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>INTER-FLEX</b>	Ser. No. 78/655300	Filed 6/21/05	
<b>INTER FLX</b>	Ser. No. 78/720437	Filed 9/26/05	

<b><i>Mark</i></b>	<b><i>Serial. No./Reg. No.</i></b>	<b><i>Filing Date/Reg. Date</i></b>	<b><i>Comments</i></b>
<b>LONGBEARD</b>	Ser. No. 75/566549 Reg. No. 2515692	Filed 10/5/98 Reg. 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LONGBEARD</b>	Ser. No. 77/149,083	Filed 4/5/07	
<b>PARACORD (stylized)</b>	Ser. No. 71/277699 Reg. No. 256338	Filed 1/8/29 Reg 5/14/29	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PONDEROSA</b>	Ser. No. 72/189568 Reg. No. 781810	Filed 3/25/64 Reg 12/15/64	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PRO-HIKER</b>	Ser. No. 78/471685	Filed 8/23/04	Assigned to GMAC Financial, LLC 2/2/05
<b>PROHUNTER</b>	Ser. No. 75/533954 Reg. No. 2820566	Filed 8/10/98 Reg. 3/9/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PROHUNTER</b>	Ser. No. 77/022459	Filed 10/17/06	
<b>ROCKY</b>	Ser. No. 73/797529 Reg. No. 1577871	Filed 5/1/89 Reg. 1/16/90	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 75/670045 Reg. No. 2538870	Filed 3/29/99 Reg. 2/19/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 75/671246 Reg. No. 2538872	Filed 3/29/99 Reg. 2/19/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 76/519218 Reg. No. 2898894	Filed 5/19/03 Reg. 11/2/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY 911 SERIES</b>	Ser. No. 74/073129 Reg. No. 3132278	Filed 4/14/05 Reg. 8/22/06	
<b>ROCKY BOOTS and Design</b>	Ser. No. 73/313429 Reg. No. 1313519	Filed 6/5/81 Reg. 1/8/85	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 75/977717 Reg. No. 2200673	Filed 5/15/95 Reg. 10/27/98	Assigned to GMAC Business Credit, LLC 9/26/00
<b>ROCKY ELMINATOR</b>	Ser. No. 76/111663 Reg. No. 2587482	Filed 8/17/00 Reg. 7/2/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>S<sup>2</sup>V</b>	Ser. No. 77/165283	Filed 4/25/07	

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>SAWBLADE</b>	Ser. No. 78/086747 Reg. No. 2730726	Filed 10/3/01 Reg. 6/24/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SHARPS GUARD</b>	Ser. No. 77/174116	Filed 5/7/07	
<b>SIGNATURE TOUR QUALITY FOOTWEAR and Design</b>	Ser. No. 73/678670 Reg. No. 1504024	Filed 8/17/87 Reg 9/13/88	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SILENTHUNTER</b>	Ser. No. 78/135127 Reg. No. 2982826	Filed 6/12/02 Reg. 8/9/05	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SILENTHUNTER</b>	Ser. No. 75/566533 Reg. No. 2553070	Filed 10/5/98 Reg. 3/26/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SILENTHUNTER SUEDE</b>	Ser. No. 77/101504	Filed 2/7/07	
<b>SMART GLOVE BY GATES</b>	Ser. No. 76/345733	Filed 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SNOW STALKER</b>	Ser. No. 74/663746 Reg. No. 1955171	Filed 4/20/95 Reg. 2/6/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SPORTSET</b>	Ser. No. 72/289087 Reg. No. 871822	Filed 1/18/68 Reg 6/24/69	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>STALKERS</b>	Ser. No. 74/541039 Reg. No. 1975747	Filed 6/22/94 Reg. 5/28/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TAC•TEAM</b>	Ser. No. 75/565836 Reg. No. 2307328	Filed 10/6/98 Reg. 1/11/00	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TECHNO-RIDE</b>	Ser. No. 77/002482	Filed 9/19/06	
<b>TORQUE SUSPENSION SYSTEM</b>	Ser. No. 76/478609 Reg. No. 2801594	Filed 12/27/02 Reg 12/30/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TRAILBLADE</b>	Ser. No. 78/720442	Filed 9/26/05	
<b>TRAIL KING</b>	Ser. No. 72/306050 Reg. No. 873081	Filed 8/27/68 Reg 7/15/69	Assigned to GMAC Commercial Finance LLC 2/2/05

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<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>TRIAD (stylized)</b>	Ser. No. 73/720906 Reg. No. 1537440	Filed 4/7/88 Reg. 5/2/89	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ULTRA 900</b>	Ser. No. 75/880873 Reg. No. 2398135	Filed 12/17/99 Reg. 10/24/00	
<b>WILD WOLF</b>	Ser. No. 78/079724 Reg. No. 2642990	Filed 8/17/01 Reg. 10/29/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>WILD WOLF</b>	Ser. No. 78/079843 Reg. No. 2760278	Filed 8/17/01 Reg. 9/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>WOODS N'WORK</b>	Ser. No. 77/048951	Filed 11/21/06	
<b>WORKSMART</b>	Ser. No. 77/030309	Filed 10/26/06	
<b>XSP</b>	Ser. No. 78/647155	Filed 6/9/05	

*ROCKY BRANDS, INC. (formerly ROCKY SHOES & BOOTS, INC.)  
FEDERAL PATENTS AND PATENT APPLICATIONS*

<b>Title</b>	<b>Patent No.</b>	<b>Issue Date</b>	<b>Exp Date</b>	<b>App. No.</b>	<b>Filing Date</b>
<b>WATERPROOF FOOTWEAR LINER AND METHOD OF MAKING THE SAME</b> Inventors: Allen G. Sheets, Richard Finney				10/237001	9/6/02
<b>FOOTWEAR SOLE WITH INTEGRAL DISPLAY ELEMENT</b> Inventors: Mike Brooks, Allen G. Sheets	6539646	4/1/03	1/11/21	09/758583	1/11/01
<b>WATERPROOF FOOTWEAR LINER AND METHOD OF MAKING SAME</b> Inventors: Allen G. Sheets, Richard Finney	6446360	9/10/02	4/9/21	09/829422	4/9/01
<b>PACK BOOT WITH RETRACTABLE CRAMPONS</b> Inventor: Sang Rok Seo	6360455	3/26/02	5/12/20	09/569643	5/12/00

<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>WATERPROOF BREATHABLE GLOVES</b> Inventors: Chuck Dinatale	5682613	11/4/97	7/25/17	08/279958	7/25/94
<b>SHOE SOLE (impact pod)</b> Inventor: Mark Recchi	D507398S	7/19/05	7/19/19	29/205245	5/11/04
<b>SHOE SOLE (retr)</b> Inventor: Mark Recchi	D509346S	9/13/05	9/13/19	29/185759	7/1/03
<b>SHOE SOLE (rk-v)</b> Inventor: Mark Recchi	D507694S	7/26/05	7/26/19	29/185757	7/1/03
<b>SHOE SOLE (ventor)</b> Inventor: Mark Recchi	D498350	11/16/04	11/16/18	29/185801	7/1/03
<b>SHOE SOLE (rkt)</b> Inventor: Mark Recchi	D498042	11/9/04	11/9/18	29/185758	7/1/03
<b>SHOE SOLE (rk-z)</b> Inventor: Mark Recchi	D495476	9/7/04	9/7/18	29/193649	11/12/03
<b>SHOE SOLE (rk/ac)</b> Inventor: Mark Recchi	D489884	5/18/04	5/18/18	29/181678	5/14/03
<b>SHOE SOLE (polar trac)</b> Inventor: Mark Recchi	D489881	5/18/04	5/18/18	29/185794	7/1/03
<b>SOLE SOLE (sawblade)</b> Inventor: Mark Recchi	D478714	8/26/03	8/26/17	29/157533	3/21/02
<b>SHOE SOLE</b> Inventor: Mark Recchi	D474586	5/20/03	5/20/17	29/163315	7/2/02
<b>SHOE SOLE (rkl outsole)</b> Inventor: Mark Recchi	D471696	3/18/03	3/18/17	29/156225	2/26/02
<b>SHOE SOLE (bobcat outsole)</b> Inventors: Mark Recchi, Allen Sheets	D468517	1/14/03	1/14/17	29/156224	2/26/02
<b>SHOE SOLE (knobby outsole)</b> Inventors: Mark Recchi, Allen Sheets	D468081	1/7/03	1/7/17	29/156254	2/26/02
<b>SHOE UPPER (7590)</b> Inventors: Richard Finney	D467715	12/31/02	12/31/16	29/149427	10/10/01



<b><i>Title</i></b>	<b><i>Patent No.</i></b>	<b><i>Issue Date</i></b>	<b><i>Exp Date</i></b>	<b><i>App. No.</i></b>	<b><i>Filing Date</i></b>
<b>SHOE SOLE</b> Inventors: Jamie Zimmer, Allen Sheets	D448147	9/25/01	9/25/15	29/136811	2/7/01
<b>BOOT UPPER WITH DETACHABLE HOLSTER</b> Inventors: James R. Carey, Charles S. Brooks	D447619	9/11/01	9/11/15	29/130656	10/4/00
<b>SHOE UPPER</b> Inventors: Denis Norton, Diana A. Wurf bain	D424797	5/16/00	5/16/14	29/092425	8/19/98
<b>SHOE UPPER</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D422783	4/18/00	4/18/14	29/098204	12/23/98
<b>SHOE SOLE</b> Inventors: Denis Norton, Diana A. Wurf bain	D412777	8/17/99	8/17/13	29/092423	8/19/98
<b>SHOE UPPER</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D410141	5/25/99	5/25/13	29/080764	12/15/97
<b>SHOE UPPER (7258)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D407198	3/30/99	3/30/13	29/080749	12/15/97
<b>SHOE UPPER (7562)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D407197	3/30/99	3/30/13	29/077174	9/29/97
<b>SHOE UPPER (911-139)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D407196	3/30/99	3/30/13	29/077173	9/29/97
<b>SHOE SOLE (prohunter)</b> Inventors: Denis Norton, Diana A. Wurf bain	D402798	12/22/98	12/22/12	29/084098	2/24/98

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<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER (844)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D402099	12/8/98	12/8/12	29/077188	9/29/97
<b>SHOE SOLE (bear claw)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D401746	12/1/98	12/1/12	29/058393	8/14/96
<b>SHOE UPPER (8444)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D401401	11/24/98	11/24/12	29/077641	9/29/97
<b>SHOE UPPER (9163)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D401400	11/24/98	11/24/12	29/077187	9/29/97
<b>SHOE UPPER (1761)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D400699	11/10/98	11/10/12	29/073407	7/8/97
<b>SHOE SOLE (alpha)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D395742	7/7/98	7/7/12	29/054776	5/21/96
<b>SHOE SOLE (tuff terrainer)</b> Inventors: Diana A. Wurf bain, Theodore A. Kastner	D394542	5/26/98	5/26/12	29/054777	5/21/96
<b>SHOE UPPER (winter trails nylon)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D386294	11/18/97	11/18/11	29/055442	6/4/96
<b>SHOE UPPER (winter trails propex)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D386293	11/18/97	11/18/11	29/055441	6/4/96

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<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER (winter trails leather)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D386292	11/18/97	11/18/11	29/055440	6/4/96
<b>SHOE UPPER (winter trails eco pile)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D385992	11/11/97	11/11/11	29/055444	6/4/96
<b>SHOE UPPER (outback sizzler)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D385991	11/11/97	11/11/11	29/055443	6/4/96
<b>SHOE UPPER (tuff terrainer)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D384195	9/30/97	9/30/11	29/054747	5/21/96
<b>SHOE UPPER (tuff terrainer oxford)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380891	7/15/97	7/15/11	29/054739	5/21/96
<b>SHOE UPPER (alpha boot)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380599	7/8/97	7/8/11	29/054748	5/21/96
<b>SHOE UPPER (stalker expedition)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380598	7/8/97	7/8/11	29/054742	5/21/96
<b>SHOE UPPER (prof demi boot)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380597	7/8/97	7/8/11	29/054740	5/21/96

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<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER (outback oxford)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380596	7/8/97	7/8/11	29/054741	5/21/96
<b>SHOE UPPER (snow stalker extreme)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D376684	12/24/96	12/24/10	29/035556	3/2/95
<b>SHOE UPPER (snow stalker hunter)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D369019	4/23/96	4/23/10	29/035560	3/2/95
<b>SHOE UPPER (winter trails)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D369018	4/23/96	4/23/10	29/035559	3/2/95
<b>SHOE UPPER (snow stalker)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D368797	4/16/96	4/16/10	29/035563	3/2/95
<b>SHOE UPPER (super stalker)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D368361	4/2/96	4/2/10	29/029890	10/18/94
<b>SHOE UPPER (the brute)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D367354	2/27/96	2/27/10	29/031067	11/16/94
<b>SHOE UPPER (outback khaki)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D367165	2/20/96	2/20/10	29/031068	11/16/94

*ROCKY BRANDS, INC. (formerly ROCKY SHOES & BOOTS, INC.)  
FEDERAL COPYRIGHT APPLICATIONS AND REGISTRATIONS*

<u>Title of Work</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Comments</u>
Rocky Ram	VA-810-954	8/26/96	Assigned to GMAC Commercial Finance LLC 2/2/05
Rocky Shoes & Boots Partnering for Wildlife Conservation	VA 1-239-611	7/28/03	Assigned to GMAC Commercial Finance LLC 2/2/05

*ROCKY BRANDS, INC. (formerly EJ FOOTWEAR LLC)  
FEDERAL PATENTS AND PATENT APPLICATIONS*

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
<b>OUTSOLE</b> Inventor: Jeffrey Raymond Rake	D447856	9/18/01	9/18/15	29/135982	1/22/01

*ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS*

<u>Mark</u>	<u>Serial. No./Reg. No.</u>	<u>Filing Date/Reg. Date</u>	<u>Comments</u>
<b>ARCTIC TOE</b>	Ser. No. 76/212102 Reg. No. 2664307	Filed 2/20/01 Reg 12/17/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BARNSTORMERS and Design</b>	Ser. No. 75/605525 Reg. No. 2421991	Filed 12/7/98 Reg 1/16/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CLIMATRAC</b>	Ser. No. 76/579105 Reg. No. 2978004	Filed 3/4/04 Reg. 7/26/05	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>COMFORT CORE</b>	Ser. No. 74/175689 Reg. No. 1689129	Filed 6/13/91 Reg 5/26/92	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CONSTRUX</b>	Ser. No. 76/606797	Filed 8/10/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>D.TECH (stylized)</b>	Ser. No. 75/544917 Reg. No. 2288942	Filed 8/31/98 Reg 10/26/99	Assigned to GMAC Commercial Finance LLC 2/2/05

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<u>Mark</u>	<u>Serial. No./Reg. No.</u>	<u>Filing Date/Reg. Date</u>	<u>Comments</u>
<b>DURANGO</b>	Ser. No. 72/198549 Reg. No. 790751	Filed 7/27/64 Reg 6/8/65	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DURANGO and Design</b>	Ser. No. 75/084007 Reg. No. 2304436	Filed 4/4/96 Reg 12/28/99	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DURANGO</b>	Ser. No. 75/712688 Reg. No. 2562205	Filed 5/24/99 Reg 4/16/02	Assigned from Georgia Boot Inc. 8/30/00
<b>DURANGO and Design</b>	Ser. No. 75/912800 Reg. No. 2660084	Filed 2/8/00 Reg 12/10/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DURANGO and Design</b>	Ser. No. 76/635030	Filed 4/4/05	
<b>FARM &amp; RANCH</b>	Ser. No. 74/294738 Reg. No. 1758465	Filed 7/16/92 Reg 3/16/93	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FIELD LITE</b>	Ser. No. 76/635028 Reg. No. 3133612	Filed 4/4/05 Reg. 8/22/06	
<b>G and Design</b>	Ser. No. 77/149076	Filed 4/5/07	
<b>GEORGIA BOOT</b>	Ser. No. 73/420215 Reg. No. 1333323	Filed 4/5/83 Reg 4/30/85	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GEORGIA GIANT</b>	Ser. No. 76/581605 Reg. No. 3037187	Filed 3/17/04 Reg 1/3/06	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GEORGIA WORKWEAR</b>	Ser. No. 76/635029	Filed 4/4/05	
<b>MUD DOG and Design</b>	Ser. No. 75/605540 Reg. No. 2421992	Filed 12/7/98 Reg 1/16/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>NORTHLAKE</b>	Ser. No. 73/215438 Reg. No. 1154957	Filed 5/14/79 Reg 5/19/81	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PROTECH (stylized)</b>	Ser. No. 76/579106 Reg. No. 3052222	Filed 3/4/04 Reg. 1/31/06	Assigned to GMAC Commercial Finance LLC 2/2/05

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<u>Mark</u>	<u>Serial. No./Reg. No.</u>	<u>Filing Date/Reg. Date</u>	<u>Comments</u>
<b>SHADES OF THE OLD WEST</b>	Ser. No. 74/294739 Reg. No. 1758466	Filed 7/16/92 Reg 3/16/93	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SNAKE RIVER</b>	Ser. No. 74/541041 Reg. No. 1919870	Filed 6/22/94 Reg 9/19/95	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>THE G LINE</b>	Ser. No. 77/148522	Filed 4/4/07	
<b>X-10</b>	Ser. No. 73/883183 Reg. No. 3215754	Filed 5/15/06 Reg 3/6/07	

*ROCKY BRANDS WHOLESale LLC (formerly GEORGIA BOOT LLC)*  
FOREIGN TRADEMARK REGISTRATIONS

COMFORT CORE - (Canada)

COMFORT CORE - (Taiwan)

DURANGO - (Japan)

DURANGO BOOT (Canada)

DURANGO - (France)

DURANGO - (Switzerland)

DURANGO - (Canada)

DURANGO - (CTM)

FARM & RANCH - (Australia)

GEORGIA BOOT - (Canada)

GEORGIA BOOT - (Italy)

GEORGIA BOOT and  
Design (Large male character with  
GEORGIA BOOT on the body) (Japan)

GEORGIA BOOT - (CTM)

MUD DOG - (Canada)  
(Stylized)

NORTHLAKE - (Canada)

NORTHLAKE - (Great Britain)

NORTHLAKE - (Japan)

NORTHLAKE - (Spain)

NORTHLAKE - (Taiwan)

*ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)*  
FEDERAL PATENTS AND PATENT APPLICATIONS

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
<b>SAFETY SHOE</b> Inventor: David Mitchell	6581304	6/24/03	12/29/19	09/474179	12/29/99
<b>SHOE WITH INSOLE AS PART SOLE FILLER AND METHOD OF MAKING SAME</b> Inventors: Sven E. Oberg, David P. Mitchell	6560901	5/13/03	5/13/20	08/332275	10/31/94
<b>FOOTWEAR WITH MOLDED WEB PLATFORM FOR ATTACHING OUTSOLE</b> Inventor: David Mitchell	6338205	1/15/02	12/29/19	09/474224	12/29/99
<b>SHOE WITH INSOLE AS PART SOLE FILLER AND METHOD OF MAKING SAME</b> Inventors: Sven E. Oberg, David P. Mitchell	6321464	11/27/01	11/27/18	08/463843	6/5/95
<b>CUSHIONED FOOTWEAR AND APPARATUS FOR MAKING THE SAME</b> Inventors: William C. Johnson, Jr., William G. Thomas	6145220	11/14/00	11/22/15	08/562009	11/22/95
<b>METHOD FOR PRECISELY PERFORATING AN OPENING IN FOOTWEAR</b> Inventors: Howard A. Hoffman; Ronald E. Pottorff; Lavert F. Sneed; William G. Thomas	5924345	7/20/99	8/14/16	08/696618	8/14/96
<b>OUTSOLE</b> Inventor: David Mitchell	D493952	8/10/04	8/10/18	29/164377	7/22/02

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U.S. Patent Application No. 09/977463 (Boot with oversized toe box for thermal insulation)

U.S. Patent Application No. 10/799395 (Footwear with improved insole)

U.S. Design Patent Application No. 29/194,981 (Outsole)

*ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)*

FOREIGN PATENTS

Canada Patent No. 2,188,847 (Cushioned footwear and apparatus for making the same )

Mexico Patent No. 204081 (Cushioned footwear and apparatus for making the same )

People's Republic of China Patent No. ZL 96123386.9 (Cushioned footwear and apparatus for making the same )

Canada Patent No. 2,059,761 (Shoe with insole as part sole filler and method for making same)\*\*

Mexico Patent No. 186564 (Shoe with insole as part sole filler and method for making same)\*\*

People's Republic of China Patent No.92100616 (Shoe with insole as part sole filler and method for making same)\*\*

Taiwan Patent No. No. 056563 (Shoe with insole as part sole filler and method for making same)\*\*

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\*\*owned jointly with RoSearch, Inc.

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*ROCKY BRANDS RETAIL LLC (formerly LEHIGH SAFETY SHOE CO. LLC)*  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>FIT FOR SAFETY</b>	Ser. No. 75/823689 Reg. No. 2628723	Filed 10/15/99 Reg 10/1/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FIT FOR WORK</b>	Ser. No. 75/823688 Reg. No. 2565788	Filed 10/15/99 Reg 4/30/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>L and Design</b>	Ser. No. 76/610147 Reg. No. 3039424	Filed 9/1/04 Reg. 1/10/06	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LEHIGH</b>	Ser. No. 73/153033 Reg. No. 1103936	Filed 12/22/77 Reg 10/10/78	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LEHIGH "FOOTSHIELDS" (stylized)</b>	Ser. No. 72/023484 Reg. No. 658172	Filed 1/30/57 Reg 2/4/58	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LOCKRIM</b>	Ser. No. 72/178690 Reg. No. 783691	Filed 10/10/63 Reg 1/19/65	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>L.S.R. (stylized)</b>	Ser. No. 75/339713 Reg. No. 2201252	Filed 7/24/97 Reg 11/3/98	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>MIRA-LUG</b>	Ser. No. 73/220929 Reg. No. 1159250	Filed 6/25/79 Reg 6/30/81	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>NUGUARD75 (stylized)</b>	Ser. No. 73/741631 Reg. No. 1530662	Filed 7/22/88 Reg 3/21/89	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PROMISE PLUS</b>	Ser. No. 75/668090 Reg. No. 2395071	Filed 3/25/99 Reg 10/17/00	Assigned from Lehigh Safety Shoe Co. 6/17/02
<b>SLIP GRIPS</b>	Ser. No. 76/489562 Reg. No. 2891737	Filed 2/14/03 Reg 10/5/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SWAMPERS</b>	Ser. No. 76/063389 Reg. No. 2579908	Filed 6/1/00 Reg 6/11/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>US 1 and Design</b>	Ser. No. 76/259815 Reg. No. 2565267	Filed 5/18/01 Reg 4/30/02	Assigned to GMAC Commercial Finance LLC 2/2/05

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*ROCKY BRANDS RETAIL LLC (formerly LEHIGH SAFETY SHOE CO. LLC)*  
FEDERAL PATENTS AND PATENT APPLICATIONS

U.S. Patent Application No. 09/875, 542 (Metatarsal Guard)

*ROCKY BRANDS RETAIL LLC (formerly LEHIGH SAFETY SHOE CO. LLC)*  
FOREIGN TRADEMARK REGISTRATIONS

FIT FOR WORK - (Canada)

FIT FOR SAFETY - (Canada)

LEHIGH - (Japan)

PROMISE PLUS - (Canada)

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SCHEDULE 5.1(u)

Side Agreements Schedule

None

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SCHEDULE 5.1(w)

Material Contracts Schedule

1. Trademark License between W.L. Gore & Associates, Inc., W.L. Gore & Associates GmbH, Japan Gore-Tex, Inc. and Georgia Boot LLC dated May 20, 2002
  2. Trademark License Agreement between W. L. Gore & Associates, Inc., W. L. Gore & Associates GmbH, and Rocky Shoes & Boots, Inc. dated July 11, 2001
  3. Warehouse and Fulfillment Services Agreement among Kane Distribution, EJ Footwear, Lehigh Safety Shoe Co. LLC and Georgia Boot dated April 18, 2002, as amended
  4. Distributor Consignment Agreement between Lehigh Safety Supply Co. and Lehigh Safety Shoe Co. LLC dated July 1, 1978
  5. The Agreement, the Security Agreement and any other security documents in connection therewith and the GMAC Credit Agreement
  6. Lease Contract dated December 16, 1999, between Lifestyle Footwear, Inc. and The Puerto Rico Industrial Development Company
  7. Rocky Shoes & Boots, Inc. Retirement Plan for Non-Union Employees
  8. Employment Agreement, dated July 1, 1995, between Parent and Mike Brooks for executive officers (incorporated by reference to Exhibit 10.1 to the Parent's Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (the "1995 Form 10-K"))
  9. Promissory Note, dated December 30, 1999, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$1,050,000 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 (the "June 30, 2000 Form 10-Q"))
  10. Promissory Note, dated January 31, 2000, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$3,750,000 (incorporated by reference to Exhibit 10.3 to the June 30, 2000 Form 10-Q)
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SCHEDULE 5.1(z)

Current Business Practices Schedule

None

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SCHEDULE 7.2(a)

Permitted Indebtedness Schedule

1. Rocky Brands, Inc. obligations to General Electric Capital Business Asset Funding Corporation:
    - a. \$1,050,000 promissory note dated December 30, 1999
    - b. \$3,750,000 promissory note dated January 28, 2000
  2. Letters of Credit
    - a. Irrevocable Standby Letter of Credit. Issuer: Bank of America; Beneficiary: Pacific Employers Insurance Company; Workers Comp; Approximately \$800,000; expired on January 27, 2007, subject to extension.
    - b. Irrevocable Standby Letter of Credit issued September 15, 2001. Issuer: GMAC Business Credit; Beneficiary: Chase Equipment Leasing; \$1,000,000;
  3. Capital Lease Obligations
- None
4. Dell Financial Services, L.P. revolving credit account for equipment purchases
  5. Androscoggin Savings Bank and Pamco Machine Company, Inc. for purchases of rebuilt equipment
-

SCHEDULE 7.2(b)

Permitted Encumbrances Schedule

**A. All Loan Parties**

Liens on real estate in which a Loan Party is lessee

**B. Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.)**

<b>Secured Party</b>	<b>Collateral</b>
GE Capital Business Asset Funding Corporation	Real Estate, fixtures and other property in connection with real properties in Athens County and Hocking County, Ohio, including without limitation that collateral further described in Financing Statement numbers AP0207801, AP0207802, AP0231440 filed with the Ohio Secretary of State, Financing Statement number 200000000069/200000000508 filed with the Hocking County, Ohio Recorder, Financing Statement numbers 20000000000-1/20000000000-2 and 20000000000-3 /20000000000-8 filed with the Athens County, Recorder, and in certain Open-End Mortgages, Security Agreements, Assignments of Rents and Leases and Fixture Filings in Hocking and Athens Counties.
Chase Equipment Leasing	Specific leased equipment, including without limitation warehouse storage units and other collateral further described in Financing Statement numbers AP0163529 and AP0196827 filed with the Ohio Secretary of State and Financing Statement number 199900000969/199900006769 filed with the Hocking County, Ohio Recorder.
GMAC Business Credit LLC	All business assets
American	Leased counter forming machine
Worthern Industries	Leased glue machines
W.L. Gore	Leased centrifugal testers ES & FS
Ascom Hasler	Mail Machine Lease
Xerox Capital Services LLC	DocuColor (2); D25OEF12 (2); WCP265 (3); WCP232 (5)
Dell Financial Services, L.P.	Computer Equipment and peripherals financed by secured party pursuant to a certain revolving credit account; proceeds
Androscoggin Savings Bank and Pamco Machine Company, Inc.	Inseam trimmer, side and heal seat laster, staple side laster and toe laster and proceeds

**C. Lifestyle Footwear, Inc.**

None

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**D. Rocky Brands, Inc. (formerly EJ Footwear LLC)**

<b>Secured Party</b>	<b>Collateral</b>
Pitney Bowes Credit Corporation	Leased equipment further described in Financing Statement number 1995001177 filed in Broome County, NY
Ford Credit	Leased Ford Ranger truck, s/n 1FTYR44U74PA08512
ComSource	Leased computer equipment described in Financing Statement number U1 1999 000721 filed in Broome County, NY
DeLage Landen Financial Services, Inc.	Leased equipment
Bank of America	Cash Collateral to secure Bank of America letter of credit in favor of Blue Cross Blue Shield
Icon Financial	Canon Printers

**E. Rocky Brands Wholesale LLC (formerly Georgia Boot LLC)**

<b>Secured Party</b>	<b>Collateral</b>
BSFS Equipment Leasing	Leased equipment under Lease #7119124, UCC file number 20888648 filed with the Delaware Secretary of State
Ascom Hasler Leasing	Leased postage meter and mail scale
Bell South	Leased telephone/MIS equipment

**F. Rocky Brands Retail LLC (formerly Lehigh Safety Shoe Co. LLC)**

<b>Secured Party</b>	<b>Collateral</b>
Navistar Leasing Company Hardco Leasing Company, Inc.	Various leased motor vehicles
Key Equipment Finance	Various leased motor vehicles

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**This Note is subject to the provisions of that certain Intercreditor Agreement (as may be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Intercreditor Agreement") dated as of May 25, 2007 among Laminar Direct Capital L.P., GMAC Commercial Finance LLC, Rocky Brands, Inc. and certain subsidiaries of Rocky Brands, Inc., and each holder of this Note, by its acceptance hereof, shall be bound by the provisions of the Intercreditor Agreement.**

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT **BE SOLD OR** OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND SUCH LAWS:

SECOND PRIORITY SENIOR SECURED NOTE DUE MAY 25, 2012

No.  
\$ \_ ,000,000

May 25, 2007

FOR VALUE RECEIVED, the undersigned, ROCKY BRANDS, INC., an Ohio corporation ("Parent"), LIFESTYLE FOOTWEAR, INC. ("Lifestyle"), ROCKY BRANDS WHOLESALE LLC ("Wholesale") and ROCKY BRANDS RETAIL LLC ("Retail", and together with Parent, Lifestyle and Wholesale, the "Loan Parties"), hereby jointly and severally promise to pay to \_\_\_\_\_, a ("Lender") its successors and assigns (with Lender, the "Holder"), the principal sum of \_\_\_\_\_ MILLION AND NO/100 DOLLARS (\$ \_ ,000,000) (the "Principal Amount"), on the terms and conditions set forth in the Note Purchase Agreement dated as of May 25, 2007, as the same may be amended from time to time, between the Loan Parties, the Purchasers identified on Annex A thereto (the "Purchasers"), and Lender, as Agent for the benefit of the Purchasers (the "Purchase Agreement").

Payments of principal of interest on and any premium with respect to this Senior Term Note (as defined below) are to be made in lawful money of the United States of America by check mailed and addressed to the registered Holder hereof at the address shown in the register maintained by the Loan Parties for such purpose, or, at the option of the Holder, in such manner and at such other place in the United States of America as the Holder hereof shall have designated to the Loan Parties in writing.

Notwithstanding any provision to the contrary in this Senior Term Note, the Purchase Agreement or any other agreement, the Loan Parties shall not be required to pay, and the Holder shall not be permitted to contract for, take, reserve, charge or receive, any compensation which constitutes interest under applicable law in excess of the maximum amount of interest permitted by law.



This Senior Term Note is one of a series of SECOND PRIORITY SENIOR SECURED NOTES Due May 25, 2012 (herein called the "Senior Term Notes") issued pursuant to the Purchase Agreement and is entitled to the benefits thereof. All terms used herein shall have the meanings ascribed to them in the Purchase Agreement. Each Holder of this Senior Term Note, by its acceptance hereof, will be deemed to have agreed to the provisions set forth in Article 6 of the Purchase Agreement.

This Senior Term Note is transferable only by surrender hereof in accordance with Article 6 of the Purchase Agreement, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered Holder of this Senior Term Note.

This Senior Term Note is also subject to optional prepayment, in whole or in part, at the times and on the terms specified in the Purchase Agreement, but not otherwise.

If an Event of Default as defined in the Purchase Agreement occurs and is continuing, the unpaid principal of this Senior Term Note may be declared or otherwise become due and payable in the manner, at the price, and with the effect provided in the Purchase Agreement.

Payments of principal and interest with respect to this Senior Term Note are secured pursuant to the terms of the Security Documents (as defined in the Purchase Agreement).

Time is of the essence of this Senior Term Note. To the fullest extent permitted by applicable law, each of the Loan Parties, for itself and its legal representatives, successors and assigns, expressly waives presentment, demand, protest, notice of dishonor, notice of maturity, notice of non-payment, notice of protest, presentment for the purpose of accelerating maturity, diligence in collection, and any exemption, each in respect of this Senior Term Note.

In no event, whether by reason of acceleration of the maturity of the amounts due under the Senior Term Note or otherwise, shall interest and fees contracted for, charged, received, paid or agreed to be paid to Purchasers exceed the maximum amount permissible under applicable Law. If, from any circumstance whatsoever, interest and fees would otherwise be payable to the Agent or Purchasers in excess of the maximum amount permissible under applicable Law, the interest and fees shall be reduced to the maximum amount permitted under such Law. If from any circumstance, the Agent or Purchasers shall have received anything of value deemed interest by applicable Law in excess of the maximum lawful amount, an amount equal to any excess of interest shall be applied to the reduction of the principal amount of the Senior Term Notes, in such manner as may be determined by the Agent, and not to the payment of fees or interest, or if such excess interest exceeds the unpaid balance of the principal amount of the Senior Term Notes, such excess shall be refunded to the Loan Parties.

Whenever possible, each provision of this Senior Term Note shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Senior Term Note is held to be prohibited by or invalid under applicable Law in any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating any other provision of this Senior Term Note.

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This Senior Term Note and the rights and obligations of the parties hereto shall be deemed to be contracts under the laws of the State of New York and for all purposes shall be governed by and construed and enforced in accordance with the laws of said State, except for its rules relating to the conflict of laws.

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IN WITNESS WHEREOF, the Loan Parties have caused this Senior Term Note to be executed and delivered by their respective duly authorized officer as of the day and year and at the place set forth above.

**LOAN PARTIES:**

ROCKY BRANDS, INC.  
LIFESTYLE FOOTWEAR, INC.  
ROCKY BRANDS WHOLESALE LLC  
ROCKY BRANDS RETAIL LLC

By: \_\_\_\_\_

Name: James E. McDonald  
Title: Executive Vice President, Chief  
Financial Officer and Treasurer of  
each of the Loan Parties

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This Security Agreement is subject to the provisions of that certain Intercreditor Agreement (as may be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Intercreditor Agreement") dated as of May 25, 2007 among Laminar Direct Capital L.P., GMAC Commercial Finance LLC, Rocky Brands, Inc. and certain subsidiaries of Rocky Brands, Inc., and each party to this Security Agreement, by its acceptance hereof, shall be bound by the provisions of the Intercreditor Agreement

SECURITY AGREEMENT

THIS SECURITY AGREEMENT ("Security Agreement") is entered into as of May 25, 2007, by and among **ROCKY BRANDS, INC.**, an Ohio corporation ("**Parent**"), **LIFESTYLE FOOTWEAR, INC.**, a Delaware corporation ("**Lifestyle**"), **ROCKY BRANDS WHOLESale LLC**, a Delaware limited liability company, ("**Rocky Wholesale**") and **ROCKY BRANDS RETAIL LLC**, a Delaware limited liability company ("**Rocky Retail**", and together with Parent, Lifestyle and Rocky Wholesale, the "**Grantors**", and each a "**Grantor**"), in favor Laminar Direct Capital L.P., a Delaware limited partnership, as the collateral agent (in such capacity "**Agent**") for the Purchasers identified in the Note Purchase Agreement (the "**Purchase Agreement**") among the Grantors, the Agent and the Purchasers party thereto dated of even date herewith (in such capacity, the "**Secured Party**").

RECITALS:

A. Pursuant to the Purchase Agreement, the Loan Parties have issued to the Purchasers the Senior Secured Term Notes dated as of even date herewith in the aggregate principal amount of \$40,000,000 (the "**Senior Term Notes**"). The purchase and sale of the Senior Term Notes is governed by the Purchase Agreement. Capitalized terms used herein without definition shall be defined in the manner set forth in the Purchase Agreement.

B. In order to induce the Purchasers to accept the Senior Term Notes in accordance with the Purchase Agreement, and in consideration therefor, each Grantor has agreed to grant to the Secured Party, as agent for the Purchasers, a lien on and security interest in all of such Grantor's assets and properties, whether now or hereafter existing, owned or acquired, all pursuant to the terms of this Security Agreement in order to secure the "Obligations" (as defined below herein).

C. It is a condition precedent to the acceptance of the Senior Term Notes by the Purchasers that each Grantor executes and delivers this Security Agreement.

**NOW, THEREFORE**, for and in consideration of the covenants and provisions set forth herein, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Grantor agrees as follows:

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## ARTICLE I

**1.1 UCC Definitions.** Terms used herein without definition that are defined in the Uniform Commercial Code as from time to time in effect in the State of New York (the "UCC") have the meanings given to them in the UCC, including the following terms:

Account  
Certificated Security  
Chattel Paper  
Commercial Tort Claim  
Deposit Account  
Documents Equipment  
General Intangible  
Instrument  
Inventory  
Investment Property  
Letter-of-Credit Right  
Proceeds

**1.2 Grant of Security Interest.**

(a) As collateral security for the (i) the full, prompt and complete payment when due (whether at stated maturity, by acceleration or otherwise) of (A) the principal and interest (including, without limitation, the interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Senior Term Notes, and (B) all other monetary obligations of the Grantors under the Senior Term Notes, the Purchase Agreement or this Security Agreement, including but not limited to, reasonable fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including, without limitation, monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding regardless of whether allowed or allowable in such proceeding), and (ii) the due and punctual performance of the Purchase Agreement, covenants, agreements, obligations and liabilities of the Grantors under or pursuant to the Purchase Agreement, the Senior Term Notes or this Security Agreement (collectively, the "**Obligations**"), each Grantor hereby mortgages, pledges and hypothecates to the Secured Party, and grants to the Secured Party, for the benefit of the Purchasers, a lien on and security interest in all of its right, title and interest in all of the following property now owned or hereafter acquired by such Grantor (collectively, the "**Collateral**"):

- (i) all Accounts;
- (ii) all Chattel Paper;
- (iii) all Deposit Accounts;

2.2 Upon completion of filings under the UCC and with the United States Copyright Office, the security interests granted pursuant to this Security Agreement shall constitute valid and continuing perfected security interests in favor of the Secured Party in the Collateral for which perfection is governed by the UCC or filing with the United States Copyright Office. Such security interest shall be prior to all other Liens on the Collateral except for those permitted under the Purchase Agreement.

2.3 Such Grantor's jurisdiction of organization, legal name, organization identification number, if any, and the location of such Grantor's chief executive office or sole place of business is set forth on Schedule B hereto. On the date hereof, such Grantor's Inventory and Equipment are kept at the locations listed on Schedule C.

2.4 Schedule D lists all the United States Proprietary Rights owned by or licensed to such Grantor on the date hereof that are necessary to the conduct of such Grantor's business (the "**Intellectual Property**"), separately identifying that owned by such Grantor and that licensed to such Grantor.

2.5 All material Intellectual Property owned by such Grantor is valid, subsisting, unexpired and enforceable, has not been adjudged invalid and has not been abandoned and the use thereof in the business of such Grantor does not infringe, misappropriate, dilute or violate the intellectual property rights of any other Person.

2.6 Except as set forth in Schedule D none of the material Intellectual Property owned by such Grantor is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

2.7 No action or proceeding challenging such Grantor's rights to any material Intellectual Property or seeking to limit, cancel or question the ownership, use, validity or enforceability of any material Intellectual Property owned by such Grantor or such Grantor's ownership interest therein is pending or, to the knowledge of such Grantor, threatened. No holding, decision or judgment has been rendered by any Governmental Authority that would limit, cancel or question the validity of, or such Grantor's rights in, any material Intellectual Property. There are no claims, judgments or settlements to be paid by such Grantor relating to the material Intellectual Property.

### **ARTICLE III COVENANTS**

3.1 Each Grantor hereby covenants and agrees with the Secured Party that so long as this Security Agreement shall remain in effect or any Obligations shall remain unpaid or unperformed:

- (a) Grantors shall promptly give written notice to the Secured Party of any levy or attachment, execution or other process against any of the Collateral;



(b) at Grantors' own cost and expense, each Grantor shall maintain the security interest created by this Security Agreement and the priority thereof as a perfected security interest and shall defend the Collateral against the claims and demands of all Persons except with respect to Permitted Liens;

(c) Grantors shall keep all tangible Collateral properly insured and in good order and repair (normal wear and tear excepted) and immediately notify the Secured Party of any event causing any material loss, damage or depreciation in the aggregate value of the Collateral;

(d) Grantors shall mark any Collateral that is chattel paper with a legend showing the Secured Party's lien and security interest therein;

(e) each Grantor (either itself or through licensees) shall (i) not do any act, or omit to do any act, whereby any Intellectual Property that is material to the conduct of such Grantor's business may become forfeited, invalidated, destroyed, abandoned, impaired or dedicated to the public, (ii) maintain all such Intellectual Property in compliance with all applicable Laws, and (iii) take all reasonable actions necessary or requested by the Secured Party to maintain and pursue each application for registration of any such Intellectual Property;

(f) each Grantor shall notify the Secured Party immediately if it knows, or has reason to know, that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public, or of any adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in the United States) regarding such Grantor's ownership of, right to use, interest in, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same;

(g) each Grantor (either itself or through licensees) shall not do any act that knowingly uses any material Intellectual Property to infringe, misappropriate, or violate the intellectual property rights of any other Person;

(h) each Grantor shall take all reasonable actions necessary or requested by the Secured Party, including in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency and any Internet domain name registrar, to maintain and pursue each application (and to obtain the relevant registration) and to maintain each registration of any Copyright, Trademark, Patent or Internet domain name that is material Intellectual Property, including filing of applications for renewal, affidavits of use, affidavits of incontestability and opposition and interference and cancellation proceedings;

(i) in the event that any material Intellectual Property is or has been infringed upon or misappropriated or diluted by a third party, such Grantor shall notify the Secured Party promptly after such Grantor learns thereof. Such Grantor shall take appropriate action in response to such infringement, misappropriation or dilution, including promptly bringing suit for infringement, misappropriation or dilution and to recover all damages for such infringement, misappropriation of dilution, and shall take such other actions as may be appropriate in its reasonable judgment under the circumstances to protect such material Intellectual Property;

(j) each Grantor shall execute and deliver to the Secured Party in form and substance reasonably acceptable to the Secured Party (A) a short-form copyright security agreement suitable for filing in the United States Copyright Office for all registered Copyrights of such Grantor, (B) a short-form patent security agreement and a short-form trademark security agreement suitable for filing in the United States Patent and Trademark Office for all registered Patents and Trademarks of such Grantor and (C) a duly executed form of assignment to the Secured Party of all Internet domain names of such Grantor suitable for filing with the appropriate Internet domain name registrar(s). Whenever such Grantor shall file an application for the registration or recording of any Intellectual Property, such Grantor shall report such filing to the Secured Party and deliver the applicable security or assignment agreements in accordance with the previous • sentence within forty-five (45) days after such filing;

(k) no Grantor shall (i) voluntarily or involuntarily exchange, lease, license, sell, transfer or otherwise dispose of any Collateral other than sales of Inventory in the ordinary course of business and other than as permitted by the Purchase Agreement, or (ii) make any compromise, settlement, discharge or adjustment or grant any extension of time for payment with respect to any Account, except for transactions in the ordinary course of business consistent with past practice; and

(l) no Grantor shall (i) change its respective name, its jurisdiction of organization, its organizational identification number or its organizational structure to the **extent that any financing statement filed in connection** with this Security Agreement would become misleading or use any fictitious or trade name, (ii) change the location of its chief executive office or (iii) permit any of the Collateral (other than Inventory or Equipment in transit) to be kept at any location other than those listed on Schedule B unless (A) Grantors give the Secured Party thirty (30) days' prior written notice of the same and (B) prior to making any such change or establishing any such new location, Grantors obtain and deliver to the Secured Party any and all additional financing statements, other filings, other agreements, and documents or notices as may reasonably be required by the Secured Party to maintain the validity, perfection and priority of the security interests provided for herein.

**ARTICLE IV  
REMEDIAL MATTERS**

**4.1 Event of Default.** An "Event of Default" shall exist hereunder if an Event of Default shall occur and be continuing under the Purchase Agreement.

**4.2 Secured Party's Rights upon an Event of Default.** Upon the occurrence and during the continuance of an Event of Default, the Secured Party may exercise, in addition to all other rights and remedies granted to it in this Security Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the UCC or any other applicable Law. Without limiting the generality of the foregoing, the Secured Party may, without demand of performance or other demand, presentment, protest or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses and notices are hereby waived), collect, appropriate and realize upon any Collateral, and sell, lease, assign or otherwise dispose of and deliver any Collateral (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Secured Party or any Purchaser or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Secured Party shall have the right upon any such • public sale or sales, and, to the extent permitted by the UCC and other applicable law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption of any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Secured Party's request, to assemble the Collateral and make it available to the Secured Party at places that the Secured Party shall reasonably select, whether at such Grantor's premises or elsewhere. To the fullest extent permitted by applicable Law, each Grantor waives all claims, damages and demands it may acquire against the Secured Party or any Purchaser arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by Law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition.

**4.3 Funds to be Held in Trust; Delivery of Documents.**

(a) After the occurrence and during the continuance of an Event of Default, any payment of Accounts or payment in respect of General Intangibles received by any Grantor shall be held by such Grantor in trust for the Secured Party, segregated from other funds of such Grantor and shall promptly be turned over to the Secured Party.

(b) At the Secured Party's request, after the occurrence and during the continuance of an Event of Default, each Grantor shall deliver to the Secured Party all original and other documents evidencing, and relating to, the agreements and transactions that gave rise to the Accounts or payments in respect of General Intangibles, including all original orders, invoices and shipping receipts.

(c) The Secured Party may, without notice, at any time after the occurrence and during the continuance of an Event of Default, limit or terminate the authority of a Grantor to collect its Accounts or amounts due under General Intangibles or any thereof and request that each Grantor notify all obligors that the Accounts or General Intangibles have been collaterally assigned to the Secured Party and that payments in respect thereof shall be made directly to the Secured Party. In addition, the Secured Party may at any time after the occurrence and during the continuance of an Event of Default enforce such Grantor's rights against such obligors with respect to the Accounts and the General Intangibles.

(d) Notwithstanding anything herein to the contrary, each Grantor shall remain liable under each of the Accounts and in respect of each General Intangible to observe and perform all of the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Secured Party nor any Purchaser shall have any obligation or liability under any agreement giving rise to any Account or in respect of any General Intangible by reason of or arising out of this Security Agreement or the receipt by the Secured Party of any payments relating thereto, nor shall the Secured Party or any Purchaser be obligated in any manner with respect to any of the obligations of the Grantor thereunder.

**4.4 Enforcement of Security Interest.** After the occurrence and during the continuance of an Event of Default, the Secured Party may make such payments and take such actions as the Secured Party, in its sole discretion, deems necessary to protect its security interest in the Collateral or the value thereof.

**4.5 Application of Proceeds.** The proceeds of any sale of Collateral pursuant to this Security Agreement or otherwise, and any Collateral consisting of cash, shall be applied after receipt by the Secured Party as follows:

First, to the payment of all reasonable costs, fees and expenses of the Secured Party and its agents, representatives and attorneys incurred in connection with such sale or with the retaking, holding, handling, preparing for sale (or other disposition) of the Collateral or otherwise in connection with any Senior Term Notes, this Security Agreement or any of the Obligations, including, but not limited to, the reasonable fees and expenses of the Secured Party's agents and attorneys' and court costs (whether at trial, appellate or administrative levels), if any, incurred by the Secured Party in so doing;

Second, to the payment of the outstanding principal balance, accrued interest, dividends, any redemption payments and fees on the Obligations in the order described in the Purchase Agreement; and

Third, to the Grantors or to such other Person as a court of competent jurisdiction may direct.

**4.6 Insufficiency of Proceeds.** Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Obligations and the fees and disbursements of any attorney employed by the Secured Party to collect such deficiency.

**4.7 Powers of Attorney.**

(a) Each Grantor hereby irrevocably appoints the Secured Party (and any officer or agent of the Secured Party) with full power of substitution, as its true and lawful attorney-in-fact, with full irrevocable power and authority in place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Security Agreement, to take any appropriate action and to execute any document or instrument that may be necessary or desirable to carry out the purposes of this Security Agreement, including, without limitation, the power and right to do any of the following on behalf of such Grantor: (i) to name such Grantor or to use its own name to receive, endorse, collect and deliver any notes, acceptances, checks, drafts or other instruments of payment with respect to the Collateral; (ii) execute and deliver and have recorded any agreement, instrument or document as the Secured Party may request to evidence the Secured Party's security interest in any General Intangible, including, without limitation, any Intellectual Property, (iii) pay or discharge taxes and Liens levied or threatened against the Collateral and effect any repair with respect to the Collateral or pay any insurance premiums related thereto, (iv) execute, in connection with any sale provided for in Section 4.2, any endorsement, assignment or other instrument of conveyance or transfer with respect to or arising out of the Collateral, (v) to demand, collect and receive payment of any amounts due in respect of or arising out of the Collateral and to apply any such payments directly to the payment of the Obligations in accordance with Section 4.5 hereof; (vi) to direct any party liable for any payment under any Collateral to make payment of any monies due thereunder as the Secured Party shall direct; (vii) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction, to collect or otherwise realize on all or any part of the Collateral or to enforce any rights in respect thereof; (viii) to sign and endorse any invoice, bill of lading, warehouse receipt or other document relating to any of the Collateral; (ix) to send verification of any Accounts to any Account Debtor or customer; (x) to settle, compromise, or defend any actions, suits or proceedings at law or in equity relating or pertaining to all or any of the Collateral and in connection therewith, give such discharges or releases as the Secured Party deems appropriate; (xi) to take any action for purposes of carrying out of the terms of this Security Agreement; (xii) to enforce all of such Grantor's rights and powers under and pursuant to any and all agreements with respect to the Collateral; and (xiii) generally, to sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out this Security Agreement, as fully and completely as though the Secured Party were the absolute owner of the Collateral for all purposes and do, at the Secured Party's option and at such Grantor's expense, at any time or from time to time, all acts that the Secured Party deems necessary to protect, preserve or realize upon the Collateral and the Secured Party and each Purchaser's interests therein and to effect the intent of this Security Agreement, provided, however, nothing contained herein shall be construed as requiring or obligating the Secured Party to perform any of the actions hereunder.

Notwithstanding anything to the contrary in this clause (a), the Secured Party agrees that it shall not exercise any right under the power of attorney provided for in this clause (a) unless an Event of Default shall have occurred and be continuing.

(b) It is understood and agreed that the power of attorney granted to the Secured Party for the purposes set forth above in this Section 4.7 is coupled with an interest and is irrevocable until this Security Agreement is terminated, and each Grantor hereby ratifies all actions taken by its attorney-in-fact by virtue hereof.

**4.8 No Liability to Grantors.** The Secured Party's sole duty with respect to the custody of the Collateral in its possession shall be to deal with in the same manner as the Secured Party deals with similar property for its own account. Neither the Secured Party, any Purchaser or any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or any delay in doing so or shall be under any obligation to sell or otherwise dispose of or take any other action with respect to the Collateral upon the request of any Grantor. The powers conferred on the Secured Party and the Purchasers hereunder are solely to protect the interests of the Secured Party and the Purchasers in the Collateral and shall not impose any duty to exercise such powers. Neither the Secured Party, any Purchasers nor any of their respective officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder except for claims that arise due to any gross negligence or willful misconduct on the part of such Persons.

**4.9 Further Actions by Secured Party.** Each Grantor authorizes the Secured Party and its counsel and representatives, at any time and from time to time, to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral in such form and in such offices as the Secured Party reasonably determines appropriate to perfect the security interests created by this Security Agreement, together with amendments with respect thereto. A photographic or other reproduction of this Security Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

**4.10 Authority of Secured Party.** The Secured Party shall have and be entitled to exercise all such powers hereunder as are specifically delegated to the Secured Party by the terms hereof, together with such powers as are reasonably incidental thereto.

The Secured Party may execute any of its duties hereunder by or through its agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its duties hereunder.

**4.11** **Transfer of Security Interest.** The Secured Party may transfer all or any part of the liens and security interests granted hereby, and all, or any part of the Collateral which may be in the Secured Party's possession after the occurrence and during the continuance of an Event of Default to a successor Secured Party or to a holder of Senior Term Notes, at any time. Upon such transfer, the transferee shall be vested with all the rights and powers of the Secured Party hereunder with respect to the portion of such Collateral transferred.

**ARTICLE V**  
**SECURED PARTY'S INTERESTS**

**5.1** **Pro Rata Interests.** The security interests and other rights granted or reserved to the Secured Party and its successors and assigns under this Security Agreement (the "**Contractual Rights**") are for the benefit of the Purchasers and the other rights available to the Secured Party and the Purchasers under applicable Law by reason of the existence of this Security Agreement and the attachment and perfection of the security interests created under this Security Agreement (the "**Statutory Rights**") are for the pro rata benefit of the Purchasers according to the outstanding principal amount of Senior Term Notes held by each Purchaser, respectively, subject to any subordination agreed to by and among the Purchasers, expressed as a percentage of the aggregate outstanding principal amount of all Senior Term Notes, and shall be held by the Purchasers in such percentages, regardless of the time or order of the attachment or perfection of their respective security interests or the time or manner of filing of their respective deeds of trust, financing statements or assignments thereof and regardless of which, if any, Purchaser may hold possession of Collateral. All Contractual Rights and Statutory Rights shall be exercised from time to time by the Secured Party in accordance with such instructions as may be required by the Purchase Agreement. All recoveries attributable to enforcement of Contractual Rights or Statutory Rights, or both, shall be shared ratably by the Purchasers according to their respective pro rata interests as provided in the Purchase Agreement.

**5.2** **Grantors' Obligations.** The provisions of this Article 5 are for the purpose of defining the relative rights of the Secured Party or Purchasers with respect to the Collateral and the exercise of Contractual Rights and Statutory Rights. Nothing herein shall impair the obligations of the Grantors, which are absolute and unconditional, to pay and perform the Obligations as and when due. No provision of this Security Agreement shall be construed to prevent the Secured Party or any Purchaser from exercising any remedies that may otherwise be available to it.

**ARTICLE VI  
MISCELLANEOUS**

**6.1 Further Assurances.**

(a) Each Grantor agrees, at its expense, to take such further actions, to execute, deliver and cause to be duly filed all such further instruments and documents as the Secured Party may from time to time reasonably request that are necessary for preserving of the security interests, obtaining or preserving the full benefits of the Security Agreement and the rights and powers granted herein, including but not limited to, the execution and delivery of such additional conveyances, assignments, agreements and instruments, the payment of any fees and taxes required in connection with the execution and delivery of this Security Agreement and the filing and recordation of any financing statements (including fixture filings) or other documents as the Secured Party may deem reasonably necessary for the perfection of the security interests granted hereunder.

(b) If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be immediately pledged and delivered to the Secured Party, duly endorsed in a manner satisfactory to the Secured Party, - subject to the rights of any other secured party having rights senior to the Secured Party. Each Grantor agrees that, after the occurrence and during the continuance .of an Event of Default, it shall, upon reasonable request of the Secured Party, take any and all commercially reasonable actions, to the extent permitted by applicable Law, at its own expense, to obtain the approval of any Governmental Authority for any action or transaction contemplated by this Security Agreement that is then required by Law, and specifically, without limitation, upon reasonable request of the Secured Party, to prepare, sign and file with any Governmental Authority the Grantors' portion of any application or applications for consent to the assignment of licenses held by the Grantors, or for consent to the possession and sale of any of the Collateral by or on behalf of such Secured Party. The Grantors further agree that they shall at all times, at their own expense and cost, keep accurate and complete records with respect to the Collateral, including but not limited to, a record of all payments and proceeds received in connection therewith or as a result of the sale thereof and of all credits granted.

**6.2 Effectiveness.** This Security Agreement shall take effect immediately upon execution of it by the Grantors.



**6.3 Indemnity; Reimbursement of Secured Party; Deficiency.** In connection with the Collateral, this Security Agreement and the administration and enforcement or exercise of any right or remedy granted to the Secured Party hereunder or under the other Security Documents, the Grantors, jointly and severally agree, subject to the limitations set forth hereafter (a) to indemnify, defend and hold harmless the Secured Party and the Purchasers from and against any and all claims, demands, losses, judgments and liabilities (including but not limited to, liabilities for penalties) of whatever nature, relating thereto or resulting therefrom, and (b) to reimburse the Secured Party and the Purchasers for all reasonable costs and expenses, including but not limited to, the reasonable fees and disbursements of attorneys, relating thereto or resulting therefrom. The foregoing indemnity agreement includes all reasonable costs incurred by the Secured Party and the Purchasers in connection with any litigation relating to the Collateral whether or not the Secured Party or the Purchasers shall be a party to such litigation, including but not limited to, the reasonable fees and disbursements of attorneys for the Secured Party and the Purchasers, and any reasonable out-of-pocket costs incurred by the Secured Party or the Purchasers in appearing as a witness or in otherwise complying with legal process served upon it. The obligations of Grantors in this Section 6.3 are limited to the extent claims for indemnity, defense, or reimbursement that do not arise from the Intercreditor Agreement (as defined in Section 6.16 of this Security Agreement); or from the gross negligence or willful misconduct of the Secured Party or the Purchasers. In no event shall the Secured Party and Purchasers be liable, in the absence of gross negligence or willful misconduct on their part, for any matter or thing in connection with this Security Agreement other than to account for moneys actually received by them in accordance with the terms hereof, and the Grantors hereby release the Secured Party and the Purchasers from any and all claims, causes of action and demands at any time arising out of or with respect to this Security Agreement or the Collateral except as arise from the gross negligence or willful misconduct of the Secured Party and the Purchasers. All indemnities contained in this Section 6.3 and elsewhere in this Security Agreement shall survive the expiration or earlier termination of this Security Agreement. After application of the proceeds by the Secured Party and the Purchasers pursuant to Section 4.5 hereof, the Grantors shall remain liable to the Secured Party and the Purchasers for any deficiency.

**6.4 Continuing Lien.** It is the intent of the parties hereto that (a) this Security Agreement shall constitute a continuing agreement as to the Obligations and (b) the security interest provided for herein shall attach to after-acquired as well as existing Collateral.

**6.5 Termination.** Upon payment and satisfaction in full of the Obligations and termination of all commitments relating thereto (other than indemnification and expense reimbursement obligations not yet due), the Collateral shall be released from the Lien created by this Security Agreement and all obligations of the Secured Party and the Grantors hereunder (other than those set forth in Section 6.3) shall terminate, and all rights in the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following such termination, the Secured Party shall deliver to such Grantor any Collateral in its possession and execute and deliver such documents as such Grantor shall reasonably request to evidence such termination.

**6.6 Notices.** All notices and other communications given to or made upon any party hereto in connection with this Security Agreement shall be given to the Persons and in the manner set forth in the Purchase Agreement.

**6.7** Successors and Assigns. This Security Agreement shall be binding upon successors and assigns of each Grantor and shall inure to the benefit of the Secured Party and each Purchaser and their respective successors and assigns; provided, however, that no Grantor may assign, transfer or delegate any of its rights or obligations under this Security Agreement without the prior written consent of the Secured Party.

**6.8** APPLICABLE LAW. THIS SECURITY AGREEMENT SHALL **BE** CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO NEW YORK CHOICE OF LAW DOCTRINE.

**6.9** Waivers. No failure or delay of the Secured Party in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or future exercise thereof or the exercise of any other right or power. The rights and remedies of the Secured Party hereunder are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law. No waiver of any provision of this Security Agreement or consent to any departure by any Grantor therefrom shall be construed as a bar to enforcement of any other right or remedy of the Secured Party. No notice to or demand on the Grantors in any case shall entitle the Grantors to any other or further notice or demand in similar or other circumstances.

**6.10** Amendments/Waivers. Neither this Security Agreement nor any provision hereof may be amended, waived or modified except pursuant to an agreement or agreements in writing entered into by each Grantor and the Secured Party and such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**6.11** Severability. In the event any one or more of the provisions contained in this Security Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall not in any way be affected or impaired thereby.

**6.12** Counterparts. This Security Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one contract, and shall become effective when copies hereof which, when taken together, bear the signatures of each of the parties hereto shall be delivered or mailed to the Secured Party.

**6.13** Headings. Article and Section headings used herein are for convenience of reference only and are not to affect the construction of, or to be taken into consideration in interpreting, this Security Agreement.

**6.14      Jurisdiction, Waiver of Jury Trial.**

(a)      EACH OF THE GRANTORS HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT, OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SECURITY AGREEMENT SHALL AFFECT ANY RIGHT THAT THE SECURED PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS SECURITY AGREEMENT AGAINST THE GRANTORS OR THE COLLATERAL IN THE COURTS OF ANY JURISDICTION.

(b)      THE GRANTORS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE FULLEST EXTENT THEY MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION THAT THEY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT, THE SENIOR TERM NOTES, THE PURCHASE AGREEMENT, OR ANY OTHER TRANSACTION DOCUMENT IN ANY NEW YORK COURT OR FEDERAL COURT OF THE SOUTHERN DISTRICT OF NEW YORK. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c)      EACH PARTY TO THIS SECURITY AGREEMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 6.6 OF THE PURCHASE AGREEMENT. NOTHING IN THIS SECURITY AGREEMENT SHALL AFFECT THE RIGHT OF ANY PARTY TO THIS SECURITY AGREEMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(d) EACH PARTY HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHT, POWER, OR REMEDY UNDER OR IN CONNECTION WITH THIS SECURITY AGREEMENT AND AGREES THAT ANY SUCH ACTION SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THE TERMS AND PROVISIONS OF THIS SECTION CONSTITUTE A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS SECURITY AGREEMENT.

**6.15 Interpretation.** In the event of a conflict between this Security Agreement and the Purchase Agreement, the terms of the Purchase Agreement shall control.

**6.16 Intercreditor Agreement.** The obligations evidenced hereby are subject to that certain Intercreditor Agreement (the "**Intercreditor Agreement**") dated as of May 2007, among the Grantors, the Secured Party, and GMAC Agent, to the indebtedness and other liabilities owed by the Grantors under and pursuant to the GMAC Credit Agreement and each related GMAC Credit Document, and the Secured Party, by its acceptance hereof, acknowledges and agrees to be bound by the provisions of the Intercreditor Agreement.

**6.17 Release of Collateral.** The Secured Party, at its option and in its discretion, may release any Lien granted to or held by the Secured Party upon any collateral (a) upon termination of the Senior Term Notes and upon payment and satisfaction of all obligations thereunder (other than contingent indemnification obligations to the extent no claims giving rise thereto have been asserted); or (b) constituting property being sold or disposed of if a Loan Party certifies to the Secured Party that the sale or disposition is made in compliance with the provisions of this Security Agreement and the Purchase Agreement (and the Secured Party may rely in good faith conclusively on any such certificate, without further inquiry). In addition, the Secured Party, in its sole discretion, may release Liens granted to or held by the Secured Party upon any collateral with respect to which the GMAC Agent has agreed to release its Liens.

[Signatures on following pages]

IN WITNESS WHEREOF, each Grantor has executed this Security Agreement as of the date first above written.

ROCKY BRANDS, INC.

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President,  
Chief Financial Officer and Treasurer

LIFESTYLE FOOTWEAR, INC.

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President,  
Chief Financial Officer and Treasurer

ROCKY BRANDS WHOLESALE LLC

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President,  
Chief Financial Officer and Treasurer

ROCKY BRANDS RETAIL LLC

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President,  
Chief Financial Officer and Treasurer

Acknowledged by:

LAMINAR DIRECT CAPITAL L.P., as  
Secured Party

By: \_\_\_\_\_  
Name:  
Title:

**SCHEDULE A**

**COMMERCIAL TORT CLAIMS**

None.

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**SCHEDULE B**

Pursuant to Section 2.3, the following information is disclosed:

[Such Grantor's jurisdiction of organization, legal name, organization identification number, if any, and the location of such Grantor's chief executive office or sole place of business is set forth on Schedule B hereto.]

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**SCHEDULE C**

**PROPERTIES SCHEDULE**

[On the date hereof, such Grantor's Inventory and Equipment are kept at the locations listed on Schedule C.]

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SCHEDULE D

INTELLECTUAL PROPERTY

Schedule D lists all the United States Proprietary Rights owned by or licensed to such Grantor on the date hereof that are necessary to the conduct of such Grantor's business (the "Intellectual Property"), separately identifying that owned by such Grantor and that licensed to such Grantor.]

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This Trademark Security Agreement is subject to the provisions of that certain Intercreditor Agreement (as may be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Intercreditor Agreement") dated as of May 25, 2007 among Laminar Direct Capital L.P., GMAC Commercial Finance LLC, Rocky Brands, Inc. and certain subsidiaries of Rocky Brands, Inc., and each party to this Trademark Security Agreement, by its acceptance hereof, shall be bound by the provisions of the Intercreditor Agreement.

#### TRADEMARK SECURITY AGREEMENT

**THIS TRADEMARK SECURITY AGREEMENT**, entered into as of May 25, 2007, by and among **ROCKY BRANDS, INC.**, an Ohio corporation ("Parent"), **LIFESTYLE FOOTWEAR, INC.**, a Delaware corporation ("Lifestyle"), **ROCKY BRANDS WHOLESALE LLC**, a Delaware limited liability company ("Rocky Wholesale") and **ROCKY BRANDS RETAIL LLC**, a Delaware limited liability company ("Rocky Retail"), and together with Parent, Lifestyle and Rocky Wholesale, the "Grantors", and each a "Grantor", to and in favor of Laminar Direct Capital L.P., a Delaware limited partnership, as collateral agent (in such capacity "Agent") for the Purchasers identified in the Note Purchase Agreement (the "Purchase Agreement") among the Grantors, the Agent and the Purchasers party thereto dated of even date herewith (in such capacity, the "Secured Party").

#### WITNESSETH:

WHEREAS, pursuant to the Purchase Agreement, the Purchasers have severally agreed to purchase certain Senior Term Notes (as defined in the Purchase Agreement) upon the terms and subject to the conditions set forth therein; and

WHEREAS, each Grantor is party to a Security Agreement of even date herewith in favor of the Agent (the "Security Agreement") and each Grantor is required to execute and deliver this Trademark Security Agreement pursuant to the Security Agreement and the Purchase Agreement; .

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and to induce the Purchasers and the Secured Party to enter into the Purchase Agreement and to induce the Purchasers to purchase the Senior Term Notes thereunder, each Grantor hereby agrees with the Secured Party as follows:

SECTION 1. **Defined Terms.** Unless otherwise defined herein, terms defined in the Purchase Agreement or in the Security Agreement and used herein have the meaning given to them in the Purchase Agreement or the Security Agreement.

As used herein, the following terms shall have the following meanings:

"Trademark" means (a) all United States trademarks; trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all United States registrations and recordings thereof, and all United States applications in connection therewith, whether in the United States Patent and Trademark Office, or in any similar office or agency of the United States, or any State thereof, and all common-law rights related thereto, and (b) the right to obtain all renewals and extensions thereof.

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"Trademark License" means any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark.

SECTION 2. **Grant of Security Interest in Trademark Collateral** Each Grantor, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations of such Grantor, hereby sells, conveys, pledges, hypothecates and grants to the Secured Party for the benefit of the Purchasers and each of their successors and assigns, a continuing and unconditional security interest upon, in and to all of such Grantor's right, title and interest in, to and under the following Collateral of such Grantor wherever located, and now owned or hereafter acquired (the "Trademark Collateral"):

(a) all of its Trademarks and Trademark Licenses to which it is a party, including, without limitation, those referred to on Schedule I hereto;  
all renewals and extensions of the foregoing;

(c) all goodwill of the business connected with the use of, and symbolized by, each such Trademark; and

(d) any consideration received when all or any part of the Trademark Collateral is sold, transferred, exchanged, leased, collected or otherwise disposed of, or any value received as a consequence of possession thereof, including but not limited to, all products, proceeds (including all "Proceeds" as defined in Section 9 102(a)(64) of the Code), cash, negotiable instruments and other instruments for the payment of money, chattel paper, security agreements or other documents, or proceeds of other proceeds, now or hereafter due and/or payable under any Trademark and with respect thereto, including, without limitation, any and all claims by any Grantor against third parties for past, present, future infringement, dilution, violation or any other impairment thereof.

SECTION 3. **Grantor Remains Liable.** It is expressly agreed by each Grantor that, anything herein to the contrary notwithstanding, such Grantor shall assume full and complete responsibility for the prosecution, defense, enforcement or any other necessary or desirable actions in connection with its Trademarks or Trademark Licenses, and shall hold the Secured Party and the Purchasers harmless from any and all costs, damages, liabilities and expenses that may be incurred in connection with the Secured Party's interest in such Trademarks or Trademark Licenses or any other action or failure to act in connection with this Trademark Security Agreement, except to the extent the same are caused by the gross negligence or willful misconduct of the Secured Party. Each Grantor shall remain liable for any and all claims by any Person that the conduct of such Grantor's business or products or processes of such Grantor infringe any rights of such person.

SECTION 4. **Security Agreement.** The security interest granted pursuant to this Trademark Security Agreement is granted in conjunction with the security interest granted to the Secured Party for the benefit of the Purchasers pursuant to the Security Agreement and each Grantor hereby acknowledges and affirms that the rights and remedies of the Secured Party with respect to the security interest in the Trademark Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

SECTION 5. **Termination of Security Interest in Trademark Collateral.** Upon payment and satisfaction in full of the Obligations and termination of all commitments relating thereto, the Secured Party shall reassign, redeliver and release (or cause to be so reassigned, redelivered and released), without recourse upon or warranty by the Secured Party, and at the sole expense of the Grantors, to the Grantors, against receipt therefor, such of the Trademark Collateral (if any) as shall not have been sold or otherwise applied by the Agent pursuant to the terms of the Security Agreement and not theretofore reassigned, redelivered and released to the Grantors, together with appropriate instruments of reassignment and/or release.

SECTION 6. **Counterparts.** This Trademark Security Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

SECTION 7. **Applicable Law.** THIS TRADEMARK SECURITY AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO NEW YORK CHOICE OF LAW DOCTRINE.

SECTION 8. **Intercreditor Agreement.** The obligations evidenced hereby are subject to that certain Intercreditor Agreement (the "Intercreditor Agreement") dated as of May 25, 2007, among the Grantors, the Secured Party, and GMAC Agent, to the indebtedness and other liabilities owed by the Grantors under and pursuant to the GMAC Credit Agreement and each related GMAC Credit Document, and the Secured Party, by its acceptance hereof, acknowledges and agrees to be bound by the provisions of the Intercreditor Agreement.

[signature page follows]

IN WITNESS WHEREOF, each Grantor has caused this Trademark Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

**GRANTORS:**

ROCKY BRANDS, INC.

By: \_\_\_\_\_

Name: James E. McDonald  
Title: Executive Vice President, Chief Financial  
Officer and Treasurer

LIFESTYLE FOOTWEAR, INC.

By: \_\_\_\_\_

Name: James E. McDonald  
Title: Executive Vice President, Chief Financial  
Officer and Treasurer

ROCKY BRANDS WHOLESALE LLC

By: \_\_\_\_\_

Name: James E. McDonald  
Title: Executive Vice President, Chief Financial  
Officer and Treasurer

ROCKY BRANDS RETAIL LLC

By: \_\_\_\_\_

Name: James E. McDonald  
Title: Executive Vice President, Chief Financial  
Officer and Treasurer

Accepted and Agreed:

Laminar Direct Capital L.P.,  
as the Secured Party

By: \_\_\_\_\_

Name:  
Title:

SIGNATURE PAGE TO TRADEMARK SECURITY AGREEMENT

---





Acknowledgement of Grantor

STATE OF \_\_\_\_\_ )  
                                  )        ss.  
COUNTY OF \_\_\_\_\_ )

On this day of May, 2007 before me personally appeared James E. McDonald, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of ROCKY BRANDS WHOLESALE LLC, who being by me duly sworn did depose and say that he is an authorized officer of said limited liability company, that the said instrument was signed on behalf of said limited liability company as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said limited liability company.

---

Notary Public

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Acknowledgement of Grantor

STATE OF \_\_\_\_\_ )  
                                  )       ss.  
COUNTY OF \_\_\_\_\_ )

On this day of May, 2007 before me personally appeared James E. McDonald, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of ROCKY BRANDS RETAIL LLC, who being by me duly sworn did depose and say that he is an authorized officer of said limited liability company, that the said instrument was signed on behalf of said limited liability company as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said limited liability company.

---

Notary Public

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**SCHEDULE I**

**to**

**Trademark Security Agreement**

**Trademark ReRegistrations**

**A. TRADEMARK REGISTRATIONS AND APPLICATIONS**

**B. TRADEMARK LICENSES**

**None**

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This Patent Security Agreement is subject to the provisions of that certain Intercreditor Agreement (as may be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Intercreditor Agreement") dated as of May 25, 2007 among Laminar Direct Capital L.P., GMAC Commercial Finance LLC, Rocky Brands, Inc. and certain subsidiaries of Rocky Brands, Inc., and each party to this Patent Security Agreement, by its acceptance hereof, shall be bound by the provisions of the Intercreditor Agreement

#### PATENT SECURITY AGREEMENT

THIS PATENT SECURITY AGREEMENT, entered into as of May 25, 2007, by and among **ROCKY BRANDS, INC.**, an Ohio corporation ("Parent"), **LIFESTYLE FOOTWEAR, INC.**, a Delaware corporation ("Lifestyle"), **ROCKY BRANDS WHOLESALE LLC**, a Delaware limited liability company ("Rocky Wholesale") and **ROCKY BRANDS RETAIL LLC**, a Delaware limited liability company ("Rocky Retail"), and together with Parent, Lifestyle and Rocky Wholesale, the "Grantors", and each a "Grantor", to and in favor of Laminar Direct Capital L.P., a Delaware limited partnership, as collateral agent (in such capacity "Agent") for the Purchasers identified in the Note Purchase Agreement (the "Purchase Agreement") among the Grantors, the Agent and the Purchasers party thereto dated of even date herewith (in such capacity, the "Secured Party").

#### WITNESSETH:

WHEREAS, pursuant to the Purchase Agreement, the Purchasers have severally agreed to purchase certain Senior Term Notes (as defined in the Purchase Agreement) upon the terms and subject to the conditions set forth therein; and

WHEREAS, each Grantor is a party to a Security Agreement of even date herewith in favor of the Secured Party (the "Security Agreement") and each Grantor is required to execute and deliver this Patent Security Agreement pursuant to the Security Agreement and the Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and to induce certain Purchasers and the Agent to enter into the Purchase Agreement and to induce certain Purchasers to purchase the Secured Senior Term Notes thereunder, each Grantor hereby agrees with the Agent as follows:

SECTION 1. **Defined Terms.** Unless otherwise defined herein, terms defined in the Purchase Agreement or in the Security Agreement and used herein have the meaning given to them in the Purchase Agreement or the Security Agreement. As used herein, the following terms shall have the following meanings:

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"Patent" means (a) all United States patents now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all United States applications in connection therewith, whether in the United States Patent and Trademark Office, or in any similar office or agency of the United States, or any other state thereof, and all common-law rights related thereto, and (b) the right to obtain all renewals thereof.

"Patent License" means any agreement, whether written or oral, providing for the grant by or to the Grantors of any right to any Patent.

SECTION 2. **Grant of Security Interest in Patent Collateral.** Each Grantor, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations of such Grantor, hereby sells, conveys, pledges, hypothecates and grants to the Secured Party, for the benefit of the Purchasers and each of their successors and assigns, a continuing and unconditional security interest upon, in and to all of such Grantor's right, title and interest in, to and under the following Collateral of such Grantor wherever located, and now owned or hereafter acquired (the "Patent Collateral");

- (a) all of its Patents and Patent Licenses, to which it is a party, including, without limitation, those referred to on Schedule I hereto;
- (b) all reissues, continuations, continuations-in-part, divisionals, renewals or extensions of the foregoing; and
- (c) any consideration received when all or any part of the Patent Collateral is sold, transferred, exchanged, leased, collected or otherwise disposed of, or any value received as a consequence of possession thereof, including but not limited to, all products, proceeds (including all "Proceeds" as defined in Section 9 102(a)(64) of the Code), cash, negotiable instruments and other instruments for the payment of money, chattel paper, security agreements or other documents, or proceeds of other proceeds, now or hereafter due and/or payable under any Patent and with respect thereto, including, without limitation, all rights to sue and recover at law or in equity for any past, present and future infringement, violation or any other impairment thereof.

SECTION 3. **Grantor Remains Liable.** It is expressly agreed by each Grantor that, anything herein to the contrary notwithstanding, such Grantor shall assume full and complete responsibility for the prosecution, defense, enforcement or any other necessary or desirable actions in connection with their Patents or Patent Licenses, and shall hold the Secured Party and the Purchasers harmless from any and all costs, damages, liabilities and expenses that may be incurred in connection with the Secured Party's interest in such Patents or Patent Licenses or any other action or failure to act in connection with this Patent Security Agreement, except to the extent the same are caused by the gross negligence or willful misconduct of the Secured Party. Each Grantor shall remain liable for any and all claims by any Person that the conduct of such Grantor's business or products or processes of such Grantor infringe any rights of such person.

SECTION 4. **Security Agreement.** The security interest granted pursuant to this Patent Security Agreement is granted in conjunction with the security interest granted to the Secured Party for the benefit of the Purchasers pursuant to the Security Agreement and the Grantors hereby acknowledge and affirm that the rights and remedies of the Secured Party with respect to the security interest in the Patent Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

SECTION 5. **Termination of Security Interest in Patent Collateral.** Upon payment and satisfaction in full of the Obligations and termination of all commitments relating thereto, the Secured Party shall reassign, redeliver and release (or cause to be so reassigned, redelivered and released), without recourse upon or warranty by the Secured Party, and at the sole expense of the Grantors, to the Grantors, against receipt therefor, such of the Patent Collateral (if any) as shall not have been sold or otherwise applied by the Agent pursuant to the terms of the Security Agreement and not theretofore reassigned, redelivered and released to the Grantors, together with appropriate instruments of reassignment and/or release.

SECTION 6. **Counterparts.** This Patent Security Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

SECTION 7. **APPLICABLE LAW. THIS PATENT SECURITY AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO NEW YORK. CHOICE OF LAW DOCTRINE.**

SECTION 8. **Intercreditor Agreement.** The obligations evidenced hereby are subject to that certain Intercreditor Agreement (the "Intercreditor Agreement") dated as of May 25, 2007, among the Grantors, the Secured Party, and GMAC Agent, to the indebtedness and other liabilities owed by the Grantors under and pursuant to the GMAC Credit Agreement and each related GMAC Credit Document, and the Secured Party, by its acceptance hereof, acknowledges and agrees to be bound by the provisions of the Intercreditor Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, each Grantor has caused this Patent Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

**GRANTORS:**

ROCKY BRANDS, INC.

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President, Chief Financial  
Officer and Treasurer

LIFESTYLE FOOTWEAR, INC.

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President, Chief Financial  
Officer and Treasurer

ROCKY BRANDS WHOLESALE LLC

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President, Chief Financial  
Officer and Treasurer

ROCKY BRANDS RETAIL LLC

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President, Chief Financial  
Officer and Treasurer

Accepted and Agreed:

Laminar Direct Capital L.P.,  
as the Secured Party

By: \_\_\_\_\_  
Name:  
Title:

SIGNATURE PAGE TO PATENT SECURITY AGREEMENT

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Acknowledgement of Grantor

STATE OF \_\_\_\_\_ )  
                                  )     ss.  
COUNTY OF \_\_\_\_\_ )

On this day of May, 2007 before me personally appeared James E. McDonald, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of Rocky Brands, Inc., who being by me duly sworn did depose and say that he is an authorized officer of said corporation, that the said instrument was signed on behalf of said corporation as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said corporation.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_

Acknowledgement of Grantor

STATE OF \_\_\_\_\_ )  
                                  )       ss.  
COUNTY OF \_\_\_\_\_ )

On this day of May, 2007 before me personally appeared James E. McDonald, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of Lifestyle Footwear, Inc., who being by me duly sworn did depose and say that he is an authorized officer of said corporation, that the said instrument was signed on behalf of said corporation as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said corporation.

---

Notary Public

---



Acknowledgement of Grantor

STATE OF \_\_\_\_\_ )  
                                  )       ss.  
COUNTY OF \_\_\_\_\_ )

On this day of May, 2007 before me personally appeared James E. McDonald, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of ROCKY BRANDS WHOLESALE LLC, who being by me duly sworn did depose and say that he is an authorized officer of said limited liability company, that the said instrument was signed on behalf of said limited liability company as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said limited liability company.

---

Notary Public

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Acknowledgement of Grantor

STATE OF \_\_\_\_\_ )  
                                  )       ss.  
COUNTY OF \_\_\_\_\_ )

On this day of May, 2007 before me personally appeared James E. McDonald, proved to me on the basis of satisfactory evidence to be the person who executed the foregoing instrument on behalf of ROCKY BRANDS RETAIL LLC, who being by me duly sworn did depose and say that he is an authorized officer of said limited liability company, that the said instrument was signed on behalf of said limited liability company as authorized by its Board of Directors and that he acknowledged said instrument to be the free act and deed of said limited liability company.

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Notary Public

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**SCHEDULE I**

**to**

**Patent Security Agreement**

**A. PATENTS AND PATENT APPLICATIONS**

**B. PATENT LICENSES**

**None**

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This Copyright Security Agreement is subject to the provisions of that certain Intercreditor Agreement (as may be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Intercreditor Agreement") dated as of May 25, 2007 among Laminar Direct Capital L.P., GMAC Commercial Finance LLC, Rocky Brands, Inc. and certain subsidiaries of Rocky Brands, Inc., and each party to this Copyright Security Agreement, by its acceptance hereof, shall be bound by the provisions of the Intercreditor Agreement.

#### COPYRIGHT SECURITY AGREEMENT

**THIS COPYRIGHT SECURITY AGREEMENT**, entered into as of May 25, 2007, by and among **ROCKY BRANDS, INC.**, an Ohio corporation ("Parent"), **LIFESTYLE FOOTWEAR, INC.**, a Delaware corporation ("Lifestyle"), **ROCKY BRANDS WHOLESALE LLC**, a Delaware limited liability company ("Rocky Wholesale") and **ROCKY BRANDS RETAIL LLC**, a Delaware limited liability company ("Rocky Retail"), and together with Parent, Lifestyle and Rocky Wholesale, the "Grantors", and each a "Grantor", in favor of Laminar Direct Capital L.P., a Delaware limited partnership, as collateral agent (in such capacity "Agent") for the Purchasers identified in the Note Purchase Agreement, (the "Purchase Agreement") among the Grantors, the Agent and the Purchasers party thereto dated of even date herewith (in such. capacity, the "Secured Party").

#### WITNESSETH:

WHEREAS, pursuant to the Purchase Agreement, the Purchasers have severally agreed to purchase certain Senior Term Notes (as defined in the Purchase Agreement) upon the terms and subject to the conditions set forth therein; and

WHEREAS, each Grantor is party to a Security Agreement of even date herewith in favor of the Secured Party (the "Security Agreement") and each Grantor is required to execute and deliver this Copyright Security Agreement pursuant to the Security Agreement and the Purchase Agreement;

NOW, Therefore, in consideration of the premises and mutual covenants herein contained and to induce the Purchasers and the Secured Party to enter into the Purchase Agreement and to induce the Purchasers to purchase the Senior Term Notes thereunder, each Grantor hereby agrees with the Secured Party as follows:

SECTION 1. **Defined Terms.** Unless otherwise defined herein, terms defined in the Purchase Agreement or in the Security Agreement and used herein have the meaning given to them in the Purchase Agreement or the Security Agreement, as applicable.

As used herein, the following terms shall have the following meanings:

---

"Copyright" means all copyrights in published and unpublished works, and all registrations and renewals thereof now owned or existing or hereafter adopted or acquired, in the United States Copyright Office, or in any similar office or agency of the United States, or any state thereof, and all common-law rights related thereto.

"Copyright License" shall mean any and all rights now owned or hereafter acquired under any agreement whether written or oral, providing for the grant by or to the Grantors of any right to any Copyright.

SECTION 2. **Grant of Security Interest in Copyright Collateral.** Each Grantor, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations of such Grantor, hereby sells, conveys, pledges, hypothecates and grants to the Secured Party, for the benefit of the Purchasers and each of their successors and assigns, a continuing and unconditional security interest upon, in and to all of such Grantor's right, title and interest in, to and under the following Collateral of such Grantor wherever located, and now owned or hereafter acquired (the "Copyright Collateral");

- (a) all of its Copyrights and Copyright Licenses to which it is a party, including, without limitation, those referred to on Schedule I hereto;
- (b) all renewals, reversions, continuations and extensions of the foregoing; and
- (c) any consideration received when all or any part of the Copyright Collateral is sold, transferred, exchanged, leased, collected or otherwise disposed of, or any value received as a consequence of possession thereof, including but not limited to, all products, proceeds (including all "Proceeds" as defined in Section 9 102(a)(64) of the Code), cash, negotiable instruments and other instruments for the payment of money, chattel paper, security agreements or other documents, or proceeds of other proceeds, now or hereafter due and/or payable under any Copyright and with respect thereto, including, without limitation, all right to sue and recover at law or in equity for any past, present and future infringement, violation or any other impairment thereof.

SECTION 3. **Grantor Remains Liable.** It is expressly agreed by each Grantor that, anything herein to the contrary notwithstanding, such Grantor shall assume full and complete responsibility for the prosecution, defense, enforcement or any other necessary or desirable actions in connection with its Copyrights or Copyright Licenses, and shall hold the Secured Party and the Purchasers harmless from any and all costs, damages, liabilities and expenses that may be incurred in connection with the Secured Party's interest in such Copyrights or Copyright Licenses or any other action or failure to act in connection with this Copyright Security Agreement, except to the extent the same are caused by the gross negligence or willful misconduct of the Secured Party. Each Grantor shall remain liable for any and all claims by any Person that the conduct of such Grantor's business or products or processes of such Grantor infringe any rights of such person.

SECTION 4. **Security Agreement.** The security interest granted pursuant to this Copyright Security Agreement is granted in conjunction with the security interest granted to the Secured Party for the benefit of the Purchasers pursuant to the Security Agreement and each Grantor hereby acknowledges and affirms that the rights and remedies of the Secured Party with respect to the security interest in the Copyright Collateral made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein.

SECTION 5. **Termination of Security Interest in Copyright Collateral.** Upon payment and satisfaction in full of the Obligations and termination of all commitments relating thereto, the Secured Party shall reassign, redeliver and release (or cause to be so reassigned, redelivered and released), without recourse upon or warranty by the Secured Party, and at the sole expense of the Grantors, to the Grantors, against receipt therefor, such of the Copyright Collateral (if any) as shall not have been sold or otherwise applied by the Agent pursuant to the terms of the Security Agreement and not theretofore reassigned, redelivered and released to the Grantors, together with appropriate instruments of reassignment and/or release.

SECTION 6. **Counterparts.** This Copyright Security Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

SECTION 7. **APPLICABLE LAW.** THIS COPYRIGHT SECURITY AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO NEW YORK CHOICE OF LAW DOCTRINE.

SECTION 8. **Intercreditor Agreement.** The obligations evidenced hereby are subject to that certain Intercreditor Agreement (the "Intercreditor Agreement") dated as of May 25, 2007, among the Grantors, the Secured Party, and GMAC Agent, to the indebtedness and other liabilities owed by the Grantors under and pursuant to the GMAC Credit Agreement and each related GMAC Credit Document, and the Secured Party, by its acceptance hereof, acknowledges and agrees to be bound by the provisions of the Intercreditor Agreement.

[Signature page follows]

IN WITNESS WHEREOF, each Grantor has caused this Copyright Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

**GRANTORS:**

ROCKY BRANDS, INC.

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President, Chief  
Financial Officer and Treasurer

LIFESTYLE FOOTWEAR, INC.

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President, Chief  
Financial Officer and Treasurer

ROCKY BRANDS WHOLESALE LLC

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President, Chief  
Financial Officer and Treasurer

ROCKY BRANDS RETAIL LLC

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President, Chief  
Financial Officer and Treasurer

Accepted and Agreed:

Laminar Direct Capital L.P.,  
as the Secured Party

By: \_\_\_\_\_  
Name:  
Title:

SIGNATURE PAGE TO PATENT SECURITY AGREEMENT

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**SCHEDULE I**

**to**

**Copyright Security Agreement**

**A. COPYRIGHT REGISTRATIONS AND APPLICATIONS**

**B. COPYRIGHT LICENSES**

**None**

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This Stock Pledge and Security Agreement is subject to the provisions of that certain Intercreditor Agreement (as may be amended, modified, supplemented, extended, renewed, restated or replaced from time to time, the "Intercreditor Agreement") dated as of May 25, 2007 among Laminar Direct Capital L.P., GMAC Commercial Finance LLC, Rocky Brands, Inc. and certain subsidiaries of Rocky Brands, Inc., and each party to this Stock Pledge and Security Agreement, by its acceptance hereof, shall be bound by the provisions of the Intercreditor Agreement.

**STOCK PLEDGE AND SECURITY AGREEMENT**

**THIS STOCK PLEDGE AND SECURITY AGREEMENT** (this "Agreement"), dated as of May 25, 2007, is made among **ROCKY BRANDS, INC.**, an Ohio corporation ("Parent") in favor of Laminar Direct Capital L.P., a Delaware limited partnership, as collateral agent for the benefit of the Purchasers of the Senior Term Notes as that term is used and defined in the Purchase Agreement, as defined below ("**Grantee**").

**WITNESSETH:**

**WHEREAS**, pursuant to that certain Note Purchase Agreement (the "**Purchase Agreement**") dated as of the date hereof among Parent, certain of Parent's wholly-owned subsidiaries (Parent and such subsidiaries hereinafter sometimes collectively the "**Loan Parties**"), Grantee and the Purchasers, the Purchasers have purchased certain Senior Term Notes from the Loan Parties and the Loan Parties have incurred certain obligations to the Purchasers and Grantee;

WHEREAS, Parent legally and beneficially owns one hundred percent (100%) of the issued and outstanding equity securities of Lifestyle Footwear, Inc., a Delaware corporation, Rocky Brands Wholesale LLC, a Delaware limited liability company, and Rocky Brands Retail LLC, a Delaware limited liability company (each such Person, together with each other Person the equity securities of which are owned or acquired by a Loan Party and are described on Schedule A-1 hereto is referred to herein individually as a "**Pledged Domestic Entity**" and collectively as the "**Pledged Domestic Entities**");

WHEREAS, Parent legally and beneficially owns one hundred percent (100%) of the issued and outstanding equity securities of Five Star Enterprises Ltd., a Caymans Island corporation ("**Five Star**") and Rocky Canada, Inc., an Ontario corporation ("**Rocky Canada**"), and ninety-nine and ninety-nine one hundredths percent (99.99%) of the issued and outstanding equity securities of EJ Asia Limited, a corporation incorporated under the laws of The People's Republic of China ("**EJ Asia**", and together with Five Star, Rocky Canada and any other Person incorporated in a jurisdiction outside of the United States of America, the equity securities of which are owned or acquired by Parent and are described on Schedule A-2 hereto, are referred to herein as a "**Pledged Foreign Entity**" and collectively as the "**Pledged Foreign Entities**", and together with the Pledged Domestic Entities, collectively the "**Pledged Entities**"); and

**WHEREAS**, the Loan Parties have realized significant and material benefit from the purchase of the Senior Term Notes by the Purchasers and Parent agreed to pledge one hundred percent (100%) of the equity securities of the Pledged Domestic Entities and sixty-five percent (65%) of the equity securities of the Pledged Foreign Entities owned by it as collateral security for the obligations of Parent and the other Loan Parties under the Purchase Agreement in respect of the Senior Term Notes;

**NOW, THEREFORE**, in consideration of the premises above and other good and valuable consideration, the validity and sufficiency of which are hereby acknowledged, Parent hereby agree as follows:

**1. Defined Terms.** As used in this Agreement, capitalized terms defined in the Purchase Agreement that are not defined herein shall have the meanings ascribed to them therein, and the following terms shall have the following meanings:

"**Person**" means any individual, partnership, limited liability company, corporation, trust, joint venture, association, unincorporated organization or government or department or agency thereof.

"**Obligations**" shall mean all principal, interest (including, without limitation, the interest accruing during the pendency of any bankruptcy, insolvency, receivership - or other similar proceeding, regardless of whether allowed or allowable in such proceeding), fees, costs, expenses, indemnities and other amounts owed by, and other covenants, agreements and obligations of the Loan Parties to Grantee and the Purchasers from time to time under or pursuant to the Senior Term Notes or created under the Purchase Agreement with regard to the Senior Term Notes, the Purchase Agreement or this Agreement.

"**UCC**" shall mean the Uniform Commercial Code as from time to time in effect in the State of New York.

**2. Creation of Lien and Security Interest.** In order to secure timely payment in full of the Obligations (whether at stated maturity, by acceleration or otherwise), Parent hereby grants, hypothecates and pledges to Grantee, for the benefit of the Purchasers, a lien on and continuing security interest in and to all of its rights, title and interest in, the hereinafter described "**Collateral**" (the "**Security Interest**"), the Security Interest being a Lien on the Collateral, prior to all other Liens effective as of the date hereof without the need to execute any further instruments, agreements or documents other than as specifically set forth herein.

**3. Collateral.** The Security Interest covers the following property now owned or hereafter acquired by Parent (the "**Collateral**"): (i) all of the stock, equity securities or other ownership interests owned by Parent and issued by the Pledged Domestic Entities set forth on Schedule A-1 of this Agreement, and any warrants or other rights to purchase such shares, equity securities or other ownership interests in or with regard to the Pledged Domestic Entities; (ii) sixty-five percent (65%) of the shares, equity securities or other ownership interests owned by Parent and issued by the Pledged Foreign Entities set forth on Schedule A-2 of this Agreement and any warrants or other rights to purchase such shares, equity securities or other ownership interests in, or with regard to each and any of the Pledged Foreign Entities (items referred to in the above clauses (i) and (ii) together shall be referred to as the "Equity Securities"); (iii) certificates representing all of the Equity Securities (the "**Equity Certificates**"); and (iv) and any and all "**Rights**" as hereinafter defined. For the purposes of this Agreement, "**Rights**" means: (subject, as applicable, to the 65% cap set forth in clause (ii) above) (a) Equity Securities realized upon exercise of any warrants to purchase Equity Securities, bonus units, debentures or other securities; (b) options or rights to take up units, debentures or other securities in respect of the Equity Securities; (c) dividends, distributions, or returns of capital or other moneys in respect of the Equity Securities; and (d) other rights, moneys or securities of any nature (including, without limitation, rights, voting rights, moneys or securities arising from consolidation or subdivision of capital, redemption or conversion of shares or units, reduction of capital, liquidation or a similar plan or arrangement), all of which at any time (whether now or in the future) are attributable to or arise from any Collateral.

**4. Continuing Security.** This Agreement shall operate as a continuing security interest in favor of Grantee, for the benefit of the Purchasers, by Parent:

- (a) irrespective of any sum or sums that may be paid to the credit of any account of Parent with Grantee or any Purchaser; and
- (b) notwithstanding the appointment, retirement or removal, at any time, of a receiver of Parent,

and shall remain in full force and effect and extend to cover all of the Obligations until payment and satisfaction in full of the Senior Term Notes and all of the Obligations.

**5. Certificates, Voting, etc.** At any time following execution and delivery of this Agreement that the Grantee and the Purchasers who hold Senior Term Notes are not subject to the Intercreditor Agreement, Parent shall promptly deliver to Grantee or its designated agent the Equity Certificates with a stock power executed in blank in form and substance reasonably satisfactory to Grantee. If at any time any Pledged Entity shall issue any additional or substitute shares of stock or stock certificates, or any other instruments evidencing an interest in any Pledged Entity, or an obligation of any Pledged Entity to Parent, Parent shall, subject to the terms of the Intercreditor Agreement, promptly pledge, mortgage and deliver (or cause to be pledged, mortgaged or delivered) in favor of or with Grantee such additional certificates, instruments or documents as additional security for the Obligations, all of which additional security shall constitute Collateral (and shall be included within the definition of "Collateral" hereunder) provided, however, that Parent shall not be obliged to pledge, mortgage or deliver (or cause to be pledged, mortgaged or delivered) additional certificates, instruments or documents, the pledging, mortgaging or depositing of which would result in the creation of a Lien in favor of the Grantee on more than sixty-five percent (65%) of the equity securities of any Pledged Foreign Entity. Grantee shall hold the Collateral solely as security for the payment and performance of the Obligations. Unless an Event of Default has occurred and is continuing, Parent shall have the right to exercise the rights as stockholders or members, as applicable, with regard to voting and consenting to corporate actions that are associated with the Collateral), provided, however, that no vote shall be cast, consent given or right exercised or other action taken by Parent which would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Purchase Agreement or this Agreement.

**6. Right to Receive Distributions.** Unless an Event of Default has occurred and is continuing (and in such case all dividends and distributions described herein shall, subject to the Intercreditor Agreement, be delivered to the Grantee), Parent shall have the right to receive and to retain lawful cash dividends and other cash distributions which are paid on account of the Collateral, provided, however, such dividends and distributions are not prohibited by the Purchase Agreement. If any such dividends or other distributions are paid to Parent following an Event of Default, such dividends or other distributions shall, subject to the Intercreditor Agreement, be held in trust by Parent, for the benefit of Grantee, and Parent shall immediately notify Grantee in writing, and shall, if Grantee so instructs, immediately pay over such dividends or other distributions to Grantee as Collateral.

**7. Restrictions on Transfer.** Parent shall not (a) except for the security interest created by this Agreement and Permitted Liens, create or suffer to exist any Lien upon or with respect to any of the Collateral; (b) use or permit any Collateral to be used unlawfully or in violation of any provision of this Agreement, the Purchase Agreement or any applicable law; (c) sell, convey, hypothecate or otherwise transfer (by operation of law or otherwise) any Collateral or any interest in the Collateral to any Person or other entity, except as permitted by the Purchase Agreement; or (d) enter into any agreement or undertaking restricting the right or ability of Parent or Grantee to sell, assign or transfer any of the Collateral, except as permitted by the Purchase Agreement.

**8. Representations and Warranties.** The Parent hereby represents and warrants to Grantee and the Purchasers of the Senior Term Notes as follows:

(a) except for Permitted Liens, Parent is the record and beneficial owner of the Collateral and have good, valid and marketable title to the Collateral, free and clear of all Liens, claims and other encumbrances, and has the requisite rights in and power and authority and legal right to pledge and transfer such Collateral to Grantee as provided herein;

(b) the Equity Securities pledged hereunder constitute one hundred percent (100%) of the issued and outstanding equity of all classes of the Pledged Domestic Entities owned by Parent and sixty-five percent (65%) of the issued and outstanding equity of all classes of the Pledged Foreign Entities owned by Parent;

(c) the authorized capital stock of (i) Five Star is 900,000, (ii) Rocky Canada is unlimited and (iii) EJ Asia is 10,000; and



(d) upon delivery of the Equity Securities to Grantee in the State of New York, the pledge, assignment and delivery of the Collateral pursuant to Sections 2 and 5 of this Agreement will create a valid perfected Lien on and a valid perfected security interest in the Collateral in favor of Grantee under the UCC, subject to no prior Lien (whether consensual, nonconsensual, statutory or otherwise) and to no agreement purporting to grant any third party any security interest or other interest in any of the Collateral, except Permitted Liens. Except for (i) delivery to the Grantee of the Equity Certificates together with a stock power executed in blank and (ii) completion of filings under the UCC, no additional actions by Parent or any third party are necessary to create or perfect the Security Interest.

**9. Events of Default.** An "Event of Default" shall exist hereunder if an "Event of Default" shall occur and be continuing under the Purchase Agreement.

**10. Remedies Upon Default.** Upon the occurrence and during the continuation of an Event of Default, after any applicable cure period, and at any time thereafter, Grantee may (but shall not be required to), subject to the limitations contained in the Intercreditor Agreement, take any or all of the following actions simultaneously or in any order which it may choose:

- (a) exercise any remedies with respect to the Collateral (or any of it), including sale of the Collateral, as may be provided by applicable Law then in effect, or as may be available in equity;
- (b) exercise any remedies with respect to the Collateral available to a secured party under the UCC, or any other applicable Law;
- (c) vote or otherwise exercise any rights accruing to the owner of the Collateral without notice to or consent of the Parent;
- (d) commence and prosecute an action, at law or in equity, in any court of competent jurisdiction, injunctive or declaratory relief or any other relief available under applicable Law, and take all such actions as may be necessary or desirable to enforce any order or judgment entered in connection with such action;
- (e) hold as additional Collateral for the Obligations or apply in accordance with Section 14 hereof any and all dividends and distributions on account of the Collateral; and/or
- (f) exercise any other remedies afforded to Grantee pursuant to the terms of this Agreement.

All of Grantee's rights and remedies hereunder, under the Purchase Agreement and under any and all other instruments and documents executed in connection herewith and therewith, shall be cumulative and not exclusive, and shall, subject to the terms of the Intercreditor Agreement, be enforceable alternatively, successively or concurrently as Grantee may, in its sole discretion, deem expedient. Subject to the terms of the Intercreditor Agreement, Grantee shall have no obligation to preserve rights in the Collateral or marshal any of the Collateral for the benefit of any Person.

**11. Additional Rights of Grantee With Respect to Certain Collateral.** Subject to the Intercreditor Agreement, upon the occurrence of and during the continuation of any Event of Default:

(a) Grantee, in its sole discretion, and without notice to Parent, may take any one or more of the following actions without liability except to account for property actually received by it: (i) transfer to or register in Grantee's name or the name of Grantee's nominee any Collateral, with or without indication of the security interest herein created, and whether or not so transferred or registered, receive the income, dividends and other distributions thereon and hold them as additional Collateral or apply them to the Obligations in any order of priority; (ii) exercise or cause to be exercised all voting and corporate powers with respect to any of the Collateral, including (1) all rights to call or require shareholders meetings and to remove or elect directors, and (2) all rights of proxy appointments, conversion, exchange, subscription or any other rights, privileges or options pertaining to such Collateral, as if the absolute owner thereof; (iii) exchange any of the Collateral for other property upon a reorganization, recapitalization, reclassification or other readjustment and, in connection therewith, deposit any of the Collateral with any depository upon such terms as Grantee may determine; and (iv) in its name or in the name of Parent, demand, sue for, collect or receive any money or property at any time payable or receivable on account of or in exchange for any of the Collateral, and Grantee further shall have the right during any time to sign and endorse the name of Parent upon any such stock certificate, stock power, check, draft, money order, or any other documents of title or evidence of payment with respect to the Collateral, in the name of Parent, it being the intention of Parent to grant to Grantee the right to sell any portion or all of the Collateral and the proceeds therefrom, upon the occurrence and during the continuance of an Event of Default hereunder; and

(b) If Grantee in good faith believes that the Securities Act of 1933, as amended from time to time (the "**Act**"), or any other state or federal law prohibits or restricts the customary manner of sale or distribution of any of the Collateral, Grantee may, without demand of performance or other demand, presentment, protest or notice of any kind (except any notice required by law referred to below) to or upon Parent or any other Person (all and each of which such demands, defenses and notices are hereby waived), sell such Collateral in one (1) or more parcels privately or in any other manner deemed advisable by Grantee at such price or prices as Grantee determines in its sole discretion. Parent recognizes that such prohibition or restriction may cause the Collateral to have less value than it otherwise would have and that, consequently, such sale or disposition by Grantee may result in a lower sales price than if the sale were otherwise held and notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. Grantee may sell the Collateral in one or more sales or parcels, for cash, credit or future delivery, and with or without the use of a stockbroker, as Grantee may deem advisable. Grantee may be the purchaser of any or all of the Collateral free of any right or equity of redemption of Parent, which right or equity is hereby waived and released. In the event that Grantee elects to sell all or any part of the Collateral in a public sale, Parent shall cooperate with all requests by Grantee, its agents and representatives with respect to the registration and qualification of such Collateral which is securities, or the applicable part thereof, under the Act and all applicable securities laws. If any notice of a proposed sale or other disposition of the Collateral shall be required by Law, such notice shall be deemed reasonable and proper if given at least ten (10) days before such sale or other disposition.

**12. Grantee Appointed Attorney-in-Fact.** Subject to the Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default, Parent hereby irrevocably appoints Grantee (and any officer or agent of Grantee) as its attorney-in-fact, with full authority in its place and stead and in its name, Grantee's name or otherwise, from time to time in Grantee's discretion, to take any action and to execute any instrument which Grantee may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

- (a) to ask, demand, collect, sue for, recover, compound, receive and give receipts for moneys due and to become due under or in respect of any of the Collateral;
- (b) to receive, endorse and collect any drafts or other instruments, documents and chattel paper;
- (c) to file any claims, take any action or institute any proceedings which Grantee may deem necessary or desirable for the collection of any of the Collateral (including any proceeds thereof) or otherwise to enforce the rights of Parent and/or Grantee with respect to any of the Collateral; and
- (d) to sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out this Agreement, as fully and completely as though the Grantee were the absolute owner of the Collateral for all purposes and do, at the Grantee's option and at Parent's expense, at any time or from time to time, all acts that the Grantee deems necessary to protect, preserve or realize upon the Collateral and the Grantee's and each Purchaser's interests therein and to effect the intent of this Agreement, provided, however, nothing contained herein shall be construed as requiring or obligating the Grantee to perform any of the actions hereunder.

Parent agrees to execute appropriate certificates and instruments, all in blank, as appropriate, as Grantee may reasonably request to evidence powers of attorney described in this Section 12. The power of attorney granted herein shall be coupled with an interest and shall be irrevocable, and Parent hereby ratifies all actions taken by its attorney-in-fact by virtue hereof.

**13. Expenses.** Parent shall pay, when due, any and all reasonable fees, taxes or other charges imposed in connection with the Collateral including, without limitation, any fees imposed in connection with recordation of instruments necessary or desirable in order to reflect, effectuate or release the Collateral. Parent shall also pay to the Grantee, on demand, any and all other reasonable expenses and fees incurred in connection with any other actions taken by the Grantee to enforce its rights hereunder including, without limitation, any actions taken pursuant to Section 12 hereof.

**14. Application of Proceeds.** Upon the occurrence and during the continuance of an Event of Default, the proceeds from any sale or other disposition of, or other realization upon, all or any part of the Collateral shall be applied by Grantee, subject to the Intercreditor Agreement, in the form, order and manner provided for in the Security Agreement, dated as of the date hereof, by and among the Grantee and the Loan Parties.

**15. Release and Indemnity.** Parent hereby (a) releases, indemnifies and holds harmless Grantee, the Purchasers and their agents, successors and assigns from any claims, actions, causes of action, demands, liabilities, debts or suits arising out of or in any way related to Grantee's possession, disposition, collection, control or use of the Collateral; provided, however, that this release and indemnity shall not extend to any actions taken by Grantee which (i) contravene the express terms of this Agreement, or (ii) constitute gross negligence or willful misconduct, and (b) shall reimburse Grantee and its agents, successors and assigns for all reasonable costs and expenses, including without limitation, the reasonable fees and disbursements of attorneys, related thereto or resulting therefrom.

**16. Notices.** All notices and other communications given to or made upon any party hereto in connection with this Agreement shall, except as otherwise expressly herein provided, be in writing and delivered in accordance with the notice provisions of the Purchase Agreement.

**17. Assignability and Parties in Interest.** This Agreement shall not be assignable by Parent without the prior written consent of Grantee. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

**18. Termination.** This Agreement shall terminate, the Security Interest shall be released and, if previously delivered to the Grantee, the certificates representing all of the Equity Securities shall be returned to Parent upon the earliest to occur of (i) the indefeasible payment and satisfaction in full of the Senior Term Notes and the Obligations; or (ii) the mutual prior written agreement of Parent and Grantee.

**19. Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of New York, without giving effect to New York choice of law doctrine.

**20. Entire Agreement.** This Agreement contains the entire agreement between the parties hereto with respect to the transactions contemplated herein and, except as provided herein, supersede all previous oral and written and all contemporaneous oral negotiations, commitments, writings and understandings.

**21. Amendments and Waivers.**

(a) This Agreement may be amended only by a writing signed by Grantee and Parent.

(b) No delay or omission on the part of any party hereto in exercising any right hereunder shall operate as a waiver of such right or any other right hereunder or operate to constrain the rights of any other parties hereunder. No waiver of any one right shall operate as a waiver of any subsequent right.

**22. Interpretation.** The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. In the event of a conflict between this Agreement and the Purchase Agreement, the terms of the Purchase Agreement shall control.

**23. Severability.** If any provision of this Agreement shall be held to be invalid, illegal or unenforceable in any material respect, such provision shall be replaced with a provision which is as close as possible in effect to such invalid, illegal or unenforceable provision, and still be valid, legal and enforceable, and the validity, legality and enforceability of the remainder of this Agreement shall not in any way be affected or impaired thereby, unless the parties otherwise so provide.

**24. Further Assurances.** Borrower agrees, from time to time, at its expense, to execute and deliver promptly all further instruments and documents as Grantee may reasonably require in order to perfect, confirm and ratify the Security Interest. Parent hereby authorizes Grantee or its agent to file financing statements and/or such continuation statements and amendments thereto relating to all or any part of the Collateral without its signature, where permitted by Law. A photographic or other reproduction of this Agreement or any financing statement covering the collateral granted hereby or any part thereof shall be sufficient as a financing statement where permitted by Law.

**25. Jurisdiction, Waiver of Jury Trial.**

(a) PARENT HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT THE SECURED PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST PARENT OR THE COLLATERAL IN THE COURTS OF ANY JURISDICTION.

(b) PARENT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE SENIOR TERM NOTES, THE PURCHASE AGREEMENT, OR ANY OTHER TRANSACTION DOCUMENT IN ANY NEW YORK COURT OR FEDERAL COURT OF THE SOUTHERN DISTRICT OF NEW YORK. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(c) EACH PARTY HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHT, POWER, OR REMEDY UNDER OR IN CONNECTION WITH THIS AGREEMENT AND AGREES THAT ANY SUCH ACTION SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THE TERMS AND PROVISIONS OF THIS SECTION CONSTITUTE A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.

**26. Intercreditor Agreement.** The obligations evidenced hereby are subject to that certain Intercreditor Agreement (the "**Intercreditor Agreement**") dated as of May \_\_\_\_, 2007, among the Loan Parties, the Grantee, and GMAC Agent, to the indebtedness and other liabilities owed by the Loan Parties under and pursuant to the GMAC Credit Agreement and each related GMAC Credit Document, and the Grantee, by its acceptance hereof, acknowledges and agrees to be bound by the provisions of the Intercreditor Agreement.

**[signatures appear on following page]**

IN WITNESS WHEREOF, Parent has caused this Stock Pledge and Security Agreement to be executed as of the date first above written.

ROCKY BRANDS, INC.

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Executive Vice President,  
Chief Financial Officer and Treasurer

**[SIGNATURE PAGE TO STOCK PLEDGE AND SECURITY AGREEMENT]**

**SCHEDULE A-1**

EQUITY INTERESTS OF THE PLEDGED DOMESTIC ENTITIES

Pledgor	Pledged Domestic Entity	Class of Interest/Stock	Percentage of Interest
Rocky Brands, Inc.	Lifestyle Footwear, Inc.	Common	100%
Rocky Brands, Inc.	Rocky Brands Wholesale LLC	Membership	100%
Rocky Brands, Inc.	Rocky Brands Retail LLC	Membership	100%



SCHEDULE A-2

EQUITY INTERESTS OF THE PLEDGED FOREIGN ENTITIES

<u>Pledgor</u>	<u>Pledged Foreign Entity</u>	<u>Class of Interest/Stock</u>	<u>Percentage of Interest</u>
Rocky Brands, Inc.	Five Star Enterprises, Ltd.	Membership	65%
	Rocky Canada, Inc.	Common Stock	65%
	EJ Asia Limited	Ordinary Shares	65%

COMPLIANCE CERTIFICATE AS OF \_\_\_\_\_ 200\_

\_\_\_\_\_, 200\_

Laminar Direct Capital L.P. 3  
Bethesda Metro Center  
Suite 1450  
Bethesda, MD 20  
Attn: Dean D'Angelo  
Facsimile: (301) 634-3051

with a copy to:

D. E. Shaw & Co., L.P.  
120 West 45th Street, 39th Floor  
New York, New York 10036  
Attn: Hilda Blair.  
Facsimile: (212) 478-0100

with a copy to:

Moore & Van Allen PLLC  
100 North Tryon Street, 47th Floor  
Charlotte, NC 28202  
Attn: C. Wayne McKinzie, Esq.  
Facsimile: (704) 378-2061

Whitebox Advisors, LLC  
3033 Excelsior Boulevard  
Suite 300  
Minneapolis, MN 55416  
Attn: Nick Swenson  
Facsimile: (612) 253-6100

with a copy to:

Faegre & Benson, LLP  
2200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402  
Attn: Daniel J. Amen, Esq.  
Facsimile: (612) 766-160

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Ladies and Gentlemen:

The undersigned, the Chief Financial Officer of Rocky Brands, Inc., an Ohio corporation (the "**Parent**"), and an authorized officer of Life Style Footwear, Inc., a Delaware corporation, Rocky Brands Wholesale LLC, a Delaware limited liability company, and Rocky Brands Retail LLC, a Delaware limited liability company (such parties collectively the "**Loan Parties**"), hereby delivers this certificate as of the compliance date set forth above pursuant to Section 7.1(e) (i), (ii) or (iii), as applicable, of the Note Purchase Agreement, dated as of May 25, 2007, by and among the Loan Parties, Laminar Direct Capital L.P., as collateral agent (the "**Agent**") and the Purchasers party thereto (the "**Note Purchase Agreement**"). Capitalized terms used herein, and not otherwise defined herein, have the respective meanings given them in the Note Purchase Agreement.

The undersigned hereby certifies to the Lender as follows:

1. The undersigned is the Chief Financial Officer of the Parent and is authorized to deliver this Compliance Certificate to the Purchasers.
  2. The undersigned has examined the books and records of the Loan Parties and has conducted such other examinations and investigations as are reasonably necessary to provide this Compliance Certificate.
  3. To undersigned's knowledge, information and belief, no Default or Event of Default has occurred since the date of the last Compliance Certificate, or, if any such Default or Event of Default has occurred, the Loan Parties' actions taken with respect thereto are set forth on Schedule 1 attached hereto.
  4. To the extent that this Compliance Certificate is submitted in connection with financial statements required to be provided by the Note Purchase Agreement, such financial statements have been prepared in accordance with GAAP, consistently applied, subject to year end audit adjustments and the absence of footnotes.
  5. To the extent that this Compliance Certificate is submitted in connection with financial statements as of a fiscal quarter end, computations demonstrating compliance with the financial covenants for the Loan Parties' fiscal period ended on the date of the financial statements delivered herewith are set forth on Schedule 2 attached hereto.
  6. The calculations set forth on Schedule 3 attached hereto are accurate as of \_\_\_\_\_, 200\_, and demonstrate compliance with the restrictions contained in Section 7.3 of the Note Purchase Agreement.
-

IN WITNESS WHEREOF, the undersigned has executed this Compliance Certificate as of the date first written above.

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Chief Financial Officer of Rocky Brands, Inc.

\_\_\_\_\_

**AMENDED AND RESTATED  
LOAN AND SECURITY AGREEMENT**

**DATED AS OF MAY 25, 2007**

**between**

**ROCKY BRANDS, INC.,  
LIFESTYLE FOOTWEAR, INC.,  
ROCKY BRANDS WHOLESALE LLC  
AND  
ROCKY BRANDS RETAIL LLC  
as Borrowers,**

**GMAC COMMERCIAL FINANCE LLC,  
as Agent and as Lender, and**

**The Financial Institution(s) Listed  
on the Signature Pages Hereof,  
as Lenders**

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**AMENDED AND RESTATED  
LOAN AND SECURITY AGREEMENT**

This AGREEMENT is dated as of May 25, 2007 and entered into among ROCKY BRANDS, INC., a corporation organized and existing under the laws of the State of Ohio ("Parent"), LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, ROCKY BRANDS WHOLESALE LLC, a limited liability company organized and existing under the laws of the State of Delaware, and ROCKY BRANDS RETAIL LLC, a limited liability company organized and existing under the laws of the State of Delaware (the foregoing entities, jointly and severally, as the context requires, "Borrower" or "Borrowers"), the financial institution(s) listed on the signature pages hereof and their respective successors and Eligible Assignees (each individually a "Lender" and collectively, "Lenders"), GMAC COMMERCIAL FINANCE LLC, a Delaware limited liability company (in its individual capacity, "GMAC CF"), as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent") and BANK OF AMERICA, N.A., as syndication agent (in such capacity, the "Syndication Agent") and CHARTER ONE BANK, N.A., as documentation agent (in such capacity, the "Documentation Agent").

WHEREAS, Parent, certain Borrowers and GMAC CF were parties to that certain Loan and Security Agreement (as amended, supplemented or otherwise modified prior to the date hereof, the "Original Financing Agreement") dated as of January 6, 2005 (the "Initial Closing Date") and related agreements and documents pursuant to which GMAC CF established a revolving loan and term loan credit facility in an amount of up to One Hundred and Eighteen Million Dollars (\$118,000,000) in the aggregate, consisting of Revolving Loans of up to \$100,000,000 and a Term Loan A in the original principal sum of \$18,000,000 ("Term Loan A"); and

WHEREAS, to secure Borrower's obligations under the Loan Documents, Borrower granted to Agent, for the benefit of Agent and Lenders, a security interest in and lien upon substantially all of Borrower's personal property and certain real property; and

WHEREAS, Borrower may from time to time have Subsidiaries that benefit from the credit facility described above (jointly and severally, as the context requires, "Guarantor"), and in consideration of such benefits will guaranty all of the obligations of Borrower to Agent and Lenders under the Loan Documents and grant to Agent, for the benefit of Agent and Lenders, a security interest in substantially all personal property and certain real property of Guarantor to secure such guaranty;

WHEREAS, contemporaneous with the entering into of the Original Financing Agreement, Parent and certain Borrowers entered into a Note Purchase Agreement with American Capital Financial Services, Inc. ("ACFS"), as agent for the purchasers thereunder and American Capital Strategies, Ltd. ("ACSL") pursuant to which ACSL extended a Term Loan B in the original principal sum of \$30,000,000 ("Term Loan B") to certain Borrowers, and ACFS, as agent, entered into an Intercreditor Agreement with GMAC CF setting forth the relative priorities and other rights of the secured parties in the Collateral (the "Original Intercreditor Agreement"); and

---

WHEREAS, pursuant to certain Assignment and Acceptance Agreements by and among GMAC CF and other Lenders from time to time, a portion of the Commitment of GMAC CF was assigned to other Lenders and, as of the date hereof, the respective Commitment of each of the Lenders is as set forth on the signature page hereof; and

WHEREAS, pursuant to Amendment No. 3 to the Original Financing Agreement, dated as of June 28, 2006, Agent and Lenders increased the amount available under the credit facility by extending a Term Loan C in the original principal sum of \$15,000,000 ("Term Loan C"); and

WHEREAS, Borrower has entered into a Note Purchase Agreement with Purchasers and Second Priority Agent pursuant to which Borrower will issue, and Purchasers will purchase, second priority secured notes in the aggregate original principal sum of \$40,000,000 ("Second Priority Senior Secured Notes"), the proceeds of which will be utilized to satisfy in full all of the outstanding indebtedness under Term Loan A, Term Loan B and Term Loan C (the "Refinancing Transactions"), as well as pay certain fees and expenses incurred in connection with the Refinancing Transactions, and reduce the outstanding Revolving Loans with the balance of such proceeds; and

WHEREAS, in connection with the issuance of the New Notes, Borrower has requested Agent and Lenders to (a) enter into a new Intercreditor Agreement with Second Priority Agent, which agreement shall replace the Original Intercreditor Agreement and (b) amend and modify the Original Financing Agreement to reflect the prepayment Term Loan A, Term Loan B and Term Loan C, delete certain financial covenants, and more generally amend and restate the Original Financing Agreement; and

WHEREAS, under the terms and conditions hereof, Borrowers, Agent and Lenders have agreed to amend and restate the Original Financing Agreement, as provided herein.

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, Borrower, Agent and Lenders agree as follows:

#### **AMENDMENT AND RESTATEMENT**

As of the date of this Amended and Restated Loan and Security Agreement among Parent, Borrower, Agent, Lenders, Syndication Agent and Documentation Agent, the terms, conditions, covenants, agreements, representations and warranties contained in the Original Financing Agreement shall be deemed amended and restated in their entirety as follows, and the Original Financing Agreement shall be consolidated with and into and superseded by this Amended and Restated Loan and Security Agreement without breaking continuity; provided, however, that nothing contained in this Amended and Restated Loan and Security Agreement shall impair, limit or affect the security interests heretofore granted, pledged and or assigned to Agent as security for the Obligations under the Original Financing Agreement, and this Amended and Restated Loan and Security Agreement does not constitute a novation of the Original Financing Agreement or the security interests granted in connection therewith.

SECTION 1. DEFINITIONS AND ACCOUNTING TERMS

1.1. Certain Defined Terms.

The capitalized terms not otherwise defined in this Agreement shall have the meanings set forth below:

“ACFS” has the meaning assigned to that term in the fourth WHEREAS clause of this Agreement.

“ACSL” has the meaning assigned to that term in the fourth WHEREAS clause of this Agreement.

“Additional Mortgaged Property” means all real property owned by any Loan Party which is unencumbered by a mortgage or deed of trust in favor of a Person which provides financing (not in excess of the purchase price therefor) for the acquisition thereof by such Loan Party, and in which after the Closing Date, Agent requires a mortgage to secure the Obligations.

“Adjusted Indebtedness of Rocky on a Consolidated Basis” shall mean total Indebtedness of Rocky on a Consolidated Basis, provided that for purposes of determining Adjusted Indebtedness of Rocky on a Consolidated Basis as of the end of any fiscal period, the outstanding balance of Revolving Loans and Letter of Credit Liabilities as of the end of such period shall be deemed to be the average outstanding balance of Revolving Loans and Letter of Credit Liabilities as of the end of the four most recently ended fiscal quarter periods, including the period then just ended.

“Adjustment Date” has the meaning assigned to that term in the definition of Applicable Margin.

“Advance” shall mean an advance under the Revolving Loan.

“Affected Lender” has the meaning assigned to that term in Section 2.11.

“Affiliate” means any Person (other than Agent or any Lender): (a) directly or indirectly controlling, controlled by, or under common control with, any Loan Party; (b) directly or indirectly owning or holding ten percent (10%) or more of any equity interest in any Loan Party; (c) ten percent (10%) or more of whose stock or other equity interest having ordinary voting power for the election of directors or the power to direct or cause the direction of management, is directly or indirectly owned or held by any Loan Party; or (d) which has a senior officer who is also a senior officer of any Loan Party. For purposes of this definition, “control” (including with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”) means the possession directly or indirectly of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or other equity interest, or by contract or otherwise.

“Agent” means GMAC CF in its capacity as agent for the Lenders under the Loan Documents and any successor in such capacity appointed pursuant to Section 9.1(G).

“Agent’s Account” means JPMorgan Chase Bank, N.A., New York, New York.



ABA No. 021000021  
 Account No. 3613249-84  
 Account Name: GMAC Commercial Finance  
 Reference: Rocky Shoes & Boots

“Agreement” means this Loan and Security Agreement as it may be amended, restated, supplemented or otherwise modified from time to time.

“Applicable Margin” for each type of Loan shall mean, commencing as of the Closing Date and continuing, until the First Adjustment Date (as hereafter defined), the applicable percentage specified below:

TYPE OF LOAN	APPLICABLE MARGIN FOR DOMESTIC RATE LOANS	APPLICABLE MARGIN FOR LIBOR RATE LOANS
Revolving Advances	1.25%	2.75%

Thereafter on a quarterly basis, effective as of the first day following receipt by Agent of the internal financial statements of Rocky on a Consolidated Basis required under Section 5.1(E)(b) for the previous fiscal quarter (each day of such delivery, an “Adjustment Date”), commencing with the first Business Day following receipt by Agent of the internal financial statements of Rocky on a Consolidated Basis for the fiscal quarter ending June 30, 2007 required under Section 5.1(E)(b) (the “First Adjustment Date”), the Applicable Margin for each type of Loan shall be adjusted, if necessary, to the applicable percent per annum set forth in the pricing table set forth below corresponding to the Total Leverage Ratio for the trailing twelve month period ending on the last day of the most recently completed fiscal quarter prior to the applicable Adjustment Date (each such period, a “Calculation Period”):

TOTAL LEVERAGE RATIO	APPLICATION MARGIN FOR DOMESTIC RATE LOANS	APPLICATION MARGIN FOR LIBOR RATE LOANS
Greater than or equal to 4.0 to 1.0	1.25%	2.75%
Greater than or equal to 3.0 to 1.0 but less than 4.0 to 1.0	1.00%	2.50%
Greater than or equal to 2.0 to 1.0 but less than 3.0 to 1.0	0.75%	2.25%
Less than 2.0 to 1.0	0.50%	2.00%

If Borrower shall fail to timely deliver the financial statements, certificates and/or other information required under Section 5.1(E)(b), each Applicable Margin shall be conclusively presumed to equal the highest Applicable Margin specified in the pricing table set forth above for the period commencing on the required delivery date of such financial statements, certificates and/or other information until the delivery thereof.

“Asset Disposition” means the disposition, whether by sale, lease, transfer, loss, damage, destruction, condemnation or otherwise, of any or all of the assets of any Loan Party other than the sale or other disposition of Inventory, sale or transfer of property of any Loan Party to any other Loan Party (to the extent not otherwise prohibited by this Agreement) and assignments and licenses of Intellectual Property, all of the foregoing in the ordinary course of business, and subleases of leases or leases of property not then being utilized in the Business.

“Assignment and Acceptance Agreement” shall mean an Assignment and Acceptance Agreement substantially in the form of Exhibit A.

“Bank Letter of Credit” means each Letter of Credit issued by a bank acceptable to and approved by Agent for the account of a Borrower and supported by guaranty or risk participation agreement issued by GMAC CF or Agent.

“Base Rate” means a variable rate of interest per annum equal to the higher of (a) the rate of interest from time to time published by the Board of Governors of the Federal Reserve System as the “Bank Prime Loan” rate in Federal Reserve Statistical Release H.15(519) entitled “Selected Interest Rates” or any successor publication of the Federal Reserve System reporting the Bank Prime Loan rate or its equivalent, or (b) the Federal Funds Effective Rate plus fifty (50) basis points. The statistical release generally sets forth a Bank Prime Loan rate for each Business Day. The applicable Bank Prime Loan rate for any date not set forth shall be the rate set forth for the last preceding date. In the event the Board of Governors of the Federal Reserve System ceases to publish a Bank Prime Loan rate or its equivalent, the term “Base Rate” shall mean a variable rate of interest per annum equal to the highest of the “prime rate”, “reference rate”, “base rate”, or other similar rate announced from time to time by any of the three largest banks (based on combined capital and surplus) headquartered in New York, New York (with the understanding that any such rate may merely be a reference rate and may not necessarily represent the lowest or best rate actually charged to any customer by any such bank).

“Base Rate Loans” means Loans bearing interest at rates determined by reference to the Base Rate.

“Blocked Account Agreement” has the meaning assigned to that term in Section 6.4.

“Blocked Accounts” has the meaning assigned to that term in Section 6.4.

“Borrower” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“Borrower’s Accountants” means the independent certified public accountants selected by Borrower and its Subsidiaries and reasonably acceptable to Agent.

“Borrowing Base” means, as of any date of determination, an amount equal to the sum of (a) up to 85% of Eligible Accounts less the Dilution Reserve, plus (b) the lesser of (i) \$50,000,000, or (ii) the sum of (A) the lesser of (1) up to 40% of Eligible Inventory consisting of raw materials or (2) 85% times the Net Orderly Liquidation Percentage of such Eligible Inventory, plus (B) the lesser of (1) up to 75% of Eligible Inventory consisting of finished goods or (2) 85% times the Net Orderly Liquidation Percentage of such Eligible Inventory, plus (C) the lesser of (1) up to 75% of Eligible Inventory consisting of eligible retail Inventory or (2) 85% times the Net Orderly Liquidation Percentage of such Eligible Inventory and less, in each case, such reserves as Agent in its reasonable credit judgment may elect to establish; provided, however, that Advances with respect to Eligible Inventory shall also not exceed, at any time, (x) \$8,000,000 with respect to Eligible In-Transit Inventory and (y) \$2,000,000 with respect to finished goods located in Puerto Rico. The calculation of the actual advance rates, utilizing the formulae provided in this definition of Borrowing Base, with respect to different categories of Eligible Inventory, shall be set forth on Exhibit D, which shall be subject to modification from time to time by Agent following each appraisal conducted by Agent.

“Borrowing Agent” means Parent.

“Borrowing Base Certificate” means a certificate and schedule duly executed by an officer of Borrowing Agent appropriately completed and in substantially the form of Exhibit B.

“Business” shall mean the principal business of the Loan Parties as set forth in Section 4.1(B) herein and as such shall continue to be conducted following the consummation of the Transactions.

“Business Day” means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the States of New York or Michigan or is a day on which banking institutions located in any such state are closed, or for the purposes of LIBOR Loans only, a London Banking Day.

“Capital Expenditures” means, with respect to any Person, all expenditures for, or contracts for expenditures with respect to any fixed assets or improvements, or for replacements, substitutions or additions thereto, that, in accordance with GAAP, either would be required to be capitalized on the balance sheet of such Person, or would be classified and accounted for as capital expenditures on a statement of cash flows of such Person.

“Capital Lease” means any lease of any property (whether real, personal or mixed) that, in conformity with GAAP, should be accounted for as a capital lease.

“Cash Interest Expense” means, without duplication, for any period, for Rocky on a Consolidated Basis: interest expenses deducted in the determination of net income (excluding (a) the amortization of fees and costs with respect to the Initial Transactions which have been capitalized as transaction costs in accordance with the provisions of Section 1.3; (b) any non-cash charges and/or amortization of other capitalized fees and costs subsequent to the Initial Transactions and (c) interest paid in kind).

“CERCLA” shall mean the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9604, et seq.), as amended, and rules, regulations and standards, promulgated thereunder.

“Certificate of Exemption” has the meaning assigned to that term in Section 2.9(C).

“Change of Control” shall mean the occurrence of any of the following:

- (a) any transaction or series of related transactions resulting in the sale or issuance of securities or any rights to securities of Parent by Parent representing in the aggregate more than fifty percent (50%) of its issued and outstanding securities entitled to vote for the election of directors of Parent, or any transaction or series of related transactions resulting in the sale, transfer, assignment or other conveyance or disposition of any securities or any rights to securities of Parent by any holder or holders thereof representing in the aggregate more than fifty percent (50%) of the issued and outstanding securities entitled to vote for the election of directors of Parent;
- (b) a merger, consolidation, reorganization, recapitalization or share exchange (whether or not Parent is the surviving and continuing corporation) in which the stockholders of Parent immediately prior to such transaction own, as a result of such transaction, less than fifty percent (50%) of the securities entitled to vote for the election of directors of the resulting corporation or less than fifty percent (50%) of the capital stock of the resulting corporation;
- (c) a sale, transfer or other disposition of all or substantially all of the assets of Parent and its Subsidiaries, on a consolidated basis; and
- (d) any sale or issuance or series of sales or issuances of the Common Stock or any other voting security (or security convertible into, exchangeable for, or exercisable for any other voting security) of Parent within a twelve (12) month period that results in a transfer of more than fifty percent (50%) of the issued and outstanding shares of voting stock of Parent or a transfer of more than fifty percent (50%) of the voting power of Parent.

“Charges” shall mean all taxes, charges, fees, imposts, levies or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation and property taxes, custom duties, fees, assessments, liens, claims and charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts, imposed by any taxing or other Governmental Authority, domestic or foreign (including, without limitation, the PBGC or any environmental agency or superfund), upon the Collateral, the Loan Parties or any of their Affiliates.

“Charter Documents” shall mean, with respect to any Person, the Articles of Incorporation, Certificate of Incorporation, certificate of limited partnership, certificate of limited liability company, charter or analogous organic instrument filed with the appropriate Governmental Authorities of such Person, as applicable, including all amendments and supplements thereto.

“Closing Date” means May 25, 2007.

“Collateral” has the meaning assigned to that term in Section 2.7(A).

“Collecting Banks” has the meaning assigned to that term in Section 6.4.

“Commitment” or “Commitments” means the commitment or commitments of Lenders to make Loans as set forth in Sections 2.1(A) and to provide Lender Letters of Credit as set forth in Section 2.1(E).

“Common Stock” shall mean the common stock, without par value, of Parent.

“Compliance and Pricing Certificate” means a certificate duly executed by the chief executive officer or chief financial officer of Borrower appropriately completed and in substantially the form of Exhibit C.

“Condition” shall mean any condition that results in or otherwise relates to any Environmental Liabilities.

“Conformed Bills of Lading” means original clean on-board negotiable bills of lading with respect to any shipment of Inventory which (a) are issued by the carrier of the Inventory described in such bills of lading or by a freight forwarder acting on behalf of such carrier; (b) consign such Inventory to Agent (either directly or by means of endorsement); (c) are accompanied by all commercial invoices describing such Inventory and all necessary certificates of inspection, origin and insurance; (d) adequately describe such Inventory; (e) contain language expressly incorporating The International Convention for the Unification of Certain Rules Relating to Bills of Lading for the Carriage of Goods by Sea or The Carriage of Goods by Sea Act; (f) contain standard industry or trade association delivery terms (along with a reference to the particular publication in which said terms are defined); and (g) do not contain any reservation of title clause.

“Control” means “control” as defined in the UCC with respect to a particular item of Collateral.

“Controlled Group” shall mean the “controlled group of corporations” as that term is defined in Section 1563 of the Internal Revenue Code of 1986, as amended, of which the Loan Parties are a part from time to time.

“Copyright Security Agreement” means any Copyright Security Agreement executed and delivered by a Loan Party to Agent, as the same may be amended and in effect from time to time.

“Copyrights” means, collectively, all of the following (a) all copyrights, rights and interests in copyrights, works protectable by copyright, copyright registrations and copyright applications, including those listed in the schedules to any Copyright Security Agreement; (b) all renewals of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including damages or payments for past, present or future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

“Daily Interest Amount” has the meaning assigned to that term in Section 9.8(A)(3).

“Daily Interest Rate” has the meaning assigned to that term in Section 9.8(A)(3).

“Daily Loan Balance” has the meaning assigned to that term in Section 9.8(A)(3).

“Default” means a condition, act or event that, after notice or lapse of time or both, would constitute an Event of Default if that condition, act or event were not cured or removed within any applicable grace or cure period.

“Default Rate” has the meaning assigned to that term in Section 2.2(A).

“Defaulted Amount” means, with respect to any Lender at any time, any amount required to be paid hereunder or under any other Loan Document by such Lender to the Agent or any other Lender which has not been so paid.

“Defaulting Lender” means, at any time, any Lender that owes a Defaulted Amount.

“Dilution Reserve” means, as of any date of determination, a reserve for the amount by which the total dilution of Accounts exceeds five percent (5%); with dilution referring to all actual and reasonably anticipated offsets to Accounts, including, without limitation, customer payment and/or volume discounts, write-offs, credit memoranda, returns and allowances, and billing errors. The Dilution Reserve shall be adjusted after each field examination audit of the Collateral conducted by Agent or any authorized representative designated by Agent.

“Documentation Agent” has the meaning assigned to that term in the Recitals section of this Agreement.

“EBITDA” means, for any period, without duplication, the total of the following for Rocky on a Consolidated Basis, each calculated for such period: (a) net income determined in accordance with GAAP; plus, to the extent included in the calculation of net income, (b) the sum of (i) income and franchise taxes paid or accrued; (ii) interest expenses, net of interest income, paid or accrued; (iii) amortization and depreciation, (iv) Non-Recurring Charges and (v) any non-cash intellectual property impairment charges, non-cash stock compensation expense charges and other non-cash charges (excluding accruals for cash expenses made in the ordinary course of business); less, to the extent included in the calculation of net income, and (c) the sum of (i) the income of any Person (other than wholly-owned Subsidiaries of Parent) in which Parent or a wholly-owned Subsidiary of Parent has an ownership interest except to the extent such income is received by Parent or such wholly-owned Subsidiary in a cash distribution during such period; (ii) gains or losses from sales or other dispositions of assets (other than Inventory in the normal course of business); and (iii) extraordinary gains.

“Eligible Accounts” means, as at any date of determination, the aggregate of all Accounts that Agent, in its reasonable credit judgment, deems to be eligible for borrowing purposes. Without limiting the generality of the foregoing, the Agent may determine that the following of Borrower’s Accounts are not Eligible Accounts:

(1) Accounts which do not consist of accounts receivable or contract receivables, each owed to and owned by any Borrower arising or resulting from the sale of goods or the rendering of services by such Borrower;

(2) With respect to Accounts having payment terms of net forty-five (45) days or less, any such Account which remains unpaid more than ninety (90) days from the date on which the original invoice rendered in connection with such Account was issued; provided, however, that with respect to Accounts due Rocky Brands Retail LLC, such Accounts shall not be considered ineligible due to the provisions of this clause unless the applicable Accounts remain unpaid for more than sixty (60) days after the due date specified in the original invoice or for more than ninety (90) days after the invoice date if no due date was specified;

(3) With respect to Accounts having payment terms in excess of forty-five (45) days, (a) any such Account which remains unpaid more than thirty (30) days past due or (b) any such Account which remains unpaid more than one hundred and eighty (180) days from the date on which the original invoice rendered in connection with such Account was issued; provided, however, that with respect to Accounts due Rocky Brands Retail LLC, such Accounts shall not be considered ineligible due to the provisions of this clause unless the applicable Accounts remain unpaid for more than sixty (60) days after the due date specified in the original invoice or for more than ninety (90) days after the invoice date if no due date was specified;

(4) Accounts which are otherwise eligible with respect to which the Person obligated on such Account is owed a credit by Borrower, but only to the extent of such credit;

(5) Accounts due from a Person whose principal place of business is located outside the US unless such Account is backed by a Letter of Credit, in form and substance acceptable to Agent and issued or confirmed by a bank that is organized under the laws of the US or a State thereof, that is acceptable to Agent; provided that such Letter of Credit has been delivered to Agent as additional Collateral;

(6) Accounts due from a Person which Agent has notified Borrower does not have a satisfactory credit standing;

(7) Accounts with respect to which the Account Debtor or the Person obligated with respect thereto is the US, any state or any municipality, or any department, agency or instrumentality thereof, unless Borrower has, with respect to such Account, complied with the Federal Assignment of Claims Act of 1940 as amended (31 U.S.C. Section 3727 et seq.) or any applicable statute or municipal ordinance of similar purpose and effect;

(8) Accounts with respect to which the Person obligated is an Affiliate of Borrower or a director, officer, agent, stockholder, member or employee of Borrower or any of its Affiliates;

(9) Accounts due from a Person if more than fifty percent (50%) of the aggregate amount of Accounts of such Person are not eligible under the criteria specified in clauses (2) or (3) above;

- (10) Accounts with respect to which there is any unresolved dispute with the respective Account Debtor or the Person obligated on such Account (but only to the extent of such dispute);
- (11) Accounts evidenced by an Instrument or Chattel Paper not in the possession of Agent, for the benefit of itself and Lenders;
- (12) Accounts with respect to which Agent, on behalf of itself and Lenders, does not have a valid, first priority and fully perfected security interest;
- (13) Accounts subject to any Lien except those in favor of Agent, for the benefit of itself and Lenders, and Second Priority Agent;
- (14) Accounts with respect to which the Account Debtor or the Person obligated on the Account is the debtor under any bankruptcy or other insolvency proceeding;
- (15) Accounts due from a Person to the extent that such Accounts exceed in the aggregate an amount equal to twenty percent (20%) of the aggregate of all Accounts at said date;
- (16) Accounts with respect to which the obligation to pay is conditional or subject to a repurchase obligation or right to return or with respect to which the goods or services giving rise to such Accounts have not been delivered (or performed, as applicable) and accepted by the Account Debtor or the Person obligated on such Account, including progress billings, bill and hold sales, guaranteed sales, sale or return transactions, sales on approval or consignments;
- (17) Accounts with respect to which the Account Debtor or the Person obligated on the Account is located in New Jersey, or any other state denying out of state creditors access to its courts in the absence of a Notice of Business Activities Report or other similar filing, unless the respective Borrower has either qualified as a foreign entity authorized to transact business in such state or has filed a Notice of Business Activities Report or similar filing with the applicable state agency for the then current year;
- (18) Accounts with respect to which the Account Debtor or the Person obligated on Account is a creditor of any Borrower; provided, however, that any such Account shall only be ineligible as to that portion of such Account which is less than or equal to the amount owed by such Borrower to such Person.

“Eligible Assignee” shall mean (a) a commercial bank organized under the laws of the US, or any state thereof, and having a combined capital and surplus of at least \$250,000,000; (b) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development (the “OECD”), or a political subdivision of any such country, and having a combined capital and surplus of at least \$250,000,000, provided that such bank is acting through a branch or agency located in the US; (c) any other entity which is an “accredited investor” (as defined in Regulation D under the Securities Act) which extends credit or buys loans as one of its businesses, including but not limited to, insurance companies, mutual funds and lease financing companies, (d) a Related Fund, and (e) a Person that is primarily engaged in the business of lending that is (i) a Subsidiary of a Lender, (ii) a Subsidiary of a Person of which a Lender is a Subsidiary, or (iii) a Person of which a Lender is a Subsidiary; provided, however, that no Affiliate of any Loan Party shall be an Eligible Assignee.



“Eligible In-Transit Inventory” means, at any date of determination, the value (determined at the lower of cost or market on a first-in, first-out basis) of all Inventory owned by any Borrower that does not qualify as Eligible Inventory solely because it is in transit to Borrower or an agent or contractor of or for Borrower and that Agent, in its reasonable credit judgment, deems to be eligible for borrowing purposes. Without limiting the generality of the foregoing, Agent may determine that any of the following is not Eligible In-Transit Inventory: (1) Inventory that is not in transit to a location identified pursuant to Section 6.1(Q) or Section 5.2(O) or such location is not a vendor or consignee location, or the location of a warehouseman, bailee, processor or similar third party that has not executed a satisfactory waiver of interest satisfactory to Agent; (2) title to such Inventory has not passed to Borrower; (3) Inventory which is not insured against types of loss, damage, hazards and risks, and in amounts, satisfactory to Agent; (4) such Inventory is not subject to a Conformed Bill of Lading; (5) each original of the applicable Conformed Bill of Lading is not in the possession of Agent or a Person acting as Agent’s agent for purposes of perfecting Agent’s security interest, on behalf of itself and Lenders, in such Conformed Bill of Lading; and (6) Inventory which is not finished goods Inventory.

“Eligible Inventory” means, as at any date of determination, the value (determined at the lower of cost or market on a first-in, first-out basis) of all Inventory owned by Borrower and located in the US (including Puerto Rico) that Agent, in its reasonable credit judgment, deems to be eligible for borrowing purposes. Without limiting the generality of the foregoing, the Agent may determine that any of the following is not Eligible Inventory: (1) work-in-process that is not readily marketable in its current form; (2) Inventory which Agent determines, is unacceptable for borrowing purposes due to age, quality, type, category and/or quantity; (3) packaging, shipping materials or supplies consumed in Borrower’s business; (4) Inventory with respect to which Agent, on behalf of itself and Lenders, does not have a valid, first priority and fully perfected security interest; (5) Inventory with respect to which there exists any Lien in favor of any Person other than Agent, on behalf of itself and Lenders and Second Priority Agent; (6) Inventory produced in violation of the Fair Labor Standards Act and subject to the so-called “hot goods” provisions contained in Title 29 U.S.C. Section 215 (a)(i) or any replacement statute; (7) Inventory located at any location other than those identified pursuant to Section 6.1(Q) or Section 5.2(O); (8) Inventory located at a vendor’s location or with a consignee which is not subject to a bailee’s waiver or other agreement satisfactory to Agent; (9) Inventory located with a warehouseman, bailee, processor or similar third party, unless such Person has executed a waiver of interest satisfactory to Agent; and (10) unless otherwise agreed to by Agent, Inventory in any location leased by Borrower for which Agent has not received a Landlord Waiver.

“Environmental Laws” shall mean any Laws that address, are related to or are otherwise concerned with environmental, health or safety issues, including any Laws relating to any emissions, releases or discharges of Pollutants into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling, clean-up or control of Pollutants or any exposure or impact on worker health and safety.

“Environmental Liabilities” shall mean any obligations or Liabilities (including any claims, suits or other assertions of obligations or Liabilities) that are:

(a) related to environmental, health or safety issues (including on-site or off-site contamination by Pollutants of surface or subsurface soil or water, and occupational safety and health); and

(b) based upon or related to (i) any provision of past, present or future US or foreign Environmental Law (including CERCLA and RCRA), common law or treaty of which the US is a signatory, or (ii) any judgment, order, writ, decree, permit or injunction imposed by any court, administrative agency, tribunal or otherwise.

The term “Environmental Liabilities” includes: (i) fines, penalties, judgments, awards, settlements, losses, damages (including foreseeable and unforeseeable consequential damages), costs, fees (including reasonable attorneys’ and consultants’ fees), expenses and disbursements; (ii) defense and other responses to any administrative or judicial action (including claims, notice letters, complaints, and other assertions of liability); and (iii) financial responsibility for (1) cleanup costs and injunctive relief, including any Removal, Remedial or other Response actions, and natural resource damages, and (2) any other compliance or remedial measures.

“EPA” shall mean the United States Environmental Protection Agency and any governmental body or agency succeeding to the functions thereof.

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as the same may from time to time be amended, and the rules and regulations of any Governmental Agency or authority, as from time to time in effect, promulgated thereunder.

“ERISA Affiliate” means any Loan Party and any Person who is a member of a group which is under common control with any Loan Party, who together with any Loan Party is treated as a single employer within the meaning of Section 414 of the IRC.

“Event of Default” has the meaning assigned to that term in Section 7.1.

“Excess Interest” has the meaning assigned to that term in Section 2.2(C).

“Excluded Property” means any of the following:

(a) any lease (including any fixtures or improvements on the property subject to the lease), license, contract, property right or agreement to which any Loan Party is a party or any of its rights or interests thereunder if and only for so long as the grant of a security interest under this Agreement therein shall constitute or result in a breach, termination or default under any such lease, license, contract, property right or agreement (other than to the extent that any such term would be rendered ineffective pursuant to the UCC of any relevant jurisdiction (including, without limitation, under Sections 9-406, 9-407, 9-408 or 9-409 thereof) or any other applicable law or principles of equity); provided that notwithstanding the foregoing (i) no personal property lease, license, contract, property right or agreement or any right or interest thereunder, in each instance, existing on the Closing Date shall constitute Excluded Property unless described on Schedule 1.1, (ii) no Account or money or other amounts due or to become due to any Loan Party under or with respect to any such lease, license, contract, property right or agreement or right or interest thereunder (other than (A) any such property subject to an assignment of rents containing a restriction of the type described above or (B) property described in clauses (d) or (e) of this definition) shall constitute Excluded Property, (iii) no item of tangible property owned by any Loan Party shall constitute Excluded Property unless such item is described in clauses (b), (c) or (f) of this definition, (iv) such lease, license, contract, property right or agreement or right or interest thereunder shall be Excluded Property only to the extent and for so long as the consequences specified above shall result and shall cease to be Excluded Property and shall become subject to the security interest granted under this Agreement, immediately and automatically, at such time as such consequences shall no longer result (including, without limitation and in any event, in the case of any item of tangible property which is the subject of purchase money Indebtedness or other financing permitted hereunder when such financing has been paid in full) and (v) Lenders will be deemed to have, and at all times from and after the date hereof to have had, a security interest in the proceeds of any such Excluded Property to the extent that proceeds of such Excluded Property have come into the possession of any Lender or otherwise constitute a portion of the Collateral;

(b) any Equipment that is subject to a purchase money security interest or Capital Lease, as described on Schedule 1.1, if and only for so long as the grant of a security interest under this Agreement therein shall constitute or result in a breach, termination or default under any applicable purchase money security agreement or Capital Lease agreement (other than to the extent that any such term would be rendered ineffective pursuant to the UCC of any relevant jurisdiction (including, without limitation, under Sections 9-406, 9-407, 9-408 or 9-409 thereof) or any other applicable law or principles of equity);

(c) any real estate owned or leased by the Borrower or its Subsidiaries other than any and all Additional Mortgaged Property;

(d) any life insurance or life insurance policy in which the Borrower or a Subsidiary has an interest;

(e) loans or advances to any officer, director, employee or agent permitted by this Agreement; and

(f) Inventory not located in the US, Canada or Puerto Rico, and Intellectual Property issued under the Laws of a country other than the US or any state thereof.

“Federal Funds Effective Rate” means, for any day, the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the immediately following Business Day by the Board of Governors of the Federal Reserve System as the Federal Funds Rate or Federal Reserve Statistical Release H.15(519) entitled “Selected Interest Rates” or any successor publication of the Federal Reserve System reporting the Federal Funds Effective Rate or its equivalent or, if such rate is not published for any Business Day, the average of the quotations for the day of the requested Loan received by Agent from three Federal funds brokers of recognized standing selected by Agent.

“Financial Projections” shall have the meaning assigned to such term in Section 4.1(C)(3).

“Financial Statements” shall have the meaning assigned to such term in Section 4.1(C)(1).

“Fiscal Year” means each twelve (12) month period ending on the last day of December in each year, as modified in accordance with Section 5.2(N).

“Fixed Charge Coverage Ratio” shall mean, for any period, the ratio of EBITDA less Capital Expenditures of Rocky on a Consolidated Basis during such period to Fixed Charges during such period.

“Fixed Charges” shall mean, for any period, and each calculated for such period (without duplication) with respect to Rocky on a Consolidated Basis, the sum of (a) Cash Interest Expense; (b) scheduled payments of principal with respect to all Indebtedness (other than (i) the Revolving Loan and the Letters of Credit and (ii) payments made with respect to Term Loan A and Term Loan C); (c) any provision for income or franchise taxes included in the determination of net income, excluding any provision for deferred taxes; and (d) payment of deferred taxes relating to income and franchise taxes accrued in any prior period.

“Foreign Lender” has the meaning assigned to that term in Section 2.9(C).

“Foreign Subsidiary” means, with respect to any Person, a Subsidiary of such Person, which Subsidiary is not incorporated or otherwise organized under the laws of a State of the US.

“Funding Date” means the date of each funding of a Loan or issuance of a Lender Letter of Credit.

“GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board that are applicable to the circumstances as of the date of determination.

“GMAC CF” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“GMAC Transactions” shall mean the incurrence of the Obligations by the Loan Parties and the advancing of the Loans and issuance of Lender Letters of Credit, all as contemplated by this Agreement and the Loan Documents.

“Governmental Authorities” shall mean any federal, state or municipal court or other governmental department, commission, board, bureau, agency or instrumentality, governmental or quasi-governmental, domestic or foreign.

“Guarantor” has the meaning assigned to that term in the third WHEREAS clause of this Agreement.

“Guaranty” shall mean any guaranty of the payment or performance of any Indebtedness or other obligation and any other arrangement whereby credit is extended to one obligor on the basis of any promise of another Person, whether that promise is expressed in terms of an obligation to pay the Indebtedness of such obligor, or to purchase an obligation owed by such obligor, or to purchase goods and services from such obligor pursuant to a take-or-pay contract, or to maintain the capital, working capital, solvency or general financial condition of such obligor, whether or not any such arrangement is reflected on the balance sheet of such other Person, firm or corporation, or referred to in a footnote thereto, but shall not include (i) endorsements of items for collection in the ordinary course of business and (ii) obligations, warranties and indemnities incurred in the ordinary course of Business in connection with the sale of Inventory and not in respect of Indebtedness of any Person. For the purpose of all computations made under this Agreement, the amount of a Guaranty in respect of any obligation shall be deemed to be equal to the maximum aggregate amount of such obligation or, if the Guaranty is limited to less than the full amount of such obligation, the maximum aggregate potential liability under the terms of the Guaranty.

“Indebtedness” shall mean, for any Person at the time of any determination, without duplication, all obligations, contingent or otherwise, of such Person that, in accordance with GAAP, should be classified upon the balance sheet of such Person as indebtedness, but in any event including: (i) all obligations for borrowed money, (ii) all obligations arising from installment purchases of property or representing the deferred purchase price of property or services in respect of which such Person is liable, contingently or otherwise, as obligor or otherwise (other than trade payables and other current Liabilities incurred in the ordinary course of business on terms customary in the trade), (iii) all obligations evidenced by notes, bonds, debentures, acceptances or instruments, or arising out of letters of credit or bankers’ acceptances issued for such Person’s account, (iv) all obligations, whether or not assumed, secured by any Lien or payable out of the proceeds or production from any property or assets now or hereafter owned or acquired by such Person, (v) all obligations for which such Person is obligated pursuant to a Guaranty which are classified under GAAP as indebtedness, (vi) the capitalized portion of lease obligations under Capitalized Leases, (vii) all obligations for which such Person is obligated pursuant to any Interest Rate Protection Agreements or derivative agreements or arrangements, (viii) all factoring arrangements and (ix) all obligations of such Person upon which interest charges are customarily paid or accrued.

“Indemnified Liabilities” has the meaning assigned to that term in Section 10.2.

“Indemnities” has the meaning assigned to that term in Section 10.2.

“Initial Closing Date” has the meaning ascribed to that term in the first WHEREAS clause of this Agreement.

“Initial Transactions” means the incurrence of the Obligations by the Loan Parties under the Original Financing Agreement, the incurrence by the Loan Parties of Term Loan B and the consummation of the acquisition by Parent of the equity interests of Borrower and the related transactions occurring on or about the Initial Closing Date.

“Intangible Assets” means all intangible assets (determined in conformity with GAAP) including, without limitation, goodwill, Intellectual Property, Software, licenses, organizational costs, deferred amounts, covenants not to compete, unearned income and restricted funds.

“Intellectual Property” means, collectively, all: Copyrights, Patents and Trademarks.

“Intercreditor Agreement” means that certain Intercreditor Agreement dated as of the Closing Date to be executed by Second Priority Agent, in a form acceptable to Agent.

“Interest Period” means, in connection with each LIBOR Loan, an interest period which Borrowing Agent shall elect to be applicable to such Loan, which Interest Period shall be either (a) a one (1), two (2), three (3), or six (6) month period or (b) a one (1), two (2) or three (3) week period; provided in each case that:

(1) the initial Interest Period for any LIBOR Loan shall commence on the Funding Date of such Loan;

(2) in the case of successive Interest Periods, each successive Interest Period shall commence on the day on which the immediately preceding Interest Period expires;

(3) if an Interest Period expiration date is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided that if any Interest Period expiration date is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the immediately preceding Business Day;

(4) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to part (5) below, end on the last Business Day of a calendar month;

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

(6) no Interest Period may extend beyond a scheduled principal payment date of any Loan, unless the aggregate principal amount of such Loan that is a Base Rate Loan or that has Interest Periods expiring on or before such scheduled principal payment date equals or exceeds the principal amount required to be paid on such Loan on such scheduled principal payment date; and

(7) there shall be no more than five (5) Interest Periods relating to LIBOR Loans outstanding at any time.

“Interest Rate” has the meaning assigned to that term in Section 2.2(A).

“Interest Rate Protection Agreement” means any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or similar agreement or arrangement designed to protect Loan Parties against fluctuations in interest rates.

“Interest Ratio” has the meaning assigned to that term in Section 9.8(A)(3)(d).

“Interest Settlement Date” has the meaning assigned to that term in Section 9.8(A)(4).

“Investment” as applied to any Person shall mean the amount paid or agreed to be paid or loaned, advanced or contributed to other Persons, and in any event shall include, without limitation, (i) any direct or indirect purchase or other acquisition of any notes, obligations, instruments, stock, securities or ownership interest (including partnership interests and joint venture interests) and (ii) any capital contribution to any other Person

“IRC” means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute and all rules and regulations promulgated thereunder.

“Issuing Lender” has the meaning assigned to that term in Section 2.1(F)(2).

“Landlord Waiver” shall mean a letter in form and substance acceptable to the Agent and executed by a landlord in respect of Personal Property of the Loan Parties located at any leased premises of the Loan Parties pursuant to which such landlord, among other things, waives or subordinates to Agent any Lien such landlord may have in respect of such Personal Property, acknowledges the Liens of the Agent, and permits the Agent access to and use of such premises.

“Laws” shall mean all US and foreign federal, state or local statutes, laws, rules, regulations, ordinances, codes, policies, rules of common law, and the like, now or hereafter in effect, including any judicial or administrative interpretations thereof, and any judicial or administrative orders, consents, decrees or judgments

“Lender” or “Lenders” has the meaning assigned to that term in the Recitals section of this agreement.

“Lender Letter of Credit” has the meaning assigned to that term in Section 2.1(E).

“Letter of Credit Liability” means, all reimbursement and other liabilities of Loan Parties or any of their respective Subsidiaries with respect to each Lender Letter of Credit, whether contingent or otherwise, including: (a) the amount available to be drawn or which may become available to be drawn; (b) all amounts which have been paid or made available by any Lender issuing a Lender Letter of Credit or any bank issuing a Bank Letter of Credit to the extent not reimbursed; and (c) all unpaid interest, fees and expenses related thereto.

“Letter of Credit Reserve” means, at any time, an amount equal to (a) the aggregate amount of Letter of Credit Liability with respect to all Lender Letters of Credit outstanding at such time plus, without duplication, (b) the aggregate amount theretofore paid by Agent or any Lender under Lender Letters of Credit and not debited to the Revolving Loan pursuant to Section 2.1(E)(2) or otherwise reimbursed by Borrowers.

“Letter of Non-Exemption” has the meaning assigned to that term in Section 2.9(C).

“Liabilities” shall have the meaning given that term in accordance with GAAP and shall include, without limitation, Indebtedness.

“LIBOR” means, for each Interest Period (provided that in the case of any Interest Period having a duration of one (1), two (2) or three (3) weeks, the Interest Period with respect thereto for purposes of this definition of LIBOR shall mean one (1) month), a rate per annum equal to:

(1) the offered rate for deposits in U.S. dollars in an amount comparable to the amount of the applicable Loan in the London interbank market for the relevant Interest Period which is published by the British Bankers’ Association and currently appears on the Dow Jones Telerate Page 3750 as of 11:00 a.m. (London time) on the day which is two (2) Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, that if such a rate ceases to be available to Agent on that or any other source from the British Bankers’ Association, LIBOR shall be equal to a rate per annum equal to the average rate (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which Agent determines that U.S. dollars in an amount comparable to the amount of the applicable Loans are being offered to prime banks at approximately 11:00 a.m. (London time) on the day which is two (2) Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period for settlement in immediately available funds by leading banks in the London interbank market selected by Agent; divided by

(2) a number equal to one (1.0) minus the maximum reserve percentages (expressed as a decimal fraction) (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other governmental authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of such Board) which are required to be maintained by any Lender by the Board of Governors of the Federal Reserve System; such rate to be rounded upwards, if necessary, to the nearest 1/100 of 1%. LIBOR shall be adjusted automatically on and as of the effective date of any change in any such reserve percentage.

“LIBOR Loans” means at any time that portion of the Loans bearing interest at rates determined by reference to LIBOR.

“Lien” means any lien, mortgage, pledge, security interest, charge or encumbrance of any kind, whether voluntary or involuntary (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest.



“Loan” or “Loans” means an advance or advances under the Revolving Loan Commitment.

“Loan Documents” means this Agreement and all other documents, instruments and agreements executed by or on behalf of any Loan Party and delivered concurrently herewith or at any time hereafter to or for Agent or any Lender in connection with the Loans, any Lender Letter of Credit, and any other transaction contemplated by this Agreement, all as amended, restated, supplemented or modified from time to time.

“Loan Party” means each of Borrower and Guarantor and each Subsidiary of Borrower which is or becomes a Borrower or Guarantor pursuant to the terms of this Agreement or pursuant to any Loan Document.

“Loan Year” means each period of twelve (12) consecutive months commencing on the Closing Date and on each anniversary thereof.

“London Banking Day” means any day on which dealings in deposits in U.S. dollars are transacted in the London Interbank market.

“Manage” and “Management” shall mean generation, production, handling, distribution, processing, use, storage, treatment, operation, transportation, recycling, reuse and/or disposal, as those terms are defined in CERCLA, RCRA and other Environmental Laws (including as those terms are further defined, construed, or otherwise used in rules, regulations, standards, guidelines and publications issued pursuant to, or otherwise in implementation of, such Environmental Laws).

“Material Adverse Change” shall mean any change that has a Material Adverse Effect.

“Material Adverse Effect” means a material adverse effect upon (a) the business, operations, prospects, properties, assets, liabilities or condition (financial or otherwise) of the Loan Parties taken as a whole or (b) the ability of Parent, or the Loan Parties taken as a whole, to perform its (or their) obligations under any Loan Document to which it is (or they are) a party or (c) the ability of Agent or any Lender to enforce or collect any of the Obligations.

“Material Contracts” shall have the meaning assigned to such term in Section 4.1(W).

“Material License Agreements” shall mean and include each of the following: (a) Trademark License Agreement between Georgia Boot LLC, as Licensee and W.L Gore & Associates (“Gore”), W.L. Gore & Associates GmbH, and Japan Gore-Tex, Inc., collectively as Licensor, dated May 20, 2002, (b) Trademark License Agreement between Rocky, as Licensee and Gore, as Licensor, dated July 11, 2001 and (c) Certified Manufacturer Agreement between Rocky and Gore dated July 11, 2001.

“Maximum Rate” has the meaning assigned to that term in Section 2.2(C).

“Maximum Revolving Loan Amount” means, as of any date of determination, the lesser of (a) the aggregate of the Revolving Loan Commitments of all Lenders less the sum of the Letter of Credit Reserve and (b) the Borrowing Base less the sum of the Letter of Credit Reserve.

“Mortgage” means each of the mortgages, deeds of trust, leasehold mortgages, leasehold deeds of trust, collateral assignments of leases or other real estate security documents delivered by any Loan Party to Agent, on behalf of Agent and Lenders, with respect to Additional Mortgaged Property, all in form and substance satisfactory to Agent.

“Multiemployer Plan” shall mean a multiemployer plan (within the meaning of Section 3(37) of ERISA) that is maintained for the benefit of the employees of the Loan Parties or any member of the Controlled Group or an ERISA Affiliate.

“Net Cash Proceeds” shall mean the proceeds, received in cash or cash equivalents, of any applicable Asset Disposition, minus (i) commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction and payable by such obligated party in connection therewith (in each such case, paid to non-Affiliates), (ii) transfer taxes, (iii) amounts payable to holders of Liens (to the extent such Liens constitute Permitted Liens hereunder and such Liens are senior to the Liens of Agent and the Lenders), if any, on the property subject to the Asset Disposition to the extent the documentation governing such senior Liens required such payment to such holders upon such Asset Disposition and (iv) an appropriate reserve for income taxes in accordance with GAAP in connection therewith.

“Net Orderly Liquidation Percentage” means, with respect to any class of Inventory of a Borrower at any time, the ratio (expressed as a percentage) computed by dividing (i) (x) if such percentage is being determined on the Closing Date or on any date prior to the delivery of an appraisal of such Borrower’s Inventory (containing such class of Inventory) conducted pursuant to Section 2.3(C), the net recovery value of such class of Inventory of such Borrower (which in any event shall give effect to all costs and expenses of liquidation), as set forth in such appraisal of such Borrower’s Inventory (containing such class of Inventory) delivered to Agent prior to the Closing Date and (y) if such percentage is being determined on or after the date of the first delivery of an appraisal of such Borrower’s Inventory (containing such class of Inventory) conducted pursuant to Section 2.3(C), the net recovery value of such class of Inventory of such Borrower (which in any event shall give effect to all costs and expenses of liquidation), as set forth in the appraisal of such Borrower’s Inventory (containing such class of Inventory) most recently delivered to Agent pursuant to Section 2.3(C) by (ii) the value of such class of Inventory of such Borrower, valued at net book value, as set forth in the corresponding appraisal.

“Non-Recurring Charges” shall mean the sum of the aggregate amount of fees, expenses, financing costs and other expenses incurred in connection (a) with the Initial Transactions, to the extent paid substantially contemporaneously with, on or about the Initial Closing Date, and (b) with the Transactions, to the extent paid substantially contemporaneously with, on or about the Closing Date.

“Note” or “Notes” means the Revolving Notes.

“Note Purchase Agreement” means the Note Purchase Agreement dated as of May 25, 2007 by and among Borrowers, Second Priority Agent and certain Purchasers named therein pursuant to which each Second Priority Senior Secured Note shall have been issued, as amended, restated, supplemented or otherwise modified from time to time in accordance with the provisions of this Agreement and the Intercreditor Agreement.

“Note Purchase Documents” means the Note Purchase Agreement, the Security Documents (as defined therein) and each Second Priority Senior Secured Note.

“Notice of Borrowing” means a notice duly executed by an authorized representative of Borrower appropriately completed and in the form of Exhibit F.

“Obligations” means all Liabilities and other obligations of every nature of each Loan Party from time to time owed to Agent or to any Lender under the Loan Documents (whether incurred before or after the Termination Date) including, without limitation, the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing pursuant to any Loan Document, due or payable including, without limitation, all interest, fees, cost and expenses accrued or incurred after the filing of any petition under any bankruptcy or insolvency law, together with all Liabilities of any Loan Party to any Lender under any Interest Rate Protection Agreements, and under any banking and cash management arrangements and agreements with any Lender.

“Organizational Schedule” has the meaning assigned to that term in Section 4.1(A).

“Original Financing Agreement” has the meaning assigned to that term in the first WHEREAS clause of this Agreement.

“Original Intercreditor Agreement” has the meaning assigned to this term in the WHEREAS clause of this Agreement.

“Parent” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“Parent SEC Reports” has the meaning assigned to that term in Section 4.1(Y).

“Patent Security Agreement” means any Patent Security Agreement executed and delivered by each Loan Party to Agent, as the same may be amended and in effect from time to time.

“Patents” means collectively all of the following: (a) all patents and patent applications including, without limitation, those listed on any schedule to any Patent Security Agreement and the inventions and improvements described and claimed therein, and patentable inventions; (b) the reissues, divisions, continuations, renewals, extensions and continuations-in-part of any of the foregoing; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing, including, without limitation, damages and payments for past, present and future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; and (e) all rights corresponding to any of the foregoing throughout the world.

“PBGC” shall mean the Pension Benefit Guaranty Corporation established pursuant to Title IV of ERISA, or any other Governmental Authority succeeding to the functions thereof.

“Permitted Acquisition” means any transaction, or any series of related transactions, consummated on or after the date of this Agreement by which the Parent or any Subsidiary thereof (a) acquires any ongoing business or all or a substantially all of the operations or assets of any Person, any division thereof or operating unit thereof, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or in a series of transactions) at least a majority (in number of votes) of the equity interests of a Person which have ordinary voting power for the election of directors or constitute a majority (by percentage of voting power) of the outstanding equity interests of another Person (any of the foregoing an “Acquisition”); provided that:

- (i) such Acquisition is made at a time when, after giving effect to such Acquisition and the related financing thereof, no Default or Event of Default exists;
- (ii) after giving effect to such Acquisition, (A) no Default or Event of Default exists or would occur based on a 12 month *pro forma* good faith prospective calculation of the covenants set forth in Sections 5.3(A) and 5.3(B) (excluding any Acquisition as a Capital Expenditure), giving effect to the EBITDA of the acquired operations or Person and any higher levels of Indebtedness associated with the acquired operations or Person and (B) Undrawn Availability is not less than \$15,000,000;
- (iii) the acquired Person or post-merger Person (other than any Foreign Subsidiary), if such Acquisition is of equity interests, guarantees all Obligations under this Agreement and grants to Agent, for the benefit of Agent and Lenders, a first Lien upon all of the tangible and intangible personal property of such acquired Person, whether then owned or thereafter acquired or arising, subject only to Liens permitted by this Agreement;
- (iv) if the Acquisition is of equity interests, such Borrower or Guarantor acquiring such equity interests grants to Agent, for the benefit of Agent and Lenders, a Lien upon all such equity interests (or not less than 65% of such equity interests if a Foreign Subsidiary) pursuant to a pledge agreement or joinder in form and substance satisfactory to Agent;

(v) any acquired assets become subject to Liens in favor of Agent, for the benefit of Agent and Lenders, pursuant to such agreements, instruments and documents as shall be satisfactory in form and substance to Agent, and are free and clear of all other Liens except as permitted under this Agreement;

(vi) Parent delivers written notice to Agent of its or such Subsidiary's intention to make such Acquisition no less than 15 Business Days prior to the proposed closing date for such Acquisition, together with a certificate that sets forth (A) information regarding liabilities and obligations with respect to tax, ERISA and environmental matters, if any, to be incurred by such Person (including, without limitation, the acquired Person in the event of an Acquisition of equity interests) as a result of such Acquisition, any indemnities afforded under the terms of such Acquisition and the scope and results of any tax, ERISA or environmental review undertaken by the Parent or such Subsidiary in connection therewith and (B) any available financial statements of (1) such acquired Person if such Acquisition of equity interests, and (2) operating unit or division if such Acquisition is of assets;

(vii) on the date of the closing of the Permitted Acquisition and after giving effect thereto and to any Loans made to finance such Permitted Acquisition, all representations and warranties under the Loan Documents shall be true and correct in all material respects as though made on and as of such date, except to the extent that any such representation or warranty expressly relates to an earlier date;

(viii) such Acquisition is of or with a Person assembling and selling specialty footwear, apparel and accessories or an industry related thereto;

(ix) such Acquisition shall have been approved by the board of directors of such Person (or similar governing body if such Person is not a corporation) that is the subject of such Acquisition, and such Person shall not have announced that it will oppose such Acquisition or shall not have commenced any action which alleges that such Acquisition will violate any applicable law;

(x) the consideration for the Permitted Acquisition shall have been paid only (A) in cash, (B) in deferred installment payments, provided that any indebtedness incurred in connection therewith is permitted pursuant to Section 5.2(A) or equity interests of the Parent or such Subsidiary making such Acquisition, and the purchase price for any such Acquisition, including (1) the original stated purchase price therefor, plus (2) the reasonably estimated transaction costs associated with such Acquisition, plus (3) the amount of Indebtedness for borrowed money assumed (directly or indirectly) as a result thereof, plus (4) all amounts payable of any nature whatsoever, including cost of goods sold, to the seller or any Affiliate of such seller following such Acquisition, shall not exceed the amount set forth in Section 5.2(E) (excluding any portion of any of the foregoing payable in common equity of the Parent or any Subsidiary thereof); and

(xi) on the funding date for any borrowing of any Loans for the purpose of consummating a Permitted Acquisition, Agent shall have received a certificate from an officer of Parent (A) certifying that (1) such Acquisition meets the requirements of the definition of Permitted Acquisition and (2) the liabilities assumed with respect to such Permitted Acquisition do not or are not reasonably likely to have a Material Adverse Effect, and (B) attaching calculations of financial covenants set forth in Section 5.3, copies of the definitive purchase agreement or most recent draft of the same, and copies of all material, business and financial information relating to the business purchased in the Permitted Acquisition, all as Agent may reasonably request.

“Permitted Investment” shall have the meaning assigned to such term in Section 5.2(H).

“Permitted Liens” shall have the meaning assigned to such term in Section 5.2(B).

“Permitted Sale/Leaseback” means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, on terms and conditions reasonably satisfactory to Agent, by which the Parent or any Subsidiary thereof (a) sells any of its real property and Equipment which is subject to, as of the Closing Date, a Lien in favor of General Electric Capital Business Asset Funding Corporation and, substantially simultaneously therewith, (b) leases such real property (or a portion thereof) from the purchaser thereof, or an Affiliate of such purchaser, or otherwise enters into a contractual relationship pursuant to which such purchaser (or an Affiliate thereof) provides logistics services for one of more Borrowers at such property; provided that:

- (i) such sale/leaseback is made at a time when, after giving effect thereto, no Default or Event of Default exists;
- (ii) the entire balance of the mortgage secured by such real property is paid in full from the sale proceeds thereof;
- (iii) any Net Cash Proceeds thereof are remitted to Agent in accordance with Section 2.4(B)(2); and
- (iv) any non-cash proceeds thereof consisting of any notes or other evidence of Indebtedness are delivered to Agent as additional Collateral, together with such endorsements and/or instruments of assignment as Agent may reasonable request in connection therewith.

“Person” means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

“Personal Property” shall mean, with respect to any Loan Party, now owned or hereafter acquired goods, merchandise, machinery, Equipment, furniture, fixtures, Inventory and other personal property, wherever located, of any kind, nature or description, and all documents of title or other documents representing them.

“Plan” shall mean any employee benefit plan (within the meaning of Section 3(3) of ERISA) established or maintained by any of the Loan Parties or any member of the Controlled Group or any ERISA Affiliate or any such Plan to which any Loan Party or any ERISA Affiliate or member of the Controlled Group is required to contribute on behalf of any of its employees.

“Pollutant” shall include any “hazardous substance” and any “pollutant or contaminant” as those terms are defined in CERCLA; any “hazardous waste” as that term is defined in RCRA; and any “hazardous material” as that term is defined in the Hazardous Materials Transportation Act (49 U.S.C. § 1801 et seq.), as amended (including as those terms are further defined, construed, or otherwise adopted in rules, regulations or standards, promulgated pursuant to, or otherwise in implementation of, said Environmental Laws); and including without limitation any petroleum product or byproduct, solvent, flammable or explosive material, radioactive material, asbestos, polychlorinated biphenyls (“PCBs”), dioxins, dibenzofurans, heavy metals, and radon gas; and including any other substance or material that is reasonably determined to present a threat, hazard or risk to human health or the environment.

“Pro Forma Balance Sheet” shall have the meaning assigned to such term in Section 4.1(C)(iii).

“Pro Rata Share” means the percentage obtained by dividing (i) the particular Commitment of a Lender by (ii) all such Commitments of all Lenders, as such percentage may be adjusted by assignments permitted pursuant to Section 9.5; provided, however, if any Commitment is terminated pursuant to the terms hereof, then “Pro Rata Share” means the percentage obtained by dividing (x) the aggregate amount of such Lender’s outstanding Loans related to such Commitment by (y) the aggregate amount of all outstanding Loans related to such Commitment.

“Properties and Facilities” shall have the meaning assigned to such term in Section 4.1(Q).

“Proprietary Rights” shall mean all right, title, and interest in the following intellectual property, including both statutory and common law rights: (i) copyrights in published and unpublished works, and all applications, registrations and renewals relating thereto; (ii) registered or unregistered trademarks, service marks, domain names, logos, trade dress and other source or business identifiers, and the goodwill associated therewith; (iii) patents, patent applications, and other patent or industrial property rights in any country; and (iv) trade secrets, confidential or proprietary information, inventions, ideas, designs, concepts, compilations of information, methods, techniques, procedures, processes, and know-how, whether or not patentable patents, trademarks, trade names, service marks, copyrights, inventions, production methods, licenses, formulas, know-how and trade secrets, regardless of whether such are registered with any Governmental Authorities, including applications therefor.

“RCRA” shall mean the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), as amended, and all rules, regulations, standards, guidelines, and publications issued thereunder.

“Register” has the meaning assigned to that term in Section 9.5(E).

“Related Fund” shall mean, with respect to any Lender, a fund or other investment vehicle that invests in commercial loans and is managed by such Lender or by the same investment advisor that manages such Lender or by an Affiliate of such investment advisor.

“Release” shall mean any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, depositing, or disposing into the indoor or outdoor environment, or into or out of any property, including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Pollutant.

“Removal,” “Remedial” and “Response” actions shall include the types of activities “covered” by CERCLA, RCRA, and other comparable Environmental Laws, and whether the activities are those that might be taken by a government entity or those that a government entity or any other person might seek to require of waste generators, handlers, distributors, processors, users, storers, treaters, owners, operators, transporters, recyclers, reusers, disposers, or other persons under “removal,” “remedial,” or other “response” actions.

“Reportable Event” shall mean any of the events that are reportable under Section 4043 of ERISA and the regulations promulgated thereunder, other than an occurrence for which the thirty (30) day notice contained in 29 C.F.R. § 2615.3(a) is waived.

“Replacement Lender” has the meaning assigned to that term in Section 2.11(A).

“Requisite Lenders” means Lenders, (other than a Defaulting Lender), holding or being responsible for more than 50% of the sum of the (a) outstanding Loans, (b) Letter of Credit Reserve and (c) unutilized Commitments of all Lenders which are not Defaulting Lenders.

“Revolving Advance” means each advance made by Lender(s) under the Revolving Loan Commitment pursuant to Section 2.1 (A).

“Revolving Loan” means the outstanding balance of all Revolving Advances and any amounts added to the principal balance of the Revolving Loan pursuant to this Agreement.

“Revolving Loan Commitment” means (a) as to any Lender, the commitment of such Lender to make Revolving Advances pursuant to Section 2.1 (A), and to purchase participations in Lender Letters of Credit pursuant to Section 2.1(E) in the aggregate amount set forth on the signature page of this Agreement opposite such Lender’s signature or in the most recent Assignment and Acceptance Agreement, if any, executed by such Lender and (b) as to all Lenders, the aggregate commitment of all Lenders to make Revolving Advances and to purchase participations in Lender Letters of Credit. Any reduction of the aggregate Revolving Loan Commitment pursuant to Section 2.4(C) shall reduce each Lender’s respective Revolving Loan Commitment on a Pro Rata Basis.



“Revolving Note” means each promissory note of Borrower in form and substance reasonably acceptable to Agent, issued to evidence the Revolving Loan Commitments.

“Rocky on a Consolidated Basis” means the consolidation, in accordance with GAAP, of the financial accounts of Parent and its Subsidiaries.

“S&P” shall have the meaning assigned to such term in Section 5.2(H)(ii).

“SEC” shall mean the Securities and Exchange Commission and any governmental body or agency succeeding to the functions thereof.

“Second Priority Agent” means Laminar Direct Capital L.P. in its capacity as agent for the holders of the Second Priority Senior Secured Notes.

“Second Priority Senior Secured Loans” means the advances made to Borrower by the purchasers of the Senior Priority Senior Secured Notes pursuant to the Note Purchase Agreement.

“Second Priority Senior Secured Notes” has the meaning assigned to that term in the fourth WHEREAS clause of this Agreement.

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Settlement Date” has the meaning assigned to that term in Section 9.8(A)(2).

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity of which more than fifty percent (50%) of the total voting power of shares of stock (or equivalent ownership or controlling interest) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other subsidiaries of that Person or a combination thereof.

“Syndication Agent” has the meaning assigned to that term in the Recitals section of this Agreement.

“Tax Liabilities” has the meaning assigned to that term in Section 2.9(A).

“Term Loan A” has the meaning assigned to that term in the first WHEREAS clause of this Agreement.

“Term Loan B” has the meaning assigned to that term in the fourth WHEREAS clause of this Agreement.

“Term Loan C” has the meaning assigned to that term in the sixth WHEREAS clause of this Agreement.

“Termination Date” has the meaning assigned to that term in Section 2.5.

“Total Leverage Ratio” shall mean, for any period, the ratio of (x) Adjusted Indebtedness of Rocky on a Consolidated Basis as of the end of such period to (y) EBITDA for such period.

“Trademark Security Agreement” means each Trademark Security Agreement executed and delivered by a Loan Party to Agent, as the same may be amended and in effect from time to time.

“Trademarks” means collectively all of the following: (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos, other business identifiers, prints and labels on which any of the foregoing have appeared or appear, all registrations and recordings thereof, and all applications in connection therewith including, without limitation, those listed on any schedule to any Trademark Security Agreement; (b) all renewals thereof; (c) all income, royalties, damages and payments now or hereafter due and/or payable under any of the foregoing or with respect to any of the foregoing including damages and payments for past, present and future infringements of any of the foregoing; (d) the right to sue for past, present and future infringements of any of the foregoing; (e) all rights corresponding to any of the foregoing throughout the world; and (f) all goodwill associated with and symbolized by any of the foregoing.

“Transactions” shall mean, in the aggregate, the GMAC Transactions, the incurrence of the obligations by the Loan Parties of the Second Priority Senior Secured Loans, all as contemplated by this Agreement, the Note Purchase Documents and related documents.

“UCC” means the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, to the extent the law of any other state or other jurisdiction applies to the attachment, perfection, priority or enforcement of any Lien granted to Agent in any of the Collateral, “UCC” means the Uniform Commercial Code as in effect in such other state or jurisdiction for purposes of the provisions hereof relating to such attachment, perfection, priority or enforcement of a Lien in such Collateral. To the extent this Agreement defines the term “Collateral” by reference to terms used in the UCC, each of such terms shall have the broadest meaning given to such terms under the UCC as in effect in any state or other jurisdiction.

“Undrawn Availability” means an amount at any particular date equal to (a) the Maximum Revolving Loan Amount less (b) the sum of (i) the Revolving Loan, plus (ii) all amounts due Borrower’s trade creditors with respect to accounts payable outstanding beyond customary trade terms, in accordance with the historical practices of Borrower.

“US” shall mean the United States of America.

1.2. UCC Defined Terms. The following terms used in this Agreement shall have the respective meanings provided for in the UCC: “Accounts”, “Account Debtor”, “Buyer in Ordinary Course of Business”, “Chattel Paper”, “Commercial Tort Claim”, “Deposit Account”, “Documents”, “Electronic Chattel Paper”, “Equipment”, “Farm Products”, “Fixtures”, “General Intangibles”, “Goods”, “Instruments”, “Inventory”, “Investment Property”, “Letter of Credit”, “Letter-of-Credit Rights”, “Licensee in Ordinary Course of Business”, “Payment Intangibles”, “Proceeds”, “Record”, “Software”, “Supporting Obligations” and “Tangible Chattel Paper”.

1.3. Accounting Terms. For purposes of this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to such terms in conformity with GAAP. Financial statements and other information furnished to Agent or any Lender pursuant to Section 5.1(E) shall be prepared in accordance with GAAP (as in effect at the time of such preparation) on a consistent basis. In the event any “Accounting Changes” (as defined below) shall occur and such changes affect financial covenants, standards or terms in this Agreement, then Loan Parties and Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of the Loan Parties shall be the same after such Accounting Changes as if such Accounting Changes had not been made, and until such time as such an amendment shall have been executed and delivered by Loan Parties and Requisite Lenders, (A) all financial covenants, standards and terms in this Agreement shall be calculated and/or construed as if such Accounting Changes had not been made, and (B) the Loan Parties shall prepare footnotes to each Compliance Certificate and the financial statements required to be delivered hereunder that show the differences between the financial statements delivered (which reflect such Accounting Changes) and the basis for calculating financial covenant compliance (without reflecting such Accounting Changes). “Accounting Changes” means: (a) changes in accounting principles required by GAAP and implemented by Loan Parties; (b) changes in accounting principles recommended by Loan Parties’ Accountants; and (c) changes in carrying value of any Loan Party’s assets, Liabilities or equity accounts resulting from (i) the application of purchase accounting principles (FASB 141) to the Transactions or (ii) any other adjustments that, in each case, were applicable to, but not included in, the Pro Forma Balance Sheet. All such adjustments resulting from expenditures made subsequent to the Closing Date (including, but not limited to, capitalization of costs and expenses or payment of pre-Closing Date Liabilities) shall be treated as expenses in the period the expenditures are made and deducted as part of the calculation of EBITDA in such period.

1.4. Other Definitional Provisions. References to “Sections”, “subsections”, “Riders”, “Exhibits”, “Schedules” and “Addenda” shall be to Sections, subsections, Riders, Exhibits, Schedules and Addenda, respectively, of this Agreement unless otherwise specifically provided. Any of the terms defined in subsection 1.1 or otherwise in this Agreement may, unless the context otherwise requires, be used in the singular or the plural depending on the reference. In this Agreement, words importing any gender include the other genders; the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation”; references to agreements and other contractual instruments shall be deemed to include subsequent amendments, assignments, and other modifications thereto, but only to the extent such amendments, assignments and other modifications are not prohibited by the terms of this Agreement or any other Loan Document; references to Persons include their respective permitted successors and assigns or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations.

SECTION 2. LOANS AND COLLATERAL

2.1. Loans.

(A) Revolving Loan. Each Lender, severally, agrees to lend to Borrower from time to time its Pro Rata Share of each advance under the Revolving Loan Commitment. The aggregate amount of the Revolving Loan Commitment shall not exceed at any time \$100,000,000, as reduced by Section 2.4(C). Amounts borrowed under this Section 2.1(A) may be repaid and reborrowed at any time prior to the earlier of (1) the termination of the Revolving Loan Commitment pursuant to Section 7.3 or (2) the Termination Date. Except as otherwise provided herein, no Lender shall have any obligation to make a Revolving Advance to the extent such Revolving Advance would cause the Revolving Loan (after giving effect to any immediate application of the proceeds thereof) to exceed the Maximum Revolving Loan Amount.

(B) [Reserved.]

(C) [Reserved.]

(D) Borrowing Mechanics. (1) LIBOR Loans made on any Funding Date shall be in an aggregate minimum amount of \$500,000 and integral multiples of \$100,000 in excess of such amount. (2) On any day when a Borrower desires a Revolving Advance under this Section 2.1, Borrowing Agent shall give Agent written or telephonic notice of the proposed borrowing by 11:00 a.m. New York time on the Funding Date of a Base Rate Loan and three (3) Business Days in advance of the Funding Date of a LIBOR Loan, which notice shall specify the proposed Funding Date (which shall be a Business Day), whether such Loans shall consist of Base Rate Loans or LIBOR Loans, and, for LIBOR Loans, the Interest Period applicable thereto. Any such telephonic notice shall be confirmed with a Notice of Borrowing on the same day as such request. Neither Agent nor Lender shall incur any liability to any Borrower for acting upon any telephonic notice or a Notice of Borrowing which Agent believes in good faith to have been given by a duly authorized officer or other person authorized to borrow on behalf of any Borrower or for otherwise acting in good faith under this Section 2.1(C). Neither Agent nor Lender will be required to make any advance pursuant to any telephonic or written notice or a Notice of Borrowing, unless all of the terms and conditions set forth in Section 3 have been satisfied and Agent has also received the most recent Borrowing Base Certificate and all other documents, to the extent required under Section 5.1(E), by 11:00 a.m. New York time on the date of such funding request. Each Advance shall be deposited by wire transfer in immediately available funds in such account as Borrowing Agent may from time to time designate to Agent in writing. The becoming due of any amount required to be paid under this Agreement or any of the other Loan Documents as principal, Lender Letter of Credit reimbursement obligation, accrued interest, fees, compensation or any other amounts shall be deemed irrevocably to be an automatic request by Borrowing Agent on behalf of the Borrowers for a Revolving Advance, which shall be a Base Rate Loan on the due date of, and in the amount required to pay (as set forth on Agent's books and records), such principal, Lender Letter of Credit reimbursement obligation, accrued interest, fees, compensation or any other amounts.

(E) Notes. The Borrowers shall execute and deliver to each Lender with appropriate insertions a Note to evidence such Lender's Commitments. In the event of an assignment under Section 9.5, the Borrowers shall, upon surrender of the assigning Lender's Note, issue new Notes to reflect the interest held by the assigning Lender and its Eligible Assignee.

(F) Letters of Credit. The Revolving Loan Commitments may, in addition to Revolving Advances, be utilized, upon the request of Borrowing Agent, for (1) the issuance of letters of credit by Agent; or with Agent's consent any Lender, or (2) the issuance by GMAC CF or Agent of guaranties or risk participations to banks to induce such banks to issue Bank Letters of Credit for the account of Borrowers (each of (1) and (2) above a "Lender Letter of Credit"). Each Lender shall be deemed to have purchased a participation in each Lender Letter of Credit issued on behalf of Borrowers in an amount equal to its Pro Rata Share thereof. In no event shall any Lender Letter of Credit be issued to the extent that the issuance of such Lender Letter of Credit would cause the sum of the Letter of Credit Reserve (after giving effect to such issuance), plus the Revolving Loan to exceed the lesser of (1) the Borrowing Base and (2) the Revolving Loan Commitments.

(1) Maximum Amount. The aggregate amount of Letter of Credit Liability with respect to all Lender Letters of Credit outstanding at any time shall not exceed \$7,500,000.

(2) Reimbursement. The Borrowers shall be irrevocably and unconditionally obligated forthwith without presentment, demand, protest or other formalities of any kind, to reimburse Agent or the issuer for any amounts paid with respect to a Lender Letter of Credit including all fees, costs and expenses paid to any bank that issues a Bank Letter of Credit. Each Borrower hereby authorizes and directs Agent, at Agent's option, to debit Borrowers' account (by increasing the Revolving Loan) in the amount of any payment made with respect to any Lender Letter of Credit. In the event that Agent elects not to debit Borrowers' account and the Borrowers fail to reimburse Agent in full on the date of any payment under a Lender Letter of Credit, Agent shall promptly notify each Lender of the unreimbursed amount of such payment together with accrued interest thereon and each Lender, on the next Business Day, shall deliver to Agent an amount equal to its respective participation in same day funds. The obligation of each Lender to deliver to Agent an amount equal to its respective participation pursuant to the foregoing sentence shall be absolute and unconditional and such remittance shall be made notwithstanding the occurrence or continuation of an Event of Default or Default or the failure to satisfy any condition set forth in Section 3. In the event any Lender fails to make available to Agent the amount of such Lender's participation in such Lender Letter of Credit, Agent shall be entitled to recover such amount on demand from such Lender together with interest on such amount calculated at the Federal Funds Effective Rate.

(3) Request for Letters of Credit. Borrowing Agent shall give Agent at least three (3) Business Days prior notice specifying the date a Lender Letter of Credit is to be issued, identifying the beneficiary and describing the nature of the transactions proposed to be supported thereby. The notice shall be accompanied by the form of the Letter of Credit being requested. Any Letter of Credit which Borrowing Agent requests must be in such form, be for such amount, contain such terms and support such transactions as are reasonably satisfactory to Agent. The expiration date of each Lender Letter of Credit shall be on a date which is at least thirty (30) days prior to the Termination Date, unless otherwise agreed to by Agent.

(G) Other Letter of Credit Provisions.

( 1 ) Obligations Absolute. The obligation of the Borrowers to reimburse Agent or any Lender for payments made under, and other amounts payable in connection with, any Lender Letter of Credit shall be unconditional and irrevocable and shall be paid under all circumstances strictly in accordance with the terms of this Agreement including, without limitation, the following circumstances:

(a) any lack of validity or enforceability of any Lender Letter of Credit, or any other agreement;

(b) the existence of any claim, set-off, defense or other right which any Borrower, any of its Subsidiaries or Affiliates or any other Person may at any time have against any beneficiary or transferee of any Lender Letter of Credit (or any Persons for whom any such transferee may be acting), Agent, any Lender, any bank issuing a Bank Letter of Credit, or any other Person, whether in connection with this Agreement, any other Loan Document, or any other related or unrelated agreements or transactions;

(c) any draft, demand, certificate or any other document presented under any Lender Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(d) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of Loan Parties or any of their Subsidiaries;

(e) any breach of this Agreement or any other Loan Document by any party thereto;

(f) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing;

(g) the fact that a Default or an Event of Default shall have occurred and be continuing; or

(h) payment under any Lender Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Lender Letter of Credit; provided that, in the case of any payment by Agent or a Lender under any Lender Letter of Credit, Agent or such Lender has not acted with gross negligence or willful misconduct (as determined by a final non-appealable order by a court of competent jurisdiction) in determining that the demand for payment under such Lender Letter of Credit complies on its face with any applicable requirements for a demand for payment under such Lender Letter of Credit.

( 2 ) Nature of Lender's Duties. As between any Lender that issues a Lender Letter of Credit (an "Issuing Lender"), on the one hand, and all Lenders on the other hand, all Lenders assume all risks of the acts and omissions of, or misuse of any Lender Letter of Credit by the beneficiary thereof. In furtherance and not in limitation of the foregoing, neither Agent nor any Issuing Lender shall be responsible: (a) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document by any party in connection with the application for and issuance of any Lender Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (b) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Lender Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (c) for failure of the beneficiary of any Lender Letter of Credit to comply fully with conditions required in order to demand payment thereunder; provided that, in the case of any payment under any such Lender Letter of Credit, any Issuing Lender has not acted with gross negligence or willful misconduct (as determined by a final non-appealable order by a court of competent jurisdiction) in determining that the demand for payment under any such Lender Letter of Credit complies on its face with any applicable requirements for a demand for payment thereunder; (d) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (e) for errors in interpretation of technical terms; (f) for any loss or delay in the transmission or otherwise of any document required in order to make a payment under any such Lender Letter of Credit; (g) for the credit of the proceeds of any drawing under any such Lender Letter of Credit; and (h) for any consequences arising from causes beyond the control of Agent or any Lender as the case may be.

(3) Liability. In furtherance and extension of and not in limitation of, the specific provisions herein above set forth, any action taken or omitted by Agent or any Lender under or in connection with any Lender Letter of Credit, if taken or omitted in good faith, shall not put Agent or any Lender under any resulting liability to any Borrower or any other Lender.

(H) Availability of a Lender's Pro Rata Share.

( 1 ) Lender's Amounts Available on a Funding Date. Unless Agent receives written notice from a Lender on or prior to any Funding Date that such Lender will not make available to Agent as and when required such Lender's Pro Rata Share of any requested Loan or Advance, Agent may assume that each Lender will make such amount available to Agent in immediately available funds on the Funding Date and Agent may (but shall not be so required), in reliance upon such assumption, make available to Borrowers on such date a corresponding amount.

(2) Lender's Failure to Fund. A Defaulting Lender shall pay interest to Agent at the Federal Funds Effective Rate on the Defaulted Amount from the Business Day following the applicable Funding Date of such Defaulted Amount until the date such Defaulted Amount is paid to Agent. A notice of Agent submitted to any Lender with respect to amounts owing under this subsection shall be conclusive, absent manifest error. If such amount is not paid when due to Agent, Agent, at its option, may notify Borrowing Agent of such failure to fund and, upon demand by Agent, the Borrowers shall pay the unpaid amount to Agent for Agent's account, together with interest thereon (without duplication and to the extent not paid in connection with such applicable Loan) for each day elapsed since the date of such borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loan made by the other Lenders on such Funding Date. The failure of any Lender to make available any portion of its Commitment on any Funding Date or to fund its participation in a Lender Letter of Credit shall not relieve any other Lender of any obligation hereunder to fund such Lender's Commitment on such Funding Date or to fund any such participation, but no Lender shall be responsible for the failure of any other Lender to honor its Commitment on any Funding Date or to fund any participation to be funded by any other Lender.

(3) Payments to a Defaulting Lender. Notwithstanding any provision to the contrary contained in this Agreement or the other Loan Documents, Agent shall not be obligated to transfer to a Defaulting Lender any payment made by the Borrowers to Agent or any amount otherwise received by Agent for application to the Obligations nor shall a Defaulting Lender be entitled to the sharing of any interest, fees or payments hereunder.

(4) Defaulting Lender's Right to Vote. Notwithstanding any provision to the contrary contained in this Agreement or the other Loan Documents for purposes of voting or consenting to matters with respect to (a) the Loan Documents or (b) any other matter concerning the Loans, a Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitments and outstanding Loans and Advances shall be deemed to be zero.

2.2. Interest.

(A) Rate of Interest. The Loans and all other Obligations shall bear interest from the date such Loans are made or such other Obligations become due to the date paid at a rate per annum equal to (1) in the case of Base Rate Loans and Obligations for which no interest rate basis is specified, the Base Rate plus the Applicable Margin and (2) in the case of LIBOR Loans, LIBOR plus the Applicable Margin (collectively the "Interest Rate"). All Loans made on the Closing Date shall be either (x) Base Rate Loans or (y) LIBOR Loans having an Interest Period of one month, and, in each case, shall remain so until ninety (90) days after the Closing Date or such earlier date as Agent notifies Borrower that it has completed the primary syndication of the Loans. Such designation by Borrowing Agent may be changed from time to time pursuant to Section 2.2(D). If on any day a Loan or a portion of any Loan is outstanding with respect to which notice has not been delivered to Agent in accordance with the terms of this Agreement specifying the basis for determining the rate of interest or if LIBOR has been specified and no LIBOR quote is available, then for that day that Loan or portion thereof shall bear interest determined by reference to the Base Rate.

After the occurrence and during the continuance of an Event of Default (1) the Loans and all other Obligations shall, at the election of Agent or Requisite Lenders, bear interest at a rate per annum equal to two percent (2%) plus the applicable Interest Rate (the "Default Rate"), (2) each LIBOR Loan shall automatically convert to a Base Rate Loan at the end of any applicable Interest Period and (3) no Loans may be converted to LIBOR Loans. If an Event of Default has occurred and is continuing on an Adjustment Date, the Applicable Margin shall be set at its highest level.



(B) Computation and Payment of Interest. Interest on the Loans and all other Obligations shall be computed on the daily principal balance on the basis of a three hundred sixty (360) day year for the actual number of days elapsed. In computing interest on any Loan, the date of funding of the Loan or the first day of an Interest Period applicable to such Loan or, with respect to a Base Rate Loan being converted from a LIBOR Loan, the date of conversion of such LIBOR Loan to such Base Rate Loan, shall be included; and the date of payment of such Loan or the expiration date of an Interest Period applicable to such Loan, or with respect to a Base Rate Loan being converted to a LIBOR Loan, the date of conversion of such Base Rate Loan to such LIBOR Loan, shall be excluded; provided that if a Loan is repaid on the same day on which it is made, one (1) day's interest shall be paid on that Loan. Interest on Base Rate Loans and all other Obligations other than LIBOR Loans shall be payable to Agent for the benefit of Lenders monthly in arrears on the first day of each month, on the date of any prepayment of Loans, and at maturity, whether by acceleration or otherwise. Interest on LIBOR Loans shall be payable to Agent for the benefit of Lenders on the last day of the applicable Interest Period for such Loan, on the date of any prepayment of the Loans, and at maturity, whether by acceleration or otherwise. In addition, for each LIBOR Loan having an Interest Period longer than three (3) months, interest accrued on such Loan shall also be payable on the last day of each three (3) month interval during such Interest Period.

(C) Interest Laws. Notwithstanding any provision to the contrary contained in this Agreement or any other Loan Document, the Borrowers shall not be required to pay, and neither Agent nor any Lender shall be permitted to collect, any amount of interest in excess of the maximum amount of interest permitted by applicable law ("Excess Interest"). If any Excess Interest is provided for or determined by a court of competent jurisdiction to have been provided for in this Agreement or in any other Loan Document, then in such event: (1) the provisions of this subsection shall govern and control; (2) neither any Borrower nor any other Loan Party shall be obligated to pay any Excess Interest; (3) any Excess Interest that Agent or any Lender may have received hereunder shall be, at such Lender's option, (a) applied as a credit against the outstanding principal balance of the Obligations or accrued and unpaid interest (not to exceed the maximum amount permitted by law), (b) refunded to the payor thereof, or (c) any combination of the foregoing; (4) the interest rate(s) provided for herein shall be automatically reduced to the maximum lawful rate allowed from time to time under applicable law (the "Maximum Rate"), and this Agreement and the other Loan Documents shall be deemed to have been and shall be, reformed and modified to reflect such reduction; and (5) neither any Borrower nor any Loan Party shall have any action against Agent or any Lender for any damages arising out of the payment or collection of any Excess Interest. Notwithstanding the foregoing, if for any period of time interest on any Obligations is calculated at the Maximum Rate rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the Maximum Rate, the rate of interest payable on such Obligations shall remain at the Maximum Rate until each Lender shall have received the amount of interest which such Lender would have received during such period on such Obligations had the rate of interest not been limited to the Maximum Rate during such period.

(D) Conversion or Continuation. Subject to the other provisions of this Agreement, including, without limitation, satisfying the conditions set forth in Section 3, Borrowing Agent shall have the option to (1) convert at any time all or any part of outstanding Loans equal to \$500,000 and integral multiples of \$100,000 in excess of that amount from Base Rate Loans to LIBOR Loans or (2) upon the expiration of any Interest Period applicable to a LIBOR Loan, to (a) continue all or any portion of such LIBOR Loan equal to \$500,000 and integral multiples of \$100,000 in excess of that amount as a LIBOR Loan or (b) convert all or any portion of such LIBOR Loan to a Base Rate Loan. The succeeding Interest Period(s) of such continued or converted Loan commence on the last day of the Interest Period of the Loan to be continued or converted; provided that no outstanding Loan may be continued as, or be converted into, a LIBOR Loan, when any Event of Default or Default has occurred and is continuing.

Borrowing Agent shall deliver a Notice of Borrowing with respect to any such conversion/continuation to Agent no later than 11:00 a.m. (New York time) at least three (3) Business Days in advance of the proposed conversion/continuation date. The Notice of Borrowing with respect to such conversion/continuation shall certify: (1) the proposed conversion/continuation date (which shall be a Business Day); (2) the amount of the Loan to be converted/continued; (3) the nature of the proposed conversion/continuation; (4) in the case of conversion to, or a continuation of, a LIBOR Loan, the requested Interest Period; (5) that no Default or Event of Default has occurred and is continuing or would result from the proposed conversion/continuation; and (6) that all conditions to make Loans as set forth in Section 3 have been satisfied.

In lieu of delivering a Notice of Borrowing with respect to any such conversion/continuation, Borrowing Agent may give Agent telephonic notice by the required time of any proposed conversion/continuation under this subsection 2.2(D) (in such telephonic notice Borrowing Agent shall certify to the items set forth above with respect to the Notice of Borrowing); provided that such telephonic notice shall be promptly confirmed in writing by delivery of a Notice of Borrowing (in form and substance described herein) with respect to such conversion/continuation to Agent on or before the proposed conversion/continuation date. Once given, the Borrowers shall be bound by such telephonic notice. Upon the expiration of an Interest Period for a LIBOR Loan, in the absence of a new Notice of Borrowing or a telephonic notice submitted to Agent not less than three (3) Business Days prior to the end of such Interest Period, the LIBOR Loan then maturing shall be automatically converted to a Base Rate Loan.

Neither Agent nor any Lender shall incur any liability to any Borrower or any other Loan Party in acting upon any telephonic notice or a Notice of Borrowing referred to above that Agent believes in good faith to have been given by an officer or other person authorized to act on behalf of Borrowers or for otherwise acting in good faith under this Section 2.2(D).

2.3. Fees.

(A) Unused Line Fee. The Borrowers shall pay to Agent, for the benefit of Lenders, a fee in an amount equal to the Revolving Loan Commitment less the sum of (1) the average daily balance of each of the Revolving Loan plus, (2) the average daily face amount of the Letter of Credit Reserve during the preceding month, multiplied by (3)  $\frac{3}{8}$ th of 1% (0.375%) per annum. Such fee to be calculated on the basis of a three hundred sixty (360) day year for the actual number of days elapsed and to be payable monthly in arrears on the first day of each month following the Closing Date.

(B) Letter of Credit Fees. The Borrowers shall pay to Agent a fee with respect to the Lender Letters of Credit for the benefit of all Lenders with a Revolving Loan Commitment (based on their respective Pro Rata Share) in the amount of the average daily amount of Letter of Credit Liability outstanding during such month multiplied by 2.75% per annum until the first Adjustment Date and thereafter by the applicable percentage specified as the Applicable Margin for LIBOR Rate Loans consisting of Revolving Advances. Such fees will be calculated on the basis of a three hundred sixty (360) day year for the actual number of days elapsed and will be payable monthly in arrears on the first day of each month. The Borrowers shall also reimburse Agent for any and all fees and expenses, if any, paid by Agent or any Lender to the issuer of any Bank Letter of Credit.

(C) Audit Fees. The Borrowers agree to pay all fees and expenses of the firm or individual(s) engaged by Agent to perform audits and/or appraisals of Loan Parties' assets and/or operations. Notwithstanding the foregoing, if Agent uses its internal auditors to perform any audit, the Borrowers agree to pay to Agent, for its own account, an audit fee with respect to each such audit equal to \$1,000 per internal auditor per day or any portion thereof together with all out of pocket expenses; provided, however, that prior to a Default, the Borrowers will not have to pay for more than two (2) audits per year.

(D) Other Fees and Expenses. The Borrowers shall pay to Agent, for its own account, all charges for returned items and all other bank charges incurred by Agent, as well as Agent's standard wire transfer charges for each wire transfer made under this Agreement.

(E) Fee Letter. The Borrowers shall pay to GMAC CF, individually, the fees specified in that certain letter agreement dated December 13, 2004 between the Borrowers and GMAC CF.

#### 2.4. Payments and Prepayments.

(A) Manner and Time of Payment. In its sole discretion, Agent may elect to honor the automatic requests by Borrowing Agent for Revolving Advances, for all principal, Lender Letter of Credit reimbursement obligations, interest, fees, compensation and any other amounts due hereunder or under any of the other Loan Documents on their applicable due dates pursuant to the terms of this Agreement, and the proceeds of each such Revolving Advance, if made, shall be applied as a direct payment of the relevant Obligation. To the extent such amounts exceed the Revolving Loan Commitment of all Revolving Loan Lenders, or if Agent elects to bill Borrowers for any amount due hereunder or under any of the other Loan Documents, such amount shall be immediately due and payable with interest thereon accruing from the applicable due date. All payments made by Borrowers with respect to the Obligations shall be made without deduction, defense, setoff or counterclaim. All payments to Agent hereunder shall, unless otherwise directed by Agent, be made to Agent's Account or in accordance with Section 6.4. All proceeds remitted to Agent's Account via wire transfer shall be credited to the Obligations (including for the purpose of calculating interest payable by the Borrowers on the Obligations) on the same Business Day as such proceeds were received.

(B) Mandatory Prepayments.

(1) Over Formula Advance. At any time that the Revolving Loan exceeds the Maximum Revolving Loan Amount (an "Over Formula Advance"), the Borrowers shall, immediately repay the Revolving Loan to the extent necessary to eliminate the Over Formula Advance.

(2) Prepayments from Proceeds of Asset Dispositions. Immediately upon receipt by any Loan Party or any of their respective Subsidiaries of Net Cash Proceeds of any Asset Disposition, which Net Cash Proceeds (together with all other Net Cash Proceeds of Asset Dispositions theretofore consummated by the Loan Parties or any of their respective Subsidiaries during any Fiscal Year) exceed \$100,000 in the aggregate in any Fiscal Year (it being understood that if the Net Cash Proceeds of any Asset Disposition exceed \$50,000, the entire amount and not just the portion above \$100,000 shall be subject to this Section 2.4(B)(2)), the Borrowers shall prepay the Obligations in an amount equal to such proceeds. All such prepayments shall be applied to the Loans in accordance with Section 2.4(E).

(3) Prepayments from Issuance of Securities. Immediately upon the receipt by any Loan Party or any of their respective Subsidiaries of the proceeds of the issuance of equity securities (other than (i) as a result of the exercise of stock options under equity incentive plans of Parent and (ii) any proceeds received from another Loan Party), the Borrowers shall, except as otherwise provided in Section 2.4(E), prepay the Loans in an amount equal to such proceeds, net of underwriting discounts and commissions and other reasonable costs associated therewith. All such prepayments shall be applied to the Loans in accordance with Section 2.4(E).

(4) Prepayments from Tax Refunds. Immediately upon the receipt by any Loan Party or any of their respective Subsidiaries of the proceeds of any tax refund, the Borrowers shall prepay the Loans in an amount equal to such proceeds. All such prepayments shall be applied to the Loans in accordance with Section 2.4(E).

(5) Change of Control. Immediately upon the occurrence of any Change of Control, Borrower shall prepay the Loans, together with all other then outstanding Obligations, in full, and the Commitments shall be deemed terminated. All such prepayments shall be applied to the Loans in accordance with Section 2.4(E).

(C) Voluntary Prepayments and Repayments. Borrower may, at any time upon not less than three (3) Business Days prior notice to Agent, (a) reduce the Revolving Loan Commitment in minimum reductions of \$1,000,000 and in integral multiples of \$500,000 in excess thereof (but in no event to a Revolving Loan Commitment of less than \$25,000,000) and/or (b) terminate the Revolving Loan Commitment in full; provided, however, the Revolving Loan Commitment may not be terminated by Borrower until all other Obligations are paid in full. Any reduction or termination of the Revolving Loan Commitment permitted in this Section 2.4(C) shall be subject to the payment of all fees set forth in subsection 2.3, including, without limitation, the fees set forth in the Fee Letter and the payment of any amounts owing pursuant to Section 2.12 resulting from such prepayment. In the event any Lender Letters of Credit are outstanding at the time that Borrowers prepays the Obligations and desires to terminate the Revolving Loan Commitment, the Borrowers shall cause Agent and each Lender to be released from all liability under any Lender Letters of Credit or, at Agent's option, the Borrowers shall (1) deposit with Agent for the benefit of all Lenders with a Revolving Loan Commitment cash in an amount equal to one hundred and five percent (105%) of the aggregate outstanding Letter of Credit Reserve to be available to Agent to reimburse payments of drafts drawn under such Lender Letters of Credit and pay any fees and expenses related thereto and (2) prepay the fees payable under Section 2.3(B) with respect to such Lender Letters of Credit for the full remaining terms of such Lender Letters of Credit. Upon termination of any such Lender Letter of Credit, the unearned portion of such prepaid fee attributable to such Lender Letter of Credit shall be refunded to the Borrowers.

(D) **Payments on Business Days.** Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the payment may be made on the next succeeding Business Day and such extension of time shall be included in the computation of the amount of interest or fees due hereunder.

(E) **Application of Prepayment Proceeds.** Except as otherwise provided therein, all prepayments described in Sections 2.4(B)(2) through 2.4(B)(5) shall be applied to reduce the outstanding principal balance of the Revolving Loans but not as a permanent reduction of the Revolving Loan Commitment; provided, however, that the application of any proceeds from the issuance of securities described in Section 2.4(B)(3) may be utilized by Borrower to repay or prepay, in whole or in part, the Second Priority Senior Secured Notes, with any excess applied to reduce the outstanding principal balance of the Revolving Loans but not as a permanent reduction of the Revolving Loan Commitment. Considering each type of Loan being prepaid separately, any such prepayment shall be applied first to Base Rate Loans of the type required to be prepaid before application to LIBOR Loans of the type required to be prepaid.

2.5. **Term of this Agreement.** This Agreement shall be effective until the earlier of (a) January 5, 2010 and (b) the acceleration of all Obligations pursuant to Section 7.3 (the "Termination Date"). The Commitments shall terminate (unless earlier terminated pursuant to the terms hereof) upon the Termination Date and all Obligations shall become immediately due and payable without notice or demand. Notwithstanding any termination, until all Obligations have been fully paid and satisfied, Agent, on behalf of itself and Lenders, shall be entitled to retain security interests in and liens upon all Collateral; provided, however, that in the event that all Revolving Loans are repaid in full, and all other due and owing Obligations and all reasonably anticipated future Obligations (including reasonably anticipated contingent Obligations) are satisfied in full in a manner reasonably satisfactory to Agent, Agent shall, at the request of Borrower, terminate its Liens upon all Collateral. Even after payment of all Obligations hereunder, each Loan Party's obligation to indemnify Agent and each Lender in accordance with the terms hereof shall continue.

2.6. **Statements.** Agent shall render a monthly statement of account to Borrowing Agent within twenty (20) days after the end of each month. Such statement of account shall constitute an account stated unless any Borrower makes written objection thereto within thirty (30) days from the date such statement is mailed to Borrowing Agent. Agent shall record in its books and records, including computer records, (a) all Loans, interest charges and payments thereof, (b) all Letter of Credit Liability, (c) the charging and payment of all fees, costs and expenses and (d) all other debits and credits pursuant to this Agreement. The balance in the loan accounts shall constitute presumptive evidence, absent manifest error, of the accuracy of the information contained therein; provided, however, that any failure by Agent to so record shall not limit or affect the any Borrower's obligation to pay.

2.7. Grant of Security Interest.

(A) Grant of Liens in the Collateral. To secure the payment and performance of the Obligations, including all renewals, extensions, restructurings and refinancings of any or all of the Obligations, each Loan Party hereby ratifies and reaffirms its grant pursuant to the Original Financing Agreement and hereby further grants to Agent, for the benefit of Agent and Lenders, a continuing security interest in, lien and mortgage in and to, right of setoff against and collateral assignment of all of such Loan Party's assets, other than Excluded Property, in each case, whether now owned or existing or hereafter acquired or arising and regardless of where located including, without limitation, all: (1) Accounts; (2) Chattel Paper; (3) Commercial Tort Claims, including those specified on Schedule 2.7(A); (4) Deposit Accounts and cash and other monies and property of such Loan Party in the possession or under the control of Agent, any Lender or any participant of any Lender in the Loans; (5) Documents; (6) Equipment; (7) Fixtures; (8) General Intangibles (including Intellectual Property); (9) Goods; (10) Instruments; (11) Inventory; (12) Investment Property; (13) Letter-of-Credit Rights and Supporting Obligations; (14) other Personal Property whether or not subject to the UCC; and (15) Additional Mortgaged Property; together with all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the property described above or are otherwise necessary or helpful in the collection thereof or realization thereon; and Proceeds and products of all or any of the property described above (all of the above being collectively referred to as the "Collateral").

(B) Loan Parties Remain Liable. Anything herein to the contrary notwithstanding: (a) each Loan Parties shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of their respective duties and obligations thereunder to the same extent as if this Agreement or the other Loan Documents had not been executed; (b) the exercise by Agent of any of the rights under this Agreement or the other Loan Documents shall not release any Loan Party from any of their respective duties or obligations to the parties under the contracts and agreements included in the Collateral; (c) neither Agent nor any Lender shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement or the other Loan Documents, nor shall Agent nor any Lender be obligated to perform any of the obligations or duties of any Loan Party thereunder or to take any action to collect or enforce any claim for payment assigned under this Agreement or the other Loan Documents; and (d) neither Agent nor any Lender shall have any liability in contract or tort for any Loan Party's acts or omissions.

2.8. Yield Protection.

(A) Capital Adequacy and Other Adjustments. In the event any Lender shall have determined that the adoption after the date hereof of any Law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) from any central bank or Governmental Authority or body having jurisdiction does or shall have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender or any corporation controlling such Lender and thereby reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder, then the Borrowers shall within fifteen (15) days after notice and demand from such Lender (together with the certificate referred to in the next sentence and with a copy to Agent) pay to Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by such Lender to Borrowing Agent shall, absent manifest error, be conclusive and binding for all purposes.

(B) Increased LIBOR Funding Costs. If, after the date hereof, the introduction of, change in or interpretation of any law, rule, regulation, treaty or directive would impose or increase reserve requirements (other than as taken into account in the definition of LIBOR) or otherwise increase the cost to any Lender of making or maintaining a LIBOR Loan, then Borrowers shall from time to time within fifteen (15) days after notice and demand from such affected Lenders (together with the certificate referred to in the next sentence and with a copy to Agent) pay to Agent, for the account of such affected Lenders, additional amounts sufficient to compensate such Lenders for such increased cost. A certificate as to the amount of such cost and showing the basis of the computation of such cost submitted by such affected Lenders to Borrowing Agent and Agent shall, absent manifest error, be conclusive and binding on Borrower for all purposes.

2.9. Taxes.

(A) No Deductions. Any and all payments or reimbursements made hereunder shall be made free and clear of and without deduction for any and all Charges and all Liabilities with respect thereto (all such Charges and all Liabilities with respect thereto referred to herein as "Tax Liabilities"; excluding, however, taxes imposed on the net income of any Lender or Agent by the jurisdiction under the laws of which Agent or such Lender is organized or doing business or any political subdivision thereof and taxes imposed on its net income by the jurisdiction of Agent's or such Lender's applicable lending office or any political subdivision). If any Loan Party shall be required by law to deduct any such Tax Liabilities from or in respect of any sum payable hereunder to Agent or any Lender, then the sum payable hereunder shall be increased as may be necessary so that, after making all required deductions, Agent or such Lender receives an amount equal to the sum it would have received had no such deductions been made.

(B) Changes in Tax Laws. In the event that, subsequent to the Closing Date, (1) any changes in any existing law, regulation, treaty or directive or in the interpretation or application thereof, (2) any new law, regulation, treaty or directive enacted or any interpretation or application thereof, or (3) compliance by Lender with any request or directive (whether or not having the force of law) from any Governmental Authority;

(a) does or shall subject Agent or any Lender to any tax of any kind whatsoever with respect to this Agreement, the other Loan Documents or any Loans made or Lender Letters of Credit issued hereunder, or change the basis of taxation of payments to Agent or such Lender of principal, fees, interest or any other amount payable hereunder (except for net income taxes, or franchise taxes imposed in lieu of net income taxes, imposed generally by federal, state or local taxing authorities with respect to interest or commitment or other fees payable hereunder or changes in the rate of tax on the overall net income of Agent or such Lender); or

(b) does or shall impose on Agent or any Lender any other condition or increased cost in connection with the transactions contemplated hereby or participations herein; and the result of any of the foregoing is to increase the cost to Agent or such Lender of issuing any Lender Letter of Credit or making or continuing any Loan hereunder, as the case may be, or to reduce any amount receivable hereunder;

then, in any such case, the Borrowers shall pay, within fifteen (15) days after notice and demand from Agent or the affected Lender, to Agent or such Lender, upon its notice and demand, any additional amounts necessary to compensate Agent or such Lender, on an after-tax basis, for such additional cost or reduced amount receivable, as determined by Agent or such Lender with respect to this Agreement or the other Loan Documents. If Agent or any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify Borrowing Agent of the event by reason of which Agent or such Lender has become so entitled (with any such Lender concurrently notifying Agent). A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by Agent or any Lender to Borrowing Agent shall, absent manifest error, be conclusive and binding on Borrower for all purposes.

(C) Foreign Lenders. Each Lender organized under the laws of a jurisdiction outside the US (a "Foreign Lender") as to which payments to be made under this Agreement are exempt from US withholding tax or are subject to US withholding tax at a reduced rate under an applicable statute or tax treaty shall provide to Borrowing Agent and Agent (1) a properly completed and executed Internal Revenue Service Form W-8BEN or Form W-8ECI or other applicable form, certificate or document prescribed by the Internal Revenue Service of the US certifying as to such Foreign Lender's entitlement to such exemption or reduced rate of withholding with respect to payments to be made to such Foreign Lender under this Agreement, (a "Certificate of Exemption"), or (2) a letter from any such Foreign Lender stating that it is not entitled to any such exemption or reduced rate of withholding (a "Letter of Non-Exemption"). Prior to becoming a Lender under this Agreement and within fifteen (15) days after a reasonable written request of Borrowing Agent or Agent from time to time thereafter, each Foreign Lender that becomes a Lender under this Agreement shall provide a Certificate of Exemption or a Letter of Non-Exemption to Borrowing Agent and Agent.

If a Foreign Lender is entitled to an exemption with respect to payments to be made to such Foreign Lender under this Agreement (or to a reduced rate of withholding) and does not provide a Certificate of Exemption to Borrowing Agent and Agent within the time periods set forth in the preceding paragraph, the Borrowers shall withhold taxes from payments to such Foreign Lender at the applicable statutory rates and no Borrower shall be required to pay any additional amounts as a result of such withholding; provided, however, that all such withholding shall cease upon delivery by such Foreign Lender of a Certificate of Exemption to Borrowing Agent and Agent.



2.10. Required Termination and Prepayment. If on any date any Lender shall have reasonably determined (which determination shall be conclusive and binding upon all parties) that the making or continuation of its LIBOR Loans has become unlawful or impossible by compliance by such Lender in good faith with any law, governmental rule, regulation or order (whether or not having the force of law and whether or not failure to comply therewith would be unlawful), then, and in any such event, that Lender shall promptly give notice (by telephone confirmed in writing) to Borrowing Agent and Agent of that determination. Subject to prior withdrawal of a Notice of Borrowing or prepayment of LIBOR Loans as contemplated by Section 2.12, the obligation of such Lender to make or maintain its LIBOR Loans during any such period shall be terminated at the earlier of the termination of the Interest Period then in effect or when required by law and the Borrowers shall no later than the termination of the Interest Period in effect at the time any such determination pursuant to this Section 2.10 is made or, earlier (without any breakage fee) when required by Law, repay or prepay LIBOR Loans together with all interest accrued thereon or convert LIBOR Loans to Base Rate Loans.

2.11. Optional Prepayment/Replacement of Lenders. Within fifteen (15) days after receipt by Borrowing Agent of: (a) written notice and demand from any Lender for payment or reimbursement of additional costs as provided in Section 2.8 or section 2.9, or (b) written notice of any Lender's inability to make LIBOR Loans as provided in Section 2.10, or information that such Lender is a Defaulting Lender (any such Lender demanding such payment or having such inability or being a Defaulting Lender being referred to herein as an "Affected Lender"), Parent may, at its option notify Agent and such Affected Lender of its intention to take one of the actions set forth herein in subparagraphs (A) or (B) below.

(A) Replacement of an Affected Lender. The Borrowers may obtain, at Borrowers' expense, a replacement Lender ("Replacement Lender") for an Affected Lender, which Replacement Lender shall be reasonably satisfactory to Agent. In the event the Borrowers obtain a Replacement Lender that will purchase all outstanding Obligations owed to such Affected Lender and assume its Commitments hereunder within ninety (90) days following notice of Borrowers' intention to do so, the Affected Lender shall sell and assign its Loans and Commitments to such Replacement Lender in accordance with the provisions of Section 9.5; provided, however, the Borrowers have (1) reimbursed such Affected Lender for any administrative fee payable by such Affected Lender to Agent pursuant to Section 9.5 and, (2) in any case where such replacement occurs as the result of a demand for payment of certain costs pursuant to Section 2.8 or Section 2.9, paid all increased costs for which such Affected Lender is entitled to under Section 2.8 or Section 2.9 through the date of such sale and assignment; or

(B) Prepayment of an Affected Lender. Borrowers may prepay in full all outstanding Obligations owed to an Affected Lender and terminate such Affected Lender's Commitments. The Borrowers shall, within ninety (90) days following notice of its intention to do so, prepay in full all outstanding Obligations owed to such Affected Lender, including such Affected Lender's increased costs for which it is entitled to reimbursement under this Agreement through the date of such prepayment, and terminate such Affected Lender's Commitments.

2.12. Compensation. The Borrowers shall promptly compensate Agent for the benefit of Lenders (Agent's calculation of such amounts shall, absent manifest error, be conclusive and binding upon all parties hereto), for any losses, expenses and Liabilities including, without limitation, any loss (including interest paid) sustained by such Lender in connection with the re-employment of funds: (a) if for any reason (other than a default by any Lender) a borrowing of any LIBOR Loan does not occur on a date specified therefor in a Notice of Borrowing or a telephonic request of borrowing by Borrowing Agent; (b) if any prepayment of any of its LIBOR Loans occurs on a date that is not the last day of an Interest Period applicable to that Loan (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise); (c) if any prepayment of any of its LIBOR Loans is not made on any date specified in a notice of prepayment given by the Borrowers; or (d) as a consequence of any other default by the Borrowers to repay its LIBOR Loans when required by the terms of this Agreement; provided, however, during the period while any such amounts have not been paid, Agent may, in its sole discretion, (i) in accordance with Section 2.4(B), elect to honor the automatic request by Borrowing Agent for a Revolving Advance for such amount pursuant to Section 2.1(A) or (ii) reserve an equal amount from amounts otherwise available to be borrowed under the Revolving Loan.

2.13. Booking of LIBOR Loans. Each Lender may make, carry or transfer LIBOR Loans at, to, or for the account of, any of its branch offices or the office of an affiliate of such Lender.

2.14. Assumptions Concerning Funding of LIBOR Loans. Calculation of all amounts payable to each Lender under subsection 2.12 shall be made as though each Lender had actually funded its relevant LIBOR Loan through the purchase of a LIBOR deposit bearing interest at LIBOR in an amount equal to the amount of that LIBOR Loan and having maturity comparable to the relevant Interest Period and through the transfer of such LIBOR deposit from an offshore office to a domestic office in the US; provided, however, each Lender may fund each of its LIBOR Loans in any manner it sees fit and the foregoing assumption shall be utilized only for the calculation of amounts payable under Section 2.12.

2.15. Endorsement; Insurance Claims. Each Borrower hereby constitutes and appoints Agent and all Persons designated by Agent for that purpose as such Borrower's true and lawful attorney-in-fact, with power in the place and stead of such Borrower and in the name of such Borrower (a) to endorse such Borrower's name to any of the items of payment or proceeds described in Section 6.4 below and all proceeds of Collateral that come into Agent's possession or under Agent's control, including without limitation, with respect to any drafts, Instruments, Documents and Chattel Paper, and (b) after consultation with Parent (unless an Event of Default has occurred which is then continuing) to obtain, adjust and settle insurance claims, which are required to be paid to Agent. Each Borrower hereby ratifies and approves all acts of Agent made or taken pursuant to this Section 2.15. Both the appointment of Agent as each Borrower's attorney and Agent's rights and powers are coupled with an interest and are irrevocable, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit.

### SECTION 3. CONDITIONS TO LOANS

The obligations of Agent and each Lender to make Loans and the obligation of Agent or any Lender to issue Lender Letters of Credit on the Closing Date and on each Funding Date are subject to satisfaction of all of the terms and conditions set forth below and the accuracy of all the representations and warranties of the Borrowers and the other Loan Parties set forth herein and in the other Loan Documents:

(A) Closing Deliveries. Agent shall have received, in form and substance satisfactory to Agent, all documents, instruments and information identified on Schedule 3 hereto and all other agreements, notes, certificates, orders, authorizations, financing statements, mortgages and other documents which Agent may at any time reasonably request.

(B) Security Interests. Agent shall have received satisfactory evidence that all security interests and liens granted to Agent for the benefit of Agent and Lenders pursuant to this Agreement or the other Loan Documents have been duly perfected and constitute first priority liens on the Collateral, subject only to Permitted Liens.

(C) Closing Date Availability. After giving effect to the consummation of the Transactions, and the payment by the Borrowers of all costs, fees and expenses relating to the Transactions, Undrawn Availability shall not be less than \$15,000,000.

(D) Representations and Warranties. The representations and warranties contained herein and in the Loan Documents shall be true, correct and complete in all material respects on and as of that Funding Date to the same extent as though made on and as of that date, except for any representation or warranty limited by its terms to a specific date and taking into account any amendments to the Schedules or Exhibits as a result of any disclosures made by the Borrowers to Agent after the Closing Date and approved in writing by Agent.

(E) Fees. With respect to Loans or Lender Letters of Credit to be made or issued on the Closing Date, the Borrowers shall have paid all fees due to Agent or any Lender and payable on the Closing Date.

(F) No Default. No event shall have occurred and be continuing or would result from funding a Loan or issuing a Lender Letter of Credit requested by Borrowing Agent that would constitute an Event of Default or a Default.

(G) Performance of Agreements. Each Loan Party shall have performed in all material respects all agreements and satisfied all conditions which any Loan Document provides shall be performed by it on or before that Funding Date.

(H) No Prohibition. No order, judgment or decree of any court, arbitrator or Governmental Authority shall purport to enjoin or restrain Agent or any Lender from making any Loans or issuing any Lender Letters of Credit.

(I) No Litigation. There shall not be pending or, to the knowledge of any Loan Party, threatened, any action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration by, against or affecting any Loan Party or any property of any Loan Party that has not been disclosed to Agent by a Loan Party in writing, and there shall have occurred no development in any such action, charge, claim, demand, suit, proceeding, petition, governmental investigation or arbitration that, in the opinion of Agent, would reasonably be expected to have a Material Adverse Effect.

(J) Second Priority Senior Secured Note Investment. Agent has received or will receive on the Closing Date complete copies of the Note Purchase Documents (including all exhibits, schedules and disclosure letters referred to therein or delivered pursuant thereto, if any) and all amendments thereto, waivers relating thereto and other side letters or agreements affecting the terms thereof. None of such documents and agreements has been amended or supplemented, nor have any of the provisions thereof been waived, except pursuant to a written agreement or instrument which has heretofore been delivered to Agent. The transactions contemplated by the Note Purchase Documents shall have been consummated in accordance with the terms thereof including, without limitation, the issuance by Borrower, issued at par, of the Second Priority Senior Secured Notes and, in consideration thereof, the receipt by Borrower of cash proceeds of not less than \$40,000,000 (including fees and expenses paid from such sum on or about the Closing Date in the aggregate not to exceed \$2,000,000), which shall be repayable not earlier than five (5) years from the Closing Date, except as otherwise agreed to by Agent, and Second Priority Agent shall have entered into the Intercreditor Agreement with Agent.

(K) Refinancing Transactions. Agent shall have received, on behalf of the Lenders, repayment in full of all outstanding Obligations in respect of Term Loan A and Term Loan C, and shall have been satisfied that all outstanding Indebtedness in respect of Term Loan B shall have been paid in full and that all liens and/or security interests granted by any Borrower in favor of ACFs and/or ACSL shall have been released or terminated.

#### SECTION 4. REPRESENTATIONS, WARRANTIES OF THE LOAN PARTIES

##### 4.1. Representations and Warranties of Loan Parties.

As a material inducement to Agent and each Lender to enter into the Loan Documents, to make and to continue to make Loans and to issue and continue to issue Lender Letters of Credit or risk participations to the banks that issue Bank Letters of Credit, each Loan Party as to itself (and Parent as to itself and the other Loan Parties) represents, warrants to Agent and each Lender as follows:

(A) Organization and Power. Each of the Loan Parties is a legal entity duly organized, validly existing and in good standing under the laws of its state of formation. Each of the Loan Parties has all requisite corporate or other organizational power and authority and all material licenses, permits, approvals and authorizations necessary to own and operate its properties, to carry on its businesses as now conducted and presently proposed to be conducted and to carry out the Transactions, and is qualified to do business in the jurisdictions listed on the "Organizational Schedule" attached hereto as Schedule 4.1(A), which includes every jurisdiction where the failure to so qualify might reasonably be expected to have a Material Adverse Effect. Each of the Loan Parties has its principal place of business as set forth on the Organizational Schedule. The copies of the Charter Documents and By-Laws of the Loan Parties that have been furnished to Agent reflect all amendments made thereto and are correct and complete as of the date of this Agreement.

(B) Principal Business. The Loan Parties are primarily engaged in the business of assembling and selling specialty footwear and related apparel and accessories (the "Business").

(C) Financial Statements and Financial Projections.

( 1 ) Financial Statements; Historical Statements. Parent has delivered to Agent copies of its audited consolidated year-end financial statements for and as of the end of the Fiscal Year ended December 31, 2006 together with an unaudited balance sheet, income statements and cash flow statements for the fiscal period ended March 31, 2007 (together, the "Financial Statements"). The Financial Statements were compiled from the books and records maintained by Parent's management and are correct and complete in all material respects and fairly represent the consolidated financial condition of Parent as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied (with such interim financial statements being subject to the absence of footnotes required by GAAP and subject to normal year-end adjustments).

(2) Pro Forma Balance Sheet. The unaudited *pro forma* balance sheet of the Rocky on a Consolidated Basis as of May 25, 2007, a copy of which has heretofore been delivered to Agent, gives pro forma effect to the consummation of the Transactions, all as if such events had occurred on such date (the "Pro Forma Balance Sheet"). The Pro Forma Balance Sheet has been prepared in a manner consistent with customary accounting practices and the financial statements described in Section 4.1(c)(i) (subject to the absence of footnotes required by GAAP and subject to normal year-end adjustments) and, subject to stated assumptions made in good faith and having a reasonable basis set forth therein, presents fairly the financial condition of the Loan Parties on an unaudited pro forma basis as of the date set forth therein after giving effect to the consummation of the Transactions.

( 3 ) Financial Projections. The Loan Parties have delivered to Agent financial projections of Rocky on a Consolidated Basis for the period January 1, 2007 through December 31, 2009 derived from various assumptions of the Loan Parties' management (the "Financial Projections"). The Financial Projections were prepared consistent with GAAP and customary accounting procedures and reflect all information available to the management of the Loan Parties at the time the Financial Projections were produced. The Financial Projections in good faith project the Liabilities of the Loan Parties upon consummation of the Transactions as of the Closing Date

(4) Accuracy of Financial Statements. As of the dates of such Financial Statements, Rocky on a Consolidated Basis did not have any Liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Financial Statements or in the notes thereto, and except as disclosed therein, as of such dates and as disclosed on the Pro-Forma Balance Sheet as of the date hereof, there are no unrealized or anticipated losses from any commitments that are reasonably likely to have a Material Adverse Effect.

(D) Capitalization and Related Matters. As of the Closing Date and immediately thereafter, the authorized capital stock of Parent is as set forth on the "Capitalization Schedule" attached hereto as Schedule 4.1(D). As of the Closing Date, the authorized capital stock or other equity interests of each of the Subsidiaries of Parent and the number and ownership of all outstanding capital stock or equity interests of each of the Loan Parties (other than Parent) is set forth on Schedule 4.1(D). Except as set forth on the Schedule 4.1(D), as of the Closing Date, none of the Loan Parties will have outstanding any stock or securities convertible into or exchangeable for any shares of its capital stock and none will have outstanding any rights or options to subscribe for or to purchase its capital stock (or other equity interests) or any stock or securities convertible into or exchangeable for its capital stock (or other equity interests). As of the Closing Date, none of the Loan Parties will be subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital stock or other equity interests. As of the Closing Date, all of the outstanding shares and capital stock or other equity interests of the Loan Parties will be validly issued, fully paid and nonassessable. None of the Loan Parties have violated any applicable federal or state securities Laws, in any material respect, in connection with the offer, sale or issuance of any of its capital stock or other equity interests, and the offer, sale and issuance of the Notes hereunder, or of the Second Priority Senior Secured Notes, do not require registration under the Securities Act or any applicable state securities laws.

(E) Subsidiaries. As of the Closing Date, the Loan Parties do not own, or hold any rights to acquire, any shares of stock or any other security or interest in any other Person, and the Loan Parties have no Subsidiaries, except in each case as set forth on the Organizational Schedule.

(F) Authorization; No Breach. Except as set forth on Schedule 4.1(F), the execution, delivery and performance of this Agreement and the other Loan Documents to which any of the Loan Parties is a party, and the consummation of the Transactions have been duly authorized by each of the Loan Parties. The execution and delivery by each of the Loan Parties of the Loan Documents and the consummation of the Transactions do not and will not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under, (iii) except as created pursuant to the Loan Documents and the Note Purchase Documents result in the creation of any Lien upon any of the Loan Parties' capital stock or assets pursuant to, (iv) give any third party the right to accelerate any obligation under, or (v) result in a violation of, or (vi) require any authorization, consent, approval, exemption or other action by or notice to any Governmental Authority pursuant to, the Charter Documents or By-laws of any of the Loan Parties, or any Law to which any of the Loan Parties is subject, or any material contract or material instrument, or any order, judgment or decree, to which any of the Loan Parties is a party or to which they or their assets are subject.

(G) Governmental Approvals. Except as set forth on Schedule 4.1(G), no registration with or consent or approval of, or other action by, any Governmental Authority is or will be required in connection with the consummation of the Transactions. No registration with or consent or approval of, or other action by, any Governmental Authority was required in connection with the consummation of the Transactions.

(H) Enforceability. This Agreement constitutes, and each of the other Loan Documents when duly executed and delivered by each of the Loan Parties who are parties thereto will constitute, legal, valid and binding obligations of each of the Loan Parties enforceable in accordance with their respective terms except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(I) No Material Adverse Change. Since December 31, 2006, there has been no Material Adverse Change with respect to Rocky and its Subsidiaries, taken as a whole.

(J) Litigation. Except as described in the “Litigation Schedule” attached hereto as Schedule 4.1(J), as of and after the Closing Date, there are no actions, suits or proceedings at law or in equity or by or before any arbitrator or any Governmental Authority now pending or, to the best knowledge of the Loan Parties’ management after reasonable inquiry, threatened against or filed by or affecting Company, any of the Loan Parties or any of their directors or officers or the businesses, assets or rights of any of the Loan Parties which are reasonably likely to have a Material Adverse Effect.

(K) Compliance with Laws. The Loan Parties are not in violation in any material respect of any applicable Law which any such violation (or such violations, if any, in the aggregate) is reasonably likely to have a Material Adverse Effect. The Loan Parties are not in, and the consummation of the Transactions will not cause any, default concerning any judgment, order, writ, injunction or decree of any Governmental Authority. As of and after the Closing Date, there is no investigation, enforcement action or regulatory action pending or, to the knowledge of the Loan Parties, threatened against or affecting any of the Loan Parties by any Governmental Authority, except as set forth on the Litigation Schedule, which is reasonably likely to have a Material Adverse Effect. Except as set forth in the Litigation Schedule, as of and after the Closing Date, there is no remedial or other corrective action that any of the Loan Parties is required to take to remain in compliance with any judgment, order, writ, injunction or decree of any Governmental Authority or to maintain any material permits, approvals or licenses granted by any Governmental Authority in full force and effect which is reasonably likely to have a Material Adverse Effect. To the knowledge of Parent, during the past ten (10) years, none of the executive officers, directors or management of Parent or any of its Subsidiaries have been arrested or convicted of any material crime nor have any of them been bankrupt or an officer or director of a bankrupt corporation or other entity.

(L) Environmental Protection. Except as specified in “Environmental Schedule” attached hereto as Schedule 4.1(L), and after giving effect to the Transactions, except for materials, conditions, operations and noncompliance which is not reasonably likely to have a Material Adverse Effect: (i) the business of the Loan Parties and each of their Subsidiaries, the methods and means employed by the Loan Parties (and their Subsidiaries) in the operation thereof (including all operations and conditions at or in the properties of the Loan Parties or any of their Subsidiaries), the assets owned, leased, managed, used, controlled, held or operated by the Loan Parties and/or their Subsidiaries comply in all material respects with all applicable Environmental Laws; (ii) with respect to the Properties and Facilities, and except as disclosed in the Environmental Schedule, the Loan Parties (and their Subsidiaries) have obtained, possess, and are in compliance in all material respects with all permits, licenses, reviews, certifications, approvals, registrations, consents, and any other authorizations required of a Loan Party (or any Subsidiary thereof) or other party under any Environmental Laws; (iii) the Loan Parties or any of their Subsidiaries have not received (x) any claim or notice of violation, lien, complaint, suit, order or other claim or notice to the effect that the Loan Parties (or any of their Subsidiaries) are or may be liable to any Person as a result of (A) the environmental condition of any of their Properties and Facilities or any other property, or (B) the release or threatened release of any Pollutant, or (y) any letter or request for information under Section 104 of the CERCLA, or comparable state Laws, and to the best of the any of Loan Parties’ knowledge, none of the operations of the Loan Parties or any of their Subsidiaries is the subject of any investigation by a Governmental Authority evaluating whether any remedial action is needed to respond to a release or threatened release of any Pollutant at the Properties and Facilities or at any other location, including any location to which the Loan Parties or any of their Subsidiaries have transported, or arranged for the transportation of, any Pollutants with respect to the Properties and Facilities; (iv) except as disclosed in the Environmental Schedule, neither the Loan Parties, nor any of their Subsidiaries nor, to the knowledge of the Loan Parties, any prior owner or operator has incurred in the past, or is now subject to, any Environmental Liabilities; (v) except as disclosed in the Environmental Schedule, to the knowledge of the Loan Parties, there are no Liens, covenants, deed restrictions, notice or registration requirements, or other limitations applicable to the Properties and Facilities, based upon any Environmental Laws or other legal obligations; (vi) to the knowledge of the Loan Parties, there are no USTs located in, at, on, or under the Properties and Facilities or other than the USTs identified in the Environmental Schedule as USTs; and, to the knowledge of the Loan Parties, each of those USTs is in compliance in all material respects with all Environmental Laws and other legal obligations; and (vii) except as disclosed in the Environmental Schedule, to the knowledge of the Loan Parties, there are no PCBs, lead paint, asbestos (of any type or form), or materials, articles or products containing PCBs, lead paint or asbestos, located in, at, on, under, a part of, or otherwise related to the Properties and Facilities, and, to the knowledge of the Loan Parties, all of the PCBs, lead paint, asbestos, and materials, articles and products containing PCBs, lead paint or asbestos identified in the Environmental Schedule are in compliance in all material respects with all Environmental Laws and other legal obligations.

(M) Legal Investments; Use of Proceeds. The Loan Parties will use the proceeds from the Loans to provide for the ongoing working capital and general corporate requirements of the Loan Parties. The Loan Parties are not engaged in the business of extending credit for the purpose of purchasing or carrying any “margin stock” or “margin security” (within the meaning of Regulations T, U or X issued by the Board of Governors of the Federal Reserve System), and no proceeds of the Loans will be used to purchase or carry any margin stock or margin security or to extend credit to others for the purpose of purchasing or carrying any margin stock or margin security.

(N) Taxes. The Loan Parties have filed or caused to be filed all federal, state and local tax returns that are required to be filed by it and their Subsidiaries, and have paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessments received by it, including payroll taxes, other than such Charges (i) which are being contested in good faith by such Person, as the case may be, by appropriate proceedings diligently instituted and conducted and without the risk of the imposition of a Lien with respect to a material portion of the Collateral and (ii) with respect to which a reserve or other appropriate provision, if any, as is required in conformity with GAAP shall have been made. Parent has no knowledge of any proposed tax assessment against Parent or any of its Subsidiaries that is reasonably likely to have a Material Adverse Effect.

(O) Labor and Employment. Except where noncompliance is not reasonably likely to have a Material Adverse Effect, each Loan Party, ERISA Affiliate and each Plan is in compliance in all material respects with those provisions of ERISA, the Code, the Age Discrimination in Employment Act, and the regulations and published interpretations thereunder that are applicable to the Loan Party, or ERISA Affiliate or any such Plan. As of the date hereof, no Reportable Event has occurred with respect to any Plan maintained by any Loan Party or ERISA Affiliate as to which said Loan Party or ERISA Affiliate is or was required to file a report with the PBGC. No Plan has any amount of unfunded benefit liabilities (within the meaning of Section 4001(a)(18) of ERISA) or any accumulated funding deficiency (within the meaning of Section 302(a)(2) of ERISA), whether or not waived, and none of the Loan Parties, nor any ERISA Affiliate or any member of the Controlled Group has incurred or expects to incur any withdrawal liability under Subtitle E of Title IV of ERISA to a Multiemployer Plan. Except where noncompliance is not reasonably likely to have a Material Adverse Effect, the Loan Parties and ERISA Affiliates are in compliance in all material respects with all labor and employment laws, rules, regulations and requirements of all applicable domestic and foreign jurisdictions. There are no pending or threatened labor disputes, work stoppages or strikes either (x) as of the Closing Date or (y) thereafter that are reasonably likely to have a Material Adverse Effect.

(P) Investment Company Act; Public Utility Holding Company Act. None of the Loan Parties are (i) an “investment company” or “controlled” by an investment company within the meaning of the Investment Company Act of 1940, as amended, or (ii) a “holding company” or a “subsidiary company” of a “holding company” or an “affiliate” of a “holding company” or of a “subsidiary company” of a “holding company,” within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(Q) Properties; Security Interests. The Loan Parties have good (and, solely as to real estate, marketable) title to, or valid leasehold interests in, or valid licenses to use, all of the material assets and properties used or useful by the Loan Parties in the Business (collectively, the “Properties and Facilities”), subject to no Liens except for Permitted Liens. On and after the Closing Date, Agent has a valid, perfected and, except for Liens set forth in clauses (c), (e), (g) or (h) of the definition of Permitted Liens, first priority Liens in the Properties and Facilities, all of which constitutes Collateral (except to the extent any of the same constitutes Excluded Property), securing the payment of the Obligations, and such Liens are entitled to all of the rights, priorities and benefits afforded by the UCC or other applicable Law as enacted in any relevant jurisdiction which relates to perfected Liens. All of the Properties and Facilities are in good repair, working order and condition. As of the Closing Date, all real estate owned or leased by the Loan Parties is listed on the “Properties Schedule,” attached hereto as Schedule 4.1(Q).

(R) Intellectual Property; Licenses. Each of the Loan Parties possesses or licenses all Proprietary Rights necessary to conduct the Business as heretofore conducted or as proposed to be conducted by it. All Proprietary Rights registered in the name of the Loan Parties and applications therefor filed by the Loan Parties are listed on the “Intellectual Property Schedule,” attached hereto as Schedule 4.1(R). No event has occurred that permits, or after notice or lapse of time or both would permit, the revocation or termination of any of the foregoing, which taken in isolation or when considered with all other such revocations or terminations could have a Material Adverse Effect. None of the Proprietary Rights owned by or used under license by the Loan Parties infringes, misappropriates or conflicts with any Proprietary Rights or other rights of any other Person; no products or services sold by any of the Loan Parties in connection with the Business is infringing on, misappropriating or making any unlawful or unauthorized use of any Proprietary Rights or other rights of another Person; and no other Person is infringing upon, misappropriating or making any unlawful or unauthorized use of any Proprietary Rights of any of the Loan Parties; except, in each case, to the extent any such infringement, misappropriation, conflict or unlawful or unauthorized use could not reasonably be expected to have a Material Adverse Effect. None of the Loan Parties has notice or knowledge of any facts or any past, present or threatened occurrence that could preclude or impair the Loan Parties’ ability to retain or obtain any authorization necessary for the operation of the Business.



(S) Solvency. After giving effect to the Transactions, (i) the fair value of the assets of the Loan Parties, at a fair valuation, will exceed their debts and Liabilities, subordinated, contingent or otherwise, (ii) the present fair saleable value of the property of the Loan Parties will be greater than the amount that will be required to pay the probable liability of their debts and other Liabilities, subordinated, contingent or otherwise, as such debts and other Liabilities become absolute and matured, (iii) the Loan Parties will be able to pay their debts and Liabilities, subordinated, contingent or otherwise, as such debts and Liabilities become absolute and matured, and (iv) the Loan Parties will not have unreasonably small capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted following the Closing Date. The determination of whether a Person is solvent shall take into account all such Person's properties and liabilities regardless of whether, or the amount at which, any such property or liability is included on a balance sheet of such Person prepared in accordance with GAAP, including properties such as contingent contribution or subrogation rights, business prospects, distribution channels and goodwill. The determination of the sum of a Person's properties at a fair valuation or the present fair saleable value of a Person's properties shall be made on a going concern basis, unless at the time of such determination the liquidation of the business in which such properties are used or useful is in process or is reasonably anticipated. In computing the amount of contingent or unrealized properties or contingent or unliquidated liabilities at any time, such properties and liabilities will be computed at the amounts which, in light of all the facts and circumstances existing at such time, represent the amount that reasonably can be expected to become realized properties or matured liabilities, as the case may be. In computing the amount that would be required to pay a Person's probable liability on its existing debts as they become absolute and matured, reasonable valuation techniques, including a present value analysis, shall be applied using such rates over such periods as are appropriate under the circumstances, and it is understood that, in appropriate circumstances, the present value of contingent liabilities or obligations under Guaranties may be zero.

(T) Complete Disclosure. All factual information furnished by or on behalf of the Loan Parties to Agent for purposes of or in connection with the GMAC Transactions, or any of the other Transactions, is, to Parent's knowledge, and all other such factual information hereafter furnished by or on behalf of the Loan Parties, except to the extent any of the same relates expressly to any earlier date, will be, true and accurate in all material respects on the date as of which such information is furnished and not incomplete by omitting to state any fact necessary to make such information not misleading at such time in light of the circumstances under which such information was provided.

(U) Side Agreements. Except as set forth in Schedule 4.1(U), as of the Closing Date, none of the Loan Parties nor any Affiliate of the Loan Parties nor any director, officer or employee of the Loan Parties or any of their Affiliates, respectively, has entered into, as of the date hereof, any side agreement, either oral or written, with any individual or business, pursuant to which the director, officer, employee, Loan Party or Affiliate agreed to do anything beyond the requirements of the formal, written contracts executed by the Loan Parties and disclosed to the Lenders and Agent herein.

(V) Broker's or Finder's Commissions. No broker's or finder's or placement fee or commission will be payable to any broker or agent engaged by the Loan Parties or any of their officers, directors or agents with respect to the GMAC Transactions, except for fees payable to Agent. The Loan Parties agree to indemnify Agent and Lenders and to hold them harmless from and against any claim, demand or liability for broker's or finder's or placement fees or similar commissions, whether or not payable by the Loan Parties, alleged to have been incurred in connection with the GMAC Transactions, other than any broker's or finder's fees payable to Persons engaged by Agent or Lenders without the knowledge of the Loan Parties.

(W) Material Contracts. Schedule 4.1(W) lists, as of the Closing Date, each material contract to which the Loan Parties are a party, by which any of them or their respective properties is bound or to which any of them is subject (collectively, "Material Contracts"), and also indicates the parties, subject matter and term thereof. As of the Closing Date, (i) each Material Contract is in full force and effect and is enforceable by the Loan Party that is a party thereto in accordance with its terms, and (ii) none of the Loan Parties (nor, to the knowledge of the Loan Parties, any other party thereto) is in breach of or default under any Material Contract in any material respect or has given notice of termination or cancellation of any Material Contract.

(X) Foreign Assets Control Regulations, Etc. None of the Loan Parties are an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§ 1 et seq.), as amended. None of the Loan Parties are in violation of (a) the Trading with the Enemy Act, as amended, (b) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or (c) the USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001 (the "Patriot Act"). No Loan Party (i) is a blocked person described in section 1 of the Anti-Terrorism Order or (ii) to the best of its knowledge, engages in any dealings or transactions, or is otherwise associated, with any such blocked person.

(Y) Parent SEC Reports.

(i) Parent has filed all required material forms, reports, schedules, statements and other documents (including exhibits and other information incorporated therein) with the SEC since December 31, 2001 (collectively, the "Parent SEC Reports"). As of their respective dates, or, if amended, as of the date of the last such amendment, each Parent SEC Report, (a) complied in all material respects with the applicable requirements of the Securities Act, the Securities Exchange Act, and the rules and regulations thereunder applicable to such Parent SEC Reports and (b) did not, and in the case of such forms, reports, schedules, statements and other documents filed after the date hereof will not as of the time they are filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated financial statements included in or incorporated by reference into the Parent SEC Reports (including the related notes and schedules) were, and in the case of such consolidated financial statements filed after the date hereof will be, prepared materially in accordance with the published rules and regulations of the SEC, and fairly presents (as to such previously filed items) in all material respects the consolidated financial position of Parent and its Subsidiaries as of its date, and each of the consolidated statements of operations, stockholders' equity and cash flows included in or incorporated by reference into the Parent SEC Reports (including any related notes and schedules) fairly presents (as to such previously filed items) in all material respects the financial position, results of operations and cash flows, as the case may be, of Parent and its Subsidiaries for the periods set forth therein, in each case in accordance with GAAP consistently applied during the periods involved, except as may be noted therein (and subject, in the case of unaudited statements, to normal year-end audit adjustments and the absence of footnotes).

(ii) As of the Closing Date, (x) there is no investigation by the SEC pending or threatened with respect to any Parent SEC Report, (y) none of the Parent SEC Reports are the subject of open, unresolved comments from the SEC and (z) to the knowledge of Parent, there is no material unresolved violation of the Securities Exchange Act or the published rules and regulations of the SEC asserted by the SEC with respect to the Parent SEC Reports.

(Z) Current Business Practices. None of the Loan Parties, nor, to the knowledge of the Loan Parties, any of their respective directors, officers, agents, employees or representatives in their capacities as such has knowingly (or unknowingly, in the case where such conduct is reasonably likely to have had a Material Adverse Effect): (i) used any funds for unlawful contributions, unlawful gifts, unlawful entertainment or other unlawful expenses relating to political activity; (ii) directly or indirectly paid or delivered any fee, commission or other sum of money or item of property, however characterized, to any finder, agent or other party acting on behalf of or under the auspices of a governmental official or Governmental Authority, in the US or any other country, which is in any manner related to the Business that was illegal under federal, state or local laws of the US or any other country having jurisdiction; (iii) made any payment to any customer or subcontractor of the Business or to any officer, director, partner, employee or agent of any such customer or subcontractor, for the unlawful influence of any such customer or subcontractor or any such officer, director, partner, employee or agent; (iv) engaged in any other unlawful reciprocal practice, or made any other unlawful payment or given any other unlawful consideration to any such customer or subcontractor or any such officer, director, partner, employee or agent, in respect of the Business; or (v) except as set forth on Schedule 4.1(Z), violated any federal, state or local campaign finance, election or similar laws.

4.2. Absolute Reliance on the Representations and Warranties. All representations and warranties contained in this Agreement and any financial statements, instruments, certificates, schedules or other documents delivered in connection herewith, shall survive the execution and delivery of this Agreement, regardless of any investigation made by Agent or Lenders or on Agent's or Lenders' behalf.

SECTION 5. COVENANTS

5.1. Affirmative Covenants. Each Loan Party (unless otherwise specified) covenants that, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit, each of the Loan Parties shall:

(A) Existence. Do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence.

(B) Businesses and Properties; Compliance with Laws. At all times (i) do or cause to be done all things necessary to preserve, renew and keep in full force and effect the rights, licenses, registrations, permits, certifications, approvals, consents, franchises, Patents, Copyrights, Trademarks and trade names, and any other trade names that are material to the conduct of its businesses; (ii) comply in all material respects with all Laws applicable to the operation of such business, including but not limited to, all Environmental Laws, whether now in effect or hereafter enacted, (iii) take all action that may be required to obtain, preserve, renew and extend all rights, Patents, Copyrights, Trademarks, tradenames, franchises, registrations, certifications, approvals, consents, licenses, permits and any other authorizations that are material to the operation of such business, (iv) maintain, preserve and protect all property material to the conduct of such business, and (v) except for obsolete, worn-out equipment or equipment no longer useful in the operation of the Business and ordinary wear and tear, keep its property in good repair, working order and condition and from time to time make, or cause to be made, all needful and proper repairs, renewals, additions, improvements and replacements thereto deemed necessary by Parent or such Loan Party in order that the Business may be properly conducted at all times.

(C) Insurance. Maintain insurance required by the Loan Documents and any and all contracts entered into by the Loan Parties, including but not limited to: (i) coverage on their insurable properties (including all Inventory, Equipment and real property) against the perils of fire, theft, hazard and burglary; (ii) public liability; (iii) workers' compensation; (iv) business interruption; (v) product liability; and (vi) such other risks as are customary with companies similarly situated and in the same or similar business as that of the Loan Parties under policies issued by financially sound and reputable insurers in such amounts as are customary with companies similarly situated and in the same or similar business. Each of the Loan Parties shall pay or shall cause to be paid all insurance premiums payable by it or its Subsidiaries and, upon Agent's request, shall deliver a copy of the policy or policies of such insurance (or certificates of insurance with copies of such policies) to Agent. All insurance policies of the Loan Parties shall contain endorsements, in form and substance reasonably satisfactory to Agent, providing that the insurance shall not be cancelable except upon prior written notice to Agent given within a period satisfactory to Agent. Agent, on behalf of Lenders, shall be shown as a loss payee and an additional named insured party under all such insurance policies (as well as under all business interruption insurance of Loan Parties), in each case pursuant to appropriate endorsements in form and substance satisfactory to Agent. No notice of cancellation has been received with respect to such policies and each Loan Party, and each of its Subsidiaries, is in material compliance with all conditions contained in such policies. Loan Parties shall provide Agent evidence of the insurance coverage and of the assignments and endorsements required by this Agreement immediately upon request by Agent and upon renewal of any existing policy. If Borrower elects to change insurance carriers, policies or coverage amounts, Borrower shall notify Agent and provide Agent with evidence of the updated insurance coverage and of the assignments and endorsements required by this Agreement. In the event Borrower fails to provide Agent with evidence of the insurance coverage required by this Agreement, Agent may, but is not required to, purchase insurance at Loan Parties' expense to protect Agent's and the Lender's interests in the Collateral. This insurance may, but need not, protect any Loan Party's interests. The coverage purchased by Agent may not pay any claim made by any Loan Party or any claim that is made against any Loan Party in connection with the Collateral. Loan Parties may later cancel any insurance purchased by Agent, but only after providing Agent with evidence that the applicable Loan Party has obtained insurance as required by this Agreement. If Agent purchases insurance for the Collateral, Loan Parties will be responsible for the costs of that insurance, including interest thereon and other charges imposed on Agent in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance, and such costs may be added to the Obligations. The costs of the insurance may be more than the cost of insurance Loan Parties are able to obtain on their own. Any proceeds received from any policies of insurance relating to Collateral shall be applied to the Obligations in accordance with Section 2.4(E); provided, however, if Borrower reasonably expects the proceeds of any insurance to be reinvested within one hundred eighty (180) days to repair or replace such assets with like assets, to the extent not paid directly to Agent by the applicable insurance company, Borrower shall deliver such insurance proceeds to Agent to be applied to the Revolving Loan and Agent shall establish a reserve against available funds for borrowing purposes under the Revolving Loan for such amount, until such time as such proceeds have been re-borrowed or applied to other Obligations as set forth herein and Borrower may, so long as no Default or Event of Default shall have occurred and be continuing, re-borrow such proceeds only for such repair or replacement. If Borrower fails to reinvest such insurance proceeds within one hundred eighty (180) days, Borrower hereby authorizes Agent and Lenders to make a Revolving Advance in the amount of the remaining reserve to repay the Loans in the manner set forth in Section 2.4(E).

(D) Obligations and Taxes. Pay and discharge promptly when due all taxes, assessments and governmental charges or levies imposed upon them or upon their income or profits or in respect of their properties before the same shall become delinquent or in default, as well as all lawful claims for labor, materials and supplies or otherwise, which, if unpaid, might give rise to Liens or charges upon such properties or any part thereof; provided, however, that the Loan Parties shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as (i) the validity or amount thereof shall be contested in good faith by appropriate proceedings and (ii) the Loan Parties shall have set aside on their books adequate reserves with respect thereto in accordance with GAAP.

(E) Financial Statements; Reports. Parent will furnish to Agent:

( 1 ) Annual Financial Statements. Within ninety (90) days after the end of each Fiscal Year of Rocky on a Consolidated Basis, financial statements of Rocky on a Consolidated Basis including, but not limited to, statements of income and stockholders' equity and cash flow from the beginning of the current Fiscal Year to the end of such Fiscal Year and the balance sheet as at the end of such Fiscal Year, all prepared in accordance with GAAP applied on a basis consistent with prior practices, and in reasonable detail and reported upon without qualification by an independent certified public accounting firm selected by Parent and satisfactory to Agent (the "Accountants"). The report of the Accountants shall be accompanied by a statement of the Accountants certifying that (i) they have caused the Loan Agreement to be reviewed, (ii) in making the examination upon which such report was based either no information came to their attention which to their knowledge constituted an Event of Default under this Agreement or any related agreement or, if such information came to their attention, specifying any such Event of Default, its nature, when it occurred and whether it is continuing, and such report shall contain or have appended thereto calculations which set forth Loan Parties' compliance with each covenant set forth in Section 5.3. In addition, the reports shall be accompanied by a certificate of Parent's Chief Financial Officer which shall state that, based on an examination sufficient to permit him to make an informed statement, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default, its nature, when it occurred, whether it is continuing and the steps being taken by Loan Parties with respect to such event, and such certificate shall have appended thereto calculations which set forth Loan Parties' compliance with the covenant set forth. The foregoing certificate of Parent's Chief Financial Officer shall also set forth a calculation of the Total Leverage Ratio for purposes of determining the Applicable Margin with respect to the then current Calculation Period.

( 2 ) Quarterly Financial Statements. Within forty-five (45) days after the end of each fiscal quarter, other than the fourth fiscal quarter of each Fiscal Year, an unaudited balance sheet of Rocky on a Consolidated Basis and unaudited statements of income and stockholders' equity and cash flow of Rocky on a Consolidated Basis reflecting results of operations from the beginning of the Fiscal Year to the end of such quarter and for such quarter, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to normal and recurring year end adjustments that individually and in the aggregate are not material to the business of Rocky on a Consolidated Basis. Each such balance sheet, statement of income and stockholders' equity and statement of cash flow shall set forth a comparison of the figures for (w) the current fiscal period and (x) the current year-to-date with the figures for (y) the same fiscal period and year-to-date period of the immediately preceding Fiscal Year and (z) the projections for such fiscal period and year-to-date period delivered pursuant to Section 5.1(E)(e). The financial statements shall be accompanied by a certificate signed by the Chief Financial Officer of Parent, which shall state that, based on an examination sufficient to permit him to make an informed statement, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default, its nature, when it occurred, whether it is continuing and the steps being taken by Loan Parties with respect to such default and, such certificate shall have appended thereto calculations which set forth Loan Parties' compliance with the covenant set forth in Section 5.3. The foregoing certificate of Parent's Chief Financial Officer shall also set forth a calculation of the Total Leverage Ratio for purposes of determining the Applicable Margin with respect to the then current Calculation Period.

(3) Monthly Financial Statements. Within (a) ninety (90) days after the end of each December, (b) sixty (60) days after the end of each January and (c) thirty (30) days after the end of each other month, an unaudited balance sheet of Rocky on a Consolidated Basis and unaudited statements of income and stockholders' equity of Rocky on a Consolidated Basis reflecting results of operations from the beginning of the Fiscal Year to the end of such month and for such month, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to normal and recurring year end adjustments that individually and in the aggregate are not material to the business of Loan Parties. Each such balance sheet, statement of income and stockholders' equity shall set forth a comparison of the figures for (w) the current fiscal period and (x) the current year-to-date with the figures for (y) the same fiscal period and year-to-date period of the immediately preceding Fiscal Year and (z) the projections for such fiscal period and year-to-date period delivered pursuant to Section 5.1(E)(e). The financial statements shall be accompanied by a certificate of Parent's Chief Financial Officer, which shall state that, based on an examination sufficient to permit him to make an informed statement, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default, its nature, when it occurred, whether it is continuing and the steps being taken by Loan Parties with respect to such event and, such certificate shall have appended thereto calculations which set forth Loan Parties' compliance with the covenants set forth in Section 5.3.

(4) Reserved.

(5) Projections. As soon as available, but in no event later than December 31 of each Fiscal Year, a projection of the balance sheets, and income, retained earnings and cash flow statements, respectively, for the then current Fiscal Year (which shall be provided in monthly format) and comparable actual and budgeted figures for the current year, each of the foregoing for Rocky on a Consolidated Basis, and within ten (10) days after any material update or amendment of any such plan or forecast, a copy of such update or amendment, including a description of and reasons for such update or amendment. Each such projection, update or amendment shall be accompanied by a written certificate signed by Parent's Chief Financial Officer to the effect that it has been prepared on the basis of the Loan Parties' historical financial statements and records, together with the assumptions set forth in such projection and that it reflects expectations, after reasonable analysis, of the Loan Parties' management as to the matters set forth therein.

(6) Variances From Operating Budget. Upon request of Agent, concurrently with the delivery of the financial statements referred to in Sections 5.1(E)(a), (b), and (c), a written report summarizing all material variances from budgets submitted by Loan Parties pursuant to Section 5.1(E)(e) and a discussion and analysis by Parent's management with respect to such variances.

( 7 ) Borrowing Base Certificate. (A) On a monthly basis, within fifteen (15) days after the end of each calendar month, a Borrowing Base Certificate calculated as of the last Business Day of the immediately preceding month; provided, however, that if Undrawn Availability is less than \$15,000,000 for any five (5) consecutive Business Days, then, a Borrowing Base Certificate calculated as of the last Business Day of the immediately preceding week shall be delivered a weekly basis (or more frequently if required by Agent), on Tuesday of each week (unless a different day or more frequent days are required by Agent); (B) provided further, however that if Undrawn Availability is greater than \$17,000,000 (including, for clarification purposes, the requirements of Section 5.3(C)) for any ten (10) consecutive Business Days thereafter, then Borrower shall provide monthly a Borrowing Base Certificate pursuant to and subject to the conditions of clause (A) above; and provided, however, in any case, that the information set forth on each Borrowing Base Certificate with respect to Eligible Inventory shall be (x) calculated as of the last Business Day of the immediately preceding month for each monthly Borrowing Base Certificate and (y) calculated as of date not earlier than thirty (30) days prior to the preparation thereof for each weekly or more frequently delivered Borrowing Base Certificate.

(8) Collateral Reports. On or before the thirtieth (30th) day of each month as and for the prior month (a) accounts receivable agings (which shall be in summary form unless a more detailed format is requested by the Agent), (b) accounts payable agings, and (c) Inventory reports. In addition, each Loan Party shall deliver to Agent at such intervals as Agent may require: (i) confirmatory assignment schedules, (ii) copies of Customer's invoices, (iii) evidence of shipment or delivery, and (iv) such further schedules, documents and/or information regarding the Collateral as Agent may require including, without limitation, trial balances and test verifications. Agent shall have the right to confirm and verify all Accounts by any manner and through any medium it considers advisable and do whatever it may deem reasonably necessary to protect its interests hereunder. The items to be provided under Section 5.1(E)(g) and (h) are to be in form satisfactory to Agent and delivered to Agent from time to time solely for Agent's convenience in maintaining records of the Collateral, and any Loan Party's failure to deliver any of such items to Agent shall not affect, terminate, modify or otherwise limit Agent's Lien with respect to the Collateral.

(9) Additional Information. Promptly, from time to time, such other information regarding the compliance by the Loan Parties with the terms of this Agreement and the other Loan Documents or the affairs, operations or condition (financial or otherwise) of the Loan Parties, and any tax returns filed by the Loan Parties, all as Agent may reasonably request and that is capable of being obtained, produced or generated by the Loan Parties or of which the Loan Parties have knowledge.

(10) Reconciliation Statements. If, as a result of any change in accounting principles and policies from those used in the preparation of the audited financial statements referred to in Section 5.1(E) hereof (other than an immaterial change in GAAP), the consolidated financial statements of the Loan Parties delivered pursuant to Section 5.1(E) (a), (b) or (e) hereof will differ in any material respect from the consolidated financial statements that would have been delivered pursuant to such Sections had no such change in accounting principles and policies been made, then (A) together with the first delivery of financial statements pursuant to Section 5.1(E) (a), (b) or (e) hereof following such change, consolidated financial statements of the Loan Parties for (y) the current Fiscal Year to the effective date of such change and (z) the two full Fiscal Years immediately preceding the Fiscal Year in which such change is made, in each case prepared on a pro forma basis as if such change had been in effect during such periods, and (B) together with each delivery of financial statements pursuant to Section 5.1(E) (a), (b) or (e) hereof following such change, a written statement of the chief financial officer of each Loan Party setting forth the differences (including any differences that would affect any calculations relating to the financial covenants set forth in Section 5.3) which would have resulted if such financial statements had been prepared without giving effect to such change.



(11) Inventory Location Statements. On or prior to December 31 in each year, in a form similar to the Schedule 6.1(L) delivered on or about the Closing Date, indicating all locations where Inventory valued in excess of \$50,000 (based upon cost) is then in the possession of any consignee, bailee, warehouseman, agent or processor.

(F) Litigation and Other Notices. Give Agent written notice (and copies, as applicable) of the following promptly after any Loan Party has or receives notice or knowledge of the following:

(1) Orders; Injunctions. The issuance by any court or Governmental Authority of any injunction, order, decision or other restraint prohibiting, or having the effect of prohibiting, the making of any loan or the initiation of any litigation or similar proceeding seeking any such injunction, order or other restraint.

(2) Litigation. The notice, filing or commencement of any action, suit or proceeding against any of the Loan Parties whether at law or in equity or by or before any court or any Federal, state, municipal or other Governmental Authority and that, if adversely determined against any of the Loan Parties, could result in uninsured liability in excess of \$1,000,000 in the aggregate and notice of any material development in such matter.

(G) Environmental Matters. Promptly notify Agent in writing upon the occurrence of (A) Any Release or threatened Release of any Pollutant required to be reported by a Loan Party or any of its Subsidiaries to any Governmental Authority under any applicable Environmental Laws with respect to the Properties and Facilities or any other property, (B) any Removal, Remedial or Response action taken by any of the Loan Parties or any of their Subsidiaries or any other Person in response to any Pollutant in, at, on or under, a part of or about any of the Properties and Facilities or any other property, (C) any violation by any of the Loan Parties of any Environmental Law, in each case, is reasonably likely to have a Material Adverse Effect, or (D) any notice, claim or other information received by, or knowledge of which is possessed by, a Loan Party that any of the Loan Parties or any of their Subsidiaries might be subject to an Environmental Liability that could result in uninsured Liability in excess of \$1,000,000.

(H) Default; Material Occurrences. Promptly notify Agent in writing upon the occurrence of (a) any Event of Default or Default, specifying the nature and extent thereof and the action (if any) that is proposed to be taken with respect thereto; (b) any event of default under the Note Purchase Agreement; (c) any event which with the giving of notice or lapse of time, or both, would constitute an event of default under the Note Purchase Agreement; (d) any event, development or circumstance whereby any financial statements or other reports furnished to Agent fail in any material respect to present fairly, in accordance with GAAP consistently applied, the financial condition or operating results of any Loan Party as of the date of such statements; (e) any accumulated retirement plan funding deficiency which, if such deficiency continued for two plan years and was not corrected as provided in Section 4971 of the IRC, could subject any Loan Party to a tax imposed by Section 4971 of the IRC; (f) each and every default by any Loan Party which might result in the acceleration of the maturity of any Indebtedness with an outstanding balance in excess of \$500,000, including the names and addresses of the holders of such Indebtedness with respect to which there is a default existing or with respect to which the maturity has been or could be accelerated, and the amount of such Indebtedness; (g) termination of any of the Material License Agreements which such termination is reasonably likely to have a Material Adverse Effect and (h) any other development in the business or affairs of any Loan Party which is reasonably likely to have a Material Adverse Effect; in each case describing the nature thereof and the action Loan Parties propose to take with respect thereto.

(I) ERISA. Comply in all material respects with the applicable provisions of ERISA and the provisions of the Code relating thereto and furnish to Agent, and if requested by them in writing, furnish to Lenders, (i) as soon as possible, and in any event within thirty (30) days after the Loan Parties know or have reason to know thereof, notice of (A) the establishment by the Loan Parties or ERISA Affiliate of any Plan, (B) the commencement by the Loan Parties or ERISA Affiliate of contributions to a Multiemployer Plan, (C) any failure by the Loan Parties or any of their ERISA Affiliates to make contributions required by Section 302 of ERISA (whether or not such requirement is waived pursuant to Section 303 of ERISA), or (D) the occurrence of any Reportable Event with respect to any Plan or Multiemployer Plan for which the reporting requirement is not waived, together with a statement of an officer setting forth details as to such Reportable Event and the action that the Loan Parties propose to take with respect thereto, together with a copy of the notice of such Reportable Event given to the PBGC if any such notice was provided by the Loan Parties, and (ii) promptly after receipt thereof, a copy of any notice a Loan Party or ERISA Affiliate may receive from the PBGC relating to the intention of the PBGC to terminate any Plan or Multiemployer Plan, or to appoint a trustee to administer any Plan or Multiemployer Plan, and (iii) promptly after receipt thereof, a copy of any notice of withdrawal liability from any Multiemployer Plan.

(J) Maintaining Records; Access to Premises and Inspections. Maintain financial records in accordance with generally accepted practices and, upon reasonable notice, at all reasonable times and as often as Agent may reasonably request (and at any time after the occurrence and during the continuation of a Default or Event of Default), permit any authorized representative designated by Agent, subject to the same confidentiality provisions for Agent and Lenders as set forth in this Agreement, to visit and inspect the properties and financial records of the Loan Parties and to make extracts from such financial records, all at the Loan Parties' reasonable expense, and permit any authorized representative designated by Agent to discuss the affairs, finances and condition of the Loan Parties with the Loan Parties' chief financial officers and such other officers as the Loan Parties shall deem appropriate, and the Loan Parties' independent public accountants.

(K) Other Reports. Furnish Agent as soon as available, but in any event within ten (10) days after the issuance thereof, (i) with copies of such financial statements, reports and returns as each Loan Party shall send to its stockholders and (ii) copies of all notices sent pursuant to the Note Purchase Agreement.

(L) Patriot Act Compliance. Loan Parties shall provide such information and take such actions as are reasonably requested by the Agent or any Lender in order to assist the Agent and the Lenders in maintaining compliance with the Patriot Act.

(M) SEC Filings; Press Release. Promptly after the sending or filing thereof, Parent shall (x) send to Agent (either in writing or by e-mail) copies of all press releases and all statements concerning material changes or developments in the business of the Loan Parties made available by the Loan Parties to the public or any other creditor and (y) use reasonable efforts to send to Agent (either in writing or by e-mail) copies of all reports sent to the holders of the Common Stock of Parent generally and all reports and registration statements filed with the SEC or any national or foreign securities exchange or the National Association of Securities Dealers, Inc.

5.2. Negative Covenants. The Loan Parties, jointly and severally, covenant that, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit:

(A) Indebtedness. None of the Loan Parties shall create, incur, assume guarantee or be or remain liable for, contingently or otherwise, or suffer to exist any Indebtedness, except:

(a) Indebtedness under this Agreement;

(b) Indebtedness of Borrower incurred in the ordinary course of business with respect to customer deposits, trade payables and other unsecured current Liabilities not the result of borrowing and not evidenced by any note or other evidence of Indebtedness;

(c) Indebtedness under the Note Purchase Agreement;

(d) Purchase money Indebtedness of Borrower and Indebtedness consisting of Capital Leases, in the aggregate, not to exceed \$2,500,000 at any time outstanding;

(e) Intercompany Indebtedness between the Loan Parties, including between Parent and its Subsidiaries (which, for the sake of clarification, do not include trade payables incurred in the ordinary course of business), provided that the aggregate outstanding amount of Intercompany Indebtedness owing at any time by Subsidiaries that are not Loan Parties to Loan Parties shall not exceed \$10,000,000;

(f) Indebtedness to shareholders of Parent from share repurchases and redemptions under the Stockholders Agreement not to exceed \$500,000 in the aggregate in any Fiscal Year;

(g) Other Indebtedness of Loan Parties in the aggregate at any time outstanding of \$1,000,000; provided that such Indebtedness is unsecured and/or subordinated to the Indebtedness under this Agreement on terms reasonably satisfactory to Agent;

(h) Indebtedness of Borrower listed on the Permitted Indebtedness Schedule attached hereto as Schedule 5.2(A);

(i) Indebtedness incurred in connection with the financing of Loan Parties' insurance premiums;

(j) Indebtedness incurred in connection with Interest Rate Protection Agreements, in all cases not for speculative purposes, not to exceed in the aggregate a maximum potential Liability for the termination of such any and all such agreements, of \$7,500,000 at any time outstanding;

(k) Indebtedness incurred in connection with the purchase, financing or refinancing of real property, not to exceed the sum of \$5,000,000 in the aggregate at any time outstanding;

(l) obligations under any lease which is accounted for by the lessee as an operating lease and under which the lessee is intended to be the "owner" of the leased property for Federal income tax purposes; and

(m) Indebtedness incurred in connection with a Permitted Sale/Leaseback, not to exceed the sum of \$7,000,000.

(B) Negative Pledge; Liens.

The Loan Parties shall not create, incur, assume or suffer to exist any Lien of any kind on any of their properties or assets of any kind, except the following (collectively, "Permitted Liens"):

(a) Liens created in connection with the Loan Documents;

(b) Liens created in connection with the Note Purchase Documents which are subordinate and junior to the Liens of Agent and the Lenders and are subject to the terms of the Intercreditor Agreement;

(c) Liens for or priority claims imposed by law that are incidental to the conduct of business or the ownership of properties and assets (including mechanic's, warehousemen's, attorneys' and statutory landlords' Liens) and deposits and pledges incurred in the ordinary course of business and not in connection with the borrowing of money; provided, however, that in each case, the obligation secured is not overdue, or, if overdue, is being contested in good faith and adequate reserves have been set up by the Loan Parties as the case may be; and provided, further, that the Lien and security interest provided in the Loan Documents or any portion thereof created or intended to be created thereby is not, in the opinion of Agent, unreasonably jeopardized thereby;

(d) Liens securing the payments of Charges incurred in the ordinary course of business that either (A) are not delinquent, or (B) are being contested in good faith by appropriate legal or administrative proceedings and as to which adequate reserves have been set aside on their books, and so long as during the period of any such contest, the Loan Parties shall suffer no loss of any privilege of doing business or any other right, power or privilege necessary or material to the operation of the Business; provided, however, that a stay of enforcement of any such Lien is in effect and the first priority status of the Lien of Agent under the Loan Documents shall not be affected thereby;

(e) Liens securing Capital Leases, purchase money Indebtedness permitted under Section 5.2(A)(d) and Indebtedness incurred in connection with a Permitted Sale/Leaseback, in either case which attach solely to the assets being leased or purchased;

thereof; (f) Liens securing Indebtedness permitted under Section 5.2(A)(i) which attach solely to the applicable insurance policies and proceeds

(g) Liens securing Indebtedness permitted under Section 5.2(A)(k) which attach solely to the relevant real property and improvements;

(h) Liens listed on the "Permitted Liens Schedule" attached hereto as Schedule 5.2(B); and

(i) Extensions, renewals and replacements of Liens referred to in clauses (a), (b), (e), (g) or (j) of this Section 5.2(B); provided, however, that any such extension, renewal or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed or replaced and that the obligations secured by any such extension, renewal or replacement Lien shall be in an amount not greater than the amount of the obligations secured by the Lien extended, renewed or replaced at the time of such extension, renewal or replacement;

(j) Liens of any licensor or licensee in connection with license agreements entered into in the ordinary course of business, which such Liens do not constitute security interests in any assets of any Loan Party;

(k) any Lien or encumbrance, UCC financing statement, interest or title of a lessor under any operating lease entered into in the ordinary course of business, or any interest or title of any lessee under any leases or subleases of real property, with respect solely to the leased property and not to any other Collateral;

(l) with respect solely to real property, defects and irregularities in title, survey exceptions, encumbrances, licenses, covenants, restrictions, easements or reservations of others for rights-of-way, roads, pipelines, railroad crossings, services, utilities or other similar purposes; outstanding mineral rights or reservations (including rights with respect to the removal of material resources) which do not materially diminish the value of the surface estate, assuming usage of such surface estate similar to that being carried on by any Person as of the effective date, and Liens arising with respect to zoning restrictions, licenses, covenants, building restrictions and other similar charges or encumbrances on the use of real property of such Person which do not materially interfere with the ordinary conduct of such Person's business;

(m) Liens on any interest in life insurance on any officer, director or employee;

(n) Liens incurred or pledges and deposits made in the ordinary course of business in connection with worker's compensation, unemployment insurance, pensions or other types of social security benefits, or to secure the performance of statutory obligations or to secure the performance of bids, tenders, sales and contracts (other than for the repayment of borrowed money) and Liens incurred to secure any surety bonds, appeal bonds, supersedeas bonds or other instruments serving a similar purpose in connection with the appeal of any judgment or defense of any claim relating to a prejudgment Lien;

(o) Liens consisting of financing statements or similar notices filed by a Person of a type listed in Section 9-505 of the UCC solely in such capacity; and

(p) Liens consisting of judgments or attachments that would not constitute an Event of Default under Section 7.1(J).

(C) **Contingent Liabilities.** The Loan Parties shall not become liable for any Guaranties, except for (i) the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (ii) guaranties by a Loan Party with respect to Indebtedness of Borrower permitted under Section 5.2(A), (iii) Guaranties of Borrower with respect to a maximum potential liability of \$1,000,000 at any time outstanding, (iv) Guaranties, obligations, warranties and indemnities, not with respect to senior or funded Indebtedness of any Person, which have been or are undertaken or made in the ordinary course of business, in connection with the Transactions or in connection with the issuance of securities of the Parent, and (v) Guaranties of any Loan Party on behalf of such Loan Party's Subsidiary which is not a Loan Party, not to exceed in the aggregate at any time outstanding, guaranteed Indebtedness in the sum of \$1,000,000.

(D) Intentionally Omitted.

(E) **Mergers, etc.** Except for a merger or consolidation of any Subsidiary or Loan Party into another Loan Party (except for mergers or consolidations of Borrowers into Guarantors unless consented to in writing by Agent in its sole reasonable discretion), Loan Parties shall not alter the corporate, capital or legal structure of the Loan Parties, or merge into or consolidate or combine with any other Person, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) or purchase, lease or otherwise acquire (in one transaction or a series of related transactions) all or any substantial part of the property or assets of any Person in excess of the aggregate sum of \$5,000,000 during the term hereof in connection with a Permitted Acquisition. The Loan Parties shall not sell, transfer or otherwise dispose of any of its assets, including without limitation the Collateral, other than (i) sales, leases, assignments, transfers, conveyances or other dispositions of Inventory in the ordinary course of business; (ii) sales, assignments, transfers, conveyances or other dispositions (other than leases or subleases of leases) of properties outside of the ordinary course of business not to exceed in the aggregate more than \$100,000 in any Fiscal Year; (iii) in addition to dispositions permitted under clauses (i) and (ii) above, the disposition of Equipment of any Loan Party if such Equipment is obsolete or no longer useful in the ordinary course of such Loan Party's business; (iv) assignments and licenses of intellectual property in the ordinary course of business; (v) the sale or transfer of property of any Loan Party to any other Loan Party (except for sales or transfers by Borrowers to Guarantors unless consented to in writing by Agent in its sole reasonable discretion); (vi) subleases of leases or leases of property which, at the time of such sublease or lease, is then not currently being utilized in the Business; and (vii) any Permitted Sale/Leaseback.

(F) Affiliate Transactions. Other than by and between, or among, Parent, the Loan Parties and their respective Subsidiaries, in each case in a manner that is not materially economically detrimental to any Borrower, the Loan Parties shall not make any loan or advance to any director, officer or employee of the Loan Parties or any Affiliate, or enter into or be a party to any transaction or arrangement with any Affiliate of the Loan Parties, including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate, except pursuant to the reasonable requirements of the Loan Parties' business and upon fair and reasonable terms no less favorable to the Loan Parties than would be obtained in a comparable arm's-length transaction with a Person other than an Affiliate.

(G) Dividends. The Loan Parties shall not, directly or indirectly, declare or pay any dividends or make any distribution of any kind on their outstanding capital stock or any other payment of any kind to any of their stockholders or its Affiliates (including any redemption, purchase or acquisition of, whether in cash or in property, securities or a combination thereof, any partnership interests or capital accounts or warrants, options or any of their other securities), or set aside any sum for any such purpose other than for such dividends, distributions or payments paid solely to other Loan Parties and for any other purpose up to \$500,000 in the aggregate in any Fiscal Year.

(H) Advances, Investments and Loans. The Loan Parties shall not purchase, or hold beneficially any stock, other securities or evidences of Indebtedness of, or make or permit to exist any loan, Guaranty or advance to, or make any Investment or acquire any interest whatsoever in, any other Person (including, but not limited to, the formation or acquisition of any Subsidiaries), except, prior to the occurrence and continuance of any Default or Event of Default, and subject to the substantially contemporaneous delivery to Agent of such agreements, documents or instruments reasonably requested by Agent to obtain a first priority perfected security interest in any such Investment (other than those described in clauses (x), (xii) and (xiv) below, which would not constitute Collateral), any of the following (each, a "Permitted Investment"):

(i) securities issued or directly and fully guaranteed or insured by the US or any agency or instrumentality thereof having maturities of not more than six (6) months from the date of acquisition;

(ii) US dollar-denominated time deposits, certificates of deposit and bankers acceptances of any bank whose short-term debt rating from Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. ("S&P"), is at least A-1 or the equivalent or whose short-term debt rating from Moody's Investors Service, Inc. ("Moody's") is at least P-1 or the equivalent with maturities of not more than six months from the date of acquisition;

(iii) commercial paper with a rating of at least A-1 or the equivalent by S&P or at least P-1 or the equivalent by Moody's maturing within six months after the date of acquisition;

(iv) marketable direct obligations issued by any state of the US or any political subdivision of any such state or any public instrumentality thereof maturing within six months from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody's;

- (v) Investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (i) through (iv) above;
- (vi) Deposit Accounts maintained in accordance with the Blocked Account Agreements;
- (vii) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;
- (viii) Accounts owing to the Loan Parties, prepaid expenses and accrued expenses created or acquired in the ordinary course of Business and payable on customary trade terms of the Loan Parties;
- (ix) deposits made in the ordinary course of Business consistent with past practices to secure the performance of leases or in connection with bidding on government contracts;
- (x) loans to employees in an aggregate amount not in excess of \$100,000 at any one time per such employee (not to exceed in the aggregate at any time outstanding the sum of \$1,000,000 with respect to all employees of the Loan Parties), for the purpose of assisting such employees in the purchase of Common Stock;
- (xi) Investments or intercompany loans and advances of (A) Parent or a Subsidiary in or to any other Subsidiary (subject to a maximum amount of such loans and advances (which, for the sake of clarification, do not include trade payables incurred in the ordinary course of business) by Parent and any other Borrower to any and all such Subsidiaries of \$10,000,000 in the aggregate at any one time outstanding and provided that each such loan and advance is evidenced by a promissory note in form and substance satisfactory to Agent which is pledged by the payee as additional security for the Obligations), (B) any Subsidiary in or to the Parent or (C) any Guarantor in or to any other Loan Party;
- (xii) advances to sales representatives of Parent or any of its Subsidiaries in the ordinary course of Business and consistent with past practices;
- (xiii) additional Investments not otherwise permitted in this Section not to exceed \$1,000,000 in the aggregate at any one time outstanding;
- (xiv) Investments in certificates of deposit and bank deposits with financial institutions located in Puerto Rico and the Dominican Republic, solely to the extent necessary to maintain preferred tax treatment or country of origin status in such locations, not to exceed \$5,000,000 in the aggregate at any time outstanding;



(xv) Investments made pursuant to acquisitions permitted by this Agreement;

(xvi) Investments in Interest Rate Protection Agreements, derivative agreements, materials future contracts or other arrangements in connection with Indebtedness, in all cases not for speculative purposes, not to exceed in the aggregate a notional amount of \$60,000,000 at any time outstanding; and

(xvii) Deposit Accounts with financial institutions available for withdrawal on demand, subject to the provisions of Sections 6.1(K) and 6.4.

(I) Use of Proceeds. The Loan Parties shall not use any proceeds from the Loans advanced hereunder, directly or indirectly, for the purposes of purchasing or carrying any "margin securities" within the meaning of Regulations T, U or X promulgated by the Board of Governors of the Federal Reserve Board or for the purpose of arranging for the extension of credit secured, directly or indirectly, in whole or in part by collateral that includes any "margin securities."

(J) Press Release; Public Offering Materials. After the Closing Date, the Loan Parties shall not disclose the name of Agent or any Lender in any press release or in any prospectus, proxy statement or other materials filed with any governmental entity relating to a public offering of the capital stock of any Loan Party except as may be required by Law and then only (x) to the extent required by Law and (y) after providing Agent with prior written notice of such disclosure.

(K) Amendment of Charter Documents. The Loan Parties shall not amend, terminate, modify or waive or agree to the amendment, modification or waiver of any material term or provision of their Charter Documents, or By-laws, other than any amendment, modification or other change to any Charter Document or By-laws that does not adversely affect the rights and privileges of Parent or any Loan Party under the Loan Documents, or the interests of Agent or the Lenders under the Loan Documents or in the Collateral.

(L) Subsidiaries. The Loan Parties shall not establish nor acquire any new Subsidiary except (i) Foreign Subsidiaries, with the prior written consent of Agent not to be unreasonably withheld or (ii) domestic Subsidiaries, in connection with any acquisition permitted by this Agreement and/or where such Subsidiary becomes a Borrower or obligated pursuant to a Guaranty and grants Agent a first priority perfected security interest in substantially all of its assets, subject only to Permitted Liens.

(M) Business. The Loan Parties shall not engage, directly or indirectly, in any business other than the Business, and any business reasonably incidental thereto.

(N) Fiscal Year; Accounting. The Loan Parties shall not change their Fiscal Year from ending on December 31, or method of accounting (other than immaterial changes in methods), except as permitted or required by GAAP, in which case Agent shall be provided with not less than thirty (30) days advance written notice of any such change.

(O) Establishment of New or Changed Business Locations. The Loan Parties shall not relocate their principal executive offices or other facilities or establish new business locations or store any Inventory or other assets at a location not identified to Agent on or before the date hereof, without providing not less than thirty (30) days advance written notice to Agent.

(P) Business Practices. The Loan Parties shall not engage in, or permit any of their respective directors, officers, agents, employees or representatives in their capacities to engage in, any of the following: (i) use any funds for unlawful contributions, unlawful gifts, unlawful entertainment or other unlawful expenses relating to political activity; (ii) directly or indirectly pay or deliver any fee, commission or other sum of money or item of property, however characterized, to any finder, agent or other party acting on behalf of or under the auspices of a governmental official or Governmental Authority, in the US or any other country, which is in any manner related to the Business that was illegal under federal, state or local laws of the US or any other country having jurisdiction; (iii) make any payment to any customer or subcontractor of the Business or to any officer, director, partner, employee or agent of any such customer or subcontractor, for the unlawful influence of any such customer or subcontractor or any such officer, director, partner, employee or agent; (iv) engage in any other unlawful reciprocal practice, or make any other unlawful payment or give any other unlawful consideration to any such customer or subcontractor or any such officer, director, partner, employee or agent, in respect of the Business; or (v) violate any federal, state or local campaign finance, election or similar Laws, where any such conduct is either (x) done knowingly or (y) reasonably likely to have a Material Adverse Effect.

(Q) Sale or Discount of Accounts. The Loan Parties shall not, directly or indirectly, sell with recourse, or discount or otherwise sell for less than the face value thereof, any of its Accounts, except without recourse in the ordinary course of business in connection with the compromise or collection thereof and not as part of any financing transactions.

(R) Changes Relating to Note Purchase Documents; Prepayments. The Loan Parties shall not change or amend the terms of the Note Purchase Agreement, or any Second Priority Senior Secured Note, if such amendment shall not be permitted in accordance with the terms of the Intercreditor Agreement, as amended from time to time, nor shall Loan Parties make any prepayments in any Fiscal Year in respect of any Second Priority Senior Secured Note except as contemplated in Section 2.4(E).

5.3. Financial Covenants. Parent covenants that, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash of all Obligations and termination of all Lender Letters of Credit, it shall maintain, on a consolidated basis, the following:

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

Period	Fixed Charge Coverage Ratio
Four Quarters ending June 30, 2007	1.30 to 1.00
Four Quarters ending September 30, 2007	1.20 to 1.00
Four Quarters ending December 31, 2007	1.15 to 1.00
Four Quarters ending March 31, 2008	1.10 to 1.00
Four Quarters ending June 30, 2008	1.10 to 1.00
Four Quarters ending September 30, 2008	1.10 to 1.00
Four Quarters ending December 31, 2008	1.10 to 1.00
Each four Quarter period ending thereafter	1.10 to 1.00

(B) Capital Expenditures. Capital Expenditures made by Rocky on a Consolidated Basis during any Fiscal Year set forth below, in the aggregate together with all expenditures in respect of Capital Leases, that would exceed the amount set forth opposite each Fiscal Year below; provided, that any unused portion of any such annual amount in each Fiscal Year, up to twenty-five percent (25%) of such maximum amount set forth below may be carried over solely to the immediately succeeding Fiscal Year:

Period	Maximum Capital Expenditures
Fiscal Year ending December 31, 2007	\$ 6,500,000
Fiscal Year ending December 31, 2008	\$ 6,500,000
Fiscal Year ending December 31, 2009	\$ 6,500,000

(C) Undrawn Availability. At all times Undrawn Availability shall not be less than \$5,000,000.

#### SECTION 6. ADDITIONAL REPRESENTATIONS AND COVENANTS

6.1. Representations. As a material inducement to Agent and each Lender to enter into the Loan Documents, to make and to continue to make Loans and to issue and to continue to issue Lender Letters of Credit or risk participations to the banks that issue Bank Letters of Credit, each of the Loan Parties represents, warrants and covenants as to itself (and Parent as to all Loan Parties) to Agent and each Lender that the following statements are and will be true, correct and complete and, unless specifically limited, shall remain so for so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit:

(A) Accounts Warranties and Covenants. Except as otherwise disclosed to Agent in writing, as to each Loan Party's existing Accounts and each of its hereafter arising Accounts that: at the time of its creation, such Account is a valid, bona fide obligation, representing an undisputed indebtedness incurred by the Account Debtor (and any other Person obligated on such Account) for property actually sold and delivered or for services rendered; there are no defenses, setoffs, offsets, claims, or counterclaims, genuine or otherwise, against such Account; such Account does not represent a sale or provision of services to a Subsidiary or an Affiliate, or a consignment, sale or return or a bill and hold transaction; the amount represented by Loan Parties to Agent as owing by each Account Debtor (and by each of the other Persons obligated on such Account) is, or will be, the correct amount actually and unconditionally owing, no agreement exists permitting any other deduction or discount except in the ordinary course of business; the respective Loan Party is the lawful owner of such Account and has the right to assign the same to Agent, for the benefit of Agent and Lenders; such Account is free of all Liens, other than Permitted Liens and those in favor of Agent, on behalf of itself and Lenders, such Account constitutes, the legally valid and binding obligation of the applicable Account Debtor (and any other Person obligated on such Account) and is due and payable in accordance with its terms.

Each Loan Party shall, at its own expense: (i) cause all invoices evidencing such Loan Party's Accounts and all copies thereof to bear a notice that such invoices are payable to the lockboxes established in accordance with Section 6.4 and (ii) use its reasonable efforts to assure prompt payment of all amounts due or to become due under Accounts. No discounts, credits or allowances will be issued, granted or allowed by any Loan Party to customers and no returns will be accepted without Agent's prior written consent; provided, however, so long as such discounts, credits, allowances or returns are customarily issued or accepted in the ordinary course of business and are in amounts which are not material to any Loan Party, or until Agent notifies Borrower to the contrary, each Loan Party may presume consent. Borrower will promptly notify Agent in the event that any Account Debtor (or any other Person obligated on such Account) alleges any dispute or claim with respect to any Account in excess of an invoice amount of \$250,000 or of any other circumstances known to any Loan Party that may impair the validity or collectibility of any such Account. Agent, or its designee, shall have the right, at any time or times hereafter, to verify the validity, amount or any other matter relating to any Account, by mail, telephone or in person. After the occurrence of an Event of Default and upon the written request of Agent: (i) no Loan Party shall, without the prior consent of Agent, adjust, settle or compromise the amount or payment of any Account, or release wholly or partly any Account Debtor (or any other Person obligated on such Account), or allow any credit or discount thereon, and (ii) Agent shall have the right at any such time (A) to exercise the rights of any Loan Party, with respect to the obligation of the Account Debtor (or any other Person obligated on such Account) to make payment or otherwise render performance to the applicable Loan Party, and with respect to any property that secures the obligations of the Account Debtor or of any such other Person obligated on such Account; and (B) to adjust, settle or compromise the amount or payment of any such Account or release wholly or partly any Account Debtor or obligor thereunder or allow any credit or discount thereon.

(B) Inventory Warranties and Covenants. Except as otherwise disclosed to Agent in writing, all of each Loan Party's Inventory is of good and merchantable quality, free from any defects, such Inventory is not subject to any licensing, patent, trademark, trade name or copyright agreement with any Person that restricts such Loan Party's ability to manufacture and/or sell the Inventory. The completion and manufacturing process of such Inventory by a Person other than a Loan Party would be permitted under any contract to which a Loan Party is a party or to which the Inventory is subject. None of any Loan party's Inventory has been or will be produced in violation of the Fair Labor Standards Act and subject to the so-called "hot goods" provisions contained in Title 29 U.S.C. Section 215 or in violation of any other law. All inventory and products owned by Persons other than Loan Parties and located on any premises owned, leased or controlled by a Loan Party, shall be separately and conspicuously identified as such and shall be segregated from Loan Parties' own Inventory located at such premises. In the event Inventory of Loan Party valued at more than \$500,000 is located on the premises of a consignee, the applicable Loan Party shall perfect a security interest in such Inventory and, at the request of Agent, shall assign of record such security interest to Agent pursuant to documentation in form and substance satisfactory to Agent. In the event Inventory of Loan Party valued at more than \$250,000 is located on the premises of a bailee, the applicable Loan Party shall use reasonable efforts to obtain and deliver to Agent a bailee waiver in form and substance satisfactory to Agent.

(C) Equipment Warranties and Covenants. Each Loan Party has maintained and shall cause all of its material Equipment used in the Business to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual, and shall promptly make or cause to be made all repairs, replacements, and other improvements in connection therewith that Borrower deems necessary or desirable.

(D) Chattel Paper Warranties and Covenants. As of the Closing Date, Borrower does not hold any Chattel Paper and does not anticipate holding any Chattel Paper in the ordinary course of its business in excess of \$100,000. To the extent Borrower holds or obtains any such Chattel Paper, Borrower will promptly (i) deliver to Agent all such Tangible Chattel Paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Agent and (ii) provide Agent with Control of all such Electronic Chattel Paper, by having Agent identified as the assignee of the Records(s) pertaining to the single authoritative copy thereof and otherwise complying with the applicable elements of Control set forth in the UCC. Borrower will also deliver to Agent all security agreements securing any Chattel Paper and execute an authorization to file UCC financing statement amendments assigning to Agent any UCC financing statements filed by Borrower in connection with such security agreements. Borrower will mark conspicuously all such Chattel Paper with a legend, in form and substance satisfactory to Agent, indicating that such Chattel Paper is subject to the Lien of Agent.

(E) Instruments Warranties and Covenants. Upon the request of Agent, each Loan Party will deliver to Agent all Instruments in excess of \$100,000 which constitute Collateral it holds or obtains duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Agent. Each Loan Party will also deliver to Agent all security agreements securing any Instruments and execute an authorization to file UCC financing statement amendments assigning to Agent any UCC financing statements filed by any Loan Party in connection with such security agreements.

(F) Investment Property Warranties and Covenants. Upon the request of Agent, each Loan Party will take any and all actions necessary (or required or requested by Agent), from time to time, to (i) cause Agent to obtain exclusive Control of any Investment Property in excess of \$50,000 which constitutes Collateral owned by any Loan Party in a manner acceptable to Agent and (ii) obtain from any issuers of such Investment Property and such other Persons, for the benefit of Agent, written confirmation of Agent's Control over such Investment Property upon terms and conditions acceptable to Agent.

(G) Letters of Credit Warranties and Covenants. If requested by Agent, at all times after the occurrence of an Event of Default and during the continuance thereof, each Loan Party will deliver to Agent (i) all Letters of Credit under which it is the beneficiary or is otherwise entitled to receive proceeds duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to Agent and (ii) all security agreements securing any such Letters of Credit and execute UCC financing statement amendments assigning to Agent any UCC financing statements filed by any Loan Party in connection with such security agreements. Each Loan Party will take any and all actions reasonably necessary (or required or requested by Agent), from time to time, to cause Agent to obtain exclusive Control of any Letter-of-Credit Rights owned by any Loan Party in a manner acceptable to Agent.

(H) General Intangibles Warranties and Covenants. Each Loan Party shall use its reasonable efforts to obtain any consents, waivers or agreements necessary to enable Agent to exercise remedies hereunder and under the other Loan Documents with respect to any of such Loan Party's rights under any General Intangibles, including Loan Parties' rights as a licensee of computer software.

(I) Intellectual Property Covenants. Each Loan Party hereby ratifies and reaffirms all of the representations, warranties, covenants and other agreements made by each Loan Party in each Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement and in all other documents, instruments and other items as may be necessary for Agent to file such agreements with the U.S. Copyright Office and the U.S. Patent and Trademark Office. The Copyrights, Patents and Trademarks listed on the respective schedules to each of the Copyright Security Agreement, Patent Security Agreement and Trademark Security Agreement constitute all of the US Patents, Trademarks and government registered Copyrights owned by Loan Parties and their respective Subsidiaries. If, before the Obligations are indefeasibly paid in full, in cash, any Loan Party acquires or becomes entitled to any new or additional US Patents, Trademarks or federally registered Copyrights, or rights thereto, such Loan Party shall give to Agent prompt written notice thereof, and shall amend the schedules to the respective security agreements or enter into new or additional security agreements to include any such new Patents, Trademarks or government registered Copyrights. Each Loan Party shall: (a) prosecute diligently any copyright, patent or trademark application at any time pending, except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect; (b) make application for registration or issuance of all new copyrights, patents and trademarks as reasonably deemed appropriate by such Loan Party, except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect; (c) preserve and maintain all rights in the Intellectual Property, except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect; and (d) use its reasonable efforts to obtain any consents, waivers or agreements necessary to enable Agent to exercise its remedies with respect to the Intellectual Property. Except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect, no Loan Party shall abandon any material right to file a copyright, patent or trademark application nor shall any Loan Party abandon any material pending copyright, patent or trademark application, or Copyright, Patent or Trademark without the prior written consent of Agent. All government registered Intellectual Property owned by any Loan Party and their respective Subsidiaries is valid, subsisting and enforceable and all filings necessary to maintain the effectiveness of such registrations have been made, except to the extent the failure to do so is not reasonably likely to have a Material Adverse Effect. The execution, delivery and performance of this Agreement by each Loan Party will not violate or cause a default under any material item of Intellectual Property or any agreement in connection therewith.

(J) Commercial Tort Claims Warranties and Covenants. Except for matters disclosed on Schedule 2.7(A), as of the Closing Date, no Loan Party owns any Commercial Tort Claims. Each Loan Party shall advise Agent promptly upon any Loan Party becoming aware that it owns any additional Commercial Tort Claims in excess of the sum of \$500,000. With respect to any such new Commercial Tort Claim, each Loan Party will execute and deliver such documents as Agent deems necessary to create, perfect and protect Agent's security interest in such Commercial Tort Claim.

(K) Deposit Accounts; Bank Accounts Warranties and Covenants. Schedule 6.1(K) sets forth the account numbers and locations of all Deposit Accounts or other bank accounts of each Loan Party. No Loan Party shall establish any new Deposit Account or other bank accounts (including any term deposit, certificate of deposit or money market account with any Person) or amend or terminate any Blocked Account Agreement or lockbox agreement without Agent's prior written consent. Notwithstanding the foregoing, or any provision of Section 6.4 to the contrary, each retail and Rocky Retail shoe center location of Borrower may open and maintain a Deposit Account in which a monthly average balance of not more than \$25,000 is maintained.

(L) Bailees. Except as disclosed on Schedule 6.1(L) and Inventory in transit from time to time, as of the Closing Date none of the Collateral is in the possession of any consignee, bailee, warehouseman, agent or processor, and no Collateral shall at any time be in the possession or control of any warehouse, bailee or any of Loan Parties' agents or processors without Agent's prior written consent and unless Agent, if Agent has so requested, has received warehouse receipts or bailee lien waivers satisfactory to Agent prior to the commencement of such possession or control. If any Collateral is at any time in the possession or control of any warehouse, bailee or any of Loan Parties' agents or processors, the applicable Loan Party shall, upon the request of Agent, notify such warehouse, bailee, agent or processor of the Liens in favor of Agent, for the benefit of Agent and Lenders, created hereby, shall instruct such Person to hold all such Collateral for Agent's account subject to Agent's instructions, and shall obtain such Person's acknowledgement that it is holding the Collateral for Agent's benefit.

(M) Collateral Description; Use of Collateral. Each Loan Party will furnish to Agent, from time to time upon request, statements and schedules further identifying, updating, and describing the Collateral and such other information, reports and evidence concerning the Collateral, as Agent may reasonably request, all in reasonable detail. No Loan Party will use or permit any Collateral to be used unlawfully or in violation of any provision of applicable law, or any policy of insurance covering any of the Collateral.

(N) Collateral Filing Requirements; Collateral Records. None of the Collateral is of a type in which Liens may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation except for Collateral described on the schedules to the Copyright Security Agreement, the Patent Security Agreement and the Trademark Security Agreement. Each Loan Party shall promptly notify Agent in writing upon acquiring any interest hereafter in Collateral that is of a type where a Lien may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation. Each Loan Party shall keep full and accurate books and records relating to the Collateral and shall stamp or otherwise mark such books and records in such manner as Agent may reasonably request to indicate Agent's Liens in the Collateral, for the benefit of Agent and Lenders.

(O) Federal Claims. None of the Collateral constitutes a claim against the US, or any State or municipal government or any department, instrumentality or agency thereof, the assignment of which claim is restricted by law. Each Loan Party shall notify Agent of any Collateral in excess of the sum of \$100,000 which constitutes a claim against the US, or any State or municipal government or any department, instrumentality or agency thereof, the assignment of which claim is restricted by law. Upon the request of Agent, the applicable Loan Party shall take such steps as may be necessary to comply with any applicable federal assignment of claims laws and other comparable laws.

(P) Agent Authorized. Each Loan Party hereby authorizes and, until such time as the Obligations are indefeasibly paid in full, in cash, shall continue to authorize Agent to file one or more financing or continuation statements, and amendments thereto (or similar documents required by any laws of any applicable jurisdiction), relating to all or any part of the Collateral without the signature of such Loan Party and hereby specifically ratifies all such actions previously taken by Agent.

(Q) Names and Locations. As of the Closing Date, Schedule 6.1(Q) sets forth (a) all legal names and all other names (including trade names, fictitious names and business names) under which each Loan Party currently conducts business, or has at any time conducted business since the Initial Closing Date, (b) the name of any entity which any Loan Party has acquired in whole or in part or from whom any Loan Party has acquired a significant amount of assets since the Initial Closing Date, (c) the location of each Loan Party's principal place of business, (d) the state or other jurisdiction of organization for each Loan Party and sets forth each Loan Party's organizational identification number or specifically designates that one does not exist, (e) the location of each Loan Party's books and records, (f) the location of all other offices of each Loan Party, and (g) all Collateral locations (designating Inventory and Equipment locations and indicating between owned, leased, warehouse, storage, and processor locations). The locations designated on Schedule 6.1(Q) are Loan Parties' sole locations for their respective businesses and the Collateral. Each Loan Party will give Agent at least thirty (30) days advance written notice of any: (a) change of name or of any new trade name or fictitious business name of such Loan Party, (b) change of principal place of business of such Loan Party, (c) change in the location of such Loan Party's books and records or the Collateral, (d) new location for such Loan Party's books and records or the Collateral, or (e) changes in any Loan Party's state or other jurisdiction of organization or its organizational identification number.

(R) Additional Mortgaged Property. Borrower shall as promptly as possible (and in any event within sixty (60) days after such designation) deliver to Agent a fully executed Mortgage, in form and substance satisfactory to Agent together with title insurance policies and surveys on any Additional Mortgaged Property designated by Agent.



(S) Disclosure of Material Matters. Immediately upon learning thereof, report to Agent all matters materially affecting the value, enforceability or collectibility of any material portion of the Collateral including, without limitation, any Loan Party's reclamation or repossession of, or the return to any Loan Party of, a material amount of goods or claims or disputes asserted by any Customer or other obligor.

6.2. Access to Accountants and Management. Each Loan Party authorizes Agent and Lenders to discuss the financial condition and financial statements of such Loan Party with its Accountants upon reasonable prior notice to Borrower of its intention to do so, and authorizes such Accountants to respond to all of Agent's inquiries. Agent may from time to time (except, during the continuance of an Event of Default, as may be reasonably requested and during normal business hours) confer with each Loan Party's management directly regarding such Loan Party's business, operations and financial condition.

6.3. Amendment of Schedules. Borrower may amend any one or more of the Schedules referred in this Section 6 (subject to prior notice to Agent, as applicable) and any representation, warranty, or covenant contained herein which refers to any such Schedule shall from and after the date of any such amendment refer to such Schedule as so amended; provided however, that in no event shall the amendment of any such Schedule constitute a waiver by Agent and Lenders of any Default or Event of Default that exists notwithstanding the amendment of such Schedule.

6.4. Collection of Accounts and Payments. Loan Parties shall establish lockboxes and blocked accounts (collectively, "Blocked Accounts") in the name of such Loan Party with such banks ("Collecting Banks") as are reasonably acceptable to Agent (subject to irrevocable instructions reasonably acceptable to Agent as hereinafter set forth) to which all Account Debtors or other payment obligors shall directly remit all payments on such Loan Party's Accounts and in which each Collecting Bank or Loan Party will immediately deposit all such payments constituting proceeds of Collateral received by such Loan Party in the identical form in which such payment was made, whether by cash or check (excluding proceeds deposited in local accounts in connection with retail and Rocky Retail shoe center locations to the extent permitted under Section 6.1(K)). Each Collecting Bank shall acknowledge and agree, in a manner reasonably satisfactory to Agent, and with the written consent of the respective Loan Party, to an agreement (each such agreement, a "Blocked Account Agreement") which provides, to the extent required by Agent in each instance, that (a) all payments made to the Blocked Accounts are the sole and exclusive property of Agent, for its benefit and for the benefit of Lenders, (b) except with respect to making account adjustments related only to the Blocked Accounts, charging fees and expenses associated with this Blocked Accounts and returned unpaid deposit items associated with the Blocked Accounts, the Collecting Banks have no right to setoff against the Blocked Accounts, (c) the Collecting Banks will not take any Lien in the Blocked Accounts, (d) the Collecting Banks will comply with instructions originated by Agent directing disposition of the funds in the Blocked Accounts without the further consent of any Loan Party and (e) all such payments received will be promptly transferred to Agent's Account. Each Loan Party hereby agrees that all payments made to such Blocked Accounts or otherwise received by Agent and whether on the Accounts or as proceeds of other Collateral or otherwise, after delivery of a notice of exclusive control, will be under the sole dominion and control of Agent, for the benefit of itself and Lenders. Each Loan Party shall irrevocably instruct each Collecting Bank to, after delivery of a notice of exclusive control, promptly transfer all payments or deposits to the Blocked Accounts into Agent's Account to be applied to the Obligations in accordance with the terms of this Agreement. Other than as set forth above, if any Loan Party, or its Affiliates, employees, agents or any other Persons acting for or in concert with any Loan Party, shall receive any monies, checks, notes, drafts or any other payments relating to and/or proceeds of such Loan Party's Accounts or other Collateral, the respective Loan Party or such Person shall hold such instrument or funds in trust for Agent, and shall, immediately upon receipt thereof, remit the same or cause the same to be remitted, in kind, to the Blocked Accounts or to Agent at its address set forth in Section 10.3 below.

6.5. Further Assurances. Each Loan Party shall, from time to time, execute such guaranties, financing or continuation statements, documents, security agreements, reports and other documents or deliver to Agent such instruments, certificates of title, mortgages, deeds of trust, or other documents as Agent at any time may reasonably request to evidence, perfect or otherwise implement the guaranties and security for repayment of the Obligations provided for in the Loan Documents. In the event any Loan Party acquires an ownership interest in real property with a value greater than \$500,000 after the Closing Date which is unencumbered by a mortgage or deed of trust in favor of an entity which provides financing for the acquisition thereof by such Loan Party, if then requested by Agent, such Loan Party shall deliver to Agent a fully executed mortgage or deed of trust over such real property in form and substance reasonably satisfactory to Agent, together with such title insurance policies, surveys, appraisals, evidence of insurance, legal opinions, environmental assessments and other documents and certificates as shall be reasonably required by Agent.

#### SECTION 7. DEFAULT, RIGHTS AND REMEDIES

7.1. Event of Default. "Event of Default" shall mean the occurrence or existence of any one or more of the following (for each subsection a different grace or cure period may be specified, if no grace or cure period is specified, such occurrence or existence constitutes an immediate Event of Default):

(A) Payment. Failure to make payment of any of the Obligations when due; or

(B) Default in Other Agreements. (1) Failure of any Loan Party to pay when due any principal or interest on any Indebtedness (other than the Obligations) or (2) breach or default of any Loan Party with respect to any Indebtedness (other than the Obligations); if such failure to pay, breach or default entitles the holder to cause such Indebtedness having an individual principal amount in excess of \$750,000 or having an aggregate principal amount in excess of \$1,500,000 to become or be declared due prior to its stated maturity; or

(C) Breach of Certain Provisions. Failure of any Loan Party to perform or comply with any term or condition (i) contained in Section 5.1(A), or (ii) contained in Section 5.1 (C), (E) or (J) and the failure to comply or perform is not remedied or waived within five (5) days after notice from Agent or Requisite Lenders to Borrowing Agent of such default or (iii) contained in Section 5.2, 5.3 or Section 6 (exclusive of any representation contained in Section 6 which shall be subject to clause (D) below); or

(D) Breach of Warranty. Any representation, warranty, certification or other statement made by any Loan Party in any Loan Document or in any statement or certificate at any time given by such Person in writing pursuant or in connection with any Loan Document is false in any material respect on the date made; or

(E) Other Defaults Under Loan Documents. Any Loan Party defaults in the performance of or compliance with any term contained in this Agreement other than those otherwise set forth in this Section 7.1, or defaults in the performance of or compliance with any term contained in the other Loan Documents and such default is not remedied or waived within fifteen (15) days after notice from Agent, or Requisite Lenders, to Borrowing Agent of such default; or

(F) Change in Control. A Change of Control shall have occurred;

(G) Involuntary Bankruptcy; Appointment of Receiver, etc. (1) A court enters a decree or order for relief with respect to any Borrower, or other Loan Party having assets in excess of \$1,000,000, in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed or other similar relief is not granted under any applicable federal or state law; or (2) the continuance of any of the following events for sixty (60) days unless dismissed, bonded or discharged: (a) an involuntary case is commenced against any Borrower, or against any other Loan Party having assets in excess of \$1,000,000, under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect; or (b) a receiver, liquidator, sequestrator, trustee, custodian or other fiduciary having similar powers over any Loan Party, or over all or a substantial part of their respective property, is appointed; or

(H) Voluntary Bankruptcy; Appointment of Receiver, etc. (1) Any Loan Party commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case or to the conversion of an involuntary case to a voluntary case under any such law or consents to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or (2) any Borrower, or other Loan Party having assets in excess of \$1,000,000, makes any assignment for the benefit of creditors; or (3) the board of directors of any such Loan Party adopts any resolution or otherwise authorizes action to approve any of the actions referred to in this Section 7.1(H); or

(I) Liens. Any Lien, levy or assessment, in the aggregate in excess of the sum of \$500,000, is filed or recorded with respect to or otherwise imposed upon all or any part of the Collateral or the assets of any Loan Party by the US or any department or instrumentality thereof or by any state, county, municipality or other governmental agency (other than Permitted Liens) and such lien, levy or assessment is not stayed, vacated, paid or discharged within ten (10) days; or

(J) Judgment and Attachments. Any money judgment, writ or warrant of attachment, or similar process involving (1) an amount in any individual case in excess of \$500,000 or (2) an amount in the aggregate at any time in excess of \$1,000,000 (in either case not adequately covered by insurance as to which the insurance company has acknowledged coverage) is entered or filed against any Loan Party or any of their respective assets and remains undischarged, unvacated, unbonded or unstayed for a period of forty (40) days, but in any event not later than five (5) days prior to the date of any proposed sale thereunder; or

(K) Dissolution. Any order, judgment or decree is entered against any Borrower, or any Loan Party having assets in excess of \$1,000,000, decreeing the dissolution or split up of such Borrower or any such other Loan Party and such order remains undischarged or unstayed for a period in excess of twenty (20) days, but in any event not later than five (5) days prior to the date of any proposed dissolution or split up; or

(L) Solvency. Any Borrower, or other Loan Party having assets in excess of \$1,000,000, ceases to be solvent (as represented by Loan Parties in Section 4.1(S)) or admits in writing its present or prospective inability to pay its debts as they become due; or

(M) Injunction. Any Loan Party is enjoined, restrained or in any way prevented by the order of any court or any administrative or regulatory agency from conducting all or any material part of its business and such order continues for thirty (30) days or more; or

(N) Invalidity of Loan Documents. Any of the Loan Documents for any reason, other than a partial or full release in accordance with the terms thereof, ceases to be in full force and effect or is declared to be null and void, or any Loan Party denies that it has any further liability under any Loan Documents to which it is party, or gives notice to such effect; or

(O) Failure of Security. Agent, on behalf of itself and Lenders, does not have or ceases to have a valid and perfected first priority security interest in the Collateral (except as otherwise permitted pursuant to this Agreement), in each case, for any reason other than the failure of Agent or any Lender to take any action within its control; or

(P) Damage, Strike, Casualty. Any material damage to, or loss, theft or destruction of, any Collateral, if not adequately insured, or any strike, lockout, labor dispute, embargo, condemnation, act of God or public enemy, or other casualty which causes, for more than thirty (30) consecutive days, the cessation or substantial curtailment of revenue producing activities at any facility of any Loan Party if any such event or circumstance is reasonably likely to have a Material Adverse Effect; or

(Q) Licenses and Permits. The loss, suspension or revocation of, or failure to renew, any license or permit now held or hereafter acquired by any Loan Party, if such loss, suspension, revocation or failure to renew is reasonably likely to have a Material Adverse Effect; or

(R) Forfeiture. There is filed against any Loan Party any civil or criminal action, suit or proceeding under any federal or state racketeering statute (including, without limitation, the Racketeer Influenced and Corrupt Organization Act of 1970), which action, suit or proceeding (1) is not dismissed within one hundred twenty (120) days; and (2) could reasonably be expected to result in the confiscation or forfeiture of any material portion of the Collateral.

7.2. Suspension of Commitments. Upon the occurrence of any Default or Event of Default, notwithstanding any grace period or right to cure, Agent may or upon demand by Requisite Lenders shall, without notice or demand, immediately cease making additional Loans and the Commitments shall be suspended; provided that, in the case of a Default, if the subject condition or event is waived or cured within any applicable grace or cure period, the Commitments shall be reinstated.

7.3. Acceleration. Upon the occurrence of any Event of Default described in the foregoing Sections 7.1(G) or 7.1(H), all Obligations shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by each Loan Party, and the Commitments shall thereupon terminate. Upon the occurrence and during the continuance of any other Event of Default, Agent may, and upon demand by Requisite Lenders shall, by written notice to Borrowing Agent, (a) declare all or any portion of the Obligations to be, and the same shall forthwith become, immediately due and payable and the Commitments shall thereupon terminate and (b) demand that Loan Parties immediately deposit with Agent an amount equal to one hundred five percent (105%) of the Letter of Credit Reserve and deposit the prepayment of fees payable under Section 2.3(B) with respect to such Lender Letters of Credit for the full remaining terms of such Lender Letters of Credit; provided, however, if any of such Lender Letters of Credit are terminated, the unearned portion of such prepaid fee attributable to such Lender Letter of Credit shall be refunded to Borrower.

7.4. Remedies. If any Event of Default shall have occurred and be continuing, in addition to and not in limitation of any other rights or remedies available to Agent and Lenders at law or in equity, Agent may, and shall upon the request of Requisite Lenders, exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC (whether or not the UCC applies to the affected Collateral) and may also (a) require Loan Parties to, and each Loan Party hereby agrees that it will, at its expense and upon request of Agent forthwith, assemble all or part of the Collateral as directed by Agent and make it available to Agent at a place to be designated by Agent which is reasonably convenient to both parties; (b) withdraw all cash in the Blocked Accounts and apply such monies in payment of the Obligations in the manner provided in Section 7.7; and (c) without notice or demand or legal process, enter upon any premises of Loan Parties and take possession of the Collateral. Each Loan Party agrees that, to the extent notice of sale of the Collateral or any part thereof shall be required by law, at least ten (10) days notice to Borrowing Agent of the time and place of any public disposition or the time after which any private disposition (which notice shall include any other information required by law) is to be made shall constitute reasonable notification. At any disposition of the Collateral (whether public or private), if permitted by law, Agent or any Lender may bid (which bid may be, in whole or in part, in the form of cancellation of indebtedness) for the purchase, lease, or licensing of the Collateral or any portion thereof for the account of Agent or such Lender. Agent shall not be obligated to make any disposition of Collateral regardless of notice of disposition having been given. Each Loan Party shall remain liable for any deficiency. Agent may adjourn any public or private disposition from time to time by announcement at the time and place fixed therefor, and such disposition may, without further notice, be made at the time and place to which it was so adjourned. Agent is not obligated to make any representations or warranties in connection with any disposition of the Collateral. To the extent permitted by law, each Loan Party hereby specifically waives all rights of redemption, stay or appraisal, which it has or may have under any law now existing or hereafter, enacted. Agent shall not be required to proceed against any Collateral but may proceed against one or more Loan Parties directly.

7.5. Appointment of Attorney-in-Fact. Each Loan Party hereby constitutes and appoints Agent as such Loan Party's attorney-in-fact with full authority in the place and stead of such Loan Party and in the name of such Loan Party, Agent or otherwise, from time to time in Agent's discretion while an Event of Default is continuing to take any action and to execute any instrument that Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including: (a) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of any of the Collateral; (b) to enforce the obligations of any Account Debtor or other Person obligated on the Collateral and enforce the rights of any Loan Party with respect to such obligations and to any property that secures such obligations; (c) to file any claims or take any action or institute any proceedings that Agent may deem necessary or desirable for the collection of or to preserve the value of any of the Collateral or otherwise to enforce the rights of Agent and Lenders with respect to any of the Collateral; (d) to pay or discharge taxes or Liens levied or placed upon or threatened against the Collateral, the legality or validity thereof and the amounts necessary to discharge the same to be determined by Agent in its sole discretion, and such payments made by Agent to become Obligations, due and payable immediately without demand; (e) to sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, assignments, verifications and notices in connection with Accounts, Chattel Paper or General Intangibles and other Documents relating to the Collateral; and (f) generally to take any act required of any Loan Party under Section 4 or Section 5 of this Agreement, and to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though Agent were the absolute owner thereof for all purposes, and to do, at Agent's option and Loan Parties' expense, at any time or from time to time, all acts and things that Agent deems necessary Loan Parties' protect, preserve or realize upon the Collateral. Each Loan Party hereby ratifies and approves all acts of Agent made or taken pursuant to this Section 7.5. The appointment of Agent as each Loan Party's attorney and Agent's rights and powers are coupled with an interest and are irrevocable, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash, of all Obligations and termination of all Lender Letters of Credit.

7.6. Limitation on Duty of Agent and Lenders with Respect to Collateral. Beyond the safe custody thereof, Agent and each Lender shall have no duty with respect to any Collateral in its possession (or in the possession of any agent or bailee) or with respect to any income thereon or the preservation of rights against prior parties or any other rights pertaining thereto. Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which Agent accords its own property. Neither Agent nor any Lender shall be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouse, carrier, forwarding agency, consignee, broker or other agent or bailee selected by Loan Parties or selected by Agent in good faith.

7.7. Application of Proceeds. Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuance of an Event of Default, (a) each Loan Party irrevocably waives the right to direct the application of any and all payments at any time or times thereafter received by Agent from or on behalf of any Loan Party, and Agent shall have the continuing and exclusive right to apply and to reapply any and all payments received at any time or times after the occurrence and during the continuance of an Event of Default against the Obligations in such manner as Agent may deem advisable notwithstanding any previous application by Agent and (b) in the absence of a specific determination by Agent with respect thereto, the proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied: first, to all fees, costs and expenses incurred by or owing to Agent and then any Lender with respect to this Agreement, the other Loan Documents or the Collateral; second, to accrued and unpaid interest on the Obligations (including any interest which but for the provisions of any bankruptcy or insolvency law would have accrued on such amounts); third, to the principal amounts of the Obligations outstanding and fourth, to any other Obligations or other obligations or indebtedness of any Loan Party owing to Agent or any Lender under the Loan Documents. Any balance remaining shall be delivered to Borrowing Agent or to whomever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct. Notwithstanding the foregoing, Agent shall not apply any payments to any Obligations consisting of Liabilities of any Loan Party to any Lender under any Interest Rate Protection Agreements, or banking and cash management arrangements and agreements with any Lender, until such time as all other Obligations of Loan Parties, including but not limited to those set forth in clause (b) of the preceding sentence, have been satisfied in full.”

7.8. License of Intellectual Property. Each Loan Party hereby ratifies and reaffirms its previous assignment, transfer and conveyance to Agent, and hereby further assigns, transfers and conveys to Agent, for the benefit of Agent and Lenders, in any event effective upon the occurrence and during the continuance of any Event of Default hereunder, the non-exclusive right and license to use all Intellectual Property owned or used by any Loan Party together with any goodwill associated therewith, all to the extent necessary to enable Agent to realize on the Collateral and any successor or assign to enjoy the benefits of the Collateral. This right and license shall inure to the benefit of all successors, assigns and transferees of Agent and its successors, assigns and transferees, whether by voluntary conveyance, operation of law, assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise. Such right and license is granted free of charge and does not require the consent of any other person.

7.9. Waivers; Non-Exclusive Remedies. No failure on the part of Agent or any Lender to exercise, and no delay in exercising and no course of dealing with respect to, any right under this Agreement or the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise by Agent or any Lender of any right under this Agreement or any other Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights in this Agreement and the other Loan Documents are cumulative and shall in no way limit any other remedies provided by law.

## SECTION 8. GUARANTY

8.1. Each Guarantor hereby unconditionally ratifies and reaffirms its guaranty pursuant to the Original Financing Agreement and hereby further guarantees, as a primary obligor and not merely as a surety, jointly and severally with each other Guarantor when and as due, whether at maturity, by acceleration, by notice of prepayment or otherwise, the due and punctual performance of all Obligations of each other party hereto. Each payment made by any Guarantor pursuant to this Guaranty shall be made in lawful money of the US in immediately available funds, (a) without set-off or counterclaim and (b) free and clear of and without deduction or withholding for or on account of any present and future Charges and any conditions or restrictions resulting in Charges and all penalties, interest and other payments on or in respect thereof (except for Charges based on the overall net income of Agent or a Lender) (“Tax” or “Taxes”) unless Guarantor is compelled by law to make payment subject to such Taxes.

8.2. All Taxes in respect of this Guaranty or any amounts payable or paid under this Guaranty shall be paid by Guarantor when due and in any event prior to the date on which penalties attach thereto. Each Guarantor will indemnify Agent and each of the Lenders against and in respect of all such Taxes. Without limiting the generality of the foregoing, if any Taxes or amounts in respect thereof must be deducted or withheld from any amounts payable or paid by any Guarantor hereunder, such Guarantor shall pay such additional amounts as may be necessary to ensure that the Agent and each of the Lenders receives a net amount equal to the full amount which it would have received had payment (including of any additional amounts payable under this Section 8.2) not been made subject to such Taxes. Within thirty (30) days of each payment by any Guarantor hereunder of Taxes or in respect of Taxes, such Guarantor shall deliver to Agent satisfactory evidence (including originals, or certified copies, of all relevant receipts) that such Taxes have been duly remitted to the appropriate authority or authorities.

8.3. Each Guarantor hereby absolutely, unconditionally and irrevocably waives (i) promptness, diligence, notice of acceptance, notice of presentment of payment and any other notice hereunder, (ii) demand of payment, protest, notice of dishonor or nonpayment, notice of the present and future amount of the Obligations and any other notice with respect to the Obligations, (iii) any requirement that the Agent or any Lender protect, secure, perfect or insure any security interest or Lien or any property subject thereto or exhaust any right or take any action against any other Loan Party, or any Person or any Collateral, (iv) any other action, event or precondition to the enforcement hereof or the performance by each such Guarantor of the Obligations, and (v) any defense arising by any lack of capacity or authority or any other defense of any Loan Party or any notice, demand or defense by reason of cessation from any cause of Obligations other than payment and performance in full of the Obligations by the Loan Parties and any defense that any other guarantee or security was or was to be obtained by Agent.

8.4. No invalidity, irregularity, voidableness, voidness or unenforceability of this Agreement or any Loan Document or any other agreement or instrument relating thereto, or of all or any part of the Obligations or of any collateral security therefor shall affect, impair or be a defense hereunder.



8.5. The Guaranty hereunder is one of payment and performance, not collection, and the obligations of each Guarantor hereunder are independent of the Obligations of the other Loan Parties, and a separate action or actions may be brought and prosecuted against any Guarantor to enforce the terms and conditions of this Section 8.5, irrespective of whether any action is brought against any other Loan Party or other Persons or whether any other Loan Party or other Persons are joined in any such action or actions. Each Guarantor waives any right to require that any resort be had by Agent or any Lender to any security held for payment of the Obligations or to any balance of any deposit account or credit on the books of any Agent or any Lender in favor of any Loan Party or any other Person. No election to proceed in one form of action or proceedings, or against any Person, or on any Obligations, shall constitute a waiver of Agent's right to proceed in any other form of action or proceeding or against any other Person unless Agent has expressed any such waiver in writing. Without limiting the generality of the foregoing, no action or proceeding by Agent against any Loan Party under any document evidencing or securing indebtedness of any Loan Party to Agent shall diminish the liability of any Guarantor hereunder, except to the extent Agent receives actual payment on account of Obligations by such action or proceeding, notwithstanding the effect of any such election, action or proceeding upon the right of subrogation of any Guarantor in respect of any Loan Party.

8.6. As an original and independent obligation under this Guaranty, each Guarantor shall (a) indemnify the Agent and each of the Lenders and keep the Agent and each of the Lenders indemnified against all costs, losses, expenses and liabilities of whatever kind resulting from the failure by any party to make due and punctual payment of any of the Obligations or resulting from any of the Obligations being or becoming void, voidable, unenforceable or ineffective against Borrowers (including, but without limitation, all legal and other costs, Charges and expenses incurred by the Agent and each of the Lenders, or any of them in connection with preserving or enforcing, or attempting to preserve or enforce, its rights under this Guaranty), except to the extent that any of the same results from the gross negligence or willful misconduct by Agent or any Lender; and (b) pay on demand the amount of such costs, losses, expenses and liabilities whether or not Agent or any of the Lenders have attempted to enforce any rights against any Borrower or any other Person or otherwise.

8.7. The liability of each Guarantor hereunder shall be absolute, unlimited and unconditional and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason, including, without limitation, any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any claim, defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any other Obligation or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor shall not be discharged or impaired, released, limited or otherwise affected by:

(i) any change in the manner, place or terms of payment or performance, and/or any change or extension of the time of payment or performance of, release, renewal or alteration of, or any new agreements relating to any Obligation, any security therefor, or any liability incurred directly or indirectly in respect thereof, or any rescission of, or amendment, waiver or other modification of, or any consent to departure from, this Agreement or any Loan Document, including any increase in the Obligations resulting from the extension of additional credit to any Borrower or otherwise;

(ii) any sale, exchange, release, surrender, loss, abandonment, realization upon any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, all or any of the Obligations, and/or any offset there against, or failure to perfect, or continue the perfection of, any Lien in any such property, or delay in the perfection of any such Lien, or any amendment or waiver of or consent to departure from any other guaranty for all or any of the Obligations;

(iii) the failure of the Agent or any Lender to assert any claim or demand or to enforce any right or remedy against any Borrower or any other Loan Party or any other Person under the provisions of this Agreement or any Loan Document or any other document or instrument executed and delivered in connection herewith or therewith;

(iv) any settlement or compromise of any Obligation, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and any subordination of the payment of all or any part thereof to the payment of any obligation (whether due or not) of any Loan Party to creditors of any Loan Party other than any other Loan Party;

(v) any manner of application of Collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any Collateral for all or any of the Obligations or any other assets of any Loan Party; and

(vi) any other agreements or circumstance of any nature whatsoever that may or might in any manner or to any extent vary the risk of any Guarantor, or that might otherwise at law or in equity constitute a defense available to, or a discharge of, the Guaranty hereunder and/or the obligations of any Guarantor, or a defense to, or discharge of, any Loan Party or any other Person or party hereto or the Obligations or otherwise with respect to the Advances, Letters of Credit or other financial accommodations to any Borrower pursuant to this Agreement and/or the Loan Documents.

8.8. The Agent shall have the right to take any action set forth in Section 8.7 without notice to or the consent of any Guarantor and each Guarantor expressly waives any right to notice of, consent to, knowledge of and participation in any agreements relating to any of the above or any other present or future event relating to Obligations whether under this Agreement or otherwise or any right to challenge or question any of the above and waives any defenses of such Guarantor which might arise as a result of such actions.

8.9. Agent may at any time and from time to time (whether prior to or after the revocation or termination of this Agreement) without the consent of, or notice to, any Guarantor, and without incurring responsibility to any Guarantor or impairing or releasing the Obligations, apply any sums by whomsoever paid or howsoever realized to any Obligations regardless of what Obligations remain unpaid.

8.10. (a) The Guaranty provisions herein contained shall continue to be effective or be reinstated, as the case may be, if claim is ever made upon the Agent or any Lender for repayment or recovery of any amount or amounts received by such Person in payment or on account of any of the Obligations and such Person repays all or part of said amount for any reason whatsoever, including, without limitation, by reason of any judgment, decree or order of any court or administrative body having jurisdiction over such Person or the respective property of each, or any settlement or compromise of any claim effected by such Person with any such claimant (including any Loan Party); and in such event each Guarantor hereby agrees that any such judgment, decree, order, settlement or compromise or other circumstances shall be binding upon such Guarantor, notwithstanding any revocation hereof or the cancellation of any note or other instrument evidencing any Obligation, and each Guarantor shall be and remain liable to the Agent and/or the Lenders for the amount so repaid or recovered to the same extent as if such amount had never originally been received by such Person(s).

(b) Agent shall not be required to marshal any assets in favor of any Guarantor, or against or in payment of Obligations.

(c) No Guarantor shall be entitled to claim against any present or future security held by Agent from any Person for Obligations in priority to or equally with any claim of Agent, or assert any claim for any liability of any Loan Party to any Guarantor in priority to or equally with claims of Agent for Obligations, and no Guarantor shall be entitled to compete with Agent with respect to, or to advance any equal or prior claim to any security held by Agent for Obligations.

(d) If any Loan Party makes any payment to Agent, which payment is wholly or partly subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to any Person under any federal or provincial statute or at common law or under equitable principles, then to the extent of such payment, the Obligation intended to be paid shall be revived and continued in full force and effect as if the payment had not been made, and the resulting revived Obligation shall continue to be guaranteed, uninterrupted, by each Guarantor hereunder.

(e) All present and future monies payable by any Loan Party to any Guarantor, whether arising out of a right of subrogation or otherwise, are assigned to Agent for its benefit and for the ratable benefit of the Lenders as security for such Guarantor's liability to Agent and the Lenders hereunder and are postponed and subordinated to Agent's prior right to payment in full of Obligations. Except to the extent prohibited otherwise by this Agreement, all monies received by any Guarantor from any Loan Party shall be held by such Guarantor as agent and trustee for Agent. This assignment, postponement and subordination shall only terminate when the Obligations are paid in full in cash and this Agreement is irrevocably terminated.

(f) Each Loan Party acknowledges this assignment, postponement and subordination and, except as otherwise set forth herein, agrees to make no payments to any Guarantor without the prior written consent of Agent. Each Loan Party agrees to give full effect to the provisions hereof.

8.11. Upon the occurrence and during the continuance of any Event of Default, the Agent may and upon written request of the Requisite Lenders shall, without notice to or demand upon any Loan Party or any other Person, declare any obligations of such Guarantor hereunder immediately due and payable, and shall be entitled to enforce the obligations of each Guarantor. Upon such declaration by the Agent, the Agent and the Lenders are hereby authorized at any time and from time to time to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Agent or the Lenders to or for the credit or the account of any Guarantor against any and all of the obligations of each Guarantor now or hereafter existing hereunder, whether or not the Agent or the Lenders shall have made any demand hereunder against any other Loan Party and although such obligations may be contingent and unmatured. The rights of the Agent and the Lenders hereunder are in addition to other rights and remedies (including other rights of set-off) which the Agent and the Lenders may have. Upon such declaration by the Agent, with respect to any claims (other than those claims referred to in the immediately preceding paragraph) of any Guarantor against any Loan Party (the "Claims"), the Agent shall have the full right on the part of the Agent in its own name or in the name of such Guarantor to collect and enforce such Claims by legal action, proof of debt in bankruptcy or other liquidation proceedings, vote in any proceeding for the arrangement of debts at any time proposed, or otherwise, the Agent and each of its officers being hereby irrevocably constituted attorneys-in-fact for each Guarantor for the purpose of such enforcement and for the purpose of endorsing in the name of each Guarantor any instrument for the payment of money. Each Guarantor will receive as trustee for the Agent and will pay to the Agent forthwith upon receipt thereof any amounts which such Guarantor may receive from any Loan Party on account of the Claims. Each Guarantor agrees that at no time hereafter will any of the Claims be represented by any notes, other negotiable instruments or writings, except and in such event they shall either be made payable to the Agent, or if payable to any Guarantor, shall forthwith be endorsed by such Guarantor to the Agent. Each Guarantor agrees that no payment on account of the Claims or any security interest therein shall be created, received, accepted or retained during the continuance of any Event of Default nor shall any financing statement be filed with respect thereto by any Guarantor.

8.12. Any acknowledgment or new promise, whether by payment of principal or interest or otherwise and whether by any Loan Party or others with respect to any of the Obligations shall, if the statute of limitations in favor of any Guarantor against the Agent or the Lenders shall have commenced to run, toll the running of such statute of limitations and, if the period of such statute of limitations shall have expired, prevent the operation of such statute of limitations.

8.13. All amounts due, owing and unpaid from time to time by any Guarantor hereunder shall bear interest at the interest rate per annum then chargeable with respect to Base Rate Loans constituting Revolving Advances (without duplication of interest on the underlying Obligation).

8.14. For purposes of the Interest Act (Canada), where in this Guaranty a rate of interest is to be calculated on the basis of a year of 360 or 365 days, the yearly rate of interest to which the rate is equivalent is the rate multiplied by the number of days in the year for which the calculation is made and divided by 360 or 365, as applicable.

8.15. Without limiting any other rights in this Agreement, if for the purposes of obtaining judgment in any court in any jurisdiction with respect to this Guaranty or any other Loan Document it becomes necessary to convert into the currency of such jurisdiction (herein called the "Judgment Currency") any amount due hereunder in any currency other than the Judgment Currency, then conversion shall be made at the rate of exchange prevailing on the Business Day before the day on which judgment is given. For this purpose, "rate of exchange" means the rate at which Agent would, on the relevant date at or about 12:00 noon (New York time), be prepared to sell a similar amount of such currency in New York, New York against the Judgment Currency. In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of payment of the amount due, Guarantor will, on the date of payment, pay such additional amounts (if any) as may be necessary to ensure that the amount paid on such date is the amount in the Judgment Currency which when converted at the rate of exchange prevailing on the date of payment is the amount then due under this Guaranty or any other Loan Document in such other currency. Any additional amount due from Guarantor under this Section 8.15 will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement or any of the other Loan Documents.

8.16. Each Guarantor acknowledges receipt of a copy of each of this Agreement and the other Loan Documents. Each Guarantor has made an independent investigation of the Loan Parties and of the financial condition of the Loan Parties. Neither Agent nor any Lender has made and neither Agent nor any Lender does make any representations or warranties as to the income, expense, operation, finances or any other matter or thing affecting any Loan Party nor has Agent or any Lender made any representations or warranties as to the amount or nature of the Obligations of any Loan Party to which this Section 8 applies as specifically herein set forth, nor has Agent or any Lender or any officer, agent or employee of Agent or any Lender or any representative thereof, made any other oral representations, agreements or commitments of any kind or nature, and each Guarantor hereby expressly acknowledges that no such representations or warranties have been made and such Guarantor expressly disclaims reliance on any such representations or warranties.

8.17. The provisions of this Section 8 shall remain in effect until the indefeasible payment in full in cash of all Obligations and irrevocable termination of this Agreement. Payments received from Guarantors pursuant to this Section 8 shall be applied in accordance with Section 7.7 of this Agreement.

#### SECTION 8A. BORROWING AGENCY.

##### 8A.1. Borrowing Agency Provisions.

(a) Each Borrower hereby irrevocably designates Borrowing Agent to be its attorney and agent and in such capacity to borrow, sign and endorse notes, and execute and deliver all instruments, documents, writings and further assurances now or hereafter required hereunder, on behalf of such Borrower or Borrowers, and hereby authorizes Agent to pay over or credit all loan proceeds hereunder in accordance with the request of Borrowing Agent.

(b) The handling of this credit facility as a co-borrowing facility with a Borrowing Agent in the manner set forth in this Agreement is solely as an accommodation to Borrowers and at their request. None of Agent, any Issuing Lender or any Lender shall incur liability to Borrowers as a result thereof. To induce Agent and the Lenders to do so and in consideration thereof, each Borrower hereby indemnifies Agent, each Issuer and each Lender and holds Agent, each Issuer and each Lender harmless from and against any and all liabilities, expenses, losses, damages and claims of damage or injury asserted against Agent, any Issuer or any Lender by any Person arising from or incurred by reason of the handling of the financing arrangements of Borrowers as provided herein, reliance by Agent or any Lender on any request or instruction from Borrowing Agent or any other action taken by Agent or any Lender with respect to this Section 8A.1 except due to willful misconduct or gross (not mere) negligence by the indemnified party.

(c) All Obligations shall be joint and several, and each Borrower shall make payment upon the maturity of the Obligations by acceleration or otherwise, and such obligation and liability on the part of each Borrower shall in no way be affected by any extensions, renewals and forbearance granted by Agent or any Lender to any Loan Party, failure of Agent or any Lender to give any Borrower notice of borrowing or any other notice, any failure of Agent or any Lender to pursue or preserve its rights against any Loan Party, the release by Agent or any Lender of any Collateral now or thereafter acquired from any Loan Party, and such agreement by each Loan Party to pay upon any notice issued pursuant thereto is unconditional and unaffected by prior recourse by Agent or any Lender to the other Loan Parties or any Collateral for such Loan Party's Obligations or the lack thereof.

8A.2. Waiver of Subrogation. Each Loan Party expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which such Loan Party may now or hereafter have against the other Loan Parties or other Person directly or contingently liable for the Obligations hereunder, or against or with respect to the other Loan Parties' property (including, without limitation, any property which is Collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.

## SECTION 9. AGENT

### 9.1. Agent.

(A) Appointment. Each Lender hereto and, upon obtaining an interest in any Loan, any participant, transferee or other assignee of any Lender irrevocably appoints, designates and authorizes GMAC CF as Agent to take such actions or refrain from taking such action as its agent on its behalf and to exercise such powers hereunder and under the other Loan Documents as are delegated by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Neither the Agent nor any of its directors, officers, employees or agents shall be liable for any action so taken. The provisions of this subsection 9.1 are solely for the benefit of Agent and Lenders and no Loan Party shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, Agent shall act solely as agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Loan Party. Agent may perform any of its duties hereunder, or under the Loan Documents, by or through its agents or employees.

(B) Nature of Duties. Agent shall have no duties, obligations or responsibilities except those expressly set forth in this Agreement or in the Loan Documents. The duties of Agent shall be mechanical and administrative in nature. Agent shall not have by reason of this Agreement a fiduciary, trust or agency relationship with or in respect of any Lender or any Loan Party. Nothing in this Agreement or any of the Loan Documents, express or implied, is intended to or shall be construed to impose upon Agent any obligations in respect of this Agreement or any of the Loan Documents except as expressly set forth herein or therein. Each Lender shall make its own appraisal of the credit worthiness of each Loan Party, and shall have independently taken whatever steps it considers necessary to evaluate the financial condition and affairs of Loan Parties, and Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto (other than as expressly required herein), whether coming into its possession before the Closing Date or at any time or times thereafter. If Agent seeks the consent or approval of any Lenders to the taking or refraining from taking any action hereunder, then Agent shall send notice thereof to each Lender. Agent shall promptly notify each Lender any time that the Requisite Lenders have instructed Agent to act or refrain from acting pursuant hereto.

(C) Rights, Exculpation, Etc. Neither Agent nor any of its officers, directors, employees or agents shall be liable to any Lender for any action taken or omitted by them hereunder or under any of the Loan Documents, or in connection herewith or therewith, except that Agent shall be liable to the extent of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. Agent shall not be liable for any apportionment or distribution of payments made by it in good faith and if any such apportionment or distribution is subsequently determined to have been made in error, the sole recourse of any Lender to whom payment was due but not made, shall be to recover from other Lenders any payment in excess of the amount to which they are determined to be entitled (and such other Lenders hereby agree to return to such Lender any such erroneous payments received by them). Neither Agent nor any of its agents or representatives shall be responsible to any Lender for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectibility, or sufficiency of this Agreement or any of the Loan Documents or the transactions contemplated thereby, or for the financial condition of any Loan Party. Agent shall not be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the Loan Documents or the financial condition of any Loan Party, or the existence or possible existence of any Default or Event of Default. Agent may at any time request instructions from Lenders with respect to any actions or approvals which by the terms of this Agreement or of any of the Loan Documents Agent is permitted or required to take or to grant, and if such instructions are promptly requested, Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any Person for refraining from any action or withholding any approval under any of the Loan Documents until it shall have received such instructions from Requisite Lenders or all or such other portion of the Lenders as shall be prescribed by this Agreement. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of Requisite Lenders in the absence of an express requirement for a greater percentage of Lender approval hereunder for such action.

(D) Reliance. Agent shall be under no duty to examine, inquire into, or pass upon the validity, effectiveness or genuineness of this Agreement, any other Loan Document, or any instrument, document or communication furnished pursuant hereto or in connection herewith. Agent shall be entitled to rely, and shall be fully protected in relying, upon any written or oral notices, statements, certificates, orders or other documents or any telephone message or other communication (including any writing, fax, telecopy or telegram) believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining to this Agreement or any of the Loan Documents and its duties hereunder or thereunder. Agent shall be entitled to rely upon the advice of legal counsel, independent accountants, and other experts selected by Agent in its sole discretion.

(E) Indemnification. Lenders will reimburse and indemnify Agent for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including, without limitation, attorneys' fees and expenses), advances or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any of the Loan Documents or any action taken or omitted by Agent under this Agreement or any of the Loan Documents, in proportion to each Lender's Pro Rata Share, but only to the extent that any of the foregoing is not promptly reimbursed by Loan Parties; provided, however, no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, advances or disbursements resulting from Agent's gross negligence or willful misconduct as determined by a final non-appealable judgment by a court of competent jurisdiction. If any indemnity furnished to Agent for any purpose shall, in the opinion of Agent, be insufficient or become impaired, Agent may call for additional indemnity and cease, or not commence, to do the acts indemnified against, even if so directed by Lenders or Requisite Lenders, until such additional indemnity is furnished. The obligations of Lenders under this subsection 9.1(E) shall survive the payment in full of the Obligations and the termination of this Agreement.

(F) GMAC CF Individually. With respect to its Commitments and the Loans made by it, GMAC CF shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "Lenders" or "Requisite Lenders" or any similar terms shall, unless the context clearly otherwise indicates, include GMAC CF in its individual capacity as a Lender or one of the Requisite Lenders. GMAC CF, either directly or through strategic affiliations, may lend money to, acquire equity or other ownership interests in, provide advisory services to and generally engage in any kind of banking, trust or other business with any Loan Party as if it were not acting as Agent pursuant hereto and without any duty to account therefor to Lenders. GMAC CF, either directly or through strategic affiliations, may accept fees and other consideration from any Loan Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

(G) Successor Agent.

(1) Resignation. Agent may resign from the performance of all its agency functions and duties hereunder at any time by giving at least thirty (30) Business Days' prior written notice to Borrowing Agent and the Lenders. Such resignation shall take effect upon the acceptance by a successor Agent of appointment as provided below.



(2) Appointment of Successor. Upon any such notice of resignation pursuant to subsection 9.1(G)(1) above, Requisite Lenders shall appoint a successor Agent which, unless an Event of Default has occurred and is continuing, shall be reasonably acceptable to Borrowing Agent. If a successor Agent shall not have been so appointed within said thirty (30) Business Day period, the retiring Agent, upon notice to Borrowing Agent, shall then appoint a successor Agent who shall serve as Agent until such time, if any, as Requisite Lenders appoint a successor Agent as provided above.

(3) Successor Agent. Upon the acceptance of any appointment as Agent under the Loan Documents by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents. After any retiring Agent's resignation as Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

(H) Collateral Matters.

(1) Release of Collateral. Lenders hereby irrevocably authorize Agent, at its option and in its discretion, to release any Lien granted to or held by Agent upon any Collateral (a) upon termination of the Commitments and upon payment and satisfaction of all Obligations (other than contingent indemnification obligations to the extent no claims giving rise thereto have been asserted); or (b) constituting property being sold or disposed of if a Loan Party certifies to Agent that the sale or disposition is made in compliance with the provisions of this Agreement (and Agent may rely in good faith conclusively on any such certificate, without further inquiry). In addition, with the consent of Requisite Lenders, Agent may release Liens granted to or held by Agent upon any Collateral having a book value of not greater than ten percent (10%) of the total book value of all Collateral, as determined by Agent, either in a single transaction or in a series of related transactions; provided, however, in no event will Agent, acting under the authority granted to it pursuant to this sentence, release during any calendar year Liens granted to or held by Agent upon any Collateral having a total book value in excess of twenty percent (20%) of the total book value of all Collateral, as determined by Agent.

(2) Confirmation of Authority; Execution of Releases. Without in any manner limiting Agent's authority to act without any specific or further authorization or consent by Lenders (as set forth in subsection 9.1(H)(1) above), each Lender agrees to confirm in writing, upon request by Agent or Borrowing Agent, the authority to release any Collateral conferred upon Agent under clauses (a) and (b) of subsection 9.1(H)(1). To the extent Agent agrees to release any Lien granted to or held by Agent as authorized under subsection 9.1(H)(1), (a) Agent is hereby irrevocably authorized by Lenders to, execute such documents as may be necessary to evidence the release of the Liens granted to Agent, for the benefit of Agent and Lenders, upon such Collateral; provided, however, that Agent shall not be required to execute any such document on terms which, in Agent's opinion, would expose Agent to liability or create upon Agent any obligation or entail any consequence other than the release of such Liens without recourse or warranty, and (b) Loan Parties shall provide at least ten (10) Business Days prior written notice of any request for any document evidencing such release of the Liens and Loan Parties agree that any such release shall not in any manner discharge, affect or impair the Obligations or any Liens granted to Agent on behalf of Agent and Lenders upon (or obligations of any Loan Party, in respect of) all interests retained by any Loan Party, including, without limitation, the proceeds of any sale, all of which shall continue to constitute part of the property covered by this Agreement or the Loan Documents.

(3) Absence of Duty. Agent shall have no obligation whatsoever to any Lender or any other Person to assure that the property covered by this Agreement or the Loan Documents exists or is owned by any Loan Party or is cared for, protected or insured or has been encumbered or that the Liens granted to Agent on behalf of Agent and Lenders herein or pursuant hereto have been properly or sufficiently or lawfully created, perfected, protected or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to Agent in this Agreement or in any of the Loan Documents, it being understood and agreed that in respect of the property covered by this Agreement or the Loan Documents or any act, omission or event related thereto, Agent may act in any manner it may deem appropriate, in its discretion, given Agent's own interest in property covered by this Agreement or the Loan Documents as one of the Lenders and that Agent shall have no duty or liability whatsoever to any of the other Lenders; provided, however, that Agent shall exercise the same care which it would in dealing with loans for its own account.

(I) Agency for Perfection. Agent and each Lender hereby appoint each other Lender as agent for the purpose of perfecting Agent's security interest in assets which, in accordance with the Uniform Commercial Code in any applicable jurisdiction, can be perfected by possession or Control. Should any Lender (other than Agent) obtain possession of any such assets, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor, shall deliver such assets to Agent or in accordance with Agent's instructions. The Agent may file such proofs of claim or documents as may be necessary or advisable in order to have the claims of the Agent and the Lenders (including any claim for the reasonable compensation, expenses, disbursements and advances of the Agent and the Lenders, their respective agents, financial advisors and counsel), allowed in any judicial proceedings relative to any Loan Party, or any of their respective creditors or property, and shall be entitled and empowered to collect, receive and distribute any monies, securities or other property payable or deliverable on any such claims. Any custodian in any judicial proceedings relative to any Loan Party is hereby authorized by each Lender to make payments to the Agent and, in the event that the Agent shall consent to the making of such payments directly to the Lenders, to pay to the Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Agent, its agents, financial advisors and counsel, and any other amounts due the Agent. Nothing contained in this Agreement or the other Loan Documents shall be deemed to authorize the Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Loans, or the rights of any holder thereof, or to authorize the Agent to vote in respect of the claim of any Lender in any such proceeding, except as specifically permitted herein.

(J) Exercise of Remedies. Each Lender agrees that it will not have any right individually to enforce or seek to enforce this Agreement or any Loan Document or to realize upon any collateral security for the Obligations, unless instructed to do so by Agent, it being understood and agreed that such rights and remedies may be exercised only by Agent.

9.2. Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default except with respect to defaults in the payment of principal, interest and fees required to be paid to Agent for the account of Lenders, unless Agent shall have received written notice from a Lender or Borrowing Agent referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default”. Agent will notify each Lender of its receipt of any such notice.

9.3. Action by Agent. Agent shall take such action with respect to any Default or Event of Default as may be requested by Requisite Lenders in accordance with Section 7. Unless and until Agent has received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to any Default or Event of Default as it shall deem advisable or in the best interests of Lenders.

9.4. Amendments, Waivers and Consents.

(A) Percentage of Lenders Required. Except as otherwise provided herein or in any of the other Loan Documents, no amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, or consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Requisite Lenders (or, Agent, if expressly set forth herein or in any of the other Loan Documents) and the applicable Loan Party; provided however, no amendment, modification, termination, waiver or consent shall be effective, unless in writing and signed by all Lenders, to do any of the following: (1) increase any of the Commitments; (2) reduce the principal of or the rate of interest on any Loan or reduce the fees payable with respect to any Loan or Lender Letter of Credit other than in accordance with the terms of this Agreement; (3) extend the Termination Date or the scheduled due date for all or any portion of principal of the Loans or any interest or fees due hereunder; (4) amend the definition of the term “Requisite Lenders” or the percentage of Lenders which shall be required for Lenders to take any action hereunder; (5) amend or waive this Section 9.4 or the definitions of the terms used in this Section 9.4 insofar as the definitions affect the substance of this Section 9.4; (6) increase by more than five percent (5%) each of the percentages contained in the definition of Borrowing Base; (7) release Collateral in excess of Collateral having a value of \$1,000,000 in any Fiscal Year (except if the sale, disposition or release of such Collateral is permitted under Section 5.2(E), Section 9.1(H)(1) or under any other Loan Document); (8) amend Section 5.3(F) or the definition of the term Undrawn Availability; or (9) consent to the assignment, delegation or other transfer by any Loan Party of any of its rights and obligations under any Loan Document; provided, further, that no amendment, modification, termination, waiver or consent affecting the rights or duties of Agent under this Section 9 or under any Loan Document shall in any event be effective, unless in writing and signed by Agent, in addition to the Lenders required to take such action. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 9 shall be binding upon each Lender or future Lender and, if signed by a Loan Party, on such Loan Party.

(B) Specific Purpose or Intent. Each amendment, modification, termination, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination, waiver or consent shall be required for Agent to take additional Collateral.

(C) Failure to Give Consent; Replacement of Non-Consenting Lender. In the event Agent requests the consent of a Lender and does not receive a written consent or denial thereof within ten (10) Business Days after such Lender's receipt of such request, then such Lender will be deemed to have denied the giving of such consent. If, in connection with any proposed amendment, modification, termination or waiver of any of the provisions of this Agreement requiring the consent or approval of all Lenders under this subsection 9.4, the consent of Requisite Lenders is obtained but the consent of one or more other Lenders whose consent is required is not obtained, then Borrowers shall have the right, so long as all such non consenting Lenders are either replaced or prepaid as described in clauses (1) or (2) below, to either (1) replace the non consenting Lenders with one or more Replacement Lenders pursuant to subsection 2.11(A), as if such Lender were an Affected Lender thereunder, but only so long as each such Replacement Lender consents to the proposed amendment, modification, termination or waiver, or (2) prepay in full the Obligations of the non-consenting Lenders and terminate the non consenting Lenders' Commitments pursuant to subsection 2.11(B), as if such Lender were an Affected Lender thereunder.

Notwithstanding anything in this subsection 9.4, Agent and Loan Parties, without the consent of either Requisite Lenders or all Lenders, may execute amendments to this Agreement and the Loan Documents, which consist solely of the making of typographical corrections.

9.5. Assignments and Participations in Loans.

(A) Assignments. Each Lender may assign its rights and delegate its obligations under this Agreement to an Eligible Assignee; provided, however, (1) such Lender (other than GMAC CF) shall first obtain the written consent of Agent, and, provided that no Event of Default shall then exist and be continuing, Borrowing Agent, neither of which shall not be unreasonably withheld, (2) the amount of Commitments and Loans of the assigning Lender being assigned shall in no event be less than the lesser of (a) \$5,000,000 or (b) the entire amount of the Commitments and Loans of such assigning Lender and (3)(a) each such assignment shall be of a pro rata portion of all such assigning Lender's Loans and Commitments hereunder, and (b) the parties to such assignment shall execute and deliver to Agent for acceptance and recording a Assignment and Acceptance Agreement together with (i) a processing and recording fee of \$3,500 payable by the assigning Lender to Agent and (ii) the Note originally delivered to the assigning Lender. The administrative fee referred to in clause (3) of the preceding sentence shall not apply to an assignment of a security interest in all or any portion of a Lender's rights under this Agreement or the other Loan Documents, as described in clause (1) of subsection 9.5(D) below. Upon receipt of all of the foregoing, Agent shall notify Borrowing Agent of such assignment and the Borrowers shall comply with its obligations under the last sentence of subsection 2.1(D). In the case of an assignment authorized under this subsection 9.5, the assignee shall be considered to be a "Lender" hereunder and Loan Parties hereby acknowledge and agree that any assignment will give rise to a direct obligation of Loan Parties to the assignee. The assigning Lender shall be relieved of its obligations to make Loans hereunder with respect to the assigned portion of its Commitment. Notwithstanding any provision to the contrary, any Lender (an "Assigning Lender") may assign to one or more special purpose funding vehicles (each, an "SPV") all or any portion of its funded Loans (without the corresponding Commitment), without the consent of any Person or the payment of a fee, by execution of a written assignment agreement in a form agreed to by such Assigning Lender and such SPV, and may grant any such SPV the option, in such SPV's sole discretion, to provide Borrowers all or any part of any Loans that such Assigning Lender would otherwise be obligated to make pursuant to this Agreement. Such SPV shall have all the rights which a Lender making or holding such Loans would have under this Agreement, but no obligations. The Assigning Lender shall remain liable for all its original obligations under this Agreement, including its Commitment (although the unused portion thereof shall be reduced by the principal amount of any Loans held by an SPV). Notwithstanding such assignment, Agent and Borrowers may deliver notices to the Assigning Lender (as agent for the SPV) and not separately to the SPV unless the Agent and Borrowers are requested in writing by the SPV (or its agent) to deliver such notices separately to it. Borrowers shall, at the request of any Assigning Lender, execute and deliver to such Person as such Assigning Lender may designate, a Note in the amount of such Assigning Lender's original Note, to evidence the Loans of such Assigning Lender and related SPV.

(B) Participations. Each Lender may sell participations in all or any part of any Loans or Commitments made by it to another Person; provided, however, such Lender shall first obtain the prior written consent of Agent, which consent shall not be unreasonably withheld. All amounts payable by Loan Parties hereunder shall be determined as if that Lender had not sold such participation and the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except action directly effecting (1) any reduction in the principal amount or an interest rate on any Loan in which such holder participates; (2) any extension of the Termination Date or the date fixed for any payment of interest or principal (other than any mandatory prepayment) payable with respect to any Loan in which such holder participates; and (3) any release of substantially all of the Collateral. Loan Parties hereby acknowledge and agree that the participant under each participation shall for purposes of subsections 2.8, 2.9, 2.10, 9.6 and 10.2 be considered to be a "Lender".

(C) No Relief of Obligations; Cooperation; Ability to Make LIBOR Loans. Except as otherwise provided in subsection 9.5(A) no Lender shall, as between Borrower and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the Loans or other Obligations owed to such Lender. Each Lender may furnish any information concerning Loan Parties in the possession of that Lender from time to time to Eligible Assignees and participants (including prospective assignees and participants). Loan Parties agree that they will use their reasonable efforts to assist and cooperate with Agent and any Lender in any manner reasonably requested by Agent or such Lender to effect the sale of a participation or an assignment described above, including without limitation assistance in the preparation of appropriate disclosure documents or placement memoranda. Notwithstanding anything contained in this Agreement to the contrary, so long as the Requisite Lenders shall remain capable of making LIBOR Loans, no Person shall become a Lender hereunder unless such Person shall also be capable of making LIBOR Loans.

(D) Security Interests; Assignment to Affiliates. Notwithstanding any other provision set forth in this Agreement, any Lender may at any time following written notice to Agent (1) pledge the Obligations held by it or create a security interest in all or any portion of its rights under this Agreement or the other Loan Documents in favor of any Person; provided, however (a) no such pledge or grant of security interest to any Person shall release such Lender from its obligations hereunder or under any other Loan Document and (b) the acquisition of title to such Lender's Obligations pursuant to any foreclosure or other exercise of remedies by such Person shall be subject to the provisions of this Agreement and the other Loan Documents in all respects including, without limitation, any consent required by subsection 9.5; and (2) subject to complying with the provisions of subsection 9.5(A), assign all or any portion of its funded loans to an Eligible Assignee which is a Subsidiary of such Lender or its parent company, to one or more other Lenders, or to a Related Fund.

(E) Recording of Assignments. Agent shall maintain at its office in New York, New York a copy of each Assignment and Acceptance Agreement delivered to it and a register for the recordation of the names and addresses of Lenders, and the commitments of, and principal amount of the Loans owing to each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be presumptive evidence of the amounts due and owing to Lender in the absence of manifest error. Loan Parties, Agent and each Lender may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by Borrowing Agent and any Lender, at any reasonable time upon reasonable prior notice.

At the request of Agent from time to time both before and after the Closing Date, the Loan Parties will assist Agent in the syndication of the credit facility provided pursuant to this Agreement and the other Loan Documents. Such assistance shall include, but not be limited to (i) prompt assistance in the preparation of an information memorandum and the verification of the completeness and accuracy of the information and the reasonableness of the projections contained therein, (ii) preparation of offering materials and financial projections by Loan Parties and their advisors, (iii) providing Agent with all information reasonably deemed necessary by Agent to successfully complete the syndication, (iv) confirmation as to the accuracy and completeness of such offering materials and information and confirmation that management's projections are based on assumptions believed by the Loan Parties to be reasonable at the time made, and (v) participation of the Loan Parties' senior management in meetings and conference calls with potential lenders at such times and places as Agent may reasonably request.

9.6. Set Off and Sharing of Payments. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized by each Loan Party at any time or from time to time, with reasonably prompt subsequent notice to Borrowing Agent (any prior or contemporaneous notice being hereby expressly waived) to set off and to appropriate and to apply any and all (a) balances held by such Lender at any of its offices for the account of Loan Parties (regardless of whether such balances are then due to Loan Parties), and (b) other property at any time held or owing by such Lender to or for the credit or for the account of any Loan Party, against and on account of any of the Obligations; except that no Lender shall exercise any such right without the prior written consent of Agent. Any Lender exercising its right to set off shall purchase for cash (and the other Lenders shall sell) interests in each of such other Lender's Pro Rata Share of the Obligations as would be necessary to cause all Lenders to share the amount so set off with each other Lender in accordance with their respective Pro Rata Shares. Each Loan Party agrees, to the fullest extent permitted by law, that any Lender may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Obligations and upon doing so shall deliver such amount so set off to Agent for the benefit of Agent and of all Lenders in accordance with their Pro Rata Shares.

9.7. Disbursement of Funds. Agent may, on behalf of Lenders, disburse funds to Borrowers for Loans requested. Each Lender shall reimburse Agent on demand for all funds disbursed on its behalf by Agent, or if Agent so requests, each Lender will remit to Agent its Pro Rata Share of any Loan or Advance before Agent disburses same to Borrowers. If Agent elects to require that each Lender make funds available to Agent prior to a disbursement by Agent to Borrower, Agent shall advise each Lender by telephone, telex, fax or telecopy of the amount of such Lender's Pro Rata Share of the Loan requested by Borrowing Agent no later than 1:00 p.m. New York time on the Funding Date applicable thereto, and each such Lender shall pay Agent such Lender's Pro Rata Share of such requested Loan, in same day funds, by wire transfer to Agent's account on such Funding Date.

9.8. Settlements, Payments and Information.

(A) Revolving Advances and Payments; Fee Payments.

(1) Fluctuation of Revolving Loan Balance. The Revolving Loan balance may fluctuate from day to day through Agent's disbursement of funds to, and receipt of funds from, Loan Parties. In order to minimize the frequency of transfers of funds between Agent and each Lender notwithstanding terms to the contrary set forth in Section 2 and subsection 9.7, Revolving Advances and repayments, except as set forth in subsection 2.1(A), will be settled according to the procedures described in this subsection 9.8. Notwithstanding these procedures, each Lender's obligation to fund its portion of any advances made by Agent to Borrowers will commence on the date such advances are made by Agent. Such payments will be made by such Lender without set-off, counterclaim or reduction of any kind.

(2) Settlement Dates. Once each week for the Revolving Loan or more frequently (including daily), if Agent so elects (each such day being a "Settlement Date"), Agent will advise each Lender by telephone, fax or telecopy of the amount of each such Lender's Pro Rata Share of the Revolving Loan. In the event payments are necessary to adjust the amount of such Lender's required Pro Rata Share of the Revolving Loan balance to such Lender's actual Pro Rata Share of the Revolving Loan balance as of any Settlement Date, the party from which such payment is due will pay the other, in same day funds, by wire transfer to the other's account not later than 3:00 p.m. New York time on the Business Day following the Settlement Date.

(3) Settlement Definitions. For purposes of this subsection 9.8(A), the following terms and conditions will have the meanings indicated:

(a) "Daily Loan Balance" means an amount calculated as of the end of each calendar day by subtracting (i) the cumulative principal amount paid by Agent to a Lender on a Loan from the Closing Date through and including such calendar day, from (ii) the cumulative principal amount on a Loan advanced by such Lender to Agent on that Loan from the Closing Date through and including such calendar day.

(b) "Daily Interest Rate" means an amount calculated by dividing the interest rate payable to a Lender on a Loan (as set forth in subsection 2.2) as of each calendar day by three hundred sixty (360).

(c) "Daily Interest Amount" means an amount calculated by multiplying the Daily Loan Balance of a Loan by the associated Daily Interest Rate on that Loan.

(d) "Interest Ratio" means a number calculated by dividing the total amount of the interest on a Loan received by Agent with respect to the immediately preceding by the total amount of interest on that Loan due from Borrower during the immediately preceding month.

(4) Settlement Payments. On the first Business Day of each month ("Interest Settlement Date"), Agent will advise each Lender by telephone, fax or teletype of the amount of such Lender's share of interest and fees on each of the Loans as of the end of the last day of the immediately preceding month. Provided that such Lender has made all payments required to be made by it under this Agreement, Agent will pay to such Lender, by wire transfer to such Lender's account (as specified by such Lender on the signature page of this Agreement or the applicable Assignment and Acceptance Agreement, as amended by such Lender from time to time after the date hereof or in the applicable Assignment and Acceptance Agreement) not later than 3:00 p.m. New York time on the next Business Day following the Interest Settlement Date, such Lender's share of interest and fees on each of the Loans. Such Lender's share of interest on each Loan will be calculated for that Loan by adding together the Daily Interest Amounts for each calendar day of the prior month for that Loan and multiplying the total thereof by the Interest Ratio for that Loan. Such Lender's share of the unused line fee described in Section 2.3(A) shall be an amount equal to (a)(i) such Lender's average Revolving Loan Commitment during such month, less (ii) the sum of (x) such Lender's average Daily Loan Balance of the Revolving Loans, plus (y) such Lender's Pro Rata Share of the average daily aggregate amount of Letter of Credit Reserve, in each case for the preceding month, multiplied by (b) the percentage required by Section 2.3(A). Such Lender's share of all other fees paid to Agent for the benefit of Lenders hereunder shall be paid and calculated based on such Lender's Commitment with respect to the Loans on which such fees are associated. To the extent Agent does not receive the total amount of any fee owing by Borrowers under this Agreement, each amount payable by Agent to a Lender under this subsection 9.8(A)(4) with respect to such fee shall be reduced on a pro rata basis. Any funds disbursed or received by Agent pursuant to this Agreement, including, without limitation, under Sections 9.7, 9.8(A)(1), and 9.9, prior to the Settlement Date for such disbursement or payment shall be deemed advances or remittances by GMAC CF, in its capacity as a Lender, for purposes of calculating interest and fees pursuant to this subsection 9.8(A)(4).

(B) Return of Payments.

(1) Recovery after Non-Receipt of Expected Payment. If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from any Loan Party and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender without set-off, counterclaim or deduction of any kind together with interest thereon, for each day from and including the date such amount is made available by Agent to such Lender to but excluding the date of repayment to Agent, at the greater of the Federal Funds Effective Rate and a rate determined by Agent in accordance with banking industry rules on interbank compensation.



(2) Recovery of Returned Payment. If Agent determines at any time that any amount received by Agent under this Agreement must be returned to any Loan Party or paid to any other Person pursuant to any requirement of law, court order or otherwise, then, notwithstanding any other term or condition of this Agreement, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to any Loan Party or such other Person, without set-off, counterclaim or deduction of any kind.

9.9. Discretionary Advances. Notwithstanding anything contained herein to the contrary, Agent may, in its sole discretion, for a period of not more than thirty (30) consecutive days make Revolving Advances in an aggregate amount of not more than \$2,500,000 in excess of the limitations set forth in the Borrowing Base but not in excess of the Revolving Loan Commitment for the purpose of preserving or protecting the Collateral or for incurring any costs associated with collection or enforcing rights or remedies against the Collateral, or incurred in any action to enforce this Agreement or any other Loan Document.

9.10. Other Agents. The entities identified in the Recitals section of this Agreement as the 'Syndication Agent' and 'Documentation Agent' shall not have any right, power, obligation, liability, responsibility or duty under this Agreement (or any of the Loan Documents) other than those applicable to all Lenders as such. Without limiting the foregoing, the entities so identified as the 'Syndication Agent' and the 'Documentation Agent' shall not have or be deemed to have any fiduciary relationship with any Lender or Borrower. Each Lender acknowledges that it has not relied, and will not rely, on the entity so identified as the 'Syndication Agent' or the 'Documentation Agent' in deciding to enter into this Agreement and each of the Loan Documents to which it is a party or in taking or not taking action hereunder or thereunder."

#### SECTION 10. MISCELLANEOUS

10.1. Expenses and Attorneys' Fees. Whether or not any of the Transactions shall be consummated, each Loan Party agrees to promptly pay all reasonable fees, costs and expenses of Agent incurred in connection with any matters contemplated by or arising out of this Agreement or the other Loan Documents including the following, and all such fees, costs and expenses shall be part of the Obligations, payable on demand and secured by the Collateral: (a) reasonable fees, costs and expenses incurred by Agent (including attorneys' fees and expenses, the allocated costs of Agent's internal legal staff and fees of environmental consultants, accountants and other professionals retained by Agent) incurred in connection with the examination, review, due diligence investigation, documentation and closing of the financing arrangements evidenced by the Loan Documents; (b) reasonable fees, costs and expenses incurred by Agent (including attorneys' fees and expenses, the allocated reasonable costs of Agent's internal legal staff and fees of environmental consultants, accountants and other professionals retained by Agent) incurred in connection with the review, negotiation, preparation, documentation, execution, syndication and administration of the Loan Documents, the Loans, and any amendments, waivers, consents, forbearances and other modifications relating thereto or any subordination or intercreditor agreements, including reasonable documentation charges assessed by Agent for amendments, waivers, consents and any other documentation prepared by Agent's internal legal staff; (c) reasonable fees, costs and expenses (including attorneys' fees and allocated costs of internal legal staff) incurred by Agent in creating, perfecting and maintaining perfection of Liens in favor of Agent, on behalf of Agent and Lenders; (d) reasonable fees, costs and expenses incurred by Agent in connection with forwarding to Borrowers the proceeds of Loans including Agent's or any Lenders' standard wire transfer fee; (e) reasonable fees, costs, expenses and bank charges, including bank charges for returned checks, incurred by Agent or any Lender in establishing, maintaining and handling lock box accounts, Blocked Accounts or other accounts for collection of the Collateral; (f) reasonable fees, costs, expenses (including attorneys' fees and allocated costs of internal legal staff) of Agent or any Lender and costs of settlement incurred in collecting upon or enforcing rights against the Collateral or incurred in any action to enforce this Agreement or the other Loan Documents or to collect any payments due from any Loan Party under this Agreement or any other Loan Document or incurred in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement, whether in the nature of a "workout" or in connection with any insolvency or bankruptcy proceedings or otherwise.

10.2. Indemnity. In addition (and without duplication of) to the payment of expenses pursuant to subsection 10.1, whether or not any of the Transactions shall be consummated, each Loan Party agrees to indemnify, pay and hold Agent and each Lender, and the officers, directors, employees, agents, consultants, auditors, persons engaged by Agent or any Lender, to evaluate or monitor the Collateral, affiliates and attorneys of Agent, Lender and such holders (collectively called the "Indemnities") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for such Indemnities in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnity shall be designated a party thereto) that may be imposed on, incurred by, or asserted against that Indemnity, in any manner relating to or arising out of this Agreement or the other Loan Documents, the consummation of the GMAC Transactions, the statements contained in the commitment letters, if any, delivered by Agent or any Lender, Agent's and each Lender's agreement to make the Loans hereunder, the use or intended use of the proceeds of any of the Loans or the exercise of any right or remedy hereunder or under the other Loan Documents (the "Indemnified Liabilities"); provided that no Loan Party shall have any obligation to an Indemnity hereunder with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of that Indemnity as determined by a final non-appealable judgment by a court of competent jurisdiction.

10.3. Notices. Unless otherwise specifically provided herein, all notices shall be in writing addressed to the respective party as set forth below and may be personally served, faxed, telecopied or sent by overnight courier service or US mail and shall be deemed to have been given: (a) if delivered in person, when delivered; (b) if delivered by fax or telecopy, on the date of transmission if transmitted on a Business Day before 4:00 p.m. New York time or, if not, on the next succeeding Business Day; (c) if delivered by overnight courier, two (2) days after delivery to such courier properly addressed; or (d) if by U.S. Mail, four (4) Business Days after depositing in the US mail, with postage prepaid and properly addressed.

If to any Loan Party: Rocky Brands, Inc.  
39 East Canal Street  
Nelsonville, Ohio 45764  
Attn: James E. McDonald  
Chief Financial Officer  
Fax/Telecopy No.: (740) 753-4024

With a copy to: Porter, Wright, Morris & Arthur LLP  
41 South High Street  
Columbus, Ohio 43215  
Attn: Timothy E. Grady, Esq.  
Fax/Telecopy No.: (614) 227-2100

If to Agent or to GMACCF: GMAC Commercial Finance LLC  
1290 Avenue of the Americas, 3rd Floor  
New York, New York 10104  
Attn: Rocky Portfolio Manager  
Fax/Telecopy No.: (212) 884-7692

With copies to: GMAC Commercial Finance LLC  
1290 Avenue of the Americas  
New York, New York 10104  
Attn: Legal Services/SFD  
Fax/Telecopy No.: (212) 884-7693

Hahn & Hessen LLP  
488 Madison Avenue  
New York, New York 10022  
Attn: Daniel J. Krauss, Esq.  
Fax/Telecopy No.: (212) 478-7400

If to any Lender: Its address indicated on the signature page hereto, in an Assignment and Acceptance Agreement or in a notice to Agent and Borrowing Agent or to such other address as the party addressed shall have previously designated by written notice to the serving party, given in accordance with this subsection 10.3.

10.4. Survival of Representations and Warranties and Certain Agreements. All agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and the making of the Loans hereunder. Notwithstanding anything in this Agreement or implied by law to the contrary, the agreements of each Loan Party, Agent, and Lenders set forth in subsections 9.1(E), 10.1, 10.2, 10.6, 10.11, 10.14, and 10.15 shall survive the payment of the Loans and the termination of this Agreement.

10.5. Indulgence Not Waiver. No failure or delay on the part of Agent, any Lender or any holder of any Note in the exercise of any power, right or privilege hereunder or under any Note shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

10.6. Marshaling; Payments Set Aside. Neither Agent nor any Lender shall be under any obligation to marshal any assets in favor of any Loan Party or any other party or against or in payment of any or all of the Obligations. To the extent that any Loan Party makes a payment or payments to Agent and/or any Lender or Agent and/or any Lender enforces its security interests or exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Obligations or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

10.7. Entire Agreement. This Agreement and the other Loan Documents embody the entire agreement among the parties hereto and supersede all prior commitments, agreements, representations, and understandings, whether written or oral, relating to the subject matter hereof, and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto.

10.8. Severability. The invalidity, illegality or unenforceability in any jurisdiction of any provision in or obligation under this Agreement or the other Loan Documents shall not affect or impair the validity, legality or enforceability of the remaining provisions or obligations under this Agreement, or the other Loan Documents.

10.9. Lenders' Obligations Several; Independent Nature of Lenders' Rights. The obligation of each Lender hereunder is several and not joint and neither Agent nor any Lender shall be responsible for the obligation or Commitment of any other Lender hereunder. In the event that any Lender at any time should fail to make a Loan as herein provided, the Lenders, or any of them, at their sole option, may make the Loan that was to have been made by the Lender so failing to make such Loan. Nothing contained in any Loan Document and no action taken by Agent or any Lender pursuant hereto or thereto shall be deemed to constitute Lenders to be a partnership, an association, a joint venture or any other kind of entity. The amounts payable at any time hereunder to each Lender shall be a separate and independent debt.

10.10. Headings. Section and subsection headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

10.11. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

10.12. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided, however, no Loan Party may assign its rights or obligations hereunder without the written consent of Lenders.

10.13. No Fiduciary Relationship; No Duty; Limitation of Liabilities.

(A) No Fiduciary Relationship. No provision in this Agreement or in any of the other Loan Documents and no course of dealing between the parties shall be deemed to create any fiduciary duty by Agent or any Lender to any Loan Party.

(B) No Duty. All attorneys, accountants, appraisers, and other professional Persons and consultants retained by Agent or any Lender shall have the right to act exclusively in the interest of Agent or such Lender and shall have no duty of disclosure, duty of loyalty, duty of care, or other duty or obligation of any type or nature whatsoever to any Loan Party or any of any Loan Party's shareholders or any other Person.

(C) Limitation of Liabilities. Neither Agent nor any Lender, nor any affiliate, officer, director, shareholder, employee, attorney, or agent of Agent or any Lender shall have any liability with respect to, and each Loan Party hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by any Loan Party in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, any of the GMAC Transactions or any of the other Transactions. Each Loan Party hereby waives, releases, and agrees not to sue Agent or any Lender or any of Agent's or any Lender's affiliates, officers, directors, employees, attorneys, or agents for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, any of the GMAC Transactions or any of the other Transactions.

10.14. CONSENT TO JURISDICTION. EACH LOAN PARTY HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF NEW YORK, STATE OF NEW YORK AND IRREVOCABLY AGREES THAT, SUBJECT TO AGENT'S ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS SHALL BE LITIGATED IN SUCH COURTS. EACH LOAN PARTY EXPRESSLY SUBMITS AND CONSENTS TO THE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS. EACH LOAN PARTY HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE UPON BORROWING AGENT BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, ADDRESSED TO BORROWING AGENT, AT THE ADDRESS SET FORTH IN THIS AGREEMENT AND SERVICE SO MADE SHALL BE COMPLETE TEN (10) DAYS AFTER THE SAME HAS BEEN POSTED. EACH LOAN PARTY IN ANY EVENT WILL USE ALL COMMERCIALY REASONABLE EFFORTS TO PRODUCE IN ANY SUCH DISPUTE RESOLUTION PROCEEDING, AT THE TIME AND IN THE MANNER REQUESTED BY AGENT OR ANY LENDER, ALL PERSONS, DOCUMENTS (WHETHER IN TANGIBLE, ELECTRONIC OR OTHER FORM) OR OTHER THINGS UNDER ITS CONTROL AND RELATING TO THE DISPUTE.

10.15. WAIVER OF JURY TRIAL. EACH LOAN PARTY, AGENT AND EACH LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS. EACH LOAN PARTY, AGENT AND EACH LENDER ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH LOAN PARTY, AGENT AND EACH LENDER WARRANT AND REPRESENT THAT EACH HAS HAD THE OPPORTUNITY OF REVIEWING THIS JURY WAIVER WITH LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS.

10.16. Construction. Each Loan Party, Agent and each Lender each acknowledge that it has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement and the other Loan Documents with its legal counsel. This Agreement and the other Loan Documents shall be construed as if jointly drafted by Loan Parties, Agent and each Lender.

10.17. Counterparts; Effectiveness. This Agreement and any amendments, waivers, consents, or supplements may be executed via telecopier or facsimile transmission in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute one and the same instrument. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto.

10.18. Confidentiality. Agent and each Lender agree to exercise their best efforts to keep confidential any non-public information delivered pursuant to the Loan Documents and identified as such by Borrowing Agent and not to disclose such information to Persons other than to: its respective affiliates, officers, directors and employees; or its potential assignees or participants; or Persons employed by or engaged by Agent, a Lender or a Lender's assignees or participants including, without limitation, attorneys, auditors, professional consultants, rating agencies and portfolio management services. The confidentiality provisions contained in this subsection shall not apply to disclosures (a) required to be made by Agent or any Lender to any regulatory or governmental agency or pursuant to legal process or (b) consisting of general portfolio information that does not identify any Loan Party. The obligations of Agent and Lenders under this subsection 10.18 shall supersede and replace the obligations of Agent and Lenders under any confidentiality agreement in respect of this financing executed and delivered by Agent or any Lender prior to the date hereof. In no event shall Agent or any Lender be obligated or required to return any materials furnished by Loan Parties ;provided, however, each potential assignee or participant shall be required to agree that if it does not become an assignee (or participant) it shall return all materials furnished to it by Loan Parties in connection herewith.

Notwithstanding the foregoing, and notwithstanding any other express or implied agreement or understanding to the contrary, each of the parties hereto and their respective employees, representatives, and other agents are authorized to disclose the tax treatment and tax structure of the Transactions to any and all persons, without limitation of any kind. Each of the parties hereto may disclose all materials of any kind (including opinions or other tax analyses) insofar as they relate to the tax treatment and tax structure of the Transactions. This authorization does not extend to disclosure of any other information including (without limitation) (a) the identities of participants or potential participants in the GMAC Transactions (b) the existence or status of any negotiations, (c) any pricing or other financial information or (d) any other term or detail not related to the tax treatment and tax structure of the GMAC Transactions. The confidentiality provisions contained in this Agreement shall not prohibit disclosures to any trustee, administrator, collateral manager, servicer, backup servicer, lender, rating agency or secured party of any SPV or its affiliates in connection with the evaluation, administration, servicing of, or the reporting on, the assets or securitization activities of such SPV or its affiliates.

10.19. Publication. Each Loan Party consents to the publication by Agent of a tombstone or similar advertising material relating to the GMAC Transactions; provided, however, Agent shall provide a draft of any such tombstone or similar advertising material to Borrowing Agent for review prior to the publication thereof. Agent and Lenders reserve the right to provide industry trade organizations information necessary and customary for inclusion in league table measurements.

[SIGNATURE PAGES FOLLOW]

Witness the due execution of this Loan and Security Agreement by the respective duly authorized officers of the undersigned as of the date first written above.

ROCKY BRANDS, INC.  
FEIN: 31-1364046  
LIFESTYLE FOOTWEAR, INC.  
FEIN: 66-0448782  
ROCKY BRANDS WHOLESALE LLC  
FEIN: 22-3709787  
ROCKY BRANDS RETAIL LLC  
FEIN: 22-3709780

By: /s/ James E. McDonald  
Name: James E. McDonald  
Title: Executive Vice President, Chief Financial  
Officer and Treasurer of  
each of the foregoing Borrowers

GMAC COMMERCIAL FINANCE LLC

By: /s/ Thomas Brent  
Name: Thomas Brent  
Title: Director

Revolving Loan Commitment: \$27,118,640.00

BANK OF AMERICA, N.A.

By: /s/ William J. Wilson  
Name: William J. Wilson  
Title: Vice President

Revolving Loan Commitment: \$21,186,440.00

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CHARTER ONE BANK, N.A.

By: /s/ James G. Zamborsky  
Name: James G. Zamborsky  
Title: Vice President

Revolving Loan Commitment: \$17,796,610.00

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Richard F. Musez  
Name: Richard F. Musez  
Title: Sr. Vice President

Revolving Loan Commitment: \$17,796,610.00

COMERICA BANK

By: /s/ Harold Dalton  
Name: Harold Dalton  
Title: V.P.

Revolving Loan Commitment: \$16,101,700.00

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EXHIBIT A

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

ASSIGNMENT AND ACCEPTANCE AGREEMENT, dated as of \_\_\_\_\_, 20 among ("Transferor Lender"), \_\_\_\_\_ ("Purchasing Lender"), and GMAC COMMERCIAL FINANCE LLC ("GMAC CF") as agent for the Lenders (as defined below) under the Loan Agreement (as defined below).

WITNESSETH

WHEREAS, this Assignment and Acceptance Agreement is being executed and delivered in accordance with Section 9.5 of the Amended and Restated Loan and Security Agreement dated as of May 25, 2007 (as from time to time amended, restated, supplemented or otherwise modified in accordance with the terms thereof, the "Loan Agreement") among ROCKY BRANDS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, ROCKY BRANDS WHOLESALE LLC, a limited liability company organized and existing under the laws of the State of Delaware, and ROCKY BRANDS RETAIL LLC, a limited liability company organized and existing under the laws of the State of Delaware (the foregoing entities, jointly and severally, as the context requires, "Borrower" or "Borrowers"), the financial institution(s) listed on the signature pages thereof and their respective successors and Eligible Assignees (each individually a "Lender" and collectively, "Lenders"), GMAC COMMERCIAL FINANCE LLC, a Delaware limited liability company (in its individual capacity, "GMAC CF"), as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent"), BANK OF AMERICA, N.A., as syndication agent, and CHARTER ONE BANK, N.A., as documentation agent;

WHEREAS, Purchasing Lender wishes to become a Lender party to the Loan Agreement; and

WHEREAS, Transferor Lender is selling and assigning to Purchasing Lender, rights, obligations and commitments under the Loan Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. All capitalized terms used herein which are not defined shall have the meanings given to them in the Loan Agreement.

2. Upon receipt by the Agent of four counterparts of this Assignment and Acceptance Agreement, to each of which is attached a fully completed Schedule I and each of which has been executed by Transferor Lender and Agent, Agent will transmit to Transferor Lender and Purchasing Lender a Transfer Effective Notice, substantially in the form of Schedule II to this Assignment and Acceptance Agreement (a "Transfer Effective Notice"). Such Transfer Effective Notice shall set forth, inter alia, the date on which the transfer effected by this Assignment and Acceptance Agreement shall become effective (the "Transfer Effective Date"), which date shall not be earlier than the first Business Day following the date such Transfer Effective Notice is received. From and after the Transfer Effective Date, Purchasing Lender shall be a Lender party to the Loan Agreement for all purposes thereof.

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3. At or before 1:00 P.M. (Eastern Standard time) on the Transfer Effective Date Purchasing Lender shall pay to Transferor Lender, in immediately available funds, an amount equal to the purchase price, as agreed between Transferor Lender and Purchasing Lender (the "Purchase Price"), of the portion of the Loans being purchased by Purchasing Lender (Purchasing Lender's "Purchased Percentage") of the outstanding Loans and other amounts owing to Transferor Lender under the Loan Agreement and its Revolving Note. Effective upon receipt by Transferor Lender of the Purchase Price from Purchasing Lender, Transferor Lender hereby irrevocably sells assigns and transfers to Purchasing Lender, without recourse, representation or warranty, and Purchasing Lender hereby irrevocably purchases, takes and assumes from Transferor Lender, Purchasing Lender's Purchased Percentage of the Loans and other amounts owing to Transferor Lender under the Loan Agreement and its Revolving Note, together with all instruments, documents and collateral security pertaining thereto.

4. Transferor Lender has made arrangements with Purchasing Lender with respect to (i) the portion, if any, to be paid, and the date or dates for payment, by Transferor Lender to Purchasing Lender of any fees heretofore received by Transferor Lender pursuant to the Loan Agreement prior to the Transfer Effective Date and (ii) the portion, if any, to be paid, and the date or dates for payment, by Purchasing Lender to Transferor Lender of fees or interest received by Purchasing Lender pursuant to the Loan Agreement from and after the Transfer Effective Date.

5. (a) All principal payments that would otherwise be payable from and after the Transfer Effective Date to or for the account of Transferor Lender pursuant to the Loan Agreement and its Revolving Note shall, instead, be payable to or for the account of Transferor Lender and Purchasing Lender, as the case may be, in accordance with their respective interests as reflected in this Assignment and Acceptance Agreement.

(b) All interest, fees and other amounts that would otherwise accrue for the account of Transferor Lender from and after the Transfer Effective Date pursuant to the Loan Agreement and its Revolving Note shall, instead, accrue for the account of, and be payable to, Transferor Lender and Purchasing Lender, as the case may be, in accordance with their respective interests as reflected in this Assignment and Acceptance Agreement. In the event that any amount of interest, fees or other amounts accruing prior to the Transfer Effective Date was included in the Purchase Price paid by Purchasing Lender, Transferor Lender and Purchasing Lender will make appropriate arrangements for payment by Transferor Lender to Purchasing Lender of such amount upon receipt thereof from Borrowers.

6. Prior to, or concurrently with, the execution and delivery hereof, Transferor Lender will provide to Purchasing Lender conformed copies of the Loan Agreement, and all related documents delivered to Transferor Lender which have been requested by Purchasing Lender.

7. Each of the parties to this Assignment and Acceptance Agreement agrees that at anytime and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment and Acceptance Agreement.

8. By executing and delivering this Assignment and Acceptance Agreement, Transferor Lender and Purchasing Lender confirm to and agree with each other and Agent and Lenders as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any adverse claim, Transferor Lender makes no representation or warrant and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Loan Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Agreement, its Revolving Note, or any other instrument or document furnished pursuant thereto; (ii) Transferor Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its Liabilities under the Loan Agreement, its Revolving Note, or any other instrument or document furnished pursuant hereto; (iii) Purchasing Lender confirms that it has received a copy of the Loan Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance Agreement; (iv) Purchasing Lender will, independently and without reliance upon Agent, Transferor Lender or any other Lenders and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement; (v) Purchasing Lender appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to the Agent by the terms thereof; (vi) Purchasing Lender agrees that it will perform all of its respective obligations as set forth in the Loan Agreement to be performed by each as a Lender; and (vii) Purchasing Lender represents and warrants to Transferor Lender, Lenders, Agent and each Loan Party that it is either (x) entitled to the benefits of an income tax treaty with the United States of America that provides for an exemption from the United States withholding tax on interest and other payments made by Borrowers under the Loan Agreement and the Other Agreements or (y) is engaged in trade or business within the United States of America.

9. Schedule I hereto sets forth the revised Total Loan Commitment of Transferor Lender and the Total Loan Commitment of Purchasing Lender as well as administrative information with respect to Purchasing Lender.

10. This Assignment and Acceptance Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance Agreement to be executed by their respective duly authorized officers on the date set forth above.

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as Transferor Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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as Purchasing Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GMAC COMMERCIAL FINANCE LLC  
as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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SCHEDULE I TO ASSIGNMENT AND ACCEPTANCE AGREEMENT

LIST OF OFFICES, ADDRESSES FOR NOTICES AND COMMITMENT AMOUNTS

Transferor Lender	Revolving Loan Commitment:	\$ _____
	Revised Pro Rata Share:	
Purchasing Lender	Revolving Loan Commitment:	\$ _____
	Pro Rata Share:	

Addresses for Notices to Purchasing Lender

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: \_\_\_  
Telephone: \_\_\_  
Telecopier: \_\_\_

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SCHEDULE II TO ASSIGNMENT AND ACCEPTANCE AGREEMENT

Transfer Effective Notice

To: \_\_\_\_\_, as Transferor Lender and  
\_\_\_\_\_, Purchasing Lender:

The undersigned, as Agent under the Amended and Restated Loan and Security Agreement dated as of May 25, 2007 (as from time to time amended, restated, supplemented or otherwise modified in accordance with the terms thereof, the "Loan Agreement") among ROCKY BRANDS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, ROCKY BRANDS WHOLESALE LLC, a limited liability company organized and existing under the laws of the State of Delaware, and ROCKY BRANDS RETAIL LLC, a limited liability company organized and existing under the laws of the State of Delaware (the foregoing entities, jointly and severally, as the context requires, "Borrower" or "Bon-owers"), the financial institution(s) listed on the signature pages thereof and their respective successors and Eligible Assignees (each individually a "Lender" and collectively, "Lenders"), GMAC COMMERCIAL FINANCE LLC, a Delaware limited liability company (in its individual capacity, "GMAC CF"), as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent"), BANK OF AMERICA, N.A., as syndication agent, and CHARTER ONE BANK, N.A., as documentation agent, acknowledges receipt of four (4) executed counterparts of a completed Assignment and Acceptance Agreement in the form attached hereto. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Loan Agreement.

Pursuant to such Assignment and Acceptance Agreement, you are advised that the Transfer Effective Date will be \_\_\_\_\_, 20\_\_.

GMAC COMMERCIAL FINANCE LLC, as Agent

By: \_\_\_\_\_  
Name:  
Title:

---

**EXHIBIT B**

**Form of Borrowing Base Certificate**

**CONSOLIDATED BORROWING BASE CERTIFICATE  
ROCKY BRANDS, INC.**

TO: GMAC Commercial Finance, LLC ("Agent")  
3000 Town Center, Suite 280  
Southfield, MI 48075

Date: \_\_\_\_\_, 200\_\_  
As of: A/R: \_\_/\_\_/200\_\_; Inv.: \_\_/\_\_/200\_\_

Please refer to the Amended and Restated Credit Agreement dated as of May \_\_, 2007 (as amended or otherwise modified from time to time, the "Credit Agreement") among Rocky Shoes & Boots, Inc. ("Borrower"), various financial institutions and Agent. This certificate, together with the supporting calculations, is delivered to you pursuant to the terms of the Credit Agreement. Terms used but not otherwise defined herein shall have the same meanings herein as in the Credit Agreement.

Borrowing Agent hereby certifies and warrants to the Agent and Lenders that the following is a true and correct computation as of the close of business on the date set forth above (the "Computation Date") of the Borrowing Base, and Inventory, Account, and Supplemental balance changes since the previous Borrowing Base Certificate provided to you (the "Prior Certificate").

**Accounts Receivable**

	<u>Rocky</u>	<u>Lifestyle</u>	<u>Rocky Wholesale</u>	<u>Rocky Retail</u>	<u>Consolidated</u>
Balance Per Aging					
Ineligibles					
Foreign Receivables					
Employee Receivables					
Past Due					
Cross Aging (50%)					
Credit balances over 90 Days from Invoice Date					
Accrued Freight					
Accrued Rebate - Dealer Incentives					
Coop Advertising Accrual					
Extended Payment Terms					
Bankruptcy					
Concentration - Accts. > 20% of Total					
Government Receivables					
New Jersey Receivables					
Debit Memos					
Unapplied Cash Receipts					
Intercompany Accounts					
Net Eligible A/R Before Dilution					
Dilution Reserve					
Total Ineligibles					
Eligible					
Advance Rate					
Borrowing Base					

---



**Finished Goods**

	<u>Rocky</u>	<u>Lifestyle</u>	<u>Rocky Wholesale</u>	<u>Rocky Retail</u>	<u>Consolidated</u>
Gross Amount					
<b>Ineligibles</b>					
Slow Moving Inventory					
Samples					
Coop Point of Purchase					
Capitalized Variance - Monthly					
Intercompany Profits					
Markdown Accrual					
Consignment Inventory					
Shrinkage Reserve					
Commissary Inv. less than \$50,000					
Dominican Republic Inventory					
Canadian Inventory					
Puerto Rico Inventory – Advances >\$2MM					
<b>Total Ineligibles</b>					
<b>Eligible</b>					
<b>Advance Rate (1)</b>					
<b>Borrowing Base</b>					

**Retail**

	<u>Rocky</u>	<u>Lifestyle</u>	<u>Rocky Wholesale</u>	<u>Rocky Retail</u>	<u>Consolidated</u>
Gross Amount					
<b>Ineligibles</b>					
Closeouts					
<b>Total Ineligibles</b>					
<b>Eligible</b>					
<b>Advance Rate (1)</b>					
<b>Borrowing Base</b>					

---

**Raw Materials**

Gross Amount  
**Ineligibles**  
Supplies  
**Total Ineligibles**  
**Eligible**  
**Advance Rate (1)**  
**Borrowing Base**

<u>Rocky</u>	<u>Lifestyle</u>	<u>Rocky Wholesale</u>	<u>Rocky Retail</u>	<u>Consolidated</u>
--------------	------------------	------------------------	---------------------	---------------------

**Intransit**

Gross Amount  
**Ineligibles**  
**Total Ineligibles**  
**Eligible**  
**Advance Rate (1)**  
**Borrowing Base**  
Intransit Inventory Advances Above \$8 Million  
Intransit Inventory Borrowing Base Capped at \$8 Million

<u>Rocky</u>	<u>Lifestyle</u>	<u>Rocky Wholesale</u>	<u>Rocky Retail</u>	<u>Consolidated</u>
--------------	------------------	------------------------	---------------------	---------------------

Total Gross Inventory  
  
Net Borrowing Base Availability from Inventory  
  
Inventory Availability above \$50 million  
  
Inventory Availability – Capped at \$50 million  
  
Total Borrowing Base Availability  
  
Total Availability Above \$100 Million  
  
Total Availability – Capped at \$100 Million

---

Borrowing base availability  
Less: Outstanding letter of credit  
Less: Royalty Reserve/Other Reserve  
Total Available  
Revolving loan balance at computation date  
Excess availability  
Less: Minimum availability  
Net Availability for borrowing

Loan Activity

Revolving loan balance carried forward from prior report  
Total advances since previous report  
Total payments since previous report  
Total adjustments since previous report (including interest and fees)  
Revolving loan balance at computation date

Borrowing Agent hereby further certifies and warrants to the Agent and Lenders that no Event of Default or event which with the passage of time would be an Event of Default has occurred.

IN WITNESS WHEREOF, the Borrowing Agent has caused this Certificate to be executed and delivered by its officer thereunto duly authorized on \_\_\_\_\_, 200\_.

ROCKY BRANDS, INC.

By: \_\_\_\_\_  
Title:

(1) High Selling Period - May through October, Low Selling Period - November through April.

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EXHIBIT C

FORM OF COMPLIANCE AND PRICING CERTIFICATE

\_\_\_\_\_20\_\_\_\_\_

GMAC Commercial Finance LLC  
1290 Avenue of the Americas New  
York, New York 10104 Attention:

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Loan and Security Agreement dated as of May 25, 2007 (as from time to time amended, restated, supplemented or otherwise modified in accordance with the terms thereof, the "Loan Agreement") among ROCKY BRANDS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, ROCKY BRANDS WHOLESALE LLC, a limited liability company organized and existing under the laws of the State of Delaware, and ROCKY BRANDS RETAIL LLC, a limited liability company organized and existing under the laws of the State of Delaware (the foregoing entities, jointly and severally, as the context requires, "Borrower" or "Borrowers"), the financial institution(s) listed on the signature pages thereof and their respective successors and Eligible Assignees (each individually a "Lender" and collectively, "Lenders"), GMAC COMMERCIAL FINANCE LLC, a Delaware limited liability company (in its individual capacity, "GMAC CF"), as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent"), BANK OF AMERICA, N.A., as syndication agent, and CHARTER ONE BANK, N.A., as documentation agent. Capitalized terms used herein, and not otherwise defined herein, have the respective meanings given them in the Loan Agreement.

The undersigned hereby certifies to the Lender as follows:

1. The undersigned is a duly appointed officer of the Borrowers and is authorized to deliver this Compliance and Pricing Certificate to the Agent.
  2. The undersigned has examined the books and records of the Loan Parties and has conducted such other examinations and investigations as are reasonably necessary to provide this Compliance and Pricing Certificate.
  3. To the best of the undersigned's knowledge, information and belief, no Default or Event of Default has occurred since the date of the last Compliance and Pricing Certificate, or, if any such Default or Event of Default has occurred, the Loan Parties' actions taken with respect thereto are set forth on Schedule 2 attached hereto.
-

4. Computations demonstrating compliance with the financial covenants for the Loan Parties' fiscal period ended on the date of the financial statements delivered herewith are set forth on Schedule 1 attached hereto.

IN WITNESS WHEREOF, the undersigned has executed this Compliance and Pricing Certificate as of the date first written above.

By: \_\_\_\_\_  
Name:  
Title:

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Schedule 1

CALCULATION OF FINANCIAL COVENANTS

1. Fixed Charge Coverage Ratio:
  2. Capital Expenditures:
  3. Total Leverage Ratio:
-

Schedule 2

DEFAULTS AND/OR EVENTS OF DEFAULT SINCE  
DATE OF LAST COMPLIANCE AND PRICING CERTIFICATE

Indicate "None" or list such Defaults and/or Events of Default and actions taken by Borrowers with respect thereto:

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EXHIBIT F

Notice of Borrowing

\_\_\_\_\_, 20\_\_

GMAC Commercial Finance LLC,  
as Agent for the Lenders party to the Amended  
and Restated Loan and Security Agreement  
referred to below  
1290 Avenue of the Americas  
New York, New York 10104

Ladies and Gentlemen:

The undersigned, ROCKY BRANDS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, ROCKY BRANDS WHOLESALE LLC, a limited liability company organized and existing under the laws of the State of Delaware, and ROCKY BRANDS RETAIL LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), refer to the Amended and Restated Loan and Security Agreement dated as of May 25, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"; the terms defined therein being used herein as therein defined) by and among Borrowers, the Lenders party thereto, GMAC COMMERCIAL FINANCE LLC, a Delaware limited liability company (in its individual capacity, "GMAC CF"), as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent") and BANK OF AMERICA, N.A., as syndication agent and CHARTER ONE BANK, N.A., as documentation agent, and hereby gives you notice, pursuant to Section 2.1 of the Loan Agreement, that the Borrowers hereby request a Revolving Advance under the Loan Agreement, and in that connection sets forth below the information relating to such Revolving Advance (the "Proposed Advance") as required by Section 2.1(C) of the Loan Agreement:

- (i) The \_\_\_\_\_ Proposed Advance is a Revolving Advance in the aggregate amount of \$ \_\_\_\_\_.
  - (ii) The Proposed Advance is a [LIBOR Loan] [Base Rate Loan].
  - (iii) If the Proposed Advance is a LIBOR Loan, the requested Interest Period for such Loan is \_\_\_\_\_ months.
  - (iv) The Funding Date of the Proposed Advance is \_\_\_\_\_, 20\_\_.
-



The Borrower hereby certifies that the representations and warranties contained in Sections 5 and 6 of the Loan Agreement and in each other Loan Document, certificate or other writing delivered to the Agent pursuant thereto are correct on and as of the date first above written (other than those which expressly speak only as of a different date) and no Default or Event of Default has occurred or is continuing as of the date hereof.

The undersigned hereby requests that Agent disburse the proceeds of the Loans as set forth on Schedule A attached hereto.

Very truly yours,

**ROCKY BRANDS, INC.**  
**LIFESTYLE FOOTWEAR, INC.**  
**ROCKY BRANDS WHOLESALE LLC**  
**ROCKY BRANDS RETAIL LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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Schedule A

1. For the account of \_\_\_\_\_:

Bank:  
ABA Routing No.:  
Account No.:  
Account Name:  
Amount:  
Reference No.:

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FINAL

SCHEDULES TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

Dated as of May 25, 2007

Introduction:

For purposes of this introduction, the term “Schedules” shall include the following:

Schedule 1.1	Excluded Property
Schedule 2.7(A)	Commercial Tort Claims
Schedule 3	Closing Deliveries
Schedule 4.1(A)	Organizational Schedule
Schedule 4.1(D)	Capitalization Schedule
Schedule 4.1(F)	Authorization; No Breach
Schedule 4.1(G)	Governmental Approvals
Schedule 4.1(J)	Litigation Schedule
Schedule 4.1(L)	Environmental Schedule
Schedule 4.1(Q)	Properties Schedule
Schedule 4.1(R)	Intellectual Property Schedule
Schedule 4.1(U)	Side Agreements
Schedule 4.1(W)	Material Contracts
Schedule 4.1(Z)	Current Business Practices
Schedule 5.2(A)	Permitted Indebtedness Schedule
Schedule 5.2(B)	Permitted Liens Schedule
Schedule 6.1(K)	Deposit Accounts
Schedule 6.1(L)	Bailees/Consignees/Warehouse
Schedule 6.1(Q)	Names and Locations

Unless otherwise defined in these Schedules, all capitalized terms used herein shall have the meanings ascribed to them in the Amended and Restated Loan and Security Agreement by, between the Lenders, GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders, BANK OF AMERICA, N.A., as syndication agent and CHARTER ONE BANK, N.A., as documentation agent, and Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC and Rocky Brands Retail LLC, as borrowers, dated May 25, 2007 (the “Agreement”).

The headings contained in these Schedules are for reference purposes only and shall not affect in any way the meaning or interpretation of the Agreement or these Schedules.

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SCHEDULE 1.1

Excluded Property

1. Operating leases for leased personal property consisting of specific equipment as follows:
    - (a) Chase Equipment Leasing – automatic wrapper, warehouse storage units (Rocky)
    - (b) Worthen Industries - glue machines (Rocky)
    - (c) GE Capital – machine adhesives (Rocky)
    - (d) W.L. Gore – dryers, sealer & cutter, centrifugal testers (Rocky/Lifestyle)
    - (e) USM- stitcher (Lifestyle)
    - (f) Manifest Funding (International Absolute) – leased equipment (Lifestyle)
    - (g) NMGH Financial Services, Inc. – leased equipment (Rocky)
    - (h) BSB Bank & Trust Company – leased equipment (Rocky)
    - (i) Pitney Bowes Credit –leased equipment (Rocky)
    - (j) Cab East, LLC– motor vehicles (Rocky)
    - (k) DeLage Landen Financial Services, Inc. – leased equipment (Rocky)
    - (l) BSFS Equipment Leasing –phone system (Rocky/Rocky Retail)
    - (m) IOS Capital LLC – leased equipment (Rocky/Rocky Retail)
    - (n) ComSource – computer equipment (Rocky/Rocky Retail)
    - (o) CitiCapital Fleet – motor vehicles (Rocky Retail)
    - (p) Key Equipment Finance – motor vehicles (Rocky Retail)
    - (q) Navistar Leasing Company/Hardco Leasing Company, Inc. – motor vehicles (Rocky Retail)
    - (r) Dell Financial Services, LP – computer equipment (Rocky Retail/Rocky Wholesale)
    - (s) GE Capital – inserter (Rocky Wholesale/Rocky Retail)
    - (t) Bell South – telephone and MIS equipment (Rocky Retail/Rocky Wholesale)
    - (u) Xerox Financial – copiers and fax machines (Rocky/Rocky Retail/Rocky Wholesale)
  2. License agreements for “off-the-shelf” Microsoft Corporation and other software
  3. The following license agreements (to the extent a licensor consent to assignment has not been obtained):
    - (a) Trademark License Agreement between W. L. Gore & Associates, Inc., W. L. Gore & Associates GmbH, and Rocky Shoes & Boots, Inc. dated July 11, 2001
    - (b) Renewal License Agreement between Haas Outdoors, Inc. and Rocky Shoes and Boots dated November 23, 2001
    - (c) License Agreement between Jordan Outdoor Enterprises, Ltd. and Rocky Shoes & Boots, Inc. dated February 14, 2002
    1. (d) License Agreement between Williamson-Dickie Manufacturing Company and Georgia Boot LLC dated January 2004, as amended
-

2. (e) License Agreement between John Deere Shared Services, Inc., a subsidiary of Deere & Company and Georgia Boot LLC dated July 30, 2003 (Agreement terminates if Georgia Boot is sold to one of Deere & Company's competitors)
  3. (f) Trademark License Agreement between Chromalloy Men's Apparel Group, Inc (now known as After Six Inc.) and EJ Footwear Corp. dated October 7, 1997, as amended
  4. (g) Trademark License between W.L. Gore & Associates, Inc. and Georgia Boot dated May 20, 2002
  - (h) Distribution Agreement (Occupational and Safety Footwear) between Gear Six Technologies LLC and Rocky Brands, Inc. dated June 13, 2006, as amended by a First Amendment to Distribution Agreement dated April 18, 2007 (MICHELIN)
  - (i) License Agreement between Sole Matters, LLC and Rocky Shoes & Boots, Inc. dated June 15, 2006 (ZUMFOOT)
  4. Inseam trimmer, side and heel seat laster, staple side laster and toe laster and proceeds pledged to Androscoggin Savings Bank and Pamco Machine Company, Inc.
-

SCHEDULE 2.7(A)

Commercial Tort Claims

*Rocky Brands, Inc. et al. v. Red Wing Shoe Company, Inc. et al*, Case No. C2 06 275, pending in the U.S. District Court for the Southern District of Ohio. Rocky Brands, Inc. and Lehigh Safety Shoe Co. LLC (collectively, "Rocky") are plaintiffs in this matter. Rocky alleges claims for false advertising and false designation of origin in commercial advertising or promotion; tortious interference with business relationships; and deceptive trade practices. Rocky claims that Red Wing Shoe Company, Inc. and its wholly-owned subsidiary Red Wing Brands of America, Inc. (collectively, "Red Wing") willfully, intentionally and deceptively market and promote certain imported footwear products as having been "Made in the USA." Rocky seeks unspecified damages to compensate for sales lost as a result of Red Wing's wrongful behavior and unjust enrichment.

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SCHEDULE 3

Closing Deliveries

See Exhibit 3 attached.

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**GMAC COMMERCIAL FINANCE LLC (as "Agent" and "Lender")**

with

**ROCKY BRANDS, INC. ("Rocky")  
LIFESTYLE FOOTWEAR, INC. ("Lifestyle")  
ROCKY BRANDS WHOLESALE LLC ("Wholesale")  
ROCKY BRANDS RETAIL LLC ("Retail")**

**(each a "Borrower" and collectively, "Borrowers")**

\$100,000,000 Revolving Credit Facility

Amended and Restated Financing Transaction Checklist

May 25, 2007

**I. Financing Documentation**

**A. Loan Documentation**

I. Amended and Restated Loan and Security Agreement, together with Exhibits and Schedules Exhibits

A. Assignment and Acceptance Agreement

B. Borrowing Base Certificate

C. Compliance and Pricing Certificate

D. Calculation of Initial Advance Rates for Eligible Inventory

F. Notice of Borrowing

Schedules

Schedule 1.1 Excluded Property

Schedule 2.7(A) Commercial Tort Claims

Schedule 3 List of Closing Documents

Schedule 4.1(A) Organizational Schedule

Schedule 4.1(D) Capitalization Schedule

Schedule 4.1(F) Authorization; No Breach

Schedule 4.1(G) Governmental Approvals

Schedule 4.1(J) Litigation Schedule



Schedule 4.1(L)	Environmental Schedule
Schedule 4.1(R)	Intellectual Property Schedule
Schedule 4.1(W)	Material Contracts
Schedule 4.1(Q)	Properties Schedule
Schedule 4.1(U)	Side Agreements
Schedule 4.1(Z)	Current Business Practices
Schedule 5.2(A)	Permitted Indebtedness Schedule
Schedule 5.2(B)	Permitted Liens Schedule
Schedule 6.1(K)	Deposit Accounts
Schedule 6.1(L)	Bailees
Schedule 6.1(Q)	Names and Locations

2. \$100,000,000 in Amended and Restated Revolving Credit Notes **(from previous closings)**
  - a. Comerica Bank — \$16,101,7000
  - b. PNC Bank, National Association - \$17,796,610
  - c. The Royal Bank of Scotland PLC - \$17,796,610
  - d. Bank of America, N.A. - \$21,186,4400
  - e. GMAC Commercial Finance LLC - \$27,118,640
3. Officer's Certificate re: Conditions Precedent
4. Financial Condition Certificate with Pro Forma Balance Sheet and Cash Flow Projections
5. Accountant's Access Letter **(from previous closings)**
6. Payoff Letter — ACAS re Term Loan B
7. Payoff Letter — GMAC re Term Loan A and Term Loan C

**B. *Ancillary Collateral Documentation***

8. Pledge Documentation — Rocky,
  - a. Amended and Restated Pledge Agreement
  - b. Stock Powers
  - c. Stock Certificates

**C. *Intellectual Property Documentation***

9. Intellectual Property Searches **(On file with Hahn & Hessen)**
  10. Copyright, Trademark, Patent and License Security Agreements **(On file with Hahn & Hessen from previous closings)**
-

- 11. Additional Copyright, Trademark, Patent and License Security Agreements(**post-closing**)
  - D. **Insurance Documentation**
    - 12. Certificates of Insurance (Copies of Insurance Policies in possession of Agent)
    - 13. Loss Payable Endorsements (together with evidence of insurance agent's authority to execute same)
  - E. **Opinion of Counsel**
    - 14. Opinion of Porter, Wright, Morris & Arthur ("BC")
  - F. **Second Priority Senior Notes Documentation**
    - 15. Note Purchase Agreement
    - 16. Second Priority Senior Notes - \$40,000,000
      - a. Whitebox Hedged High Yield Partners, LP - \$17,500,00
      - b. GPC LIX, L.L.C. - \$2,500,000
      - c. Laminar Direct Capital L.P. — 20,000,000
    - 17. Intercreditor Agreement between Second Priority Agent and GMAC CF
  - II. **UCC, Tax Lien and Judgments**
    - 18. UCC, Tax Lien and Judgment Searches (See Schedule A)
    - 19. UCC-1 Financing Statements — Second Priority Agent
    - 20. UCC-3 Termination Statements — ACAS
  - III. **Corporation Authorization**
    - 21. Good Standing Certificates and Authorizations to do Business
      - a. Rocky (OH, WV)
      - b. Lifestyle (DE)
      - c. Wholesale (LA, OH, WV)
      - d. Retail (CA, CO, DE, FL, GA, HI, IL, IN, KS, KY, LA, MI MN, MO, NH, NY, NC, OH, PA, SC, TN, TX, VA, WV, WI)
    - 22. Secretaries' Certificates of Borrowers together with incumbency certificate, authorizing resolutions, certificate of incorporation/formation and operating agreement/by-laws)
      - a. Rocky
      - b. Lifestyle
      - c. Wholesale
      - d. Retail
-

Schedule A

UCC, Tax Lien and Judgment Searches

- I. Rocky Brands, Inc.
    - Delaware S/S
    - Ohio S/S
    - Athens County, Ohio
    - Hocking County, Ohio
  
  - II. Lifestyle Footwear, Inc.
    - Delaware S/S
  
  - III. Rocky Brands Wholesale LLC
    - Delaware S/S
    - Ohio S/S
    - DC Register of Deeds
  
  - IV. Rocky Brands Retail LLC
    - Delaware S/S
    - Tennessee S/S
    - Williamson County, TN
    - Georgia Clerk Cooperative NY S/S
    - Broome County, NY
-

Schedule B

UCC 1 Financing Statements

Rocky Brands, Inc.

Jurisdiction  
OH-SOS

Filing Date  
5/25/2007

Filing Number  
OH00115607115

Rocky Brands Retail LLC

Jurisdiction  
DE-SOS

Filing Date  
5/25/2007

Filing Number  
20071978104

Rocky Brands Wholesale LLC

Jurisdiction  
DE-SOS

Filing Date  
5/25/2007

Filing Number  
20071978096

Lifestyle Footwear, Inc.

Jurisdiction  
DE-SOS

Filing Date  
5/25/2007

Filing Number  
20071977528

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Schedule C

UCC 3 Termination Statements

Rocky Brands Retail LLC

Jurisdiction	Filing Date	Filing Number
DE-SOS	6/19/2007	20072323292
DE-SOS	6/19/2007	20072323458
DE-SOS	6/19/2007	20072323318

Rocky Brands Wholesale LLC

Jurisdiction	Filing Date	Filing Number
DE-SOS	6/19/2007	200723223177
DE-SOS	6/19/2007	20072323235
DE-SOS	6/19/2007	20072323250
DE-SOS	6/19/2007	20072323136

Lifestyle Footwear, Inc.

Jurisdiction	Filing Date	Filing Number
DE-SOS	6/19/2007	20072322724

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SCHEDULE 4.1(A)

Organizational Schedule

<u>Name</u>	<u>Principal Place of Business</u>	<u>Qualified to do Business</u>	<u>Subsidiaries</u>
Rocky Brands, Inc., an Ohio corporation	39 East Canal Street Nelsonville, OH 45764	OH, VA and WV	Lifestyle Footwear, Inc. Rocky Brands Wholesale LLC Five Star Enterprises Ltd. Rocky Canada, Inc. Rocky Brands Retail LLC EJ Asia Limited (99.99% ownership)
Lifestyle Footwear, Inc., a Delaware corporation	Road 125 KM 3.8 BO Pueblo Industrial Park Moca, PR 00676-0728	DE and Puerto Rico	None
Rocky Brands Wholesale LLC, a Delaware limited liability company	39 East Canal Street Nelsonville, OH 45764	DE, GA, TN, NY, OH, WV, and LA	None
Rocky Brands Retail LLC, a Delaware limited liability company	39 East Canal Street Nelsonville, OH 45764	DE, KY, OH, NY, CA, MO, MI, NH, KS, SC, GA, PA, NC, LA, CO, IN, TX, TN, HI, WI, IL, FL, MN, VA, and WV	None

SCHEDULE 4.1(D)

Capitalization Schedule

ROCKY BRANDS, INC. (formerly Rocky Shoes & Boots, Inc.)

Authorized:

1. 250,000,000 shares of common stock, without par value
2. 250,000 shares of voting preferred stock, without par value
3. 250,000 shares of non-voting preferred stock, without par value, consisting of:
  - a. 125,000 shares of Series A Non-Voting Convertible Preferred Stock
  - b. 125,000 shares of Series B Junior Participating Cumulative Preferred Stock

Issued and Outstanding: only common

Rocky has stock options issued and outstanding under:

1. 1992 Stock Option Plan
2. 1995 Amended and Restated Stock Option Plan
3. 2004 Stock Incentive Plan

As of September 30, 2006, 543,276 shares are issued and outstanding pursuant to option plans.

LIFESTYLE FOOTWEAR, INC.

Authorized: 3,000 shares of common stock, without par value

Issued and Outstanding: 2,000 shares to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Replacement Certificate No. 3.

ROCKY CANADA, INC.

Authorized: an unlimited number of common shares

Issued and Outstanding: 100 shares to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Certificate No. 2 for 65 shares and Certificate No. 3 for 35 shares

FIVE STAR ENTERPRISES LTD.

Authorized: 900,000 shares of common stock, valued at One United States Dollar each

Issued and Outstanding: 5,000 shares to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Replacement Certificate No. 6

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EJ ASIA LIMITED (Pending Dissolution)

Authorized: 10,000 ordinary shares

Issued and Outstanding: 9,999 shares constituting 99.99% of the equity interests to Rocky Brands, Inc. successor by merger to EJ Footwear LLC, Certificate No. 3 and 1 share constituting .01% of the equity interest to Douglas Bedell Brown, Certificate No. 4

ROCKY BRANDS WHOLESALE LLC (formerly Georgia Boot LLC prior to merger of Georgia Boot Properties LLC, Durango Boot Company LLC, and Northlake Boot Company LLC with and into Georgia Boot LLC, with name change to Rocky Brands Wholesale LLC)

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Certificate No. 2

ROCKY BRANDS RETAIL LLC (formerly Lehigh Safety Shoe Co. LLC prior to mergers of Lehigh Safety Shoe Properties LLC with and into Lehigh Safety Shoe Co. LLC and HM Lehigh Safety Shoe Co. LLC with and into Lehigh Safety Shoe Co. LLC, with name change to Rocky Brands Retail LLC)

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Certificate No. 1

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SCHEDULE 4.1(F)

Authorization; No Breach

None

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SCHEDULE 4.1(G)

Governmental Approvals

None

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SCHEDULE 4.1(J)

Litigation Schedule

None

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SCHEDULE 4.1(L)

Environmental Schedule

None

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SCHEDULE 4.1(Q)

Properties Schedule

A. Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.)

1. Owned Real Property

39 East Canal Street  
Nelsonville, OH 45764  
(mortgaged to General Electric Capital Business Asset Funding Corporation)

29 Fayette St.  
Nelsonville, OH 45764

2. Leased Real Property – None

B. Lifestyle Footwear, Inc.

1. Owned Real Property – None

2. Leased Real Property

Road 125 KM 3.8 BO Pueblo Industrial Park  
Moca, PR 00676-0728

C. Rocky Brands Wholesale LLC (formerly Georgia Boot LLC)

1. Owned Real Property

37601 Rocky Boots Way  
Logan, OH 43138

2. Leased Real Property

235 Noah Drive  
Franklin, TN 37064  
Office

Denver Merchandise Mart  
451 East 58th Street  
Showrooms 3529 & 4435  
Denver, CO 80216

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D. Rocky Brands Retail LLC (formerly Lehigh Safety Shoe Co. LLC)

1. Owned Real Property

45 East Canal Street  
Nelsonville, OH 45764  
901 Franklin Street E  
Endicott, NY 13761

2. Leased Real Property

120 Plaza Dr.  
Vestal, NY  
Office

12545 Laramie Avenue, Unit 11-B  
Alsip, IL 60803

9038 N. IH-35, Suite A  
Austin, TX 78753

5001 West 161<sup>st</sup> Street  
Cleveland, OH 44142

Unit E, 400 Northeast Dr.  
Columbia, SC 29203

7250 Bandini Blvd., Unit 102  
Commerce, CA 90040

4413 Empire Way  
Westland Industrial Park  
Lansing, MI 48917

3890 Kipling, Unit K  
Wheat Ridge, CO 80033

2945 S. Miami Blvd., Suite 120  
Durham, NC 27703

Powerline Business Center  
5601 N.W. 9<sup>th</sup> Avenue  
Suite 103  
Fort Lauderdale, FL 33309

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284 South Colony Rd.  
Route #5  
Wallingford, CT 06492

1130 N. Nimitz Highway, Suite A-122  
Honolulu, HI 96817

5545 West Raymond Street, Suite C  
Indianapolis, IN 46241

3103 Fern Valley Rd., Suite 103  
Louisville, KY 40213

2885 Business Park Drive  
Airport Business Park  
Building E  
Memphis, TN 38118

2415 Monroe Road  
DePere, WI 54115

4250 44<sup>th</sup> Avenue, Suite 2  
Moline, IL 61265

Three Progress Avenue  
Nashua, NH 03062

1412 Antioch Pike, Suite 101  
Antioch, TN 37211

5610 Jefferson Highway, C-1  
New Orleans, LA 70123

5952 Peachtree Industrial Blvd.  
Suite 17  
Norcross, GA 30071

7685 Currency Drive  
Sand Lake Service Center 2  
Orlando, FL 32809

4735 Campbell's Run Road, Space A  
Pittsburgh, PA 15205

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1331 West 3300 South  
Salt Lake City, UT 84119

1510 Montague Expressway  
San Jose, CA 95131

Carr 887 km. 0.6 Victoria Industrial Park  
Carolina Commercial Park, Puerto Rico 00987

10 Saratoga Avenue  
South Glen Falls, NY 12803

13609 Lakefront Drive  
Earth City, MO 63045

445 Etna Street, Suite 56  
St. Paul, MN 55106

6103 E. Malloy Rd.  
E. Syracuse, NY 13057

Corporex Plaza  
3904 Corporex Park Drive  
Suite 100A  
Tampa, FL 33619

1927 S. West Street, Suite B  
Wichita, KS 67213

34-23 38<sup>th</sup> Street  
Long Island City, NY 11101

47 Bridge Street  
Corning, NY 14830

Commercial Center  
2229 E. Division  
Arlington, TX 76011

1707 Center Street  
Deer Park, TX 77536

3240 Peach Orchard Rd., Suite 6  
Augusta, GA 30906

703 E. Ordnance Road, Suite 610  
Baltimore, MD 21226

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Carr #2, KM 57.5  
Barceloneta, PR 00617

Carr 887 Km 0.6, Bo Martin Gonzalez  
Carolina, PR 00987

142 State Rd., #189 KM 2.2  
Caguas, PR 00726

1625 Walden Ave.  
Cheektowaga, NY 14225

131 Harbison Blvd.  
Columbia, SC 29212

2914 E. Yandell, Suite 1  
El Paso, TX 79903

4380 S. Noland Road  
Independence, MO 64055

2224 Paradise Road'  
Las Vegas, NV 89102

Rd. # 2 km 44.7  
Bo Cantera #43 STE  
Manati, PR 00674

2737 W. McDowell Road  
Phoenix, AZ 85009

2341 Avenida Las Americas, Ste 103  
Ponce, PR 00717

3247 NW 29<sup>th</sup> Ave.  
Portland, OR 97210

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## SCHEDULE 4.1(R)

## Intellectual Property Schedule

ROCKY BRANDS, INC.  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS

Mark	Serial No./Reg. No.	Filing Date/Reg. Date	Comments
ADVANTA-FLEX	Ser. No. 76/435112 Reg. No. 2783005	Filed 7/29/02 Reg 11/11/03	Assigned to GMAC Commercial Finance LLC 2/2/05
ALPHAFORCE	Ser. No. 78/098664 Reg. No. 2766744	Filed 12/17/01 Reg. 9/23/03	
AOG	Serial No. 75/010045 Reg. No. 2166173	Filed 10/24/95 Reg. 6/16/98	Assigned to GMAC Commercial Finance LLC 2/2/05
ASTRO and Design	Ser. No. 72/301213 Reg. No. 862801	Filed 6/24/68 Reg 12/31/68	Assigned to GMAC Commercial Finance LLC 2/2/05
AQUA GUARD	Ser. No. 75/786424 Reg. No. 2538542	Filed 8/27/99 Reg. 2/12/02	Assigned to GMAC Commercial Finance LLC 2/2/05
BARCLAY (stylized)	Ser. No. 71/550334 Reg. No. 516495	Filed 2/21/48 Reg 10/18/49	Assigned to GMAC Commercial Finance LLC 2/2/05
BEACON STRATEGIC RESOURCING	Ser. No. 76/362852 Reg. No. 2759986	Filed 1/24/02 Reg 9/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
BEAR CLAW	Ser. No. 74/662553 Reg. No. 1974865	Filed 4/18/95 Reg. 5/21/96	Assigned to GMAC Commercial Finance LLC 2/2/05
BOOTS UNLIMITED	Ser. No. 76/203030 Reg. No. 2515098	Filed 1/31/01 Reg 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05

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Mark	Serial. No./Reg. No.	Filing Date/Reg. Date	Comments
CAMO-TEK	Ser. No. 75/603250 Reg. No. 2534492	Filed 12/10/98 Reg. 1/29/02	Assigned to GMAC Commercial Finance LLC 2/2/05
CHIEFTAN	Ser. No. 72/248946 Reg. No. 831865	Filed 6/27/66 Reg 7/11/67	Assigned to GMAC Commercial Finance LLC 2/2/05
CORNSTALKERS	Ser. No. 74/541038 Reg. No. 1897612	Filed 6/22/94 Reg. 6/6/95	Assigned to GMAC Commercial Finance LLC 2/2/05
DESIGN (Boot)	Ser. No. 78/520734 Reg. No. 3057432	Filed 11/22/04 Reg. 2/7/06	
DURANGO MUSTANG	Ser. No. 77/054878	Filed 12/1/06	
EJ and Design	Ser. No. 73/742972 Reg. No. 1530972	Filed 7/29/88 Reg 3/21/89	Assigned from Endicott Johnson Corporation 7/11/00
FARM MASTERS	Ser. No. 73/365988 Reg. No. 1250453	Filed 5/24/82 Reg 9/6/83	Assigned to GMAC Commercial Finance LLC 2/2/05
FIRSTMED	Ser. No. 76/109464 Reg. No. 2595571	Filed 8/15/00 Reg. 7/16/02	Assigned to GMAC Commercial Finance LLC 2/2/05
FLX-POINT	Ser. No. 76/470052 Reg. No. 2789949	Filed 11/25/02 Reg 12/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
FORMZ	Ser. No. 75/674579 Reg. No. 2466342	Filed 4/5/99 Reg. 7/3/01	Assigned to GMAC Commercial Finance LLC 2/2/05
G (Stylized)	Ser. No. 76/182533 Reg. No. 2967416	Filed 12/18/00 Reg. 7/12/05	Assigned to GMAC Commercial Finance LLC 2/2/05

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Mark	Serial. No./Reg. No.	Filing Date/Reg. Date	Comments
GATES (Stylized)	Ser. No. 73/464729 Reg. No. 1319524	Filed 2/8/84 Reg. 2/12/85	Assigned to GMAC Commercial Finance LLC 2/2/05
GATES (stylized)	Ser. No. 76/186743 Reg. No. 2743239	Filed 12/27/00 Reg. 7/29/03	Assigned to GMAC Commercial Finance LLC 2/2/05
GATES GLOVES	Ser. No. 73/194276 Reg. No. 1174311	Filed 11/22/78 Reg 10/20/81	Assigned to GMAC Commercial Finance LLC 2/2/05
GATES LITE (stylized)	Ser. No. 73/606294 Reg. No. 1439249	Filed 6/25/86 Reg. 5/12/87	Assigned to GMAC Commercial Finance LLC 2/2/05
GATES ULTRA LITE (stylized)	Ser. No. 73/778191 Reg. No. 1558154	Filed 2/2/89 Reg. 9/26/89	Assigned to GMAC Commercial Finance LLC 2/2/05
INTER-FLEX	Ser. No. 78/655300	Filed 6/21/05	
INTER FLX	Ser. No. 78/720437	Filed 9/26/05	
LONGBEARD	Ser. No. 75/566549 Reg. No. 2515692	Filed 10/5/98 Reg. 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
LONGBEARD	Ser. No. 77/149,083	Filed 4/5/07	
PARACORD (stylized)	Ser. No. 71/277699 Reg. No. 256338	Filed 1/8/29 Reg 5/14/29	Assigned to GMAC Commercial Finance LLC 2/2/05
PONDEROSA	Ser. No. 72/189568 Reg. No. 781810	Filed 3/25/64 Reg 12/15/64	Assigned to GMAC Commercial Finance LLC 2/2/05
PRO-HIKER	Ser. No. 78/471685	Filed 8/23/04	Assigned to GMAC Financial, LLC 2/2/05

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Mark	Serial. No./Reg. No.	Filing Date/Reg. Date	Comments
PROHUNTER	Ser. No. 75/533954 Reg. No. 2820566	Filed 8/10/98 Reg. 3/9/04	Assigned to GMAC Commercial Finance LLC 2/2/05
PROHUNTER	Ser. No. 77/022459	Filed 10/17/06	
ROCKY	Ser. No. 73/797529 Reg. No. 1577871	Filed 5/1/89 Reg. 1/16/90	Assigned to GMAC Commercial Finance LLC 2/2/05
ROCKY and Design	Ser. No. 75/670045 Reg. No. 2538870	Filed 3/29/99 Reg. 2/19/02	Assigned to GMAC Commercial Finance LLC 2/2/05
ROCKY and Design	Ser. No. 75/671246 Reg. No. 2538872	Filed 3/29/99 Reg. 2/19/02	Assigned to GMAC Commercial Finance LLC 2/2/05
ROCKY and Design	Ser. No. 76/519218 Reg. No. 2898894	Filed 5/19/03 Reg. 11/2/04	Assigned to GMAC Commercial Finance LLC 2/2/05
ROCKY 911 SERIES	Ser. No. 74/073129 Reg. No. 3132278	Filed 4/14/05 Reg. 8/22/06	
ROCKY BOOTS and Design	Ser. No. 73/313429 Reg. No. 1313519	Filed 6/5/81 Reg. 1/8/85	Assigned to GMAC Commercial Finance LLC 2/2/05
ROCKY and Design	Ser. No. 75/977717 Reg. No. 2200673	Filed 5/15/95 Reg. 10/27/98	Assigned to GMAC Business Credit, LLC 9/26/00
ROCKY ELMINATOR	Ser. No. 76/111663 Reg. No. 2587482	Filed 8/17/00 Reg. 7/2/02	Assigned to GMAC Commercial Finance LLC 2/2/05
S <sup>2</sup> V	Ser. No. 77/165283	Filed 4/25/07	
SAWBLADE	Ser. No. 78/086747 Reg. No. 2730726	Filed 10/3/01 Reg. 6/24/03	Assigned to GMAC Commercial Finance LLC 2/2/05

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Mark	Serial. No./Reg. No.	Filing Date/Reg. Date	Comments
SHARPS GUARD	Ser. No. 77/174116	Filed 5/7/07	
SIGNATURE TOUR QUALITY FOOTWEAR and Design	Ser. No. 73/678670 Reg. No. 1504024	Filed 8/17/87 Reg 9/13/88	Assigned to GMAC Commercial Finance LLC 2/2/05
SILENTHUNTER	Ser. No. 78/135127 Reg. No. 2982826	Filed 6/12/02 Reg. 8/9/05	Assigned to GMAC Commercial Finance LLC 2/2/05
SILENTHUNTER	Ser. No. 75/566533 Reg. No. 2553070	Filed 10/5/98 Reg. 3/26/02	Assigned to GMAC Commercial Finance LLC 2/2/05
SILENTHUNTER SUEDE	Ser. No. 77/101504	Filed 2/7/07	
SMART GLOVE BY GATES	Ser. No. 76/345733	Filed 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
SNOW STALKER	Ser. No. 74/663746 Reg. No. 1955171	Filed 4/20/95 Reg. 2/6/96	Assigned to GMAC Commercial Finance LLC 2/2/05
SPORTSET	Ser. No. 72/289087 Reg. No. 871822	Filed 1/18/68 Reg 6/24/69	Assigned to GMAC Commercial Finance LLC 2/2/05
STALKERS	Ser. No. 74/541039 Reg. No. 1975747	Filed 6/22/94 Reg. 5/28/96	Assigned to GMAC Commercial Finance LLC 2/2/05
TAC•TEAM	Ser. No. 75/565836 Reg. No. 2307328	Filed 10/6/98 Reg. 1/11/00	Assigned to GMAC Commercial Finance LLC 2/2/05
TECHNO-RIDE	Ser. No. 77/002482	Filed 9/19/06	
TORQUE SUSPENSION SYSTEM	Ser. No. 76/478609 Reg. No. 2801594	Filed 12/27/02 Reg 12/30/03	Assigned to GMAC Commercial Finance LLC 2/2/05

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<u>Mark</u>	<u>Serial. No./Reg. No.</u>	<u>Filing Date/Reg. Date</u>	<u>Comments</u>
TRAILBLADE	Ser. No. 78/720442	Filed 9/26/05	
TRAIL KING	Ser. No. 72/306050 Reg. No. 873081	Filed 8/27/68 Reg. 7/15/69	Assigned to GMAC Commercial Finance LLC 2/2/05
TRIAD (stylized)	Ser. No. 73/720906 Reg. No. 1537440	Filed 4/7/88 Reg. 5/2/89	Assigned to GMAC Commercial Finance LLC 2/2/05
ULTRA 900	Ser. No. 75/880873 Reg. No. 2398135	Filed 12/17/99 Reg. 10/24/00	
WILD WOLF	Ser. No. 78/079724 Reg. No. 2642990	Filed 8/17/01 Reg. 10/29/02	Assigned to GMAC Commercial Finance LLC 2/2/05
WILD WOLF	Ser. No. 78/079843 Reg. No. 2760278	Filed 8/17/01 Reg. 9/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
WOODS N'WORK	Ser. No. 77/048951	Filed 11/21/06	
WORKSMART	Ser. No. 77/030309	Filed 10/26/06	
XSP	Ser. No. 78/647155	Filed 6/9/05	

ROCKY BRANDS, INC. (formerly ROCKY SHOES & BOOTS, INC.)  
FEDERAL PATENTS AND PATENT APPLICATIONS

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
WATERPROOF FOOTWEAR LINER AND METHOD OF MAKING THE SAME Inventors: Allen G. Sheets, Richard Finney				10/237001	9/6/02

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
FOOTWEAR SOLE WITH INTEGRAL DISPLAY ELEMENT Inventors: Mike Brooks, Allen G. Sheets	6539646	4/1/03	1/11/21	09/758583	1/11/01
WATERPROOF FOOTWEAR LINER AND METHOD OF MAKING SAME Inventors: Allen G. Sheets, Richard Finney	6446360	9/10/02	4/9/21	09/829422	4/9/01
PACK BOOT WITH RETRACTABLE CRAMPONS Inventor: Sang Rok Seo	6360455	3/26/02	5/12/20	09/569643	5/12/00
WATERPROOF BREATHABLE GLOVES Inventors: Chuck Dinatale	5682613	11/4/97	7/25/17	08/279958	7/25/94
SHOE SOLE (impact pod) Inventor: Mark Recchi	D507398S	7/19/05	7/19/19	29/205245	5/11/04
SHOE SOLE (retr) Inventor: Mark Recchi	D509346S	9/13/05	9/13/19	29/185759	7/1/03
SHOE SOLE (rk-v) Inventor: Mark Recchi	D507694S	7/26/05	7/26/19	29/185757	7/1/03
SHOE SOLE (ventor) Inventor: Mark Recchi	D498350	11/16/04	11/16/18	29/185801	7/1/03
SHOE SOLE (rkt) Inventor: Mark Recchi	D498042	11/9/04	11/9/18	29/185758	7/1/03
SHOE SOLE (rk-z) Inventor: Mark Recchi	D495476	9/7/04	9/7/18	29/193649	11/12/03
SHOE SOLE (rk/ac) Inventor: Mark Recchi	D489884	5/18/04	5/18/18	29/181678	5/14/03

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<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
SHOE SOLE (polar trac) Inventor: Mark Recchi	D489881	5/18/04	5/18/18	29/185794	7/1/03
SOLE SOLE (sawblade) Inventor: Mark Recchi	D478714	8/26/03	8/26/17	29/157533	3/21/02
SHOE SOLE Inventor: Mark Recchi	D474586	5/20/03	5/20/17	29/163315	7/2/02
SHOE SOLE (rkl outsole) Inventor: Mark Recchi	D471696	3/18/03	3/18/17	29/156225	2/26/02
SHOE SOLE (bobcat outsole) Inventors: Mark Recchi, Allen Sheets	D468517	1/14/03	1/14/17	29/156224	2/26/02
SHOE SOLE (knobby outsole) Inventors: Mark Recchi, Allen Sheets	D468081	1/7/03	1/7/17	29/156254	2/26/02
SHOE UPPER (7590) Inventors: Richard Finney	D467715	12/31/02	12/31/16	29/149427	10/10/01
SHOE SOLE Inventors: Jamie Zimmer, Allen Sheets	D448147	9/25/01	9/25/15	29/136811	2/7/01
BOOT UPPER WITH DETACHABLE HOLSTER Inventors: James R. Carey, Charles S. Brooks	D447619	9/11/01	9/11/15	29/130656	10/4/00
SHOE UPPER Inventors: Denis Norton, Diana A. Wurfain	D424797	5/16/00	5/16/14	29/092425	8/19/98
SHOE UPPER Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D422783	4/18/00	4/18/14	29/098204	12/23/98

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<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
SHOE SOLE Inventors: Denis Norton, Diana A. Wurfbain	D412777	8/17/99	8/17/13	29/092423	8/19/98
SHOE UPPER Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D410141	5/25/99	5/25/13	29/080764	12/15/97
SHOE UPPER (7258) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D407198	3/30/99	3/30/13	29/080749	12/15/97
SHOE UPPER (7562) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D407197	3/30/99	3/30/13	29/077174	9/29/97
SHOE UPPER (911-139) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D407196	3/30/99	3/30/13	29/077173	9/29/97
SHOE SOLE (prohunter) Inventors: Denis Norton, Diana A. Wurfbain	D402798	12/22/98	12/22/12	29/084098	2/24/98
SHOE UPPER (844) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D402099	12/8/98	12/8/12	29/077188	9/29/97
SHOE SOLE (bear claw) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D401746	12/1/98	12/1/12	29/058393	8/14/96
SHOE UPPER (8444) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D401401	11/24/98	11/24/12	29/077641	9/29/97

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<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
SHOE UPPER (9163) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D401400	11/24/98	11/24/12	29/077187	9/29/97
SHOE UPPER (1761) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D400699	11/10/98	11/10/12	29/073407	7/8/97
SHOE SOLE (alpha) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D395742	7/7/98	7/7/12	29/054776	5/21/96
SHOE SOLE (tuff terrainer) Inventors: Diana A. Wurf bain, Theodore A. Kastner	D394542	5/26/98	5/26/12	29/054777	5/21/96
SHOE UPPER (winter trails nylon) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D386294	11/18/97	11/18/11	29/055442	6/4/96
SHOE UPPER (winter trails propex) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D386293	11/18/97	11/18/11	29/055441	6/4/96
SHOE UPPER (winter trails leather) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D386292	11/18/97	11/18/11	29/055440	6/4/96
SHOE UPPER (winter trails eco pile) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D385992	11/11/97	11/11/11	29/055444	6/4/96

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<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
SHOE UPPER (outback sizzler) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D385991	11/11/97	11/11/11	29/055443	6/4/96
SHOE UPPER (tuff terrainer) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D384195	9/30/97	9/30/11	29/054747	5/21/96
SHOE UPPER (tuff terrainer oxford) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380891	7/15/97	7/15/11	29/054739	5/21/96
SHOE UPPER (alpha boot) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380599	7/8/97	7/8/11	29/054748	5/21/96
SHOE UPPER (stalker expedition) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380598	7/8/97	7/8/11	29/054742	5/21/96
SHOE UPPER (prof demi boot) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380597	7/8/97	7/8/11	29/054740	5/21/96
SHOE UPPER (outback oxford) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D380596	7/8/97	7/8/11	29/054741	5/21/96
SHOE UPPER (snow stalker extreme) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D376684	12/24/96	12/24/10	29/035556	3/2/95

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<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
SHOE UPPER (snow stalker hunter) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D369019	4/23/96	4/23/10	29/035560	3/2/95
SHOE UPPER (winter trails) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D369018	4/23/96	4/23/10	29/035559	3/2/95
SHOE UPPER (snow stalker) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D368797	4/16/96	4/16/10	29/035563	3/2/95
SHOE UPPER (super stalker) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D368361	4/2/96	4/2/10	29/029890	10/18/94
SHOE UPPER (the brute) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D367354	2/27/96	2/27/10	29/031067	11/16/94
SHOE UPPER (outback khaki) Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurf bain	D367165	2/20/96	2/20/10	29/031068	11/16/94

ROCKY BRANDS, INC. (formerly ROCKY SHOES & BOOTS, INC.)  
FEDERAL COPYRIGHT APPLICATIONS AND REGISTRATIONS

<u>Title of Work</u>	<u>Reg. No.</u>	<u>Reg. Date</u>	<u>Comments</u>
Rocky Ram	VA-810-954	8/26/96	Assigned to GMAC Commercial Finance LLC 2/2/05
Rocky Shoes & Boots Partnering for Wildlife Conservation	VA 1-239-611	7/28/03	Assigned to GMAC Commercial Finance LLC 2/2/05

ROCKY BRANDS, INC. (formerly EJ FOOTWEAR LLC)  
FEDERAL PATENTS AND PATENT APPLICATIONS

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
OUTSOLE Inventor: Jeffrey Raymond Rake	D447856	9/18/01	9/18/15	29/135982	1/22/01

ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS

<u>Mark</u>	<u>Serial. No./Reg. No.</u>	<u>Filing Date/Reg. Date</u>	<u>Comments</u>
ARCTIC TOE	Ser. No. 76/212102 Reg. No. 2664307	Filed 2/20/01 Reg 12/17/02	Assigned to GMAC 5 Commercial Finance LLC 2/2/0
BARNSTORMERS and Design	Ser. No. 75/605525 Reg. No. 2421991	Filed 12/7/98 Reg 1/16/01	Assigned to GMAC Commercial Finance LLC 2/2/05
CLIMATRAC	Ser. No. 76/579105 Reg. No. 2978004	Filed 3/4/04 Reg. 7/26/05	Assigned to GMAC Commercial Finance LLC 2/2/05
COMFORT CORE	Ser. No. 74/175689 Reg. No. 1689129	Filed 6/13/91 Reg 5/26/92	Assigned to GMAC Commercial Finance LLC 2/2/05
CONSTRUX	Ser. No. 76/606797	Filed 8/10/04	Assigned to GMAC Commercial Finance LLC 2/2/05
D.TECH (stylized)	Ser. No. 75/544917 Reg. No. 2288942	Filed 8/31/98 Reg 10/26/99	Assigned to GMAC Commercial Finance LLC 2/2/05

Mark	Serial. No./Reg. No.	Filing Date/Reg. Date	Comments
DURANGO	Ser. No. 72/198549 Reg. No. 790751	Filed 7/27/64 Reg 6/8/65	Assigned to GMAC Commercial Finance LLC 2/2/05
DURANGO and Design	Ser. No. 75/084007 Reg. No. 2304436	Filed 4/4/96 Reg 12/28/99	Assigned to GMAC Commercial Finance LLC 2/2/05
DURANGO	Ser. No. 75/712688 Reg. No. 2562205	Filed 5/24/99 Reg 4/16/02	Assigned from Georgia Boot Inc. 8/30/00
DURANGO and Design	Ser. No. 75/912800 Reg. No. 2660084	Filed 2/8/00 Reg 12/10/02	Assigned to GMAC Commercial Finance LLC 2/2/05
DURANGO and Design	Ser. No. 76/635030	Filed 4/4/05	
FARM & RANCH	Ser. No. 74/294738 Reg. No. 1758465	Filed 7/16/92 Reg 3/16/93	Assigned to GMAC Commercial Finance LLC 2/2/05
FIELD LITE	Ser. No. 76/635028 Reg. No. 3133612	Filed 4/4/05 Reg. 8/22/06	
G and Design	Ser. No. 77/149076	Filed 4/5/07	
GEORGIA BOOT	Ser. No. 73/420215 Reg. No. 1333323	Filed 4/5/83 Reg 4/30/85	Assigned to GMAC Commercial Finance LLC 2/2/05
GEORGIA GIANT	Ser. No. 76/581605 Reg. No. 3037187	Filed 3/17/04 Reg 1/3/06	Assigned to GMAC Commercial Finance LLC 2/2/05
GEORGIA WORKWEAR	Ser. No. 76/635029	Filed 4/4/05	
MUD DOG and Design	Ser. No. 75/605540 Reg. No. 2421992	Filed 12/7/98 Reg 1/16/01	Assigned to GMAC Commercial Finance LLC 2/2/05

Mark	Serial. No./Reg. No.	Filing Date/Reg. Date	Comments
NORTHLAKE	Ser. No. 73/215438 Reg. No. 1154957	Filed 5/14/79 Reg 5/19/81	Assigned to GMAC Commercial Finance LLC 2/2/05
PROTECH (stylized)	Ser. No. 76/579106 Reg. No. 3052222	Filed 3/4/04 Reg. 1/31/06	Assigned to GMAC Commercial Finance LLC 2/2/05
SHADES OF THE OLD WEST	Ser. No. 74/294739 Reg. No. 1758466	Filed 7/16/92 Reg 3/16/93	Assigned to GMAC Commercial Finance LLC 2/2/05
SNAKE RIVER	Ser. No. 74/541041 Reg. No. 1919870	Filed 6/22/94 Reg 9/19/95	Assigned to GMAC Commercial Finance LLC 2/2/05
THE G LINE	Ser. No. 77/148522	Filed 4/4/07	
X-10	Ser. No. 73/883183 Reg. No. 3215754	Filed 5/15/06 Reg 3/6/07	

ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)  
FOREIGN TRADEMARK REGISTRATIONS

5. COMFORT CORE - (Canada)
  6. COMFORT CORE - (Taiwan)
  7. DURANGO - (Japan)
  8. DURANGO BOOT (Canada)
  9. DURANGO - (France)
  10. DURANGO - (Switzerland)
  11. DURANGO - (Canada)
  12. DURANGO - (CTM)
  13. FARM & RANCH - (Australia)
  14. GEORGIA BOOT - (Canada)
-



15. GEORGIA BOOT - (Italy)
16. GEORGIA BOOT and  
Design (Large male character with  
GEORGIA BOOT on the body) (Japan)
17. GEORGIA BOOT - (CTM)
18. MUD DOG - (Canada)  
  
(Stylized)
19. NORTHLAKE - (Canada)
20. NORTHLAKE - (Great Britain)
21. NORTHLAKE - (Japan)
22. NORTHLAKE - (Spain)
23. NORTHLAKE - (Taiwan)

ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)  
FEDERAL PATENTS AND PATENT APPLICATIONS

<u>Title</u>	<u>Patent No.</u>	<u>Issue Date</u>	<u>Exp Date</u>	<u>App. No.</u>	<u>Filing Date</u>
SAFETY SHOE Inventor: David Mitchell	6581304	6/24/03	12/29/19	09/474179	12/29/99
SHOE WITH INSOLE AS PART SOLE FILLER AND METHOD OF MAKING SAME Inventors: Sven E. Oberg, David P. Mitchell	6560901	5/13/03	5/13/20	08/332275	10/31/94
FOOTWEAR WITH MOLDED WEB PLATFORM FOR ATTACHING OUTSOLE Inventor: David Mitchell	6338205	1/15/02	12/29/19	09/474224	12/29/99

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SHOE WITH INSOLE AS PART SOLE FILLER AND METHOD OF MAKING SAME Inventors: Sven E. Oberg, David P. Mitchell	6321464	11/27/01	11/27/18	08/463843	6/5/95
CUSHIONED FOOTWEAR AND APPARATUS FOR MAKING THE SAME Inventors: William C. Johnson, Jr., William G. Thomas	6145220	11/14/00	11/22/15	08/562009	11/22/95
METHOD FOR PRECISELY PERFORATING AN OPENING IN FOOTWEAR Inventors: Howard A. Hoffman; Ronald E. Pottorff; Lavert F. Sneed; William G. Thomas	5924345	7/20/99	8/14/16	08/696618	8/14/96
OUTSOLE Inventor: David Mitchell	D493952	8/10/04	8/10/18	29/164377	7/22/02

24. U.S. Patent Application No. 09/977463 (Boot with oversized toe box for thermal insulation)

25. U.S. Patent Application No. 10/799395 (Footwear with improved insole)

26. U.S. Design Patent Application No. 29/194,981 (Outsole)

ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)  
FOREIGN PATENTS

27. Canada Patent No. 2,188,847 (Cushioned footwear and apparatus for making the same )

28. Mexico Patent No. 204081 (Cushioned footwear and apparatus for making the same )

29. People's Republic of China Patent No. ZL 96123386.9 (Cushioned footwear and apparatus for making the same )

30. Canada Patent No. 2,059,761 (Shoe with insole as part sole filler and method for making same)\*\*

31. Mexico Patent No. 186564 (Shoe with insole as part sole filler and method for making same)\*\*

32. People's Republic of China Patent No.92100616 (Shoe with insole as part sole filler and method for making same)\*\*
33. Taiwan Patent No. No. 056563 (Shoe with insole as part sole filler and method for making same)\*\*

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\*\*owned jointly with RoSearch, Inc.

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ROCKY BRANDS RETAIL LLC (formerly LEHIGH SAFETY SHOE CO. LLC)  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS

Mark	Serial. No./Reg. No.	Filing Date/Reg. Date	Comments
FIT FOR SAFETY	Ser. No. 75/823689 Reg. No. 2628723	Filed 10/15/99 Reg 10/1/02	Assigned to GMAC Commercial Finance LLC 2/2/05
FIT FOR WORK	Ser. No. 75/823688 Reg. No. 2565788	Filed 10/15/99 Reg 4/30/02	Assigned to GMAC Commercial Finance LLC 2/2/05
L and Design	Ser. No. 76/610147 Reg. No. 3039424	Filed 9/1/04 Reg. 1/10/06	Assigned to GMAC Commercial Finance LLC 2/2/05
LEHIGH	Ser. No. 73/153033 Reg. No. 1103936	Filed 12/22/77 Reg 10/10/78	Assigned to GMAC Commercial Finance LLC 2/2/05
LEHIGH "FOOTSHIELDS" (stylized)	Ser. No. 72/023484 Reg. No. 658172	Filed 1/30/57 Reg 2/4/58	Assigned to GMAC Commercial Finance LLC 2/2/05
LOCKRIM	Ser. No. 72/178690 Reg. No. 783691	Filed 10/10/63 Reg 1/19/65	Assigned to GMAC Commercial Finance LLC 2/2/05
L.S.R. (stylized)	Ser. No. 75/339713 Reg. No. 2201252	Filed 7/24/97 Reg 11/3/98	Assigned to GMAC Commercial Finance LLC 2/2/05
MIRA-LUG	Ser. No. 73/220929 Reg. No. 1159250	Filed 6/25/79 Reg 6/30/81	Assigned to GMAC Commercial Finance LLC 2/2/05
NUGUARD75 (stylized)	Ser. No. 73/741631 Reg. No. 1530662	Filed 7/22/88 Reg 3/21/89	Assigned to GMAC Commercial Finance LLC 2/2/05
PROMISE PLUS	Ser. No. 75/668090 Reg. No. 2395071	Filed 3/25/99 Reg 10/17/00	Assigned from Lehigh Safety Shoe Co. 6/17/02

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Mark	Serial. No./Reg. No.	Filing Date/Reg. Date	Comments
SLIP GRIPS	Ser. No. 76/489562 Reg. No. 2891737	Filed 2/14/03 Reg 10/5/04	Assigned to GMAC Commercial Finance LLC 2/2/05
SWAMPERS	Ser. No. 76/063389 Reg. No. 2579908	Filed 6/1/00 Reg 6/11/02	Assigned to GMAC Commercial Finance LLC 2/2/05
US 1 and Design	Ser. No. 76/259815 Reg. No. 2565267	Filed 5/18/01 Reg 4/30/02	Assigned to GMAC Commercial Finance LLC 2/2/05

ROCKY BRANDS RETAIL LLC (formerly LEHIGH SAFETY SHOE CO. LLC)  
FEDERAL PATENTS AND PATENT APPLICATIONS

U.S. Patent Application No. 09/875, 542 (Metatarsal Guard)

ROCKY BRANDS RETAIL LLC (formerly LEHIGH SAFETY SHOE CO. LLC)  
FOREIGN TRADEMARK REGISTRATIONS

34. FIT FOR WORK - (Canada)
  35. FIT FOR SAFETY - (Canada)
  36. LEHIGH - (Japan)
  37. PROMISE PLUS - (Canada)
-

SCHEDULE 4.1(U)

Side Agreements

None

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SCHEDULE 4.1(W)

Material Contracts

Trademark License between W.L. Gore & Associates, Inc., W.L. Gore & Associates GmbH, Japan Gore-Tex, Inc. and Georgia Boot LLC dated May 20, 2002

Trademark License Agreement between W. L. Gore & Associates, Inc., W. L. Gore & Associates GmbH, and Rocky Shoes & Boots, Inc. dated July 11, 2001

38. Warehouse and Fulfillment Services Agreement among Kane Distribution, EJ Footwear, Lehigh Safety Shoe Co. LLC and Georgia Boot dated April 18, 2002, as amended
39. Distributor Consignment Agreement between Lehigh Safety Supply Co. and Lehigh Safety Shoe Co. LLC dated July 1, 1978
40. The Agreement and the Note Purchase Agreement, and the respective security agreements in connection therewith
41. Lease Contract dated December 16, 1999, between Lifestyle Footwear, Inc. and The Puerto Rico Industrial Development Company
42. Rocky Shoes & Boots, Inc. Retirement Plan for Non-Union Employees

Employment Agreement, dated July 1, 1995, between Parent and Mike Brooks for executive officers (incorporated by reference to Exhibit 10.1 to the Parent's Annual Report on Form 10-K for the fiscal year ended June 30, 1995 (the "1995 Form 10-K"))

Promissory Note, dated December 30, 1999, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$1,050,000 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 (the "June 30, 2000 Form 10-Q"))

10. Promissory Note, dated January 31, 2000, in favor of General Electric Capital Business Asset Funding Corporation in the amount of \$3,750,000 (incorporated by reference to Exhibit 10.3 to the June 30, 2000 Form 10-Q)
-

SCHEDULE 4.1(Z)

Current Business Practices

None

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SCHEDULE 5.2(A)

Permitted Indebtedness Schedule

Rocky Brands, Inc. obligations to General Electric Capital Business Asset Funding Corporation:

- a. \$1,050,000 promissory note dated December 30, 1999
- b. \$3,750,000 promissory note dated January 28, 2000

Letters of Credit

- a. Irrevocable Standby Letter of Credit. Issuer: Bank of America; Beneficiary: Pacific Employers Insurance Company; Workers Comp; Approximately \$800,000; expired on January 27, 2007, subject to extension.
- b. Irrevocable Standby Letter of Credit issued September 15, 2001. Issuer: GMAC Business Credit; Beneficiary: Chase Equipment Leasing; \$1,000,000;
- 3. Capital Lease Obligations

None

- 4. Dell Financial Services, L.P. revolving credit account for equipment purchases
  - 5. Androscoggin Savings Bank and Pamco Machine Company, Inc. for purchases of rebuilt equipment
-

SCHEDULE 5.2(B)

Permitted Liens Schedule

**A. All Loan Parties**

Liens on real estate in which a Loan Party is lessee

**B. Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.)**

<u>Secured Party</u>	<u>Collateral</u>
GE Capital Business Asset Funding Corporation	Real Estate, fixtures and other property in connection with real properties in Athens County and Hocking County, Ohio, including without limitation that collateral further described in Financing Statement numbers AP0207801, AP0207802, AP0231440 filed with the Ohio Secretary of State, Financing Statement number 200000000069/200000000508 filed with the Hocking County, Ohio Recorder, Financing Statement numbers 20000000000-1/20000000000-2 and 20000000000-3 /20000000000-8 filed with the Athens County, Recorder, and in certain Open-End Mortgages, Security Agreements, Assignments of Rents and Leases and Fixture Filings in Hocking and Athens Counties.
Chase Equipment Leasing	Specific leased equipment, including without limitation warehouse storage units and other collateral further described in Financing Statement numbers AP0163529 and AP0196827 filed with the Ohio Secretary of State and Financing Statement number 199900000969/199900006769 filed with the Hocking County, Ohio Recorder.
GMAC Business Credit LLC	All business assets
American	Leased counter forming machine
Worthern Industries	Leased glue machines
W.L. Gore	Leased centrifugal testers ES & FS
Ascom Hasler	Mail Machine Lease
Xerox Capital Services LLC	DocuColor (2); D25OEF12 (2); WCP265 (3); WCP232 (5)
Dell Financial Services, L.P.	Computer Equipment and peripherals financed by secured party pursuant to a certain revolving credit account; proceeds
Androscoggin Savings Bank and Pamco Machine Company, Inc.	Inseam trimmer, side and heal seat laster, staple side laster and toe laster and proceeds
Lifestyle Footwear, Inc.	
None	

Rocky Brands, Inc. (formerly EJ Footwear LLC)

<u>Secured Party</u>	<u>Collateral</u>
Pitney Bowes Credit Corporation	Leased equipment further described in Financing Statement number 1995001177 filed in Broome County, NY
Ford Credit	Leased Ford Ranger truck, s/n 1FTYR44U74PA08512
ComSource	Leased computer equipment described in Financing Statement number U1 1999 000721 filed in Broome County, NY
DeLage Landen Financial Services, Inc.	Leased equipment
Bank of America	Cash Collateral to secure Bank of America letter of credit in favor of Blue Cross Blue Shield
Icon Financial	Canon Printers Rocky Brands Wholesale LLC (formerly Georgia Boot LLC)
<u>Secured Party</u>	<u>Collateral</u>
BSFS Equipment Leasing	Leased equipment under Lease #7119124, UCC file number 20888648 filed with the Delaware Secretary of State
Ascom Hasler Leasing	Leased postage meter and mail scale
Bell South	Leased telephone/MIS equipment Rocky Brands Retail LLC (formerly Lehigh Safety Shoe Co. LLC)
<u>Secured Party</u>	<u>Collateral</u>
Navistar Leasing Company Hardco Leasing Company, Inc.	Various leased motor vehicles
Key Equipment Finance	Various leased motor vehicles

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SCHEDULE 6.1(K)  
Deposit Accounts

Comerica Bank  
P.O. Box 75000  
Detroit, MI 48275-8149

Name on Account: Rocky Brands, Inc.  
Type of Account: Comerica Operation Account  
Account Number:

Name on Account: Rocky Brands, Inc.  
Type of Account: Comerica Controlled Disbursement Account  
Account Number:

Name on Account: Rocky Brands, Inc.  
Type of Account: Comerica Cash Collateral Account  
Account Number:

Name on Account: Rocky Brands Retail LLC/Rocky Brands Wholesale LLC  
Type of Account: Comerica Controlled Disbursement Account  
Account Number:

Name on Account: Rocky Brands, Inc.  
Type of Account: Comerica Merchant Account  
Account Number:

First National Bank  
11 Public Square  
Nelsonville, OH 45764

Name on Account: Rocky Brands, Inc.  
Type of Account: FNB Operating Account  
Account Number:

Name on Account: Rocky Brands, Inc.  
Type of Account: FNB Credit Card Account  
Account Number:

Name on Account: Rocky Brands, Inc. Payroll  
Type of Account: FNB Payroll Account  
Account Number:

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Banco Popular  
P.O. Box 362708  
San Juan, Puerto Rico 00936-2708

Name on Account: Lifestyle Footwear Inc.  
Type of Account: General Account  
Account Number:

Name on Account: Lifestyle Footwear Inc.  
Type of Account: Payroll Account  
Account Number:

HSBC Bank USA  
243 Main Street  
Johnson City, NY 13790

Name on Account: Rocky Brands Retail LLC  
Type of Account: General Account  
Account Number:

Mellon Bank  
Mellon Client Service Center  
Room 154-1320  
500 Ross Street  
Pittsburgh, PA 15262-0001

Name on Account: Rocky Brands Retail LLC  
Type of Account: Lockbox  
Account Number:

Name on Account: Rocky Brands Wholesale LLC  
Type of Account: Lockbox  
Account Number:

43. Rocky Brands Retail LLC (formerly Lehigh Safety Shoe Co. LLC) shoe center bank accounts:

- (a) 1<sup>st</sup> National Bank of Scotia Account #
  - (b) Associated Bank Account #
  - (c) Banco Popular Bank Account #
  - (d) Bank of America Account #s
  - (e) Bank of Colorado Account #
  - (f) Bank of Hawaii Account #s
-

- (g) Bank One Account #s
  - (h) Centura Bank Account #
  - (i) Chase Bank of Texas Account #
  - (j) Citizens Bank Account #s
  - (k) Citywide Bank Account #
  - (l) Comerica Bank Account #
  - (m) Community Bank Account #
  - (n) First Citizens Bank Account #s
  - (o) First Midwest Bank Account #
  - (p) Fleet Bank Account #s
  - (q) Frontenac Bank Account #
  - (r) Glen Falls National Bank Account #
  - (s) Key Bank Account #
  - (t) National City Bank Account #s
  - (u) PNC Bank Account #
  - (v) Southeast National Bank Account #
  - (w) Sun Trust Bank Account #
  - (x) Wachovia Account #s
  - (y) Wells Fargo Account #s
  - (z) Westsound Bank Account #s
  - (aa) Whitney National Bank Account #
  - (bb) J.P. Morgan Chase Bank Account #
  - (cc) Chase Bank #
  - (dd) Anchor Bank #
  - (ee) Regions Bank #s
  - (ff) M&T Bank #
  - (gg) Old Point National Bank #
  - (hh) Bank of America #
-

(ii) Wachovia Bank #

(jj) Lyons Bank #

SCHEDULE 6.1(L)

Bailees/Consignees/Warehouse

Collateral located at each consignee location set forth in the following distributor/consignment/ warehouse agreements and such other distribution/consignment/warehouse agreements entered into from time to time:

44. Distributor Consignment Agreement between Lehigh Safety Supply Co. and Lehigh Safety Shoe Co. LLC dated July 1, 1978, as amended
  45. Distributor Consignment Agreement between Atlas Safety Equipment Company, Inc. and Lehigh Safety Shoe Co. LLC dated May 15, 2001
  46. Industrial Consignment Agreement between Fairmont Supply Company, Inc. and Lehigh Safety Shoe Co. LLC dated February 25, 2002, as amended
  47. Distributor Consignment Agreement between Fastenal Company and Lehigh Safety Shoe Co. LLC dated October 20, 2003
  48. Industrial Consignment Agreement between General Dynamic/Electric Boat and Lehigh Safety Shoe Co. LLC dated April 4, 2001
  49. Distributor Consignment Agreement between General Fire and Safety Equipment Company of Omaha, Inc. and Lehigh Safety Shoe Co. LLC dated February 20, 2003
  50. Distributor Consignment Agreement between Global Trading Inc. of Miami and Lehigh Safety Shoe Co. LLC dated March 1, 2004
  51. Distributor Consignment Agreement between Magid Glove and Safety Manufacturing Co., LLC. and Lehigh Safety Shoe Co. LLC dated November 1, 1999, as amended
  52. Industrial Consignment Agreement and Norfolk Naval Shipyard Co-operative Association Portsmouth, Virginia 23709-5000 Safety Shoe Consignment Agreement between Norfolk Navy Shipyard Co-operative Association and Lehigh Safety Shoe Co. LLC dated August 3, 2005
  53. Industrial Consignment Agreement between ORR Safety Corporation and Lehigh Safety Shoe Co. LLC dated April 13, 2004
  54. Distributor Consignment Agreement between Safety Source, Inc. and Lehigh Safety Shoe Co. LLC dated December 1, 1995, as amended
  55. Industrial Consignment Agreement between Sullivan-Brough, Inc. d/b/a Safetywear Division and Lehigh Safety Shoe Co. LLC dated August 11, 2004
-

56. Warehouse and Fulfillment Services Agreement among Kane Distribution, EJ Footwear, Lehigh Safety Shoe Co. LLC and Georgia Boot dated April 18, 2002, as amended
  57. Horizon Solutions Distributor Consignment Agreement between Rero Distributors (Horizon) and Lehigh Safety Shoe Co. LLC dated May 15, 2000
-



SCHEDULE 6.1(Q)  
Names and Locations

<u>Name(s) / State of Incorporation / Organizational ID Number</u>	<u>Acquisitions</u>	<u>Principal Place of Business and Location of Books and Records</u>	<u>Other Offices And Locations of Collateral</u>
Rocky Brands, Inc. Ohio 821674	Purchase of certain assets from Gates-Mills, Inc. on 04/15/03  EJ Footwear LLC ("EJ") merged into Rocky Brands, Inc. on 12/31/06 (EJ did business as Empire, Barclay, and Long Haul)	39 East Canal Street Nelsonville, OH 45764 (owned)	29 Fayette Street Nelsonville, OH 45764 (owned)
Lifestyle Footwear, Inc. Delaware 2109896	None	Road 125 KM 3.8 BO Pueblo Industrial Park, Moca, PR 00676-0728 (leased manufacturing facility and office)  Books and Records: 39 East Canal Street Nelsonville, Ohio 45764	None

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Name(s) / State of Incorporation / Organizational ID Number	Acquisitions	Principal Place of Business and Location of Books and Records	Other Offices And Locations of Collateral
Rocky Brands Wholesale LLC Delaware 3182983	Georgia Boot Properties LLC, Durango Boot Company LLC, and Northlake Boot Company LLC merged into Georgia Boot LLC ("Georgia Boot"), with name change to Rocky Brands Wholesale LLC on 12/31/06 (Georgia Boot did business as Durango, Georgia Boot, Long Haul, Northlake)	39 East Canal Street Nelsonville, OH 45764	<p>235 Noah Drive Franklin, TN 37064 (leased office)</p> <p>37601 Rocky Boots Way Logan, OH 43138 (owned warehouse)</p> <p>Denver Merchandise Mart 451 East 58<sup>th</sup> Street Showroom 3529&amp;4435 Denver, CO 80216 (leased showroom)</p> <p>Kane Distribution 612 S. Route 6 West Tunkhannock, PA 18657 (third party facility)</p>
Rocky Brands Retail LLC Delaware 3182836	Lehigh Safety Shoe Properties LLC and HM Lehigh Safety Shoe Co. LLC merged into Lehigh Safety Shoe Co. LLC ("Lehigh"), with name change to Rocky Brands Retail LLC on 12/31/06 (Lehigh did business as Lehigh Safety Shoe Company)	39 East Canal Street Nelsonville, OH 45764	<p>120 Plaza Dr. Vestal, NY (leased office)</p> <p>45 East Canal Street Nelsonville, OH 45764 (owned retail space)</p> <p>901 Franklin Street East Endicott, NY 13761 (owned)</p> <p>Kane Distribution 612 S. Route 6 West Tunkhannock, PA 18657 (third party facility)</p> <p>See also Item D(2) of Schedule 4.1(Q) for listing of leased retail store locations and Schedule 6.1 (L) for bailee/consignee/ warehouse locations</p>

**REVOLVING CREDIT, GUARANTY, AND SECURITY AGREEMENT**

**PNC BANK, NATIONAL ASSOCIATION**

**(AS LENDER AND AS AGENT)**

**WITH**

**ROCKY BRANDS, INC.  
LEHIGH OUTFITTERS, LLC  
LIFESTYLE FOOTWEAR, INC.  
ROCKY BRANDS WHOLESALE LLC,  
ROCKY BRANDS INTERNATIONAL, LLC  
ROCKY CANADA, INC.**

**(BORROWERS)**

**Dated as of October 20, 2010**

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## LIST OF EXHIBITS AND SCHEDULES

### Exhibits

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## REVOLVING CREDIT, GUARANTY, AND SECURITY AGREEMENT

Revolving Credit, Guaranty, and Security Agreement dated as of October 20, 2010 among **Rocky Brands, Inc.**, an Ohio corporation ("Parent"), **Lehigh Outfitters, LLC**, a Delaware limited liability company ("Lehigh"), **Lifestyle Footwear, Inc.**, a Delaware corporation ("Lifestyle"), **Rocky Brands Wholesale LLC**, a Delaware limited liability company ("Rocky Wholesale"), **Rocky Brands International, LLC**, an Ohio limited liability company ("Rocky International"), and **Rocky Canada, Inc.**, a corporation formed under the laws of the Province of Ontario ("Rocky Canada") (Parent, Lehigh, Lifestyle, Rocky Wholesale, Rocky International, and Rocky Canada, collectively, the "Borrowers" and individually a "Borrower"), the financial institutions which are now or which hereafter become a party hereto (collectively, the "Lenders" and individually a "Lender") and **PNC Bank, National Association** ("PNC"), as agent for Lenders (PNC, in such capacity, the "Agent").

IN CONSIDERATION of the mutual covenants and undertakings herein contained, Borrowers, Lenders and Agent hereby agree as follows:

### I DEFINITIONS.

1.1. Accounting Terms. As used in this Agreement, the Other Documents or any certificate, report or other document made or delivered pursuant to this Agreement, accounting terms not defined in Section 1.2 or elsewhere in this Agreement and accounting terms partly defined in Section 1.2 to the extent not defined, shall have the respective meanings given to them under GAAP; provided, however, whenever such accounting terms are used for the purposes of determining compliance with financial covenants in this Agreement, such accounting terms shall be defined in accordance with GAAP as applied in preparation of the audited financial statements of Borrowers for the fiscal year ended December 31, 2009.

1.2. General Terms. For purposes of this Agreement the following terms shall have the following meanings:

"Access Agreement Locations" shall mean the premises leased by a Borrower in Canada, Puerto Rico, Houston, Texas, Green Bay, Wisconsin and Columbia, South Carolina and listed on Schedule 4.5.

"Account Control Notice" shall have the meaning set forth in Section 4.15(h)(ii).

"Advance Rates" shall have the meaning set forth in Section 2.1(a)(y)(iii).

"Advances" shall mean and include the Revolving Advances and Letters of Credit.

"Affiliate" of any Person shall mean (a) any Person which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person, or (b) any Person who is a director, managing member, general partner or officer (i) of such Person, (ii) of any Subsidiary of such Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person shall mean the power, direct or indirect, (x) to vote 20% or more of the Equity Interests having ordinary voting power for the election of directors of such Person or other Persons performing similar functions for any such Person, or (y) to direct or cause the direction of the management and policies of such Person whether by ownership of Equity Interests, contract or otherwise.

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“Agent” shall have the meaning set forth in the preamble to this Agreement and shall include its successors and assigns.

“Agreement” shall mean this Revolving Credit, Guaranty, and Security Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

“Alternate Base Rate” shall mean, for any day, a rate per annum equal to the higher of (i) the Base Rate in effect on such day, (ii) the Federal Funds Open Rate in effect on such day plus 1/2 of 1% and (iii) the Daily LIBOR Rate plus 1%. For purposes of this definition, “Daily LIBOR Rate” shall mean, for any day, the rate per annum determined by Agent by dividing (x) the Published Rate by (y) a number equal to 1.00 minus the percentage prescribed by the Federal Reserve for determining the maximum reserve requirements with respect to any eurocurrency funding by banks on such day. For the purposes of this definition, “Published Rate” shall mean the rate of interest published each Business Day in The Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the eurodollar rate for a one month period as published in another publication determined by Agent and used by Agent generally for determining the eurodollar rate charged to commercial lending customers).

“Amortizing Tranche” shall mean the portion of the Formula Amount calculated in accordance with to Section 2.1(a)(y)(v)(A).

“Anti-Terrorism Laws” shall mean any Applicable Laws relating to terrorism or money laundering, including Executive Order No. 13224, the USA PATRIOT Act, the Applicable Laws comprising or implementing the Bank Secrecy Act, and the Applicable Laws administered by the United States Treasury Department’s Office of Foreign Asset Control (as any of the foregoing Applicable Laws may from time to time be amended, renewed, extended, or replaced), the Proceeds of Crime (Money Laundering), Terrorist Financing Act (Canada), the Foreign Extraterritorial Measures Act (Canada), and the respective regulations promulgated thereunder.

“Applicable Law” shall mean all laws, rules and regulations applicable to the Person, conduct, transaction, covenant, Other Document or contract in question, including all applicable common law and equitable principles; all provisions of all applicable state, provincial, federal and foreign constitutions, statutes, rules, regulations, treaties, directives and orders of any Governmental Body, and all orders, judgments and decrees of all courts and arbitrators.

“Applicable Margin” for Revolving Advances shall mean, commencing as of the Closing Date, 1.75% per annum for Eurodollar Rate Loans and 0% per annum for Domestic Rate Loans. Thereafter, effective as of the fifth (5<sup>th</sup>) Business Day after receipt by Agent of a Liquidity Calculation for the fiscal quarter ending December 31, 2010, and thereafter upon receipt of a Liquidity Calculation for each subsequent fiscal quarter (each day of such delivery, an “Adjustment Date”), the Applicable Margin for each type of Advance shall be adjusted, if necessary, to the applicable percent per annum set forth in the pricing table set forth below corresponding to the Quarterly Liquidity of Borrowers during the fiscal quarter ending immediately prior to the applicable Adjustment Date:

Quarterly Liquidity	Applicable Margins for Eurodollar Rate Loans	Applicable Margins for Domestic Rate Loans
≥ \$17,500,000	1.50 %	- 0.25 %
< \$17,500,000 but ≥ \$10,000,000	1.75 %	0 %
< \$10,000,000	2.00 %	0.25 %

If the Borrowers shall fail to deliver a Liquidity Calculation for any fiscal quarter on or before the fifth (5<sup>th</sup>) Business Day of the following fiscal quarter, each Applicable Margin shall be conclusively presumed to equal the highest Applicable Margin specified in the pricing table set forth above until the date of delivery of such Liquidity Calculation, at which time the rate will be adjusted prospectively based upon the Quarterly Liquidity reflected in such Liquidity Calculation.

No downward adjustment of any Applicable Margin shall occur if, at the time such downward adjustment would otherwise be made, there shall exist any Event of Default, provided that such downward adjustment shall be made on the first (1<sup>st</sup>) day of the month after the date on which the applicable Event of Default shall have been waived by Agent in writing. During any period which an Event of Default exists, the Applicable Margin(s) shall adjust to the highest Applicable Margin(s) set forth above upon direction of the Agent or the Required Lenders.

If the Agent determines that (a) the Liquidity Calculation as of any applicable date was inaccurate or otherwise is not consistent with Agent's calculation of Quarterly Liquidity, which calculation of Agent shall control in the event of any inconsistency, and (b) Agent's determination of the Quarterly Liquidity would have resulted in different pricing for any period, then (y) if Agent's determination of the Quarterly Liquidity would have resulted in higher pricing for such period, the Borrowers shall automatically and retroactively be obligated to pay to the Agent, promptly upon demand by the Agent, an amount equal to the excess of the amount of interest and fees that should have been paid for such period over the amount of interest and fees actually paid for such period; and (z) if Agent's determination of the Quarterly Liquidity would have resulted in lower pricing for such period, Borrowers shall be entitled to a credit against interest or fees accruing after the date of determination; provided, that, if Agent's determination of the Quarterly Liquidity would have resulted in higher pricing for one or more periods and lower pricing for one or more other periods, then the amount payable by the Borrowers pursuant to clause (y) above shall be based upon the excess, if any, of the amount of interest and fees that should have been paid for all applicable periods over the amounts of interest and fees actually paid for such periods.

"Authority" shall have the meaning set forth in Section 4.19(d).

“Bank Products Obligations” shall have the meaning set forth in the definition of Obligations.

“Bankruptcy Code” shall mean: (a) title 11 of the United States Code, (b) the Bankruptcy and Insolvency Act (Canada), (c) the Companies’ Creditors Arrangement Act (Canada), (d) the Winding-Up and Restructuring Act (Canada), as applicable, or any similar legislation in a relevant jurisdiction, in each case as in effect from time to time.

“Base Rate” shall mean the base commercial lending rate of PNC as publicly announced to be in effect from time to time, such rate to be adjusted automatically, without notice, on the effective date of any change in such rate. This rate of interest is determined from time to time by PNC as a means of pricing some loans to its customers and is neither tied to any external rate of interest or index nor does it necessarily reflect the lowest rate of interest actually charged by PNC to any particular class or category of customers of PNC.

“Benefit Plan” means a “defined benefit plan” (as defined in Section 3(35) of ERISA) or a defined benefit pension plan under Canadian Employee Benefit Laws for which any Borrower or any ERISA Affiliate of any Borrower has been an “employer” (as defined in Section 3(5) of ERISA) or has held equivalent status under Canadian Employee Benefit Laws within the past six (6) years.

“Blocked Accounts” shall have the meaning set forth in Section 4.15(h)(i).

“Blocked Account Agreement” shall have the meaning set forth in Section 4.14(h)(ii).

“Blocked Account Bank” shall have the meaning set forth in Section 4.15(h)(i).

“Blocked Person” shall have the meaning set forth in Section 5.23(b).

“Board of Directors” shall mean the board of directors (or comparable managers) of Parent or any committee thereof duly authorized to act on behalf of the board of directors (or comparable managers).

“Borrower” or “Borrowers” shall have the meaning set forth in the preamble to this Agreement and shall extend to all permitted successors and assigns of such Persons, and any Person that shall join this Agreement as a Borrower hereunder.

“Borrowers’ Account” shall have the meaning set forth in Section 2.8.

“Borrowing Agent” shall mean Parent.

“Borrowing Base Certificate” shall mean a certificate in substantially the form of Exhibit 1.2 duly executed by the Chief Executive Officer, Chief Financial Officer or Controller of the Borrowing Agent and delivered to the Agent, appropriately completed, by which such officer shall certify to Agent the Formula Amount and calculation thereof as of the date of such certificate.

“Business Day” shall mean any day other than Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in East Brunswick, New Jersey, and, if the applicable Business Day relates to Rocky Canada, in Toronto, Ontario, and, if the applicable Business Day relates to any Eurodollar Rate Loans, such day must also be a day on which dealings are carried on in the London interbank market.

“Canadian Dollar” and “CDN\$” shall mean lawful currency of Canada.

“Canadian Employee Benefit Laws” means the Canadian Income Tax Act, the Pension Benefits Standards Act 1985 (Canada), the Employment Insurance Act (Canada), the Pension Benefits Act (Ontario), the Workplace Safety and Insurance Act 1997 (Ontario), the Occupational Health and Safety Act (Ontario) and the Employment Standards Act 2000 (Ontario), and in each case the regulations thereunder, and any federal, provincial or local counterparts or substantial equivalents relating to employee benefits, in each case, as amended from time to time.

“Canadian Income Tax Act” shall mean the Income Tax Act (Canada), R.S.C. 1985, c.1 (5th Supp.), as amended and the regulations thereunder.

“Canadian Pension Plan” shall mean a pension plan or plan that is a “registered pension plan” as defined in the Canadian Income Tax Act or is subject to the funding requirements of applicable pension benefits legislation in any Canadian jurisdiction and is applicable to employees or former employees resident in Canada of Rocky Canada.

“Canadian Security Document” shall mean the General Security Agreement, dated as of the Closing Date, between Rocky Canada and Agent, as the same may be or may have been supplemented, amended, modified or restated from time to time.

“Canadian Union Plan” shall mean any pension plan for the benefit of employees or former employees resident in Canada of Rocky Canada which is not maintained, sponsored or administered by Rocky Canada, but to which Rocky Canada is or was required to contribute pursuant to a collective agreement or participation agreement.

“Capital Expenditures” shall mean expenditures made or liabilities incurred for the acquisition of any fixed assets or improvements, replacements, substitutions or additions thereto which have a useful life of more than one year, including the total principal portion of Capitalized Lease Obligations, which, in accordance with GAAP, would be classified as capital expenditures.

“Capitalized Lease Obligation” shall mean any Indebtedness of any Borrower represented by obligations under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

“Cash Dominion Period” shall mean any period commencing upon the occurrence of a Triggering Event and ending upon the occurrence of a related Satisfaction Event.

“Cash Equivalents” shall mean (a) marketable direct obligations issued or unconditionally guaranteed by the government of Canada or the United States or issued by any agency thereof and backed by the full faith and credit of Canada or the United States, as the case may be, in each case maturing within 1 year from the date of acquisition thereof, (b) marketable direct obligations issued by any province or territory of Canada or any state of the United States or any political subdivision of any such province, territory or state or any public instrumentality thereof maturing within 1 year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either Standard & Poor’s Rating Group (“S&P”) or Moody’s Investors Service, Inc. (“Moody’s”) or such other comparable rating companies in Canada, (c) commercial paper maturing no more than 270 days from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody’s or such other comparable rating companies in Canada, (d) certificates of deposit or bankers’ acceptances maturing within 1 year from the date of acquisition thereof issued by any bank organized under the laws of Canada, or the United States or any state thereof, having at the date of acquisition thereof combined capital and surplus of not less than \$250,000,000, (e) demand deposit accounts maintained with any bank organized under the laws of the United States or any state thereof or the laws of Canada so long as the amount maintained with any individual bank is less than or equal to the maximum amount insured by the Federal Deposit Insurance Corporation or the Canada Deposit Insurance Corporation, and (f) Investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (e) above.

“CCR” shall have the meaning set forth in Section 4.15(j)(iv).

“CERCLA” shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§9601 et seq.

“Change of Control” shall mean (a) other than between or among Borrowers, any merger or consolidation of or with any Borrower or sale of all or substantially all of the property or assets of any Borrower, or (b) that any Person, together with its Affiliates, acquires Equity Interests in Parent in one or more transactions such that they collectively own or control, directly or indirectly, greater than or equal to 50% of the Equity Interests of Parent, or (c) that Parent ceases to own, directly or indirectly, and control 100% of the outstanding Equity Interests of (i) each of the other Borrowers and (ii) each of its Subsidiaries, provided that, with respect to any Foreign Subsidiary, a Change of Control shall not occur so long as Parent owns the greater of either 95% of the outstanding Equity Interests of such Foreign Subsidiary, or the largest percentage of such Equity Interests which may be owned by Parent under the laws of the jurisdiction in which such Foreign Subsidiary is organized.

“Charges” shall mean all taxes, charges, fees, imposts, levies or other assessments, including all net income, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation and property taxes, custom duties, fees, assessments, Liens, claims and charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts, imposed by any taxing or other authority, domestic or foreign (including the Pension Benefit Guaranty Corporation or any environmental agency or superfund), upon the Collateral, or any Borrower, Guarantor, or any of their respective Subsidiaries.

“Closing Date” shall mean the date of this Agreement.

“Code” shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

“Collateral” shall mean and include:

- (a) all Receivables other than Excluded Receivables;
- (b) all Equipment;
- (c) all General Intangibles;
- (d) all Inventory;
- (e) all Investment Property;
- (f) all Eligible Real Property;
- (g) all Subsidiary Stock;
- (h) the Leasehold Interests;

(i) all of each Borrower’s and Guarantor’s right, title and interest in and to, whether now owned or hereafter acquired and wherever located, (i) its respective goods and other property including, but not limited to, all merchandise returned or rejected by Customers, relating to or securing any of the Receivables; (ii) all of each Borrower’s and Guarantor’s rights as a consignor, a consignee, an unpaid vendor, mechanic, artisan, or other lienor, including stoppage in transit, setoff, detinue, replevin, reclamation and repurchase; (iii) all additional amounts due to any Borrower or Guarantor from any Customer relating to the Receivables; (iv) other property, including warranty claims, relating to any goods securing the Obligations; (v) all of each Borrower’s and Guarantor’s contract rights, rights of payment which have been earned under a contract right, instruments (including promissory notes), documents, documents of title, chattel paper (including electronic chattel paper), warehouse receipts, deposit accounts, accounts, letters of credit and money; (vi) all commercial tort claims (whether now existing or hereafter arising); (vii) if and when obtained by any Borrower or Guarantor, all real and personal property of third parties in which either has been granted a lien or security interest as security for the payment or enforcement of Receivables; (viii) all letter of credit rights (whether or not the respective letter of credit is evidenced by a writing); (ix) all supporting obligations; and (x) any other goods, personal property or real property now owned or hereafter acquired in which any Borrower or Guarantor has expressly granted a security interest or may in the future grant a security interest to Agent hereunder, or in any amendment or supplement hereto or thereto, or under any other agreement between Agent and any Borrower or Guarantor;

(j) all of each Borrower’s and Guarantor’s ledger sheets, ledger cards, files, correspondence, records, books of account, business papers, computers, computer software (owned by any Borrower or Guarantor or in which it has an interest other than as licensee), computer programs, tapes, disks and documents relating to (a), (b), (c), (d), (e), (f), (g), (h) or (i) of this Paragraph; and



(k) all proceeds and products of (a), (b), (c), (d), (e), (f), (g), (h), (i) and (j) in whatever form, including, but not limited to: cash, deposit accounts (whether or not comprised solely of proceeds), certificates of deposit, insurance proceeds (including hazard, flood and credit insurance), negotiable instruments and other instruments for the payment of money, chattel paper, security agreements, documents, eminent domain proceeds, condemnation proceeds and tort claim proceeds.

Notwithstanding anything contained in this Agreement to the contrary, the term "Collateral" shall not include the following (collectively, the "Excluded Property"):

(i) any Borrower's or Guarantor's rights or interests in or under any license, contract or agreement to the extent, but only to the extent that such a grant would, under the terms of such license, contract or agreement, constitute or result in (i) the abandonment, invalidation or unenforceability of any material right, title or interest of such Borrower or Guarantor therein, or (ii) a breach, termination, or a default under such license, contract or agreement (other than to the extent that any such term would be rendered ineffective pursuant to Sections 9-406, 9-407, 9-408 or 9-409 of the UCC (or any successor provision or provisions) or pursuant to the PPSA of any relevant jurisdiction or any other Applicable Law (including any bankruptcy or insolvency laws) or principles of equity), provided that (A) immediately upon either an insolvency event of default or the ineffectiveness, lapse or termination of any such term, the Collateral shall include, and such Borrower or Guarantor shall be deemed to have granted a security interest as of the closing date in, all such rights and interests as if such term had never been in effect, and (B) to the extent that any such lease, license, contract or agreement would otherwise constitute Collateral (but for the provisions of this paragraph), all receivables from each Borrower's or Guarantor's performance under such license, contract or agreement and all proceeds resulting from the sale or disposition by each Borrower or Guarantor of any rights of each Borrower or Guarantor under such license, contract or agreement shall constitute Collateral,

(ii) Investment Property constituting Equity Interests of any Foreign Subsidiary (other than Rocky Canada which shall be subject to a pledge of 100% of its Equity Interests) of any Borrower or Guarantor; provided that the Agent shall have a Lien upon 65% of the Equity Interests of each such Foreign Subsidiary,

(iii) any Real Property which is not Eligible Real Property, and

(iv) the trademark applications, trade names, and trademarks of the Borrowers or Guarantors.

"Collateral Access Agreement" shall mean an agreement in form and substance satisfactory to the Agent in its Permitted Discretion which is executed in favor of Agent by (a) a Person who owns or occupies premises at which any Collateral may be located from time to time and by which such Person shall waive or subordinate lien rights and authorize Agent from time to time to enter upon the premises to access, inspect or remove the Collateral from such premises or to use such premises to store or dispose of such Collateral, or (b) a Person who has possession, custody or control of Collateral and by which such Person shall waive lien rights and agree to grant Agent access to the Collateral upon request and to follow the instructions of Agent with respect to the disposition of such Collateral.

“Collection Accounts” shall have the meaning set forth in Section 4.15(h)(i).

“Commitment Percentage” of any Lender shall mean the percentage set forth below such Lender’s name on the signature page hereof as same may be adjusted upon any assignment by a Lender pursuant to Section 16.3(c) or (d).

“Commitment Transfer Supplement” shall mean a document in the form of Exhibit 16.3 hereto, properly completed and otherwise in form and substance satisfactory to Agent by which the Purchasing Lender purchases and assumes a portion of the obligation of Lenders to make Advances under this Agreement.

“Compliance Certificate” shall mean a compliance certificate to be signed by the Chief Financial Officer or Controller of Borrowing Agent, which shall state that, based on an examination sufficient to permit such officer to make an informed statement, no Default or Event of Default exists, or if such is not the case, specifying such Default or Event of Default, its nature, when it occurred, whether it is continuing and the steps being taken by Borrowers with respect to such default and, such certificate shall have appended thereto a calculation of the Fixed Charge Coverage Ratio for the periods required by Sections 9.7 and 9.9.

“Consents” shall mean all filings and all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Bodies and other third parties, domestic or foreign, necessary to carry on any Borrower’s business or necessary (including to avoid a conflict or breach under any agreement, instrument, other document, license, permit or other authorization) for the execution, delivery or performance of this Agreement, the Other Documents, including any Consents required under all applicable federal, state, provincial or other Applicable Law.

“Consigned Inventory” shall mean Inventory of any Borrower that is in the possession of another Person on a consignment, sale or return, or other basis that does not constitute a final sale and acceptance of such Inventory.

“Controlled Group” shall mean, at any time, each Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with any Borrower, are treated as a single employer under Section 414 of the Code.

“Customer” shall mean and include the account debtor with respect to any Receivable and/or the prospective purchaser of goods, services or both with respect to any contract or contract right, and/or any party who enters into or proposes to enter into any contract or other arrangement with any Borrower, pursuant to which such Borrower is to deliver any personal property or perform any services.

“Customs” shall have the meaning set forth in Section 2.11(b).

"Deemed Credit Request" shall have the meaning set forth in Section 2.2(b).

"Default" shall mean an event, circumstance, default, or condition which, with the giving of notice or passage of time or both, would constitute an Event of Default.

"Default Rate" shall have the meaning set forth in Section 3.1(c).

"Defaulting Lender" shall have the meaning set forth in Section 2.24(a).

"Designated Lender" shall have the meaning set forth in Section 16.2(c).

"Documents" shall have the meaning set forth in Section 8.1(c).

"Dollar" and the sign "\$" shall mean lawful money of the United States of America.

"Domestic Rate Loan" shall mean any Advance that bears interest based upon the Alternate Base Rate.

"Domestic Subsidiary" shall mean any direct or indirect Subsidiary of a Person that is organized under the laws of any state of the United States or the District of Columbia (other than an indirect Subsidiary of a Person which is a direct or indirect Subsidiary of another Subsidiary which is not organized under such laws)

"Drawing Date" shall have the meaning set forth in Section 2.12(b).

"Earnings Before Interest and Taxes" shall mean for any period, for Parent and its Subsidiaries on a consolidated basis, the sum of (i) net income (or loss) for such period (excluding extraordinary gains and losses), plus (ii) all interest expense for such period, plus (iii) all charges against income for such period for federal, state and local taxes.

"EBITDA" shall mean for any period the sum of (i) Earnings Before Interest and Taxes for such period, plus (ii) depreciation expenses for such period, plus (iii) amortization expenses for such period.

"Eligible Finished Goods Inventory" shall mean and include finished goods Inventory, with respect to each Borrower, valued at the lower of cost or market, determined on a first-in-first-out basis, which is not, in Agent's Permitted Discretion, obsolete, slow moving or unmerchantable and which Agent, in its Permitted Discretion, shall not deem ineligible Inventory, based on such considerations as Agent may from time to time deem appropriate including whether the Inventory is subject to a perfected, first priority security interest in favor of Agent and no other Lien (other than a Permitted Encumbrance). In addition, Inventory shall not be Eligible Finished Goods Inventory if it (a) does not conform to all standards imposed by any Governmental Body which has regulatory authority over such goods or the use or sale thereof, (b) constitutes Consigned Inventory, (c) is the subject of an Intellectual Property Claim; (d) is subject to a License Agreement or other agreement that in any material respect limits, conditions or restricts any Borrower's or Agent's right to sell or otherwise dispose of such Inventory, unless Agent is a party to a Licensor/Agent Agreement with the Licensor under such License Agreement; (e) is situated at a location not listed on Schedule 4.5 as of the Closing Date or is situated at an Access Agreement Location and no Collateral Access Agreement is in effect in favor of Agent unless a rent reserve has been established by Agent with respect thereto, (f) unless it is Eligible In-Transit Finished Goods Inventory, it is located outside the continental United States, Canada, or Puerto Rico, or at a location that is not listed on Schedule 4.5, provided that, finished goods Inventory located in Puerto Rico may only constitute Eligible Finished Goods Inventory to the extent that the total amount of Eligible Raw Materials Inventory located in Puerto Rico and Eligible Finished Goods Inventory located in Puerto Rico included in the Formula Amount (after application of the Finished Goods Inventory Advance Rate) would not exceed \$2,000,000 at any time. Eligible Finished Goods Inventory shall not include Inventory being acquired pursuant to a trade Letter of Credit (other than any trade Letter of Credit issued hereunder) to the extent such trade Letter of Credit remains outstanding.

“Eligible Government Receivable” shall have the meaning provided in the definition of “Eligible Receivables”.

“Eligible In-Transit Finished Goods Inventory” shall include Inventory: (a) which title has passed to a Borrower, (b) which is insured to the full value thereof with Agent as lender loss payee under the applicable insurance policy and evidence of such insurance has been provided to Agent, (c) which is in-transit with a carrier to a facility listed on Schedule 4.5, (d) which would otherwise be Eligible Finished Goods Inventory except for its location, (e) for which Agent or the customs broker or other representative shall have in its possession (i) a true and correct copy of the bill of lading and other shipping documents for such inventory, (ii) (A) if the applicable bill of lading is non-negotiable and the Inventory is in transit within the United States, a duly executed Collateral Access Agreement from the applicable customs broker for such Inventory, or all related unpaid freight charges and customs duties related to such shipment shall be reserved for, (B) if the applicable bill of lading is negotiable, confirmation that the bill is issued in the name of a Borrower and consigned to the order of the Agent or an agent thereof, and an acceptable agreement has been executed with a Borrower’s customs broker, in which the customs broker or other representative agrees that it is holding possession of the negotiable bill as agent for the Agent and will grant the Agent access to the Inventory, (f) for which the carrier is not an Affiliate of the applicable vendor or supplier of the Inventory, and (g) the customs broker is not an Affiliate of a Borrower; provided however that, in each case, all related unpaid freight charges and customs duties related to such shipment shall be reserved for unless a lien waiver among the applicable Borrower, the applicable customs broker, freight carrier, shipping company or shipping agent, as the case may be, and Agent has been executed and delivered to the Agent, in each case in form and substance satisfactory to the Agent in its Permitted Discretion, and provided further that, the inclusion of such Inventory in the Formula Amount shall not cause the total amount of Eligible In-Transit Finished Goods Inventory in the Formula Amount (after application of the Finished Goods Inventory Advance Rate) to exceed \$8,000,000 at any time.

“Eligible Inventory” shall mean collectively Eligible Finished Goods Inventory, Eligible Raw Material Inventory, and Eligible In-Transit Finished Good Inventory.

“Eligible Raw Materials Inventory” shall mean and include raw materials Inventory with respect to each Borrower, valued at the lower of cost or market value, determined on a first-in-first-out basis, which is not, in Agent’s Permitted Discretion, obsolete, slow moving or unmerchantable and which Agent, in its Permitted Discretion, shall not deem ineligible Inventory, based on such considerations as Agent may from time to time deem appropriate including whether the Inventory is subject to a perfected, first priority security interest in favor of Agent and no other Lien (other than a Permitted Encumbrance). In addition, Inventory shall not be Eligible Raw Materials Inventory if it (a) does not conform to all standards imposed by any Governmental Body which has regulatory authority over such goods or the use or sale thereof, (b) constitutes Consigned Inventory, (c) is the subject of an Intellectual Property Claim; (d) is subject to a License Agreement or other agreement that in any material respect limits, conditions or restricts any Borrower’s or Agent’s right to sell or otherwise dispose of such Inventory, unless Agent is a party to a Licensor/Agent Agreement with the Licensor under such License Agreement; (e) is situated at a location not listed on Schedule 4.5 as of the Closing Date, or is situated at an Access Agreement Location and no Collateral Access Agreement is in effect in favor of Agent unless a rent reserve has been established by Agent with respect thereto, (f) is located outside the continental United States, Canada, or Puerto Rico, or at a location that is not listed on Schedule 4.5, provided that, raw material Inventory located in Puerto Rico may only constitute Eligible Raw Material Inventory to the extent that the total amount of Eligible Raw Materials Inventory located in Puerto Rico and Eligible Finished Goods Inventory located in Puerto Rico included in the Formula Amount (after application of the Raw Materials Inventory Advance Rate) would not exceed \$2,000,000 at any time. Eligible Raw Materials Inventory shall not include Inventory being acquired pursuant to a trade Letter of Credit to the extent such trade Letter of Credit remains outstanding.

“Eligible Real Property” means any Borrower’s Real Property satisfying the following requirements, as determined by Agent: (a) fee title is vested in such Borrower, free and clear of all Liens other than Permitted Encumbrances, (b) Borrower has executed and delivered to Agent a Mortgage in form and substance acceptable to Agent in its Permitted Discretion, and such Mortgage has been recorded to create a valid and enforceable first priority Lien in favor of Agent for the benefit of itself and the Lenders on such Real Property, (c) Agent shall have received an ALTA mortgagee’s title policy (2006 form) with respect to the Mortgage on such Real Property with no exceptions other than Permitted Encumbrances and otherwise in form and substance acceptable to Agent in its Permitted Discretion, (d) Agent shall have received an ALTA survey of such Real Property prepared and certified to Agent, applicable title insurance company, and the applicable title insurance agency by a surveyor acceptable to Agent including such Table A items as Agent shall reasonably request, (e) Agent shall have received an opinion of counsel in the state in which such Real Property is located in form and substance and from counsel satisfactory to Agent in its Permitted Discretion, (f) Agent shall have received an environmental assessment with respect to such Real Property specified by Agent from firm(s) satisfactory to Agent, which assessment shall indicate that such Real Property is not subject to any recognized environmental condition and shall otherwise be acceptable to Agent in its Permitted Discretion, (g) Agent shall have received an independent flood plain certificate indicating that such Real Property and improvements are not located in a flood hazard area, or if in such an area, evidence of flood insurance acceptable to Agent, (h) Agent shall have received an appraisal of the as-is fair market value of such Real Property in form and substance and from an appraiser satisfactory to Agent in its Permitted Discretion, and (i) Agent shall have received such other information, documentation, and certifications with respect to such Real Property as may be reasonably required by Agent.

“Eligible Receivables” shall mean and include with respect to each Borrower, each Receivable of such Borrower arising in the Ordinary Course of Business and which Agent, in its Permitted Discretion, shall deem to be an Eligible Receivable, based on such considerations as Agent may from time to time deem appropriate. A Receivable shall not be deemed eligible unless such Receivable is subject to Agent’s first priority perfected security interest and no other Lien (other than Permitted Encumbrances), and is evidenced by an invoice or other documentary evidence reasonably satisfactory to Agent. In addition, no Receivable shall be an Eligible Receivable if:

- (a) it arises out of a sale made by any Borrower to an Affiliate of any Borrower or to a Person controlled by an Affiliate of any Borrower;
- (b) for Receivables with payment terms of thirty (30) days or less, it is due or unpaid more than the sooner of sixty (60) days after the original due date or ninety (90) days after the original invoice date;
- (c) for Receivables with payment terms of greater than thirty (30) days but not in excess of sixty (60) days, it is due or unpaid more than the sooner of sixty (60) days after the original due date or one hundred twenty (120) days after the original invoice date;
- (d) for Receivables with payment terms of greater than sixty (60) days, it is due or unpaid more than the sooner of thirty (30) days after the original due date or one hundred eighty (180) days after the original invoice date;
- (e) fifty percent (50%) or more of the Receivables from such Customer are not deemed Eligible Receivables hereunder;
- (f) any covenant, representation or warranty contained in this Agreement with respect to such Receivable has been breached in any material respect;
- (g) the Customer shall (i) apply for, suffer, or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property or call a meeting of its creditors, (ii) admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business, (iii) make a general assignment for the benefit of creditors, (iv) commence a voluntary case under any state or federal or foreign bankruptcy laws (as now or hereafter in effect), (v) be adjudicated a bankrupt or insolvent, (vi) file a petition seeking to take advantage of any other law providing for the relief or reorganization of debtors, (vii) acquiesce to, or fail to have dismissed, any petition which is filed against it in any involuntary case under such bankruptcy laws, or (viii) take any action for the purpose of effecting any of the foregoing;
- (h) the sale is to a Customer outside the continental United States of America or Canada, unless the sale is on letter of credit, guaranty or acceptance terms, in each case acceptable to Agent in its Permitted Discretion;
- (i) the sale to the Customer is on a bill-and-hold, guaranteed sale, sale-and-return, sale on approval, consignment or any other repurchase or return basis or is evidenced by chattel paper;

(j) Agent believes, in its Permitted Discretion, that collection of such Receivable is insecure or that such Receivable may not be paid by reason of the Customer's financial inability to pay;

(k) the Customer is the United States, any state, territory, or any department, agency or instrumentality of any of them, provided that such a Receivable may be an Eligible Receivable if (a) such Receivable would otherwise qualify as an Eligible Receivable, (b) such Receivable has payment terms of thirty (30) days or less, and (c) the applicable Borrower complies with Section 4.15(j) with respect to such Receivable (each an "Eligible Government Receivable");

(l) the Receivable is an Eligible Government Receivable and would cause the total amount of Eligible Government Receivables in the Formula Amount (after application of the Receivables Advance Rate) to exceed \$2,500,000 at any time, but only to the extent of such excess;

(m) the Customer is the government of Canada, any province, territory, or any department, agency or instrumentality of any of them;

(n) the goods giving rise to such Receivable have not been delivered to and accepted by the Customer or the services giving rise to such Receivable have not been performed by the applicable Borrower and accepted by the Customer or the Receivable otherwise does not represent a final sale;

(o) the Receivable would cause the total amount of Eligible Receivables due from a specific Customer to constitute more than ten percent (10%) of all Eligible Receivables of Borrowers, but only to the extent of such excess;

(p) the Receivable is subject to any offset, deduction, defense, dispute, or counterclaim, the Customer is also a creditor or supplier of a Borrower or the Receivable is contingent in any respect or for any reason, but only to the extent of any such offset, deduction, defense, or other dispute;

(q) the applicable Borrower has made any agreement with any Customer for any deduction therefrom, except for discounts or allowances made in the Ordinary Course of Business for prompt payment, all of which discounts or allowances are reflected in the calculation of the face value of each respective invoice related thereto;

(r) any return, rejection or repossession of the merchandise has occurred or the rendition of services has been disputed;

(s) such Receivable is not payable to a Borrower;

(t) such Receivable is not otherwise satisfactory to Agent as determined by Agent in its Permitted Discretion; or

(u) such Receivable is an Excluded Receivable.

“Environmental Complaint” shall have the meaning set forth in Section 4.19(d).

“Environmental Laws” shall mean all federal, state, provincial, and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment and/or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances and the rules, regulations, policies, guidelines, interpretations, decisions, orders and directives of federal, state, provincial, and local governmental agencies and authorities with respect thereto.

“Equipment” shall mean and include as to each Borrower all of such Borrower’s goods (other than Inventory) whether now owned or hereafter acquired and wherever located including all equipment, machinery, apparatus, motor vehicles, fittings, furniture, furnishings, fixtures, parts, accessories and all replacements and substitutions therefor or accessions thereto.

“Equivalent Amount” shall mean, on any date, the amount of Dollars into which Canadian Dollars may be converted based on such conversion rate or rates as may from time to time be available to Agent in its usual and customary practices for such currencies on such date.

“Equity Interests” of any Person shall mean any and all shares, rights to purchase, options, warrants, general, limited or limited liability partnership interests, member interests, participation or other equivalents of or interest in (regardless of how designated) equity of such Person, whether voting or nonvoting, including common stock, preferred stock, convertible securities or any other “equity security” (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

“ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time and the rules and regulations promulgated thereunder.

“Eurodollar Rate” shall mean for any Eurodollar Rate Loan for the then current Interest Period relating thereto the interest rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by Agent by dividing (i) the rate which appears on the Bloomberg Page BBAM1 (or on such other substitute Bloomberg page that displays rates at which US dollar deposits are offered by leading banks in the London interbank deposit market), or the rate which is quoted by another source selected by Agent which has been approved by the British Bankers’ Association as an authorized information vendor for the purpose of displaying rates at which US dollar deposits are offered by leading banks in the London interbank deposit market (an “Alternative Source”), at approximately 11:00 a.m., London time two (2) Business Days prior to the first day of such Interest Period (or if there shall at any time, for any reason, no longer exist a Bloomberg Page BBAM1 (or any substitute page) or any Alternate Source, a comparable replacement rate determined by Agent at such time (which determination shall be conclusive absent manifest error)) for an amount comparable to such Eurodollar Rate Loan and having a borrowing date and a maturity comparable to such Interest Period by (ii) a number equal to 1.00 minus the Reserve Percentage.

The Eurodollar Rate shall be adjusted with respect to any Eurodollar Rate Loan that is outstanding on the effective date of any change in the Reserve Percentage as of such effective date. Agent shall give prompt notice to the Borrowing Agent of the Eurodollar Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.



“Eurodollar Rate Loan” shall mean an Advance at any time that bears interest based on the Eurodollar Rate.

“Event of Default” shall have the meaning set forth in Article X.

“Exchange Act” shall have the mean the Securities Exchange Act of 1934, as amended.

“Excluded Property” shall have the meaning set forth in the definition of Collateral.

“Excluded Receivables” shall mean any Receivable owing by a Customer that is a Blocked Person or that arises out of a transaction or activity that would violate the Trading with the Enemy Act.

“Executive Order No. 13224” shall mean the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

“FATCA” means Sections 1471 through 1474 of the Code and any current or future regulations or official interpretations thereof.

“Federal Funds Effective Rate” for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the “Federal Funds Effective Rate” as of the date of this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the “Federal Funds Effective Rate” for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

“Federal Funds Open Rate” for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed) which is the daily federal funds open rate as quoted by ICAP North America, Inc. (or any successor) as set forth on the Bloomberg Screen BTMM for that day opposite the caption “OPEN” (or on such other substitute Bloomberg Screen that displays such rate), or as set forth on such other recognized electronic source used for the purpose of displaying such rate as selected by PNC (an “Alternate Source”) (or if such rate for such day does not appear on the Bloomberg Screen BTMM (or any substitute screen) or on any Alternate Source, or if there shall at any time, for any reason, no longer exist a Bloomberg Screen BTMM (or any substitute screen) or any Alternate Source, a comparable replacement rate determined by Agent and used by Agent generally for determining the daily federal funds open rate at such time (which determination shall be conclusive absent manifest error); provided however, that if such day is not a Business Day, the Federal Funds Open Rate for such day shall be the “open” rate on the immediately preceding Business Day. If and when the Federal Funds Open Rate changes, the rate of interest with respect to any advance to which the Federal Funds Open Rate applies will change automatically without notice to the Borrowers, effective on the date of any such change.

“Federal Assignment of Claims Act” shall mean the Assignment of Claims Act of 1940, as amended, 31 U.S.C. Sub-Section 3727 et seq. and 41 U.S.C. Sub-Section 15 et seq., as the same now exists or may from time to time hereafter be amended, modified, recodified, or supplemented, together with all rules, regulations, and interpretations thereunder or related thereto.

“Fee Letter” shall mean the fee letter dated as of the Closing Date among PNC and the Borrowers.

“FEMA” shall have the meaning set forth in Section 5.23(d).

“Finished Goods Inventory Advance Rate” shall have the meaning set forth in Section 2.1(a)(y)(ii).

“Fixed Charge Coverage Ratio” shall mean and include for any fiscal period, for Parent and its Subsidiaries on a consolidated basis, the ratio of (a) EBITDA, plus non-cash charges against net income other than write-downs of Eligible Accounts, Eligible Inventory and Eligible Real Property, minus Unfinanced Capital Expenditures made, minus expenses for income or franchise taxes included as an expense in the determination of net income (other than any provision for deferred taxes), minus payment of deferred taxes relating to income and franchise taxes accrued in any prior period, to (b) Senior Debt Payments made, plus the amount of each reduction to the Amortizing Tranche required under Section 2.4, plus dividends paid by Parent, plus aggregate payments made on account of pension-related obligations to the extent not deducted as an expense in the determination of EBITDA during such fiscal period, all for the same fiscal period.

“Foreign Subsidiary” of any Person, shall mean any Subsidiary of such Person that is not a Domestic Subsidiary.

“Formula Amount” shall have the meaning set forth in Section 2.1(a)(y).

“GAAP” shall mean generally accepted accounting principles in the United States of America in effect from time to time.

“GECC Loan” shall have the meaning set forth in Section 2.23.

“General Intangibles” shall mean and include as to each Borrower all of such Borrower’s general intangibles or intangibles (other than trademark applications, trade names and trademarks), whether now owned or hereafter acquired, including all payment intangibles, all choses in action, causes of action, corporate or other business records, inventions, designs, patents, patent applications, equipment formulations, manufacturing procedures, quality control procedures, trade secrets, goodwill, copyrights, design rights, software, computer information, source codes, codes, records and updates, registrations, licenses, franchises, customer lists, tax refunds, tax refund claims, computer programs, all claims under guaranties, security interests or other security held by or granted to such Borrower to secure payment of any of the Receivables by a Customer (other than to the extent covered by Receivables) all rights of indemnification and all other intangible property of every kind and nature (other than Receivables, trademark applications, trade names and trademarks).

“Governmental Acts” shall have the meaning set forth in Section 2.17.

“Governmental Body” shall mean any nation or government, any state, province, or other political subdivision thereof or any entity, authority, agency, division or department exercising the legislative, judicial, regulatory or administrative functions of or pertaining to a government.

“Guarantor” shall mean any Person who may hereafter guarantee payment or performance of the whole or any part of the Obligations and “Guarantors” means collectively all such Persons. As of the Closing Date, there are no Guarantors.

“Guarantor Security Agreement” shall mean any Security Agreement executed by any Guarantor in favor of Agent securing the Guaranty of such Guarantor, in form and substance satisfactory to Agent and such Guarantor.

“Guaranty” shall mean any guaranty of the obligations of Borrowers executed by a Guarantor in favor of Agent for its benefit and for the ratable benefit of Lenders, in form and substance satisfactory to Agent and such Guarantor.

“Hazardous Discharge” shall have the meaning set forth in Section 4.19(d).

“Hazardous Substance” shall mean, without limitation, any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum products, methane, hazardous materials, Hazardous Wastes, hazardous or Toxic Substances or related materials as defined in CERCLA, the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), RCRA, or any other applicable Environmental Law and in the regulations adopted pursuant thereto.

“Hazardous Wastes” shall mean all waste materials subject to regulation under CERCLA, RCRA or applicable state or provincial law, and any other applicable Federal, provincial, and state laws now in force or hereafter enacted relating to hazardous waste disposal.

“Hedge Agreement” shall mean any and all transactions, agreements, or documents now existing or hereafter entered into by any Borrower that provides for an interest rate, credit, commodity or equity swap, cap, floor, collar, forward foreign exchange transaction, currency swap, cross currency rate swap, currency option, or any combination of, or option with respect to, these or similar transactions, for the purpose of hedging Borrowers’ exposure to fluctuations in interest or exchange rates, loan, credit exchange, security or currency valuations or commodity prices.

“Hedge Liabilities” shall have the meaning provided in the definition of “Lender-Provided Hedge”.

“Indebtedness” of a Person at a particular date shall mean all obligations of such Person which in accordance with GAAP would be classified upon a balance sheet as liabilities (except capital stock and surplus earned or otherwise, customer deposits, trade payables and other accrued expenses and liabilities incurred in the Ordinary Course of Business (not constituting Indebtedness for borrowed money)) and in any event, without limitation by reason of enumeration, shall include all indebtedness, debt and other similar monetary obligations of such Person whether direct or guaranteed, and all premiums, if any, due at the required prepayment dates of such indebtedness, and all indebtedness secured by a Lien on assets owned by such Person, whether or not such indebtedness actually shall have been created, assumed or incurred by such Person. Any indebtedness of such Person resulting from the acquisition by such Person of any assets subject to any Lien shall be deemed, for the purposes hereof, to be the equivalent of the creation, assumption and incurring of the indebtedness secured thereby, whether or not actually so created, assumed or incurred.

“Ineligible Security” shall mean any security which may not be underwritten or dealt in by member banks of the Federal Reserve System under Section 16 of the Banking Act of 1933 (12 U.S.C. Section 24, Seventh), as amended.

“Insolvency Proceeding” shall mean any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other national, state, provincial or federal bankruptcy or insolvency law, assignments for the benefit of creditors, or proceedings seeking reorganization, arrangement, liquidation, or other similar relief.

“Intellectual Property” shall mean property constituting under any Applicable Law a patent, patent application, copyright, trademark, service mark, trade name, mask work, trade secret or license or other right to use any of the foregoing.

“Intellectual Property Claim” shall mean the assertion by any Person of a claim that the ownership, use, marketing, sale or distribution of any Inventory or Intellectual Property violates any ownership of or right to use any Intellectual Property of such Person which results in a cease and desist order with respect to such Inventory or Intellectual Property or the practical equivalent of such an order.

“Intercompany Obligations” shall have the meaning set forth in Section 15.4.

“Interest Period” shall mean the period provided for any Eurodollar Rate Loan pursuant to Section 2.2(c).

“Inventory” shall mean and include as to each Borrower all of such Borrower’s now owned or hereafter acquired goods, merchandise and other personal property, wherever located, to be furnished under any consignment arrangement, contract of service or held for sale or lease, all raw materials, work in process, finished goods and materials and supplies of any kind, nature or description which are or might be used or consumed in such Borrower’s business or used in selling or furnishing such goods, merchandise and other personal property, and all documents of title or other documents representing them.

“Investment Property” shall mean and include as to each Borrower, all of such Borrower’s now owned or hereafter acquired securities (whether certificated or uncertificated), securities entitlements, securities accounts, commodities contracts and commodities accounts.

“Issuer” shall mean any Person who issues a Letter of Credit and/or accepts a draft pursuant to the terms hereof.

“Leasehold Interests” shall mean all of each Borrower’s right, title and interest in and to the premises leased by each Borrower.

“Lender” and “Lenders” shall have the meaning ascribed to such term in the preamble to this Agreement and shall include each Person which becomes a transferee, successor or assign of any Lender.

“Lender-Provided Hedge” shall mean a Hedge Agreement with any Lender and with respect to which the Agent confirms meets the following requirements: (i) it is documented on a standard International Swap Dealer Association Agreement or other form agreement acceptable to Agent, (ii) it provides for the method of calculating the reimbursable amount of the provider’s credit exposure in a reasonable and customary manner, and (iii) it is entered into for hedging (rather than speculative) purposes. The liabilities of any Borrower to the provider of any Lender-Provided Hedge (the “Hedge Liabilities”) shall be “Obligations” hereunder, guaranteed obligations under each Guaranty and secured obligations hereunder, and otherwise treated as Obligations for purposes of each of the Other Documents. The Liens securing the Hedge Liabilities shall be pari passu with the Liens securing all other Obligations under this Agreement and the Other Documents.

“Letter of Credit Fees” shall have the meaning set forth in Section 3.2.

“Letter of Credit Borrowing” shall have the meaning set forth in Section 2.12(d).

“Letter of Credit Sublimit” shall mean \$7,500,000.

“Letters of Credit” shall have the meaning set forth in Section 2.9.

“License Agreement” shall mean any agreement between any Borrower and a Licensor pursuant to which such Borrower is authorized to use any Intellectual Property of such Licensor in connection with the manufacturing, marketing, sale or other distribution of any Inventory of such Borrower.

“Licensor” shall mean any Person from whom any Borrower obtains the right to use (whether on an exclusive or non-exclusive basis) any Intellectual Property in connection with such Borrower’s manufacture, marketing, sale or other distribution of any Inventory or otherwise in connection with such Borrower’s business operations.

“Licensor/Agent Agreement” shall mean an agreement between Agent and a Licensor, in form and content satisfactory to Agent and such Licensor, by which Agent is given the right, vis-a-vis such Licensor, to enforce Agent’s Liens with respect to and to dispose of any Borrower’s Inventory with the benefit of any Intellectual Property applicable thereto, irrespective of such Borrower’s default under any License Agreement with such Licensor.

“Lien” shall mean any mortgage, deed of trust, pledge, hypothecation, hypothec, assignment, security interest, lien (whether statutory or otherwise), Charge, claim or encumbrance, or preference, priority or other security agreement or preferential arrangement held or asserted in respect of any asset of any kind or nature whatsoever including any conditional sale or other title retention agreement, any lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code, the PPSA, or comparable law of any jurisdiction.

“Liquidity Calculation” shall mean a calculation by Borrowing Agent of the Quarterly Liquidity of Borrowers using Agent’s on-line Collateral monitoring system and including both a schedule of the amount of Qualified Cash as of the end of each Business Day during the applicable fiscal quarter and the amount owing to Borrowers’ trade creditors which are 60 days or more past due as of the end of such quarter, executed by the Chief Executive Officer, Chief Financial Officer or Controller of the Borrowing Agent and delivered to the Agent, appropriately completed, by which such officer shall certify to Agent the Quarterly Liquidity and calculation thereof as of the date of such certificate.

“Material Adverse Effect” shall mean a material adverse effect on (a) the condition (financial or otherwise), results of operations, assets, business, or properties of the Borrowers, and their respective Subsidiaries taken as a whole, (b) the ability of the Borrowers taken as a whole to duly and punctually pay or perform the Obligations in accordance with the terms thereof, (c) the value of the Collateral, taken as a whole, or Agent’s Liens on the Collateral or the priority of such Liens or (d) the practical realization of the benefits of Agent’s and each Lender’s rights and remedies under this Agreement, or under any Other Document in any material respect.

“Material Contract” shall mean, with respect to any Person, each contract or agreement to which such Person or any of its Subsidiaries is a party, the loss, termination or modification of which could reasonably be expected to result in a Material Adverse Effect.

“Maximum Face Amount” shall mean, with respect to any outstanding Letter of Credit, the face amount of such Letter of Credit including all automatic increases provided for in such Letter of Credit, whether or not any such automatic increase has become effective.

“Maximum Revolving Advance Amount” shall mean \$70,000,000.

“Maximum Undrawn Amount” shall mean with respect to any outstanding Letter of Credit, the amount of such Letter of Credit that is or may become available to be drawn, including all automatic increases provided for in such Letter of Credit, whether or not any such automatic increase has become effective.

“Modified Commitment Transfer Supplement” shall have the meaning set forth in Section 16.3(d).

“Mortgage” shall mean collectively the mortgages on the Eligible Real Property securing the Obligations together with all extensions, renewals, amendments, supplements, modifications, substitutions and replacements thereto and thereof.

“Multiemployer Plan” shall mean a “multiemployer plan” as defined in Sections 3(37) and 4001(a)(3) of ERISA.

“Multiple Employer Plan” shall mean a Plan which has two or more contributing sponsors (including any Borrower or any member of the Controlled Group) at least two of whom are not under common control, as such a plan is described in Section 4064 of ERISA.

“Note” shall mean any Revolving Credit Note.

“Obligations” shall mean and include: (a) any and all Indebtedness, loans, advances, debts, liabilities, guaranties, obligations, covenants and duties owing by any Borrower or Guarantor to Lenders or Agent or to any other direct or indirect subsidiary or affiliate of Agent or any Lender under this Agreement and the Other Documents, including any Lender-Provided Hedge, of any kind or nature, present or future (including any interest or other amounts accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to any Borrower or Guarantor, whether or not a claim for post-filing or post-petition interest or other amounts is allowed in such proceeding), plus (b) any and all Indebtedness, liabilities, debts or advances arising out of overdrafts or deposit or other accounts or electronic funds transfers (whether through automated clearing houses or otherwise) or out of the Agent’s or any Lenders non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository transfer check or other similar arrangements (such Indebtedness, liabilities, debts or advances described in this clause (b), the “Bank Products Obligations”), and, in the case of both clauses (a) and (b), whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, liquidated or unliquidated, regardless of how such indebtedness or liabilities arise or by what agreement or instrument they may be evidenced and all costs and expenses of Agent and any Lender incurred in the documentation, negotiation, modification, enforcement, collection or otherwise in connection with any of the foregoing, including but not limited to reasonable attorneys’ fees and expenses and all obligations of any Borrower or Guarantor to Agent or Lenders to perform acts or refrain from taking any action.

“Ordinary Course of Business” shall mean with respect to any Borrower, the ordinary course of such Borrower’s business as conducted on the Closing Date.

“Other Documents” shall mean any Mortgage, any Note, the Fee Letter, any Guaranty, the Canadian Security Document, any Guarantor Security Agreement, any Lender-Provided Hedge and any and all other agreements, instruments and documents, including guaranties, pledges, powers of attorney, consents, interest or currency swap agreements or other similar agreements and all other writings heretofore, now or hereafter executed by any Borrower or any Guarantor and/or delivered to Agent or any Lender in respect of the transactions contemplated by this Agreement.

“Out-of-Formula Loans” shall have the meaning set forth in Section 16.2(d).

“Parent” is defined in the preamble.

“Parent and its Subsidiaries on a consolidated basis” shall mean the consolidation in accordance with GAAP of the accounts or other items of Parent and its respective Subsidiaries.

“Participant” shall mean each Person who shall be granted the right by any Lender to participate in any of the Advances and who shall have entered into a participation agreement in form and substance satisfactory to such Lender.

“Participation Advance” shall have the meaning set forth in Section 2.12(d).

“Participation Commitment” shall mean each Lender’s obligation to buy a participation of the Letters of Credit issued hereunder.

“Payee” shall have the meaning set forth in Section 3.10.

“Payment Office” shall mean initially Two Tower Center Boulevard, East Brunswick, New Jersey 08816; thereafter, such other office of Agent, if any, which it may designate by notice to Borrowing Agent and to each Lender to be the Payment Office.

“PBGC” shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor.

“Pension Benefit Plan” shall mean at any time any employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained by any member of the Controlled Group for employees of any member of the Controlled Group; or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the Controlled Group for employees of any entity which was at such time a member of the Controlled Group.

“Permitted Acquisition” shall mean any acquisition made by any Borrower or Subsidiary of a Borrower, provided, that:

- (a) immediately before and after the consummation of such acquisition, no Default or Event of Default shall have occurred and be continuing;
- (b) Borrowing Agent shall have furnished to Agent at least ten (10) Business Days (or such shorter period as permitted by Agent in its reasonable discretion) prior to the consummation of such acquisition;
  - (i) written notice of such proposed acquisition;
  - (ii) a term sheet and/or commitment letter, executed if available, setting forth in reasonable detail the terms and conditions of such acquisition and, at the request of Agent, such other information and documents that Agent may reasonably request;
  - (iii) pro forma consolidated financial statements for the twelve (12) month period immediately following the expected date of the consummation of such acquisition, presented in accordance with GAAP, taking into consideration such acquisition and funding of all loans in connection therewith;



(iv) a certificate of Borrowing Agent's chief financial officer demonstrating, on a pro forma basis, (x) compliance with the Fixed Charge Coverage Ratio for one (1) year following the consummation of such acquisition, and (y) Undrawn Availability, plus Qualified Cash of no less than \$10,000,000 immediately prior to and after giving effect to such acquisition and the Revolving Advances to be funded in connection therewith. The calculation of Undrawn Availability for purposes of clause (y) herein shall exclude any and all of the acquired (or to be acquired) assets of any Person unless Agent has first completed field exams and appraisals (to the extent deemed necessary by the Agent in its sole discretion) relating to such assets with results satisfactory to the Agent in its Permitted Discretion and such assets are otherwise Eligible Inventory or Eligible Receivables;

(v) copies of all financial information presented to the Board of Directors in connection with such acquisition;

(c) all property to be so acquired in connection with such acquisition shall be free and clear of any and all Liens, except for Permitted Encumbrances (and if any such property is subject to any Lien not permitted by this clause (c), then concurrently with such acquisition such Lien shall be released);

(d) the Subsidiary to be acquired or formed as a result of such acquisition shall be, in the reasonable judgment of the Borrowers, engaged in the same line of business or a business ancillary, complementary or reasonably related thereto of the Borrowers and such Subsidiary will be a direct wholly-owned Subsidiary of a Borrower, provided that such Subsidiary may be an indirect wholly-owned Subsidiary of a Borrower if the Agent consents in writing, provided further that any such business would not subject the Agent or any Lender to regulatory or third-party approvals in connection with the exercise of its rights and remedies under this Agreement or any Other Documents other than approvals applicable to the exercise of such rights and remedies with respect to Borrowers prior to such acquisition;

(e) such acquisition shall be effected in such a manner so that the acquired Equity Interests or assets (if an asset acquisition) are owned by a Borrower and, if effected by merger, amalgamation, or consolidation involving a Borrower, the continuing or surviving Person shall be a Borrower;

(f) such acquisition shall have been approved by the board of directors or other governing body of the Person whose Equity Interests or assets are proposed to be acquired to the extent required by the governing documents of the Person whose Equity Interests or assets are proposed to be acquired or by Applicable Law;

(g) Agent shall be satisfied that all acts necessary to perfect Agent's Liens in the assets acquired by any Borrower, Guarantor or Domestic Subsidiary have been taken; provided that, in the case of an acquisition of assets constituting Equity Interests, Agent's Liens shall be perfected with respect to the Equity Interests in and the assets of the acquired Person (other than in the case of a Foreign Subsidiary, where Agent shall have a perfected Lien upon 65% of the Equity Interests of such Foreign Subsidiary only);

(h) all or substantially all of the business and assets of the entity being acquired are located in the United States, Canada, Puerto Rico or other country acceptable to Agent;

(i) the Purchase Price for such acquisition shall not individually or in the aggregate with all other acquisitions during any calendar year exceed \$20,000,000, provided, that in connection with any Permitted Acquisitions, such amounts shall be increased on a dollar for dollar basis by the amount of Purchase Price paid from the actual proceeds of the issuance of Equity Interests by any Borrower; and

(j) nothing contained in this definition of Permitted Acquisition shall permit a Borrower to make any acquisition prohibited by any other provision of this Agreement.

“Permitted Advances” shall mean (a) Accounts owing to Borrowers, customer deposits, prepaid expenses and accrued expenses created or acquired in the Ordinary Course of Business and payable on customary trade terms of a Borrower, (b) advances to sales representatives of Borrowers in the Ordinary Course of Business and consistent with past practices not to exceed \$100,000 per sales representative and \$1,000,000 in the aggregate with respect to all sales representatives in each case for Parent and its Subsidiaries on a Consolidated Basis, and (c) any loans or advances that are included in the definition of “Permitted Investments.”

“Permitted Discretion” shall mean a determination made in the exercise of reasonable (from the perspective of a secured asset based lender) judgment.

“Permitted Dispositions” shall have the meaning set forth in Section 4.3.

“Permitted Encumbrances” shall mean:

- (a) Liens in favor of Agent for the benefit of Agent and Lenders;
- (b) Liens for taxes, assessments or other governmental charges not delinquent or being Properly Contested;
- (c) Liens disclosed in the financial statements referred to in Section 5.5, the existence of which Agent has consented to in writing;
- (d) deposits or pledges to secure obligations under worker’s compensation, social security or similar laws, or under unemployment insurance;
- (e) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the Ordinary Course of Business;
- (f) Liens arising by virtue of the rendition, entry or issuance against any Borrower or any Subsidiary, or any property of any Borrower or any Subsidiary, of any judgment, writ, order, or decree for so long as each such Lien (i) is in existence for less than 20 consecutive days after it first arises or is being Properly Contested and (ii) is at all times junior in priority to any Liens in favor of Agent;

(g) mechanics', workers', materialmen's, warehouse, statutory landlord or other like Liens arising in the Ordinary Course of Business with respect to obligations which are not due or which are being Properly Contested;

(h) Liens placed upon fixed assets hereafter acquired to secure a portion of the purchase price thereof, provided that (i) any such Lien shall not encumber any other property of any Borrower and (ii) the aggregate amount of Indebtedness secured by such Liens incurred as a result of such purchases shall not exceed the amount provided for in Section 7.8(b);

(i) Canadian statutory Liens in respect of deemed statutory trusts under pensions benefits and employment standards legislation; and

(j) Liens disclosed on Schedule 1.2(a); provided that such Liens shall secure only those obligations which they secure on the Closing Date (and extensions, renewals and refinancings of such obligations permitted by Section 7.8) and shall not subsequently apply to any other property or assets of any Borrower.

(k) Liens securing Indebtedness permitted under Section 7.8(b) which attach solely to the assets being leased or financed;

(l) Liens securing Indebtedness for financing insurance premiums which attach solely to the applicable insurance policies and proceeds thereof;

(m) Liens of any licensor or licensee on Intellectual Property arising in connection with license agreements entered into in the Ordinary Course of Business;

(n) any Lien, UCC-1 or PPSA financing statement, interest or title of a lessor under any operating lease entered into in the Ordinary Course of Business, or any interest or title of any lessee under any leases or subleases of real property, with respect solely to the leased property and not to any Collateral;

(o) with respect solely to Real Property, defects and irregularities in title, survey exceptions, non-monetary encumbrances, licenses, covenants, restrictions, easements or reservations of others for rights-of-way, roads, pipelines, railroad crossings, services, utilities or other similar purposes; outstanding mineral rights or reservations (including rights with respect to the removal of material resources) which do not materially diminish the value of the Real Property, assuming usage of such surface estate similar to that being carried on by any Person as of the Closing Date, and Liens arising with respect to zoning restrictions, licenses, covenants, building restrictions and other similar charges or encumbrances on the use of Real Property of such Person which do not materially interfere with the ordinary conduct of such Person's business thereon; provided that, with respect to the Eligible Real Property, all of the foregoing must be acceptable to Agent in its Permitted Discretion;

(p) Liens consisting of UCC-1 financing statements or similar notices filed by a Person of a type listed in Section 9-505 of the UCC solely in such capacity;

(q) Liens arising in connection with a judgment or attachment that would not constitute an Event of Default under this Agreement; and

(r) Extensions, renewals and replacements of Liens referred to in clauses (a) through (q) above; provided, however, that any such extension, renewal or replacement Lien shall be limited to the property or assets covered by the Lien extended, renewed or replaced and that the obligations secured by any such extension, renewal or replacement Lien shall be in an amount not greater than the amount of the obligations secured by the Lien extended, renewed or replaced.

“Permitted Guarantees” shall mean (a) warranties made in the Ordinary Course of Business, (b) any guaranty by a Borrower of any liabilities of any other Borrower or a Subsidiary of a Borrower to any lessor or licensor, (c) indemnities in agreements evidencing Indebtedness permitted hereunder, (d) any indemnities by any Borrower of any liability of its directors, officers and employees in their capacities as such as permitted by Applicable Law, (e) any guaranty of any Indebtedness permitted under this Agreement, and (f) indemnities in respect of statutory obligations, bonding agreements, brokerage and deposit agreements, engagement letters, commitment letters, and agreements for, acquisitions, divestures and other like agreements.

“Permitted Investments” shall mean any of the following:

(a) obligations or securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof or any Canadian equivalent thereof;

(b) United States dollar-denominated time deposits, certificates of deposit and bankers acceptances of any bank whose short-term debt rating from Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. (“S&P”), is at least A-1 or the equivalent or whose short-term debt rating from Moody’s Investors Service, Inc. (“Moody’s”) is at least P-1 or the equivalent with maturities of not more than six months from the date of acquisition or any Canadian equivalent thereof;

(c) commercial paper with a rating of at least A-1 or the equivalent by S&P or at least P-1 or the equivalent by Moody’s maturing within six months after the date of acquisition or any Canadian equivalent thereof;

(d) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within six months from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody’s;

(e) Investments in money market funds substantially all the assets of which are comprised of securities of the types described in clauses (a) through (d) above;

- (f) Deposit Accounts maintained in accordance with the Blocked Account Agreements;
- (g) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the Ordinary Course of Business;
- (h) deposits made in the Ordinary Course of Business consistent with past practices to secure the performance of leases or in connection with bidding on government contracts;
- (i) loans to employees in an aggregate amount not in excess of \$100,000 at any one time per such employee (not to exceed in the aggregate at any time outstanding the sum of \$1,000,000 with respect to all employees of the Borrowers), for the purpose of funding such employees' purchase of Equity Interests of the Parent, in each case for Parent and its Subsidiaries on a Consolidated Basis;
- (j) Investments or intercompany loans and advances of (i) Parent or a Subsidiary in or to any other Subsidiary (subject to a maximum amount of such loans and advances (which, for clarification, do not include trade payables incurred in the Ordinary Course of Business) by Parent and any other Borrower to any and all such Subsidiaries of \$10,000,000 in the aggregate at any one time outstanding (provided that upon request by Agent, each such loan and advance shall be evidenced by a promissory note in form and substance satisfactory to Agent which is pledged by the payee as additional security for the Obligations)), or (ii) any Subsidiary in or to the Parent;
- (k) additional Investments not otherwise permitted in this Section not to exceed \$1,000,000 in the aggregate at any one time outstanding for Parent and its Subsidiaries on a Consolidated Basis;
- (l) Investments in certificates of deposit and bank deposits with financial institutions located in Puerto Rico and the Dominican Republic, solely to the extent necessary to maintain preferred tax treatment or country of origin status in such locations, not to exceed \$5,000,000 in the aggregate at any time outstanding for Parent and its Subsidiaries on a Consolidated Basis;
- (m) Investments constituting Permitted Acquisitions;
- (n) Investments in Hedge Agreements, derivative agreements, materials future contracts or other arrangements in connection with Indebtedness, in all cases not for speculative purposes, not to exceed in the aggregate a notional amount of \$35,000,000 at any time outstanding for Parent and its Subsidiaries on a Consolidated Basis; and
- (o) Deposit Accounts with financial institutions available for withdrawal on demand, subject to the provisions of Section 4.15(h).

“Person” shall mean any individual, sole proprietorship, partnership, limited partnership, corporation, business trust, joint stock company, trust, unincorporated organization, association, limited or unlimited liability company, limited liability partnership, institution, public benefit corporation, joint venture, entity or Governmental Body (whether federal, state, provincial, county, city, municipal or otherwise, including any instrumentality, division, agency, body or department thereof).

“PNC” shall have the meaning set forth in the preamble to this Agreement and shall extend to all of its successors and assigns.

“PPSA” shall mean the Personal Property Security Act of the applicable Canadian province or provinces in respect of Rocky Canada and in the Province of Quebec, shall mean the applicable provisions of the Civil Code of Quebec, each as amended from time to time.

“Priority Payables” shall mean the full amount of the liabilities of any Borrower which (i) have a trust imposed to provide for payment or a security interest, pledge, lien, hypothec or charge ranking or capable of ranking senior to or *pari passu* with security interests, liens, hypothecs or charges securing the Obligations on any Collateral under any federal, provincial, state, county, district, municipal, or local law of Canada or (ii) have a right imposed to provide for payment ranking or capable of ranking senior to or *pari passu* with the Obligations under federal, provincial, state, county, district, municipal, local law, regulation or directive of Canada, including, but not limited to, claims for unremitted and/or accelerated rents, taxes, wages, withholdings taxes, value added taxes, amounts payable to an insolvency administrator, employee withholdings or deductions, vacation pay, severance and termination pay, workers’ compensation obligations, government royalties or pension obligations in each case to the extent such trust, or security interest, lien hypothec or charge has been or may be imposed.

“Projections” shall have the meaning set forth in Section 5.5(a).

“Properly Contested” shall mean, in the case of any Indebtedness or Lien, as applicable, of any Person (including any taxes) that is not paid as and when due or payable by reason of such Person’s bona fide dispute concerning its liability to pay same or concerning the amount thereof, (a) such Indebtedness or Lien, as applicable, is being properly contested in good faith by appropriate proceedings promptly instituted and diligently conducted; (b) such Person has established appropriate reserves as shall be required in conformity with GAAP; (c) the non-payment of such Indebtedness will not have a Material Adverse Effect and will not result in the forfeiture of any assets of such Person that will have a Material Adverse Effect; (d) no Lien is imposed upon any of such Person’s assets with respect to such Indebtedness unless such Lien is at all times junior and subordinate in priority to the Liens in favor of the Agent (except only with respect to Charges that have priority as a matter of Applicable Law) and enforcement of such Lien is stayed during the period prior to the final resolution or disposition of such dispute; (e) if such Indebtedness or Lien, as applicable, results from, or is determined by the entry, rendition or issuance against a Person or any of its assets of a judgment, writ, order or decree, enforcement of such judgment, writ, order or decree is stayed pending a timely appeal or other judicial review; and (f) if such contest is abandoned, settled or determined adversely (in whole or in part) to such Person, such Person forthwith pays such Indebtedness and all penalties, interest and other amounts due in connection therewith.

“Purchase Price” shall mean, with respect to any acquisition, the sum of, without duplication, (a) the aggregate consideration, whether cash, property (including the face amount of any promissory note or any other debt instrument issued in connection with such acquisition) or securities (including the fair market value of any Equity Interests of any Borrower issued in connection therewith), paid or delivered by a Borrower, plus (b) the aggregate amount of Indebtedness of the acquired business, plus (c) all transaction costs and contingent obligations incurred by a Borrower.

“Purchasing CLO” shall have the meaning set forth in Section 16.3(d).

“Purchasing Lender” shall have the meaning set forth in Section 16.3(c).

“Qualified Cash” shall mean, as of any date of determination, the amount of unrestricted cash and Cash Equivalents of Borrowers that is in deposit accounts maintained by PNC at a branch office of PNC located within the United States or Canada, or over which the Agent has determined it has exclusive springing control regardless of whether a Triggering Event has occurred.

“Quarterly Liquidity” shall mean, for any fiscal quarter (other than the fiscal quarter ending December 31, 2010), an amount equal to (a) the daily average (as of the end of each Business Day) during such fiscal quarter of the sum of: (i) the lesser of (A) the Formula Amount minus the outstanding amount of the Revolving Advances, or (B) the Maximum Revolving Advance Amount minus the Maximum Undrawn Amount of all Letters of Credit minus the outstanding amount of the Revolving Advances, plus (ii) Qualified Cash, minus (b) all amounts owing to Borrowers’ trade creditors which are 60 days or more past due as of the end of such fiscal quarter. The fiscal quarter ending December 31, 2010 shall be determined as above for the period from November 15, 2010 through December 31, 2010.

“Questionnaire” shall mean the Disclosure Schedule and the responses thereto provided by Borrowers and delivered to Agent.

“Raw Material Inventory Advance Rate” shall have the meaning set forth in Section 2.1(a)(y)(iii).

“RCRA” shall mean the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq., as same may be amended from time to time.

“Real Property” shall mean all of each Borrower’s right, title and interest in and to the real estate identified on Schedule 4.5 hereto and related improvements, or which is hereafter owned or leased by any Borrower.

“Receivables” shall mean and include, as to each Borrower, all of such Borrower’s accounts, contract rights, instruments (including those evidencing indebtedness owed to such Borrower by its Affiliates), documents, chattel paper (including electronic chattel paper), general intangibles relating to accounts, drafts and acceptances, credit card receivables and all other forms of obligations owing to such Borrower arising out of or in connection with the sale or lease of Inventory or the rendition of services, all supporting obligations, guarantees and other security therefor, whether secured or unsecured, now existing or hereafter created, and whether or not specifically sold or assigned to Agent hereunder.

“Receivables Advance Rate” shall have the meaning set forth in Section 2.1(a)(y)(i).

“Register” shall have the meaning set forth in Section 16.3(e).

“Reimbursement Obligation” shall have the meaning set forth in Section 2.12(b).

“Release” shall have the meaning set forth in Section 5.7(c)(i).

“Reportable Event” shall mean a reportable event described in Section 4043(c) of ERISA or the regulations promulgated thereunder.

“Required Lenders” shall mean Lenders holding at least sixty-six and two-thirds percent (66 2/3%) of the Advances and, if no Advances are outstanding, shall mean Lenders holding sixty-six and two-thirds percent (66 2/3%) of the Commitment Percentages; provided, however, if there are fewer than three (3) Lenders, Required Lenders shall mean all Lenders.

“Reserve Percentage” shall mean as of any day the maximum percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency Liabilities”).

“Revolving Advances” shall mean Advances made other than Letters of Credit.

“Revolving Credit Note” shall mean, collectively, the promissory notes referred to in Section 2.1(a).

“Revolving Interest Rate” shall mean an interest rate per annum equal to (a) the sum of the Alternate Base Rate plus the Applicable Margin with respect to Domestic Rate Loans and (b) the sum of the Eurodollar Rate plus the Applicable Margin with respect to Eurodollar Rate Loans.

“Satisfaction Event” shall mean the first (1<sup>st</sup>) date after a Triggering Event on which both of the following conditions are satisfied: (a) Undrawn Availability has equaled more than \$15,000,000 for a period of ninety (90) or more consecutive calendar days after such Triggering Event, and (b) no Default or Event of Default is continuing.

“SEC” shall mean the Securities and Exchange Commission or any successor thereto.

“Section 20 Subsidiary” shall mean the Subsidiary of the bank holding company controlling PNC, which Subsidiary has been granted authority by the Federal Reserve Board to underwrite and deal in certain Ineligible Securities.

“Securities Act” shall mean the Securities Act of 1933, as amended.



“Senior Debt Payments” shall mean and include all cash actually expended by any Borrower to make (a) interest payments on any Advances hereunder, plus (b) net payments on account of all Hedging Agreements, plus (c) payments for all fees, commissions and charges paid to Agent, Issuer, or any Lender set forth herein and with respect to any Advances, plus (d) payments on Capitalized Lease Obligations, plus (e) payments with respect to any other Indebtedness for borrowed money (other than the Revolving Advances and Letters of Credit) but excluding the satisfaction of any Indebtedness to the extent simultaneously refinanced with the proceeds of any Indebtedness permitted to be incurred hereunder other than the proceeds Revolving Advances, provided that the prepayment of the GECC Loan from the proceeds of the Amortizing Tranche shall not constitute a Senior Debt Payment, and provided that any Indebtedness refinanced by the initial Advances made hereunder shall not constitute a Senior Debt Payment.

“Senior Obligations” shall have the meaning set forth in Section 15.4.

“Settlement Date” shall mean the Closing Date and thereafter Wednesday or Thursday of each week or more frequently if Agent deems appropriate unless such day is not a Business Day in which case it shall be the next succeeding Business Day.

“Solvent” shall mean as to any Person (i) the ability to pay its debts as they mature, (ii) having capital sufficient to carry on its business and all businesses in which it is about to engage, and (iii) (A) as of the Closing Date, the fair present saleable value of its assets, calculated on a going concern basis, is in excess of the amount of its liabilities, and (B) subsequent to the Closing Date, the fair saleable value of its assets (calculated on a going concern basis) will be in excess of the amount of its liabilities; provided, however, that (w) the determination of whether a Person is Solvent shall take into account all such Person's properties and liabilities regardless of whether, or the amount at which, any such property or liability is included on a balance sheet of such Person prepared in accordance with GAAP, including properties such as contingent contribution or subrogation rights, business prospects, distribution channels and goodwill; (x) the determination of the sum of a Person's properties at a fair valuation or the present fair saleable value of a Person's properties shall be made on a going concern basis; (y) in computing the amount of contingent or unrealized assets or contingent or unliquidated liabilities at any time, such assets and liabilities will be computed at the amounts which, in light of all the facts and circumstances existing at such time, represent the amount that reasonably can be expected to become realized assets or matured liabilities, as the case may be; and (z) in computing the amount that would be required to pay a Person's probable liability on its existing debts as they become absolute and matured, reasonable valuation techniques, including a present value analysis, shall be applied using such rates over such periods as are appropriate under the circumstances.

“Subsidiary” of any Person shall mean a corporation or other entity of whose Equity Interests having ordinary voting power (other than Equity Interests having such power only by reason of the happening of a contingency) to elect a majority of the directors of such corporation, or other Persons performing similar functions for such entity, are owned, directly or indirectly, by such Person; provided, however, that the term “Subsidiary” shall not include EJ Asia Limited.

“Subsidiary Stock” shall mean all of the issued and outstanding Equity Interests of any Subsidiary owned by any Borrower (not to exceed 65% of the Equity Interests of any Foreign Subsidiary other than Rocky Canada).

“Term” shall have the meaning set forth in Section 13.1.

“Termination Event” shall mean (i) a Reportable Event with respect to any Pension Benefit Plan or Multiemployer Plan; (ii) the withdrawal of any Borrower or any member of the Controlled Group from a Pension Benefit Plan or Multiemployer Plan during a plan year in which such entity was a “substantial employer” as defined in Section 4001(a)(2) of ERISA; (iii) the providing of notice of intent to terminate a Pension Benefit Plan in a distress termination described in Section 4041(c) of ERISA; (iv) the institution by the PBGC of proceedings to terminate a Pension Benefit Plan or Multiemployer Plan; (v) any event or condition (a) which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Benefit Plan or Multiemployer Plan, or (b) that may result in termination of a Multiemployer Plan pursuant to Section 4041A of ERISA; (vi) the partial or complete withdrawal within the meaning of Sections 4203 and 4205 of ERISA, of any Borrower or any member of the Controlled Group from a Multiemployer Plan; (vii) providing any security to any Pension Benefit Plan under Section 436(f) of the Code by Borrower or any member of the Controlled Group or (viii) any event, action, condition, proceeding or otherwise that constitutes (a) the institution by any Governmental Body of proceedings to terminate a Canadian Pension Plan under pension benefit laws of Canada or (b) an event or condition that provides a basis under pension benefit laws of Canada for the termination by any Governmental Body of, or the appointment of a Governmental Body of an administrator of, any Canadian Pension Plan.

“Toxic Substance” shall mean and include any material present on the Real Property which has been shown to have significant adverse effect on human health or which is subject to regulation under the Toxic Substances Control Act (TSCA), 15 U.S.C. §§ 2601 et seq., applicable state law, or any other applicable Federal or state laws now in force or hereafter enacted relating to toxic substances. “Toxic Substance” includes but is not limited to asbestos, polychlorinated biphenyls (PCBs) and lead-based paints.

“Trading with the Enemy Act” shall mean the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any enabling legislation or executive order relating thereto.

“Transferee” shall have the meaning set forth in Section 16.3(d).

“Triggering Event” shall mean either: (a) the occurrence of an Event of Default, or (b) the first (†) date (or the most recent Satisfaction Event if a Triggering Event has previously occurred) on which the sum of Undrawn Availability, plus Qualified Cash, has equaled less than \$10,000,000 for a period of ten (10) or more consecutive days after the 45<sup>th</sup> day following the Closing Date.

“Undrawn Availability” at a particular date shall mean an amount equal to (a) the lesser of (i) the Formula Amount, or (ii) the Maximum Revolving Advance Amount, minus the Maximum Undrawn Amount of all Letters of Credit, minus (b) the sum of (i) the outstanding amount of Revolving Advances, plus (ii) amounts due and owing to any Borrower’s trade creditors which are outstanding sixty (60) days or more past the due date thereof.

“Unfinanced Capital Expenditures” shall mean all Capital Expenditures of Borrower other than those made utilizing financing provided by the applicable seller or third party lenders. For the avoidance of doubt, a Capital Expenditure made by a Borrower utilizing a Revolving Advance shall be deemed an Unfinanced Capital Expenditure unless such Revolving Advance is repaid during the same fiscal quarter that such Capital Expenditure is made with financing permitted hereunder and provided by the applicable seller or third-party lenders.

“Uniform Commercial Code” shall have the meaning set forth in Section 1.3.

“US Assignment” shall have the meaning set forth in Section 4.15(j).

“USA PATRIOT Act” shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

“Week” shall mean the time period commencing with the opening of business on a Wednesday and ending on the end of business the following Tuesday.

“Withholding Agent” means Borrowers and Agent.

1.3. Uniform Commercial Code Terms All terms used herein and defined in the Uniform Commercial Code as adopted in the State of Ohio from time to time (the “Uniform Commercial Code”) shall have the meaning given therein unless otherwise defined herein. Without limiting the foregoing, unless otherwise defined herein, the terms “accounts”, “chattel paper”, “commercial tort claims”, “instruments”, “general intangibles”, “goods”, “payment intangibles”, “proceeds”, “supporting obligations”, “securities”, “investment property”, “documents”, “deposit accounts”, “software”, “letter of credit rights”, “inventory”, “equipment” and “fixtures”, as and when used in the description of Collateral shall have the meanings given to such terms in Articles 8 or 9 of the Uniform Commercial Code. To the extent the definition of any category or type of collateral is expanded by any amendment, modification or revision to the Uniform Commercial Code, such expanded definition will apply automatically as of the date of such amendment, modification or revision. All terms used herein and defined in the PPSA (in respect of Collateral located in Canada) shall have the meaning given therein unless otherwise defined herein. Without limiting the foregoing, the terms “accounts”, “chattel paper”, “goods”, “instruments”, “intangibles”, “proceeds”, “securities”, “investment property”, “document of title”, “inventory”, “equipment” and “fixtures”, as and when used in the description of Collateral located in Canada shall have the meanings given to such terms in the PPSA. To the extent the definition of any category or type of collateral is expanded by any amendment, modification or revision to the PPSA, such expanded definition will apply automatically as of the date of such amendment, modification or revision.

1.4. Certain Matters of Construction. The terms “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. All references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement. Any pronoun used shall be deemed to cover all genders. Wherever appropriate in the context, terms used herein in the singular also include the plural and vice versa. All references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations. Unless otherwise provided, all references to any instruments or agreements to which Agent is a party, including references to any of the Other Documents, shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof. All references herein to the time of day shall mean the time in Ohio. All references herein to “province” or like terms shall include territory and like terms. Unless otherwise provided, all financial calculations shall be performed with Inventory valued on a first-in, first-out basis. Whenever the words “including” or “include” shall be used, such words shall be understood to mean “including, without limitation” or “include, without limitation”. All references to “province” or like terms shall include “territory” or like terms. A Default or Event of Default shall be deemed to exist and be continuing at all times during the period commencing on the date that such Default or Event of Default occurs to the date on which such Default or Event of Default is waived in writing pursuant to this Agreement or is cured within any period of cure expressly provided for in this Agreement. Any Lien referred to in this Agreement or any of the Other Documents as having been created in favor of Agent, any agreement entered into by Agent pursuant to this Agreement or any of the Other Documents, any payment made by or to or funds received by Agent pursuant to or as contemplated by this Agreement or any of the Other Documents, or any act taken or omitted to be taken by Agent, shall, unless otherwise expressly provided, be created, entered into, made or received, or taken or omitted, for the benefit or account of Agent and Lenders. Wherever the phrase “to the best of Borrowers’ knowledge” or words of similar import relating to the knowledge or the awareness of any Borrower are used in this Agreement or Other Documents, such phrase shall mean and refer to the actual knowledge of a senior officer of any Borrower. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or otherwise within the limitations of, another covenant shall not avoid the occurrence of a default if such action is taken or condition exists. In addition, all representations and warranties hereunder shall be given independent effect so that if a particular representation or warranty proves to be incorrect or is breached, the fact that another representation or warranty concerning the same or similar subject matter is correct or is not breached will not affect the incorrectness of a breach of a representation or warranty hereunder. To the extent it is necessary to determine Undrawn Availability, the occurrence of any Event of Default, or compliance with any provision hereof for which measurement is based on Dollars, any amount of Canadian Dollars shall be deemed to be the Equivalent Amount of Dollars.

## II ADVANCES, PAYMENTS.

### 2.1. Revolving Advances.

(a) Amount of Revolving Advances. Subject to the terms and conditions set forth in this Agreement including Section 2.1(b), each Lender, severally and not jointly, will make Revolving Advances to Borrowers in aggregate amounts outstanding at any time equal to such Lender’s Commitment Percentage of the lesser of (x) the Maximum Revolving Advance Amount less the Maximum Undrawn Amount of all Letters of Credit or (y) an amount equal to the sum of:

- (i) up to 85% (“Receivables Advance Rate”), of Eligible Receivables, plus
- (ii) up to the lesser of (A) 75% of the value of Eligible Finished Goods Inventory (“Finished Goods Inventory Advance Rate”), or (B) 85% of the appraised net orderly liquidation value of Eligible Finished Goods Inventory (as evidenced by an Inventory appraisal satisfactory to Agent in its Permitted Discretion), plus
- (iii) up to the lesser of (A) 50% of the value of the Eligible Raw Material Inventory (“Raw Material Inventory Advance Rate” and together with the Finished Goods Inventory Advance Rate and the Receivables Advance Rate, collectively, the “Advance Rates”), or (B) 85% of the appraised net orderly liquidation value of Eligible Raw Materials Inventory (as evidenced by an Inventory appraisal satisfactory to Agent in its Permitted Discretion), minus
- (iv) the amount by which the sum of Section 2.1(a)(y)(ii) plus Section 2.1(a)(y)(iii) exceeds \$40,000,000, plus
- (v) (A) up to the lesser of (I) \$7,500,000, or (II) 70% of the as-is fair market value of Eligible Real Property, minus (B) the scheduled reductions to the Amortizing Tranche required by Section 2.4, minus
- (vi) the Maximum Undrawn Amount of all Letters of Credit, minus
- (vii) such reserves as Agent may deem proper and necessary from time to time in its Permitted Discretion, including with respect to the Priority Payables.

The amount derived from the sum of Sections 2.1(a)(y) at any time and from time to time shall be referred to as the “Formula Amount”. The Revolving Advances shall be evidenced by one or more secured promissory notes (collectively, the “Revolving Credit Note”) substantially in the form attached hereto as Exhibit 2.1(a).

(b) Discretionary Rights. The Advance Rates may be increased or decreased by Agent at any time and from time to time in the exercise of its Permitted Discretion. Each Borrower consents to any such increases or decreases and acknowledges that decreasing the Advance Rates or increasing or imposing reserves may limit or restrict Advances requested by Borrowing Agent. Agent shall give Borrowing Agent five (5) days prior written notice of its intention to decrease the Advance Rates. The rights of Agent under this subsection are subject to the provisions of Section 16.2(b).

## 2.2. Procedure for Revolving Advances Borrowing

(a) Domestic Rate Loan Requests. Borrowing Agent on behalf of any Borrower may notify Agent prior to 12:00 Noon on a Business Day of a Borrower’s request to incur, on that day, a Revolving Advance comprised of a Domestic Rate Loan hereunder.

( b ) Deemed Credit Requests. The Borrowers shall be deemed to have made a request for a Revolving Advance (a "Deemed Credit Request"), which Deemed Credit Request shall be irrevocable upon any interest, principal, fee or other Obligation of the Borrowers hereunder becoming due, for a Revolving Advance comprised of a Domestic Rate Loan in an amount necessary to pay such interest, principal, fee or other Obligation. Each Lender agrees that its obligation to make or participate in Revolving Advances pursuant to a Deemed Credit Request is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence of any Default or Event of Default or the failure of any condition precedent.

( c ) Eurodollar Rate Loan Requests. In the event any Borrower desires to obtain a Eurodollar Rate Loan, Borrowing Agent shall give Agent written notice by no later than 12:00 Noon on the day which is three (3) Business Days prior to the date such Eurodollar Rate Loan is to be borrowed, specifying (i) the date of the proposed borrowing (which shall be a Business Day), (ii) the type of borrowing and the amount on the date of such Advance to be borrowed, which amount shall be in an aggregate principal amount that is not less than \$1,000,000 and integral multiples of \$500,000 in excess thereof, and (iii) the duration of the first Interest Period therefor. Interest Periods for Eurodollar Rate Loans shall be for one, two, three or six months; provided, if an Interest Period would end on a day that is not a Business Day, it shall end on the next succeeding Business Day unless such day falls in the next succeeding calendar month in which case the Interest Period shall end on the next preceding Business Day. No Eurodollar Rate Loan shall be made available to any Borrower during the continuance of a Default or an Event of Default. After giving effect to each requested Eurodollar Rate Loan, including those which are converted from a Domestic Rate Loan under Section 2.2(d), there shall not be outstanding more than six (6) Eurodollar Rate Loans, in the aggregate. Each Interest Period of a Eurodollar Rate Loan shall commence on the date such Eurodollar Rate Loan is made and shall end on such date as Borrowing Agent may elect as set forth in subsection (c)(iii) above provided that the exact length of each Interest Period shall be determined in accordance with the practice of the interbank market for offshore Dollar deposits and no Interest Period shall end after the last day of the Term. Borrowing Agent shall elect the initial Interest Period applicable to a Eurodollar Rate Loan by its notice of borrowing given to Agent pursuant to Section 2.2(c) or by its notice of conversion given to Agent pursuant to Section 2.2(d), as the case may be. Borrowing Agent shall elect the duration of each succeeding Interest Period by giving irrevocable written notice to Agent of such duration not later than 12:00 Noon on the day which is three (3) Business Days prior to the last day of the then current Interest Period applicable to such Eurodollar Rate Loan. If Agent does not receive timely notice of the Interest Period elected by Borrowing Agent, Borrowing Agent shall be deemed to have elected to convert to a Domestic Rate Loan subject to Section 2.2(d) hereinbelow.

( d ) Rate Conversions and Continuations. Provided that no Event of Default shall have occurred and be continuing, Borrowing Agent may, on the last Business Day of the then current Interest Period applicable to any outstanding Eurodollar Rate Loan, or on any Business Day with respect to Domestic Rate Loans, convert or continue any such loan into a loan of another type in the same aggregate principal amount provided that any conversion or continuation of a Eurodollar Rate Loan shall be made only on the last Business Day of the then current Interest Period applicable to such Eurodollar Rate Loan. If Borrowing Agent desires to convert or continue a loan, Borrowing Agent shall give Agent written notice by no later than 12:00 Noon (i) on the day which is three (3) Business Days' prior to the date on which such conversion or continuation is to occur with respect to a conversion from a Domestic Rate Loan to a Eurodollar Rate Loan or a continuation of a Eurodollar Rate Loan as a Eurodollar Rate Loan, or (ii) on the day which is one (1) Business Day prior to the date on which such conversion is to occur with respect to a conversion from a Eurodollar Rate Loan to a Domestic Rate Loan, specifying, in each case, the date of such conversion or continuation, the loans to be converted or continued and if the conversion is from a Domestic Rate Loan to any other type of loan, the duration of the first Interest Period therefor.

(e) Eurodollar Rate Loan Prepayments. At its option and upon written notice given prior to 12:00 Noon at least three (3) Business Days' prior to the date of such prepayment, any Borrower may prepay the Eurodollar Rate Loans in whole at any time or in part from time to time with accrued interest on the principal being prepaid to the date of such repayment. Such Borrower shall specify the date of prepayment of Advances which are Eurodollar Rate Loans and the amount of such prepayment. In the event that any prepayment of a Eurodollar Rate Loan is required or permitted on a date other than the last Business Day of the then current Interest Period with respect thereto, such Borrower shall indemnify Agent and Lenders therefor in accordance with Section 2.2(f).

(f) Indemnity. Each Borrower shall indemnify Agent and Lenders and hold Agent and Lenders harmless from and against any and all losses or expenses that Agent and Lenders may sustain or incur as a consequence of any prepayment, conversion of or any default by any Borrower in the payment of the principal of or interest on any Eurodollar Rate Loan or failure by any Borrower to complete a borrowing of, a prepayment of or conversion of or to a Eurodollar Rate Loan after notice thereof has been given, including, but not limited to, any interest payable by Agent or Lenders to lenders of funds obtained by it in order to make or maintain its Eurodollar Rate Loans hereunder. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by Agent or any Lender to Borrowing Agent shall be conclusive absent manifest error.

(g) Illegality of Eurodollar Rate Loans. Notwithstanding any other provision hereof, if any Applicable Law, or any change therein or in the interpretation or application thereof, shall make it unlawful for any Lender (for purposes of this subsection (g), the term "Lender" shall include any Lender and the office or branch where any Lender or any corporation or bank controlling such Lender makes or maintains any Eurodollar Rate Loans) to make or maintain its Eurodollar Rate Loans, the obligation of Lenders to make Eurodollar Rate Loans hereunder shall forthwith be cancelled and Borrowers shall, if any affected Eurodollar Rate Loans are then outstanding, promptly upon request from Agent, either pay all such affected Eurodollar Rate Loans or convert such affected Eurodollar Rate Loans into loans of another type. If any such payment or conversion of any Eurodollar Rate Loan is made on a day that is not the last day of the Interest Period applicable to such Eurodollar Rate Loan, Borrowers shall pay Agent, upon Agent's request, such amount or amounts as may be necessary to compensate Lenders for any loss or expense sustained or incurred by Lenders in respect of such Eurodollar Rate Loan as a result of such payment or conversion, including (but not limited to) any interest or other amounts payable by Lenders to lenders of funds obtained by Lenders in order to make or maintain such Eurodollar Rate Loan. A certificate as to any additional amounts payable pursuant to the foregoing sentence submitted by Lenders to Borrowing Agent shall be conclusive absent manifest error.

2.3. Disbursement of Advance Proceeds. All Advances shall be disbursed from whichever office or other place Agent may designate from time to time and, together with any and all other Obligations of Borrowers to Agent or Lenders, shall be charged to Borrowers' Account on Agent's books. During the Term, Borrowers may use the Revolving Advances by borrowing, prepaying and reborrowing, all in accordance with the terms and conditions hereof. The proceeds of each Revolving Advance requested by Borrowing Agent on behalf of any Borrower shall, with respect to requested Revolving Advances to the extent Lenders make such Revolving Advances, be made available to the applicable Borrower on the day so requested by way of credit to such Borrower's operating account at PNC, or such other bank as Borrowing Agent may designate following notification to Agent, in immediately available federal funds or other immediately available funds or, with respect to Deemed Credit Requests, be disbursed to Agent to be applied to the outstanding Obligations giving rise to such deemed request.

2.4. Amortizing Tranche of Formula Amount. The Amortizing Tranche shall be reduced on the fifteenth (15<sup>th</sup>) day of each month, beginning November 15, 2010, by an amount equal to 1/60<sup>th</sup> of the maximum amount thereof during the Term.

2.5. Maximum Advances. The aggregate balance of Revolving Advances outstanding at any time shall not exceed the lesser of (a) the Maximum Revolving Advance Amount less the Maximum Undrawn Amount of all Letters of Credit or (b) the Formula Amount.

2.6. Repayment of Advances.

(a) The Advances shall be due and payable in full on the last day of the Term subject to earlier prepayment as herein provided.

(b) Each Borrower recognizes that the amounts evidenced by checks, notes, drafts or any other items of payment relating to and/or proceeds of Collateral may not be collectible by Agent on the date received. In consideration of Agent's agreement to conditionally credit Borrowers' Account as of the next Business Day following the Agent's receipt of those items of payment, each Borrower agrees that, in computing the charges under this Agreement, all items of payment shall be deemed applied by Agent on account of the Obligations one (1) Business Day after (i) the Business Day following the Agent's receipt of such payments via wire transfer or electronic depository check or (ii) in the case of payments received by Agent in any other form, the Business Day such payment constitutes good funds in Agent's account. Agent is not, however, required to credit Borrowers' Account for the amount of any item of payment which is unsatisfactory to Agent and Agent may charge Borrowers' Account for the amount of any item of payment which is returned to Agent unpaid.

(c) All payments of principal, interest and other amounts payable hereunder, or under any of the Other Documents shall be made to Agent at the Payment Office not later than 1:00 p.m. on the due date therefor in lawful money of the United States of America in federal funds or other funds immediately available to Agent. Agent shall have the right to effectuate payment on any and all Obligations due and owing hereunder by a Deemed Credit Request as provided in Section 2.2(b).



(d) Borrowers shall pay principal, interest, and all other amounts payable hereunder, or under any Other Document, without any deduction whatsoever, including, but not limited to, any deduction for any withholding, setoff or counterclaim.

2.7. Repayment of Excess Advances. The aggregate balance of Advances outstanding at any time in excess of the maximum amount of Advances permitted hereunder shall be immediately due and payable without the necessity of any demand, at the Payment Office, whether or not a Default or Event of Default has occurred.

2.8. Statement of Account. Agent shall maintain, in accordance with its customary procedures, a loan account ("Borrowers' Account") in the name of Borrowers in which shall be recorded the date and amount of each Advance made by Agent and the date and amount of each payment in respect thereof; provided, however, the failure by Agent to record the date and amount of any Advance shall not adversely affect Agent or any Lender. Each calendar month, Agent shall send to Borrowing Agent a statement showing the accounting for the Advances made, payments made or credited in respect thereof, and other transactions between Agent and Borrowers during such month. The monthly statements shall be deemed correct and binding upon Borrowers in the absence of manifest error and shall constitute an account stated between Lenders and Borrowers unless Agent receives a written statement of Borrowers' specific exceptions thereto within thirty (30) days after such statement is received by Borrowing Agent. The records of Agent with respect to the loan account shall be conclusive evidence absent manifest error of the amounts of Advances and other charges thereto and of payments applicable thereto.

2.9. Letters of Credit. Subject to the terms and conditions hereof, Agent shall issue or cause the issuance of standby and/or trade letters of credit ("Letters of Credit") for the account of any Borrower; provided, however, that Agent will not be required to issue or cause to be issued any Letters of Credit to the extent that the issuance thereof would then cause the sum of (a) the Revolving Advances plus (b) the Maximum Undrawn Amount of all Letters of Credit to exceed the lesser of (i) the Maximum Revolving Advance Amount or (ii) the Formula Amount. The Maximum Undrawn Amount of all Letters of Credit shall not exceed in the aggregate at any time the Letter of Credit Sublimit. All disbursements or payments related to Letters of Credit shall be deemed to be Domestic Rate Loans consisting of Revolving Advances and shall bear interest at the Revolving Interest Rate for Domestic Rate Loans; Letters of Credit that have not been drawn upon shall not bear interest.

2.10. Issuance of Letters of Credit.

(a) Borrowing Agent, on behalf of Borrowers, may request Agent to issue or cause the issuance of a Letter of Credit by delivering to Agent at the Payment Office, prior to 12:00 Noon at least five (5) Business Days' prior to the proposed date of issuance, Agent's form of Letter of Credit Application (the "Letter of Credit Application") completed to the satisfaction of Agent; and, such other certificates, documents and other papers and information as Agent may reasonably request. Borrowing Agent, on behalf of Borrowers, also has the right to give instructions and make agreements with respect to any application, any applicable letter of credit and security agreement, any applicable letter of credit reimbursement agreement and/or any other applicable agreement, any letter of credit and the disposition of documents, disposition of any unutilized funds, and to agree with Agent upon any amendment, extension or renewal of any Letter of Credit.

(b) Each Letter of Credit shall, among other things, (i) provide for the payment of sight drafts, other written demands for payment, or acceptances of usance drafts when presented for honor thereunder in accordance with the terms thereof and when accompanied by the documents described therein and (ii) have an expiry date not later than twenty-four (24) months after such Letter of Credit's date of issuance and in no event later than the last day of the Term. Each standby Letter of Credit shall be subject either to the Uniform Customs and Practice for Documentary Credits as most recently published by the International Chamber of Commerce at the time a Letter of Credit is issued (the "UCP") or the International Standby Practices (ISP98 International Chamber of Commerce Publication Number 590) (the "ISP98 Rules"), and any subsequent revision thereof at the time a standby Letter of Credit is issued, as determined by Agent in its Permitted Discretion, and each trade Letter of Credit shall be subject to the UCP.

(c) Agent shall use its reasonable efforts to notify Lenders of the request by Borrowing Agent for a Letter of Credit hereunder.

2.11. Requirements For Issuance of Letters of Credit

(a) Borrowing Agent shall authorize and direct any Issuer to name the applicable Borrower as the "Applicant" or "Account Party" of each Letter of Credit. If Agent is not the Issuer of any Letter of Credit, Borrowing Agent shall authorize and direct the Issuer to deliver to Agent all instruments, documents, and other writings and property received by the Issuer pursuant to the Letter of Credit and to accept and rely upon Agent's instructions and agreements with respect to all matters arising in connection with the Letter of Credit, the application therefor or any acceptance therefor.

(b) In connection with all Letters of Credit issued or caused to be issued by Agent under this Agreement, each Borrower hereby appoints Agent, or its designee, as its attorney, with full power and authority if an Event of Default shall have occurred and be continuing, (i) to sign and/or endorse such Borrower's name upon any warehouse or other receipts, letter of credit applications and acceptances, (ii) to sign such Borrower's name on bills of lading; (iii) to clear Inventory through the United States of America Customs Department or the equivalent in Canada ("Customs") in the name of such Borrower or Agent or Agent's designee, and to sign and deliver to Customs officials powers of attorney in the name of such Borrower for such purpose; and (iv) to complete in such Borrower's name or Agent's, or in the name of Agent's designee, any order, sale or transaction, obtain the necessary documents in connection therewith, and collect the proceeds thereof. Neither Agent nor its attorneys will be liable for any acts or omissions nor for any error of judgment or mistakes of fact or law, except for Agent's or its attorney's willful misconduct. This power, being coupled with an interest, is irrevocable as long as any Letters of Credit remain outstanding.

2.12. Disbursements, Reimbursement.

(a) Immediately upon the issuance of each Letter of Credit, each Lender shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from Agent a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Lender's Commitment Percentage of the Maximum Face Amount of such Letter of Credit and the amount of such drawing, respectively.

(b) In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, Agent will promptly notify Borrowing Agent. Provided that Borrowing Agent shall have received such notice, the Borrowers shall reimburse (such obligation to reimburse Agent shall sometimes be referred to as a "Reimbursement Obligation") Agent prior to 12:00 Noon on each date that an amount is paid by Agent under any Letter of Credit (each such date, a "Drawing Date") in an amount equal to the amount so paid by Agent. In the event Borrowers fail to reimburse Agent for the full amount of any drawing under any Letter of Credit by 12:00 Noon, on the Drawing Date, Agent will promptly notify each Lender thereof, and Borrowers shall be deemed to have requested that a Revolving Advance maintained as a Domestic Rate Loan be made by the Lenders to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the unutilized portion of the lesser of Maximum Revolving Advance Amount or the Formula Amount and subject to Section 8.2. Any notice given by Agent pursuant to this Section 2.12(b) may be oral if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(c) Each Lender shall upon any notice pursuant to Section 2.12(b) make available to Agent an amount in immediately available funds equal to its Commitment Percentage of the amount of the drawing, whereupon the participating Lenders shall (subject to Section 2.12(d)) each be deemed to have made a Revolving Advance maintained as a Domestic Rate Loan to Borrowers in that amount. If any Lender so notified fails to make available to Agent the amount of such Lender's Commitment Percentage of such amount by no later than 2:00 p.m. on the Drawing Date, then interest shall accrue on such Lender's obligation to make such payment, from the Drawing Date to the date on which such Lender makes such payment (i) at a rate per annum equal to the Federal Funds Effective Rate during the first three days following the Drawing Date and (ii) at a rate per annum equal to the rate applicable to Revolving Advances maintained as a Domestic Rate Loans on and after the fourth day following the Drawing Date. Agent will promptly give notice of the occurrence of the Drawing Date, but failure of Agent to give any such notice on the Drawing Date or in sufficient time to enable any Lender to effect such payment on such date shall not relieve such Lender from its obligation under this Section 2.12(c), provided that such Lender shall not be obligated to pay interest as provided in Section 2.12(c) (i) and (ii) until and commencing from the date of receipt of notice from Agent of a drawing.

(d) With respect to any unreimbursed drawing that is not converted into a Revolving Advance maintained as a Domestic Rate Loan to Borrowers in whole or in part as contemplated by Section 2.12(b), because of Borrowers' failure to satisfy the conditions set forth in Section 8.2 (other than any notice requirements) or for any other reason, Borrowers shall be deemed to have incurred from Agent a borrowing (each a "Letter of Credit Borrowing") in the amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate per annum applicable to a Revolving Advance maintained as a Domestic Rate Loan. Each Lender's payment to Agent pursuant to Section 2.12(c) shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing and shall constitute a "Participation Advance" from such Lender in satisfaction of its Participation Commitment under this Section 2.12.

(e) Each Lender's Participation Commitment shall continue until the last to occur of any of the following events: (i) Agent ceases to be obligated to issue or cause to be issued Letters of Credit hereunder; (ii) no Letter of Credit issued or created hereunder remains outstanding and uncanceled and (iii) all Persons (other than the Borrowers) have been fully reimbursed for all payments made under or relating to Letters of Credit.

2.13. Repayment of Participation Advances

(a) Upon (and only upon) receipt by Agent for its account of immediately available funds from Borrowers (i) in reimbursement of any payment made by the Agent under the Letter of Credit with respect to which any Lender has made a Participation Advance to Agent, or (ii) in payment of interest on such a payment made by Agent under such a Letter of Credit, Agent will pay to each Lender, in the same funds as those received by Agent, the amount of such Lender's Commitment Percentage of such funds, except Agent shall retain the amount of the Commitment Percentage of such funds of any Lender that did not make a Participation Advance in respect of such payment by Agent.

(b) If Agent is required at any time to return to any Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by Borrowers to Agent pursuant to Section 2.13(a) in reimbursement of a payment made under the Letter of Credit or interest or fee thereon, each Lender shall, on demand of Agent, forthwith return to Agent the amount of its Commitment Percentage of any amounts so returned by Agent plus interest at the Federal Funds Effective Rate.

2.14. Documentation. Each Borrower agrees to be bound by the terms of the Letter of Credit Application and by Agent's interpretations of any Letter of Credit issued on behalf of such Borrower and by Agent's written regulations and customary practices relating to letters of credit, though Agent's interpretations may be different from such Borrower's own. In the event of a conflict between the Letter of Credit Application and this Agreement, this Agreement shall govern. Except in the case of gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment), Agent shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following the Borrowing Agent's or any Borrower's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

2.15. Determination to Honor Drawing Request. In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, Agent shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit and that any other drawing condition appearing on the face of such Letter of Credit has been satisfied in the manner so set forth.

2.16. Nature of Participation and Reimbursement Obligations. Each Lender's obligation in accordance with this Agreement to make the Revolving Advances or Participation Advances as a result of a drawing under a Letter of Credit, and the obligations of Borrowers to reimburse Agent upon a draw under a Letter of Credit, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.16 under all circumstances, including the following circumstances:

(i) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against Agent, any Borrower or any other Person for any reason whatsoever;

(ii) the failure of any Borrower or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in this Agreement for the making of a Revolving Advance, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Lenders to make Participation Advances under Section 2.12;

(iii) any lack of validity or enforceability of any Letter of Credit;

(iv) any claim of breach of warranty that might be made by Borrower or any Lender against the beneficiary of a Letter of Credit, or the existence of any claim, set-off, recoupment, counterclaim, cross-claim, defense or other right which any Borrower or any Lender may have at any time against a beneficiary, any successor beneficiary or any transferee of any Letter of Credit or the proceeds thereof (or any Persons for whom any such transferee may be acting), Agent or any Lender or any other Person, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Borrower or any Subsidiaries of such Borrower and the beneficiary for which any Letter of Credit was procured);

(v) the lack of power or authority of any signer of (or any defect in or forgery of any signature or endorsement on) or the form of or lack of validity, sufficiency, accuracy, enforceability or genuineness of any draft, demand, instrument, certificate or other document presented under or in connection with any Letter of Credit, or any fraud or alleged fraud in connection with any Letter of Credit, or the transport of any property or provisions of services relating to a Letter of Credit, in each case even if Agent or any of Agent's Affiliates has been notified thereof;

(vi) payment by Agent under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(vii) the solvency of, or any acts or omissions by, any beneficiary of any Letter of Credit, or any other Person having a role in any transaction or obligation relating to a Letter of Credit, or the existence, nature, quality, quantity, condition, value or other characteristic of any property or services relating to a Letter of Credit;

(viii) any failure by the Agent or any of Agent's Affiliates to issue any Letter of Credit in the form requested by Borrowing Agent, unless the Agent has received written notice from Borrowing Agent of such failure within three (3) Business Days after the Agent shall have furnished Borrowing Agent a copy of such Letter of Credit and such error is material and no drawing has been made thereon prior to receipt of such notice;

- (ix) any Material Adverse Effect;
- (x) any breach of this Agreement or any Other Document by any party thereto;
- (xi) the occurrence or continuance of an Insolvency Proceeding with respect to any Borrower, Guarantor, or any of their respective Subsidiaries;
- (xii) the fact that a Default or Event of Default shall have occurred and be continuing;
- (xiii) the fact that the Term shall have expired or this Agreement or the Obligations hereunder shall have been terminated; and
- (xiv) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

2.17. Indemnity. In addition to amounts payable as provided in Section 16.5, each Borrower hereby agrees to protect, indemnify, pay and save harmless Agent from and against any and all claims, demands, liabilities, damages, taxes, penalties, interest, judgments, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which the Agent may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit, other than as a result of (a) the gross negligence or willful misconduct of the Agent as determined by a final and non-appealable judgment of a court of competent jurisdiction or (b) the wrongful dishonor by the Agent of a proper demand for payment made under any Letter of Credit, except if such dishonor resulted from any act or omission, whether rightful or wrongful, of any present or future de jure or de facto Governmental Body (all such acts or omissions herein called "Governmental Acts").

2.18. Liability for Acts and Omissions. As between Borrowers and Agent and Lenders, each Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the respective foregoing, Agent shall not be responsible for: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if Agent shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Borrower against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Borrower and any beneficiary of any Letter of Credit or any such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, facsimile, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of Agent, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of Agent's rights or powers hereunder. Nothing in the preceding sentence shall relieve Agent from liability for Agent's gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment) in connection with actions or omissions described in such clauses (i) through (viii) of such sentence. In no event shall Agent be liable to any Borrower for any indirect, consequential, incidental, punitive, exemplary or special damages or expenses (including without limitation attorneys' fees), or for any damages resulting from any change in the value of any property relating to a Letter of Credit.

Without limiting the generality of the foregoing, Agent (i) may rely on any oral or other communication believed in good faith by Agent or such Affiliate to have been authorized or given by or on behalf of the applicant for a Letter of Credit, (ii) may honor any presentation if the documents presented appear on their face substantially to comply with the terms and conditions of the relevant Letter of Credit; (iii) may honor a previously dishonored presentation under a Letter of Credit, whether such dishonor was pursuant to a court order, to settle or compromise any claim of wrongful dishonor, or otherwise, and shall be entitled to reimbursement to the same extent as if such presentation had initially been honored, together with any interest paid by Agent; (iv) may honor any drawing that is payable upon presentation of a statement advising negotiation or payment, upon receipt of such statement (even if such statement indicates that a draft or other document is being delivered separately), and shall not be liable for any failure of any such draft or other document to arrive, or to conform in any way with the relevant Letter of Credit; (v) may pay any paying or negotiating bank claiming that it rightfully honored under the laws or practices of the place where such bank is located; and (vi) may settle or adjust any claim or demand made on Agent in any way related to any order issued at the applicant's request to an air carrier, a letter of guarantee or of indemnity issued to a carrier or any similar document (each an "Order") and honor any drawing in connection with any Letter of Credit that is the subject of such Order, notwithstanding that any drafts or other documents presented in connection with such Letter of Credit fail to conform in any way with such Letter of Credit.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by Agent under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith and without gross negligence (as determined by a court of competent jurisdiction in a final non-appealable judgment), shall not put Agent under any resulting liability to any Borrower or any Lender.

2.19. Cash Collateral. On demand, following the occurrence of an Event of Default, Borrowers will cause cash to be deposited and maintained in an account with Agent, as cash collateral, in an amount equal to one hundred and five percent (105%) of the Maximum Undrawn Amount of all Letters of Credit, and each Borrower hereby irrevocably authorizes Agent, in its discretion, on such Borrower's behalf and in such Borrower's name, to open such an account and to make and maintain deposits therein, or in an account opened by such Borrower, in the amounts required to be made by such Borrower, out of the proceeds of Receivables or other Collateral or out of any other funds of such Borrower coming into any Lender's possession at any time. Agent will invest such cash collateral (less applicable reserves) in such short-term money-market items as to which Agent and such Borrower mutually agree and the net return on such investments shall be credited to such account and constitute additional cash collateral. No Borrower may withdraw amounts credited to any such account except upon the cure of such Event of Default or the occurrence of all of the following: (a) payment and performance in full of all Obligations, (b) expiration of all Letters of Credit and (c) termination of this Agreement.

2.20. Additional Payments. Any sums expended by Agent or any Lender due to any Borrower's failure to perform or comply with its obligations under this Agreement or any Other Document including any Borrower's obligations under Sections 4.2, 4.4, 4.12, 4.13, 4.14 and 6.1, may be charged to Borrowers' Account as a Revolving Advance and added to the Obligations.

2.21. Manner of Borrowing and Payment

(a) Each borrowing of Revolving Advances shall be advanced according to the applicable Commitment Percentages of Lenders.

(b) Each payment (including each prepayment) by any Borrower on account of the principal of and interest on the Revolving Advances, shall be applied to the Revolving Advances pro rata according to the applicable Commitment Percentages of Lenders. Except as expressly provided herein, all payments (including prepayments) to be made by any Borrower on account of principal, interest and fees shall be made without set off or counterclaim and shall be made to Agent on behalf of the Lenders to the Payment Office, in each case on or prior to 1:00 P.M. in Dollars and in immediately available funds.

(c) (i) Notwithstanding anything to the contrary contained in Sections 2.21(a) and (b), commencing with the first Business Day following the Closing Date, each borrowing of Revolving Advances shall be advanced by Agent and each payment by any Borrower on account of Revolving Advances shall be applied first to those Revolving Advances advanced by Agent. On or before 1:00 P.M. on each Settlement Date commencing with the first Settlement Date following the Closing Date, Agent and Lenders shall make certain payments as follows: (I) if the aggregate amount of new Revolving Advances made by Agent during the preceding Week (if any) exceeds the aggregate amount of repayments applied to outstanding Revolving Advances during such preceding Week, then each Lender shall provide Agent with funds in an amount equal to its applicable Commitment Percentage of the difference between (w) such Revolving Advances and (x) such repayments and (II) if the aggregate amount of repayments applied to outstanding Revolving Advances during such Week exceeds the aggregate amount of new Revolving Advances made during such Week, then Agent shall provide each Lender with funds in an amount equal to its applicable Commitment Percentage of the difference between (y) such repayments and (z) such Revolving Advances.



(i) Each Lender shall be entitled to earn interest at the applicable Revolving Interest Rate on outstanding Revolving Advances which it has funded.

(ii) Promptly following each Settlement Date, Agent shall submit to each Lender a certificate with respect to payments received and Advances made during the Week immediately preceding such Settlement Date. Such certificate of Agent shall be conclusive in the absence of manifest error.

(d) If any Lender or Participant (a "Benefited Lender") shall at any time receive any payment of all or part of its Advances, or interest thereon, or receive any Collateral in respect thereof (whether voluntarily or involuntarily or by set-off) in a greater proportion than any such payment to and Collateral received by any other Lender, if any, in respect of such other Lender's Advances, or interest thereon, and such greater proportionate payment or receipt of Collateral is not expressly permitted hereunder, such Benefited Lender shall purchase for cash from the other Lenders a participation in such portion of each such other Lender's Advances, or shall provide such other Lender with the benefits of any such Collateral, or the proceeds thereof, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such Collateral or proceeds ratably with each of the other Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. Each Lender so purchasing a portion of another Lender's Advances may exercise all rights of payment (including rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(e) Unless Agent shall have been notified by telephone, confirmed in writing, by any Lender that such Lender will not make the amount which would constitute its applicable Commitment Percentage of the Revolving Advances available to Agent, Agent may (but shall not be obligated to) assume that such Lender shall make such amount available to Agent on the next Settlement Date and, in reliance upon such assumption, make available to Borrowers a corresponding amount. Agent will promptly notify Borrowing Agent of its receipt of any such notice from a Lender. If such amount is made available to Agent on a date after such next Settlement Date, such Lender shall pay to Agent on demand an amount equal to the product of (i) the daily average Federal Funds Rate (computed on the basis of a year of 360 days) during such period as quoted by Agent, times (ii) such amount, times (iii) the number of days from and including such Settlement Date to the date on which such amount becomes immediately available to Agent. A certificate of Agent submitted to any Lender with respect to any amounts owing under this paragraph (e) shall be conclusive, in the absence of manifest error. If such amount is not in fact made available to Agent by such Lender within three (3) Business Days after such Settlement Date, Agent shall be entitled to recover such an amount, with interest thereon at the rate per annum then applicable to such Revolving Advances hereunder, on demand from Borrowers; provided, however, that Agent's right to such recovery shall not prejudice or otherwise adversely affect Borrowers' rights (if any) against such Lender.

2.22. Mandatory Prepayments. Subject to Section 4.3, when any Borrower sells or otherwise disposes of any Collateral other than Inventory in the Ordinary Course of Business, Borrowers shall repay the Advances in an amount equal to the net proceeds of such sale (i.e., gross proceeds less the reasonable costs of such sales or other dispositions), such repayments to be made promptly but in no event more than one (1) Business Day following receipt of such net proceeds, and until the date of payment, such proceeds shall be held in trust for Agent. The foregoing shall not be deemed to be implied consent to any such sale otherwise prohibited by the terms and conditions hereof. Such repayments shall be applied to the Revolving Advances subject to Borrowers' ability to reborrow Revolving Advances in accordance with the terms hereof, provided however, if the Collateral disposed of is Eligible Real Property, there shall be a corresponding reduction in the Amortizing Tranche.

2.23. Use of Proceeds.

(a) Borrowers shall apply the proceeds of Advances to (a) refinance the Borrowers' existing working capital credit facility agented by GMAC, (b) refinance the Borrowers' 11.5% term loan payable to Laminar Direct Capital, L.L.C. SPV Capital Funding, L.L.C., Whitebox Hedged High Yield Partners, L.P., and successor to GPC LIX, L.L.C. (c) pay the early termination fee in conjunction with such term loan, (d) refinance the Borrowers' term loans payable to GE Capital Corp. or its Affiliates and pay any early termination fee in conjunction with such term loan (the "GECC Loan"), (e) partially fund permitted capital expenditures, (f) fund Permitted Acquisitions and dividends permitted hereunder, (g) pay the fees and expenses associated with this transaction at closing, (h) provide for working capital needs and reimburse drawings under Letters of Credit, and (i) for other lawful purposes of Parent and its Subsidiaries permitted under the Agreement.

(b) Without limiting the generality of Section 2.23(a) above, neither the Borrowers, the Guarantors, nor any of their respective Subsidiaries, nor any other Person which may in the future become party to this Agreement or the Other Documents as a Borrower or Guarantor, intends to use nor shall they use any portion of the proceeds of the Advances, directly or indirectly, for any purpose in violation of the Trading with the Enemy Act.

2.24. Defaulting Lender.

(a) Notwithstanding anything to the contrary contained herein, in the event any Lender has failed, within two (2) Business Days of the date required hereunder (and such failure constitutes a breach by such Lender of its obligations under this Agreement) to make available its portion of any Advance, its participation in any Letter of Credit, or any payment due on a Settlement Date, or (x) notifies either Agent or Borrowing Agent that it does not intend to make available its portion of any Advance or any such participation or payment or (y) has otherwise failed to pay over to Agent or any other Lender any other amount required to be paid by it hereunder within two (2) Business Days of the date when due, or (z) has since the date of this Agreement been deemed insolvent by a Governmental Body or become the subject of a bankruptcy, receivership, monitorship, conservatorship or insolvency proceeding, or has a parent company that since the date of this Agreement been deemed insolvent by a Governmental Body or become the subject of a bankruptcy, receivership, monitorship, conservatorship or insolvency proceeding (each, a "Lender Default"), all rights and obligations hereunder of such Lender (a "Defaulting Lender") as to which a Lender Default is in effect and of the other parties hereto shall be modified to the extent of the express provisions of this Section 2.24 while such Lender Default remains in effect.

(b) Advances shall be incurred pro rata from Lenders which are not Defaulting Lenders (the “Non-Defaulting Lenders”) based on their respective Commitment Percentages, and no Commitment Percentage of any Lender or any pro rata share of any Advances required to be advanced by any Lender shall be increased as a result of such Lender Default. Amounts received in respect of principal of any type of Advances shall be applied to reduce the applicable Advances of each Lender (other than any Defaulting Lender) pro rata based on the aggregate of the outstanding Advances of that type of all Lenders at the time of such application; provided, that, Agent shall not be obligated to transfer to a Defaulting Lender any payments received by Agent for the Defaulting Lender’s benefit, nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder (including any principal, interest or fees). Amounts payable to a Defaulting Lender shall instead be paid to or retained by Agent. Agent may hold and, in its discretion, re-lend to a Borrower the amount of such payments received or retained by it for the account of such Defaulting Lender.

(c) A Defaulting Lender shall not be entitled to give instructions to Agent or to approve, disapprove, consent to or vote on any matters relating to this Agreement and the Other Documents. All amendments, waivers and other modifications of this Agreement and the Other Documents may be made without regard to a Defaulting Lender and, for purposes of the definition of “Required Lenders”, a Defaulting Lender shall be deemed not to be a Lender and not to have either Advances outstanding or a Commitment Percentage.

(d) Other than as expressly set forth in this Section 2.24, the rights and obligations of a Defaulting Lender (including the obligation to indemnify Agent) and the other parties hereto shall remain unchanged. Nothing in this Section 2.24 shall be deemed to release any Defaulting Lender from its obligations under this Agreement and the Other Documents, shall alter such obligations, shall operate as a waiver of any default by such Defaulting Lender hereunder, or shall prejudice any rights which any Borrower, Agent or any Lender may have against any Defaulting Lender as a result of any default by such Defaulting Lender hereunder.

(e) In the event a Defaulting Lender retroactively cures to the satisfaction of Agent the breach which caused a Lender to become a Defaulting Lender, such Defaulting Lender shall no longer be a Defaulting Lender and shall be treated as a Lender under this Agreement.

2.25. Increase of the Maximum Revolving Advance Amount Borrowers shall have the option, upon at least thirty (30) days' prior written notice to Agent, to increase the Maximum Revolving Advance Amount by up to \$10,000,000, subject to the following conditions precedent:

(a) no Default or Event of Default shall have occurred and be continuing on the date of such notice or on the date which such increase is to become effective;

(b) the representations and warranties set forth in Article V shall be true and correct on and as of the date on which such increase is to become effective, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date;

(c) such increase shall be in a minimum amount of \$5,000,000 and in integral multiples of \$1,000,000 in excess thereof;

(d) Borrowers shall have solicited and obtained additional lenders to join in this Agreement and provide the additional commitments necessary to fund the increase in the Maximum Revolving Advance Amount, which additional lenders must not be Affiliates of any Borrower and must be acceptable to the Agent and Lenders in their reasonable discretion; provided that any then-existing Lender shall be acceptable;

(e) Agent shall have received all documents (including appropriate authorizing resolutions) it may reasonably request relating to the corporate or other necessary authority for such increase, and any other matters relevant thereto, all in form and substance reasonably satisfactory to Agent; and

(f) all costs and expenses of Agent and Lenders incurred in connection with any such increase or requested increase, including reasonable attorneys' fees and expenses shall be paid by Borrowers.

The foregoing option may be exercised once during the Term and such increase shall apply to the Maximum Revolving Advance Amount in effect at the time of the Borrowers' notice to Agent. Promptly following receipt of a notice under this Section, the Agent shall advise the Lenders thereof. Each notice delivered by the Borrowers pursuant to this Section shall be irrevocable. An increase to the Maximum Revolving Advance Amount shall not require or cause a change in the commitment of any existing Lender in effect at such time, unless such existing Lender chooses, in its sole discretion, to fund in whole or in part, the increase in the Maximum Revolving Advance Amount. Agent shall not be obligated to solicit or obtain lenders to provide the additional commitments necessary for such increase.

2.26. Reduction of the Maximum Revolving Advance Amount Borrowers shall have the option, upon at least thirty (30) days' prior written notice to Agent, to reduce the Maximum Revolving Advance Amount by up to \$10,000,000, subject to the following conditions precedent:

(a) no Default or Event of Default shall have occurred and be continuing on the date of such notice or on the date which such reduction is to become effective;

(b) such reduction shall be in a minimum amount of \$1,000,000 and in integral multiples of \$1,000,000 in excess thereof;

(c) after giving effect to any concurrent prepayment of the Advances, the sum of the outstanding Revolving Advances shall not exceed the lesser of: (i) the Maximum Revolving Advance Amount minus the Maximum Undrawn Amount of all Letters of Credit, and (ii) the Formula Amount.

The foregoing option may be exercised once during the Term and such reduction shall apply to the Maximum Revolving Advance Amount in effect at the time of the Borrowers' notice to Agent; provided, however, nothing contained herein shall limit the Borrowers' ability to pay in full all Obligations and terminate this Agreement at any time in accordance with Section 13.1. Promptly following receipt of a notice under this Section, the Agent shall advise the Lenders thereof. Each notice delivered by the Borrowers pursuant to this Section shall be irrevocable. Any reduction of the Maximum Revolving Advance Amount shall be permanent subject only to an increase in accordance with Section 2.25. Each reduction shall be made ratably among the Lenders in accordance with their Commitment Percentages.

III INTEREST AND FEES.

3.1. Interest.

(a) Payment. Interest on Advances shall be payable in arrears on the first day of each month with respect to Domestic Rate Loans and, with respect to Eurodollar Rate Loans, at the end of each Interest Period or, for Eurodollar Rate Loans with an Interest Period in excess of three months, at the earlier of (a) each three months from the commencement of such Eurodollar Rate Loan or (b) the end of the Interest Period.

(b) Rate Changes. Interest charges shall be computed on the actual principal amount of Revolving Advances outstanding during the month at a rate per annum equal to the applicable Revolving Interest Rate. Whenever, subsequent to the date of this Agreement, the Alternate Base Rate is increased or decreased, the applicable Revolving Interest Rate for Domestic Rate Loans shall be similarly changed without notice or demand of any kind by an amount equal to the amount of such change in the Alternate Base Rate during the time such change or changes remain in effect. The Eurodollar Rate shall be adjusted with respect to Eurodollar Rate Loans without notice or demand of any kind on the effective date of any change in the Reserve Percentage as of such effective date.

(c) Default Rate. Upon and after the occurrence of an Event of Default, and during the continuation thereof, (i) at the option of Agent or at the direction of Required Lenders, the Obligations shall bear interest at the highest Revolving Interest Rate payable under this Agreement plus two (2%) percent per annum (as applicable, the “Default Rate”).

3.2. Letter of Credit Fees. Borrowers shall pay (x) to Agent, for the ratable benefit of Lenders, fees for each Letter of Credit for the period from and excluding the date of issuance of same to and including the date of expiration or termination, equal to the average daily face amount of each outstanding Letter of Credit multiplied by the Applicable Margin for Eurodollar Rate Loans then in effect per annum, such fees to be calculated on the basis of a 360-day year for the actual number of days elapsed and to be payable quarterly in arrears on the first day of each quarter and on the last day of the Term, and (y) to the Issuer, a fronting fee of one quarter of one percent (0.25%) per annum, together with any and all administrative, issuance, amendment, payment and negotiation charges with respect to Letters of Credit and all fees and expenses as agreed upon by the Issuer and the Borrowing Agent in connection with any Letter of Credit, including in connection with the opening, amendment or renewal of any such Letter of Credit and any acceptances created thereunder and shall reimburse Agent for any and all fees and expenses, if any, paid by Agent to the Issuer (all of the foregoing fees, the “Letter of Credit Fees”). All such charges shall be deemed earned in full on the date when the same are due and payable hereunder and shall not be subject to rebate or pro-ratio upon the termination of this Agreement for any reason. Any such charge in effect at the time of a particular transaction shall be the charge for that transaction, notwithstanding any subsequent change in the Issuer’s prevailing charges for that type of transaction. All Letter of Credit Fees and Acceptance Fees payable hereunder shall be deemed earned in full on the date when the same are due and payable hereunder and shall not be subject to rebate or pro-ratio upon the termination of this Agreement for any reason. Upon and after the occurrence of an Event of Default, and during the continuation thereof, at the option of Agent or at the direction of Required Lenders, the Letter of Credit Fees described in clause (x) of this Section 3.2 shall be increased by an additional two percent (2%) per annum.

3.3. Facility Fee. If, for any calendar quarter during the Term, the average daily unpaid balance of the Revolving Advances and the Maximum Undrawn Amount of all Letters of Credit for each day of such calendar quarter does not equal the Maximum Revolving Advance Amount, then Borrowers shall pay to Agent for the ratable benefit of Lenders a fee at a rate equal to one quarter of one percent (0.25%) per annum on the amount by which the Maximum Revolving Advance Amount exceeds such average daily unpaid balance. Such fee shall be payable to Agent in arrears on the first day of each calendar quarter with respect to the previous calendar quarter.

3.4. Fee Letter. Borrowers shall pay the amounts required to be paid in the Fee Letter in the manner and at the times required by the Fee Letter.

3.5. Computation of Interest and Fees.

(a) Interest and fees hereunder shall be computed on the basis of a year of 360 days and for the actual number of days elapsed. If any payment to be made hereunder becomes due and payable on a day other than a Business Day, the due date thereof shall be extended to the next succeeding Business Day and interest thereon shall be payable at the applicable Revolving Interest Rate during such extension.

(b) Notwithstanding anything to the contrary contained in this Agreement or in any Other Document:

(i) whenever interest payable by Rocky Canada is calculated on the basis of a period which is less than the actual number of days in a calendar year, each rate of interest determined pursuant to such calculation is, for the purposes of the Interest Act (Canada), equivalent to such rate multiplied by the actual number of days in the calendar year in which such rate is to be ascertained and divided by the number of days used as the basis of such calculation;

(ii) in no event shall the aggregate "interest" (as defined in Section 347 of the Criminal Code, R.S.C. 1985, c. C-46, as the same shall be amended, replaced or re-enacted from time to time) payable by Rocky Canada to the Agent or any Lender under this Agreement or any Other Document exceed the effective annual rate of interest on the "credit advanced" (as defined in that section) under this Agreement or such Other Document lawfully permitted under that section and, if any payment, collection or demand pursuant to this Agreement or any Other Document in respect of "interest" (as defined in that section) is determined to be contrary to the provisions of that section, such payment, collection or demand shall be deemed to have been made by mutual mistake of the Agent or the Lender and Rocky Canada and the amount of such payment or collection shall be refunded by the Agent or such Lender to Rocky Canada. For the purposes of this Agreement and each Other Document to which Rocky Canada is a party, the effective annual rate of interest payable by Rocky Canada shall be determined in accordance with generally accepted actuarial practices and principles over the term of the loans on the basis of annual compounding for the lawfully permitted rate of interest and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Agent for the account of Rocky Canada will be conclusive for the purpose of such determination in the absence of evidence to the contrary; and

(iii) all calculations of interest payable by Rocky Canada under this Agreement or any Other Document are to be made on the basis of the nominal interest rate described herein and therein and not on the basis of effective yearly rates or on any other basis which gives effect to the principle of deemed reinvestment of interest. The parties acknowledge that there is a material difference between the stated nominal interest rates and the effective yearly rates of interest and that they are capable of making the calculations required to determine such effective yearly rates of interest.

3.6. Maximum Charges. In no event whatsoever shall interest and other charges charged hereunder exceed the highest rate permissible under law. In the event interest and other charges as computed hereunder would otherwise exceed the highest rate permitted under law, such excess amount shall be first applied to any unpaid principal balance owed by Borrowers, and if the then remaining excess amount is greater than the previously unpaid principal balance, Lenders shall promptly refund such excess amount to Borrowers and the provisions hereof shall be deemed amended to provide for such permissible rate.

3.7. Increased Costs. In the event that any Applicable Law, or any change therein or in the interpretation or application thereof, or compliance by any Lender (for purposes of this Section 3.7, the term "Lender" shall include Agent or any Lender and any corporation or bank controlling Agent or any Lender) and the office or branch where Agent or any Lender (as so defined) makes or maintains any Eurodollar Rate Loans with any request or directive (whether or not having the force of law) from any central bank or other financial, monetary or other authority, shall:

(a) subject Agent or any Lender to any tax of any kind whatsoever with respect to this Agreement or any Other Document or change the basis of taxation of payments to Agent or any Lender of principal, fees, interest or any other amount payable hereunder or under any Other Documents (except for changes in the rate of tax on the overall net income of Agent or any Lender by the jurisdiction in which it maintains its principal office);

(b) impose, modify or hold applicable any reserve, special deposit, assessment or similar requirement against assets held by, or deposits in or for the account of, advances or loans by, or other credit extended by, any office of Agent or any Lender, including pursuant to Regulation D of the Board of Governors of the Federal Reserve System; or

(c) impose on Agent or any Lender or the London interbank Eurodollar market any other condition with respect to this Agreement or any Other Document;

and the result of any of the foregoing is to increase the cost to Agent or any Lender of making, renewing or maintaining its Advances hereunder by an amount that Agent or such Lender deems to be material or to reduce the amount of any payment (whether of principal, interest or otherwise) in respect of any of the Advances by an amount that Agent or such Lender deems to be material, then, in any case Borrowers shall promptly pay Agent or such Lender, upon its demand, such additional amount as will compensate Agent or such Lender for such additional cost or such reduction, as the case may be. Agent or such Lender shall certify the amount of such additional cost or reduced amount to Borrowing Agent, and such certification shall be conclusive absent manifest error.

3.8. Basis For Determining Interest Rate Inadequate or Unfair. In the event that Agent or any Lender shall have determined in the exercise of Permitted Discretion that:

(a) reasonable means do not exist for ascertaining the Eurodollar Rate applicable pursuant to Section 2.2 for any Interest Period; or

(b) Dollar deposits in the relevant amount and for the relevant maturity are not available in the London interbank Eurodollar market, with respect to an outstanding Eurodollar Rate Loan, a proposed Eurodollar Rate Loan, or a proposed conversion of a Domestic Rate Loan into a Eurodollar Rate Loan,

then Agent shall give Borrowing Agent prompt written or telephonic of such determination. If such notice is given, (i) any such requested Eurodollar Rate Loan shall be made as a Domestic Rate Loan, unless Borrowing Agent shall notify Agent no later than 12:00 Noon two (2) Business Days prior to the date of such proposed borrowing, that its request for such borrowing shall be cancelled or made as an unaffected type of Eurodollar Rate Loan, (ii) any Domestic Rate Loan or Eurodollar Rate Loan which was to have been converted to an affected type of Eurodollar Rate Loan shall be continued as or converted into a Domestic Rate Loan, or, if Borrowing Agent shall notify Agent, no later than 12:00 Noon two (2) Business Days prior to the proposed conversion, shall be maintained as an unaffected type of Eurodollar Rate Loan, and (iii) any outstanding affected Eurodollar Rate Loans shall be converted into a Domestic Rate Loan, or, if Borrowing Agent shall notify Agent, no later than 12:00 Noon two (2) Business Days prior to the last Business Day of the then current Interest Period applicable to such affected Eurodollar Rate Loan, shall be converted into an unaffected type of Eurodollar Rate Loan, on the last Business Day of the then current Interest Period for such affected Eurodollar Rate Loans. Until such notice has been withdrawn, Lenders shall have no obligation to make an affected type of Eurodollar Rate Loan or maintain outstanding affected Eurodollar Rate Loans and no Borrower shall have the right to convert a Domestic Rate Loan or an unaffected type of Eurodollar Rate Loan into an affected type of Eurodollar Rate Loan.



3.9. Capital Adequacy.

(a) In the event that Agent or any Lender shall have determined in the exercise of Permitted Discretion that any Applicable Law or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Body, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Agent or any Lender (for purposes of this Section 3.9, the term “Lender” shall include Agent or any Lender and any corporation or bank controlling Agent or any Lender) and the office or branch where Agent or any Lender (as so defined) makes or maintains any Eurodollar Rate Loans with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on Agent or any Lender’s capital as a consequence of its obligations hereunder to a level below that which Agent or such Lender could have achieved but for such adoption, change or compliance (taking into consideration Agent’s and each Lender’s policies with respect to capital adequacy) by an amount deemed by Agent or any Lender to be material, then, from time to time, Borrowers shall pay upon demand to Agent or such Lender such additional amount or amounts as will compensate Agent or such Lender for such reduction. In determining such amount or amounts, Agent or such Lender may use any reasonable averaging or attribution methods. The protection of this Section 3.9 shall be available to Agent and each Lender regardless of any possible contention of invalidity or inapplicability with respect to the Applicable Law or condition.

(b) A certificate of Agent or such Lender setting forth such amount or amounts as shall be necessary to compensate Agent or such Lender with respect to Section 3.9(a) when delivered to Borrowing Agent shall be conclusive absent manifest error.

3.10. Gross Up for Taxes. If any Borrower shall be required by Applicable Law to withhold or deduct any taxes from or in respect of any sum payable under this Agreement or any of the Other Documents to Agent, or any Lender, assignee of any Lender, or Participant (each, individually, a “Payee” and collectively, the “Payees”), (a) the sum payable to such Payee or Payees, as the case may be, shall be increased as may be necessary so that, after making all required withholding or deductions, the applicable Payee or Payees receives an amount equal to the sum it would have received had no such withholding or deductions been made (the “Gross-Up Payment”), (b) such Borrower shall make such withholding or deductions, and (c) such Borrower shall pay the full amount withheld or deducted to the relevant taxation authority or other authority in accordance with Applicable Law. Notwithstanding the foregoing, no Borrower shall be obligated to make any portion of the Gross-Up Payment that is attributable to any withholding or deductions that would not have been paid or claimed had the applicable Payee or Payees properly claimed a complete exemption with respect thereto pursuant to Section 3.11.

3.11. Withholding Tax Exemption.

(a) Each Payee that is not incorporated under the Applicable Laws of the United States of America or a state thereof (and, upon the written request of Agent, each other Payee) agrees that it will deliver to Borrowing Agent and Agent two (2) duly completed appropriate valid Withholding Certificates (as defined under §1.1441-1(c)(16) of the Income Tax Regulations (“Regulations”)) certifying its status (i.e., U.S. or foreign person) and, if appropriate, making a claim of reduced, or exemption from, U.S. withholding tax on the basis of an income tax treaty or an exemption provided by the Code. The term “Withholding Certificate” means a Form W-9; a Form W-8BEN; a Form W-8ECI; a Form W-8IMY and the related statements and certifications as required under §1.1441-1(e)(2) and/or (3) of the Regulations; a statement described in §1.871-14(c)(2)(v) of the Regulations; or any other certificates under the Code or Regulations that certify or establish the status of a payee or beneficial owner as a U.S. or foreign person.

(b) Each Payee required to deliver to Borrowing Agent and Agent a valid Withholding Certificate pursuant to Section 3.11(a) shall deliver such valid Withholding Certificate as follows: (A) each Payee which is a party hereto on the Closing Date shall deliver such valid Withholding Certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by any Borrower hereunder for the account of such Payee; (B) each Payee shall deliver such valid Withholding Certificate at least five (5) Business Days before the effective date of such assignment or participation (unless Agent in its sole discretion shall permit such Payee to deliver such Withholding Certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by Agent). Each Payee which so delivers a valid Withholding Certificate further undertakes to deliver to Borrowing Agent and Agent two (2) additional copies of such Withholding Certificate (or a successor form) on or before the date that such Withholding Certificate expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent Withholding Certificate so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by Borrowing Agent or Agent.

(c) Notwithstanding the submission of a Withholding Certificate claiming a reduced rate of or exemption from U.S. withholding tax required under Section 3.11(b), Agent shall be entitled to withhold United States federal income taxes at the full 30% withholding rate if in its reasonable judgment it is required to do so under the due diligence requirements imposed upon a withholding agent under §1.1441-7(b) of the Regulations. Further, Agent is indemnified under §1.1461-1(e) of the Regulations against any claims and demands of any Payee for the amount of any tax it deducts and withholds in accordance with regulations under §1441 of the Code.

3.12. FATCA. If a payment made to a Payee under this Agreement would be subject to U.S. Federal withholding tax imposed by FATCA if such Payee were to fail to comply with the applicable reporting requirements of FATCA (including those containing in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Withholding Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by Applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA, to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

#### IV COLLATERAL: GENERAL TERMS

##### 4.1. Security Interest in the Collateral

(a) Grant. To secure the prompt payment and performance to Agent and each Lender of the Obligations, each Borrower hereby assigns, pledges and grants to Agent for its benefit and for the ratable benefit of each Lender a continuing security interest in and to and Lien on all of its Collateral, whether now owned or existing or hereafter acquired or arising and wheresoever located.

( b ) Books and Records. Each Borrower shall mark its books and records as may be necessary or appropriate to evidence, protect and perfect Agent's security interest and shall cause its financial statements to reflect such security interest.

( c ) Commercial Tort Claims. Each Borrower other than Rocky Canada shall promptly provide Agent with written notice of each commercial tort claim which involves in excess of \$500,000 in damages, such notice to contain the case title together with the applicable court and a brief description of the claim(s). Upon delivery of each such notice, such Borrower shall be deemed to hereby grant to Agent a security interest and lien in and to such commercial tort claims and all proceeds thereof.

4.2. Perfection of Security Interest. Each Borrower shall take all action that may be necessary or desirable, or that Agent may reasonably request, so as at all times to maintain the validity, perfection, enforceability and priority of Agent's security interest in and Lien on the Collateral or to enable Agent to protect, exercise or enforce its rights hereunder and in the Collateral, including, but not limited to, (i) immediately discharging all Liens other than Permitted Encumbrances, (ii) obtaining Collateral Access Agreements for Access Agreement Locations or locations not owned by a Borrower at which material Inventory is located after the Closing Date, including Inventory which is in the possession, custody or control of a third-party, (iii) delivering to Agent, endorsed or accompanied by such instruments of assignment as Agent may specify, and stamping or marking, in such manner as Agent may specify, any and all chattel paper, instruments, letters of credits and advices thereof and documents evidencing or forming a part of the Collateral, (iv) entering into warehousing, lockbox and other custodial arrangements reasonably satisfactory to Agent, and (v) executing and delivering financing statements, control agreements, instruments of pledge, mortgages, notices and assignments, in each case in form and substance reasonably satisfactory to Agent, relating to the creation, validity, perfection, maintenance or continuation of Agent's security interest and Lien under the Uniform Commercial Code, PPSA, or other Applicable Law. By its signature hereto, each Borrower hereby authorizes Agent to file against such Borrower, one or more financing, continuation or amendment statements pursuant to the Uniform Commercial Code and the PPSA in form and substance satisfactory to Agent (which statements may have a description of all assets of the Borrowers and Guarantors, other than Excluded Property). All charges, expenses and fees Agent may incur in doing any of the foregoing, and any local taxes relating thereto, may be immediately charged to Borrowers' Account as a Revolving Advance of a Domestic Rate Loan and added to the Obligations, or, at Agent's option, shall be paid to Agent for its benefit and for the ratable benefit of Lenders within five (5) days after demand. Each such charge to Borrowers' Account or demand shall be accompanied by a reasonable description of such charge to Borrowing Agent.

4.3. Disposition of Property. Except for Permitted Dispositions, each Borrower, Guarantor, and their respective Subsidiaries will safeguard and protect all Collateral for Agent's general account. Each Borrower, Guarantor, and their respective Subsidiaries shall make no disposition of assets whether by sale, lease or otherwise except the following (the "Permitted Dispositions"): (a) the sale of Inventory in the Ordinary Course of Business; (b) the sale, disposition or transfer of obsolete and worn-out Equipment in the Ordinary Course of Business; (c) the sale, disposition or transfer of any assets outside the Ordinary Course of Business during any fiscal year having an aggregate fair market value of not more than \$100,000 for Parent and its Subsidiaries on a Consolidated Basis; (d) the sale, disposition or transfer of Excluded Property; (e) assignments and licenses of Intellectual Property in the Ordinary Course of Business; (f) the sale, disposition or transfer of property of any Borrower to any other Borrower; and (g) subleases or leases of Real Property other than the Eligible Real Property which, at the time of such transaction, is then not currently being utilized in the business of the Borrowers, Guarantors, or any of their respective Subsidiaries.

4.4. Preservation of Collateral. Following the occurrence and during the continuance of an Event of Default, in addition to the rights and remedies set forth in Section 11.1, Agent: (a) may at any time take such steps as Agent deems necessary to protect Agent's interest in and to preserve the Collateral, including the hiring of such security guards or the placing of other security protection measures as Agent may deem appropriate; (b) may employ and maintain at any of any Borrower's premises a custodian who shall have full authority to do all acts necessary to protect Agent's interests in the Collateral; (c) may lease warehouse facilities to which Agent may move all or part of the Collateral; (d) may use any Borrower's owned or leased lifts, hoists, trucks and other facilities or equipment for handling or removing the Collateral; and (e) shall have, and is hereby granted, a right of ingress and egress to the places where the Collateral is located, and may proceed over and through any of Borrower's owned or leased property. Each Borrower shall cooperate fully with all of Agent's efforts to preserve the Collateral and will take such actions to preserve the Collateral as Agent may reasonably direct. All of Agent's expenses of preserving the Collateral, including any expenses relating to the bonding of a custodian, may be immediately charged to Borrowers' Account as a Revolving Advance of a Domestic Rate Loan and added to the Obligations, or, at Agent's option, shall be paid to Agent for its benefit and for the ratable benefit of Lenders within five (5) days after demand. Each such charge to Borrowers' Account or demand shall be accompanied by a reasonable description of such charge to Borrowing Agent.

4.5. Ownership of Collateral.

(a) With respect to the Collateral, at the time the Collateral becomes subject to Agent's security interest: (i) each Borrower shall be the sole owner of and fully authorized and able to sell, transfer, pledge and/or grant a first priority security interest in each and every item of the its respective Collateral to Agent; and, except for Permitted Encumbrances the Collateral shall be free and clear of all Liens and encumbrances whatsoever; (ii) each document and agreement executed by each Borrower or delivered to Agent or any Lender in connection with this Agreement shall be true and correct in all material respects; (iii) all signatures and endorsements of each Borrower that appear on such documents and agreements shall be genuine and each Borrower shall have full capacity to execute same; and (iv) each Borrower's Equipment and Inventory shall be located as set forth on Schedule 4.5 and shall not be removed from such location(s) without the prior written consent of Agent except to the extent permitted in Section 4.3.

(b) (i) There is no location at which any Borrower has any Inventory (except for Inventory in transit, Inventory located on Lehigh vehicles, or Inventory at other locations with a value of not in excess of \$75,000 each) other than those locations listed on Schedule 4.5, which may be updated from time to time; (ii) Schedule 4.5 hereto contains a correct and complete list, as of the Closing Date, of the addresses of each warehouse at which Inventory of any Borrower is stored; none of the receipts received by any Borrower from any warehouse states that the goods covered thereby are to be delivered to bearer or to the order of a named Person or to a named Person and such named Person's assigns; (iii) Schedule 4.5 hereto sets forth a correct and complete list as of the Closing Date of (A) each place of business of each Borrower and (B) the chief executive office of each Borrower; and (iv) Schedule 4.5 hereto sets forth a correct and complete list as of the Closing Date of the location, by state or province and street address, of all Real Property owned or leased by each Borrower.

4.6. Defense of Agent's and Lenders' Interests. Until (a) payment and performance in full of all of the Obligations and (b) termination of this Agreement, Agent's interests in the Collateral shall continue in full force and effect. During such period no Borrower shall, without Agent's prior written consent, pledge, sell (except to the extent permitted in Section 4.3), assign, transfer, create or suffer to exist a Lien upon or encumber or allow or suffer to be encumbered in any way except for Permitted Encumbrances, any part of the Collateral. Each Borrower shall defend Agent's interests in the Collateral against any and all Persons whatsoever. At any time after the occurrence and during the continuance of an Event of Default and following demand by Agent for payment of all Obligations, (i) Agent shall have the right, to the extent permitted by Applicable Law, to take possession of the indicia of the Collateral and the Collateral in whatever physical form contained, including: labels, stationery, documents, instruments and advertising materials; (ii) if Agent exercises this right to take possession of the Collateral, Borrowers shall, upon demand, assemble it in the best manner possible and make it available to Agent at a place reasonably convenient to Agent; (iii) in addition, with respect to all Collateral, Agent and Lenders shall be entitled to all of the rights and remedies set forth herein and further provided by the Uniform Commercial Code, the PPSA, or other Applicable Law; (iv) each Borrower shall, and Agent may, at its option, instruct all suppliers, carriers, forwarders, warehousemen or others receiving or holding cash, checks, Inventory, documents or instruments in which Agent holds a security interest to deliver same to Agent and/or subject to Agent's order and if they shall come into any Borrower's possession, they, and each of them, shall be held by such Borrower in trust as Agent's trustee, and such Borrower will immediately deliver them to Agent in their original form together with any necessary endorsement.

4.7. Books and Records. Each Borrower shall (a) keep proper books of record and account in which full, true and correct entries in all material respects will be made of all dealings or transactions of or in relation to its business and affairs; (b) set up on its books accruals with respect to all taxes, assessments, charges, levies and claims; and (c) on a reasonably current basis set up on its books, from its earnings, allowances against doubtful Receivables, advances and investments and all other proper accruals (including by reason of enumeration, accruals for premiums, if any, due on required payments and accruals for depreciation, obsolescence, or amortization of properties), which should be set aside from such earnings in connection with its business. All determinations pursuant to this subsection shall be made in accordance with, or as required by, GAAP consistently applied in the opinion of such independent public accountant as shall then be regularly engaged by Borrowers.

4.8. Reserved.

4.9. Compliance with Laws. Each Borrower shall comply in all material respects with all Applicable Laws with respect to the Collateral or any part thereof or to the operation of such Borrower's business the non-compliance with which could reasonably be expected to have a Material Adverse Effect. The assets of Borrowers, Guarantors and their respective Subsidiaries at all times shall be maintained in accordance with the requirements of all insurance carriers which provide insurance with respect to the such assets so that such insurance shall remain in full force and effect.

4.10. Inspection of Premises. At all reasonable times (and if no Event of Default is continuing reasonable prior notice shall be given), subject to the terms of this Agreement, including confidentiality provisions, Agent and each Lender shall have full access to and the right to audit, check, inspect and make abstracts and copies from each Borrower's books, records, audits, correspondence and all other papers relating to the Collateral and the operation of each Borrower's business. Agent, any Lender and their agents may enter upon any premises of any Borrower, at all reasonable times (and if no Event of Default is continuing reasonable prior notice shall be given), and from time to time, for the purpose of inspecting the Collateral and any and all records pertaining thereto and the operation of such Borrower's business; provided however, that Agent may conduct only two (2) complete field examinations during each fiscal year, provided further that, field examinations conducted prior to the Closing Date, in connection with a Permitted Acquisition, or during the continuance of a Default or an Event of Default shall not be subject to the foregoing limitation.

4.11. Insurance. Schedule 4.11 sets forth a list of all insurance maintained by each Borrower, Guarantor, and their respective Subsidiaries on the Closing Date. The assets and properties of each Borrower at all times shall be maintained in accordance with the requirements of all insurance carriers which provide insurance with respect to the assets and properties of such Borrower so that such insurance shall remain in full force and effect. Each Borrower shall bear the full risk of any loss of any nature whatsoever with respect to the Collateral. At each Borrower's own cost and expense in amounts and with carriers reasonably acceptable to Agent, each Borrower shall (a) keep all its insurable properties (including all properties in which such Borrower has an interest) insured against the hazards of fire, flood, sprinkler leakage, those hazards covered by extended coverage insurance and such other hazards, and for such amounts, as is customary in the case of companies engaged in businesses similar to such Borrower's including business interruption insurance; (b) maintain a bond in such amounts as is customary in the case of companies engaged in businesses similar to such Borrower insuring against larceny, embezzlement or other criminal misappropriation of insured's officers and employees who may either singly or jointly with others at any time have access to the assets or funds of such Borrower either directly or through authority to draw upon such funds or to direct generally the disposition of such assets; (c) maintain public and product liability insurance against claims for personal injury, death or property damage suffered by others; (d) maintain all such worker's compensation or similar insurance required under the laws of any state or jurisdiction in which such Borrower is engaged in business; (e) furnish Agent with (i) copies of all policies upon request of Agent and evidence of the maintenance of such policies by the renewal thereof at least two (2) Business Days before any expiration date, and (ii) appropriate loss payable endorsements in form and substance reasonably satisfactory to Agent, naming Agent as a co-insured and loss payee as its interests may appear with respect to all insurance coverage on properties in which such Borrower has an interest and all insurance coverage referred to in clause (c) above, and providing (A) that all proceeds thereunder shall be payable to Agent, (B) no such insurance shall be affected by any act or neglect of the insured or owner of the property described in such policy, and (C) that such policy and loss payable clauses may not be cancelled, amended or terminated unless at least thirty (30) days' prior written notice is given to Agent. In the event of any loss thereunder, the carriers named therein hereby are directed by Agent and the applicable Borrower to make payment for such loss to Agent and not to such Borrower and Agent jointly. If any insurance losses are paid by check, draft or other instrument payable to any Borrower and Agent jointly, Agent may endorse such Borrower's name thereon and do such other things as Agent may deem advisable to reduce the same to cash. If an Event of Default has occurred and is continuing, Agent is hereby authorized to adjust and compromise claims under insurance coverage referred to in clauses (a) and (b) above. If an Event of Default has occurred and is continuing, all loss recoveries received by Agent upon any such insurance may be applied to the Obligations pursuant to Section 11.6. Any surplus shall be paid by Agent to Borrowers or applied as may be otherwise required by law. Any deficiency thereon shall be paid by Borrowers to Agent, on demand. Anything hereinabove to the contrary notwithstanding, and subject to the fulfillment of the conditions set forth below, Agent shall remit to Borrowing Agent insurance proceeds received by Agent under insurance policies procured and maintained by Borrowers which insure Borrowers' insurable properties to the extent such insurance proceeds do not exceed \$1,000,000 per occurrence. In the event the amount of insurance proceeds received by Agent for any occurrence exceeds \$1,000,000, then Agent shall not be obligated to remit the insurance proceeds to Borrowing Agent unless Borrowing Agent shall provide Agent with evidence reasonably satisfactory to Agent that the insurance proceeds will be used by Borrowers to repair, replace or restore the insured property which was the subject of the insurable loss. The agreement of Agent to remit insurance proceeds in the manner above provided shall be subject in each instance to satisfaction of each of the following conditions: (x) no Event of Default or Default shall then have occurred, and (y) Borrowers shall use such insurance proceeds to repair, replace or restore the insurable property which was the subject of the insurable loss and for no other purpose.

4.12. Failure to Pay Insurance. If any Borrower fails to obtain insurance as hereinabove provided, or to keep the same in force, Agent, if Agent so elects, may obtain such insurance and pay the premium therefor on behalf of such Borrower, and charge Borrowers' Account therefor as a Revolving Advance of a Domestic Rate Loan and such expenses so paid shall be part of the Obligations. Agent shall promptly provide Borrowing Agent copies of invoices for any such expense.

4.13. Payment of Taxes. Except for Properly Contested taxes, assessments and other Charges, each Borrower will pay or remit, when due, all taxes, assessments and other Charges lawfully levied or assessed upon such Borrower or any of the Collateral including real and personal property taxes, assessments and charges and all franchise, income, employment, social security benefits, withholding, and sales taxes. If any tax by any Governmental Body is or may be imposed on or as a result of any transaction between any Borrower and Agent or any Lender which Agent or any Lender may be required to withhold or pay or remit or if any taxes, assessments, or other Charges remain unpaid after the date fixed for their payment, or if any claim shall be made which, in Agent's or any Lender's reasonable opinion, may possibly create a valid Lien on the Collateral, Agent may upon notice to Borrowers pay the taxes, assessments or other Charges and each Borrower hereby indemnifies and holds Agent and each Lender harmless in respect thereof; provided, however, Agent will not pay any taxes, assessments or Charges to the extent that any applicable Borrower has Properly Contested those taxes, assessments or Charges. The amount of any payment by Agent under this Section 4.13 shall be charged to Borrowers' Account as a Revolving Advance maintained as a Domestic Rate Loan and added to the Obligations and, until Borrowers shall furnish Agent with an indemnity therefor (or supply Agent with evidence reasonably satisfactory to Agent that due provision for the payment thereof has been made), Agent may hold without interest any balance standing to Borrowers' credit and Agent shall retain its security interest in and Lien on any and all Collateral held by Agent.

4.14. Payment of Leasehold Obligations. Except for Properly Contested payments, each Borrower shall at all times pay, when and as due, its rental obligations under all leases under which it is a tenant, and shall otherwise comply, in all material respects, with all other terms of such leases and keep them in full force and effect and, at Agent's request will provide evidence of having done so.

4.15. Receivables.

(a) Nature of Receivables. Each of the Receivables shall be a bona fide and valid account representing a bona fide indebtedness incurred by the Customer therein named, for a fixed sum as set forth in the invoice relating thereto (provided immaterial or unintentional invoice errors and customary discounts shall not be deemed to be a breach hereof) with respect to an absolute sale or lease and delivery of goods upon stated terms of a Borrower, or work, labor or services theretofore rendered by a Borrower as of the date each Receivable is created. Same shall be due and owing in accordance with the applicable Borrower's standard terms of sale without dispute, setoff or counterclaim except as may be stated on the accounts receivable schedules delivered by Borrowers to Agent.

(b) Solvency of Customers. Each Customer, to each Borrower's actual knowledge, as of the date each Receivable is created, is solvent and able to pay all Receivables on which the Customer is obligated in full when due or with respect to such Customers of any Borrower who are not solvent such Borrower has set up on its books and in its financial records bad debt reserves adequate to cover such Receivables.

(c) Location of Borrowers. Each Borrower's chief executive office and each location where any Borrower, Guarantor, or their respective Subsidiaries maintains assets in Canada is designated on Schedule 4.15(c). Until written notice is given to Agent by Borrowing Agent of any other office at which any Borrower keeps its records pertaining to Receivables, all such records shall be kept at the address for such records designated on Schedule 4.15(c).

(d) Collection of Receivables. Subject to Agent's rights under Section 4.15(e), during a Cash Dominion Period, each Borrower will, at such Borrower's sole cost and expense, collect in trust for Agent all amounts received on Receivables (other than Excluded Receivables), and shall not commingle such collections with any Borrower's funds or use the same except to pay Obligations. Each Borrower shall deposit in the Blocked Accounts or Collection Accounts, or, upon request by Agent, deliver to Agent, in original form and on the date of receipt thereof, all checks, drafts, notes, money orders, acceptances, cash and other evidences of Indebtedness, other than those arising from Excluded Receivables.



(e) Notification of Assignment of Receivables. At any time following the occurrence and during the continuance of an Event of Default, Agent shall have the right to send notice of the assignment of, and Agent's security interest in and Lien on, the Receivables to any and all Customers or any third party holding or otherwise concerned with any of the Collateral. Thereafter, Agent shall have the sole right to collect the Receivables, take possession of the Collateral, or both. Agent's actual collection expenses, including, but not limited to, stationery and postage, telephone and telegraph, secretarial and clerical expenses and the salaries of any collection personnel used for collection, may be charged to Borrowers' Account and added to the Obligations, and prompt notice and evidence thereof shall be sent to Borrowing Agent.

( f ) Power of Agent to Act on Borrowers' Behalf. Agent shall have the right to receive, endorse, assign and/or deliver in the name of Agent or any Borrower any and all checks, drafts and other instruments for the payment of money relating to the Receivables, and each Borrower hereby waives notice of presentment, protest and non-payment of any instrument so endorsed. Upon the occurrence and during the continuance of an Event of Default, each Borrower hereby constitutes Agent or Agent's designee as such Borrower's attorney with power (i) to endorse such Borrower's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment or Collateral; (ii) to sign such Borrower's name on any invoice or bill of lading relating to any of the Receivables, drafts against Customers, assignments and verifications of Receivables; (iii) to send verifications of Receivables to any Customer; (iv) to sign such Borrower's name on all financing statements or any other documents or instruments deemed necessary or appropriate by Agent to preserve, protect, or perfect Agent's interest in the Collateral and to file same; (v) to demand payment of the Receivables; (vi) to enforce payment of the Receivables by legal proceedings or otherwise; (vii) to exercise all of such Borrower's rights and remedies with respect to the collection of the Receivables and any other Collateral; (viii) to settle, adjust, compromise, extend or renew the Receivables; (ix) to settle, adjust or compromise any legal proceedings brought to collect Receivables; (x) to prepare, file and sign such Borrower's name on a proof of claim in bankruptcy or similar document against any Customer; (xi) to prepare, file and sign such Borrower's name on any notice of Lien, assignment or satisfaction of Lien or similar document in connection with the Receivables; and (xii) to do all other acts and things reasonably necessary to carry out this Agreement. All acts of said attorney or designee are hereby ratified and approved, and said attorney or designee shall not be liable for any acts of omission or commission nor for any error of judgment or mistake of fact or of law, unless done maliciously, with willful misconduct or with gross (not mere) negligence (as determined by a court of competent jurisdiction in a final non-appealable judgment); this power being coupled with an interest is irrevocable while any of the Obligations remain unpaid. Agent shall have the right at any time following the occurrence of an Event of Default or Default, to change the address for delivery of mail addressed to any Borrower to such address as Agent may designate and to receive, open and dispose of all mail addressed to any Borrower.

(g) No Liability. Neither Agent nor any Lender shall, under any circumstances or in any event whatsoever, have any liability for any error or omission or delay of any kind occurring in the settlement, collection or payment of any of the Receivables or any instrument received in payment thereof, or for any damage resulting therefrom. Following the occurrence and during the continuance of an Event of Default, Agent may, without notice or consent from any Borrower, sue upon or otherwise collect, extend the time of payment of, compromise or settle for cash, credit or upon any terms any of the Receivables or any other securities, instruments or insurance applicable thereto and/or release any obligor thereof. Agent is authorized and empowered to accept following the occurrence and during the continuance of an Event of Default the return of the goods represented by any of the Receivables, without notice to or consent by any Borrower, all without discharging or in any way affecting any Borrower's liability hereunder.

(h) Establishment of a Lockbox Account, Dominion Account.

(i) All cash, Cash Equivalents, and the proceeds of all Collateral shall be deposited directly into either (a) a lockbox account, dominion account or such other “blocked account” (“Blocked Accounts”) established at a bank or banks (each such bank, a “Blocked Account Bank”) pursuant to an arrangement with such Blocked Account Bank as may be selected by Borrowing Agent and be reasonably acceptable to Agent (which arrangement shall permit Borrowers to access accounts absent a Cash Dominion Period), or (b) separate lockbox depository accounts (“Collection Accounts”) established at the Agent for the deposit of such cash, Cash Equivalents, and proceeds. Collection Accounts shall be used solely for collections. All disbursements shall be made from separate disbursement accounts established with Agent.

(ii) Each applicable Borrower, Agent and each Blocked Account Bank shall enter into a deposit account control agreement in form and substance reasonably satisfactory to Agent (each, a “Blocked Account Agreement”) granting Agent exclusive control over the Blocked Accounts and directing such Blocked Account Bank to transfer such funds deposited therein to Agent without offset or deduction upon written notice from Agent (each an “Account Control Notice”), either to any account maintained by Agent at said Blocked Account Bank or by wire transfer to appropriate account(s) of Agent. Neither Agent nor any Lender assumes any responsibility for such blocked account arrangement, including any claim of accord and satisfaction or release with respect to deposits accepted by any Blocked Account Bank thereunder. Each Blocked Account Agreement shall require that the applicable Blocked Account Bank provide account statements and such other account information as is reasonably requested by Agent from time to time.

(iii) Agent shall only be entitled to give an Account Control Notice to each Blocked Account Bank and to exercise exclusive control over all Blocked Accounts and Collection Accounts during a Cash Dominion Period. Upon the issuance of an Account Control Notice by Agent during a Cash Dominion Period, all funds then held and thereafter deposited in Blocked Accounts and Collection Accounts shall immediately become subject to the exclusive control of Agent and property of Agent and applied to the Obligations in accordance with the terms hereof except to the extent set forth in Section 4.15(h)(v). Agent may maintain the foregoing in effect notwithstanding the waiver or cure of the event or circumstance which caused the Triggering Event; provided that, upon a Satisfaction Event, Agent shall, at the request of any Borrowing Agent, promptly rescind each Account Control Notice, permit Borrowers access to funds on deposit in the Blocked Accounts and Collection Accounts, and cease the daily application of collections to the Obligations until a subsequent Triggering Event occurs.

(iv) As of the Closing Date, set forth on Schedule 4.15(h) are all of the deposit accounts and securities accounts of each Borrower, Guarantor and their respective Subsidiaries, including, with respect to each bank or securities intermediary (i) the name and address of such Person, and (ii) the account numbers of the deposit accounts and securities accounts maintained with such Person. Borrowing Agent shall update Schedule 4.15(h) from time to time to disclose any additional account maintained under Section 4.15(h)(v)(A) which contains a collected balance in excess of \$50,000.

(v) So long as no Event of Default has occurred and is continuing: (A) notwithstanding the requirements of Section 4.15(h)(i) or a pending Cash Dominion Period, Borrowers may deposit the proceeds of cash sales to retail Customers into depository accounts that are neither Collection Accounts nor subject to Blocked Account Agreements, provided that if the aggregate amount deposited in such accounts exceeds \$200,000 on the last Business Day of any calendar week, such excess shall be immediately transferred to a Collection Account, and Borrowers shall use commercially reasonable efforts to substitute Agent as the depository bank for such accounts, (B) notwithstanding the requirements of Section 4.15(h)(iii) or a pending Cash Dominion Period, Borrowers may continue to maintain balances in Blocked Accounts located in Canada, provided that on the last Business Day of each calendar month, Borrowers shall cause the aggregate amount on deposit in such accounts in excess of CDN\$100,000 to be transferred to a Collection Account, and (C) notwithstanding the requirements of Section 4.15(h)(iii) or a pending Cash Dominion Period, Borrowers may continue to maintain disbursement account balances in Blocked Accounts located in Puerto Rico, provided that on the last Business Day of each calendar month, Borrowers shall cause the aggregate amount on deposit in such accounts in excess of \$1,000,000 to be transferred to a Collection Account.

( i ) Adjustments. No Borrower will, without Agent's consent, compromise or adjust any material amount of the Receivables (or extend the time for payment thereof) or accept any material returns of merchandise or grant any additional discounts, allowances or credits thereon except for those compromises, adjustments, returns, discounts, credits and allowances as have been heretofore customary in the business of such Borrower.

(j) United States Government Receivables.

( i ) Existing Contracts. As of the Closing Date, all contracts of a Borrower with the United States or Canada, or any department, agency or instrumentality of any of them, copies of which have been delivered to Agent, are set forth on Schedule 4.15(j). None of such existing contracts have been assigned in whole or part to any Person. None of such existing contracts nor future contracts with the United States or Canada, or any department, agency or instrumentality of any of them, nor, in any case, the right to the payment of money thereunder, shall be assigned in whole or part to any Person other than Agent.

( i i ) Contract Assignments. Borrower shall deliver to Agent (A) on or before the Closing Date, a copy of each contract set forth on Schedule 4.15(j), and (B) after the Closing Date, each material amendment to or extension of a contract on Schedule 4.15(j) and, in the event Borrowing Agent requests that any amounts payable under any contract with the United States, or any department, agency or instrumentality of it, constitute Eligible Governmental Receivables, the applicable Borrower shall deliver a copy of such contract, together with an assignment thereof executed by the applicable Borrower in the form attached hereto as Exhibit 4.15(j) (the "US Assignment"), which will assign the right to payment of any Receivable thereunder to Agent and will include the identity of the contracting officer related thereto. Agent may, at any time in its sole discretion, upon notice to Borrowing Agent, (A) elect to complete such assignment and deliver it to the applicable contracting officer for acknowledgment and acceptance by such contracting officer and any other Person necessary to comply with the Federal Assignment of Claims Act, and (B) take such other actions as may be required under the Federal Assignment of Claims Act to effect the assignment of such Receivable in accordance with the Federal Assignment of Claims Act. In such event, Agent may, at any time upon notice to Borrowing Agent, change the payment instructions for all such Receivables assigned to Agent from any Borrower to Agent.

(iii) Further Assurances. Upon the request of Agent, made in the Permitted Discretion of Agent, Borrowers shall take all reasonable steps necessary to protect Agent's interest in any Eligible Government Receivable under the Federal Assignment of Claims Act and all other applicable state or local statutes or ordinances and deliver to Agent appropriately endorsed, any instrument or chattel paper connected with any Receivable arising out of contracts between any Borrower and the United States, or any department, agency or instrumentality of it. Each Borrower irrevocably designates and appoints Agent (and all persons designated by Agent) as such Borrower's true and lawful attorney in fact to (A) take any action as may be necessary or desirable to complete any such US Assignment on behalf of such Borrower and to direct the payment of the proceeds thereof; and (B) to execute and deliver the US Assignment on behalf of such Borrower.

(iv) Central Contractor Registration. No Borrower shall change its registration in the United States Central Contractor Registration database or any replacement registration system established by the United States for the purpose of registering government contractors and accepting payment instructions with respect to Receivables due from the United States, or any department, agency or instrumentality of it (the "CCR"). Each registered Borrower shall annually update its registration in the CCR and take all other steps necessary to maintain an effective registration with payment instructions for all such Receivables to the Collection Accounts only. In the event any Borrower changes its registration such that such Receivables are not paid directly and solely to the Collection Accounts, Agent may exercise the power of attorney granted pursuant to Section 4.15(f) to alter such Borrower's registration as Agent deems appropriate in its sole discretion.

4.16. Inventory. To the extent Inventory held for sale or lease has been produced by any Borrower, it has been and will be produced by such Borrower in accordance with the Federal Fair Labor Standards Act of 1938, as amended, and all rules, regulations and orders thereunder.

4.17. Maintenance of Equipment. The Equipment shall be maintained in good operating condition and repair (reasonable wear and tear excepted) and all necessary replacements of and repairs thereto shall be made so that the value and operating efficiency of the Equipment shall be maintained and preserved (reasonable wear and tear excepted). Each Borrower shall have the right to sell Equipment to the extent set forth in Section 4.3.

4.18. Exculpation of Liability. Nothing herein contained shall be construed to constitute Agent or any Lender as any Borrower's agent for any purpose whatsoever, nor shall Agent or any Lender be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof, except to the extent caused by Agent's or such Lender's gross negligence or willful misconduct. Neither Agent nor any Lender, whether by anything herein or in any assignment or otherwise, will assume any of any Borrower's obligations under any contract or agreement assigned to Agent or such Lender, and neither Agent nor any Lender shall be responsible in any way for the performance by any Borrower of any of the terms and conditions thereof.

4.19. Environmental Matters.

(a) Borrowers shall ensure that the Real Property and all operations and businesses conducted thereon remains in compliance with all Environmental Laws, and they shall not place or permit to be placed any Hazardous Substances on any Real Property except as permitted by Applicable Law or appropriate governmental authorities and except to the extent that any noncompliance or failure is not reasonably likely to have a Material Adverse Effect.

(b) Borrowers shall establish and maintain a system to assure and monitor continued compliance with all applicable Environmental Laws which system shall include periodic reviews of such compliance, except to the extent that any noncompliance or failure is not reasonably likely to have a Material Adverse Effect.

(c) Borrowers shall (i) employ in connection with the use of the Real Property appropriate technology necessary to maintain compliance with any applicable Environmental Laws and (ii) dispose of any and all Hazardous Waste generated at the Real Property only at facilities and with carriers that maintain valid permits under RCRA and any other applicable Environmental Laws. Borrowers shall comply with all Applicable Law in connection with the transport or disposal of any Hazardous Waste generated at the Real Property.

(d) In the event any Borrower obtains, gives or receives notice of any Release or threat of Release of a reportable quantity of any Hazardous Substances at the Real Property (any such event being hereinafter referred to as a "Hazardous Discharge") or receives any notice of violation, request for information or notification that it is potentially responsible for investigation or cleanup of environmental conditions at the Real Property, demand letter or complaint, order, citation, or other written notice with regard to any Hazardous Discharge or violation of Environmental Laws affecting the Real Property or any Borrower's interest therein (any of the foregoing is referred to herein as an "Environmental Complaint") from any Person, including any governmental agency responsible in whole or in part for environmental matters in the state in which the Real Property is located (any such person or entity hereinafter the "Authority"), in each instance which is reasonably likely to have a Material Adverse Effect, then Borrowing Agent shall, within five (5) Business Days, give written notice of same to Agent detailing facts and circumstances of which any Borrower is aware giving rise to the Hazardous Discharge or Environmental Complaint. Such information is to be provided to allow Agent to protect its security interest in and Lien on the Real Property and the Collateral and is not intended to create nor shall it create any obligation upon Agent or any Lender with respect thereto.

(e) [reserved].

(f) Borrowers shall respond promptly to any such Hazardous Discharge or Environmental Complaint and take all necessary action in order to safeguard the health of any Person and to avoid subjecting the Collateral or Real Property to any Lien. If any Borrower shall fail to respond promptly to any such Hazardous Discharge or Environmental Complaint or any Borrower shall fail to comply with any of the requirements of any Environmental Laws, and Agent shall determine that any such failure could have a Material Adverse Effect, Agent on behalf of Lenders may, but without the obligation to do so, for the sole purpose of protecting Agent's interest in the Collateral: (A) give such notices or (B) enter onto the Real Property (or authorize third parties to enter onto the Real Property) and take such actions as Agent (or such third parties as directed by Agent) deem reasonably necessary or advisable, to clean up, remove, or mitigate any such Hazardous Discharge or Environmental Complaint. All reasonable costs and expenses incurred by Agent and Lenders (or such third parties) in the exercise of any such rights, including any sums paid in connection with any judicial or administrative investigation or proceedings, fines and penalties, together with interest thereon from the date expended at the Default Rate for Domestic Rate Loans constituting Revolving Advances shall be paid upon demand by Borrowers, and until paid shall be added to and become a part of the Obligations secured by the Liens created by the terms of this Agreement or any other agreement between Agent, any Lender and any Borrower. Evidence of any such expense shall be submitted promptly to Borrowing Agent.

(g) Promptly upon the written reasonable request of Agent from time to time, Borrowers shall provide Agent, at Borrowers' expense, with an environmental site assessment or environmental audit report prepared by an environmental engineering firm acceptable in the reasonable opinion of Agent, to assess the existence of a Hazardous Discharge and the potential costs in connection with abatement, cleanup and removal of any Hazardous Substances found on, under, at or within the Real Property. Any report or investigation of such Hazardous Discharge proposed and acceptable to an appropriate Authority that is charged to oversee the clean-up of such Hazardous Discharge shall be acceptable to Agent. If such estimates, individually or in the aggregate, exceed \$1,000,000, Agent shall have the right to require Borrowers to post a bond, letter of credit or other security reasonably satisfactory to Agent to secure payment of these costs and expenses.

(h) Borrowers shall defend and indemnify Agent and Lenders and hold Agent, Lenders and their respective employees, agents, directors and officers harmless from and against all loss, liability, damage and expense, claims, costs, fines and penalties, including attorney's fees, suffered or incurred by Agent or Lenders under or on account of any Environmental Laws, including the assertion of any Lien thereunder, with respect to any Hazardous Discharge, the presence of any Hazardous Substances affecting the Real Property, whether or not the same originates or emerges from the Real Property or any contiguous real estate, including any loss of value of the Real Property as a result of the foregoing except to the extent such loss, liability, damage and expense is attributable to any Hazardous Discharge resulting from actions on the part of Agent or any Lender. Borrowers' obligations under this Section 4.19 shall arise upon the discovery of the presence of any Hazardous Substances at the Real Property, whether or not any federal, state, provincial, or local environmental agency has taken or threatened any action in connection with the presence of any Hazardous Substances. Borrowers' obligation and the indemnifications hereunder shall survive the termination of this Agreement.

(i) For purposes of Section 4.19 and 5.7, all references to Real Property shall be deemed to include all of each Borrower's right, title and interest in and to its owned and leased premises.

4.20. Financing Statements. Except as respects the financing statements filed by Agent and the financing statements described on Schedule 1.2(a) and Permitted Encumbrances, no financing statement covering any of the Collateral or any proceeds thereof is on file in any public office.

## V REPRESENTATIONS AND WARRANTIES.

Each Borrower represents and warrants as follows:

5.1. Authority. Each Borrower has full power, authority and legal right to enter into this Agreement and the Other Documents and to perform all its respective Obligations hereunder and thereunder. This Agreement and the Other Documents have been duly executed and delivered by each Borrower, and this Agreement and the Other Documents constitute the legal, valid and binding obligation of such Borrower enforceable in accordance with their terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally. The execution, delivery and performance of this Agreement and of the Other Documents (a) are within such Borrower's corporate or limited liability company powers, have been duly authorized by all necessary corporate or company action, are not in contravention of law or the terms of such Borrower's by-laws or certificate or articles of incorporation, or operating agreement or certificate of formation, or other applicable documents relating to such Borrower's formation or to the conduct of such Borrower's business or of any material agreement or undertaking to which such Borrower is a party or by which such Borrower is bound, (b) will not conflict with or violate any law or regulation, or any judgment, order or decree of any Governmental Body, (c) will not require the Consent of any Governmental Body or any other Person, except those Consents set forth on Schedule 5.1 hereto, all of which will have been duly obtained, made or compiled prior to the Closing Date and which are in full force and effect and (d) will not conflict with, nor result in any breach in any of the provisions of or constitute a default under or result in the creation of any Lien except Permitted Encumbrances upon any asset of such Borrower under the provisions of any agreement, charter document, instrument, by-law, operating agreement, or other instrument to which such Borrower is a party or by which it or its property is a party or by which it may be bound.

### 5.2. Formation, Qualification, Equity Interests, Subsidiaries.

(a) Each Borrower is duly incorporated or organized and in good standing under the laws of the jurisdiction listed on Schedule 5.2(a) and is qualified to do business and is in good standing in the jurisdictions listed on Schedule 5.2(a) which constitute all jurisdictions in which qualification and good standing are necessary for such Borrower to conduct its business and own its property and where the failure to so qualify could reasonably be expected to have a Material Adverse Effect on such Borrower. Each Borrower has delivered to Agent true and complete copies of its certificate of incorporation and by-laws or certificate of formation and operating agreement and will promptly notify Agent of any material amendment or changes thereto.

(b) Set forth on Schedule 5.2(b), is a complete and accurate description, as of the Closing Date, of the authorized Equity Interests of each Borrower (other than the Parent) and their respective Subsidiaries, by class, and, as of the Closing Date, a description of the number of shares of each such class that are issued and outstanding. Other than as described on Schedule 5.2(b), there are no subscriptions, options, warrants, or calls relating to any Equity Interests of each Borrower or any of their respective Subsidiaries, including any right of conversion or exchange under any outstanding security or other instrument. Other than as described on Schedule 5.2(b), as of the Closing Date, no Borrower is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any Equity Interest or any security convertible into or exchangeable for any of its Equity Interests.

(c) As of the Closing Date, the only Subsidiaries of each Borrower are listed on Schedule 5.2(b).

5.3. Survival of Representations and Warranties. All representations and warranties of such Borrower contained in this Agreement and the Other Documents shall be true in all material respects at the time of such Borrower's execution of this Agreement and the Other Documents, and shall survive the execution, delivery and acceptance thereof by the parties thereto and the closing of the transactions described therein or related thereto.

5.4. Tax Returns. Each Borrower's federal tax identification number or federal business number, as applicable, is set forth on Schedule 5.4. Each Borrower has filed all federal (including the federal government of Canada), state, provincial, and material local tax returns and other reports each is required by law to file and has paid all material taxes, assessments, fees and other governmental charges that are due and payable, except to the extent Properly Contested. The provision for taxes on the books of each Borrower is adequate for all years not closed by applicable statutes, and for its current fiscal year, and no Borrower has any knowledge of any material deficiency or additional material assessment in connection therewith not provided for on its books.

5.5. Financial Statements.

(a) The cash flow, income statement and balance sheet projections of Parent and its Subsidiaries on a consolidated basis, copies of which are annexed hereto as Schedule 5.5(a) (the "Projections") are based on underlying assumptions which provide a reasonable basis for the projections contained therein and reflect Borrowers' judgment based on present circumstances of the most likely set of conditions and course of action for the projected period.

(b) The consolidated balance sheets of Parent and its Subsidiaries as of December 31, 2009, and the related consolidated statement of income, changes in stockholder's equity, and changes in cash flow for the period ended on such date, all accompanied by reports thereon containing opinions without qualification by independent certified public or chartered accountants, copies of which have been delivered to Agent, have been prepared in accordance with GAAP, consistently applied (except for changes in application in which such accountants concur) and present fairly the financial position of Parent and its Subsidiaries on a consolidated basis at such date and the results of their operations for such period. Since December 31, 2009, there has been no change in the condition, financial or otherwise, of Parent or its Subsidiaries as shown on the consolidated balance sheet as of such date and no change in the aggregate value of machinery, equipment and Real Property owned by Parent or its Subsidiaries, in each instance, which individually or in the aggregate has had a Material Adverse Effect.



5.6. Entity Names. Except as set forth on Schedule 5.6, no Borrower, Guarantor or any of their respective Subsidiaries has been known by any other corporate name after December 31, 2006 and does not sell Inventory under any other name, nor has any of them been the surviving or continuing corporation or company of a merger, amalgamation, or consolidation or acquired all or substantially all of the assets of any Person after December 31, 2006.

5.7. O.S.H.A. and Environmental Compliance.

(a) Except as set forth on Schedule 5.7, and for noncompliance that is not reasonably likely to have a Material Adverse Effect, each Borrower has duly complied with, and its facilities, business, assets, property, leaseholds, Real Property and Equipment are in compliance in all material respects with, the provisions of the Federal Occupational Safety and Health Act, the analogous Canadian statutes, and all other Environmental Laws. Except as set forth on Schedule 5.7, there have been no outstanding citations, notices or orders of non-compliance issued to any Borrower or relating to its business, assets, property, leaseholds or Equipment under any such laws, rules or regulations and for noncompliance that is not reasonably likely to have a Material Adverse Effect.

(b) Each Borrower has been issued all required federal, state, provincial, and local licenses, certificates or permits relating to all applicable Environmental Laws except where the failure to obtain the same is not reasonably likely to have a Material Adverse Effect.

(c) Except as set forth on Schedule 5.7, and except for any of the listed items which are not reasonably likely to have a Material Adverse Effect, (i) there are no visible signs of releases, spills, discharges, leaks or disposal (collectively referred to as "Releases") of Hazardous Substances at, upon, under or within any Real Property; (ii) there are no underground storage tanks or polychlorinated biphenyls on the Real Property; (iii) the Real Property has never been used as a treatment, storage or disposal facility of Hazardous Waste; and (iv) no Hazardous Substances are present on the Real Property or any premises leased by any Borrower, excepting such quantities as are managed in accordance with all applicable manufacturer's instructions and governmental regulations and as are necessary for the operation of the commercial business of any Borrower or of its tenants, and naturally occurring Hazardous Substances.

5.8. Solvency; No Litigation, Violation, Indebtedness or Default.

(a) Parent and its Subsidiaries on a consolidated basis are Solvent.

(b) No Borrower has (i) any pending or threatened litigation, arbitration, actions or proceedings that individually or in the aggregate is reasonably likely to have a Material Adverse Effect, or (ii) any liabilities or indebtedness for borrowed money other than the Obligations and any Indebtedness permitted under this Agreement.

(c) No Borrower is in violation of any applicable statute, law, rule, regulation or ordinance which violation could reasonably be expected to have a Material Adverse Effect, nor is any Borrower in material violation of any order of any court, Governmental Body or arbitration board or tribunal.

(d) No Borrower nor any member of the Controlled Group maintains or contributes to any Pension Benefit Plan other than those listed on Schedule 5.8(d). Except to the extent that any of the following are not reasonably likely to have a Material Adverse Effect, no Pension Benefit Plan has incurred any “accumulated funding deficiency,” as defined in Section 302(a)(2) of ERISA and Section 412(a) of the Code, whether or not waived, and each Borrower and each member of the Controlled Group has met all applicable minimum funding requirements under Section 302 of ERISA and under Canadian Employee Benefit Laws in respect of each Plan to which it is obligated to contribute. No Termination Event has occurred nor has any other event occurred that is likely to result in a Termination Event, except to the extent that such Termination Event is not reasonably likely to have a Material Adverse Effect. Except as set forth on Schedule 5.8(d), none of the Borrowers or any of the Controlled Group is required to provide security to any Pension Benefit Plan under Section 436(f) of the Code or under Canadian Employee Benefit Laws. As of the Closing Date, Rocky Canada is not and has never been required to contribute to a Canadian Union Plan.

5.9. Patents, Trademarks, Copyrights and Licenses. Except for immaterial items of Intellectual Property, all active registered patents, patent applications, trademarks, trademark applications, service marks, service mark applications, copyrights, copyright applications, design rights, trade names, owned or utilized by any Borrower are set forth on Schedule 5.9 (as of the Closing Date and as such schedule is updated from time to time upon request by Agent), are valid and have been duly registered or filed with all appropriate Governmental Bodies and constitute all of the intellectual property rights which are necessary for the operation of its business. There is no objection to or pending challenge to the validity of any such registered patent, trademark, copyright, design rights, trade name and no Borrower is aware of any grounds for any challenge, except as set forth in Schedule 5.9 hereto that is reasonably likely to have a Material Adverse Effect. Except for immaterial items of Intellectual Property, each patent, patent application, patent license, trademark, trademark application, trademark license, service mark, service mark application, service mark license, design rights, copyright, copyright application and copyright license owned or held by any Borrower and all trade secrets used by any Borrower consist of original material or property developed by such Borrower or was lawfully acquired by such Borrower from the proper and lawful owner thereof. Borrowers have used commercially reasonable efforts to maintain each of such items used in their business. With respect to all software used by any Borrower, such Borrower is in possession of all source and object codes related to each piece of software or is the beneficiary of a source code escrow agreement, each such source code escrow agreement being listed on Schedule 5.9 hereto, except where the failure to have such possession would not reasonably be expected to have a Material Adverse Effect.

5.10. Licenses and Permits. Except as set forth in Schedule 5.10, each Borrower (a) is in compliance with, and (b) has procured and is now in possession of, all material licenses or permits required by any applicable federal, state, provincial or local law, rule or regulation for the operation of its business in each jurisdiction wherein it is now conducting or proposes to conduct business and where the failure to procure such licenses or permits is reasonably likely to have a Material Adverse Effect.

5.11. Default of Indebtedness. No Borrower is in default in the payment of the principal of or interest on any Indebtedness in excess of \$500,000 or under any instrument or agreement under or subject to which such Indebtedness has been issued and no event has occurred under the provisions of any such instrument or agreement which with or without the lapse of time or the giving of notice, or both, constitutes or would constitute an event of default thereunder.

5.12. No Default. No Borrower is in default in the payment or performance of any of Material Contract. All Material Contracts are listed on Schedule 5.12 (as it may be updated from time to time), are in full force and effect and no notice of default or termination has been delivered or threatened with respect thereto.

5.13. No Burdensome Restrictions. No Borrower is party to any contract or agreement the performance of which could have a Material Adverse Effect. As of the Closing Date each Borrower has heretofore delivered to Agent true and complete copies of all Material Contracts to which it is a party or to which it or any of its properties is subject. No Borrower has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien which is not a Permitted Encumbrance.

5.14. No Labor Disputes. No Borrower is involved in any labor dispute; there are no strikes or walkouts or union organization of any Borrower's employees threatened or in existence and no labor contract is scheduled to expire during the Term other than as set forth on Schedule 5.14 hereto; except where any of the same are not reasonably likely to have a Material Adverse Effect.

5.15. Margin Regulations. No Borrower is engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. No part of the proceeds of any Advance will be used for "purchasing" or "carrying" "margin stock" as defined in Regulation U of such Board of Governors.

5.16. Investment Company Act. No Borrower is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, nor is it controlled by such a company.

5.17. Disclosure. No representation or warranty made by any Borrower in this Agreement or in any financial statement, report, certificate or any other document furnished in connection herewith contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading. There is no fact known to any Borrower or which reasonably should be known to such Borrower which such Borrower has not disclosed to Agent in writing with respect to the transactions contemplated by this Agreement which could reasonably be expected to have a Material Adverse Effect.

5.18. Reserved.

5.19. Conflicting Agreements. No provision of any mortgage, indenture, contract, agreement, judgment, decree or order binding on any Borrower or affecting the Collateral conflicts with, or requires any Consent which has not already been obtained to, or would in any way prevent the execution, delivery or performance of, the terms of this Agreement or the Other Documents.

5.20. Application of Certain Laws and Regulations. No Borrower nor any Subsidiary is subject to any law, statute, rule or regulation which regulates the incurrence of any Indebtedness, including laws, statutes, rules or regulations relative to common or interstate carriers or to the sale of electricity, gas, steam, water, telephone, telegraph or other public utility services.

5.21. Business and Property of Borrowers. Upon and after the Closing Date, Borrowers do not propose to engage in any business other than the manufacture, import, export, distribution, and sale of branded footwear and apparel, and related products, and activities necessary to conduct the foregoing and any business reasonably incidental thereto. On the Closing Date, each Borrower will own all the property and possess all of the rights and Consents necessary for the conduct of the business of such Borrower.

5.22. Section 20 Subsidiaries. Borrowers do not intend to use and shall not use any portion of the proceeds of the Advances, directly or indirectly, to purchase during the underwriting period, or for 30 days thereafter, Ineligible Securities being underwritten by a Section 20 Subsidiary.

5.23. Anti-Terrorism Laws.

(a) General. Neither any Borrower nor any Affiliate of any Borrower is in violation of any Anti-Terrorism Law or engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(b) Executive Order No. 13224. Neither any Borrower nor any Affiliate of any Borrower or their respective agents acting or benefiting in any capacity in connection with the Advances or other transactions hereunder, is any of the following (each a "Blocked Person"):

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order No. 13224;

(iii) a Person or entity with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person or entity that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order No. 13224;

(v) a Person or entity that is named as a “specially designated national” on the most current list published by the U.S. Treasury Department Office of Foreign Asset Control at its official website or any replacement website or other replacement official publication of such list, or

(vi) a Person or entity who is affiliated or associated with a Person or entity listed above.

(c) Transactions. Neither any Borrower nor to the knowledge of any Borrower, any of its agents acting in any capacity in connection with the Advances or other transactions hereunder (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224.

(d) Foreign Extraterritorial Measures Act (Canada). It shall not be considered a breach of the representations and warranties contained in Section 5.23 or Section 5.24 if Rocky Canada is unable to make any of the foregoing representations and warranties regarding its activities and affairs due to compliance by it with the Foreign Extraterritorial Measures Act (Canada) (“FEMA”) or any other Applicable Law in effect in Canada.

5.24. Trading with the Enemy. No Borrower has engaged, nor does it intend to engage, in any business or activity prohibited by the Trading with the Enemy Act.

5.25. Reserved.

5.26. Withholdings and Remittances. Each Borrower has withheld from each payment made to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the Canadian Income Tax Act and provincial tax legislation all amounts required by Applicable Law to be withheld, including all payroll deductions required to be withheld, and furthermore, has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Body. Each Borrower has remitted all Benefit Plan normal or regular contributions, provincial pension plan contributions, all contributions required under the Canada Pension Plan Act (Canada), employment insurance premiums, employer health taxes and other taxes payable by it in respect of its employees and has remitted such amounts to the proper Governmental Body within the time required under Applicable Law.

## VI AFFIRMATIVE COVENANTS.

Each Borrower shall, and shall cause Guarantor, and each of their respective Domestic Subsidiaries to, until payment in full of the Obligations and termination of this Agreement:

6.1. Payment of Fees. Pay to Agent on demand all usual and customary fees and expenses which Agent incurs in connection with (a) the forwarding of Advance proceeds and (b) the establishment and maintenance of any Blocked Accounts or Collection Accounts as provided for in Section 4.15(h). Agent may, without making demand, charge Borrowers’ Account for all such fees and expenses.

6.2. Conduct of Business and Maintenance of Existence and Assets. (a) Conduct continuously and operate actively its business according to good business practices and maintain all of its properties useful or necessary in its business in good working order and condition (reasonable wear and tear excepted and except as may be disposed of in accordance with the terms of this Agreement), including all licenses, patents, copyrights, design rights, tradenames, trade secrets and trademarks and take all actions necessary to enforce and protect the validity of any intellectual property right or other right included in the Collateral except where the failure to do so could reasonably be expected to have a Material Adverse Effect; (b) keep in full force and effect its existence and comply in all material respects with Applicable Law governing the conduct of its business where the failure to do so could reasonably be expected to have a Material Adverse Effect; and (c) make all such reports and pay all such franchise and other taxes and license fees and do all such other acts and things as may be lawfully required to maintain its rights, licenses, leases, powers and franchises under the laws of the United States or Canada or any political subdivision thereof where the failure to do so could reasonably be expected to have a Material Adverse Effect.

6.3. Reserved.

6.4. Government Receivables. Take all steps necessary to protect Agent's interest in any Eligible Government Receivable under the Federal Assignment of Claims Act, the Uniform Commercial Code, the PPSA, and all other Applicable Law and deliver to Agent appropriately endorsed, any instrument or chattel paper connected with any such Receivable arising out of contracts between any Borrower and the United States, any state or any department, agency or instrumentality of any of them.

6.5. Fixed Charge Coverage Ratio. Cause to be maintained for Parent and its Subsidiaries on a consolidated basis, a Fixed Charge Coverage Ratio of not less than 1.10 to 1.00; provided that testing of compliance with the foregoing Fixed Charge Coverage Ratio requirement shall not occur until a Triggering Event. Upon a Triggering Event, the Fixed Charge Coverage Ratio shall be calculated and tested for the twelve (12) months preceding the calendar month in which the Triggering Event occurs. Testing shall continue as of each fiscal quarter end thereafter on a historical rolling four (4) quarters basis until a Satisfaction Event occurs.

6.6. Execution of Supplemental Instruments. Execute and deliver to Agent from time to time, upon demand, such supplemental agreements, statements, assignments and transfers, or instructions or documents relating to the Collateral, and such other instruments as Agent may reasonably request, in order that the full intent of this Agreement may be carried into effect.

6.7. Payment of Indebtedness. Pay, discharge or otherwise satisfy at or before maturity (subject, where applicable, to specified grace periods and matters which may be Properly Contested in accordance with this Agreement, and, in the case of the trade payables, to normal payment practices) all its obligations and liabilities of whatever nature, except when the failure to do so could not reasonably be expected to have a Material Adverse Effect or when the amount or validity thereof is currently being contested in good faith by appropriate proceedings and each Borrower shall have provided for such reserves as Agent may reasonably deem proper and necessary, subject at all times to any applicable subordination arrangement in favor of Lenders.

6.8. Standards of Financial Statements. Cause all financial statements referred to in Sections 9.7, 9.8, 9.9, 9.10, 9.11, 9.12 and 9.13 as to which GAAP is applicable to be complete and correct in all material respects (subject, in the case of interim financial statements, to normal year-end audit adjustments) and to be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein (except as concurred in by such reporting accountants or officer, as the case may be, and disclosed therein).

6.9. Reserved.

VII NEGATIVE COVENANTS.

No Borrower, Guarantor, nor any of their respective Subsidiaries shall, until satisfaction in full of the Obligations and termination of this Agreement:

7.1. Merger, Consolidation, Acquisition and Sale of Assets

(a) Other than a Permitted Acquisition, and any merger, consolidation, amalgamation, or other reorganization of a Borrower into another Borrower, enter into any merger, consolidation, amalgamation, or other reorganization with or into any other Person or permit any other Person to consolidate with or merge or amalgamate with it.

(b) Other than a Permitted Acquisition, any Permitted Investment and any acquisition, transfer or contribution of assets of a Borrower to another Borrower, acquire: (i) all or substantially all of the assets of any business, or any operating unit or division of any Person, whether through the purchase of assets, merger, combination, amalgamation or otherwise, or (ii) acquire a majority (by number of share or voting power) of the voting interests or other Equity Interests of any Person.

(c) Sell, lease, transfer or otherwise dispose of any of its properties or assets, except Permitted Dispositions; it being understood that nothing in this clause (c) is intended to restrict advances and payment of customer deposits, trade payables and other accrued expenses and liabilities incurred in the Ordinary Course of Business of Borrowers and Guarantors.

7.2. Creation of Liens. Create or suffer to exist any Lien or transfer upon or against any of its property or assets now owned or hereafter acquired, except Permitted Encumbrances.

7.3. Guarantees. Become liable upon the obligations or liabilities of any Person by assumption, endorsement or guaranty thereof or otherwise (other than to Agent or Lenders) except (a) as disclosed on Schedule 7.3, (b) guarantees made in the Ordinary Course of Business up to an aggregate amount of \$100,000 outstanding for Parent and its Subsidiaries on a Consolidated Basis, (c) the endorsement of checks in the Ordinary Course of Business, and (d) Permitted Guarantees.

7.4. Investments. Purchase or acquire obligations or Equity Interests of, or any other interest in, any Person, except Permitted Investments.

7.5. Loans. Make advances, loans or extensions of credit to any Person, including any Affiliate except for Permitted Advances.

7.6. Reserved.

7.7. Dividends. Declare, pay or make any dividend or distribution on any shares of the Equity Interests of Parent (other than dividends or distributions payable in its stock, or split-ups or reclassifications of its stock) or apply any of its funds, property or assets to the purchase, redemption or other retirement of any Equity Interests, or of any options to purchase or acquire any such Equity Interests of Parent, except that Parent shall be permitted to pay dividends to its shareholders or apply any of its funds to such purchase, redemption, retirement or acquisition each fiscal quarter in an amount not in excess of 50% of the net income of the Parent and its Subsidiaries on a consolidated basis for the immediately prior fiscal quarter provided that (a) after giving effect to the payment of any of the foregoing there shall not exist any Event of Default or Default, (b) a notice of termination with regard to this Agreement shall not be outstanding, (c) Undrawn Availability is at least \$7,000,000 immediately after giving effect to each such payment, (d) the proforma Fixed Charge Coverage Ratio of Parent and its Subsidiaries on a consolidated basis is at least 1.25 to 1.00 for the twelve (12) month period ending on the last day of the fiscal month prior to the month of the proposed payment, after giving effect to such payment, as evidenced by a pro-forma Compliance Certificate delivered by the Borrowing Agent, and (e) each such payment may be made only after Agent shall have received a Compliance Certificate for such immediately prior fiscal quarter. All calculations and projections to be made pursuant to this Section shall be subject to the Agent's approval and provided to the Agent prior to the making of the applicable payment.

7.8. Indebtedness. Create, incur, assume or suffer to exist any Indebtedness except in respect of (a) Indebtedness to Lenders; (b) Indebtedness incurred for Capital Expenditures in an amount not in excess of \$5,000,000 outstanding at any time for Parent and its Subsidiaries on a Consolidated Basis; (c) Indebtedness included within the Purchase Price for a Permitted Acquisition, provided such Indebtedness is subject to a subordination agreement acceptable to Agent in its sole discretion; (d) intercompany Indebtedness (which, for clarification, does not include trade payables incurred in the Ordinary Course of Business) between any Borrowers, or between Parent and its Subsidiaries, provided that the aggregate outstanding amount of any such intercompany Indebtedness owing at any time by Subsidiaries that are not Borrowers to Borrowers shall not exceed \$10,000,000 outstanding; (e) Indebtedness to shareholders of Parent from share repurchases and redemptions under the stockholders agreements not to exceed \$500,000 in the aggregate incurred in any Fiscal Year for Parent and its Subsidiaries on a Consolidated Basis; (f) other Indebtedness in the aggregate at any time outstanding of \$1,000,000 for Parent and its Subsidiaries on a Consolidated Basis; (g) Indebtedness of any Borrower listed on Schedule 7.8; (h) Indebtedness incurred in connection with the financing of Borrowers' insurance premiums; (i) Indebtedness incurred in connection with Hedge Agreements, in all cases not for speculative purposes, not to exceed in the aggregate a maximum liability for the termination of such any and all such agreements of \$7,500,000 at any time outstanding for Parent and its Subsidiaries on a Consolidated Basis; (j) obligations under any lease which is accounted for by the lessee as an operating lease and under which the lessee is intended to be the "owner" of the leased property for Federal income tax purposes; and (k) Indebtedness permitted by Section 7.3.



7.9. Nature of Business. (a) Substantially change the nature of the businesses in which it is presently engaged, or (b) fail to promptly notify Agent in the event that any Foreign Subsidiary that is not a Borrower or Guarantor, sells goods or services to any Person other than an Affiliate.

7.10. Transactions with Affiliates. Other than any transaction by and between, or among, Parent, Borrowers and their respective Subsidiaries, in each such case in a manner that is not materially economically detrimental to any Borrower, no Borrower or Guarantor shall directly or indirectly, purchase, acquire or lease any property from, or sell, transfer or lease any property to, or otherwise enter into any transaction or deal with, any Affiliate, except to the extent otherwise expressly permitted hereby or pursuant to the reasonable requirements of the Borrowers' businesses and upon fair and reasonable terms no less favorable to Borrowers than would be obtained in a comparable arm's-length transaction with a Person other than an Affiliate.

7.11. Reserved.

7.12. Subsidiaries. Form any Subsidiary unless (a) (i) in the case of a Domestic Subsidiary, it expressly joins in this Agreement as a borrower or Guarantor and becomes jointly and severally liable for the Obligations, or (ii) in the case of a Foreign Subsidiary, 65% of the Equity Interests of such Foreign Subsidiary are pledged as Collateral, and (b) Agent shall have received all documents, including legal opinions, it may reasonably require to establish compliance with each of the foregoing conditions.

7.13. Fiscal Year and Accounting Changes. Change its fiscal year from December 31 or make any significant change (a) in accounting treatment and reporting practices except as required by GAAP or (b) in tax reporting treatment except as required by law.

7.14. Pledge of Credit. Now or hereafter pledge Agent's or any Lender's credit on any purchases or for any purpose whatsoever or use any Advances in or for any business other than Borrowers' or otherwise in accordance with this Agreement.

7.15. Amendment of Articles of Incorporation, By-Laws, Certificate of Formation, Operating Agreement; Change of Name

(a) Amend, modify or waive any term or material provision of its Articles of Incorporation, By-Laws, Certificate of Formation, or Operating Agreement unless required by law but subject to Section 7.15(b).

(b) Change its name, FEIN, organizational identification number, business number assigned by the Canada Revenue Agency, company number, jurisdiction of organization, or organizational identity or status; provided, however, that a Borrower may change its name and Rocky Canada may continue into another jurisdiction other than Ontario upon at least 15 days' prior written notice by the applicable Borrower to Agent of such change or continuation and so long as, at the time of such written notification, such Borrower provides any financing or registration statements necessary to perfect and continue perfected Agent's Liens.

7.16. Compliance with ERISA. (a) Become obligated, or permit a member of the Controlled Group to become obligated, to contribute to a Benefit Plan except the Rocky Brands, Inc. Retirement Plan or as required pursuant to collective bargaining, or (b) fail to comply, or permit a member of the Controlled Group to fail to comply, with the requirements of ERISA or the Code with respect to any Benefit Plans in a manner reasonably likely to have a Material Adverse Effect.

7.17. Prepayment of Indebtedness. Except for the repayment in full of the GECC Loan, at any time, directly or indirectly, prepay any Indebtedness in an amount exceeding \$500,000 (other than to Lenders), or repurchase, redeem, retire or otherwise acquire any Indebtedness of any Borrower.

7.18. Anti-Terrorism Laws. No Borrower shall, until satisfaction in full of the Obligations and termination of this Agreement, nor shall it permit any Affiliate or agent to:

(a) Conduct any business or engage in any transaction or dealing with any Blocked Person, including the making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person.

(b) Deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order No. 13224.

(c) Engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in the Executive Order No. 13224, the USA PATRIOT Act or any other Anti-Terrorism Law. Borrower shall deliver to Lenders any certification or other evidence requested from time to time by any Lender in its sole discretion, confirming Borrower's compliance with this Section.

Provided, however, that Rocky Canada shall be required to comply with Section 7.18 or Section 7.20 to the extent that such compliance would violate or otherwise contravene FEMA or any other Applicable Law in effect in Canada.

7.19. Membership/Partnership Interests. Elect to treat or permit any of its Subsidiaries to (a) treat its limited liability company membership interests or partnership interests, as the case may be, as securities as contemplated by the definition of "security" in Section 8-102(15) and by Section 8-103 of Article 8 of Uniform Commercial Code or by the Securities Transfer Act of any Canadian jurisdiction, or (b) certificate its limited liability company membership interests or partnership interests, as the case may be.

7.20. Trading with the Enemy Act. No Borrower shall, until satisfaction in full of the Obligations and termination of this Agreement, nor shall it permit any Affiliate or agent to engage in any business or activity in violation of the Trading with the Enemy Act.

#### VIII CONDITIONS PRECEDENT.

8.1. Conditions to Initial Advances. The agreement of Lenders to make the initial Advances requested to be made on the Closing Date is subject to the satisfaction, or waiver by Agent, immediately prior to or concurrently with the making of such Advances, of the following conditions precedent:

(a) Note. Agent shall have received the Note duly executed and delivered by an authorized officer of each Borrower;

( b ) Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code or PPSA financing statement) required by this Agreement, any related agreement or under law or reasonably requested by the Agent to be filed, registered or recorded in order to create, in favor of Agent, a perfected security interest in or Lien upon the Collateral shall have been properly filed, registered or recorded in each jurisdiction in which the filing, registration or recordation thereof is so required or requested, and Agent shall have received an acknowledgment copy, or other evidence reasonably satisfactory to it, of each such filing, registration or recordation and reasonably satisfactory evidence of the payment of any necessary fee, tax or expense relating thereto;

(c) Corporate Proceedings of Borrowers. Agent shall have received a copy of the resolutions in form and substance reasonably satisfactory to Agent, of the board of directors or managers of each Borrower authorizing (i) the execution, delivery and performance of this Agreement and the Other Documents (collectively the “Documents”) and (ii) the granting by each Borrower of the security interests in and liens upon the Collateral in each case certified by the Secretary or an Assistant Secretary of each Borrower as of the Closing Date; and, such certificate shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded as of the date of such certificate;

(d) Incumbency Certificates of Borrowers. Agent shall have received a certificate of the Secretary or an Assistant Secretary of each Borrower, dated the Closing Date, as to the incumbency and signature of the officers of each Borrower executing this Agreement, the Other Documents, any certificate or other documents to be delivered by it pursuant hereto, together with evidence of the incumbency of such Secretary or Assistant Secretary;

( e ) Certificates. Agent shall have received a copy of the Articles or Certificate of Incorporation or Formation of each Borrower, and all amendments thereto, certified by the Secretary of State or other appropriate official of its jurisdiction of incorporation (or in the case of Rocky Canada, certified by the Secretary of Rocky Canada) or formation, as applicable, together with copies of the By-Laws (or equivalent governing document) of each Borrower certified as accurate and complete by the Secretary or Assistant Secretary of each such Borrower;

( f ) Good Standing Certificates. Agent shall have received good standing certificates for each domestic Borrower dated not more than thirty (30) days prior to the Closing Date, issued by the Secretary of State or other appropriate official of the jurisdiction of incorporation or formation, as applicable, of each such Borrower;

( g ) Legal Opinions. Agent shall have received the executed legal opinions of the Borrowers’ U.S. and Canadian counsel in form and substance reasonably satisfactory to Agent which shall cover such matters incident to the transactions contemplated by this Agreement and the Other Documents, and each Borrower hereby authorizes and directs such counsel to deliver such opinions to Agent and Lenders;

( h ) No Litigation. (i) No litigation, investigation or proceeding before or by any arbitrator or Governmental Body shall be continuing or threatened against any Borrower or against the officers or directors of any Borrower (A) in connection with this Agreement, the Other Documents or any of the transactions contemplated thereby and which, in the reasonable opinion of Agent, is deemed material or (B) which could, in the reasonable opinion of Agent, have a Material Adverse Effect; and (ii) no injunction, writ, restraining order or other order of any nature materially adverse to any Borrower or the conduct of its business or inconsistent with the due consummation of the Transactions shall have been issued by any Governmental Body;

(i) Financial Condition Certificates. Agent shall have received an executed Financial Condition Certificate in the form of Exhibit 8.1(i).

( j ) Collateral Examination. Agent shall have completed Collateral examinations and received appraisals, the results of which shall be satisfactory in form and substance to Lenders, of the Receivables, Inventory, Eligible Real Property, and Equipment of each Borrower and all books and records in connection therewith;

(k) Fees. Agent shall have received all fees payable to Agent and Lenders on or prior to the Closing Date hereunder, including pursuant to Article III;

(l) Insurance. Agent shall have received in form and substance satisfactory to Agent, certified copies of Borrowers' casualty insurance policies, together with loss payable endorsements on Agent's standard form of loss payee endorsement naming Agent as loss payee, and certified copies of Borrowers' liability insurance policies, together with endorsements naming Agent as a co-insured or as an additional insured in the case of Canadian insurance policies;

( m ) Payment Instructions. Agent shall have received written instructions from Borrowing Agent directing the application of proceeds of the initial Advances made pursuant to this Agreement;

( n ) Blocked Accounts. Agent shall have received duly executed agreements establishing the Blocked Accounts or Collection Accounts with financial institutions acceptable to Agent for the collection or servicing of the Receivables and proceeds of the Collateral;

( o ) Consents. Agent shall have received any and all Consents necessary to permit the effectuation of the transactions contemplated by this Agreement and the Other Documents; and, Agent shall have received such Consents and waivers of such third parties as might assert claims with respect to the Collateral;

( p ) No Adverse Material Change. (i) since December 31, 2009 there shall not have occurred any event, condition or state of facts which could reasonably be expected to have a Material Adverse Effect and (ii) no representations made or information supplied to Agent or Lenders shall have been proven to be inaccurate or misleading in any material respect;

(q) Collateral Access Agreements. Agent shall have received Collateral Access Agreements satisfactory to Agent with respect to the Access Agreement Locations;

(r) Other Documents. Agent shall have received the executed Other Documents, all in form and substance satisfactory to Agent;

(s) Contract Review. Agent shall have reviewed all Material Contracts of Borrowers including leases, union contracts, labor contracts, vendor supply contracts, license agreements and distributorship agreements and such contracts and agreements shall be satisfactory in all respects to Agent;

(t) Borrowing Base. Agent shall have received evidence from Borrowers that the aggregate amount of Eligible Receivables and Eligible Inventory is sufficient in value and amount to support Advances in the amount requested by Borrowers on the Closing Date;

(u) Undrawn Availability. After giving effect to the initial Advances hereunder, including for all fees and expenses related to the subject transactions, Borrowers shall have Undrawn Availability of at least \$10,000,000; and

(v) Compliance with Laws. Agent shall be reasonably satisfied that each Borrower is in compliance with all pertinent federal, state, provincial, local or territorial regulations, including those with respect to the Federal Occupational Safety and Health Act, the Environmental Protection Act, ERISA and the Trading with the Enemy Act.

(w) Other. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the Transactions shall be satisfactory in form and substance to Agent and its counsel.

8.2. Conditions to Each Advance. The agreement of Lenders to make any Advance requested to be made on any date (including the initial Advance), is subject to the satisfaction of the following conditions precedent as of the date such Advance is made:

(a) Representations and Warranties. Each of the representations and warranties made by any Borrower in or pursuant to this Agreement, the Other Documents and any related agreements to which it is a party, and each of the representations and warranties contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement, the Other Documents or any related agreement shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent that any such representation or warranty relates to a specified date, in which each such representation and warranty shall be true and correct in all material respects on and as of such specified date;

(b) No Default. No Event of Default or Default shall have occurred and be continuing on such date, or would exist after giving effect to the Advances requested to be made, on such date; provided, however that Agent, in its sole discretion, may (subject to the provisions in Section 16.2(b)) continue to make Advances notwithstanding the existence of an Event of Default or Default and that any Advances so made shall not be deemed a waiver of any such Event of Default or Default; and

( c ) Maximum Advances. In the case of any type of Advance requested to be made, after giving effect thereto, the aggregate amount of such type of Advance shall not exceed the maximum amount of such type of Advance permitted under this Agreement.

Each request for an Advance by any Borrower hereunder shall constitute a representation and warranty by each Borrower as of the date of such Advance that the conditions contained in this subsection shall have been satisfied.

#### IX INFORMATION AS TO BORROWERS.

Each Borrower shall, or (except with respect to Section 9.11) shall cause Borrowing Agent on its behalf to, until satisfaction in full of the Obligations and the termination of this Agreement:

9.1. Disclosure of Material Matters. Immediately upon learning thereof, report to Agent all matters materially affecting the value, enforceability or collectability of any material portion of the Collateral, including any Borrower's reclamation or repossession of, or the return to any Borrower of, a material amount of goods or claims or disputes asserted by any Customer or other obligor.

9.2. Schedules. Deliver to Agent on or before the fifteenth (15<sup>th</sup>) day of each month as and for the prior month (a) Receivables ageings inclusive of reconciliations to the general ledger, (b) accounts payable schedules inclusive of reconciliations to the general ledger, (c) a report of sales, credits, and collections, (d) Inventory reports, and (e) a Borrowing Base Certificate in form and substance satisfactory to Agent (which shall be calculated as of the last day of the prior month and which shall not be binding upon Agent or restrictive of Agent's rights under this Agreement); provided that, the Borrowers may, but shall not be obligated to (except as set forth in the following sentence), deliver the foregoing more frequently than once per month. Commencing upon Undrawn Availability plus Qualified Cash being less than \$15,000,000 for a period in excess of five (5) consecutive days after the 45<sup>th</sup> day following the Closing Date, unless waived by Agent in its sole discretion or until Undrawn Availability plus Qualified Cash exceeds \$17,000,000 for a period in excess of ten (10) consecutive days thereafter), deliver to Agent on or before the second (2<sup>nd</sup>) Business Day of each week as and for the prior week, a report of sales, credits, and collections (which shall be calculated as of the last day of the prior week and which shall not be binding upon Agent or restrictive of Agent's rights under this Agreement). In addition, each Borrower will deliver to Agent at such intervals as Agent may require in its Permitted Discretion: (i) confirmatory assignment schedules, (ii) copies of Customer's invoices, (iii) evidence of shipment or delivery, (iv) reports on Priority Payables, and (v) such further schedules, documents and/or information regarding the Collateral as Agent may reasonably require including trial balances and test verifications. Agent shall have the right to confirm and verify all Receivables by any manner and through any medium it considers advisable and do whatever it may deem reasonably necessary to protect its interests hereunder. The items to be provided under this Section are to be in form reasonably satisfactory to Agent and executed by Borrowing Agent and delivered to Agent from time to time solely for Agent's convenience in maintaining records of the Collateral, and any Borrower's failure to deliver any of such items to Agent shall not affect, terminate, modify or otherwise limit Agent's Lien with respect to the Collateral.

9.3. Environmental Reports. Furnish Agent, concurrently with the delivery of the financial statements referred to in Sections 9.7 and 9.9, with a Compliance Certificate stating, to his actual knowledge, that each Borrower, Guarantor and each of their respective Subsidiaries is in compliance in all material respects with all federal, state, provincial and local Environmental Laws. To the extent any Borrower, Guarantor or any of their respective Subsidiaries is not in compliance with the foregoing laws, the certificate shall set forth with specificity all areas of non-compliance and the proposed action it will implement in order to achieve full compliance. In each case where potential liability or responsibility is reasonably likely to be in excess of \$500,000, Borrowing Agent shall also promptly forward to Agent copies of any request for information, notification of potential liability, demand letter relating to potential responsibility with respect to the investigation or cleanup of Hazardous Substances at any site owned, operated or used by Borrower, Guarantor or any of their respective Subsidiaries to dispose of Hazardous Substances and shall continue to forward copies of material correspondence between it and the Authority regarding such claims to Agent until the claim is settled. Borrowing Agent shall promptly forward to Agent copies of all documents and reports concerning a Hazardous Discharge at the Real Property that any Borrower is required to file under any Environmental Laws. Such information is to be provided solely to allow Agent to protect Agent's security interest in and Lien on the Collateral.

9.4. Litigation. Promptly notify Agent in writing of any claim, litigation, suit or administrative proceeding affecting any Borrower, Guarantor or any of their respective Subsidiaries which involves an amount in excess of \$500,000.

9.5. Material Occurrences. Promptly notify Agent in writing upon the occurrence of (a) any Event of Default or Default; (b) any event, development or circumstance whereby any financial statements or other reports furnished to Agent fail in any material respect to present fairly, in accordance with GAAP consistently applied, the financial condition or operating results of any Borrower as of the date of such statements; (c) any accumulated retirement plan funding deficiency which, if such deficiency continued for two plan years and was not corrected as provided in Section 4971 of the Code, could subject any Borrower to a tax imposed by Section 4971 of the Code; (d) each and every default by any Borrower which might result in the acceleration of the maturity of any Indebtedness in the amount of \$500,000 or more, including the names and addresses of the holders of such Indebtedness with respect to which there is a default existing or with respect to which the maturity has been or could be accelerated, and the amount of such Indebtedness; and (e) any other development in the business or affairs of any Borrower, Guarantor or any of their respective Subsidiaries which could reasonably be expected to have a Material Adverse Effect; in each case describing the nature thereof and the action Borrowers propose to take with respect thereto.

9.6. Government Receivables. Furnish Agent with any material correspondence or amendments related to any contracts between Borrower and any Governmental Body.

9.7. Annual Financial Statements. Furnish Agent within ninety (90) days after the end of each fiscal year, financial statements of Parent and its Subsidiaries on a consolidated basis including, but not limited to, statements of income and stockholders' equity and cash flow from the beginning of the current fiscal year to the end of such fiscal year and the balance sheet as at the end of such fiscal year, all prepared in accordance with GAAP applied on a basis consistent with prior practices, and in reasonable detail and reported upon without qualification by an independent certified public accounting firm selected by Borrowers. The reports shall be accompanied by a Compliance Certificate with a calculation of the Fixed Charge Coverage Ratio for the applicable fiscal year.

9.8. Reserved.

9.9. Monthly Financial Statements. Furnish Agent within thirty (30) days after the end of each month (other than the months of March, June and September, which shall be furnished within forty-five (45) days after the end of each such month and ninety (90) days after the end of December) for Parent and its Subsidiaries on a consolidated basis, an unaudited balance sheet and unaudited statements of income and cash flow reflecting results of operations from the beginning of the fiscal year to the end of such month and for such month, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to normal and recurring year-end adjustments. The reports shall be accompanied by a Compliance Certificate, and each Compliance Certificate corresponding with a quarter-end shall include a calculation of the Fixed Charge Coverage Ratio for the most recent four (4) quarters.

9.10. Other Reports. Except to the extent the following are made available to the public generally and can be obtained by Agent without cost or expense on a timely basis, furnish Agent as soon as available, but in any event within ten (10) days after the issuance thereof, with copies of (i) such financial statements, reports and returns as each Borrower shall send to its stockholders, (ii) all press releases and all statements concerning material changes or developments in the business of any Borrower, Guarantor or their respective Subsidiaries made available by the Borrower, Guarantor and each of their respective Subsidiaries to the public or any other creditor, and (iii) copies of all reports and registration statements filed with the SEC or any national or foreign securities exchange or the National Association of Securities Dealers, Inc.

9.11. Additional Information. Furnish Agent with such additional information as Agent shall reasonably request in order to enable Agent to determine whether the terms, covenants, provisions and conditions of this Agreement and the Note have been complied with by Borrowers including, without the necessity of any request by Agent, (a) copies of all environmental audits and reviews, (b) at least thirty (30) days prior thereto, notice of any Borrower's opening of any new office or place of business or any Borrower's closing of any existing office or place of business, and (c) promptly upon any Borrower's learning thereof, notice of any labor dispute to which any Borrower may become a party, any strikes or walkouts relating to any of its plants or other facilities, and the expiration of any labor contract to which any Borrower is a party or by which any Borrower is bound.

9.12. Projected Operating Budget. Furnish Agent, no later than thirty (30) days after the beginning of each Borrower's fiscal year commencing with fiscal year 2011, for Parent and its Subsidiaries on a consolidated basis, a month by month projected income statement, cash flow and balance sheet for such fiscal year.



9.13. Variances From Operating Budget. Borrowing Agent shall provide to Agent, upon request, a written analysis of specified material variances from the budget described in Section 9.12.

9.14. Notice of Suits, Adverse Events. Furnish Agent with prompt written notice of (i) any lapse or other termination of any Consent issued to any Borrower by any Governmental Body or any other Person that is reasonably likely to have a Material Adverse Effect, and (ii) any refusal by any Governmental Body or any other Person to renew or extend any such Consent.

9.15. ERISA Notices and Requests. Furnish Agent with written notice promptly and in any event within fifteen (15) days after any Borrower or any member of the Controlled Group thereof knows or has reason to know, of the following described events which individually or in the aggregate are reasonably likely to have a Material Adverse Effect: (i) (A) any Termination Event with respect to any Pension Benefit Plan or Canadian Pension Plan (if applicable) has occurred, or (B) an accumulated funding deficiency has been incurred or an application has been made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including installment payments) or an extension of any amortization period under Section 412 of the Code or the equivalent provision under any federal, state, provincial, local or foreign counterparts or equivalents thereof (other than any Canadian Employee Benefit Laws) with respect to a Pension Benefit Plan, a statement of an officer of Borrowing Agent setting forth the details of such occurrence and the action, if any, which Borrowers or such member of the Controlled Group proposes to take with respect thereto, (ii) receipt thereof by any Borrower or any member of the Controlled Group thereof from the PBGC, copies of each notice received by any Borrower or any member of the Controlled Group thereof of the PBGC's intention to terminate any Pension Benefit Plan or to have a trustee appointed to administer any Pension Benefit Plan, (iii) if requested by Agent, copies of each Schedule B (Actuarial Information) or the federal, state, provincial, local or foreign equivalent thereof to the annual report (Form 5500 Series) or the federal, state, local or foreign equivalent thereof with respect to each Canadian Pension Plan, Pension Benefit Plan and Multiemployer Plan, (iv) any required installment within the meaning of Section 412 of the Code or the equivalent provision under any federal, state, provincial, local or foreign counterparts or equivalents thereof has not been made when due with respect to a Pension Benefit Plan or Canadian Pension Plan, (v) receipt thereof by any Borrower or any member of the Controlled Group thereof from a sponsor of a Multiemployer Plan or from the PBGC, a copy of each notice received by any Borrower or any member of the Controlled Group thereof concerning the imposition or amount of withdrawal liability under Section 4202 of ERISA or the equivalent provision under any federal, state, provincial, local or foreign counterparts or equivalents thereof (other than any other than any Canadian Employee Benefit Laws) or indicating that such Multiemployer Plan may enter reorganization status under Section 4241 of ERISA or the equivalent provision under any federal, state, provincial, local or foreign counterparts or equivalents thereof (other than any other than any Canadian Employee Benefit Laws), and (vi) copies of each notice of a plant closing or mass layoff (as defined in WARN) to employees sent by any Borrower or any member of the Controlled Group thereof. Borrowing Agent shall furnish Agent written notice if any Borrower is ever required to contribute to a Canadian Union Plan.

9.16. Additional Documents. Execute and deliver to Agent, upon request, such documents and agreements as Agent may, from time to time, reasonably request to carry out the purposes, terms or conditions of this Agreement.

9.17. Cash Reporting; Liquidity Calculation.

(a) Furnish Agent, no later than the second (2nd) Business Day of each week, a schedule of Qualified Cash by account and Undrawn Availability, each as of the end of each Business Day during the prior week; provided however, notwithstanding such daily calculation of total Undrawn Availability, the trade payable component of Undrawn Availability shall only be updated and adjusted for the purpose of this Section on the fifteenth (15<sup>th</sup>) and thirtieth (30<sup>th</sup>) day of each calendar month (or the next following Business Day if not a Business Day).

(b) Furnish Agent, no later than the fifth (5<sup>th</sup>) Business Day of each fiscal quarter, a Liquidity Calculation for the prior fiscal quarter.

X EVENTS OF DEFAULT.

The occurrence of any one or more of the following events shall constitute an “Event of Default”:

10.1. Nonpayment. (a) Failure to pay any principal or interest on the Obligations when due, whether at maturity or by reason of acceleration pursuant to the terms of this Agreement or by notice of intention to prepay, or by required prepayment, or (b) failure to pay any other liabilities or make any other payment, fee or charge provided for herein when due or in any Other Document within three (3) Business Days after the same shall become due, provided however that such three (3) Business Day cure period shall only be applicable in the event that Agent fails to charge such amounts to the Borrowers’ Account and such failure by Agent is not the result of any condition set forth in Section 8.2 being unsatisfied;

10.2. Breach of Representation. Any representation or warranty made or deemed made in this Agreement, any Other Document or any related agreement or in any certificate, document or financial or other statement furnished at any time in connection herewith or therewith shall prove to have been misleading in any material respect on the date when made or deemed to have been made;

10.3. Financial Information. Failure by any Borrower, Guarantor or their respective Subsidiaries to (a) furnish financial information, (i) required to be furnished on or before a certain date or within a specified period in accordance with this Agreement, which is not cured within two (2) Business Days from the earlier of notice of such failure from the Agent to the Borrowing Agent or the time the Chief Executive Officer or Chief Financial Officer of the Borrowing Agent first becomes aware of such failure, or (ii) when requested in writing which is unremedied for a period of five (5) Business Days after such request, or (b) permit the inspection of its books or records in accordance with this Agreement, which is not cured within two (2) Business Days from the earlier of notice of such failure from the Agent to the Borrowing Agent or the time the Chief Executive Officer or Chief Financial Officer of the Borrowing Agent first becomes aware of such failure;

10.4. Judicial Actions. Issuance by the United States of America or any department or instrumentality thereof or by any state or other governmental agency of a notice of Lien, levy, assessment, injunction or attachment (other than a Permitted Lien) in excess of \$500,000 against any Collateral which is not stayed, discharged, or lifted within thirty (30) days;

10.5. Noncompliance. Except as otherwise provided for in Sections 10.1 and 10.3, failure or neglect of any Borrower, Guarantor, or any of their respective Subsidiaries to perform, keep or observe any term, provision, condition, covenant contained in this Agreement, any Other Document, or any other agreement, now or hereafter entered into between Borrower, Guarantor, or any of their respective Subsidiaries, and Agent or any Lender and the failure or inability of it to cure within fifteen (15) days after notice thereof from Agent; provided that such notice and cure period will not apply to any such failure or neglect: (i) which Agent determines cannot be cured during such period, (ii) which has previously occurred two (2) times or more during the Term, (iii) which is with respect to any negative covenant in Article VII herein, (iv) which is with respect to any of Sections 2.5, 4.10, 4.11, 4.13, 4.14, 4.15(d), (h) or (j), or 6.5 herein, or (v) which is with respect to any Lender-Provided Hedge;

10.6. Judgments. Any judgment or judgments for the payment of money shall be rendered against any Borrower, Guarantor, or any of their respective Subsidiaries unless: (a) (i) such judgment or judgments are less than \$1,500,000 in the aggregate, (ii) enforcement of each such judgment is stayed, (iii) each such judgment is being contested in good faith, and (iv) reserves satisfactory to Agent are established by Borrowers or each such judgment is covered by valid insurance satisfactory to Agent, or (b) such judgment or judgments are less than \$1,500,000 in the aggregate and are satisfied within 14 days after entry thereof;

10.7. Bankruptcy. Any Borrower, Guarantor, or any of their respective Subsidiaries shall (i) apply for, consent to or suffer the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar fiduciary of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of creditors, (iii) commence a voluntary case under any state, provincial or federal bankruptcy laws (as now or hereafter in effect), (iv) be adjudicated a bankrupt or insolvent, (v) file a petition seeking to take advantage of any other law providing for the relief or reorganization of debtors, (vi) acquiesce to, or fail to have dismissed, within sixty (60) days, any petition filed against it in any involuntary case under such bankruptcy laws, or (vii) take any action for the purpose of effecting any of the foregoing;

10.8. Inability to Pay. Any Borrower, Guarantor, or any of their respective Subsidiaries shall admit in writing its inability, or be generally unable, to pay its debts as they become due or cease operations of its present business unless such ceased operations are assumed by another Borrower, Guarantor, or their respective Subsidiaries;

10.9. [Reserved].

10.10. Lien Priority. Any Lien created hereunder or provided for hereby or under any Other Document for any reason ceases to be or is not a valid and perfected Lien having a first priority interest, subject to Permitted Encumbrances and except as otherwise permitted under this Agreement, in each instance other than as a direct result of the failure of Agent or any Lender to take any action within its control;

10.11. Cross Default. A failure of any Borrower, Guarantor, or any of their respective Subsidiaries to pay when due any principal or interest on any Indebtedness (other than the Obligations) in the individual principal amount in excess of \$750,000 or having an aggregate principal amount in excess of \$1,500,000 under any agreement for borrowed money or default by any Borrower, Guarantor, or any of their respective Subsidiaries in any agreement evidencing any such Indebtedness, if such breach causes the holder of such Indebtedness to accelerate the maturity thereof or declare such Indebtedness due prior to its stated maturity;

10.12. Breach of Guaranty. Termination or breach of any Guaranty or Guaranty Security Agreement executed and delivered to Agent in connection with the Obligations of any Borrower, or if any Guarantor attempts to terminate, challenges the validity of, or its liability under, any such Guaranty or Guaranty Security Agreement;

10.13. Change of Control. Any Change of Control shall occur;

10.14. Invalidity. Any material provision of this Agreement or of any material Other Document shall, for any reason, cease to be valid and binding on any Borrower or Guarantor, or any Borrower or Guarantor shall so claim in writing to Agent or any Lender;

10.15. Licenses. (i) Any Governmental Body shall (A) revoke, terminate, suspend or adversely modify any license, permit, patent trademark or tradename of any Borrower, Guarantor, or any of their respective Subsidiaries, the continuation of which is material to the continuation of any of their businesses, or (B) commence proceedings to suspend, revoke, terminate or adversely modify any such license, permit, trademark, tradename or patent and such proceedings shall not be dismissed or discharged within sixty (60) days, or (C) schedule or conduct a hearing on the renewal of any license, permit, trademark, tradename or patent necessary for the continuation of any Borrower's, Guarantor's, or any of their respective Subsidiaries' business and the staff of such Governmental Body issues a report recommending the termination, revocation, suspension or material, adverse modification of such license, permit, trademark, tradename or patent, and such revocation, termination, suspension, proceeding or recommendation is reasonably likely to have a Material Adverse Effect; (ii) any agreement which is necessary or material to the operation of any Borrower's, Guarantor's, or any of their respective Subsidiaries' business shall be revoked or terminated and not replaced by a substitute acceptable to Agent within thirty (30) days after the date of such revocation or termination, and such revocation or termination and non-replacement would reasonably be expected to have a Material Adverse Effect;

10.16. Seizures. A portion of the Collateral with a value in excess of \$1,000,000 shall be seized or taken by a Governmental Body, or any Borrower, Guarantor, or any of their respective Subsidiaries or the title and rights of any Borrower, Guarantor, or any of their respective Subsidiaries shall have become the subject matter of a claim, litigation, suit or other proceeding which Agent has determined in the exercise of its Permitted Discretion, upon final determination, is reasonably likely result in impairment or loss of the security provided by this Agreement or the Other Documents;

10.17. Operations. The operations of any Borrower's, Guarantor's, or any of their respective Subsidiaries' manufacturing facility are interrupted at any time for more than thirty (30) consecutive days, unless such Borrower, Guarantor or Subsidiary shall (i) be entitled to receive for such period of interruption, proceeds of business interruption insurance sufficient to assure that its per diem cash needs during such period is at least equal to its average per diem cash needs for the consecutive three (3) month period immediately preceding the initial date of interruption and (ii) receive such proceeds in the amount described in clause (i) preceding not later than thirty (30) days following the initial date of any such interruption; provided, however, that notwithstanding the provisions of clauses (i) and (ii) of this Section, an Event of Default shall be deemed to have occurred if such Borrower, Guarantor or Subsidiary shall be receiving the proceeds of business interruption insurance for a period of six (6) months; or

XI LENDERS' RIGHTS AND REMEDIES AFTER DEFAULT.

11.1. Rights and Remedies.

(a) Upon the occurrence and during the continuance of (i) an Event of Default pursuant to Section 10.7, all Obligations shall be immediately due and payable and this Agreement and the obligation of Lenders to make Advances shall be deemed terminated; and, (ii) any of the other Events of Default and at any time thereafter, at the option of Required Lenders, all Obligations shall be immediately due and payable and Lenders shall have the right to terminate this Agreement and to terminate the obligation of Lenders to make Advances. Upon the occurrence and during the continuance of any Event of Default, Agent shall have the right to exercise any and all rights and remedies provided for herein, under the Other Documents, under the Uniform Commercial Code and PPSA and at law or equity generally, including the right to foreclose the security interests granted herein and to realize upon any Collateral by any available judicial procedure and/or to take possession of and sell any or all of the Collateral with or without judicial process. In compliance with Applicable Law, Agent may enter any of any Borrower's premises or other premises without legal process and without incurring liability to any Borrower therefor, and Agent may thereupon, or at any time thereafter, in its discretion without notice or demand, take the Collateral and remove the same to such place as Agent may deem advisable and Agent may require Borrowers to make the Collateral available to Agent at a convenient place. With or without having the Collateral at the time or place of sale, Agent may sell the Collateral, or any part thereof, at public or private sale, at any time or place, in one or more sales, at such price or prices, and upon such terms, either for cash, credit or future delivery, as Agent may elect. Except as to that part of the Collateral which is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Agent shall give Borrowers reasonable notification of such sale or sales, it being agreed that in all events written notice mailed to Borrowing Agent at least ten (10) Business Days prior to such sale or sales is reasonable notification. At any public sale Agent or any Lender may bid for and become the purchaser, and Agent, any Lender or any other purchaser at any such sale thereafter shall hold the Collateral sold absolutely free from any claim or right of whatsoever kind, including any equity of redemption and all such claims, rights and equities are hereby expressly waived and released by each Borrower. Each Borrower waives any right to require a marshalling of assets. The cash proceeds realized from the sale of any Collateral shall be applied to the Obligations in the order set forth in Section 11.6. Noncash proceeds will only be applied to the Obligations as they are converted into cash. If any deficiency shall arise, Borrowers shall remain liable to Agent and Lenders therefor.

(b) Upon the occurrence and during the continuance of an Event of Default, in connection with the exercise of the foregoing remedies, including the sale of Inventory, Agent is granted a perpetual irrevocable, royalty free, nonexclusive license and Agent is granted permission to use all of each Borrower's (i) trademarks, trademark applications, trade styles, trade names, patents, patent applications, copyrights, service marks, licenses, franchises and other proprietary rights which are used or useful in connection with Inventory for the purpose of marketing, advertising for sale and selling or otherwise disposing of such Inventory, and (ii) Equipment for the purpose of completing the manufacture of unfinished goods.

(c) Upon the occurrence and during the continuance of an Event of Default, to the extent that Applicable Law imposes duties on the Agent to exercise remedies in a commercially reasonable manner, each Borrower acknowledges and agrees that it is not commercially unreasonable for the Agent (i) to fail to incur expenses reasonably deemed significant by the Agent to prepare Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition, (ii) to fail to obtain third party consents for access to Collateral to be disposed of, or to obtain or, if not required by other law, to fail to obtain governmental or third party consents for the collection or disposition of Collateral to be collected or disposed of, (iii) to fail to exercise collection remedies against Customers and other Persons obligated on Collateral or to remove Liens on or any adverse claims against Collateral, (iv) to exercise collection remedies against Customers and other Persons obligated on Collateral directly or through the use of collection agencies and other collection specialists, (v) to advertise dispositions of Collateral through publications or media of general circulation, whether or not the Collateral is of a specialized nature, (vi) to contact other Persons, whether or not in the same business as any Borrower, for expressions of interest in acquiring all or any portion of such Collateral, (vii) to hire one or more professional auctioneers to assist in the disposition of Collateral, whether or not the Collateral is of a specialized nature, (viii) to dispose of Collateral by utilizing internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets, (ix) to dispose of assets in wholesale rather than retail markets, (x) to disclaim disposition warranties, such as title, possession or quiet enjoyment, (xi) to purchase insurance or credit enhancements to insure the Agent against risks of loss, collection or disposition of Collateral or to provide to the Agent a guaranteed return from the collection or disposition of Collateral, or (xii) to the extent deemed appropriate by the Agent, to obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Agent in the collection or disposition of any of the Collateral. Each Borrower acknowledges that the purpose of this Section 11.1(b) is to provide non-exhaustive indications of what actions or omissions by the Agent would not be commercially unreasonable in the Agent's exercise of remedies against the Collateral and that other actions or omissions by the Agent shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 11.1(b). Without limitation upon the foregoing, nothing contained in this Section 11.1(b) shall be construed to grant any rights to any Borrower or to impose any duties on Agent that would not have been granted or imposed by this Agreement or by Applicable Law in the absence of this Section 11.1(b).

11.2. Agent's Discretion. Agent shall have the right in its sole discretion to determine which rights, Liens, security interests or remedies Agent may at any time pursue, relinquish, subordinate, or modify or to take any other action with respect thereto and such determination will not in any way modify or affect any of Agent's or Lenders' rights hereunder.

11.3. Setoff. Subject to Section 14.12, in addition to any other rights which Agent or any Lender may have under Applicable Law, upon the occurrence and during the continuance of an Event of Default hereunder, Agent and such Lender shall have a right, immediately and without notice of any kind, to apply any Borrower's property held by Agent and such Lender to reduce the Obligations.

11.4. Appointment of Receiver.

(a) Upon the occurrence and during the continuation of an Event of Default, Agent shall be entitled to the immediate appointment of a receiver for all or part of the Collateral, whether such receivership is incidental to a proposed sale of the Collateral or otherwise. In such event, Agent may take proceedings in any court of competent jurisdiction for the appointment of a receiver of the Collateral or of any part thereof or may, to the extent permitted by Applicable Law, by instrument in writing appoint any Person to be a receiver of the Collateral or of any part thereof and may remove any receiver so appointed by Agent and appoint another in that Person's stead. Any such receiver appointed by instrument in writing shall, to the extent permitted by Applicable Law, have all of the rights, remedies, benefits and powers of Agent under this Agreement or under the PPSA or otherwise and, without limiting the generality of the foregoing, any such receiver (or Agent) shall have the power to, to the full extent permitted by Applicable Law:

- (i) take possession of the Collateral or any part thereof;
- (ii) carry on or concur in carrying on all or any part or parts of the business of the Borrowers relating to the Collateral;
- (iii) file such proofs of claim and other documents as may be necessary or advisable in order to have such receiver's claim lodged in any bankruptcy, winding-up or other judicial proceedings relative to the Borrowers or Guarantors;
- (iv) borrow money required for the seizure, repossession, retaking, repair, insurance, maintenance, preservation, protection, collection, preparation for disposition, disposition or realization of the Collateral or any part thereof and for the enforcement of this Agreement or for the carrying on of the business of the Borrowers or Guarantors on the security of the Collateral in priority to the security interest created under this Agreement; and
- (v) sell, lease or otherwise dispose of, or concur in the sale, lease or other disposition of, the whole or any part of the Collateral at public auction, by public tender or by private sale, lease or other disposition, either for cash or upon credit, at such time and upon such terms and conditions as the receiver may determine.

Any such receiver shall for all purposes be deemed to be the agent of the Borrowers and Guarantors. Agent may from time to time fix a commercially reasonable remuneration of such receiver. Agent shall not in any way be responsible for any misconduct or negligence of any such receiver. Each Borrower hereby consents to the appointment of any such a receiver without bond, to the full extent permitted by Applicable Law.

(b) Without limiting the generality of the foregoing, upon the occurrence and during the continuance of an Event of Default, with respect to any Collateral located in Canada, Agent is hereby specifically authorized to seek the appointment of a receiver or a receiver-manager under the laws of Canada or any Province thereof (a "Canadian Receiver") upon or during the continuation of an Event of Default, to take possession of all or any portion of the Collateral or to operate same and, to the maximum extent permitted by Applicable Law, may seek the appointment of such a Canadian Receiver without the requirement of prior notice or a hearing. Any such Canadian Receiver shall, so far as concerns responsibility for his/her acts, be deemed agent of Borrowers and Guarantors and not Agent or the Lenders. Agent shall not incur any liability to the Canadian Receiver, the Borrowers or Guarantor or otherwise and shall not in any way be responsible for any misconduct or negligence of any such Canadian Receiver. Subject to the provisions of the instrument appointing him/her, to the extent by Applicable Law, any such Canadian Receiver shall have power to take possession of Collateral, to preserve Collateral or its value, to carry on or concur in carrying on all or any part of the business of the Borrowers and Guarantors and to sell, lease, license or otherwise dispose of or concur in selling, leasing, licensing or otherwise disposing of Collateral. To facilitate the foregoing powers, any such Canadian Receiver may, to the exclusion of all others, including the Borrowers and Guarantors, to the extent permitted by Applicable Law, enter upon, use and occupy all premises owned or occupied by the Borrowers or Guarantors wherein Collateral may be situated, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and use Collateral of the Borrowers and Guarantors directly in carrying on their business or as security for loans or advances to enable the Canadian Receiver to carry on their business or otherwise, as such Canadian Receiver shall, in its discretion, determine. Except as may be otherwise directed by Agent, all money received from time to time by such Canadian Receiver in carrying out his/her appointment shall be received in trust for and paid over to Agent. Every such Canadian Receiver may, in the discretion of Agent, be vested with all or any of the rights and powers of Agent and Lenders. Agent may, either directly or through its nominees, exercise any or all powers and rights given to a Canadian Receiver by virtue of the foregoing provisions of this Section.

11.5. Rights and Remedies not Exclusive. The enumeration of the foregoing rights and remedies is not intended to be exhaustive and the exercise of any rights or remedy shall not preclude the exercise of any other right or remedies provided for herein or otherwise provided by law, all of which shall be cumulative and not alternative.

11.6. Allocation of Payments After Event of Default. Notwithstanding any other provisions of this Agreement to the contrary, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Agent on account of the Obligations or any other amounts outstanding under any of the Other Documents or in respect of the Collateral may, at Agent's discretion, be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) of the Agent in connection with enforcing its rights and the rights of the Lenders under this Agreement and the Other Documents and any protective advances made by the Agent with respect to the Collateral under or pursuant to the terms of this Agreement;



SECOND, to payment of any fees owed to the Agent;

THIRD, to the payment of all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) of each of the Lenders to the extent owing to such Lender pursuant to the terms of this Agreement;

FOURTH, to the payment of all of the Obligations consisting of accrued fees and interest;

FIFTH, to the payment of the outstanding principal amount of the Obligations (including the payment or cash collateralization of any outstanding Letters of Credit);

SIXTH, to all other Obligations and other obligations which shall have become due and payable under the Other Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FIFTH" above; and

SEVENTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; (ii) each of the Lenders shall receive (so long as it is not a Defaulting Lender) an amount equal to its pro rata share (based on the proportion that the then outstanding Advances held by such Lender bears to the aggregate then outstanding Advances) of amounts available to be applied pursuant to clauses "FOURTH", "FIFTH" and "SIXTH" above and Agent may convert any amounts to Dollars or Canadian Dollars as necessary to make such application; and (iii) to the extent that any amounts available for distribution pursuant to clause "FIFTH" above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Agent in a cash collateral account and applied (A) first, to reimburse the Issuer from time to time for any drawings under such Letters of Credit and (B) then, following the expiration of all Letters of Credit, to all other obligations of the types described in clauses "FIFTH" and "SIXTH" above in the manner provided in this Section 11.6.

## XII WAIVERS AND JUDICIAL PROCEEDINGS.

12.1. Waiver of Notice. Each Borrower hereby waives notice of non-payment of any of the Receivables, demand, presentment, protest and notice thereof with respect to any and all instruments, notice of acceptance hereof, notice of loans or advances made, credit extended, Collateral received or delivered, or any other action taken in reliance hereon, and all other demands and notices of any description, except such as are expressly provided for herein.

12.2. Delay. No delay or omission on Agent's or any Lender's part in exercising any right, remedy or option shall operate as a waiver of such or any other right, remedy or option or of any Default or Event of Default.

12.3. Jury Waiver. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER DOCUMENT, OR (B) IN ANY WAY CONNECTED WITH OR RELATED TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THIS AGREEMENT OR ANY OTHER DOCUMENT IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND EACH PARTY HEREBY CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENTS OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

### XIII EFFECTIVE DATE AND TERMINATION.

13.1. Term. This Agreement, which shall inure to the benefit of and shall be binding upon the respective successors and permitted assigns of each Borrower, Agent and each Lender, shall become effective on the date hereof and shall continue in full force and effect until October 20, 2015 (the "Term") unless sooner terminated as herein provided. Borrowers may terminate this Agreement at any time upon ten (10) days' prior written notice and payment in full of the Obligations. Such notice shall be irrevocable. .

#### 13.2. Termination.

(a) The termination of the Agreement shall not affect any Borrower's, Agent's or any Lender's rights, or any of the Obligations having their inception prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all transactions entered into, rights or interests created or Obligations have been fully and indefeasibly paid, disposed of, concluded or liquidated. Until such event, the security interests, Liens and rights granted to Agent and Lenders hereunder and the financing statements filed hereunder shall continue in full force and effect, notwithstanding the termination of this Agreement or the fact that Borrowers' Account may from time to time be temporarily in a zero or credit position, until all of the Obligations of each Borrower have been indefeasibly paid and performed in full after the termination of this Agreement or each Borrower has furnished Agent and Lenders with an indemnification reasonably satisfactory to Agent and Lenders with respect thereto. Accordingly, in such event, each Borrower waives any rights which it may have under the Uniform Commercial Code, the PPSA, or other Applicable Law, to demand the filing of termination statements (or the equivalent) with respect to the Collateral, and Agent shall not be required to send such termination statements (or the equivalent) to each Borrower, or to file them with any filing office, unless and until this Agreement shall have been terminated in accordance with its terms and all Obligations have been indefeasibly paid in full in immediately available funds. All representations, warranties, covenants, waivers and agreements contained herein shall survive termination hereof until all Obligations are indefeasibly paid and performed in full.

(b) Upon termination of this Agreement and full and indefeasible payment of the Obligations to Agent and Lender (other than any Obligations which expressly survive the termination of this Agreement) in accordance with Section 13.1(a), (i) all rights and remedies of each Borrower, Agent and each Lender hereunder shall cease, other than those which survive termination, and (ii) Agent and each Lender agrees to execute and deliver, as applicable, to Borrowing Agent or a designated agent (i) all property pledged and delivered to Agent or any Lender (including without limitation stock or other certificates, notes receivable, certificates of title, direct pay notices to account debtors, change of address forms and other instruments, together with accompanying stock powers and allonges in the forms delivered to Agent or any Lender; (2) the original promissory notes executed in connection with the Obligations marked "CANCELLED"; (3) all guaranty agreements, indemnification agreements and other accommodation agreement executed by any guarantor, marked "CANCELLED"; (4) mortgage or deed of trust releases against any Real Property of any Borrower or Guarantor, releases of any liens or encumbrances filed against any Intellectual Property or property subject to any title laws and other like releases, and (5) UCC-3 termination statements with respect to the Uniform Commercial Code and PPSA filings made by Agent in respect of each Borrower or Guarantor, as applicable.

#### XIV REGARDING AGENT.

14.1. Appointment. Each Lender hereby designates PNC to act as Agent for such Lender under this Agreement and the Other Documents. Each Lender hereby irrevocably authorizes Agent to take such action on its behalf under the provisions of this Agreement and the Other Documents and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto and Agent shall hold all Collateral, payments of principal and interest, fees (except the fees set forth in the Fee Letter), charges and collections (without giving effect to any collection days) received pursuant to this Agreement, for the ratable benefit of Lenders. Agent may perform any of its duties hereunder by or through its agents or employees. As to any matters not expressly provided for by this Agreement (including collection of the Note) Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding; provided, however, that Agent shall not be required to take any action which exposes Agent to liability or which is contrary to this Agreement or the Other Documents or Applicable Law unless Agent is furnished with an indemnification reasonably satisfactory to Agent with respect thereto.

14.2. Nature of Duties. Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the Other Documents. Neither Agent nor any of its officers, directors, employees or agents shall be (i) liable for any action taken or omitted by them as such hereunder or in connection herewith, unless caused by their gross (not mere) negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment), or (ii) responsible in any manner for any recitals, statements, representations or warranties made by any Borrower or any officer thereof contained in this Agreement, or in any of the Other Documents or in any certificate, report, statement or other document referred to or provided for in, or received by Agent under or in connection with, this Agreement or any of the Other Documents or for the value, validity, effectiveness, genuineness, due execution, enforceability or sufficiency of this Agreement, or any of the Other Documents or for any failure of any Borrower to perform its obligations hereunder. Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any of the Other Documents, or to inspect the properties, books or records of any Borrower. The duties of Agent as respects the Advances to Borrowers shall be mechanical and administrative in nature; Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon Agent any obligations in respect of this Agreement except as expressly set forth herein.

14.3. Lack of Reliance on Agent and Resignation. Independently and without reliance upon Agent or any other Lender, each Lender has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of each Borrower and each Guarantor in connection with the making and the continuance of the Advances hereunder and the taking or not taking of any action in connection herewith, and (ii) its own appraisal of the creditworthiness of each Borrower and each Guarantor. Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before making of the Advances or at any time or times thereafter except as shall be provided by any Borrower pursuant to the terms hereof. Agent shall not be responsible to any Lender for any recitals, statements, information, representations or warranties herein or in any agreement, document, certificate or a statement delivered in connection with or for the execution, effectiveness, genuineness, validity, enforceability, collectability or sufficiency of this Agreement or any Other Document, or of the financial condition of any Borrower or any Guarantor, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement, the Note, the Other Documents or the financial condition of any Borrower, or the existence of any Event of Default or any Default.

Agent may resign on sixty (60) days' written notice to each of Lenders and Borrowing Agent and upon such resignation, the Required Lenders will promptly designate a successor Agent reasonably satisfactory to Borrowers.

Any such successor Agent shall succeed to the rights, powers and duties of Agent, and the term "Agent" shall mean such successor agent effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated, without any other or further act or deed on the part of such former Agent. After any Agent's resignation as Agent, the provisions of this Article XIV shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

14.4. Certain Rights of Agent. If Agent shall request instructions from Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any Other Document, Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from the Required Lenders; and Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, Lenders shall not have any right of action whatsoever against Agent as a result of its acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders.

14.5. Reliance. Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, order or other document or telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper person or entity, and, with respect to all legal matters pertaining to this Agreement and the Other Documents and its duties hereunder, upon advice of counsel selected by it. Agent may employ agents and attorneys-in-fact and shall not be liable for the default or misconduct of any such agents or attorneys-in-fact selected by Agent with reasonable care.

14.6. Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder or under the Other Documents, unless Agent has received notice from a Lender or Borrowing Agent referring to this Agreement or the Other Documents, describing such Default or Event of Default and stating that such notice is a “notice of default”. In the event that Agent receives such a notice, Agent shall give notice thereof to Lenders. Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided, that, unless and until Agent shall have received such directions, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of Lenders.

14.7. Indemnification. To the extent Agent is not reimbursed and indemnified by Borrowers, each Lender will reimburse and indemnify Agent in proportion to its respective portion of the Advances (or, if no Advances are outstanding, according to its Commitment Percentage), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against Agent in performing its duties hereunder, or in any way relating to or arising out of this Agreement or any Other Document; provided that, Lenders shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent’s gross (not mere) negligence or willful misconduct (as determined by a court of competent jurisdiction in a final non-appealable judgment).

14.8. Agent in its Individual Capacity. With respect to the obligation of Agent to lend under this Agreement, the Advances made by it shall have the same rights and powers hereunder as any other Lender and as if it were not performing the duties as Agent specified herein; and the term “Lender” or any similar term shall, unless the context clearly otherwise indicates, include Agent in its individual capacity as a Lender. Agent may engage in business with any Borrower as if it were not performing the duties specified herein, and may accept fees and other consideration from any Borrower for services in connection with this Agreement or otherwise without having to account for the same to Lenders.

14.9. Delivery of Documents. To the extent Agent receives financial statements required under Sections 9.7, 9.8, 9.9, 9.12 and 9.13 or Borrowing Base Certificates from any Borrower pursuant to the terms of this Agreement which any Borrower is not obligated to deliver to each Lender, Agent will promptly furnish such documents and information to Lenders.

14.10. Borrowers’ Undertaking to Agent. Without prejudice to their respective obligations to Lenders under the other provisions of this Agreement, each Borrower hereby undertakes with Agent to pay to Agent from time to time on demand all amounts from time to time due and payable by it for the account of Agent or Lenders or any of them pursuant to this Agreement to the extent not already paid. Any payment made pursuant to any such demand shall pro tanto satisfy the relevant Borrower’s obligations to make payments for the account of Lenders or the relevant one or more of them pursuant to this Agreement.

14.11. No Reliance on Agent's Customer Identification Program. Each Lender acknowledges and agrees that neither such Lender, nor any of its Affiliates, participants or assignees, may rely on the Agent to carry out such Lender's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA PATRIOT Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "CIP Regulations"), or any other Anti-Terrorism Law, including any programs involving any of the following items relating to or in connection with any Borrower, its Affiliates or its agents, this Agreement, the Other Documents or the transactions hereunder or contemplated hereby: (1) any identity verification procedures, (2) any record-keeping, (3) comparisons with government lists, (4) customer notices or (5) other procedures required under the CIP Regulations or such other laws.

14.12. Other Agreements. Each of the Lenders agrees that it shall not, without the express consent of Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the request of Agent, set off against the Obligations, any amounts owing by such Lender to any Borrower or any deposit accounts of any Borrower now or hereafter maintained with such Lender. Anything in this Agreement to the contrary notwithstanding, each of the Lenders further agrees that it shall not, unless specifically requested to do so by Agent, take any action to protect or enforce its rights arising out of this Agreement or the Other Documents, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Other Documents shall be taken in concert and at the direction or with the consent of Agent or Required Lenders.

14.13. Delegation. The Agent may execute any of its duties under this Agreement and the Other Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care. The Agent reserves the right to execute any of its duties under this Agreement or any Other Document by or through agents, including a separate Canadian agent, to hold or realize on the Collateral or enforce this Agreement or any Other Document.

XV BORROWING AGENCY.

15.1. Borrowing Agency Provisions.

(a) Each Borrower hereby irrevocably designates Borrowing Agent to be its attorney and agent and in such capacity to borrow, sign and endorse notes, and execute and deliver all instruments, documents, writings and further assurances now or hereafter required hereunder, on behalf of such Borrower or Borrowers, and hereby authorizes Agent to pay over or credit all loan proceeds hereunder in accordance with the request of Borrowing Agent.

(b) The handling of this credit facility as a co-borrowing facility with a borrowing agent in the manner set forth in this Agreement is solely as an accommodation to Borrowers and at their request. Neither Agent nor any Lender shall incur liability to Borrowers as a result thereof. To induce Agent and Lenders to do so and in consideration thereof, each Borrower hereby indemnifies Agent and each Lender and holds Agent and each Lender harmless from and against any and all liabilities, expenses, losses, damages and claims of damage or injury asserted against Agent or any Lender by any Person arising from or incurred by reason of the handling of the financing arrangements of Borrowers as provided herein, reliance by Agent or any Lender on any request or instruction from Borrowing Agent or any other action taken by Agent or any Lender with respect to this Section 15.1 except due to willful misconduct or gross (not mere) negligence by the indemnified party (as determined by a court of competent jurisdiction in a final and non-appealable judgment).

(c) All Obligations shall be joint and several, and each Borrower shall make payment upon the maturity of the Obligations by acceleration or otherwise, and such obligation and liability on the part of each Borrower shall in no way be affected by any extensions, renewals and forbearance granted to Agent or any Lender to any Borrower, failure of Agent or any Lender to give any Borrower notice of borrowing or any other notice, any failure of Agent or any Lender to pursue or preserve its rights against any Borrower, the release by Agent or any Lender of any Collateral now or thereafter acquired from any Borrower, and such agreement by each Borrower to pay upon any notice issued pursuant thereto is unconditional and unaffected by prior recourse by Agent or any Lender to the other Borrowers or any Collateral for such Borrower's Obligations or the lack thereof. Each Borrower waives all suretyship defenses.

15.2. Waiver of Subrogation. Each Borrower expressly waives any and all rights of subrogation, reimbursement, indemnity, exoneration, contribution of any other claim which such Borrower may now or hereafter have against the other Borrowers or other Person directly or contingently liable for the Obligations hereunder, or against or with respect to the other Borrowers' property (including, without limitation, any property which is Collateral for the Obligations), arising from the existence or performance of this Agreement, until termination of this Agreement and repayment in full of the Obligations.

15.3. Cross Guaranty. Without limiting the joint and several nature of the Obligations, each Borrower hereby unconditionally guaranties the full and prompt payment and performance when due, whether by acceleration or otherwise, and at all times thereafter, of any and all present and future Obligations of each other Borrower. This guaranty shall in all respects be a continuing, absolute and unconditional guaranty of payment and performance (and not of collection), and shall remain in full force and effect (notwithstanding, without limitation, the dissolution of any Borrower). Each Borrower hereby absolutely, unconditionally and irrevocably waives and agrees not to assert or take advantage of any defense based upon an election of remedies by Agent or any Lender, including an election to proceed by non-judicial rather than judicial foreclosure, which destroys or impairs any right of subrogation or the right of a Borrower to proceed against any Person for reimbursement or both.

15.4. Subordination.

(a) Each Borrower hereby covenants and agrees that, as provided herein, all indebtedness, intercompany charges and other sums owing and claims of any nature whatsoever owed (other than payments or remittances of employee withholding, wages, pension payments, tax payments, trust funds and similar items) to such Borrower by any other Borrower, Guarantor or any of their respective Subsidiaries ("Intercompany Obligations"), the payment of the principal of and interest thereon and any lien or security interest therefor are hereby expressly made subordinate and subject in right of payment to this Agreement or the prior payment in full of: (a) all Obligations now or hereafter incurred by any Borrower under this Agreement or any of the Other Documents, (b) interest thereon (including any such interest accruing subsequent to the filing by or against any Borrower of any proceeding brought under the Bankruptcy Code, whether or not such interest is allowed as a claim pursuant to the provisions of the Bankruptcy Code), and (c) all fees, expenses, indemnities and other amounts now or hereafter payable pursuant to or in connection with this Agreement and all Other Documents (collectively the "Senior Obligations"), and any lien on any property or asset securing the Senior Obligations. No payment or prepayment of any Intercompany Obligations (whether of principal, interest or otherwise) shall be made at any time prior to the payment in full, in cash, of the Senior Obligations, provided that the Borrowers may make payments (but not prepayments) of Intercompany Obligations in the Ordinary Course of Business to the extent that such payments are not otherwise prohibited by this Agreement and at the time of, and immediately after giving effect to, any such payment, no Event of Default exists and is continuing. If any default occurs under the Intercompany Obligations, no Borrower will demand, accelerate, declare a default under, sue for, set off, accept, take or receive, directly or indirectly, in cash or other property or in any other manner, any payment of all or any part of the Intercompany Obligations without Agent's prior written consent, which consent shall not be unreasonably withheld or delayed.

(b) Each Borrower agrees that any right of possession it has to any Real Property (pursuant to a written lease or otherwise) shall be subject and subordinate to the rights of Agent hereunder and under any Mortgage thereon. Each Borrower which holds title to any of the Real Property hereby waives any Lien it holds on the Collateral of any other Borrower located at such Real Property and shall grant access to Agent to such Real Property and Collateral in accordance with this Agreement notwithstanding the terms of any lease or other occupancy agreement to the contrary.

15.5. No Disposition. No Borrower will sell, assign, pledge, encumber or otherwise dispose of any of the Intercompany Obligations owed to it unless permitted by the terms of this Agreement or Other Documents.

XVI MISCELLANEOUS

16.1. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio applied to contracts to be performed wholly within the State of Ohio. Any judicial proceeding brought by or against any Borrower with respect to any of the Obligations, this Agreement, the Other Documents or any related agreement may be brought in any court of competent jurisdiction in the State of Ohio, United States of America, and, by execution and delivery of this Agreement, each Borrower accepts for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts, and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. Each Borrower waives any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens. Each Borrower waives the right to remove any judicial proceeding brought against such Borrower in any state court to any federal court. Any judicial proceeding by any Borrower against Agent or any Lender involving, directly or indirectly, any matter or claim in any way arising out of, related to or connected with this Agreement or any related agreement, shall be brought only in a federal or state court located in the State of Ohio.



16.2. Entire Understanding.

(a) This Agreement and the documents executed concurrently herewith contain the entire understanding between each Borrower, Agent and each Lender and supersedes all prior agreements and understandings, if any, relating to the subject matter hereof. Any promises, representations, warranties or guarantees not herein contained and hereinafter made shall have no force and effect unless in writing, signed by each Borrower's, Agent's and each Lender's respective officers. Neither this Agreement nor any portion or provisions hereof may be changed, modified, amended, waived, supplemented, discharged, cancelled or terminated orally or by any course of dealing, or in any manner other than by an agreement in writing, signed by the party to be charged. Each Borrower acknowledges that it has been advised by counsel in connection with the execution of this Agreement and Other Documents and is not relying upon oral representations or statements inconsistent with the terms and provisions of this Agreement.

(b) The Required Lenders, Agent with the consent in writing of the Required Lenders, and Borrowers may, subject to the provisions of this Section 16.2 (b), from time to time enter into written supplemental agreements to this Agreement or the Other Documents executed by Borrowers, for the purpose of adding or deleting any provisions or otherwise changing, varying or waiving in any manner the rights of Lenders, Agent or Borrowers thereunder or the conditions, provisions or terms thereof or waiving any Event of Default thereunder, but only to the extent specified in such written agreements; provided, however, that no such supplemental agreement shall, without the consent of all Lenders:

- (i) increase the Commitment Percentage, the maximum dollar commitment of any Lender or the Maximum Revolving Advance Amount.
- (ii) extend the maturity of any Note or the due date for any amount of interest, fees, or principal payable hereunder (other than mandatory prepayments), or decrease the rate of interest or reduce any fee payable by Borrowers to Lenders pursuant to this Agreement.
- (iii) alter the definition of the term Required Lenders or alter, amend or modify this Section 16.2.
- (iv) release any Collateral during any calendar year (other than in accordance with the provisions of this Agreement) having an aggregate value in excess of \$250,000.
- (v) change the rights and duties of Agent.

- (vi) permit any Revolving Advance to be made if after giving effect thereto the total of Revolving Advances outstanding hereunder would exceed the Formula Amount for more than sixty (60) consecutive Business Days or exceed one hundred and five percent (105%) of the Formula Amount.
- (vii) increase the Advance Rates above the Advance Rates in effect on the Closing Date.
- (viii) release any Borrower or Guarantor (other than in accordance with the provisions of this Agreement).

Any such supplemental agreement shall apply equally to each Lender and shall be binding upon Borrowers, Lenders and Agent and all future holders of the Obligations. In the case of any waiver, Borrowers, Agent and Lenders shall be restored to their former positions and rights, and any Event of Default waived shall be deemed to be cured and not continuing, but no waiver of a specific Event of Default shall extend to any subsequent Event of Default (whether or not the subsequent Event of Default is the same as the Event of Default which was waived), or impair any right consequent thereon.

(c) In the event that Agent requests the consent of a Lender pursuant to Section 16.2(b) and such consent is denied, then PNC may, at its option, require such Lender to assign its interest in the Advances to PNC or to another Lender or to any other Person designated by the Agent (the "Designated Lender"), for a price equal to (i) the then outstanding principal amount thereof plus (ii) accrued and unpaid interest and fees due such Lender, which interest and fees shall be paid when collected from Borrowers. In the event PNC elects to require any Lender to assign its interest to PNC or to the Designated Lender, PNC will so notify such Lender in writing within forty five (45) days following such Lender's denial, and such Lender will assign its interest to PNC or the Designated Lender no later than five (5) days following receipt of such notice pursuant to a Commitment Transfer Supplement executed by such Lender, PNC or the Designated Lender, as appropriate, and Agent.

(d) Notwithstanding (a) the existence of a Default or an Event of Default, (b) that any of the other applicable conditions precedent set forth in Section 8.2 hereof have not been satisfied or (c) any other provision of this Agreement, Agent may at its discretion and without the consent of the Required Lenders, voluntarily permit the outstanding Revolving Advances at any time to exceed the Formula Amount by up to five percent (5%) of the Formula Amount for up to sixty (60) consecutive days (the "Out-of-Formula Loans"). If Agent is willing in its sole and absolute discretion to make such Out-of-Formula Loans, such Out-of-Formula Loans shall be payable on demand and shall bear interest at the Default Rate for Revolving Advances consisting of Domestic Rate Loans; provided that, if Lenders do make Out-of-Formula Loans, neither Agent nor Lenders shall be deemed thereby to have changed the limits of Section 2.1(a). For purposes of this paragraph, the discretion granted to Agent hereunder shall not preclude involuntary overadvances that may result from time to time due to the fact that the Formula Amount was unintentionally exceeded for any reason, including, but not limited to, Collateral previously deemed to be either "Eligible Receivables" or "Eligible Inventory", as applicable, becomes ineligible, collections of Receivables applied to reduce outstanding Revolving Advances are thereafter returned for insufficient funds or overadvances are made to protect or preserve the Collateral. In the event Agent involuntarily permits the outstanding Revolving Advances to exceed the Formula Amount by more than five percent (5%), Agent shall use its efforts to have Borrowers decrease such excess in as expeditious a manner as is practicable under the circumstances and not inconsistent with the reason for such excess. Revolving Advances made after Agent has determined the existence of involuntary overadvances shall be deemed to be involuntary overadvances and shall be decreased in accordance with the preceding sentence.

(c) In addition to (and not in substitution of) the discretionary Revolving Advances permitted above in this Section 16.2, the Agent is hereby authorized by Borrowers and the Lenders, from time to time in the Agent's sole discretion, (A) after the occurrence and during the continuation of a Default or an Event of Default, or (B) at any time that any of the other applicable conditions precedent set forth in Section 8.2 hereof have not been satisfied, to make Revolving Advances to Borrowers on behalf of the Lenders which the Agent, in its reasonable business judgment, deems necessary or desirable (a) to preserve or protect the Collateral, or any portion thereof, (b) to enhance the likelihood of, or maximize the amount of, repayment of the Advances and other Obligations, or (c) to pay any other amount chargeable to Borrowers pursuant to the terms of this Agreement; provided, that at any time after giving effect to any such Revolving Advances the outstanding Revolving Advances do not exceed the lesser of: (i) one hundred and five percent (105%) of the Formula Amount, and (ii) the Maximum Revolving Advance Amount.

16.3. Successors and Assigns; Participations; New Lenders.

(a) This Agreement shall be binding upon and inure to the benefit of Borrowers, Agent, each Lender, all future holders of the Obligations and their respective successors and permitted assigns, except that no Borrower may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of Agent and each Lender.

(b) Each Borrower acknowledges that in the regular course of commercial banking business one or more Lenders may at any time and from time to time sell participating interests in the Advances to other financial institutions (each such transferee or purchaser of a participating interest, a "Participant"). Each Participant may exercise all rights of payment (including rights of set-off) with respect to the portion of such Advances held by it or other Obligations payable hereunder as fully as if such Participant were the direct holder thereof provided that Borrowers shall not be required to pay to any Participant more than the amount which it would have been required to pay to Lender which granted an interest in its Advances or other Obligations payable hereunder to such Participant had such Lender retained such interest in the Advances hereunder or other Obligations payable hereunder and in no event shall Borrowers be required to pay any such amount arising from the same circumstances and with respect to the same Advances or other Obligations payable hereunder to both such Lender and such Participant. Each Borrower hereby grants to any Participant a continuing security interest in any deposits, moneys or other property held by such Participant as security for the Participant's interest in the Advances.

(c) Any Lender, with the consent of Agent which shall not be unreasonably withheld or delayed, may sell, assign or transfer all or any part of its rights and obligations under or relating to Revolving Advances under this Agreement and the Other Documents to one or more additional banks or financial institutions and one or more additional banks or financial institutions may commit to make Advances hereunder (each a "Purchasing Lender"), in minimum amounts of not less than \$5,000,000, pursuant to a Commitment Transfer Supplement, executed by a Purchasing Lender, the transferor Lender, and Agent and delivered to Agent for recording. Upon such execution, delivery, acceptance and recording, from and after the transfer effective date determined pursuant to such Commitment Transfer Supplement, (i) Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Commitment Transfer Supplement, have the rights and obligations of a Lender thereunder with a Commitment Percentage as set forth therein, and (ii) the transferor Lender thereunder shall, to the extent provided in such Commitment Transfer Supplement, be released from its obligations under this Agreement, the Commitment Transfer Supplement creating a novation for that purpose. Such Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of the Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Other Documents. Each Borrower hereby consents to the addition of such Purchasing Lender and the resulting adjustment of the Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Other Documents. Borrowers shall execute and deliver such further documents and do such further acts and things in order to effectuate the foregoing.

(d) Any Lender, with the consent of Agent which shall not be unreasonably withheld or delayed, may directly or indirectly sell, assign or transfer all or any portion of its rights and obligations under or relating to Revolving Advances under this Agreement and the Other Documents to an entity, whether a corporation, partnership, trust, limited liability company or other entity that (i) is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and (ii) is administered, serviced or managed by the assigning Lender or an Affiliate of such Lender (a "Purchasing CLO" and together with each Participant and Purchasing Lender, each a "Transferee" and collectively the "Transferees"), pursuant to a Commitment Transfer Supplement modified as appropriate to reflect the interest being assigned ("Modified Commitment Transfer Supplement"), executed by any intermediate purchaser, the Purchasing CLO, the transferor Lender, and Agent as appropriate and delivered to Agent for recording. Upon such execution and delivery, from and after the transfer effective date determined pursuant to such Modified Commitment Transfer Supplement, (i) Purchasing CLO thereunder shall be a party hereto and, to the extent provided in such Modified Commitment Transfer Supplement, have the rights and obligations of a Lender thereunder and (ii) the transferor Lender thereunder shall, to the extent provided in such Modified Commitment Transfer Supplement, be released from its obligations under this Agreement, the Modified Commitment Transfer Supplement creating a novation for that purpose. Such Modified Commitment Transfer Supplement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing CLO. Each Borrower hereby consents to the addition of such Purchasing CLO. Borrowers shall execute and deliver such further documents and do such further acts and things in order to effectuate the foregoing.

(e) Agent shall maintain at its address a copy of each Commitment Transfer Supplement and Modified Commitment Transfer Supplement delivered to it and a register (the "Register") for the recordation of the names and addresses of each Lender and the outstanding principal, accrued and unpaid interest and other fees due hereunder. The entries in the Register shall be conclusive, in the absence of manifest error, and each Borrower, Agent and Lenders may treat each Person whose name is recorded in the Register as the owner of the Advance recorded therein for the purposes of this Agreement. The Register shall be available for inspection by Borrowing Agent or any Lender at any reasonable time and from time to time upon reasonable prior notice. Agent shall receive a fee in the amount of \$3,500 payable by the applicable Purchasing Lender and/or Purchasing CLO upon the effective date of each transfer or assignment (other than to an intermediate purchaser) to such Purchasing Lender and/or Purchasing CLO.

(f) Subject to the provisions set forth in Section 16.15, each Borrower authorizes each Lender to disclose to any Transferee and any prospective Transferee any and all financial information in such Lender's possession concerning such Borrower which has been delivered to such Lender by or on behalf of such Borrower pursuant to this Agreement or in connection with such Lender's credit evaluation of such Borrower.

(g) Anything herein to the contrary notwithstanding, unless the Obligations are then due in full or a notice of termination of this Agreement has been issued, no Lender may assign or participate any of its interests hereunder to a competitor of any Borrower. As used herein, the term "competitor" means a Person which derives greater than 50% of its revenues from the same or a similar line of business as any Borrower or any Affiliate of such Person.

(h) Each Borrower shall be deemed to consent to the addition of a Transferee (and, if applicable, the resulting adjustment of the Revolving Percentages arising from the purchase by a Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Other Documents), to the extent such Transferee is Agent or a Lender, or an Affiliate of Agent or any Lender, or to the extent such addition is made during the continuance of any Default or Event of Default. If no Default or Event of Default is continuing at the time which a Transferee is selected and such Transferee is not Agent or a Lender, or an Affiliate of Agent or any Lender, the transferor Lender shall provide Borrowing Agent with notice of the identity of the proposed Transferee and a five (5) Business Day period to object the identity of the proposed Transferee on any reasonable grounds. If Borrowing Agent asserts no reasonable written objection to the identity of the proposed Transferee during such period, Borrowers will be deemed to have consented to the addition of such Transferee. U.S. Bank National Association is an approved Transferee and shall not be subject to the foregoing notice and objection period.

16.4. Application of Payments. Agent shall have the continuing and exclusive right to apply or reverse and re-apply any payment and any and all proceeds of Collateral to any portion of the Obligations. To the extent that any Borrower makes a payment or Agent or any Lender receives any payment or proceeds of the Collateral for any Borrower's benefit, which are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, debtor in possession, receiver, custodian or any other party under any bankruptcy law, common law or equitable cause, then, to such extent, the Obligations or part thereof intended to be satisfied shall be revived and continue as if such payment or proceeds had not been received by Agent or such Lender.

16.5. Indemnity. Each Borrower shall indemnify Agent, each Lender and each of their respective officers, directors, Affiliates, attorneys, employees and agents from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including fees and disbursements of counsel) which may be imposed on, incurred by, or asserted against Agent or any Lender in any claim, litigation, proceeding or investigation instituted or conducted by any Governmental Body or instrumentality or any other Person with respect to any aspect of, or any transaction contemplated by, or referred to in, or any matter related to, this Agreement or the Other Documents, whether or not Agent or any Lender is a party thereto, except to the extent that any of the foregoing arises out of the willful misconduct or gross negligence of the party being indemnified (as determined by a court of competent jurisdiction in a final and non-appealable judgment). Without limiting the generality of the foregoing, this indemnity shall extend to any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever (including reasonable fees and disbursements of counsel) asserted against or incurred by any of the indemnitees described above in this Section 16.5 by any Person under any Environmental Laws or similar laws by reason of any Borrower's or any other Person's failure to comply with laws applicable to solid or hazardous waste materials, including Hazardous Substances and Hazardous Waste, or other Toxic Substances. Additionally, if any taxes (excluding taxes imposed upon or measured solely by the net income of Agent and Lenders, but including any intangibles taxes, stamp tax, recording tax or franchise tax) shall be payable by Agent, Lenders or Borrowers on account of the execution or delivery of this Agreement, or the execution, delivery, issuance or recording of any of the Other Documents, or the creation or repayment of any of the Obligations hereunder, by reason of any Applicable Law now or hereafter in effect, Borrowers will pay (or will promptly reimburse Agent and Lenders for payment of) all such taxes, including interest and penalties thereon, and will indemnify and hold the indemnitees described above in this Section 16.5 harmless from and against all liability in connection therewith.

16.6. Notice. Any notice or request hereunder may be given to Borrowing Agent or any Borrower or to Agent or any Lender at their respective addresses set forth below or at such other address as may hereafter be specified in a notice designated as a notice of change of address under this Section. Any notice, request, demand, direction or other communication (for purposes of this Section 16.6 only, a "Notice") to be given to or made upon any party hereto under any provision of this Loan Agreement shall be given or made by telephone or in writing (which includes by means of electronic transmission (i.e., "e-mail") or facsimile transmission or by setting forth such Notice on a site on the World Wide Web (a "Website Posting") if Notice of such Website Posting (including the information necessary to access such site) has previously been delivered to the applicable parties hereto by another means set forth in this Section 16.6) in accordance with this Section 16.6. Any such Notice must be delivered to the applicable parties hereto at the addresses and numbers set forth under their respective names on Section 16.6 or in accordance with any subsequent unrevoked Notice from any such party that is given in accordance with this Section 16.6. Any Notice shall be effective:

- (a) In the case of hand-delivery, when delivered;

(b) If given by mail, four days after such Notice is deposited with the United States Postal Service, with first-class postage prepaid, return receipt requested;

(c) In the case of a telephonic Notice, when a party is contacted by telephone, if delivery of such telephonic Notice is confirmed no later than the next Business Day by hand delivery, a facsimile or electronic transmission, a Website Posting or an overnight courier delivery of a confirmatory Notice (received at or before noon on such next Business Day);

(d) In the case of a facsimile transmission, when sent to the applicable party's facsimile machine's telephone number, if the party sending such Notice receives confirmation of the delivery thereof from its own facsimile machine;

(e) In the case of electronic transmission, when actually received;

(f) In the case of a Website Posting, upon delivery of a Notice of such posting (including the information necessary to access such site) by another means set forth in this Section 16.6; and

(g) If given by any other means (including by overnight courier), when actually received.

Any Lender giving a Notice to Borrowing Agent or any Borrower shall concurrently send a copy thereof to the Agent, and the Agent shall promptly notify the other Lenders of its receipt of such Notice.

(A) If to Agent or PNC at:

PNC Bank, National Association  
201 East Fifth Street, 2<sup>nd</sup> Floor  
Mail Stop: B1-BM01-02-1  
Cincinnati, Ohio 45202-4135  
Attention: Jeffrey Swartz  
Telephone: (513) 651-8472  
Facsimile: (513) 651-7078

with a copy to:

PNC Bank, National Association  
PNC Agency Services  
PNC Firstside Center  
500 First Avenue, 4th Floor  
Pittsburgh, Pennsylvania 15219  
Attention: Lisa Pierce  
Telephone: (412) 762-6442  
Facsimile: (412) 762-8672

with an additional copy to:

Frost Brown Todd LLC  
201 East Fifth Street, Suite 2200  
Cincinnati, Ohio 45202  
Attention: Michael J. O'Grady  
Telephone: (513) 651-6482  
Facsimile: (513) 651-6981

(B) If to a Lender other than Agent, as specified on the signature pages hereof, with a copy to Agent;

(C) If to Borrowing Agent or any Borrower:

Rocky Brands, Inc.  
39 East Canal Street  
Nelsonville, Ohio 45764  
Attention: James E. McDonald  
Telephone: (740) 753-9100, ext. 2543  
Facsimile: (740) 753-5555

with a copy to:

Porter, Wright, Morris & Arthur LLP  
41 South High Street  
Columbus, Ohio 43215  
Attention: Timothy E. Grady  
Telephone: (614) 227-2105  
Facsimile: (614) 227-2100

16.7. Survival. The obligations of Borrowers under Sections 2.2(f), 3.7, 3.8, 3.9, 4.19(h), and 16.5 and the obligations of Lenders under Section 14.7, shall survive termination of this Agreement and the Other Documents and payment in full of the Obligations.

16.8. Severability. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under Applicable Laws, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited or invalid, but the remainder hereof shall not be invalidated thereby and shall be given effect so far as possible.



16.9. Expenses. All reasonable costs and expenses including reasonable attorneys' fees (including the allocated costs of in house counsel) and disbursements incurred by Agent on its behalf or on behalf of Lenders, or by any Lender on its own behalf: (a) in all efforts made to enforce payment of any Obligation or effect collection of any Collateral, or (b) in connection with the entering into, modification, amendment, administration and enforcement of this Agreement or any consents or waivers hereunder and all related agreements, documents and instruments, or (c) in instituting, maintaining, preserving, enforcing and foreclosing on Agent's security interest in or Lien on any of the Collateral, or maintaining, preserving or enforcing any of Agent's or any Lender's rights hereunder and under all related agreements, documents and instruments, whether through judicial proceedings or otherwise, or (d) in defending or prosecuting any actions or proceedings arising out of or relating to Agent's or any Lender's transactions with any Borrower, Guarantor, or any of their respective Subsidiaries, or (e) in connection with any advice given to Agent or any Lender with respect to its rights and obligations under this Agreement and all related agreements, documents and instruments, may be charged to Borrowers' Account and shall be part of the Obligations. Notwithstanding the foregoing, no Borrower shall be responsible for any legal fee of Agent's U.S. counsel incurred to initially establish this Agreement and the Other Documents which exceeds \$50,000 in the aggregate. Such limitation shall not apply to out-of-pocket expenses of U.S. counsel or legal fees or expenses of counsel located outside of the U.S. In addition, Agent may cause appraisals of the Real Property, Inventory and Equipment of Borrowers to be conducted from time to time at Borrowers' sole cost. Agent's right to conduct an Inventory appraisal shall be limited to one (1) such appraisal during any fiscal year. Inventory appraisals conducted in connection with the establishment of this Agreement, in connection with a Permitted Acquisition, or during the continuance of an Event of Default shall be charged to Borrowers and not be subject to the foregoing limitation.

16.10. Injunctive Relief. Each Borrower recognizes that, in the event any Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, or threatens to fail to perform, observe or discharge such obligations or liabilities, any remedy at law may prove to be inadequate relief to Lenders; therefore, Agent, if Agent so requests, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving that actual damages are not an adequate remedy.

16.11. Consequential Damages. Neither Agent nor any Lender, nor any agent or attorney for any of them, shall be liable to any Borrower or any Guarantor (or any Affiliate of any such Person) for indirect, punitive, exemplary or consequential damages arising from any breach of contract, tort or other wrong relating to the establishment, administration or collection of the Obligations or as a result of any transaction contemplated under this Agreement or any Other Document.

16.12. Captions. The captions at various places in this Agreement are intended for convenience only and do not constitute and shall not be interpreted as part of this Agreement.

16.13. Counterparts; Facsimile Signatures. This Agreement may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

16.14. Construction. The parties acknowledge that each party and its counsel have reviewed this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments, schedules or exhibits thereto.

16.15. Confidentiality; Sharing Information. Agent, each Lender and each Transferee shall hold all non-public information obtained by Agent, such Lender or such Transferee pursuant to the requirements of this Agreement in accordance with Agent's, such Lender's and such Transferee's customary procedures for handling confidential information of this nature; provided, however, Agent, each Lender and each Transferee may disclose such confidential information (a) to its examiners, Affiliates, outside auditors, counsel and other professional advisors, (b) to Agent, any Lender or to any prospective Transferees, and (c) as required or requested by any Governmental Body or representative thereof or pursuant to legal process; provided, further that (i) unless specifically prohibited by Applicable Law, Agent, each Lender and each Transferee shall use its reasonable best efforts prior to disclosure thereof, to notify the applicable Borrower of the applicable request for disclosure of such non-public information (A) by a Governmental Body or representative thereof (other than any such request in connection with an examination of the financial condition of a Lender or a Transferee by such Governmental Body) or (B) pursuant to legal process and (ii) in no event shall Agent, any Lender or any Transferee be obligated to return any materials furnished by any Borrower other than those documents and instruments in possession of Agent or any Lender in order to perfect its Lien on the Collateral once the Obligations have been paid in full and this Agreement has been terminated. Each Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to such Borrower or one or more of its Affiliates (in connection with this Agreement or otherwise) by any Lender or by one or more Subsidiaries or Affiliates of such Lender and each Borrower hereby authorizes each Lender to share any information delivered to such Lender by such Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such Subsidiary or Affiliate of such Lender, it being understood that any such Subsidiary or Affiliate of any Lender receiving such information shall be bound by the provisions of this Section 16.15 as if it were a Lender hereunder. Such authorization shall survive the repayment of the other Obligations and the termination of this Agreement.

16.16. Publicity. Each Borrower and each Lender hereby authorizes Agent, with the prior approval of Borrowing Agent, to make appropriate announcements of the financial arrangement entered into among Borrowers, Agent and Lenders, including announcements which are commonly known as tombstones, in such publications and to such selected parties as Agent shall in its sole and absolute discretion deem appropriate.

16.17. Certifications From Banks and Participants; US PATRIOT Act. Each Lender or assignee or participant of a Lender that is not incorporated under the Laws of the United States of America or a state thereof (and is not excepted from the certification requirement contained in Section 313 of the USA PATRIOT Act and the applicable regulations because it is both (i) an affiliate of a depository institution or foreign bank that maintains a physical presence in the United States or foreign country, and (ii) subject to supervision by a banking authority regulating such affiliated depository institution or foreign bank) shall deliver to the Agent the certification, or, if applicable, recertification, certifying that such Lender is not a "shell" and certifying to other matters as required by Section 313 of the USA PATRIOT Act and the applicable regulations: (1) within 10 days after the Closing Date, and (2) as such other times as are required under the USA PATRIOT Act.

16.18. Language. The parties have requested that this Agreement and the Other Documents be drawn up in the English language. Les parties ont requis que cette convention ainsi que tous les documents qui y sont envisagés ou qui s'y rapportent soient rédigés en langue anglaise.

16.19. Judgment Currency. If for the purpose of obtaining judgment in any court it is necessary to convert an amount due hereunder in the currency in which it is due (the "Original Currency") into another currency (the "Second Currency"), the rate of exchange applied shall be that at which, in accordance with normal banking procedures, Agent could purchase in the foreign exchange market, the Original Currency with the Second Currency on the date two (2) Business Days preceding that on which judgment is given. Each Borrower agrees that its obligation in respect of any Original Currency due from it hereunder shall, notwithstanding any judgment or payment in such other currency, be discharged only to the extent that, on the Business Day following the date Agent receives payment of any sum so adjudged to be due hereunder in the Second Currency, Agent may, in accordance with normal banking procedures, purchase, in the foreign exchange market, the Original Currency with the amount of the Second Currency so paid; and if the amount of the Original Currency so purchased or could have been so purchased is less than the amount originally due in the Original Currency, each Borrower agrees as a separate obligation and notwithstanding any such payment or judgment to indemnify Agent and the Lenders against such loss.

[Signature Pages Follow]

Each of the parties has signed this Revolving Credit, Guaranty, and Security Agreement as of the day and year first above written.

Borrowers:

**Rocky Brands, Inc.,  
Lifestyle Footwear, Inc.,  
Rocky Brands Wholesale LLC,  
Lehigh Outfitters, LLC,  
Rocky Brands International, LLC,  
Rocky Canada, Inc.**

By: /s/ James E. McDonald  
James E. McDonald  
Executive Vice President and Chief  
Financial Officer of each Borrower

**PNC Bank, National Association**  
as Agent and Lender

By: /s/ Gerald R. Kirpes

Gerald R. Kirpes  
Senior Vice President

Address:

PNC Bank, National Association  
201 East Fifth Street, 2<sup>nd</sup> Floor  
Mail Stop: B1-BM01-02-1  
Cincinnati, Ohio 45202-4135  
Attention: Jeffrey Swartz  
Telephone: (513) 651-8472  
Facsimile: (513) 651-7078

Commitment Percentage: 100%

**EXHIBIT 1.2  
PNC Business Credit Revolving Credit, Term Loan and Security Agreement  
Borrowing Base Certificate**



**Borrowers: Rocky Brands, Inc.**  
**Lehigh Outfitters, LLC**  
**Lifestyle Footwear, Inc.**  
**Rocky Brands Wholesale, LLC**  
**Rocky Brands International, LLC**  
**Rocky Canada, Inc.**

Certificate # \_\_\_\_\_  
 Period Ended \_\_\_\_/\_\_\_\_/\_\_\_\_

To induce PNC Bank, N. A. ("Agent") to make a loan advance pursuant to the Revolving Credit, Guaranty and Security Agreement dated as of October 20, 2010, as well as amendments between the undersigned and Lender, we hereby certify as of the above date, the following:

		<u>From</u>		<u>To</u>		
<b>Accounts Receivable</b>	1	Previous Certificate AR Balance				\$ -
	2	Gross Sales Since Last Certificate			+	\$ -
	3	Collections Since Last Certificate			-	\$ -
	4	Credits Since Last Certificate			-	\$ -
	5	Other Adjustments				\$ -
	6	Total AR Now Being Certified to Bank			+/-	\$ -
	7	Ineligible AR Per Attached			-	\$ -
	7.5	Government receivables included in ineligible				\$ -
	8	Net Eligible AR				\$ -
	9	AR Availability	__%			\$ -

<b>Inventory</b>	10	Gross Inventory As Of				\$ -
	11	Ineligible Inventory			-	\$ -
	12	Net Eligible Inventory				\$ -
	13	Inventory Availability:	<b>Various Adv Rates - See Inventory Report detail attached</b>			\$ -
	14	Inventory Sub Limit				\$ -
	15	Suppressed Inventory Availability				\$ -
	16	<b>Adjusted Inventory Availability</b>				<b>\$ -</b>

	17	Gross Combined Availability				\$ -
	18	Availability Block				\$ -
	19	Adjusted Availability Before Line Limit				\$ -
	20	Revolver Limit				\$ -
	21	Suppressed Line Availability				\$ -
	22	Net Loan Value				\$ -

<b>Loans &amp; Advances</b>	23	Revolver Loan Balance Per Previous Certificate				\$ -
	24	Net AR Collections Since Last Certificate			-	\$ -
	25	Non-AR Collections Since Last Certificate			-	\$ -
	26	Advance Requested			+	\$ -
	27	Misc. Loan Adjustment			+/-	\$ -
	28	New Loan Balance				\$ -
	29	Reserves for Letters of Credit, BA's & Other			+	\$ -
	30	Rent Reserves				\$ -
	31	Royalty Reserve			+	\$ -
	32	Revolver Loans & Reserves				\$ -
	33	Loan Availability				\$ -
	34	Remaining Revolver Availability				\$ -

The undersigned hereby certifies that the above representations are true and correct and subject to all conditions of the Loan and Security Agreement. We also represent that to the best of our knowledge, there does not exist a condition which may precipitate a default under the terms of the Loan and Security Agreement or any amendment thereto.

\_\_\_\_\_  
 Authorized Signature, Title Date

\_\_\_\_\_  
 Name of Authorized Signer

**For Bank Use Only**

\_\_\_\_\_  
 Date of Advance Amount

**Exhibit 2.1(a)**  
**REVOLVING CREDIT NOTE**

\$70,000,000

Dated as of: October 20, 2010

This Revolving Credit Note is executed and delivered under and pursuant to the terms of that certain Revolving Credit, Guaranty, and Security Agreement dated as of the date hereof (as amended, restated, supplemented or modified from time to time, the "Credit Agreement") by and among **Rocky Brands, Inc.**, an Ohio corporation ("Parent"), **Lehigh Outfitters, LLC**, a Delaware limited liability company ("Lehigh"), **Lifestyle Footwear, Inc.**, a Delaware corporation ("Lifestyle"), **Rocky Brands Wholesale LLC**, a Delaware limited liability company ("Rocky Wholesale"), **Rocky Brands International, LLC**, an Ohio limited liability company ("Rocky International"), and **Rocky Canada, Inc.**, a corporation formed under the federal laws of Canada ("Rocky Canada") (Parent, Lehigh, Lifestyle, Rocky Wholesale, Rocky International, and Rocky Canada, collectively, the "Borrowers" and individually a "Borrower"), the financial institutions which are now or which hereafter become a party thereto (collectively, the "Lenders" and individually a "Lender") and **PNC Bank, National Association** ("PNC"), as agent for Lenders (PNC, in such capacity, the "Agent"). Capitalized terms not otherwise defined herein shall have the meanings provided in the Credit Agreement.

FOR VALUE RECEIVED, each Borrower hereby promises to pay to the order of PNC, at the office of Agent located at PNC Bank Center, Two Tower Center, 8th Floor, East Brunswick, New Jersey 08816 or at such other place as Agent may from time to time designate to Borrower in writing:

- (i) the principal sum of SEVENTY MILLION Dollars (\$70,000,000) or, if different, from such amount, the unpaid principal balance of PNC's Commitment Percentage of the Revolving Advances as may be due and owing under the Credit Agreement, payable in accordance with the provisions of the Credit Agreement, subject to acceleration upon the occurrence of an Event of Default under the Credit Agreement or earlier termination of the Credit Agreement pursuant to the terms thereof; and
- (ii) interest on the principal amount of this Note from time to time outstanding until such principal amount is paid in full at the applicable Revolving Interest Rate in accordance with the provisions of the Credit Agreement. In no event, however, shall interest exceed the maximum interest rate permitted by law. Upon and after the occurrence of an Event of Default, and during the continuation thereof, interest shall be payable at the Default Rate in accordance with the Credit Agreement.

This Note is one of the Revolving Credit Notes referred to in the Credit Agreement and is secured inter alia, by the liens granted pursuant to the Credit Agreement and the Other Documents, is entitled to the benefits of the Credit Agreement and the Other Documents and is subject to all of the agreements, terms and conditions therein contained.

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This Note is subject to mandatory prepayment and may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Credit Agreement.

If an Event of Default under Section 10.7 of the Credit Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with reasonable attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Credit Agreement or any of the Loan Documents, which is not cured within any applicable grace period, then this Note may, as provided in the Credit Agreement, be declared to be immediately due and payable, without notice, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

This Note shall be construed and enforced in accordance with the laws of the State of Ohio.

Each Borrower expressly waives any presentment, demand, protest, notice of protest, or notice of any kind except as expressly provided in the Credit Agreement.

SIGNATURE PAGE FOLLOWS



SIGNATURE PAGE TO REVOLVING CREDIT NOTE

**Rocky Brands, Inc.**  
**Lifestyle Footwear, Inc.**  
**Rocky Brands Wholesale LLC**  
**Lehigh Outfitters, LLC**  
**Rocky Brands International, LLC**  
**Rocky Canada, Inc.**

By: \_\_\_\_\_

James E. McDonald  
Executive Vice President and  
Chief Financial Officer of each Borrower

**Exhibit 4.15(i)**

**SECURITY AGREEMENT AND ASSIGNMENT OF GOVERNMENT  
CONTRACT UNDER ASSIGNMENT OF CLAIMS ACT OF 1940 AS AMENDED**

FOR A VALUABLE CONSIDERATION **Rocky Brands, Inc.**, a corporation organized under the laws of the State of Ohio (the "Assignor") hereby assigns to **PNC Bank, National Association**, as agent for the Lenders under the Revolving Credit, Guaranty, and Security Agreement by and among Assignor, and the Borrowers and Lenders thereunder, dated as of October 20, 2010 (as amended, restated or modified from time to time, the "Credit Agreement") whose address is 201 East Fifth Street, 2<sup>nd</sup> Floor, Mail Stop: B1-BM01-02-1, Cincinnati, Ohio 45202-4135, Attention: Jeffrey Swartz, on behalf of itself, and its successors and assigns (collectively referred to herein as the "Assignee"), as assignee, all of the Collateral described below, to secure the payment and performance of (collectively, the "Obligations"): any and all loans, advances, debts, liabilities, obligations, covenants and duties owing by any Borrower to Lenders or Assignee or to any other direct or indirect subsidiary or affiliate of Assignee or any Lender of any kind or nature, present or future (including any interest or other amounts accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to any Borrower, whether or not a claim for post-filing or post-petition interest or other amounts is allowed in such proceeding), whether or not evidenced by any note, guaranty or other instrument, whether arising under any agreement, instrument or document, (including the Credit Agreement and the Other Documents) whether or not for the payment of money, whether arising by reason of an extension of credit, opening of a letter of credit, loan, equipment lease or guarantee, under any interest or currency swap, future, option or other similar agreement, or in any other manner, whether arising out of overdrafts or deposit or other accounts or electronic funds transfers (whether through automated clearing houses or otherwise) or out of the Assignee's or any Lenders non-receipt of or inability to collect funds or otherwise not being made whole in connection with depository transfer check or other similar arrangements, whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising, contractual or tortious, liquidated or unliquidated, regardless of how such indebtedness or liabilities arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, including, but not limited to, any and all of any Borrower's Indebtedness and/or liabilities under the Credit Agreement, the Other Documents or under any other agreement between Assignee or Lenders and any Borrower and any amendments, extensions, renewals or increases and all costs and expenses of Assignee and any Lender incurred in the documentation, negotiation, modification, enforcement, collection or otherwise in connection with any of the foregoing, including but not limited to reasonable attorneys' fees and expenses and all obligations of any Borrower to Assignee or Lenders to perform acts or refrain from taking any action.

Capitalized terms used in this Assignment and not defined herein shall have the meanings set forth in the Credit Agreement. This Assignment is an "Other Document" as such term is defined in the Credit Agreement.

As used in this Assignment, the term "Collateral" means all moneys and claims for money due or to become due to the Assignor from the United States of America (the "Government"), under or arising out of the contract between the Assignor and the Government, dated July 2, 2009, and designated as General Services Administration Blanket Purchase Agreement, BPA No.: GS-07F-BROCB, together with any amendments and supplements thereto (the "Contract"). The Assignee has or may hereafter, at its option, from time to time enter into various loan, credit or banking transactions with the Assignor for various sums to finance the Assignor's performance of the Contract.

The Assignor specifically authorizes and directs the Government to make all payments due under the Contract directly to the Assignee and irrevocably appoints the Assignee as its attorney-in-fact to demand, receive, receipt and give acquittance for such amounts which may be or become due or payable or remain unpaid at any time to the Assignor by the Government under and pursuant to the Contract, to endorse any checks, drafts or other orders for the payment of money payable to the Assignor, and, in its discretion, to file any claims or take any action or proceeding, either in its own name or in the name of the Assignor or otherwise, which the Assignee may deem to be necessary or advisable. It is expressly understood and agreed, however, that the Assignee shall not be required or obligated in any manner to make any demand or to make any inquiry as to the nature or the sufficiency of any payment received by it or to present or file any claims or take any other action to collect or enforce the payment or any amounts which may have been assigned to it or to which it may be entitled.

As and from the date of this Assignment, Assignor hereby agrees that it shall: (a) take all reasonable steps to provide for payment by the Government of all amounts payable under the Contract directly to Assignee, including, without limitation: (i) executing and delivering the Notice of Assignment to the applicable Government contracting officer; and (ii) returning a fully-executed Notice of Assignment to Assignee; (b) take all reasonable steps to perform, observe and permit the exercise and enforcement of the rights of Assignee pursuant to this Assignment; (c) notify Assignee promptly in writing of any breach of this Assignment or the Contract or of non-compliance with any term, condition or covenant contained in this Assignment or the Contract or any other instrument, document or agreement executed in connection herewith; (d) promptly cure or cause to be cured, any defects in the execution and/or delivery of this Assignment or any of the other agreements, instruments or documents executed pursuant hereto or any defects in the validity or enforceability of this Assignment or any other instrument or agreement in connection herewith, and at its own expense, execute and deliver or cause to be executed or delivered, all such instruments, agreements and other documents as Assignee may reasonably require; and (e) to the extent any amount payable under the Contract is paid by the Government to Assignor, hold such amount in trust for Assignee and immediately pay such amount to Assignee or as Assignee may direct. Until such time as such amount is provided to Assignee, it shall not be co-mingled with funds of Assignor.

The Assignor represents and warrants to the Assignee that there is no provision of the Contract which states that the Contract or Assignor's interest therein is not assignable, and that it has not transferred or assigned the Contract or any right or interest in it and has acquired the release of any encumbrances on the Contract or right or interest in it, and the Assignor agrees that at any time and from time to time, upon the Assignee's written request, the Assignor will execute and deliver such instruments and documents and do such other acts and things as the Assignee may request in order to further effect the purpose of this Assignment. The Assignor covenants and agrees with the Assignee that it will perform all of the terms of the Contract.

This Assignment has been delivered and accepted at and will be deemed to have been made in Ohio and will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State of Ohio, without regard to conflicts of law principles. Assignor hereby irrevocably agrees and submits to the exclusive jurisdiction of any state or federal court located within Ohio, or, at the option of Assignee in its sole discretion, of any state or federal court(s) located within any other county, state or jurisdiction in which Assignee at any time or from time to time chooses in its sole discretion to bring an action or otherwise exercise a right or remedy, and Assignor waives any objection based on forum non conveniens and any objection to venue of any such action or proceeding.

Executed as of the 20<sup>th</sup> day of October, 2010.

Witnesses:

\_\_\_\_\_

\_\_\_\_\_

Assignor:

**Rocky Brands, Inc.**

By:

\_\_\_\_\_  
James E. McDonald  
Executive Vice President and  
Chief Financial Officer

STATE OF OHIO )

ss.

COUNTY OF \_\_\_\_\_)

On this \_\_\_ day of October, 2010, acknowledged before me by James E. McDonald, the duly authorized Executive Vice President and Chief Financial Officer of **Rocky Brands, Inc.**, an Ohio corporation, who executed the foregoing instrument on behalf of said corporation.

---

Notary Public

**NOTICE OF ASSIGNMENT**

To: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Re: BPA No.: GS-07F-BROCB

Made by the United States of America

Department \_\_\_\_\_

Division \_\_\_\_\_

with Rocky Brands, Inc. \_\_\_\_\_  
(Name of Contractor)

39 East Canal Street

Nelsonville, Ohio 45764

(Address of Contractor)

dated \_\_\_\_\_

PLEASE TAKE NOTICE that the moneys due or to become due under the contract described above have been assigned to the undersigned pursuant to the provisions of the Assignment of Claims Act of 1940, as amended, 31 U.S.C. 3727, 41 U.S.C. 15.

A true copy of the instrument of assignment is attached to this notice.

All payments due or to become due under such contract should be made to the assignee.

Please return to the undersigned one enclosed copy of this notice with appropriate notations showing the date and hour of receipt and duly signed by the person acknowledging receipt on behalf of the addressee.

Very truly yours,

PNC Bank, National Association, as Agent

By: \_\_\_\_\_

Its: \_\_\_\_\_

(Name Printed) \_\_\_\_\_

Receipt is hereby acknowledged of this notice and a copy of the instrument of assignment.

These were received at \_\_\_\_\_ a.m./p.m. on \_\_\_\_\_.

(Signature)

On behalf of



**Exhibit 8.1(i)**

**FINANCIAL CONDITION CERTIFICATE**

The undersigned hereby certifies on behalf of **Rocky Brands, Inc.**, a corporation organized under the laws of the State of Ohio, **Lehigh Outfitters, LLC**, a Delaware limited liability company, **Lifestyle Footwear, Inc.**, a Delaware corporation, **Rocky Brands Wholesale LLC**, a Delaware limited liability company, **Rocky Brands International, LLC**, an Ohio limited liability company, and **Rocky Canada, Inc.**, a corporation formed under the federal laws of Canada, in my capacity as an officer of each of the foregoing (each, a "Borrower" and collectively, the "Borrowers"), and not in my individual capacity, to **PNC Bank, National Association**, as agent for Lenders (the "Agent") under the Revolving Credit, Guaranty, and Security Agreement among Agent, and the Borrowers and Lenders thereunder dated as of the date hereof (as amended, restated or modified from time to time, the "Credit Agreement") that:

1. I am the duly elected, qualified and acting authorized officer of each Borrower.
2. I am familiar with the business and financial affairs of the Borrowers, including, without limiting the generality of the foregoing, the matters hereinafter described.
3. This Certificate is made and delivered to Agent for the purpose of inducing Lenders to advance monies and extend credit and other financial accommodations to the Borrowers pursuant to the Credit Agreement and the other loan documents (together with the Credit Agreement, the "Loan Documents"). All capitalized terms used herein which are not defined shall have the meanings given to them in the Credit Agreement.
4. I have reviewed the following and am familiar with the process pursuant to which they were generated:

Consolidated balance sheets of the Borrowers and such other Persons described therein as of December 31, 2009, for the period ended on such date (the "Financial Statements"), accompanied by reports thereon containing opinions without qualification by independent public accountants.

5. The Financial Statements fairly present in all material respects the assets, liabilities, and net worth of the Borrowers as of the date of the Financial Statements.

6. Immediately following the execution of the Loan Documents, the Borrowers are Solvent.

Dated as of October 20, 2010.

By:

\_\_\_\_\_

James E. McDonald

Executive Vice President and Chief Financial Officer of each  
Borrower

**Exhibit 16.3**

COMMITMENT TRANSFER SUPPLEMENT, dated as of \_\_\_\_\_, 20\_\_, among **PNC Bank, National Association** (the "Transferor Lender"), \_\_\_\_\_ ("Purchasing Lender"), and **PNC Bank, National Association**, as agent for the Lenders under the Revolving Credit, Guaranty, and Security Agreement described below (in such capacity, the "Agent").

**WITNESSETH**

WHEREAS, this Commitment Transfer Supplement is being executed and delivered in accordance with Section 16.3 of that certain Revolving Credit, Guaranty, and Security Agreement dated as of October 20, 2010 among by and among **Rocky Brands, Inc.**, an Ohio corporation ("Parent"), **Lehigh Outfitters, LLC**, a Delaware limited liability company ("Lehigh"), **Lifestyle Footwear, Inc.**, a Delaware corporation ("Lifestyle"), **Rocky Brands Wholesale LLC**, a Delaware limited liability company ("Rocky Wholesale"), **Rocky Brands International, LLC**, an Ohio limited liability company ("Rocky International"), and **Rocky Canada, Inc.**, a corporation formed under the federal laws of Canada ("Rocky Canada") (Parent, Lehigh, Lifestyle, Rocky Wholesale, Rocky International, and Rocky Canada, collectively, the "Borrowers" and individually a "Borrower"), the financial institutions which are now or which hereafter become a party thereto (collectively, the "Lenders" and individually a "Lender") and **PNC Bank, National Association** ("PNC"), as Agent (as same has been or may be amended, supplemented or otherwise modified in accordance with the terms thereof, the "Credit Agreement");

WHEREAS, Purchasing Lender wishes to become a Lender party to the Credit Agreement; and

WHEREAS, the Transferor Lender is selling and assigning to Purchasing Lender rights, obligations and commitments under the Credit Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. All capitalized terms used herein that are not defined shall have the meanings given to them in the Credit Agreement.

2. Upon receipt by the Agent of four counterparts of this Commitment Transfer Supplement, to each of which is attached a fully completed Schedule I, and each of which has been executed by the Transferor Lender and Agent, Agent will transmit to Transferor Lender and Purchasing Lender a Transfer Effective Notice, substantially in the form of Schedule II to this Commitment Transfer Supplement (a "Transfer Effective Notice"). Such Transfer Effective Notice shall set forth, inter alia, the date on which the transfer effected by this Commitment Transfer Supplement shall become effective (the "Transfer Effective Date"), which date unless otherwise noted therein, shall not be earlier than the first Business Day following the date such Transfer Effective Notice is received. From and after the Transfer Effective Date, Purchasing Lender shall be a Lender party to the Credit Agreement for all purposes thereof.

3. At or before 12:00 Noon (Eastern time) on the Transfer Effective Date Purchasing Lender shall pay to Transferor Lender, in immediately available funds, an amount equal to the purchase price, as agreed between Transferor Lender and such Purchasing Lender (the "Purchase Price"), of the portion of the Advances being purchased by such Purchasing Lender (such Purchasing Lender's "Purchased Percentage") of the outstanding Advances and other amounts owing to the Transferor Lender under the Credit Agreement, and the Note(s). Effective upon receipt by Transferor Lender of the Purchase Price from a Purchasing Lender, Transferor Lender hereby irrevocably sells, assigns and transfers to such Purchasing Lender, without recourse, representation or warranty, and Purchasing Lender hereby irrevocably purchases, takes and assumes from Transferor Lender, such Purchasing Lender's Purchased Percentage of the Advances and other amounts owing to the Transferor Lender under the Credit Agreement and the Note(s) together with all instruments, documents and collateral security pertaining thereto.

4. Transferor Lender has made arrangements with Purchasing Lender with respect to (i) the portion, if any, to be paid, and the date or dates for payment, by Transferor Lender to such Purchasing Lender of any fees heretofore received by Transferor Lender pursuant to the Credit Agreement prior to the Transfer Effective Date and (ii) the portion, if any, to be paid, and the date or dates of payment, by such Purchasing Lender to Transferor Lender of fees or interest received by such Purchasing Lender pursuant to the Credit Agreement from and after the Transfer Effective Date.

5. (a) All principal payments that would otherwise be payable from and after the Transfer Effective Date to or for the account of Transferor Lender pursuant to the Credit Agreement and the Note(s) shall, instead, be payable to or for the account of Transferor Lender and Purchasing Lender, as the case may be, in accordance with their respective interests as reflected in this Commitment Transfer Supplement.

(b) All interest, fees and other amounts that would otherwise accrue for the account of Transferor Lender from and after the Transfer Effective Date pursuant to the Credit Agreement and the Note(s) shall, instead, accrue for the account of, and be payable to, Transferor Lender and Purchasing Lender, as the case may be, in accordance with their respective interests as reflected in this Commitment Transfer Supplement. In the event that any amount of interest, fees or other amounts accruing prior to the Transfer Effective Date was included in the Purchase Price paid by any Purchasing Lender, Transferor Lender and Purchasing Lender will make appropriate arrangements for payment by Transferor Lender to such Purchasing Lender of such amount upon receipt thereof from Borrowers.

6. Concurrently with the execution and delivery hereof, Transferor Lender will provide to Purchasing Lender conformed copies of the Credit Agreement and all related documents delivered to Transferor Lender.

7. Each of the parties to this Commitment Transfer Supplement agrees that at any time, and from time to time, upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Commitment Transfer Supplement.

8. By executing and delivering this Commitment Transfer Supplement, Transferor Lender and Purchasing Lender confirm to and agree with each other, Agent and Lenders as follows: (i) other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any security interests, liens or adverse claim, Transferor Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made by Borrowers in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, the Note(s) or any other instrument or document furnished pursuant thereto; (ii) Transferor Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of Borrowers or the performance or observance by Borrowers of any of their Obligations under the Credit Agreement, the Note(s) or any other instrument or document furnished pursuant hereto; (iii) Purchasing Lender confirms that it has received a copy of the Credit Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Commitment Transfer Supplement; (iv) Purchasing Lender will, independently and without reliance upon Agent, Transferor Lender or any other Lenders and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (v) Purchasing Lender appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Agent by the terms thereof; (vi) Purchasing Lender agrees that it will perform all of its respective obligations as set forth in the Credit Agreement to be performed by each as a Lender; and (vii) Purchasing Lender represents and warrants to Transferor Lender, Lenders, Agent, and Borrowers that it is either (x) entitled to the benefits of an income tax treaty with the United States of America that provides for an exemption from the United States withholding tax on interest and other payments made by Borrowers under the Credit Agreement and Other Documents or (y) is engaged in trade or business within the United States of America.

9. Schedule I hereto sets forth the revised Commitment Percentages of Transferor Lender and the Commitment Percentage of Purchasing Lender as well as administrative information with respect to Purchasing Lender.

10. This Commitment Transfer Supplement shall be governed by, and construed in accordance with, the laws of the State of Ohio.

*[SIGNATURES TO FOLLOW ON SEPARATE PAGE]*

IN WITNESS WHEREOF, the parties hereto have caused this Commitment Transfer Supplement to be executed by their respective duly authorized officers on the date set forth above.

PNC BANK, NATIONAL ASSOCIATION  
as Transferor Lender

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_

as Purchasing Lender

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PNC BANK, NATIONAL ASSOCIATION  
as Agent

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

*Signature Page to Commitment Transfer Supplement*

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SCHEDULE I TO COMMITMENT TRANSFER SUPPLEMENT

LIST OF OFFICES, ADDRESSES FOR NOTICES AND COMMITMENT AMOUNTS

PNC Bank, National Association

Revised Commitment Amount

\$

Revised Commitment Percentage

%

\_\_\_\_\_

Commitment Amount

\$

Revolving Percentage

%

Addresses for Notices for

\_\_\_\_\_

\_\_\_\_\_

Attention: \_\_\_\_\_

Telephone: \_\_\_\_\_

Telecopier: \_\_\_\_\_

cc: Borrowing Agent

SCHEDULE II TO COMMITMENT TRANSFER SUPPLEMENT

[Form of Transfer Effective Notice]

To: \_\_\_\_\_, as Transferor Lender and \_\_\_\_\_, as Purchasing Lender:

The undersigned, as Agent under the Revolving Credit, Guaranty, and Security Agreement dated as of October 20, 2010 among **Rocky Brands, Inc.**, an Ohio corporation ("Parent"), **Lehigh Outfitters, LLC**, a Delaware limited liability company ("Lehigh"), **Lifestyle Footwear, Inc.**, a Delaware corporation ("Lifestyle"), **Rocky Brands Wholesale LLC**, a Delaware limited liability company ("Rocky Wholesale"), **Rocky Brands International, LLC**, an Ohio limited liability company ("Rocky International"), and **Rocky Canada, Inc.**, a corporation formed under the federal laws of Canada ("Rocky Canada") (Parent, Lehigh, Lifestyle, Rocky Wholesale, Rocky International, and Rocky Canada, collectively, the "Borrowers" and individually a "Borrower"), the financial institutions which are now or which hereafter become a party thereto (collectively, the "Lenders" and individually a "Lender") and **PNC Bank, National Association** ("PNC"), as Agent (as same has been or may be amended, supplemented or otherwise modified in accordance with the terms thereof, the "Credit Agreement"), acknowledges receipt of four (4) executed counterparts of a completed Commitment Transfer Supplement in the form attached hereto. [Note: Attach copy of Commitment Transfer Supplement.] Terms defined in such Commitment Transfer Supplement are used herein as therein defined.

Pursuant to such Commitment Transfer Supplement, you are advised that the Transfer Effective Date will be [Insert date of Transfer Effective Notice].

PNC BANK, NATIONAL ASSOCIATION,  
as Agent

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACCEPTED FOR RECORDATION IN REGISTER:

cc: Borrowing Agent



Transfer Effective Notice

To: PNC Bank, National Association, as Transferor Lender and \_\_\_\_\_, as Purchasing Lender:

The undersigned, as Agent under the Revolving Credit, Guaranty, and Security Agreement dated as of October 20, 2010 among **Rocky Brands, Inc.**, an Ohio corporation ("Parent"), **Lehigh Outfitters, LLC**, a Delaware limited liability company ("Lehigh"), **Lifestyle Footwear, Inc.**, a Delaware corporation ("Lifestyle"), **Rocky Brands Wholesale LLC**, a Delaware limited liability company ("Rocky Wholesale"), **Rocky Brands International, LLC**, an Ohio limited liability company ("Rocky International"), and **Rocky Canada, Inc.**, a corporation formed under the federal laws of Canada ("Rocky Canada") (Parent, Lehigh, Lifestyle, Rocky Wholesale, Rocky International, and Rocky Canada, collectively, the "Borrowers" and individually a "Borrower"), the financial institutions which are now or which hereafter become a party thereto (collectively, the "Lenders" and individually a "Lender") and **PNC Bank, National Association** ("PNC"), as Agent (as same has been or may be amended, supplemented or otherwise modified in accordance with the terms thereof, the "Credit Agreement"), acknowledges receipt of four (4) executed counterparts of a completed Commitment Transfer Supplement in the form attached hereto.

Pursuant to such Commitment Transfer Supplement, you are advised that the Transfer Effective Date will be \_\_\_\_\_.

PNC BANK, NATIONAL ASSOCIATION,  
as Agent

By:

Print Name:

Title:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ACCEPTED FOR RECORDATION IN REGISTER:

**SCHEDULES TO REVOLVING CREDIT, GUARANTY AND SECURITY AGREEMENT**

Dated as of October 20, 2010

Introduction:

For purposes of this introduction, the term “Schedules” shall include the following:

- SCHEDULE 1.2(a) - Permitted Encumbrances
- SCHEDULE 4.5 - Real Property, Equipment, Books and Records, and Inventory Locations
- SCHEDULE 4.11 - Insurance
- SCHEDULE 4.15 (c) - Chief Executive Offices and Location of Books and Records
- SCHEDULE 4.15 (h) - Deposit and Investment Accounts
- SCHEDULE 4.15 (j) - Government Contracts
- SCHEDULE 5.1 - Consents
- SCHEDULE 5.2(a) - States of Qualification and Good Standing
- SCHEDULE 5.2 (b) - Equity Interests; Subsidiaries
- SCHEDULE 5.4 - Federal Tax Identification Number
- SCHEDULE 5.5(a) - Financial Projections
- SCHEDULE 5.6 - Prior Names
- SCHEDULE 5.7 - OSHA and Environmental Compliance
- SCHEDULE 5.8(d) - ERISA Plans
- SCHEDULE 5.9 - Intellectual Property, Source Code Escrow Agreements
- SCHEDULE 5.10 - Licenses and Permits
- SCHEDULE 5.12 - Material Contracts
- SCHEDULE 5.14 - Labor Disputes

SCHEDULE 7.3 - Guarantees

SCHEDULE 7.8 - Indebtedness

Unless otherwise defined in these Schedules, all capitalized terms used herein shall have the meanings ascribed to them in the Revolving Credit, Guaranty and Security Agreement dated October 20, 2010 (the "Agreement") by, between and among Rocky Brands, Inc., Lifestyle Footwear, Inc., Rocky Brands Wholesale LLC, Lehigh Outfitters, LLC, Rocky Brands International, LLC, and Rocky Canada, Inc. (collectively, the "Borrowers"), the Guarantors (as defined in the Agreement), the Lenders (as defined in the Agreement), and PNC Bank, National Association, in its capacity as agent for the Lenders (hereinafter referred to in such capacity as the "Agent").

Matters reflected in these Schedules are not necessarily limited to matters required by the Agreement to be reflected in the Schedules. Such additional matters are set forth for informational purposes and do not necessarily include other matters of a similar nature. In no event shall the listing of such matters in these Schedules be deemed or interpreted to broaden or otherwise amplify the Borrowers' representations, warranties, covenants or agreements contained in the Agreement.

The headings contained in these Schedules are for reference purposes only and shall not affect in any way the meaning or interpretation of the Agreement or these Schedules. A disclosure with respect to any one matter contained herein shall be deemed a disclosure with respect to all other matters.

**Schedule 1.2(a)**

**Permitted Encumbrances**

**A. All Loan Parties**

Liens on real estate in which a Loan Party is lessee

**B. Rocky Brands, Inc.**

Secured Party	Collateral
GE Capital Business Asset Funding Corporation	Real Estate, fixtures and other property in connection with real properties in Athens County and Hocking County, Ohio, including without limitation that collateral further described in Financing Statement number AP0207801 filed with the Ohio Secretary of State, Financing Statement number 200000000069/200000000508 filed with the Hocking County, Ohio Recorder, Financing Statement numbers 20000000000-1/20000000000-2 and 20000000000-3 /20000000000-8 filed with the Athens County, Recorder, and in certain Open-End Mortgages, Security Agreements, Assignments of Rents and Leases and Fixture Filings in Hocking and Athens Counties.
GMAC Business Credit LLC, as Agent	All business assets pursuant to Ohio UCC File No. OH00085290266 (to be released pursuant to payoff letter)
Laminar Direct Capital L.P., as Agent	All business assets pursuant to Ohio UCC File No. OH00115607115 (to be released pursuant to payoff letter)
Worthern Industries	Leased glue machines
W.L. Gore	Leased centrifugal testers ES & FS, seam sealers, boot dryers
Xerox Capital Services LLC	DC242 (2); WCP265; W5150 (3); W5135 (2), W5665 (2), W5655 (3)
Dell Financial Services, L.P.	Computer equipment and peripherals financed pursuant to a certain revolving credit account, insurance and other proceeds
Androscoggin Savings Bank and Pamco Machine Company, Inc.	Toe laster and proceeds

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Pitney Bowes Credit Corporation	Leased equipment further described in Financing Statement number 1995001177 filed in Broome County, NY
Bank of America	Cash Collateral to secure Bank of America letters of credit in favor of Gelco Corporation and Pacific Employers Insurance Company
Crown Credit	Leased equipment (forklifts and batteries) pursuant to Ohio UCC File No. OH00135740666
USM	High Speed Stitcher, Heel Laster
Bank of America	Lien on Cash Collateral Account

**C. Lifestyle Footwear, Inc.**

Secured Party	Collateral
GMAC Business Credit LLC, as Agent	All business assets pursuant to Delaware UCC File No. 5003316 8 (to be released pursuant to payoff letter)
Laminar Direct Capital L.P., as Agent	All business assets pursuant to Delaware UCC File No. 2007 1977528 (to be released pursuant to payoff letter)

**D. Rocky Brands Wholesale LLC**

Secured Party	Collateral
GMAC Business Credit LLC, as Agent	All business assets pursuant to Delaware UCC File No. 5003304 4 (to be released pursuant to payoff letter)
GMAC Business Credit LLC, as Agent	All business assets pursuant to Delaware UCC File No. 5003310 1 (to be released pursuant to payoff letter)

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Secured Party	Collateral
GMAC Business Credit LLC, as Agent	All business assets pursuant to Delaware UCC File No. 5003313 5 (to be released pursuant to payoff letter)
Laminar Direct Capital L.P., as Agent	All business assets pursuant to Delaware UCC File No. 2007 1978096 (to be released pursuant to payoff letter)

**E. Lehigh Outfitters, LLC**

Secured Party	Collateral
Navistar Leasing Company Harco Leasing Company, Inc.	Various leased motor vehicles
Key Equipment Finance	Various leased motor vehicles (In process of purchasing these vehicles)
Xerox	W5632, W5665, W5150
GMAC Business Credit LLC, as Agent	All business assets pursuant to Delaware UCC File No. 5003297 0 (to be released pursuant to payoff letter)
GMAC Business Credit LLC, as Agent	All business assets pursuant to Delaware UCC File No. 5003302 8 (to be released pursuant to payoff letter)
GMAC Business Credit LLC, as Agent	All business assets pursuant to Delaware UCC File No. 5003305 1 (to be released pursuant to payoff letter)
Laminar Direct Capital L.P., as Agent	All business assets pursuant to Delaware UCC File No. 2007 1978104 (to be released pursuant to payoff letter)

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**F. Rocky Brands International, LLC**

Secured Party	Collateral
GMAC Business Credit LLC, as Agent	All business assets pursuant to Ohio UCC File No. OH00130636872 (to be released pursuant to payoff letter)
GMAC Business Credit LLC, as Agent	All business assets pursuant to Ohio UCC File No. OH00130668152 (to be released pursuant to payoff letter)
Laminar Direct Capital LLC, as Agent	All business assets pursuant to Ohio UCC File No. OH00130798319 (to be released pursuant to payoff letter)

**G. Rocky Canada, Inc.**

Secured Party	Collateral
DeLage Landen Financial Services, Inc.	Leased equipment

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Schedule 4.5

Real Property, Equipment, Books and Records, and Inventory Locations

A. Rocky Brands, Inc.

1. Owned Real Property

39 East Canal Street  
Nelsonville, OH 45764

(Chief Executive Office of Rocky Brands, Inc., Rocky Brands Wholesale LLC, Lehigh Outfitters, LLC and Rocky Brands International, LLC)

29 Fayette St.  
Nelsonville, OH 45764

2. Leased Real Property – None

B. Lifestyle Footwear, Inc.

1. Owned Real Property – None

2. Leased Real Property

Road 125 KM 3.8 BO Pueblo Industrial Park  
Moca, PR 00676-0728  
Landlord: Puerto Rico Industrial Development Company  
Juan Ramos Aponte, PRIDCO Business Development Officer  
P.O. Box 362350, San Juan, PR 00936-2350  
Chief Executive Office

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C. Rocky Brands Wholesale LLC

1. Owned Real Property

37601 Rocky Boots Way  
Logan, OH 43138  
(aka Rt. 33 & Rt. 595, Haydenville, OH)

2. Leased Real Property

Denver Merchandise Mart  
451 East 58th Street  
Denver, CO 80216

3. Other Locations

FST Logistics (3<sup>rd</sup> party location)  
5400 Renner Road  
Columbus, OH 43228

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Various inventory consignment locations with Raven Rock  
Its principal office located at South Park Office Complex,  
7610 McEwen Rd., Dayton, Ohio 45459

D. Lehigh Outfitters, LLC

1. Owned Real Property

42-45 East Canal Street  
Nelsonville, OH 45764

901 Franklin Street E  
Endicott, NY 13761  
(vacant lot)

2. Leased Real Property

7250 Bandini Blvd., Unit 102  
Commerce, CA 90040

3890 Kipling Street,  
Wheat Ridge, CO 80033

1130 North Nimitz Highway, Suite A-122  
Honolulu, HI 96817

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2415 Monroe Road  
DePere, WI 54115  
Landlord: Olson Management  
1201 Ohare Blvd., DePere, WI 54115

Three Progress Avenue  
Nashua, NH 03062

3240 Peach Orchard Rd., Suite 6  
Augusta, GA 30906

703 E. Ordnance Road, Suite 610  
Baltimore, MD 21226

131 Harbison Blvd.  
Columbia, SC 29212  
Landlord: Insite Columbia, L.L.C.  
1603 West Sixteenth Street, Oak Brook, IL 60523, Attn: Ginny Lunsford

2837 W. McDowell Road  
Phoenix, AZ 85009

9001 Spencer Hwy. Suite J  
LaPorte, TX 77571  
Landlord: Deer Park Station Limited Partnership  
Cencor Realty Services, Property Manager, 1800 Bering Drive, Suite 550, Houston, TX 77057, Attn: Alisha Santos

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2899 Business Park Drive  
Building B  
Memphis, TN 38118

63 Washington Ave  
North Haven, CT 06473

4450 Steubenville Pike  
Pittsburgh, PA 15205

3. Other Locations

FST Logistics (3<sup>rd</sup> party location)  
5400 Renner Road  
Columbus, OH 43228

E. Rocky Canada, Inc.

1. Owned Real Property - None

2. Leased Real Property

50 Northland Rd., Unit 3  
Waterloo, ON N2V 1N2 Canada

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Landlord: Fercan Developments Inc.  
193 King St East #200, Toronto, Ontario M5A 1J5, Canada;  
Attn: Dean Verzin  
Chief Executive Office

F. Lehigh Outfitters, LLC Storage (Shuttle) Locations:

Rhino Self Storage, Unit 398  
5405 South Desert Blvd., El Paso, TX 79932

Westland Self Storage, Unit 366  
4724 S. Creyts Rd., Lansing, MI 48917

TRIAD Moving & Storage, Unit F  
1227 South Park Drive,  
Kernersville, NC 27284

U-Store It Storage, Unit M42  
920 W. Chatham Street, Cary, NC 27511

U-Haul Center, Unit RM #1467  
9136 Wilkinson Blvd., Charlotte, NC 28214

7<sup>th</sup> Street Storage, Units 1606/5335  
2060 W. 7<sup>th</sup> Street, St. Paul, MN 55116

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Uncle Bob's Self Storage Unit #100  
22195 Timberlake Road, Lynchburg, VA 24502

Lackland Self Storage, Unit #40  
777 Mantua Grove Rd.,  
West Deptford, NJ 08066

Public Storage Unit #5009  
4801 South Semoran Ave., Orlando, FL 32822

Devon Self Storage, Unit CD49  
5330 Jefferson Highway, Harahan, LA 70123

Extra Space Storage, Unit 818  
7400 West McNab Road, North Lauderdale, FL 33068

TTS Park Associates Storage, Unit B16  
8602 Temple Terrace Hwy., Tampa, FL 33637

Public Storage, Unit #3008  
20909 Western Avenue, Chicago Heights, IL 60411

Public Storage, Unit #5023  
20909 Western Avenue, Chicago Heights, IL 60411

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Alabama Storage, Unit #59  
1588 Carson Road North, Birmingham, AL 35071

Alabama Storage, Unit #99  
1588 Carson Road North, Birmingham, AL 35071

Advantage Self Storage, Unit 18  
2938 Walden Avenue, Depew, NY 14043

Storage Zone Self Storage, Unit D20  
2939 Chenoweth Road, Akron, OH 44312

Airport Mini Storage, Unit 219  
4961 Old Grayton Road, Cleveland, OH 44135

American Self Storage, Unit G12  
725 Metker, Irving, TX 75062

Storage One, Unit 1042  
2101 Rock Springs Drive, Las Vegas, NV 89128

Storage One, Unit 1043  
2101 Rock Springs Drive, Las Vegas, NV 89128

Airport Mini Storage, Unit #238  
4811 69<sup>th</sup> Avenue, Millan, IL 61264

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U-Haul Center of Woodside, Unit #2220  
2645 Brooklyn Queens Expressway West  
Woodside, NY 11377

U-Haul Center of Woodside, Unit #2224  
2645 Brooklyn Queens Expressway West  
Woodside, NY 11377

Storage Plus Self Storage, Unit J13- J16  
820 East 5400 South, Murray, UT 84118

Extra Space Storage, Unit B546  
2000 Dolittle Drive, San Leandro, CA 94577

Security Public Storage, Unit #224  
1401 Woodland Avenue, Modesto, CA 95331

AA Northland Stor-All, Unit #420  
5150 NW Waukomis Drive, Kansas City, MO 64151

Home Improvement Gallery  
52 Freemans Bridge Road, Scotia, NY 12302

U Store IT Storage, Unit N020  
8713 Unicom Dr., Knoxville, TN 37923

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Safeland Storage  
1310 39<sup>th</sup> Avenue S.E., Puyallup, WA 98374

America Stores-IT  
774 Malden Road, Mattydale, NY 13211

1<sup>st</sup> American Storage NW, Unit #708  
1850 Ephrimitam, Fort Worth, TX 76164

General Storage, Unit #C58  
1371 S. Zach Hinton Parkway  
McDonough, GA 30253

Extra Space Storage, Unit 636  
4257 Buford Drive, Buford, GA 30518

Extra Space Storage, Unit #102  
6708 Preston Hwy  
Louisville, KY 40219

G. Lehigh Outfitters, LLC Commissary Locations (stores in employer/customer places of business):

AK Steel, Store 5381  
AK Steel, 4000 US 23 N, Ashland, KY 41101

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AK Steel, Store 5398  
1801 Crawford Street  
Middletown, OH 45043

Alcoa, Store 5388  
1100 E. Hunt Road, Bldg. 864  
Alcoa, TN 37701

Puget Sound Naval Shipyard, Store 5392  
1400 Farragut Ave. Bremerton, WA 98314

Invista, Camden, Store 5300  
US Route 1, H Street, Camden, SC 29020

IBM Endicott, Store 5382  
c/o Robert Pewterbaugh  
1701 North St., Bldg. 42, Floor 1, Endicott, NY 13760

IBM Rochester, Store 5355  
3605 Hwy 52 North  
Rochester, MN 55901

Texas Instruments, Store 5389  
Lehigh SS Commissary  
13536 N. Central Expy, Dallas, TX 75243

Texas Instruments, Store 5395  
13121 TI BLVD, Dallas, TX 75243

GE Wilmington, Store 5360  
3901 Castle Hayne Rd., Wilmington, NC 28401

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**Schedule 4.11**

**Insurance**

See Annex 4.11.

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**Schedule 4.15(c)**

**Chief Executive Offices and Location of Books and Records**

Rocky Brands, Inc.  
Rocky Brands Wholesale LLC  
Lehigh Outfitters, LLC  
Rocky Brands International, LLC

Chief Executive Office and Location of Books and Records:  
39 East Canal Street  
Nelsonville, OH 45764

Lifestyle Footwear, Inc.  
Chief Executive Office:  
Road 125 KM 3.8 BO  
Pueblo Industrial Park  
Moca, PR 00676-0728

Location of Books and Records:  
39 East Canal Street  
Nelsonville, OH 45764

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Rocky Canada, Inc.

Chief Executive Office:  
50 Northland Rd., Unit 3  
Waterloo, ON N2V 1N2  
Canada

Location of Books and Records:  
39 East Canal Street  
Nelsonville, OH 45764

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**Schedule 4.15(h)**

**Deposit and Investment Accounts**

**Comerica Bank**  
P.O. Box 75000  
Detroit, MI 48275-8149

Name on Account:  
Type of Account:  
Account Number:

Rocky Brands, Inc.  
Comerica Operation Account

Name on Account:  
Type of Account:  
Account Number:

Rocky Brands, Inc.  
Comerica Controlled Disbursement Account

Name on Account:  
Type of Account:  
Account Number:

Rocky Brands, Inc.  
Comerica Cash Collateral Account

Name on Account:  
Type of Account:  
Account Number:

Rocky Brands Retail LLC/Rocky Brands Wholesale LLC  
Comerica Controlled Disbursement Account

Name on Account:  
Type of Account:  
Account Number:

Rocky Brands, Inc.  
Comerica Merchant Account

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**First National Bank**  
11 Public Square  
Nelsonville, OH 45764

Name on Account:  
Type of Account:  
Account Number:

Rocky Brands, Inc.  
FNB Operating Account

Name on Account:  
Type of Account:  
Account Number:

Rocky Brands, Inc.  
FNB Credit Card Account

Name on Account:  
Type of Account:  
Account Number:

Rocky Brands, Inc. Payroll  
FNB Payroll Account

**Bank of America**

Name on Account:  
Type of Account:

Rocky Brands, Inc.  
(Security for Letters of Credit)

**Banco Popular**

P.O. Box 362708  
San Juan, Puerto Rico 00936-2708

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Name on Account:  
Type of Account:  
Account Number:

Lifestyle Footwear Inc.  
General Account

Name on Account:  
Type of Account:  
Account Number:

Lifestyle Footwear Inc.  
Payroll Account

**Comerica Bank Canada (RBC)**  
315 Front St W-3rd Flr  
Toronto, Ontario, Canada M5V 3A4

Name on Account:  
Type of Account:  
Account Number:

Rocky Canada, Inc.  
Operating/Lockbox

**Mellon Bank**  
Mellon Client Service Center  
Room 154-1320  
500 Ross Street  
Pittsburgh, PA 15262-0001

Name on Account:  
Type of Account:  
Account Number:

Rocky Brands Retail LLC  
Lockbox

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Lehigh Outfitters, LLC (formerly Rocky Brands Retail LLC; Lehigh Safety Shoe Co. LLC) shoe center bank accounts:

- (a) Bank of Hawaii Account #s
  - (b) Citizens Bank Account #s
  - (c) Citywide Bank Account #
  - (d) First Citizens Bank Account #s
  - (e) Nicolet National Bank #
  - (f) Regions Bank #s
  - (g) M&T Bank #
  - (h) Wachovia Bank #
  - (i) Wells Fargo Account #s
  - (j) JP MorganChase Bank Account #s
  - (k) The Lyons National Bank Account #
  - (l) Bank of America #s
  - (m) PNC Bank #
-

**Schedule 4.15(j)**

**Government Contracts**

General Services Administration (GSA) Blanket Purchase Agreement with Rocky Brands, Inc., BPA No. GS-07F-BROCB dated July 2, 2009 for Insulated Combat Boots

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**Schedule 5.1**

**Consents**

None

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**Schedule 5.2(a)**

**States of Qualification and Good Standing**

A. Rocky Brands, Inc., an Ohio corporation

OH, VA

B. Lifestyle Footwear, Inc., a Delaware corporation

DE, Puerto Rico

C. Rocky Brands Wholesale LLC, a Delaware limited liability company

DE, AZ, GA, IA, LA, NY, OH, SC, TN, UT and WV

D. Lehigh Outfitters, LLC, a Delaware limited liability company

DE, AL, AZ, AR, CA, CO, CT, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WI, WV, WY, Puerto Rico

E. Rocky Brands International, LLC, an Ohio limited liability company

OH

F. Rocky Canada, Inc., an Ontario corporation

Ontario

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**Schedule 5.2(b)**

**Equity Interests; Subsidiaries**

1. Subsidiaries of Rocky Brands, Inc., an Ohio Corporation, Charter Number 821674:

<b>Name of Subsidiary/Jurisdiction of Organization/Charter Number</b>	<b>Amount of Equity Interest</b>	<b>Percentage of Equity Interest</b>
Lifestyle Footwear, Inc., a Delaware corporation, Charter Number 2109896	2,000 shares of common stock	100%
Rocky Brands Wholesale LLC, a Delaware limited liability company, Charter Number 3182983	100 Class A Common Units	100%
Lehigh Outfitters, LLC, a Delaware limited liability company, Charter Number 3182836	100 Class A Common Units	100%
Rocky Brands International, LLC, an Ohio limited liability company, Charter Number 1776364	Ownership interests are not certificated	100%
Five Star Enterprises Ltd., a Cayman Islands corporation, Charter Number 26239	5,000 common shares	100%
Rocky Canada, Inc., an Ontario corporation, Ontario Corporation No. 1580946	100 common shares	100%
EJ Asia Limited, a Hong Kong corporation (Inactive, in process of dissolution)	9,999 ordinary shares	99.99%

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2. The above Subsidiaries of Rocky Brands, Inc. do not have any Subsidiaries.

3. Various promissory installment notes from time to time from customers that are experiencing financial difficulties.

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**Schedule 5.4**

**Federal Tax Identification Number**

- A. Rocky Brands, Inc.: 31-1364046
  - B. Lifestyle Footwear, Inc.: 66-0448782
  - C. Rocky Brands Wholesale LLC: 22-3709787
  - D. Lehigh Outfitters, LLC fka Rocky Brands Retail LLC: 22-3709780
  - E. Rocky Brands International, LLC: 26-2704869
  - F. Rocky Canada, Inc.: 88284 6603 RC0001
-

**Schedule 5.5(a)**

**Financial Projections**

[See attached]

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**Schedule 5.6**

**Prior Names**

**CURRENT NAME**

**PREVIOUS NAMES  
After December 31, 2006**

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Rocky Brands, Inc.

None

Lifestyle Footwear, Inc.

None

Rocky Brands Wholesale LLC

None

Lehigh Outfitters, LLC

Rocky Brands Retail LLC

Rocky Brands International, LLC

None

Rocky Canada, Inc.

None

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**Schedule 5.7**

**OSHA and Environmental Compliance**

None

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**Schedule 5.8(d)**

**ERISA Plans**

1. Noncontributory Defined Benefit Pension Plan
  2. 401(k) Savings Plan
  3. Rocky Brands, Inc. Retirement Plan
-

**Schedule 5.9**

**Intellectual Property, Source Code Escrow Agreements**

See Annex 5.9.

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## Schedule 5.10

### Licenses and Permits

- (a) Trademark License Agreement between Chromalloy Men's Apparel Group, Inc (now known as After Six Inc.) and EJ Footwear Corp. dated October 7, 1997, as amended from time to time, including without limitation, a certain Amendment to License Agreement effective June 30, 2010 by After Six LLC and Rocky Brands Wholesale LLC
  - (b) Trademark License Agreement between W. L. Gore & Associates, Inc., W. L. Gore & Associates GmbH, and Rocky Shoes & Boots, Inc. dated July 11, 2001
  - (c) Trademark License among W.L. Gore & Associates, Inc., W.L. Gore & Associates GmbH, Japan Gore-Tex, Inc. and Georgia Boot LLC dated May 20, 2002
  - (d) License Agreement between Williamson-Dickie Manufacturing Company and Georgia Boot LLC dated January 2004, as amended
  - (e) Distribution Agreement (Occupational and Safety Footwear) between Gear Six Technologies LLC and Rocky Brands, Inc. dated June 13, 2006, as amended by (i) a First Amendment to Distribution Agreement dated April 18, 2007 (MICHELIN), and (ii) a Second Amendment to Distribution Agreement (Occupational and Safety Footwear) dated November 20, 2008
  - (f) Agreement between Rocky Brands, Inc. and FLOW Formal Alliance LLC dated September 1, 2007
  - (g) License Agreement Copyright and Trademark between Haas Outdoors, Inc. and Rocky Brands, Inc. dated May 29, 2009 (Mossy Oak)
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**Schedule 5.12**

**Material Contracts**

None

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**Schedule 5.14**

**Labor Disputes**

None

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**Schedule 7.3**

**Guarantees**

None

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**Schedule 7.8**

**Indebtedness**

1. Rocky Brands, Inc. obligations to General Electric Capital Business Asset Funding Corporation:
    - a. \$1,050,000 promissory note dated December 30, 1999
    - b. \$3,750,000 promissory note dated January 28, 2000
  2. Letters of Credit
    - a. Irrevocable Standby Letter of Credit. Issuer: Bank of America; Beneficiary: Pacific Employers Insurance Company; Workers Comp; Approximately \$800,000; expired on January 27, 2007, subject to extension. Current balance is \$50,000.
    - b. Irrevocable Standby Letter of Credit. Issuer: Bank of America; Beneficiary: GELCO Corp. D/B/A GE Fleet; Approximately \$590,000; expired on March 31, 2009, subject to extension. Current balance is \$475,000.
  3. Capital Lease Obligations  
None
  4. Dell Financial Services, L.P. revolving credit account for equipment purchases
  5. Androscoggin Savings Bank and Pamco Machine
-

## AMENDMENT NO. 2

TO

## LOAN AND SECURITY AGREEMENT

## AND CONSENT

THIS AMENDMENT NO. 2 AND CONSENT ("Amendment No. 2 and Consent") is entered into as of September 12, 2005, by and among ROCKY SHOES & BOOTS, INC., a corporation organized and existing under the laws of the State of Ohio ("Rocky"), LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), the financial institutions party thereto (each a "Lender" and collectively, the "Lenders"), GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent") and BANK OF AMERICA, N.A., as syndication agent (in such capacity, the "Syndication Agent").

## BACKGROUND

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

Borrowers have informed Agent and Lenders of the anticipated issuance by Rocky of additional shares of Rocky's common stock, no par value, with the option to issue further additional shares of Rocky's common stock, no par value, in the event that the initial issuance shall be oversubscribed (the "Issuance"). Borrowers have requested that, as the Issuance relates to Sections 2.4(B)(4) and 2.4(E) of the Loan Agreement, Agent and Requisite Lenders consent to the application of the Issuance proceeds thereof (a) \$11,300,000 in full prepayment and satisfaction of Term Loan A, including both principal and interest accrued thereon, (b) \$30,000,000 in full prepayment and satisfaction of Term Loan B (the "Term Loan B Prepayment"), including both principal and interest accrued thereon, (c) in the event any excess proceeds remain following the payment of underwriting fees and other reasonable professional fees associated with the Issuance, to pay all accrued and unpaid interest on the prepaid principal of Term Loan A and Term Loan B, and any applicable prepayment premiums associated with the prepayment of Term Loan A and Term Loan B and (d) to repay outstanding Revolving Loans, but not as a permanent reduction of the Revolving Loan Commitment. Agent and Requisite Lenders have agreed to consent to the Term Loan B Prepayment, and to otherwise amend the Loan Agreement, upon the terms and conditions set forth herein.

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

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.
  2. Amendment to Loan Agreement. Subject to satisfaction of the conditions precedent set forth in Section 3 below, the Loan Agreement is hereby amended as follows:
    - (a) Section 1.2 of the Loan Agreement is amended by inserting the following new defined terms in their appropriate alphabetical order:

“Amendment 2” shall mean Amendment No. 2 to this Agreement dated as of September 12, 2005.

“Amendment 2 Closing Date” shall mean the date upon which all of the conditions precedent to the effectiveness of Amendment 2 have been satisfied.
    - (b) By deleting the third sentence of Section 2.1(B) in its entirety and by substituting in lieu thereof the following:

“Term Loan A shall be repaid in full on the Amendment 2 Closing Date.”
    - (c) By deleting the final sentence of Section 2.1(B) and the related Schedule in its entirety.
  3. Consent to Term Loan B Prepayment. Effective as of the Amendment No. 2 Closing Date, Agent, and each of the Requisite Lenders, hereby consents to the Term Loan B Prepayment.
  4. Conditions of Effectiveness. This Amendment No. 2 and Consent shall become effective upon satisfaction of the following conditions precedent:
    - (a) Agent shall have received eight (8) copies of this Amendment No. 2 and Consent duly executed by each Borrower and each of the Requisite Lenders;
-

(b) Agent shall have received the sum of \$11,300,000 representing prepayment in full of Term Loan A;

(c) Agent shall have received such other certificates, instruments, documents, agreements and opinions of counsel as may be required by Agent or its counsel relating to the transactions contemplated in this Amendment No. 2 and Consent; and

(d) The Issuance shall have occurred on or before December 31, 2005.

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

(a) This Amendment No. 2 and Consent and the Loan Agreement, as amended hereby, constitute legal, valid and binding obligations of Borrowers and are enforceable against each Borrower in accordance with their respective terms.

(b) Upon the effectiveness of this Amendment No. 2 and Consent, each Borrower hereby reaffirms all covenants, representations and warranties made in the Loan Agreement to the extent the same are not amended hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment No. 2 and Consent, except to the extent any such representation or warranty expressly relates to an earlier date.

(c) No Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment No. 2 and Consent.

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

(e) The Issuance is permitted pursuant to all applicable law and all material agreements, documents and instruments to which any Loan Party is a party or by which any of their respective properties or assets are bound.

6. Effect on the Loan Agreement.

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

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

(c) The execution, delivery and effectiveness of this Amendment No. 2 and Consent shall not operate as a waiver of any right, power or remedy of Agent or Lenders, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

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7. Governing Law. This Amendment No. 2 and Consent shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York.

8. Headings. Section headings in this Amendment No. 2 and Consent are included herein for convenience of reference only and shall not constitute a part of this Amendment No. 2 and Consent for any other purpose.

9. Counterparts; Facsimile. This Amendment No. 2 and Consent may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

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IN WITNESS WHEREOF, this Amendment No. 2 and Consent has been duly executed as of the day and year first written above.

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

By:           /s/ James E. McDonald          

Name: James E. McDonald

Title: Chief Financial Officer of each of the foregoing Borrowers

**GMAC COMMERCIAL FINANCE LLC**

By:           /s/ Thomas Brent          

Name: Thomas Brent

Title: Director

**BANK OF AMERICA, N.A.**

By:           /s/ William J. Wilson          

Name: William J. Wilson

Title: Vice President

**CHARTER ONE BANK, N.A.**

By:           /s/ Sean P. McCauley          

Name: Sean P. McCauley

Title: Vice President

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**PNC BANK, NATIONAL ASSOCIATION**

By: \_\_\_\_\_ /s/ Peter Redington

Name: Peter Redington

Title: A.V.P.

**COMERICA BANK**

By: \_\_\_\_\_ /s/ Harold Dalton

Name: Harold Dalton

Title: V.P.

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**AMENDMENT NO. 3****TO****LOAN AND SECURITY AGREEMENT**

THIS AMENDMENT NO. 3 ("Amendment No. 3") is entered into as of June 28, 2006, by and among ROCKY BRANDS, INC. (formerly known as ROCKY SHOES & BOOTS, INC.), a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (the foregoing entities, jointly and severally, "Borrower"), the financial institutions party thereto (each a "Lender" and collectively, the "Lenders"), and GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent").

**BACKGROUND**

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

Borrowers have requested Lenders to consent to the prepayment to ACAS of the principal sum of \$15,000,000 (representing 50% of the outstanding amount of Term Loan B), utilizing the proceeds of a \$15,000,000 Term Loan C to be provided by Lenders. Term Loan C would constitute an Obligation secured by the Collateral in the same priority as Term Loan A and the Revolving Loans.

Accordingly, Borrowers have requested that Lenders increase the aggregate credit facility to \$122,468,572.04, to consist of (a) Term Loan A which, as of the date of this Amendment No. 3, is in the outstanding principal balance of \$7,468,572.09, (b) a new Term Loan C which would be in the original principal sum of \$15,000,000, and (c) the Revolving Loans in the maximum amount of \$100,000,000. Upon the terms and conditions set forth in this Amendment No. 3, Agent and Lenders have so agreed to amend the Loan Agreement to provide for such increased credit facility on the terms and conditions set forth herein.

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

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

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

2. Amendment to Loan Agreement. Subject to satisfaction of the conditions precedent set forth in Section 3 below, the Loan Agreement is amended as follows:

(a) The words "ROCKY SHOES & BOOTS, INC., a corporation organized and existing under the laws of the State of Ohio ('Parent')" appearing in the introductory paragraph to the Loan Agreement are hereby amended and restated as follows:

ROCKY BRANDS, INC. (formerly known as ROCKY SHOES & BOOTS, INC.), a corporation organized and existing under the laws of the State of Ohio ("Parent")

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

"Adjusted Indebtedness of Rocky on a Consolidated Basis" shall mean total Indebtedness of Rocky on a Consolidated Basis, provided that for purposes of determining Adjusted Indebtedness of Rocky on a Consolidated Basis as of the end of any fiscal period, the outstanding balance of Revolving Loans and Letter of Credit Liabilities as of the end of such period shall be deemed to be the average outstanding balance of Revolving Loans and Letter of Credit Liabilities as of the end of the four most recently ended fiscal quarter periods, including the period then just ended.

"Amendment No. 3" shall mean Amendment No. 3 to this Agreement dated as of June 28, 2006.

"Amendment No. 3 Closing Date" shall mean the date upon which all of the conditions precedent to the effectiveness of Amendment No. 3 have been satisfied.

"Term Loan C" means the Advances made pursuant to Section 2.1(B-1).

“Term Loan C Commitment” means (a) as to any Lender, the commitment of such Lender to make its Pro Rata share of Term Loan C in the maximum aggregate amount set forth on the signature page of Amendment No. 3 opposite such Lender’s signature or in the most recent Assignment and Acceptance Agreements, if any, executed by such Lender and (b) as to all Lenders, the aggregate commitment of all Lenders to make Term Loan C.

“Term Note A” means each promissory note of Borrower in form and substance satisfactory to Agent, issued to evidence the Term Loan A Commitment.

“Term Note C” means each promissory note of Borrower in form and substance satisfactory to Agent, issued to evidence the Term Loan C Commitment.

(c) The following defined terms in Section 1.1 are amended in their entirety to provide as follows:

“Applicable Margin” for each type of Loan shall mean, commencing as of the Amendment No. 3 Closing Date and continuing, until the First Adjustment Date (as hereafter defined), the applicable percentage specified below:

<b>TYPE OF LOAN</b>	<b>APPLICABLE MARGIN FOR DOMESTIC RATE LOANS</b>	<b>APPLICABLE MARGIN FOR LIBOR RATE LOANS</b>
Revolving Advances	0.75%	2.25%
Term Loan A	1.50%	3.00%
Term Loan C	1.50%	3.00%

Thereafter on a quarterly basis, effective as of the first day following receipt by Agent of the internal financial statements of Rocky on a Consolidated Basis required under Section 5.1(E)(b) for the previous fiscal quarter (each day of such delivery, an “Adjustment Date”), commencing with the first Business Day following receipt by Agent of the internal financial statements of Rocky on a Consolidated Basis for the fiscal quarter ending June 30, 2006 required under Section 5.1(E)(b) (the “First Adjustment Date”), the Applicable Margin for each type of Loan shall be adjusted, if necessary, to the applicable percent per annum set forth in the pricing table set forth below corresponding to the Total Leverage Ratio for the trailing twelve month period ending on the last day of the most recently completed fiscal quarter prior to the applicable Adjustment Date (each such period, a “Calculation Period”):

TOTAL LEVERAGE RATIO	APPLICABLE MARGIN FOR DOMESTIC RATE LOANS			APPLICABLE MARGIN FOR LIBOR RATE LOANS		
	Revolving Advances	Term Loan A	Term Loan C	Revolving Advances	Term Loan A	Term Loan C
Greater than or equal to 4.0 to 1.0	1.25%	2.00%	2.00%	2.75%	3.50%	3.50%
Greater than or equal to 3.0 to 1.0 but less than 4.0 to 1.0	1.00%	1.75%	1.75%	2.50%	3.25%	3.25%
Greater than or equal to 2.0 to 1.0 but less than 3.0 to 1.0	0.75%	1.50%	1.50%	2.25%	3.00%	3.00%
Less than 2.0 to 1.0	0.50%	1.25%	1.25%	2.00%	2.75%	2.75%

If Borrower shall fail to timely deliver the financial statements, certificates and/or other information required under Section 5.1(E)(b) each Applicable Margin shall be conclusively presumed to equal the highest Applicable Margin specified in the pricing table set forth above for the period commencing on the required delivery date of such financial statements, certificates and/or other information until the delivery thereof.

“Commitment” or “Commitments” means the commitment or commitments of Lenders to make Loans as set forth in Sections 2.1(A), 2.1(B) and/or 2.1(B-1) and to provide Lender Letters of Credit as set forth in Section 2.1(E).

“Excess Cash Flow” means, for any period, the greater of (a) zero (0); or (b) without duplication, the total of the following for Rocky on a Consolidated Basis, each calculated for such period: (i) EBITDA; plus (ii) tax refunds actually received, to the extent not remitted to Agent pursuant to Section 2.4(B) (5) and applied in prepayment of Term Loan A and/or Term Loan C; less (iii) Capital Expenditures (to the extent actually made in cash and/or due to be made in cash within such period, excluding any Capital Expenditures under or with respect to Capital Leases to the extent of the amount financed thereby, but in no event more than the amount permitted in Section 5.3(E)); less (iv) income and franchise taxes paid or accrued excluding any provision for deferred taxes included in the determination of net income; less (v) decreases in deferred income taxes resulting from payments of deferred taxes accrued in prior periods; less (vi) Cash Interest Expense; less (vii) voluntary prepayments made under Section 2.4(C); less (viii) mandatory prepayments from Proceeds of Asset Dispositions made under Section 2.4(B)(2), but only to the extent that the transaction that precipitated the mandatory prepayment increased net income of Borrower, as determined in accordance with GAAP; less (ix) payments of principal paid in cash with respect to all long-term Indebtedness (other than Revolving Loans) and Capital Leases.

“Loan” or “Loans” means an advance or advances under the Term Loan A Commitment, the Term Loan C Commitment or the Revolving Loan Commitment.

“Term Note” means, jointly and severally, Term Note A and Term Note C.

“Total Loan Commitment” means as to any Lender the aggregate commitments of such Lender with respect to its Revolving Loan Commitment, Term Loan A Commitment and Term Loan C Commitment.

follows: (d) The last sentence of the definition of “Borrowing Base” appearing in Section 1.1 of the Loan Agreement is amended and restated in its entirety as

The calculation of the actual advance rates, utilizing the formulae provided in this definition of Borrowing Base, with respect to different categories of Eligible Inventory, shall be set forth on Exhibit D, which shall be subject to modification from time to time by Agent, including without limitation on the Amendment No. 3 Closing Date (as set forth on Exhibit D to Amendment No. 3) and thereafter following each appraisal conducted by Agent.

(e) Clauses (2) and (3) of the definition of “Eligible Accounts” appearing in Section 1.1 of the Loan Agreement are each amended by adding the following proviso at the end thereof:

provided, however, that with respect to Accounts due HM Lehigh, such Accounts shall not be considered ineligible due to the provisions of this clause unless the applicable Accounts remain unpaid for more than sixty (60) days after the due date specified in the original invoice or for more than ninety (90) days after the invoice date if no due date was specified;

(f) Clause (8) of the definition of “Interest Period” appearing in Section 1.1 of the Loan Agreement is amended by deleting the word “five (5)” and by inserting “seven (7)” in lieu thereof.

(g) The definition of “Senior Debt” appearing in Section 1.1 of the Loan Agreement is amended and restated in its entirety as follows:

“Senior Debt” shall mean Adjusted Indebtedness of Rocky on a Consolidated Basis other than (a) Indebtedness under Term Loan B and (b) any unsecured Indebtedness of Rocky on a Consolidated Basis.

- (h) The definition of the term “Senior Term Loans” appearing in Section 1.1 of the Loan Agreement is deleted in its entirety.
- (i) The definition of “Total Leverage Ratio” appearing in Section 1.1 of the Loan Agreement is amended and restated in its entirety as follows:  
 “Total Leverage Ratio” shall mean, for any period, the ratio of (x) Adjusted Indebtedness of Rocky on a Consolidated Basis as of the end of such period to (y) EBITDA for such period.
- (j) Section 2.1(B) of the Loan Agreement is hereby amended and restated in its entirety as follows:
- (B) Term Loan A. On the Closing Date, each Lender extended a loan to Borrower, equal to its Pro Rata Share of the Term Loan A Commitment which, as of the Closing Date, was in the aggregate amount of \$18,000,000. The outstanding principal balance of Term Loan A as of the Amendment No. 3 Closing Date of this Agreement is \$7,468,572.09, which sum remains due and owing by Borrowers. Amounts borrowed under this Section 2.1(B) and repaid may not be reborrowed. Commencing after the Amendment No. 3 Closing Date, Borrower shall make principal payments in the amount of the applicable Scheduled Installment of Term Loan A (or such lesser principal amount as shall then be outstanding) on the dates set forth below:
- (B-1) Term Loan C. Each Lender, severally, agrees to lend to Borrower, on the Amendment No. 3 Closing Date, its Pro Rata Share of the Term Loan C Commitment which is in the aggregate amount of \$15,000,000. Amounts borrowed under this Section 2.1(B-1) and repaid may not be reborrowed. Borrower shall make principal payments in the amount of the applicable Scheduled Installment of Term Loan C (or such lesser principal amount as shall then be outstanding) on the dates set forth below:

“Scheduled Installment” means, for each date set forth below, the amount set forth opposite such date.

<b>Date</b>	<b>Scheduled Installment – Term Loan A</b>	<b>Scheduled Installment – Term Loan C</b>
June 30, 2006	\$ 1,500,000.00	
September 30, 2006	\$ 1,500,000.00	\$ 247,381.01
December 31, 2006	\$ 1,500,000.00	\$ 247,381.01
March 31, 2007	\$ 1,500,000.00	\$ 247,381.01
June 30, 2007	\$ 1,468,572.09	\$ 278,808.92
September 30, 2007		\$ 1,747,381.01
December 31, 2007		\$ 1,747,381.01
March 31, 2008		\$ 1,747,381.01
June 30, 2008		\$ 1,747,381.01
September 30, 2008		\$ 1,747,381.01
December 31, 2008		\$ 1,747,381.00
March 31, 2009		\$ 1,747,381.00
June 30, 2009		\$ 1,747,381.00

(k) Section 2.4(B)(3) of the Loan Agreement is hereby amended and restated in its entirety as follows:

(3) Prepayments from Excess Cash Flow. Except with respect to the Fiscal Year ending December 31, 2005, until repayment in full of Term Loan A and Term Loan C, on or prior to June 30 of each year, the Borrowers shall prepay the Obligations in an amount equal to 50% of Excess Cash Flow for such prior Fiscal Year (“Cash Flow Prepayments”) calculated on the basis of the audited financial statements for such Fiscal Year delivered to Agent pursuant to Section 5.1(E)(a). All Cash Flow Prepayments shall be applied to the Loans in accordance with Section 2.4(E). Concurrently with the making of any such payment, Parent shall deliver to Agent and Lenders a certificate of Parent’s chief executive officer or chief financial officer demonstrating its calculation of the amount required to be paid. In the event that any such financial statement is not so delivered, then a calculation based upon estimated amounts shall be made by Agent upon which calculation the Borrowers shall make the prepayment required by this Section 2.4(B)(3), subject to adjustment when the financial statement is delivered to Agent as required hereby. The calculation made by Agent shall not be deemed a waiver of any rights Agent or Lenders may have as a result of the failure by Loan Parties to deliver such financial statement.

(l) Section 2.4(C) of the Loan Agreement is hereby amended by inserting the words “or Term Loan C” immediately following the words “Term Loan A” appearing therein.

(m) Section 2.4(E) of the Loan Agreement is hereby amended and restated in its entirety as follows:

(E) Application of Prepayment Proceeds. Except as otherwise provided therein, all prepayments described in Sections 2.4(B)(2) through 2.4(B)(7) shall first be applied in payment of Scheduled Installments of Term Loan A and Term Loan C, on a *pro rata* basis, in the inverse order of maturity, and at any time after Term Loan A and Term Loan C shall have been repaid in full, such payments shall be applied (a) if, after giving effect to any such payment (i) no Default or Event of Default has occurred which is then continuing, and (ii) Undrawn Availability shall not be less than \$12,500,000, in prepayment and satisfaction of Term Loan B, including both principal and interest accrued thereon and then (b) to reduce the outstanding principal balance of the Revolving Loans but not as a permanent reduction of the Revolving Loan Commitment; provided, however, that (x) the application of any proceeds from the issuance of proceeds of the issuance of securities described in Section 2.4(B)(4) (an "Issuance") shall be applied as follows: (i) first, in full prepayment and satisfaction of Term Loan A, including both principal and interest accrued thereon, (ii) second, in full prepayment and satisfaction of Term Loan C, including both principal and interest accrued thereon, (iii) third in full prepayment and satisfaction of Term Loan B, including both principal and interest accrued thereon, and (iv) fourth, in the event any excess proceeds remain following the payment of underwriting fees and other reasonable professional fees associated with the Issuance, to pay any applicable prepayment premiums associated with the prepayment of Term Loan A, Term Loan B and Term Loan C and (v) fifth, to repay outstanding Revolving Loans, but not as a permanent reduction of the Revolving Loan Commitment and (y) the application of any proceeds of tax refunds described in Section 2.4(B)(5) which consist of tax refunds anticipated to be received each year by the applicable Borrower in its ordinary course of doing business, as reasonably determined by Agent, shall be applied to reduce the outstanding principal balance of the Revolving Loans but not as a permanent reduction of the Revolving Loan Commitment. Considering each type of Loan being prepaid separately, any such prepayment shall be applied first to Base Rate Loans of the type required to be prepaid before application to LIBOR Loans of the type required to be prepaid.

(n) Section 2.7(A) of the Loan Agreement is hereby amended and restated in its entirety as follows:

(A) Grant of Liens in the Collateral. To secure the payment and performance of the Obligations, including all renewals, extensions, restructurings and refinancings of any or all of the Obligations, each Loan Party hereby grants to Agent, for the benefit of Agent and Lenders, a continuing security interest in, lien and mortgage in and to, right of setoff against and collateral assignment of all of such Loan Party's assets, other than Excluded Property, in each case, whether now owned or existing or hereafter acquired or arising and regardless of where located including, without limitation, all: (1) Accounts; (2) Chattel Paper; (3) Commercial Tort Claims, including those specified on Schedule 2.7(A); (4) Deposit Accounts and cash and other monies and property of such Loan Party in the possession or under the control of Agent, any Lender or any participant of any Lender in the Loans; (5) Documents; (6) Equipment; (7) Fixtures; (8) General Intangibles (including Intellectual Property); (9) Goods; (10) Instruments; (11) Inventory; (12) Investment Property; (13) Letter-of-Credit Rights and Supporting Obligations; (14) other Personal Property whether or not subject to the UCC; and (15) Additional Mortgaged Property; together with all books, records, ledger cards, files, correspondence, computer programs, tapes, disks and related data processing software that at any time evidence or contain information relating to any of the property described above or are otherwise necessary or helpful in the collection thereof or realization thereon; and Proceeds and products of all or any of the property described above (all of the above being collectively referred to as the "Collateral").

(o) Clause (g) of Section 5.1(E) of the Loan Agreement is hereby amended and restated in its entirety as follows:

(g) Borrowing Base Certificate. On a weekly basis (or more frequently if required by Agent), on Tuesday of each week (unless a different day or more frequent days are required by Agent) a Borrowing Base Certificate calculated as of the last Business Day of the immediately preceding week; provided, however, that the information set forth on each Borrowing Base Certificate with respect to Eligible Inventory shall be updated on a monthly basis not later than thirty (30) days after the end of each calendar month.

(p) Section 5.2(R) of the Loan Agreement is hereby amended and restated in its entirety as follows:

( R ) Changes Relating to Note Purchase Documents; Prepayments. The Loan Parties shall not change or amend the terms of the Note Purchase Agreement or any Term Note B, if such amendment shall not be permitted in accordance with the terms of the Intercreditor Agreement, as amended from time to time, nor shall Loan Parties make any prepayments in any Fiscal Year in respect of Term Note B except, (x) subsequent to the making of Cash Flow Prepayments to Agent in accordance with Section 2.4(B)(3), (y) in aggregate amounts equal to not more than 25% of Excess Cash Flow for the applicable prior Fiscal Year and (z) in the aggregate amount equal to \$15,000,000, on or about the Amendment No. 3 Closing Date.

(q) Section 5.3 of the Loan Agreement is hereby amended and restated in its entirety as follows:

5.3. Financial Covenants. Parent covenants that, so long as any of the Commitments hereunder shall be in effect and until indefeasible payment in full, in cash of all Obligations and termination of all Lender Letters of Credit, it shall maintain, on a consolidated basis, the following:

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



<u>Period</u>	<u>Fixed Charge Coverage Ratio</u>
Four Quarters ending June 30, 2006	1.00 to 1.00
Four Quarters ending September 30, 2006	1.00 to 1.00
Four Quarters ending December 31, 2006	1.00 to 1.00
Four Quarters ending March 31, 2007	1.00 to 1.00
Four Quarters ending June 30, 2007	1.00 to 1.00
Four Quarters ending September 30, 2007	1.00 to 1.00
Four Quarters ending December 31, 2007	1.00 to 1.00
Four Quarters ending March 31, 2008	1.00 to 1.00
Four Quarters ending June 30, 2008	1.00 to 1.00
Four Quarters ending September 30, 2008	1.00 to 1.00
Four Quarters ending December 31, 2008	1.00 to 1.00
Each four Quarter period ending thereafter	1.00 to 1.00

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

<u>Period</u>	<u>Total Leverage Ratio</u>
Four Quarters ending June 30, 2006	3.80 to 1.00
Four Quarters ending September 30, 2006	3.80 to 1.00
Four Quarters ending December 31, 2006	3.80 to 1.00
Four Quarters ending March 31, 2007	3.75 to 1.00
Four Quarters ending June 30, 2007	3.65 to 1.00
Four Quarters ending September 30, 2007	3.55 to 1.00
Four Quarters ending December 31, 2007	3.40 to 1.00
Four Quarters ending March 31, 2008	3.35 to 1.00
Four Quarters ending June 30, 2008	3.30 to 1.00
Four Quarters ending September 30, 2008	3.25 to 1.00
Four Quarters ending December 31, 2008	3.10 to 1.00
Four Quarters ending March 31, 2009	3.00 to 1.00
Four Quarters ending June 30, 2009	3.00 to 1.00
Four Quarters ending September 30, 2009	3.00 to 1.00
Each four Quarter period ending thereafter	2.90 to 1.00

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

Period	Minimum EBITDA
Four Quarters ending June 30, 2006	\$ 30,000,000
Four Quarters ending September 30, 2006	\$ 30,000,000
Four Quarters ending December 31, 2006	\$ 30,000,000
Four Quarters ending March 31, 2007	\$ 30,000,000
Four Quarters ending June 30, 2007	\$ 30,000,000
Four Quarters ending September 30, 2007	\$ 30,000,000
Four Quarters ending December 31, 2007	\$ 30,600,000
Four Quarters ending March 31, 2008	\$ 30,600,000
Four Quarters ending June 30, 2008	\$ 30,600,000
Four Quarters ending September 30, 2008	\$ 30,600,000
Four Quarters ending December 31, 2008	\$ 31,400,000
Four Quarters ending March 31, 2009	\$ 31,400,000
Four Quarters ending June 30, 2009	\$ 31,400,000
Four Quarters ending September 30, 2009	\$ 31,400,000
Each four Quarter period ending thereafter	\$ 32,200,000

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

Period	Senior Leverage Ratio
Four Quarters ending June 30, 2006	3.30 to 1.00
Four Quarters ending September 30, 2006	3.30 to 1.00
Four Quarters ending December 31, 2006	3.30 to 1.00
Four Quarters ending March 31, 2007	3.25 to 1.00
Four Quarters ending June 30, 2007	3.15 to 1.00
Four Quarters ending September 30, 2007	3.05 to 1.00
Four Quarters ending December 31, 2007	2.90 to 1.00
Four Quarters ending March 31, 2008	2.85 to 1.00
Four Quarters ending June 30, 2008	2.80 to 1.00
Four Quarters ending September 30, 2008	2.75 to 1.00
Four Quarters ending December 31, 2008	2.60 to 1.00
Four Quarters ending March 31, 2009	2.50 to 1.00
Four Quarters ending June 30, 2009	2.50 to 1.00
Four Quarters ending September 30, 2009	2.50 to 1.00
Each four Quarter period ending thereafter	2.40 to 1.00

(E) Capital Expenditures. Capital Expenditures made by Rocky on a Consolidated Basis during any Fiscal Year set forth below, in the aggregate together with all expenditures in respect of Capital Leases, that would exceed the amount set forth opposite each Fiscal Year below; provided, that any unused portion of any such annual amount in each Fiscal Year, up to twenty-five percent (25%) of such maximum amount set forth below may be carried over solely to the immediately succeeding Fiscal Year:

Period	Maximum Capital Expenditures
Fiscal Year ending December 31, 2005	\$ 6,500,000
Fiscal Year ending December 31, 2006	\$ 6,500,000
Fiscal Year ending December 31, 2007	\$ 6,500,000
Fiscal Year ending December 31, 2008	\$ 6,500,000

(F) Undrawn Availability. At all times Undrawn Availability shall not be less than \$5,000,000.

(r) Section 9.4(A) of the Loan Agreement is hereby amended by inserting the words “or Term Loan C” immediately following the words “Term Loan A” appearing in the last sentence thereof.

3. Conditions of Effectiveness. This Amendment No. 3 shall become effective upon satisfaction of the following conditions precedent:

(a) Agent shall have received eight (8) copies of this Amendment No. 3 duly executed by each Borrower and each Lender;

(b) Agent shall have received, for the *pro rata* benefit of the Lenders based upon their respective Term Loan C Commitments, the sum of \$37,500 representing a one-quarter of one-percent (0.25%) funding fee with respect to Term Loan C, which shall be fully earned on the Amendment No. 3 Closing Date and not subject to rebate, refund, proration and/or reduction for any reason;

(c) Agent shall have received a Term Note C dated as of the Amendment No. 3 Closing Date for each Lender, evidencing Borrowers’ Obligations with respect to each such Lender’s respective Term Loan C Commitments as of such date, in the form annexed hereto as Exhibit A, properly completed with respect to the applicable amount due each Lender;

(d) Agent shall have received evidence, in form and substance acceptable to Agent, of a \$15,000,000 cash prepayment of Term Loan B;

(e) Agent shall have received eight (8) copies of Amendment No. 1 to Intercreditor Agreement in the form annexed hereto as Exhibit B dated as of the Amendment No. 3 Closing Date duly executed by ACAS;

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

(g) Undrawn Availability shall be not less than \$6,000,000 after giving effect to all transactions contemplated herein on the Amendment No. 3 Closing Date;

(h) Agent shall have received Secretary’s Certificates from each Borrower authorizing the execution, delivery and performance of Amendment No. 3 in form and substance acceptable to Agent; and

(i) Agent shall have received opinions of counsel from counsel to each Borrower in form and substance satisfactory to Agent.

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

(a) This Amendment No. 3 and the Loan Agreement, as amended hereby, constitute legal, valid and binding obligations of Borrowers and are enforceable against each Borrower in accordance with their respective terms.

(b) Upon the effectiveness of this Amendment No. 3, each Borrower hereby reaffirms all covenants, representations and warranties made in the Loan Agreement to the extent the same are not amended hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment No. 3, except to the extent any such representation or warranty expressly relates to an earlier date.

(c) No Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment No. 3.

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

(e) The issuance of this Amendment No. 3 is permitted pursuant to all applicable law and all material agreements, documents and instruments to which any Loan Party is a party or by which any of their respective properties or assets are bound.

5. Effect on the Loan Agreement.

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

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

(c) The execution, delivery and effectiveness of this Amendment No. 3 shall not operate as a waiver of any right, power or remedy of Agent or Lenders, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

6. Release. Each Borrower hereby acknowledges and agrees that: (a) neither it nor any of its Affiliates has any claim or cause of action against Agent or any Lender (or any of their respective Affiliates, officers, directors, employees, attorneys, consultants or agents) and (b) Agent and each Lender has heretofore properly performed and satisfied in a timely manner all of its obligations to Borrowers under the Loan Agreement and the other Loan Documents. Notwithstanding the foregoing, Agent and the Lenders wish (and Borrowers agree) to eliminate any possibility that any past conditions, acts, omissions, events or circumstances would impair or otherwise adversely affect any of the Agent's and the Lenders' rights, interests, security and/or remedies under the Loan Agreement and the other Loan Documents. Accordingly, for and in consideration of the agreements contained in this Amendment and other good and valuable consideration, each Borrower (for itself and its Affiliates and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the "Releasors") does hereby fully, finally, unconditionally and irrevocably release and forever discharge Agent and each Lender and each of their respective Affiliates, officers, directors, employees, attorneys, consultants and agents (collectively, the "Released Parties") from any and all debts, claims, obligations, damages, costs, attorneys' fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown, contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done on or prior to the Amendment No. 3 Closing Date arising out of, connected with or related in any way to this Amendment No. 3, the Loan Agreement or any other Loan Document, or any act, event or transaction related or attendant thereto, or the agreements of Agent or any Lender contained therein, or the possession, use, operation or control of any of the assets of any Borrower, or the making of any Advance, or the management of such Advance or the Collateral.

7. Governing Law. This Amendment No. 3 shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York.

8. Headings. Section headings in this Amendment No. 3 are included herein for convenience of reference only and shall not constitute a part of this Amendment No. 3 for any other purpose.

9. Counterparts; Facsimile. This Amendment No. 3 may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Amendment No. 3 has been duly executed as of the day and year first written above.

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

By: /s/ James E. McDonald  
Name: James E. McDonald  
Title: Chief Financial Officer of each of the  
foregoing Borrowers

**GMAC COMMERCIAL FINANCE LLC**

By: /s/ Thomas Brent  
Name: Thomas Brent  
Title: Director

Revolving Loan Commitment:  
\$27,118,640.00  
Term Loan A Commitment:  
\$2,025,375.18  
Term Loan C Commitment:  
\$4,067,796.00

**BANK OF AMERICA, N.A.**

By: /s/ William J. Wilson  
Name: William J. Wilson  
Title: Vice President

Revolving Loan Commitment:  
\$21,186,440.00  
Term Loan A Commitment:  
\$1,582,324.54  
Term Loan C Commitment:  
\$3,177,966.00

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**CHARTER ONE BANK, N.A.**

By: /s/ James G. Zamborsky  
Name: James G. Zamborsky  
Title: Vice President

Revolving Loan Commitment:  
\$17,796,610.00  
Term Loan A Commitment:  
\$1,329,152.65  
Term Loan C Commitment:  
\$2,669,491.50

**PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Peter Redington  
Name: Peter Redington  
Title: A.V.P.

Revolving Loan Commitment:  
\$17,796,610.00  
Term Loan A Commitment:  
\$1,329,152.65  
Term Loan C Commitment:  
\$2,669,491.50

**COMERICA BANK**

By: /s/ Harold Dalton  
Name: Harold Dalton  
Title: V.P.

Revolving Loan Commitment:  
\$16,101,700.00  
Term Loan A Commitment:  
\$1,202,567.07  
Term Loan C Commitment:  
\$2,415,255.00

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**Exhibit A**

TERM NOTE C

\$2,415,255.00

New York, New York  
June 28, 2006

This Term Note C (this "Note") is executed and delivered under and pursuant to the - terms of that certain Loan and Security Agreement dated January 6, 2005 (as amended by that certain Amendment No. 1 to Loan and Security Agreement and Consent dated as of January 19, 2005, that certain Amendment No. 2 to Loan and Security Agreement dated as of April 30, 2006, that certain Amendment No. 3 to Loan and Security Agreement dated as of June 28, 2006, and as may be further amended, modified, supplemented or restated from time to time, the "Loan Agreement") by and among ROCKY BRANDS, NC. (formerly known as ROCKY SHOES & BOOTS, INC.), a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), the various other Loan Parties named therein, the various financial institutions named therein or which hereafter become a party thereto (each a "Lender" and collectively, the "Lenders") and GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

FOR VALUE RECEIVED, Borrowers jointly and severally promise to pay to the order of Comerica Bank at Agent's offices located at GMAC Commercial Finance LLC, Structured Finance Division, 1290 Avenue of the Americas, New York, New York 10104; or at such other place as the holder hereof may from time to time designate to Borrowing Agent in writing:

(i) the principal sum of TWO MILLION FOUR HUNDRED FIFTEEN THOUSAND TWO HUNDRED FIFTY FIVE AND NO/100 DOLLARS (\$2,415,255.00), or if different from such amount, the unpaid principal balance of the Term Loan C as may be due and owing from time to time under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement or earlier termination of the Loan Agreement pursuant to the terms thereof; and

**1216713 Comet-ice Tarn Note C**

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(ii) interest on the principal amount of this Note from time to time outstanding payable at the applicable Interest Rate in accordance with the provisions of the Loan Agreement. Upon and after the occurrence of an Event of Default, and during the continuation thereof, interest shall be payable at the applicable Default Rate. In no event, however, shall interest hereunder exceed the maximum interest rate permitted by law.

This Note is one of the Term Notes referred to in the Loan Agreement and is secured, inter al by the liens granted pursuant to the Loan Agreement and the Loan Documents, is entitled to the benefits of the Loan Agreement and the Loan Documents, and Is subject to all of the agreements, terms and conditions therein contained.

This Note is subject to mandatory prepayment and may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement.

If an Event of Default under Section 7.1(G) and 7.1(H) of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with reasonable attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the Loan Documents which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

Each Borrower expressly waives any presentment, demand, protest, notice of protest, or notice of any kind except as expressly provided in the Loan Agreement.

(SIGNATURE PAGE TO FOLLOW]

**1216713 Cometka Tenn Nok C**



STATE OF OHIO                                 )  
  : ss.:  
COUNTY OF [ATHENS]                         )

On the [27] day of June, 2006, before me personally came James E. McDonald, to me known, who being by me duly sworn, did depose and say that he is the Chief Financial Officer of each of the corporations and limited liability companies described in and which executed the foregoing instrument; and that he was authorized to sign his name thereto.

\_\_\_\_\_  
/s/  
Notary Public

\_\_\_\_\_

TERM NOTE C

\$2,669,491.50

New York, New York  
June 28, 2006

This Term Note C (this "Note") is executed and delivered under and pursuant to the terms of that certain Loan and Security Agreement dated January 6, 2005 (as amended by that certain Amendment No. 1 to Loan and Security Agreement and Consent dated as of January 19, 2005, that certain Amendment No. 2 to Loan and Security Agreement dated as of April 30, 2006, that certain Amendment No. 3 to Loan and Security Agreement dated as of June 28, 2006, and as may be further amended, modified, supplemented or restated from time to time, the "Loan Agreement") by and among ROCKY BRANDS, INC. (formerly known as ROCKY SHOES It . BOOTS, INC.), a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY. SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), the various other Loan Parties named therein, the various financial institutions named therein or which hereafter become a party thereto (each a "Lender" and collectively, the "Lenders") and GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

FOR VALUE RECEIVED, Borrowers jointly and severally promise to pay to the order of PNC Bank, National Association at Agent's offices located at GMAC Commercial Finance LLC, Structured Finance Division, 1290 Avenue of the Americas, New York, New York 10104, or at such other place as the holder hereof may from time to time designate to Borrowing Agent in writing:

(i) the principal sum of TWO MILLION SIX HUNDRED SIXTY NINE THOUSAND FOUR. HUNDRED NINETY ONE AND 50/100 DOLLARS (\$2,669,491.50), or if different from such amount, the unpaid principal balance of the Term Loan C as may be due and owing from > time to time under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement or earlier termination of the Loan Agreement pursuant to the terms thereof; and

**I316712 PNCTeno Note C**

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(ii) interest on the principal amount of this Note from time to time outstanding payable at the applicable Interest Rate in accordance with the provisions of the Loan Agreement Upon and after the occurrence of an Event of Default, and during the continuation thereof interest shall be payable at the applicable Default Rate. In no event, however, shall interest hereunder exceed the maximum interest rate permitted by law.

This Note is one of the Tern Notes referred to in the Loan Agreement and is secured, inter alia by the liens granted pursuant to the Loan Agreement and the Loan Documents, is entitled to the benefits of the Loan Agreement and the Loan Documents, and is subject to all of the agreements, terms and conditions therein contained.

This Note is subject to mandatory prepayment and may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement

If an Event of Default under Section 7.1(G) and 7.1(H) of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with reasonable attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the Loan Documents which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

Each Borrower expressly waives any presentment, demand, protest, notice of protest, or notice of any kind except as expressly provided in the Loan Agreement

[SIGNATURE PAGE TO FOLLOW]

1216712 PNC TN= Note C



STATE OF OHIO )  
 : ss.:  
COUNTY OF [ATHENS] )

On the [27] day of June, 2006, before me personally came James E. McDonald, to me known, who being by me duly sworn, did depose and say that he is the Chief Financial Officer of each of the corporations and limited liability companies described in and which executed the foregoing instrument; and that he was authorized to sign his name thereto.

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Notary Public

HELEN O. FRANK

Notary Public, State of Ohio  
My Commission Expires March 3, 2007  
Recorded Athens Co., OH

**1216713 Comerica Term Note C**

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TERM NOTE C

\$2,669,491.50

New York, New York  
June 28, 2006

This Term Note C (this "Note") is executed and delivered under and pursuant to the terms of that certain Loan and Security Agreement dated January 6, 2005 (as amended by that certain Amendment No. 1 to Loan and Security Agreement and Consent dated as of January 19, 2005, that certain Amendment No. 2 to Loan and Security Agreement dated as of April 30, 2006, that certain Amendment No. 3 to Loan and Security Agreement dated as of June 28, 2006, and as may be further amended, modified, supplemented or restated from time to time, the "Loan Agreement") by and among ROCKY BRANDS, INC. (formerly known as ROCKY SHOES & Boars, INC.), a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), the various other Loan Parties named therein, the various financial institutions named therein or which hereafter become a party thereto (each a "Lender" and collectively, the "Lenders") and GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

FOR VALUE RECEIVED, Borrowers jointly and severally promise to pay to the order of Charter One Bank, N.A. at Agent's offices located at GMAC Commercial Finance LLC, Structured Finance Division, 1290 Avenue of the Americas, New York, New York 10104, or at such other place as the holder hereof may from time to time designate to Borrowing Agent in writing:

(i) the principal sum of TWO MILLION SIX HUNDRED SIXTY NINE THOUSAND FOUR HUNDRED NINETY ONE AND 50/100 DOLLARS (\$2,669,491.50), or if different from such amount, the unpaid principal balance of the Term Loan C as may be due and owing from time to time under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement or earlier termination of the Loan Agreement pursuant to the terms thereof; and

**1216714 Cbarkr 0114 Tenn Note C**

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(ii) interest on the principal amount of this Note from time to the outstanding payable at the applicable interest Rate in accordance with the provisions of the Loan Agreement . Upon and after the occurrence of an Event of Default, and during the continuation thereof, interest shall be payable at the applicable Default Rate. In no event, however, shall interest hereunder exceed the maximum interest rate permitted by law.

This Note is one of the Term Notes referred to in the Loan Agreement and is secured, inter alia, by the liens granted pursuant to the Loan Agreement and the Loan Documents, is entitled to the benefits of the Loan Agreement and the Loan Documents, and is subject to all of the agreements, terms and conditions therein contained.

This Note is subject to mandatory prepayment and may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement.

If an Event of Default under Section 7.1(G) and 7.1(H) of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with reasonable attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the Loan Documents which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

Each Borrower expressly waives any presentment, demand, protest, notice of protest, or notice of any kind except as expressly provided in the Loan Agreement.

[SIGNATURE PAGE TO FOLLOW]

**1216714 Charter lane Term Note C**



STATE OF OHIO )  
 : ss.:  
COUNTY OF [ATHENS] )

On the [27] day of June, 2006, before me personally came James E. McDonald, to me known, who being by me duly sworn, did depose and say that he is the Chief Financial Officer of each of the corporations and limited liability companies described in and which executed the foregoing instrument; and that he was authorized to sign his name thereto.

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Notary Public

HELEN O. FRANK

Notary Public, State of Ohio  
My Commission Expires March 3, 2007  
Recorded Athens Co., OH

**1216713 Comerica Term Note C**

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TERM NOTE C

\$3,177,966.00

New York, New York  
June 28, 2006

This Term Note C (this "Note") is executed and delivered under and pursuant to the terms of that certain Loan and Security Agreement dated January 6, 2005 (as amended by that certain Amendment No. 1 to Loan and Security Agreement and Consent dated as of January 19, 2005, that certain Amendment No. 2 to Loan and Security Agreement dated as of April 30, 2006, that certain Amendment No. 3 to Loan and Security Agreement dated as of June 28, 2006, and as may be further amended, modified, supplemented or restated from time to time, the "Loan Agreement") by and among ROCKY BRANDS, INC. (formerly known as ROCKY SHOES & BOOTS, INC.), a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), the various other Loan Parties named therein, the various financial institutions named therein or which hereafter become a party thereto (each a "Lender" and collectively, the "Lenders") and GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

FOR VALUE RECEIVED, Borrowers jointly and severally promise to pay to the order of Bank of America, N.A. at Agent's offices located at GMAC Commercial Finance LLC, Structured Finance Division, 1290 Avenue of the Americas, New York, New York 10104, or at such other place as the holder hereof may from time to time designate to Borrowing Agent in writing:

(i) the principal sum of THREE MILLION ONE HUNDRED SEVENTY SEVEN THOUSAND NINE HUNDRED SIXTY SIX AND NO/100 DOLLARS (\$3,177,966.00), or if different from such amount, the unpaid principal balance of the Term Loan C as may be due and owing from time to time under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement or earlier termination of the Loan Agreement pursuant to the terms thereof, and

**1216711 -BOATtrin Note C**

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(ii) interest on the principal amount of this Note from time to time outstanding payable at the applicable Interest Rate in accordance with the provisions of the Loan Agreement Upon and after the occurrence of an Event of Default, and during the continuation thereof, interest shall be payable at the applicable Default Rate. In no event, however, shall interest hereunder exceed the maximum interest rate permitted by law.

This Note is one of the Term Notes referred to in the Loan Agreement and is secured, inter alia by the liens granted pursuant to the Loan Agreement and the Loan Documents, is entitled to the benefits of the Loan Agreement and the Loan Documents, and is subject to all of the agreements, terms and conditions therein contained.

This Note is subject to mandatory prepayment and may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement.

If an Event of Default under Section 7.1(G) and 7.1(H) of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with reasonable attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the Loan Documents which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof

Each Borrower expressly waives any presentment, demand, protest, notice of protest, or notice of any kind except as expressly provided in the Loan Agreement.

[SIGNATURE PAGE TO FOLLOW]

12115711 - BOA Tem Note C

This Note shall be governed by and construed in accordance with the laws of the State of New York.

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

By:

Name: James B. McDonald

Title: Chief Financial Officer of each of the foregoing Borrowers

1136711 • BOA Term Note C

STATE OF OHIO )  
 : ss.:  
COUNTY OF [ATHENS] )

On the [27] day of June, 2006, before me personally came James E. McDonald, to me known, who being by me duly sworn, did depose and say that he is the Chief Financial Officer of each of the corporations and limited liability companies described in and which executed the foregoing instrument; and that he was authorized to sign his name thereto.

\_\_\_\_\_  
/s/  
Notary Public

HELEN O. FRANK

Notary Public, State of Ohio  
My Commission Expires March 3, 2007  
Recorded Athens Co., OH

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TERM NOTE C

\$4,067,796.00

New York, New York  
June 28, 2006

This Term Note C (this "Note") is executed and delivered under and pursuant to the terms of that certain Loan and Security Agreement dated January 6, 2005 (as amended by that certain Amendment No. 1 to Loan and Security Agreement and Consent dated as of January 19, 2005, that certain Amendment No. 2 to Loan and Security Agreement dated as of April 30, 2006, that certain Amendment No. 3 to Loan and Security Agreement dated as of June 28, 2006, and as may be further amended, modified, supplemented or restated from time to time, the "Loan Agreement") by and among ROCKY BRANDS, INC. (formerly known as ROCKY SHOES & BOOTS, INC.), a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (each a "Borrower" and jointly and severally, "Borrowers"), the various other Loan Parties named therein, the various financial institutions named therein or which hereafter become a party thereto (each a "Lender" and collectively, the "Lenders") and GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement. .

FOR VALUE RECEIVED, Borrowers jointly and severally promise to pay to the order of GMAC Commercial Finance LLC at Agent's offices located at GMAC Commercial Finance LLC, Structured Finance Division, 1290 Avenue of the Americas, New York, New York 10104, or at such other place as the holder hereof may from time to time designate to Borrowing Agent in writing:

(i) the principal sum of FOUR MILLION SIXTY SEVEN THOUSAND SEVEN HUNDRED NINETY SIX AND NO/100 DOLLARS (\$4,067,796.00), or if different from such amount, the unpaid principal balance of the Term Loan C as may be due and owing from time to time under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement or earlier termination of the Loan Agreement pursuant to the terms thereof; and

**1216521 CMAC Tenn Note C**

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(ii) interest on the principal amount of this Note from time to time outstanding payable at the applicable Interest Rate in accordance with the provisions of the Loan Agreement. Upon and after the occurrence of an Event of Default, and during the continuation thereof, interest shall be payable at the applicable Default Rate. In no event, however, shall interest hereunder exceed the maximum interest rate permitted by law.

This Note is one of the Term Notes referred to in the Loan Agreement and is secured, inter alia by the liens granted pursuant to the Loan Agreement and the Loan Documents, is entitled to the benefits of the Loan Agreement and the Loan Documents, and is subject to all of the agreements, terms and conditions therein contained.

This Note is subject to mandatory prepayment and may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement.

If an Event of Default under Section 7.1(G) and 7.1(1) of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with reasonable attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the Loan Documents which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

Each Borrower expressly waives any presentment, demand, protest, notice of protest, or notice of any kind except as expressly provided in the Loan Agreement.

[SIGNATURE PAGE TO FOLLOW]

**1216521 GMAC Tenn Note C**

This Note shall be governed by and construed in accordance with the laws of the State of New York.

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

By:

Name: James E. McDonald

Title: Chief Financial Officer of each of the foregoing Borrowers

**1216511 GMAC Tenn Piote C**

STATE OF OHIO )  
 )  
 ss.:  
 )  
 COUNTY OF [ATHENS]

On the [27] day of June, 2006, before me personally came James E. McDonald, to me known, who being by me duly sworn, did depose and say that he is the Chief Financial Officer of each of the corporations and limited liability companies described in and which executed the foregoing instrument; and that he was authorized to sign his name thereto.

Notary Public

1216521 CMACTanu Nat■ C

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**EXHIBIT B**

**AMENDMENT NO. 1**

**TO**

**INTERCREDITOR AGREEMENT**

THIS AMENDMENT NO. 1 ("Amendment No. 1") is entered into as of June 28, 2006, by and among GMAC Commercial Finance LLC, as agent for Lenders (in such capacity, "Agent"), American Capital Financial Services, Inc. as agent for Senior Term B Lienholders (in such capacity, "Sub-Agent"), Rocky Brands, Inc. (formerly known as Rocky Shoes & Boots, Inc.), an Ohio corporation ("Borrower", and together with the direct and indirect Subsidiaries of Borrower which are signatories hereto, jointly and severally, the "Company").

**BACKGROUND**

Company, Agent and Sub-Agent are parties to an Intercreditor Agreement dated as of January 6, 2005 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Intercreditor Agreement") pursuant to which Agent and Sub-Agent provide for the priorities of the "Liens" in the assets of Company granted to Sub-Agent for its benefit and the ratable benefit of Senior Term B Lienholders to the "Liens" in such assets of Company granted to Agent for its benefit and for the ratable benefit of Lenders.

Company has informed Agent and Sub-Agent of their interest in reducing their overall interest expense by prepaying to Sub-Agent for its benefit and the ratable benefit of Senior Term B Lienholders the principal sum of \$15,000,000, representing 50% of the amount due and owing under the Senior Term B Notes, utilizing the proceeds of a \$15,000,000 Term C Financing to be provided by Lenders. The obligation of Company to repay the loans made under the Term C Financing would be secured by the Collateral in the same priority between Agent and Sub-Agent as the Term A Financing and the Revolving Financing, and Agent and Sub-Agent have so agreed to amend the Intercreditor Agreement on the terms and conditions set forth herein.

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

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Intercreditor Agreement.
  2. Amendment to Intercreditor Agreement. Subject to satisfaction of the conditions precedent set forth in Section 3 below, the Intercreditor Agreement is amended as follows:
    - (a) Section 1.1 of the Intercreditor Agreement is amended by amending and restating the following defined terms in their entirety to provide as follows:
-

"Senior Indebtedness" shall mean, all obligations, liabilities and indebtedness of Company to Agent and/or Lenders under the Lending Agreements now or hereafter existing, whether principal, interest, fees, expenses, indemnification or otherwise under or in respect of the Revolving Financing, the Term A Financing and/or the Term C Financing (including all interest, charges, expenses, fees and other sums accruing after commencement of any Insolvency Proceeding by or with respect to Company). Senior Indebtedness shall continue to constitute Senior Indebtedness, notwithstanding the fact that such Senior Indebtedness or any claim for such Senior Indebtedness is subordinated, avoided or disallowed under the Code or other applicable law. Senior Indebtedness shall also include any indebtedness of Company incurred in connection with a refinancing of the Senior Indebtedness under the Lending Agreements if the principal amount of such refinanced indebtedness does not exceed the sum of the maximum permitted principal amount of the Revolving Financing and the then outstanding principal amount of either the Term A Financing or the Term C Financing, the term of the Revolving Financing does not exceed one year beyond its existing term, and if the terms and conditions of the agreements, documents and instruments related to such refinancing, taken as a whole, are not, in the reasonable judgment of the Senior Term B Lienholders, materially more onerous to the Senior Term B Lienholders or the Company than those set forth in the Lending Agreements, as in effect on the date of such refinancing.

follows:

- (b) Section 1.1 of the Intercreditor Agreement is amended by inserting the following defined terms in the appropriate alphabetical order to provide as

"Aggregate Reduction Amount" shall have the meaning given to that term in the definition of Revolving Financing appearing herein.

"Amendment No. 1" shall mean Amendment No. 1 to this Intercreditor Agreement dated as of June 28, 2006.

"Amendment No. 1 Closing Date" shall mean the date upon which all of the conditions precedent to the effectiveness of Amendment No. 1 have been satisfied.

"Term C Financing" shall mean a senior secured term credit facility established on or about the Amendment No. 1 Closing Date pursuant to the Lending Agreements in an aggregate principal amount not to exceed \$15,000,000, minus scheduled principal payments made thereon after the date hereof.

- (c) Clause (ii) in Section 3.2 of the Intercreditor Agreement is hereby amended and restated in its entirety as follows:

"(ii) increase the principal amount of either the Term A Financing or Term C Financing above the amount outstanding at the time of such amendment or modification;"

(d) Clause (v) in Section 3.2 of the Intercreditor Agreement is hereby amended and restated in its entirety as follows:

"(v) extend the maturity date of either the Term A Financing or Term C Financing, extend (beyond an additional one year) the termination date of the Revolving Financing or shorten the maturity of any indebtedness or other obligations under the Lending Agreements."

(e) Clause (2)(D) in Section 3.3 of the Intercreditor Agreement is hereby amended and restated in its entirety as follows:

"(D) the aggregate principal amount of loans and letter of credit accommodations outstanding under such post-petition financing, together with the aggregate principal amount of the pre-petition Senior Indebtedness shall not exceed an amount equal to the sum of (1) \$120,000,000 minus the Aggregate Reduction Amount plus (2) the then outstanding principal balance of the Term A Financing plus (3) the then outstanding principal balance of the Term C Financing and"

(f) Section 10 of the Intercreditor Agreement is hereby amended and restated in its entirety as follows:

"Prepayments. Notwithstanding anything to the contrary herein or in the Senior Term B Agreements, prior to the payment in full in cash of the Senior Indebtedness and termination of Agent's and Lenders' Commitment to lend pursuant to the Loan Agreement, Company shall not make, and neither Sub-Agent nor the Senior Term B Lienholders shall accept, any prepayment under the Senior Term B Agreements other than (i) as provided under Section 3.2 of the Note Purchase Agreement, (ii) as provided under Section 3.5 of the Note Purchase Agreement, subject to prior compliance by Company with Section 2.4(B)(3) of the Loan Agreement and (iii) a one-time prepayment on or about the Amendment No. 1 Closing Date in the aggregate principal sum of \$15,000,000."

3. Conditions of Effectiveness. This Amendment No. 1 shall become effective upon receipt by each of Agent and Sub-Agent of six (6) fully executed counterparts hereof.

4. Effect on the Intercreditor Agreement.

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

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

(c) The execution, delivery and effectiveness of this Amendment No. 1 shall not operate as a waiver of any right, power or remedy of Agent or Sub-Agent, nor constitute a waiver of any provision of the Intercreditor Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

5. Governing Law. This Amendment No. 1 shall be binding upon and inure to the benefit of Agent and Sub-Agent, and their respective successors and assigns, and shall be governed by and construed in accordance with the laws of the State of New York.

6. Headings. Section headings in this Amendment No. 1 are included herein for convenience of reference only and shall not constitute a part of this Amendment No. 1 for any other purpose.

7. Counterparts; Facsimile. This Amendment No. 1 may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]





- IN WITNESS WHEREOF, this Amendment No. 1 has been duly executed as of the day and year first written above.

**GMAC COMMERCIAL FINANCE LLC**, as Agent

By: \_\_\_\_\_  
Name: Thomas Brent  
Title: Director

**AMERICAN CAPITAL FINANCIAL SERVICES, INC.**, as Sub-Agent

By: \_\_\_\_\_  
Name: Kenneth E. Jones  
Title: Vice President

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

By: \_\_\_\_\_  
Name: James E. McDonald  
Title: Chief Financial Officer of each  
of the foregoing Borrowers

IN WITNESS WHEREOF, this Amendment No. 1 has been duly executed as of the day and year first written above.

GMAC COMMERCIAL FINANCE LLC, as Agent

By: \_\_\_\_\_  
Name: Thomas Brent  
Title: Director

AMERICAN CAPITAL FINANCIAL SERVICES, INC., as Sub-Agent

By: \_\_\_\_\_  
Name:  
Title:

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

By: \_\_\_\_\_ /s/  
Name: James E. McDonald  
Title: Chief Financial Officer of Each  
of the foregoing Borrowers

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## AMENDMENT NO. 4

TO

## LOAN AND SECURITY AGREEMENT

## AND WAIVER

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

## BACKGROUND

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

Borrower has notified Agent and Lenders that certain Events of Default have occurred which are continuing due to (a) the failure of Borrower to comply with the provisions of Section 5.3(B) of the Loan Agreement as a result of Total Leverage Ratio of Rocky on a Consolidated Basis for the four fiscal quarter accounting period ended September 30, 2006 being 3.89 to 1.00, which exceeds the required Total Leverage Ratio for such period of 3.80 to 1.00, (a) the failure of Borrower to comply with the provisions of Section 5.3(C) of the Loan Agreement as a result of EBITDA of Rocky on a Consolidated Basis for the four fiscal quarter accounting period ended September 30, 2006 being \$27,364,514, which is less than the required EBITDA for such period of \$30,000,000 and (c) the failure of Borrower to comply with the provisions of Section 5.3(D) of the Loan Agreement as a result of the Senior Leverage Ratio of Rocky on a Consolidated Basis for the four fiscal quarter accounting period ended September 30, 2006 being 3.34 to 1.00, which exceeds the required Senior Leverage Ratio for such period of 3.30 to 1.00 (the "Designated Defaults"). Borrower has requested Agent and Lenders to waive the Designated Defaults, and Agent and Lenders are willing to do so on the terms and conditions set forth herein.

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

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

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.
2. Amendment to Loan Agreement. Subject to satisfaction of the conditions precedent set forth in Section 4 below, the Loan Agreement is amended as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Effect on the Loan Agreement.

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

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

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

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

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

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

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

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

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

By:                   /s/ James E. McDonald                    
Name: James E. McDonald  
Title: Chief Financial Officer of each of the  
          foregoing Borrowers

**GMAC COMMERCIAL FINANCE LLC**

By:                   /s/ Thomas Brent                    
Name: Thomas Brent  
Title: Director

Revolving Loan Commitment:  
\$27,118,640.00  
Term Loan A Commitment:  
\$1,211,815.95  
Term Loan C Commitment:  
\$4,000,709.63

**BANK OF AMERICA, N.A.**

By:                   /s/ William J. Wilson                    
Name: William J. Wilson  
Title: Vice President

Revolving Loan Commitment:  
\$21,186,440.00  
Term Loan A Commitment:  
\$946,731.33  
Term Loan C Commitment:  
\$3,125,554.77

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AMENDMENT NO. 2

TO

INTERCREDITOR AGREEMENT

THIS AMENDMENT NO. 2 ("Amendment No. 2") is entered into as of November 8, 2006, by and among GMAC Commercial Finance LLC, as agent for Lenders (in such capacity, "Agent"), American Capital Financial Services, Inc. as agent for Senior Term B Lienholders (in such capacity, "Sub-Agent"), Rocky Brands, Inc. (formerly known as Rocky Shoes & Boots, Inc.), an Ohio corporation ("Borrower", and together with the direct and indirect Subsidiaries of Borrower which are signatories hereto, jointly and severally, the "Company").

BACKGROUND

Company, Agent and Sub-Agent are parties to an Intercreditor Agreement dated as of January 6, 2005 (as amended by Amendment No. 1 to Intercreditor Agreement dated as of June 28, 2006, and as may be further amended, restated, supplemented or otherwise modified from time to time, the "Intercreditor Agreement") pursuant to which Agent and Sub-Agent provide for the priorities of the "Liens" in the assets of Company granted to Sub-Agent for its benefit and the ratable benefit of Senior Term B Lienholders to the "Liens" in such assets of Company granted to Agent for its benefit and for the ratable benefit of Lenders.

Sub-Agent has informed Agent of the Senior Term B Lienholders' intention to increase the cash portion of interest payments on Senior Term B Indebtedness through an increase in the interest rate margin by 2.0% above the interest rate margin provided for in the Note Purchase Agreement as in effect on the date hereof, and Agent and Sub-Agent have so agreed to amend the Intercreditor Agreement on the terms and conditions set forth herein.

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

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

12. Amendment to Intercreditor Agreement. Subject to satisfaction of the conditions precedent set forth in Section 3 below, the Intercreditor Agreement is amended as follows:

(a) Section 1.1 of the Intercreditor Agreement is amended by inserting the following defined terms in the appropriate alphabetical order to provide as follows:

"Amendment No. 2" shall mean Amendment No. 2 to this Intercreditor Agreement dated as of November 8, 2006.

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“Amendment No. 2 Closing Date” shall mean the date upon which all of the conditions precedent to the effectiveness of Amendment No. 2 have been satisfied.

(b) Clause (ii) in Section 3.6 of the Intercreditor Agreement is hereby amended and restated in its entirety as follows:

“(ii) increases the cash portion of interest payments on Senior Term B Indebtedness during the Term, including, without limitation an increase in the interest rate margin in excess of 2.0% above the interest rate margin provided for in the Note Purchase Agreement as in effect on the date hereof, which has the effect of increasing the cash portion of interest payments on the Senior Term B Indebtedness, other than the imposition of default interest at the rate provided for in the Note Purchase Agreement as in effect on the date hereof;”

13. Conditions of Effectiveness. This Amendment No. 2 shall become effective upon receipt by each of Agent and Sub-Agent of six (6) fully executed counterparts hereof.

14. Effect on the Intercreditor Agreement.

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

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

(c) The execution, delivery and effectiveness of this Amendment No. 2 shall not operate as a waiver of any right, power or remedy of Agent or Sub-Agent, nor constitute a waiver of any provision of the Intercreditor Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

15. Governing Law. This Amendment No. 2 shall be binding upon and inure to the benefit of Agent and Sub-Agent, and their respective successors and assigns, and shall be governed by and construed in accordance with the laws of the State of New York.

16. Headings. Section headings in this Amendment No. 2 are included herein for convenience of reference only and shall not constitute a part of this Amendment No. 2 for any other purpose.

17. Counterparts: Facsimile. This Amendment No. 2 may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission or by other electronic method of transmission (including, without limitation, in “pdf” format) shall be deemed an original signature hereto.

IN WITNESS WHEREOF, this Amendment No. 2 has been duly executed as of the day and year first written above.

**GMAC COMMERCIAL FINANCE LLC,**  
as Agent

By:           /s/ Thomas Brent          

Name: Thomas Brent

Title: Director

**AMERICAN CAPITAL FINANCIAL SERVICES,  
INC.,** as Sub-Agent

By:           /s/ Kenneth E. Jones          

Name: Kenneth E. Jones

Title: Vice President

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

By:           /s/ James E. McDonald          

Name: James E. McDonald

Title: Chief Financial Officer of each  
of the foregoing Borrowers

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## AMENDMENT NO. 5

TO

## LOAN AND SECURITY AGREEMENT

THIS AMENDMENT NO. 5 ("Amendment No. 5") is entered into as of January 1, 2007, by and among ROCKY BRANDS, INC. (formerly known as ROCKY SHOES & BOOTS, INC. and successor-in-interest by merger to EJ FOOTWEAR LLC), a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, ROCKY BRANDS WHOLESALE LLC, a limited liability company organized and existing under the laws of the State of Delaware (formerly known as GEORGIA BOOT LLC and successor-in-interest by merger to GEORGIA BOOT PROPERTIES LLC, DURANGO BOOT COMPANY LLC and NORTHLAKE BOOT COMPANY LLC), ROCKY BRANDS RETAIL LLC, a limited liability company organized and existing under the laws of the State of Delaware (formerly known as LEHIGH SAFETY SHOE CO. LLC and successor-in-interest by merger to LEHIGH SAFETY SHOE PROPERTIES LLC and HM LEHIGH SAFETY SHOE CO. LLC) (the foregoing entities, jointly and severally, "Borrower"), the financial institutions party thereto (each a "Lender" and collectively, the "Lenders"), and GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent").

## BACKGROUND

Borrowers, Agent and Lenders are parties to a Loan and Security Agreement dated as of January 6, 2005 (as amended by Amendment No. 1 to Loan and Security Agreement and Consent dated as of January 19, 2005, Amendment No. 2 to Loan and Security Agreement dated as of April 30, 2006, Amendment No. 3 to Loan and Security Agreement dated as of June 28, 2006, Amendment No. 4 to Loan and Security Agreement dated as of November 8, 2006 and as further amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement") pursuant to which Agent and Lenders provide Borrowers with certain financial accommodations.

Borrowers have informed Agent and Lenders of the following mergers and name changes (the "Mergers and Reorganization"), each effective on or about the date hereof, and have requested Lenders to consent to the amendment and restatement of Schedules 4.1(A), 4.1(D), 4.1(Q), 4.1(R), 5.2(B), 6.1(K) and 6.1(Q) of the Loan Agreement which give effect to the Mergers and Reorganization (the "Revised Schedules"):

- EJ Footwear LLC will merge with and into Rocky Brands, Inc., whereby EJ Footwear LLC will cease to exist and Rocky Brands, Inc. will survive;
  - Georgia Boot Properties LLC, Durango Boot Company LLC and Northlake Boot Company LLC will merge with and into Georgia Boot LLC, whereby Georgia Boot Properties LLC, Durango Boot Company LLC and Northlake Boot Company LLC will cease to exist and Georgia Boot LLC, under the new name of Rocky Brands Wholesale LLC, will survive;
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- Lehigh Safety Shoe Properties LLC will merge with and into Lehigh Safety Shoe Co. LLC, whereby Lehigh Safety Shoe Properties LLC will cease to exist and Lehigh Safety Shoe Co. LLC will survive; and
- HM Lehigh Safety Shoe Co. LLC will merge with and into Lehigh Safety Shoe Co. LLC, whereby HM Lehigh Safety Shoe Co. LLC will cease to exist and Lehigh Safety Shoe Co. LLC, under the new name of Rocky Brands Retail LLC, will survive.

Lenders have agreed to accept the Revised Schedules and effectuate such other modifications to the Loan Agreement on the terms and conditions set forth herein.

Borrowers have also requested Lenders to agree to make available LIBOR Loans of a duration of either one, two or three weeks, in each case, however, bearing interest as if the respective Interest Period was of a one month duration. Lenders have agreed to this modification on the terms and conditions set forth herein.

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

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.
2. Amendment to Loan Agreement. Subject to satisfaction of the conditions precedent set forth in Section 3 below, the Loan Agreement is amended as follows:
  - (a) The introductory paragraph to the Loan Agreement is hereby amended and restated as follows:

THIS AGREEMENT is dated as of January 6, 2005 and entered into among ROCKY BRANDS, INC. (formerly known as ROCKY SHOES & BOOTS, INC. and successor-in-interest by merger to EJ FOOTWEAR LLC), a corporation organized and existing under the laws of the State of Ohio ("Parent"), LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, ROCKY BRANDS WHOLESALE LLC, a limited liability company organized and existing under the laws of the State of Delaware (formerly known as GEORGIA BOOT LLC and successor-in-interest by merger to GEORGIA BOOT PROPERTIES LLC, DURANGO BOOT COMPANY LLC and NORTHLAKE BOOT COMPANY LLC), ROCKY BRANDS RETAIL LLC, a limited liability company organized and existing under the laws of the State of Delaware (formerly known as LEHIGH SAFETY SHOE CO. LLC and successor-in-interest by merger to LEHIGH SAFETY SHOE PROPERTIES LLC and HM LEHIGH SAFETY SHOE CO. LLC) (the foregoing entities, jointly and severally, as the context requires, "Borrower"), the financial institution(s) listed on the signature pages hereof and their respective successors and Eligible Assignees (each individually a "Lender" and collectively, "Lenders"), GMAC COMMERCIAL FINANCE LLC, a Delaware limited liability company (in its individual capacity, "GMAC CF"), as administrative agent and sole lead arranger for the Lenders (in such capacities, the "Agent") and BANK OF AMERICA, N.A., as syndication agent (in such capacity, the "Syndication Agent").

follows: (b) The introductory paragraph to the definition of “Interest Period” appearing in Section 1.1 of the Loan Agreement is hereby amended and restated as follows:

“Interest Period” means, in connection with each LIBOR Loan, an interest period which Borrowing Agent shall elect to be applicable to such Loan, which Interest Period shall be either (a) a one (1), two (2), three (3), or six (6) month period or (b) a one (1), two (2) or three (3) week period; provided in each case that:

(c) The introductory paragraph to the definition of “LIBOR” appearing in Section 1.1 of the Loan Agreement is hereby amended and restated as follows:

“LIBOR” means, for each Interest Period provided that in the case of any Interest Period having a duration of one (1), two (2) or three (3) weeks, the Interest Period with respect thereto for purposes of this definition of LIBOR shall mean one (1) month, a rate per annum equal to:

(d) Schedules 4.1(A), 4.1(D), 4.1(Q), 4.1(R), 5.2(B), 6.1(K) and 6.1(Q) of the Loan Agreement are hereby amended and restated by the corresponding Schedules to Amendment No. 5.

3. Conditions of Effectiveness. This Amendment No. 5 shall become effective upon satisfaction of the following conditions precedent:

(a) Agent shall have received eight (8) copies of this Amendment No. 5 duly executed by each Borrower and each Lender;

(b) Agent shall have received true and correct copies of all documents and certificates by and among Borrowers reflecting the Mergers and Reorganization and certified copies of all documentation issued by the Secretary of the State of Delaware, and, where applicable, the Secretary of the State of Ohio, relating thereto; and

(c) Agent shall have received opinions of counsel from counsel to each Borrower in form and substance satisfactory to Agent with respect to the Mergers and Reorganization.

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



(a) This Amendment No. 5 and the Loan Agreement, as amended hereby, constitute legal, valid and binding obligations of Borrowers and are enforceable against each Borrower in accordance with their respective terms.

(b) Upon the effectiveness of this Amendment No. 5, each Borrower hereby reaffirms all covenants, representations and warranties made in the Loan Agreement to the extent the same are not amended hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment No. 5, except to the extent any such representation or warranty expressly relates to an earlier date.

(c) No Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment No. 5.

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

(e) The issuance of this Amendment No. 5 is permitted pursuant to all applicable law and all material agreements, documents and instruments to which any Borrower is a party or by which any of their respective properties or assets are bound.

5. Effect on the Loan Agreement.

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

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

(c) The execution, delivery and effectiveness of this Amendment No. 5 shall not operate as a waiver of any right, power or remedy of Agent or Lenders, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

6. Release. Each Borrower hereby acknowledges and agrees that: (a) neither it nor any of its Affiliates has any claim or cause of action against Agent or any Lender (or any of their respective Affiliates, officers, directors, employees, attorneys, consultants or agents) and (b) Agent and each Lender has heretofore properly performed and satisfied in a timely manner all of its obligations to Borrowers under the Loan Agreement and the other Loan Documents. Notwithstanding the foregoing, Agent and the Lenders wish (and Borrowers agree) to eliminate any possibility that any past conditions, acts, omissions, events or circumstances would impair or otherwise adversely affect any of the Agent's and the Lenders' rights, interests, security and/or remedies under the Loan Agreement and the other Loan Documents. Accordingly, for and in consideration of the agreements contained in this Amendment and other good and valuable consideration, each Borrower (for itself and its Affiliates and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the "Releasors") does hereby fully, finally, unconditionally and irrevocably release and forever discharge Agent and each Lender and each of their respective Affiliates, officers, directors, employees, attorneys, consultants and agents (collectively, the "Released Parties") from any and all debts, claims, obligations, damages, costs, attorneys' fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown, contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done on or prior to the effective date of Amendment No. 5 arising out of, connected with or related in any way to this Amendment No. 5, the Loan Agreement or any other Loan Document, or any act, event or transaction related or attendant thereto, or the agreements of Agent or any Lender contained therein, or the possession, use, operation or control of any of the assets of any Borrower, or the making of any Advance, or the management of such Advance or the Collateral.

7. Governing Law. This Amendment No. 5 shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York.

8. Headings. Section headings in this Amendment No. 5 are included herein for convenience of reference only and shall not constitute a part of this Amendment No. 5 for any other purpose.

9. Counterparts; Facsimile. This Amendment No. 5 may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile or electronic transmission (including in "pdf" format) shall be deemed to be an original signature hereto.

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IN WITNESS WHEREOF, this Amendment No. 5 has been duly executed as of the day and year first written above.

**ROCKY BRANDS, INC.  
LIFESTYLE FOOTWEAR, INC.  
ROCKY BRANDS WHOLESALE LLC  
ROCKY BRANDS RETAIL LLC**

By: /s/ James E. McDonald  
Name: James E. McDonald  
Title: Chief Financial Officer of each of the  
foregoing Borrowers

**GMAC COMMERCIAL FINANCE LLC**

By: /s/ Thomas Brent  
Name: Thomas Brent  
Title: Director

**BANK OF AMERICA, N.A.**

By: /s/ William J. Wilson  
Name: William J. Wilson  
Title: Vice President

**CHARTER ONE BANK, N.A.**

By: /s/ James G. Zamborsky  
Name: James G. Zamborsky  
Title: Vice President

**PNC BANK, NATIONAL ASSOCIATION**

By: /s/ Peter Redington  
Name: Peter Redington  
Title: A.V.P.

**COMERICA BANK**

By: /s/ Harold Dalton  
Name: Harold Dalton  
Title: Vice President

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**SCHEDULES TO AMENDMENT NO. 5 TO LOAN AND SECURITY AGREEMENT**

**Dated as of January 1, 2007**

Schedule 4.1(A)	Organizational Schedule
Schedule 4.1(D)	Capitalization Schedule
Schedule 4.1(Q)	Properties Schedule
Schedule 4.1(R)	Intellectual Property Schedule
Schedule 5.2(B)	Permitted Liens Schedule
Schedule 6.1(K)	Deposit Accounts
Schedule 6.1(Q)	Names and Locations

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SCHEDULE 4.1(A)

Organizational Schedule

<b>Name</b>	<b>Principal Place of Business</b>	<b>Qualified to do Business</b>	<b>Subsidiaries</b>
Rocky Brands, Inc., an Ohio corporation	39 East Canal Street Nelsonville, OH 45764	OH and VA	Lifestyle Footwear, Inc. Rocky Brands Wholesale LLC Five Star Enterprises Ltd. Rocky Canada, Inc. Rocky Brands Retail LLC
Lifestyle Footwear, Inc., a Delaware corporation	Road 125 KM 3.8 BO Pueblo Industrial Park Moca, PR 00676-0728	DE and Puerto Rico	None
Rocky Brands Wholesale LLC, a Delaware limited liability company	235 Noah Drive Franklin, TN 37064	DE, GA, TN, NY, and OH	None
Rocky Brands Retail LLC, a Delaware limited liability company	120 Plaza Drive Vestal, NY 13850	DE, KY, OH, NY, CA, MO, MI, NH, KS, SC, GA, PA, NC, LA, CO, IN, TX, TN, HI, WI, IL, FL, MN, UT, VA	None

SCHEDULE 4.1(D)

Capitalization Schedule

**ROCKY BRANDS, INC. (formerly Rocky Shoes & Boots, Inc.)**

Authorized:

1. 250,000,000 shares of common stock, without par value
2. 250,000 shares of voting preferred stock, without par value
3. 250,000 shares of non-voting preferred stock, without par value, consisting of:
  - a. 125,000 shares of Series A Non-Voting Convertible Preferred Stock
  - b. 125,000 shares of Series B Junior Participating Cumulative Preferred Stock

Issued and Outstanding: only common

Rocky has stock options issued and outstanding under:

1. 1992 Stock Option Plan
2. 1995 Amended and Restated Stock Option Plan
3. 2004 Stock Incentive Plan

As of September 30, 2006, 543,276 shares are issued and outstanding pursuant to option plans.

**LIFESTYLE FOOTWEAR, INC.**

Authorized: 3,000 shares of common stock, without par value

Issued and Outstanding: 2,000 shares to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Replacement Certificate No. 3.

**ROCKY CANADA, INC.**

Authorized: an unlimited number of common shares

Issued and Outstanding: 100 shares to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Certificate No. 2 for 65 shares and Certificate No. 3 for 35 shares

**FIVE STAR ENTERPRISES LTD.**

Authorized: 900,000 shares of common stock, valued at One United States Dollar each

Issued and Outstanding: 5,000 shares to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Replacement Certificate No. 6

**ROCKY BRANDS WHOLESALE LLC (formerly Georgia Boot LLC prior to merger of Georgia Boot Properties LLC, Durango Boot Company LLC, and Northlake Boot Company LLC with and into Georgia Boot LLC, with name change to Rocky Brands Wholesale LLC)**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Certificate No. 2

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**ROCKY BRANDS RETAIL LLC (formerly Lehigh Safety Shoe Co. LLC prior to mergers of Lehigh Safety Shoe Properties LLC with and into Lehigh Safety Shoe Co. LLC and HM Lehigh Safety Shoe Co. LLC with and into Lehigh Safety Shoe Co. LLC, with name change to Rocky Brands Retail LLC)**

Authorized: 100 Class A Common Units

Issued and Outstanding: 100 Class A Common Units to Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.), Certificate No. 1

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SCHEDULE 4.1(Q)

Properties Schedule

A. Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.)

1. Owned Real Property

39 East Canal Street  
Nelsonville, OH 45764  
(mortgaged to General Electric Capital Business Asset Funding Corporation)

29 Fayette St.  
Nelsonville, OH 45764

2. Leased Real Property – None

B. Lifestyle Footwear, Inc.

1. Owned Real Property – None

2. Leased Real Property

Road 125 KM 3.8 BO Pueblo Industrial Park  
Moca, PR 00676-0728

C. Rocky Brands Wholesale LLC (formerly Georgia Boot LLC)

1. Owned Real Property

37601 Rocky Boots Way  
Logan, OH 43138

2. Leased Real Property

235 Noah Drive  
Franklin, TN 37064  
Office

Denver Merchandise Mart  
451 East 58th Street  
Showrooms 3529 & 4435

Denver, CO 80216

D. Rocky Brands Retail LLC (formerly Lehigh Safety Shoe Co. LLC)

1. Owned Real Property

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45 East Canal Street  
Nelsonville, OH 45764

901 Franklin Street E  
Endicott, NY 13761

2. Leased Real Property

120 Plaza Dr.  
Vestal, NY  
Office

12545 Laramie Avenue, Unit 11-B  
Alsip, IL 60803

9038 N. IH-35, Suite A  
Austin, TX 78753

5001 & 5021 West 161<sup>st</sup> Street  
Brook Park, OH 44142

Unit E, 400 Northeast Dr.  
Columbia, SC 29203

7250 Bandini Blvd., Unit 102  
Commerce, CA 90040

4413 Empire Way  
Westland Commerce Center II  
Lansing, MI 48917

3890 Kipling, Unit K  
Wheat Ridge, CO 80033

2945 S. Miami Blvd., Suite 120  
Durham, NC 27703

Suite 103  
Powerline Business Center  
5601 N.W. 9<sup>th</sup> Avenue  
Fort Lauderdale, FL 33309

284 South Colony Rd.  
Route #5  
Wallingford, CT 06492

1130 N. Nimitz Highway, Suite A-122  
Honolulu, HI 96817

5545 West Raymond Street, Suite C  
Indianapolis, IN 46241

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3103 Fern Valley Rd., Suite 103  
Louisville, KY 40213

2885 Business Park Drive  
Airport Business Park  
Building E  
Memphis, TN 38118

2415 Monroe Road  
DePere, WI 54115

4250 44<sup>th</sup> Avenue, Suite 2  
Moline, IL 61265

Three Progress Avenue  
Nashua, NH 03062

1412 Antioch Pike, Suite 101  
Nashville, TN 37211

5610 Jefferson Highway, C-1  
Elmwood Distribution Center  
Elmwood, LA 70123

5952 Peachtree Industrial Blvd.  
Suite 17  
Norcross, GA 30071

7685 Currency Drive  
Sand Lake Service Center 2  
Orlando, FL 32809

4735 Campbell's Run Road, Space A  
Pittsburgh, PA 15205

1331-1333 West 3300 South  
West Valley City, UT 84119

1510 Montague Expressway  
San Jose, CA 95131

Carr 887 km. 0.6 Victoria Industrial Park  
Carolina Commercial Park, Puerto Rico 00987

10 Saratoga Avenue  
South Glen Falls, NY 12803

13609 Lakefront Drive  
Earth City, MO 63045

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445 Etna Street, Suite 56, 57b  
St. Paul, MN 55106

6103 E. Malloy Rd.  
E. Syracuse, NY 13057

Corporex Plaza  
3904 Corporex Park Drive  
Suite 101A  
Tampa, FL 33619

1927 S. West Street, Suite B  
Wichita, KS 67213

34-23 38<sup>th</sup> Street  
Long Island City, NY 11101

47 Bridge Street  
Corning, NY 14830

Commercial Center  
2229 E. Division  
Arlington, TX 76011

1707 Center Street  
Deer Park, TX 77536

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## SCHEDULE 4.1(R)

## Intellectual Property Schedule

*ROCKY BRANDS, INC. (formerly ROCKY SHOES & BOOTS, INC.)*  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>ALPHAFORCE</b>	Ser. No. 78/098664 Reg. No. 2766744	Filed 12/17/01 Reg. 9/23/03	
<b>AOG</b>	Serial No. 75/010045 Reg. No. 2166173	Filed 10/24/95 Reg. 6/16/98	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>AQUA GUARD</b>	Ser. No. 75/786424 Reg. No. 2538542	Filed 8/27/99 Reg. 2/12/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BEAR CLAW</b>	Ser. No. 74/662553 Reg. No. 1974865	Filed 4/18/95 Reg. 5/21/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CAMO-TEK</b>	Ser. No. 75/603250 Reg. No. 2534492	Filed 12/10/98 Reg. 1/29/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CORNSTALKERS</b>	Ser. No. 74/541038 Reg. No. 1897612	Filed 6/22/94 Reg. 6/6/95	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DESIGN (Boot)</b>	Ser. No. 78/520734 Reg. No. 3057432	Filed 11/22/04 Reg. 2/7/06	
<b>DURANGO MUSTANG</b>	Ser. No. 77/054878	Filed 12/1/06	
<b>FIRSTMED</b>	Ser. No. 76/109464 Reg. No. 2595571	Filed 8/15/00 Reg. 7/16/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FORMZ</b>	Ser. No. 75/674579 Reg. No. 2466342	Filed 4/5/99 Reg. 7/3/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>G (Stylized)</b>	Ser. No. 76/182533 Reg. No. 2967416	Filed 12/18/00 Reg. 7/12/05	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES (Stylized)</b>	Ser. No. 73/464729 Reg. No. 1319524	Filed 2/8/84 Reg. 2/12/85	Assigned to GMAC Commercial Finance LLC 2/2/05

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>GATES (stylized)</b>	Ser. No. 76/186743 Reg. No. 2743239	Filed 12/27/00 Reg. 7/29/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES GLOVES</b>	Ser. No. 73/194276 Reg. No. 1174311	Filed 11/22/78 Reg. 10/20/81	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES LITE (stylized)</b>	Ser. No. 73/606294 Reg. No. 1439249	Filed 6/25/86 Reg. 5/12/87	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GATES ULTRA LITE (stylized)</b>	Ser. No. 73/778191 Reg. No. 1558154	Filed 2/2/89 Reg. 9/26/89	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>INTER-FLEX</b>	Ser. No. 78/655300	Filed 6/21/05	
<b>INTER FLX</b>	Ser. No. 78/720437	Filed 9/26/05	
<b>LONGBEARD</b>	Ser. No. 75/566549 Reg. No. 2515692	Filed 10/5/98 Reg. 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PRO-HIKER</b>	Ser. No. 78/471685	Filed 8/23/04	Assigned to GMAC Financial, LLC 2/2/05
<b>PROHUNTER</b>	Ser. No. 75/533954 Reg. No. 2820566	Filed 8/10/98 Reg. 3/9/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PROHUNTER</b>	Ser. No. 77/022459	Filed 10/17/06	
<b>ROCKY</b>	Ser. No. 73/797529 Reg. No. 1577871	Filed 5/1/89 Reg. 1/16/90	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 75/670045 Reg. No. 2538870	Filed 3/29/99 Reg. 2/19/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 75/671246 Reg. No. 2538872	Filed 3/29/99 Reg. 2/19/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY and Design</b>	Ser. No. 76/519218 Reg. No. 2898894	Filed 5/19/03 Reg. 11/2/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ROCKY 911 SERIES</b>	Ser. No. 74/073129 Reg. No. 3132278	Filed 4/14/05 Reg. 8/22/06	
<b>ROCKY BOOTS and Design</b>	Ser. No. 73/313429 Reg. No. 1313519	Filed 6/5/81 Reg. 1/8/85	Assigned to GMAC Commercial Finance LLC 2/2/05

<i>Mark</i>	<i>Serial. No./Reg. No.</i>	<i>Filing Date/Reg. Date</i>	<i>Comments</i>
<b>ROCKY and Design</b>	Ser. No. 75/977717 Reg. No. 2200673	Filed 5/15/95 Reg. 10/27/98	Assigned to GMAC Business Credit, LLC 9/26/00
<b>ROCKY ELMINATOR</b>	Ser. No. 76/111663 Reg. No. 2587482	Filed 8/17/00 Reg. 7/2/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SAWBLADE</b>	Ser. No. 78/086747 Reg. No. 2730726	Filed 10/3/01 Reg. 6/24/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SILENTHUNTER</b>	Ser. No. 78/135127 Reg. No. 2982826	Filed 6/12/02 Reg. 8/9/05	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SILENTHUNTER</b>	Ser. No. 75/566533 Reg. No. 2553070	Filed 10/5/98 Reg. 3/26/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SMART GLOVE BY GATES</b>	Ser. No. 76/345733	Filed 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SNOW STALKER</b>	Ser. No. 74/663746 Reg. No. 1955171	Filed 4/20/95 Reg. 2/6/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>STALKERS</b>	Ser. No. 74/541039 Reg. No. 1975747	Filed 6/22/94 Reg. 5/28/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TAC•TEAM</b>	Ser. No. 75/565836 Reg. No. 2307328	Filed 10/6/98 Reg. 1/11/00	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TECHNO-RIDE</b>	Ser. No. 77/002482	Filed 9/19/06	
<b>TRAILBLADE</b>	Ser. No. 78/720442	Filed 9/26/05	
<b>TRIAD (stylized)</b>	Ser. No. 73/720906 Reg. No. 1537440	Filed 4/7/88 Reg. 5/2/89	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>WILD WOLF</b>	Ser. No. 78/079724 Reg. No. 2642990	Filed 8/17/01 Reg. 10/29/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>WILD WOLF</b>	Ser. No. 78/079843 Reg. No. 2760278	Filed 8/17/01 Reg. 9/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>WOODS N'WORK</b>	Ser. No. 77/048951	Filed 11/21/06	
<b>WORKSMART</b>	Ser. No. 77/030309	Filed 10/26/06	
<b>XSP</b>	Ser. No. 78/647155	Filed 6/9/05	

ROCKY BRANDS, INC. (formerly ROCKY SHOES & BOOTS, INC.)  
FEDERAL PATENTS AND PATENT APPLICATIONS

<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. "No.</i>	<i>Filing Date</i>
<b>WATERPROOF FOOTWEAR LINER AND METHOD OF MAKING THE SAME</b> Inventors: Allen G. Sheets, Richard Finney				10/237001	9/6/02
<b>FOOTWEAR SOLE WITH INTEGRAL DISPLAY ELEMENT</b> Inventors: Mike Brooks, Allen G. Sheets	6539646	4/1/03	1/11/21	09/758583	1/11/01
<b>WATERPROOF FOOTWEAR LINER AND METHOD OF MAKING SAME</b> Inventors: Allen G. Sheets, Richard Finney	6446360	9/10/02	4/9/21	09/829422	4/9/01
<b>PACK BOOT WITH RETRACTABLE CRAMPONS</b> Inventor: Sang Rok Seo	6360455	3/26/02	5/12/20	09/569643	5/12/00
<b>WATERPROOF BREATHABLE GLOVES</b> Inventors: Chuck Dinatale	5682613	11/4/97	7/25/17	08/279958	7/25/94
<b>SHOE SOLE (impact pod)</b> Inventor: Mark Recchi	D507398S	7/19/05	7/19/19	29/205245	5/11/04
<b>SHOE SOLE (retr)</b> Inventor: Mark Recchi	D509346S	9/13/05	9/13/19	29/185759	7/1/03
<b>SHOE SOLE (rk-v)</b> Inventor: Mark Recchi	D507694S	7/26/05	7/26/19	29/185757	7/1/03
<b>SHOE SOLE (ventor)</b> Inventor: Mark Recchi	D498350	11/16/04	11/16/18	29/185801	7/1/03

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<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE SOLE (rkt)</b> Inventor: Mark Recchi	D498042	11/9/04	11/9/18	29/185758	7/1/03
<b>SHOE SOLE (rk-z)</b> Inventor: Mark Recchi	D495476	9/7/04	9/7/18	29/193649	11/12/03
<b>SHOE SOLE (rk/ac)</b> Inventor: Mark Recchi	D489884	5/18/04	5/18/18	29/181678	5/14/03
<b>SHOE SOLE (polar trac)</b> Inventor: Mark Recchi	D489881	5/18/04	5/18/18	29/185794	7/1/03
<b>SOLE SOLE (sawblade)</b> Inventor: Mark Recchi	D478714	8/26/03	8/26/17	29/157533	3/21/02
<b>SHOE SOLE</b> Inventor: Mark Recchi	D474586	5/20/03	5/20/17	29/163315	7/2/02
<b>SHOE SOLE (rkl outsole)</b> Inventor: Mark Recchi	D471696	3/18/03	3/18/17	29/156225	2/26/02
<b>SHOE SOLE (bobcat outsole)</b> Inventors: Mark Recchi, Allen Sheets	D468517	1/14/03	1/14/17	29/156224	2/26/02
<b>SHOE SOLE (knobby outsole)</b> Inventors: Mark Recchi, Allen Sheets	D468081	1/7/03	1/7/17	29/156254	2/26/02
<b>SHOE UPPER (7590)</b> Inventors: Richard Finney	D467715	12/31/02	12/31/16	29/149427	10/10/01
<b>SHOE SOLE</b> Inventors: Jamie Zimmer, Allen Sheets	D448147	9/25/01	9/25/15	29/136811	2/7/01
<b>BOOT UPPER WITH DETACHABLE HOLSTER</b> Inventors: James R. Carey, Charles S. Brooks	D447619	9/11/01	9/11/15	29/130656	10/4/00
<b>SHOE UPPER</b> Inventors: Denis Norton, Diana A. Wurfain	D424797	5/16/00	5/16/14	29/092425	8/19/98



<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D422783	4/18/00	4/18/14	29/098204	12/23/98
<b>SHOE SOLE</b> Inventors: Denis Norton, Diana A. Wurfain	D412777	8/17/99	8/17/13	29/092423	8/19/98
<b>SHOE UPPER</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D410141	5/25/99	5/25/13	29/080764	12/15/97
<b>SHOE UPPER (7258)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D407198	3/30/99	3/30/13	29/080749	12/15/97
<b>SHOE UPPER (7562)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D407197	3/30/99	3/30/13	29/077174	9/29/97
<b>SHOE UPPER (911-139)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D407196	3/30/99	3/30/13	29/077173	9/29/97
<b>SHOE SOLE (prohunter)</b> Inventors: Denis Norton, Diana A. Wurfain	D402798	12/22/98	12/22/12	29/084098	2/24/98
<b>SHOE UPPER (844)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D402099	12/8/98	12/8/12	29/077188	9/29/97
<b>SHOE SOLE (bear claw)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D401746	12/1/98	12/1/12	29/058393	8/14/96
<b>SHOE UPPER (8444)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D401401	11/24/98	11/24/12	29/077641	9/29/97

<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER (9163)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D401400	11/24/98	11/24/12	29/077187	9/29/97
<b>SHOE UPPER (1761)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D400699	11/10/98	11/10/12	29/073407	7/8/97
<b>SHOE SOLE (alpha)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D395742	7/7/98	7/7/12	29/054776	5/21/96
<b>SHOE SOLE (tuff terrainer)</b> Inventors: Diana A. Wurfain, Theodore A. Kastner	D394542	5/26/98	5/26/12	29/054777	5/21/96
<b>SHOE UPPER (winter trails nylon)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D386294	11/18/97	11/18/11	29/055442	6/4/96
<b>SHOE UPPER (winter trails propex)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D386293	11/18/97	11/18/11	29/055441	6/4/96
<b>SHOE UPPER (winter trails leather)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D386292	11/18/97	11/18/11	29/055440	6/4/96
<b>SHOE UPPER (winter trails eco pile)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D385992	11/11/97	11/11/11	29/055444	6/4/96
<b>SHOE UPPER (outback sizzler)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D385991	11/11/97	11/11/11	29/055443	6/4/96

<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER (tuff terrainer)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D384195	9/30/97	9/30/11	29/054747	5/21/96
<b>SHOE UPPER (tuff terrainer oxford)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380891	7/15/97	7/15/11	29/054739	5/21/96
<b>SHOE UPPER (alpha boot)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380599	7/8/97	7/8/11	29/054748	5/21/96
<b>SHOE UPPER (stalker expedition)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380598	7/8/97	7/8/11	29/054742	5/21/96
<b>SHOE UPPER (prof demi boot)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380597	7/8/97	7/8/11	29/054740	5/21/96
<b>SHOE UPPER (outback oxford)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D380596	7/8/97	7/8/11	29/054741	5/21/96
<b>SHOE UPPER (snow stalker extreme)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D376684	12/24/96	12/24/10	29/035556	3/2/95
<b>SHOE UPPER (snow stalker hunter)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfbain	D369019	4/23/96	4/23/10	29/035560	3/2/95

<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SHOE UPPER (winter trails)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D369018	4/23/96	4/23/10	29/035559	3/2/95
<b>SHOE UPPER (snow stalker)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D368797	4/16/96	4/16/10	29/035563	3/2/95
<b>SHOE UPPER (super stalker)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D368361	4/2/96	4/2/10	29/029890	10/18/94
<b>SHOE UPPER (the brute)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D367354	2/27/96	2/27/10	29/031067	11/16/94
<b>SHOE UPPER (outback khaki)</b> Inventors: Mike Brooks, Edgar H. Simpson, Theodore A. Kastner, Diana A. Wurfain	D367165	2/20/96	2/20/10	29/031068	11/16/94

*ROCKY BRANDS, INC. (formerly ROCKY SHOES & BOOTS, INC.)  
FEDERAL COPYRIGHT APPLICATIONS AND REGISTRATIONS*

<i>Title of Work</i>	<i>Reg. No.</i>	<i>Reg. Date</i>	<i>Comments</i>
Rocky Ram	VA-810-954	8/26/96	Assigned to GMAC Commercial Finance LLC 2/2/05
Rocky Shoes & Boots Partnering for Wildlife Conservation	VA 1-239-611	7/28/03	Assigned to GMAC Commercial Finance LLC 2/2/05

*ROCKY BRANDS, INC. (formerly EJ FOOTWEAR LLC)  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS*

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>ADVANTA-FLEX</b>	Ser. No. 76/435112 Reg. No. 2783005	Filed 7/29/02 Reg 11/11/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>ASTRO and Design</b>	Ser. No. 72/301213 Reg. No. 862801	Filed 6/24/68 Reg 12/31/68	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BARCLAY (stylized)</b>	Ser. No. 71/550334 Reg. No. 516495	Filed 2/21/48 Reg 10/18/49	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BEACON STRATEGIC RESOURCING</b>	Ser. No. 76/362852 Reg. No. 2759986	Filed 1/24/02 Reg 9/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BOOTS UNLIMITED</b>	Ser. No. 76/203030 Reg. No. 2515098	Filed 1/31/01 Reg 12/4/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CHIEFTAN</b>	Ser. No. 72/248946 Reg. No. 831865	Filed 6/27/66 Reg 7/11/67	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>COOL NOTES (stylized)</b>	Ser. No. 72/245916 Reg. No. 826943	Filed 5/18/66 Reg 4/4/67	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>EJ and Design</b>	Ser. No. 73/742972 Reg. No. 1530972	Filed 7/29/88 Reg 3/21/89	Assigned from Endicott Johnson Corporation 7/11/00
<b>FARM MASTERS</b>	Ser. No. 73/365988 Reg. No. 1250453	Filed 5/24/82 Reg 9/6/83	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FLX-POINT</b>	Ser. No. 76/470052 Reg. No. 2789949	Filed 11/25/02 Reg 12/2/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PARACORD (stylized)</b>	Ser. No. 71/277699 Reg. No. 256338	Filed 1/8/29 Reg 5/14/29	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PARACREPE (stylized)</b>	Ser. No. 71/225084 Reg. No. 212124	Filed 12/23/25 Reg 4/27/26	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PONDEROSA</b>	Ser. No. 72/189568 Reg. No. 781810	Filed 3/25/64 Reg 12/15/64	Assigned to GMAC Commercial Finance LLC 2/2/05

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<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>SIGNATURE TOUR QUALITY FOOTWEAR and Design</b>	Ser. No. 73/678670 Reg. No. 1504024	Filed 8/17/87 Reg 9/13/88	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SPORTSET</b>	Ser. No. 72/289087 Reg. No. 871822	Filed 1/18/68 Reg 6/24/69	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TORQUE SUSPENSION SYSTEM</b>	Ser. No. 76/478609 Reg. No. 2801594	Filed 12/27/02 Reg 12/30/03	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>TRAIL KING</b>	Ser. No. 72/306050 Reg. No. 873081	Filed 8/27/68 Reg 7/15/69	Assigned to GMAC Commercial Finance LLC 2/2/05

*ROCKY BRANDS, INC. (formerly EJ FOOTWEAR LLC)  
FEDERAL PATENTS AND PATENT APPLICATIONS*

<b>Title</b>	<b>Patent No.</b>	<b>Issue Date</b>	<b>Exp Date</b>	<b>App. No.</b>	<b>Filing Date</b>
<b>OUTSOLE</b> Inventor: Jeffrey Raymond Rake	D447856	9/18/01	9/18/15	29/982	1/22/01

*ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS*

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>ARCTIC TOE</b>	Ser. No. 76/212102 Reg. No. 2664307	Filed 2/20/01 Reg 12/17/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>BARNSTORMERS and Design</b>	Ser. No. 75/605525 Reg. No. 2421991	Filed 12/7/98 Reg 1/16/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>CLIMATRAC</b>	Ser. No. 76/579105 Reg. No. 2978004	Filed 3/4/04 Reg. 7/26/05	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>COMFORT CORE</b>	Ser. No. 74/175689 Reg. No. 1689129	Filed 6/13/91 Reg 5/26/92	Assigned to GMAC Commercial Finance LLC 2/2/05

<i>Mark</i>	<i>Serial. No./Reg. No.</i>	<i>Filing Date/Reg. Date</i>	<i>Comments</i>
<b>CONSTRUX</b>	Ser. No. 76/606797	Filed 8/10/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>D.TECH (stylized)</b>	Ser. No. 75/544917 Reg. No. 2288942	Filed 8/31/98 Reg 10/26/99	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DURANGO</b>	Ser. No. 72/198549 Reg. No. 790751	Filed 7/27/64 Reg 6/8/65	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DURANGO and Design</b>	Ser. No. 75/084007 Reg. No. 2304436	Filed 4/4/96 Reg 12/28/99	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>DURANGO</b>	Ser. No. 75/712688 Reg. No. 2562205	Filed 5/24/99 Reg 4/16/02	Assigned from Georgia Boot Inc. 8/30/00
<b>DURANGO and Design</b>	Ser. No. 75/912800 Reg. No. 2660084	Filed 2/8/00 Reg 12/10/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FARM &amp; RANCH</b>	Ser. No. 74/294738 Reg. No. 1758465	Filed 7/16/92 Reg 3/16/93	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FIELD LITE</b>	Ser. No. 76/635028 Reg. No. 3133612	Filed 4/4/05 Reg. 8/22/06	
<b>GEORGIA BOOT</b>	Ser. No. 73/420215 Reg. No. 1333323	Filed 4/5/83 Reg 4/30/85	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GEORGIA GIANT</b>	Ser. No. 76/581605	Filed 3/17/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>GEORGIA WORKWEAR</b>	Ser. No. 76/635029	Filed 4/4/05	
<b>MUD DOG and Design</b>	Ser. No. 75/605540 Reg. No. 2421992	Filed 12/7/98 Reg 1/16/01	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>NORTHLAKE</b>	Ser. No. 73/215438 Reg. No. 1154957	Filed 5/14/79 Reg 5/19/81	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PROTECH (stylized)</b>	Ser. No. 76/579106 Reg. No. 3052222	Filed 3/4/04 Reg. 1/31/06	Assigned to GMAC Commercial Finance LLC 2/2/05

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>SHADES OF THE OLD WEST</b>	Ser. No. 74/294739 Reg. No. 1758466	Filed 7/16/92 Reg 3/16/93	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SNAKE RIVER</b>	Ser. No. 74/541041 Reg. No. 1919870	Filed 6/22/94 Reg 9/19/95	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>X-10</b>	Ser. No. 73/883183	Filed 5/15/06	

*ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)*  
FOREIGN TRADEMARK REGISTRATIONS

COMFORT CORE - (Canada)  
COMFORT CORE - (Taiwan)  
DURANGO - (Japan)  
DURANGO BOOT (Canada)  
DURANGO - (France)  
DURANGO - (Switzerland)  
DURANGO - (Canada)  
DURANGO - (CTM)  
FARM & RANCH - (Australia)  
GEORGIA BOOT - (Portugal)  
GEORGIA BOOT - (Spain)  
GEORGIA BOOT - (Canada)  
GEORGIA BOOT - (Italy)  
GEORGIA BOOT and  
Design (Large male character with  
GEORGIA BOOT on the body) (Japan)  
GEORGIA BOOT - (Norway)  
GEORGIA BOOT - (CTM)



MUD DOG - (Canada)  
 (Stylized)

NORTHLAKE - (Canada)

NORTHLAKE - (France)

NORTHLAKE - (Germany)

NORTHLAKE - (Great Britain)

NORTHLAKE - (Italy)

NORTHLAKE - (Japan)

NORTHLAKE - (Norway)

NORTHLAKE - (Spain)

NORTHLAKE - (Switzerland)

NORTHLAKE - (Taiwan)

*ROCKY BRANDS WHOLESALE LLC (formerly GEORGIA BOOT LLC)  
 FEDERAL PATENTS AND PATENT APPLICATIONS*

<i>Title</i>	<i>Patent No.</i>	<i>Issue Date</i>	<i>Exp Date</i>	<i>App. No.</i>	<i>Filing Date</i>
<b>SAFETY SHOE</b> Inventor: David Mitchell	6581304	6/24/03	12/29/19	09/474179	12/29/99
<b>SHOE WITH INSOLE AS PART SOLE FILLER AND METHOD OF MAKING SAME</b> Inventors: Sven E. Oberg, David P. Mitchell	6560901	5/13/03	5/13/20	08/332275	10/31/94
<b>FOOTWEAR WITH MOLDED WEB PLATFORM FOR ATTACHING OUTSOLE</b> Inventor: David Mitchell	6338205	1/15/02	12/29/19	09/474224	12/29/99
<b>SHOE WITH INSOLE AS PART SOLE FILLER AND METHOD OF MAKING SAME</b> Inventors: Sven E. Oberg, David P. Mitchell	6321464	11/27/01	11/27/18	08/463843	6/5/95
<b>CUSHIONED FOOTWEAR AND APPARATUS FOR MAKING THE SAME</b> Inventors: William C. Johnson, Jr., William G. Thomas	6145220	11/14/00	11/22/15	08/562009	11/22/95
<b>METHOD FOR PRECISELY PERFORATING AN OPENING IN FOOTWEAR</b> Inventors: Howard A. Hoffman; Ronald E. Pottorff; Lavert F. Sneed; William G. Thomas	5924345	7/20/99	8/14/16	08/696618	8/14/96
<b>OUTSOLE</b> Inventor: David Mitchell	D493952	8/10/04	8/10/18	29/164377	7/22/02

U.S. Patent Application No. 09/977463 (Boot with oversized toe box for thermal insulation)

U.S. Patent Application No. 11/009421 (Shoe with insole as part sole filler and method for making the same)\*\*

U.S. Patent Application No. 10/799395 (Footwear with improved insole)

U.S. Design Patent Application No. 29/194,981 (Outsole)

*ROCKY BRANDS WHOLESale LLC (formerly GEORGIA BOOT LLC)*  
FOREIGN PATENTS

Canada Patent No. 2,188,847 (Cushioned footwear and apparatus for making the same )

Mexico Patent No. 204081 (Cushioned footwear and apparatus for making the same )

People's Republic of China Patent No. ZL 96123386.9 (Cushioned footwear and apparatus for making the same )

Canada Patent No. 2,059,761 (Shoe with insole as part sole filler and method for making same)\*\*

Mexico Patent No. 186564 (Shoe with insole as part sole filler and method for making same)\*\*

People's Republic of China Patent No.92100616 (Shoe with insole as part sole filler and method for making same)\*\*

Taiwan Patent No. No. 056563 (Shoe with insole as part sole filler and method for making same)\*\*

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\*\*owned jointly with RoSearch, Inc.

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*ROCKY BRANDS RETAIL LLC (formerly LEHIGH SAFETY SHOE CO. LLC)  
FEDERAL TRADEMARK APPLICATIONS AND REGISTRATIONS*

<b>Mark</b>	<b>Serial. No./Reg. No.</b>	<b>Filing Date/Reg. Date</b>	<b>Comments</b>
<b>FIT FOR SAFETY</b>	Ser. No. 75/823689 Reg. No. 2628723	Filed 10/15/99 Reg 10/1/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>FIT FOR WORK</b>	Ser. No. 75/823688 Reg. No. 2565788	Filed 10/15/99 Reg 4/30/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>INDUSTRY WORKS IN LEHIGH SAFETY SHOES</b>	Ser. No. 75/026492 Reg. No. 2011997	Filed 11/20/95 Reg 10/29/96	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>L and Design</b>	Ser. No. 76/610147 Reg. No. 3039424	Filed 9/1/04 Reg. 1/10/06	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LEHIGH</b>	Ser. No. 73/153033 Reg. No. 1103936	Filed 12/22/77 Reg 10/10/78	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LEHIGH "FOOTSHIELDS" (stylized)</b>	Ser. No. 72/023484 Reg. No. 658172	Filed 1/30/57 Reg 2/4/58	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>LOCKRIM</b>	Ser. No. 72/178690 Reg. No. 783691	Filed 10/10/63 Reg 1/19/65	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>L.S.R. (stylized)</b>	Ser. No. 75/339713 Reg. No. 2201252	Filed 7/24/97 Reg 11/3/98	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>MIRA-LUG</b>	Ser. No. 73/220929 Reg. No. 1159250	Filed 6/25/79 Reg 6/30/81	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>NUGUARD75 (stylized)</b>	Ser. No. 73/741631 Reg. No. 1530662	Filed 7/22/88 Reg 3/21/89	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>PROMISE PLUS</b>	Ser. No. 75/668090 Reg. No. 2395071	Filed 3/25/99 Reg 10/17/00	Assigned from Lehigh Safety Shoe Co. 6/17/02
<b>SHIELD TOE</b>	Ser. No. 75/273195 Reg. No. 2153691	Filed 3/24/97 Reg 4/28/98	Assigned to GMAC Commercial Finance LLC 2/2/05

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<i>Mark</i>	<i>Serial. No./Reg. No.</i>	<i>Filing Date/Reg. Date</i>	<i>Comments</i>
<b>SLIP GRIPS</b>	Ser. No. 76/489562 Reg. No. 2891737	Filed 2/14/03 Reg 10/5/04	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>SWAMPERS</b>	Ser. No. 76/063389 Reg. No. 2579908	Filed 6/1/00 Reg 6/11/02	Assigned to GMAC Commercial Finance LLC 2/2/05
<b>US 1 and Design</b>	Ser. No. 76/259815 Reg. No. 2565267	Filed 5/18/01 Reg 4/30/02	Assigned to GMAC Commercial Finance LLC 2/2/05

*ROCKY BRANDS RETAIL LLC (formerly LEHIGH SAFETY SHOE CO. LLC)*  
FEDERAL PATENTS AND PATENT APPLICATIONS

U.S. Patent Application No. 09/875, 542 (Metatarsal Guard)

*ROCKY BRANDS RETAIL LLC (formerly LEHIGH SAFETY SHOE CO. LLC)*  
FOREIGN TRADEMARK REGISTRATIONS

FIT FOR WORK - (Canada)

FIT FOR SAFETY - (Canada)

LEHIGH - (Japan)

LEHIGH - (Mexico)

LEHIGH - (Taiwan)

LEHIGH - (China)

PROMISE PLUS - (Canada)

SCHEDULE 5.2(B)

Permitted Liens Schedule

**A. All Loan Parties**

Liens on real estate in which a Loan Party is lessee

**B. Rocky Brands, Inc. (formerly Rocky Shoes & Boots, Inc.)**

<u>Secured Party</u>	<u>Collateral</u>
GE Capital Business Asset Funding Corporation	Real Estate, fixtures and other property in connection with real properties in Athens County and Hocking County, Ohio, including without limitation that collateral further described in Financing Statement numbers AP0207801, AP0207802, AP0231440 filed with the Ohio Secretary of State, Financing Statement number 200000000069/200000000508 filed with the Hocking County, Ohio Recorder, Financing Statement numbers 20000000000-1/20000000000-2 and 20000000000-3 /20000000000-8 filed with the Athens County, Recorder, and in certain Open-End Mortgages, Security Agreements, Assignments of Rents and Leases and Fixture Filings in Hocking and Athens Counties.
Chase Equipment Leasing	Specific leased equipment, including without limitation warehouse storage units and other collateral further described in Financing Statement numbers AP0163529 and AP0196827 filed with the Ohio Secretary of State and Financing Statement number 199900000969/199900006769 filed with the Hocking County, Ohio Recorder.
GMAC Business Credit LLC	All business assets
American	Leased counter forming machine
Worthern Industries	Leased glue machines
W.L. Gore	Leased centrifugal testers ES & FS
Ascom Hasler	Mail Machine Lease
Xerox Capital Services LLC	DocuColor (2); D25OEF12 (2); WCP265 (3); WCP232 (5)
<b>C. Lifestyle Footwear, Inc.</b>	
GMAC Business Credit LLC	All business assets
USM	Leased cement & seat side lasting and high speed stitch
Manifest Funding (International Absolute)	Leased ASHL-GPS machine
W.L. Gore	Leased seam sealing w/auto tape cutter machines, bootie testing machines, centrifugal tester machine and boot dryer
Pamco	Staple side laster; side heal seat laster; inseam trimmer

**D. Rocky Brands, Inc. (formerly EJ Footwear LLC)**

<b>Secured Party</b>	<b>Collateral</b>
Pitney Bowes Credit Corporation	Leased equipment further described in Financing Statement number 1995001177 filed in Broome County, NY
Ford Credit	Leased Ford Ranger truck, s/n 1FTYR44U74PA08512
ComSource	Leased computer equipment described in Financing Statement number U1 1999 000721 filed in Broome County, NY
DeLage Landen Financial Services, Inc.	Leased equipment
Bank of America	Cash Collateral to secure Bank of America letter of credit in favor of Blue Cross Blue Shield
Icon Financial	Canon Printers

**E. Rocky Brands Wholesale LLC (formerly Georgia Boot LLC)**

<b>Secured Party</b>	<b>Collateral</b>
BSFS Equipment Leasing	Leased equipment under Lease #7119124, UCC file number 20888648 filed with the Delaware Secretary of State
Ascom Hasler Leasing	Leased postage meter and mail scale
Bell South	Leased telephone/MIS equipment

**F. Rocky Brands Retail LLC (formerly Lehigh Safety Shoe Co. LLC)**

<b>Secured Party</b>	<b>Collateral</b>
Navistar Leasing Company Hardco Leasing Company, Inc.	Various leased motor vehicles
Key Equipment Finance	Various leased motor vehicles
Lease Plan USA	Various leased motor vehicles

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SCHEDULE 6.1(K)

Deposit Accounts

**Comerica Bank**

P.O. Box 75000  
Detroit, MI 48275-8149

Name on Account: Rocky Brands, Inc.  
Type of Account: Comerica Operation Account  
Account Number:

Name on Account: Rocky Brands, Inc.  
Type of Account: Comerica Controlled Disbursement Account  
Account Number:

Name on Account: Rocky Brands, Inc.  
Type of Account: Comerica Cash Collateral Account  
Account Number:

Name on Account: Rocky Brands Retail LLC  
Type of Account: Comerica Controlled Disbursement Account  
Account Number:

**First National Bank**

11 Public Square  
Nelsonville, OH 45764

Name on Account: Rocky Brands, Inc.  
Type of Account: FNB Operating Account  
Account Number:

Name on Account: Rocky Brands, Inc.  
Type of Account: FNB Credit Card Account  
Account Number:

Name on Account: Rocky Brands, Inc. Payroll  
Type of Account: FNB Payroll Account  
Account Number:

**Banco Popular**

P.O. Box 362708  
San Juan, Puerto Rico 00936-2708

Name on Account: Lifestyle Footwear Inc.  
Type of Account: General Account  
Account Number:

Name on Account: Lifestyle Footwear Inc.  
Type of Account: Payroll Account  
Account Number:

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**HSBC Bank USA**  
243 Main Street  
Johnson City, NY 13790

Name on Account: Rocky Brands Retail LLC  
Type of Account: General Account  
Account Number:

**Mellon Bank**  
Mellon Client Service Center  
Room 154-1320  
500 Ross Street  
Pittsburgh, PA 15262-0001

Name on Account: Rocky Brands Retail LLC  
Type of Account: Lockbox  
Account Number:

Rocky Brands Retail LLC (formerly Lehigh Safety Shoe Co. LLC) shoe center bank accounts:

- (a) 1<sup>st</sup> National Bank of Scotia Account #
  - (b) Associated Bank Account #
  - (c) Banco Popular Bank Account #
  - (d) Bank of America Account #s
  - (e) Bank of Colorado Account #
  - (f) Bank of Hawaii Account #s
  - (g) Bank One Account #s
  - (h) Centura Bank Account #
  - (i) Chase Bank of Texas Account #
  - (j) Citizens Bank Account #s
  - (k) Citywide Bank Account #
  - (l) Comerica Bank Account #
  - (m) First Citizens Bank Account #s
  - (n) First Midwest Bank Account #
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- (o) Fleet Bank Account #s
  - (p) Frontenac Bank Account #
  - (q) Glen Falls National Bank Account #
  - (r) Key Bank Account #
  - (s) National City Bank Account #s
  - (t) PNC Bank Account #
  - (u) Southeast National Bank Account #
  - (v) Sun Trust Bank Account #
  - (w) Wachovia Account #s
  - (x) Wells Fargo Account #s
  - (y) Westsound Bank Account #s
  - (z) Whitney National Bank Account #
  
  - (bb) J.P. Morgan Chase Bank Account #
  - (cc) Chase Bank #
  - (dd) Anchor Bank #
  - (ee) Regions Bank #s
  - (ff) M&T Bank #
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SCHEDULE 6.1(Q)  
Names and Locations

Name(s) / State of Incorporation / Organizational ID Number	Acquisitions	Principal Place of Business and Location of Books and Records	Other Offices And Locations of Collateral
Rocky Brands, Inc. Ohio 821674	Purchase of certain assets from Gates- Mills, Inc. on 04/15/03  EJ Footwear LLC ("EJ") merged into Rocky Brands, Inc. on 12/31/06 (EJ did business as Empire, Barclay, and Long Haul)	39 East Canal Street Nelsonville, OH 45764 (owned)	29 Fayette Street Nelsonville, OH 45764 (owned)
Lifestyle Footwear, Inc. Delaware 2109896	None	Road 125 KM 3.8 BO Pueblo Industrial Park, Moca, PR 00676-0728 (leased manufacturing facility and office)	None
		Books and Records: 39 East Canal Street Nelsonville, Ohio 45764	

Name(s) / State of Incorporation / Organizational ID Number	Acquisitions	Principal Place of Business and Location of Books and Records	Other Offices And Locations of Collateral
Rocky Brands Wholesale LLC Delaware 3182983	Georgia Boot Properties LLC, Durango Boot Company LLC, and Northlake Boot Company LLC merged into Georgia Boot LLC ("Georgia Boot"), with name change to Rocky Brands Wholesale LLC on 12/31/06 (Georgia Boot did business as Durango, Georgia Boot, Long Haul, Northlake)	235 Noah Drive Franklin, TN 37064 (leased office)	37601 Rocky Boots Way Logan, OH 43138 (owned warehouse)  Denver Merchandise Mart 451 East 58 <sup>th</sup> Street Showroom 3529&4435 Denver, CO 80216 (leased showroom)
Rocky Brands Retail LLC Delaware 3182836	Lehigh Safety Shoe Properties LLC and HM Lehigh Safety Shoe Co. LLC merged into Lehigh Safety Shoe Co. LLC ("Lehigh"), with name change to Rocky Brands Retail LLC on 12/31/06 (Lehigh did business as Lehigh Safety Shoe Company)	120 Plaza Dr. Vestal, NY (leased office)	45 East Canal Street Nelsonville, OH 45764 (owned retail space)  901 Franklin Street East Endicott, NY 13761 (owned)  See also Item D(2) of Schedule 4.1(Q) for listing of leased retail store locations.

**Subsidiaries of the Registrant**

Five Star Enterprises Ltd.,  
a Cayman Islands corporation

Lifestyle Footwear, Inc.,  
a Delaware corporation

Rocky Canada, Inc.,  
an Ontario corporation

Rocky Brands Wholesale LLC,  
a Delaware limited liability company

Lehigh Outfitters LLC,  
a Delaware limited liability company

Rocky Brands International, LLC  
an Ohio limited liability company

EJ Asia Limited  
a China corporation

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in Registration Statements on Form S-8 (No. 333-4434, 333-67357, 333-107568 and 333-121756) and on Form S-3 (No. 333-165170) of Rocky Brands, Inc. of our reports dated February 28, 2011, relating to the consolidated financial statements and schedule as of December 31, 2010 and 2009, and for the years ended December 31, 2010, 2009 and 2008, and the effectiveness of internal control over financial reporting as of December 31, 2010, which appear in this Annual Report on Form 10-K.

/s/ Schneider Downs & Co., Inc.  
Columbus, Ohio  
February 28, 2011

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**POWER OF ATTORNEY**

Each director and officer of Rocky Brands, Inc., an Ohio corporation (the "Company"), whose signature appears below hereby appoints Mike Brooks and Curtis A. Loveland, or either of them, as his attorney-in-fact, to sign, in his 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, 2010, 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 February 24, 2011.

DIRECTORS/OFFICERS:

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

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## CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) OF THE CHIEF EXECUTIVE OFFICER

I, Mike Brooks, certify that:

1. I have reviewed this annual report on Form 10-K of Rocky Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ Mike Brooks

Mike Brooks  
Chairman and Chief Executive Officer

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## CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) OF THE CHIEF FINANCIAL OFFICER

I, James E. McDonald, certify that:

1. I have reviewed this annual report on Form 10-K of Rocky Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2011

/s/ James E. McDonald

James E. McDonald  
Executive Vice President and Chief Financial Officer

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**CERTIFICATION PURSUANT TO RULE 13a - 14(b) AND  
SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE  
UNITED STATES CODE AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Rocky Brands, Inc. (the "Company") on Form 10-K for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mike Brooks

Mike Brooks  
Chief Executive Officer  
February 28, 2011

/s/ James E. McDonald

James E. McDonald  
Executive Vice President and Chief Financial Officer  
February 28, 2011

This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

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## ROCKY BRANDS, INC. AND SUBSIDIARIES

## SCHEDULE II

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS FOR THE YEARS ENDED  
DECEMBER 31, 2010, 2009 AND 2008

DESCRIPTION	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
<b>ALLOWANCE FOR DOUBTFUL ACCOUNTS</b>				
Year ended December 31, 2010	\$ 1,178,220	\$ 730,197	\$ (1,040,417)(1)	\$ 868,000
Year ended December 31, 2009	\$ 2,026,000	\$ 1,729,688	\$ (2,577,468)(1)	\$ 1,178,220
Year ended December 31, 2008	\$ 973,650	\$ 1,845,828	\$ (793,478)(1)	\$ 2,026,000
<b>VALUATION ALLOWANCE FOR DEFERRRED TAX ASSETS</b>				
Year ended December 31, 2010	\$ 582,343	\$ -	\$ (52,000)	\$ 530,343
Year ended December 31, 2009	\$ 640,068	\$ -	\$ (57,725)	\$ 582,343
Year ended December 31, 2008	\$ 502,292	\$ 137,776	\$ -	\$ 640,068
<b>ALLOWANCE FOR DISCOUNTS AND RETURNS</b>				
Year ended December 31, 2010	\$ 1,152,187	\$ 16,024,392	\$ (14,701,605)	\$ 2,474,974
Year ended December 31, 2009	\$ 1,606,882	\$ 14,087,641	\$ (14,542,336)	\$ 1,152,187
Year ended December 31, 2008	\$ 1,451,395	\$ 20,360,960	\$ (20,205,473)	\$ 1,606,882

(1) Amount charged off, net of recoveries