ROCKY BRANDS, INC.
Form DEF 14A
April 28, 2008

Table of Contents

U.S. Securities and Exchange Commission
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Rule 14a-12

ROCKY BRANDS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies: ______________________________

2) Aggregate number of securities to which transaction applies: ______________________________

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): _____ ____________________

4) Proposed maximum aggregate value of transaction: __________ ____________________________

5) Total fee paid: ____ ____________________

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid: ____________________________ ____________________________

2) Form, Schedule or Registration Statement No.: ____________________
____

3) Filing Party: ____
____

4) Date Filed: ____
____

Table of Contents

ROCKY BRANDS, INC.
39 East Canal Street
Nelsonville, Ohio 45764

April 28, 2008

Dear Shareholder:

I am pleased to invite you to the Annual Meeting of Shareholders of Rocky Brands, Inc. to be held on Tuesday, May 27, 2008, at 3:00 p.m., at Stuarts Opera House, located at 34 Public Square, Nelsonville, Ohio. Parking is available in Nelsonville at Rocky Brands, Inc., at 39 East Canal Street. We look forward to meeting all of our shareholders who are able to attend.

At the annual meeting, you will be asked to (i) elect J. Patrick Campbell, Michael L. Finn, G. Courtney Haning, and Curtis A. Loveland for two-year terms as Class II Directors, (ii) ratify the selection of Schneider Downs & Co., Inc. as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2008 and (iii) transact any other business which may properly come before the meeting or any adjournment thereof. A copy of the proxy statement and the proxy card are enclosed.

It is very important that your shares are represented and voted at the meeting whether or not you plan to attend. Accordingly, please sign, date, and return your proxy card in the enclosed envelope at your earliest convenience. If you are a shareholder of record and attend the meeting, you may vote in person if you wish, and your proxy will not be used.

Your interest and participation in the affairs of the Company are greatly appreciated. Thank you for your continued support.

Sincerely,
Mike Brooks
Chairman and Chief Executive Officer

TABLE OF CONTENTS

Table of Contents

ROCKY BRANDS, INC.
39 East Canal Street
Nelsonville, Ohio 45764

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 28, 2008

To Our Shareholders:

The Annual Meeting of Shareholders of Rocky Brands, Inc. will be held at Stuarts Opera House, located at 34 Public Square, Nelsonville, Ohio, on Tuesday, May 27, 2008, at 3:00 p.m. local time, for the following purposes:

(1) To elect four Class II Directors of the Company, each to serve for a two-year term expiring at the 2010 Annual Meeting of Shareholders.

(2) To ratify the selection of Schneider Downs & Co., Inc. as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2008.

(3) To transact any other business which may properly come before the meeting or any adjournment thereof.

Owners of record of common stock of the Company at the close of business on April 7, 2008, will be entitled to vote at the meeting.

You will be most welcome at the meeting, and we hope you can attend. Directors and officers of the Company and representatives of its independent registered public accounting firm will be present to answer your questions and to discuss its business.

We urge you to execute and return the enclosed proxy as soon as possible so that your shares may be voted in accordance with your wishes. If you attend the meeting, you may vote in person, and your proxy will not be used.

By Order of the Board of Directors,
Curtis A. Loveland
Secretary

PLEASE SIGN AND MAIL THE ENCLOSED PROXY
IN THE ACCOMPANYING ENVELOPE
NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

Table of Contents

Rocky Brands, Inc.
39 East Canal Street
Nelsonville, Ohio 45764

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
May 27, 2008

This proxy statement is furnished to the shareholders of Rocky Brands, Inc. (throughout the proxy statement the terms Company, we and our refer to Rocky Brands, Inc.) in connection with the solicitation of proxies to be used in voting at the Annual Meeting of Shareholders to be held on May 27, 2008, and at any adjournment thereof. The enclosed proxy is solicited by the Board of Directors of the Company. We began mailing this proxy statement to the Company s shareholders on approximately April 28, 2008.

The Company will bear the cost of the solicitation of proxies, including the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of stock. Representatives of the Company may solicit proxies by mail, telegram, telephone, or personal interview.

All shares represented by the accompanying proxy will be voted as directed if the proxy is properly signed and received by the Company before the meeting or, in the absence of specific instructions to the contrary, will be voted in accordance with the unanimous recommendations of the board of directors, which are:

FOR the election of J. Patrick Campbell, Michael L. Finn, G. Courtney Haning, and Curtis A. Loveland as Class II Directors of the Company;

FOR the ratification of Schneider Downs & Co., Inc. as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2008; and

at the discretion of the persons acting under the proxy, to transact such other business as may properly come before the meeting or any adjournment thereof.

Any shareholder giving a proxy has the power to revoke it at any time before it is exercised by filing a written notice with the Secretary of the Company prior to the meeting. Shareholders of record who attend the meeting may vote in person, and their proxies will not be used.

Holders of record of common stock of the Company at the close of business on April 7, 2008, will be entitled to vote at the annual meeting. At that time, the Company had 5,508,398 shares of common stock outstanding and entitled to vote. Each share of common stock outstanding on the record date entitles the holder to one vote on each matter submitted at the annual meeting.

The presence, in person or by proxy, of a majority of the outstanding shares of common stock of the Company is necessary to constitute a quorum for the transaction of business at the annual meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum. Broker non-votes occur when brokers, who hold their customers shares in street name, sign and submit proxies for such shares and vote such shares on some matters, but not others. Typically, this would occur when brokers have not received any instructions from their customers, in which case the brokers, as the holders of record, are permitted to vote on routine matters, which includes the election of directors.

The election of each director nominee requires the favorable vote of a plurality of all votes cast by the holders of common stock at a meeting at which a quorum is present. Proxies that are marked Withhold Authority and broker non-votes will not be counted toward such nominee s achievement of a plurality and thus will have no effect. The ratification of Schneider Downs & Co., Inc. as the Company s independent registered public accounting firm requires the affirmative vote of the holders of a majority of the common stock present and entitled to vote on the matter. Broker non-votes will not be counted as being in favor or against the ratification of Schneider Downs & Co., Inc., while abstentions will be counted and will have the effect of a vote against the ratification of Schneider Downs & Co., Inc.

Election of Directors

The Company s Code of Regulations provides for a classified board of directors with two classes. Each class of directors consists, as nearly as practical, of one-half of the total number of directors. The total number of authorized directors has been fixed by the Board of Directors at eight. The Board of Directors proposes the re-election of the four incumbent Class II Directors to continue their service as Class II Directors at the 2008 Annual Meeting of Shareholders. The four incumbent Class I Directors will continue in office until the 2009 Annual Meeting of Shareholders.

J. Patrick Campbell, Michael L. Finn, G. Courtney Haning, and Curtis A. Loveland are currently Class II Directors of the Company and are being nominated by the Board of Directors for re-election as Class II Directors.

It is intended that, unless otherwise directed, the shares represented by the enclosed proxy will be voted FOR the election of Messrs. Campbell, Finn, Haning, and Loveland as Class II Directors. In the event that any of the nominees for director should become unavailable, the number of directors of the Company may be decreased pursuant to the Company s Code of Regulations, or the Board of Directors may designate a substitute nominee, in which event the shares represented by the enclosed proxy will be voted for such substitute nominee.

The Board of Directors recommends that the shareholders vote FOR the election of each of the nominees for Director.

The following table sets forth for each nominee and each continuing director of the Company, such person s name, age, the year in which he became a director of the Company, and his position with the Company and the Company s subsidiaries, Five Star Enterprises Ltd. (Five Star); Lifestyle Footwear, Inc. (Lifestyle); Rocky Canada, Inc. (Rocky Canada); Rocky Brands Wholesale LLC (Wholesale), and Rocky Brands Retail LLC (Retail) (collectively, the Subsidiaries).

Table of Contents

Class II Directors
(Nominees -Terms To Expire in 2010)

Name	Age	Director Since	Position
J. Patrick Campbell	59	2004	Director of the Company
Michael L. Finn	64	2004	Director of the Company
G. Courtney Haning	59	2004	Director of the Company
Curtis A. Loveland	61	1993	Director of the Company and Secretary of the Company and Subsidiaries

Class I Directors
(Terms Expire in 2009)

Name	Age	Director Since	Position
Mike Brooks	61	1992	Director, Chairman and Chief Executive Officer of the Company and Subsidiaries
Glenn E. Corlett	64	2000	Director of the Company
Harley E. Rouda, Jr.	46	2003	Director of the Company
James L. Stewart	75	1996	Director of the Company

J. Patrick Campbell has served as President and Chief Operating Officer of Grantham Education Corporation since January 2006. Mr. Campbell has also served on the board of directors of Grantham Education Corporation and its subsidiary, Grantham University, since January 2006. Mr. Campbell was self-employed as a consultant to various corporations in the financial services industry from January 2001 to December 2005. From January 2004 until February 2005, Mr. Campbell served as Chief of Technology and Operations for the American Stock Exchange. From January 1997 until December 2001, Mr. Campbell held various executive positions at The Nasdaq Stock Market, including Chief Operating Officer of Nasdaq Inc. and Chairman, Nasdaq Investment Products. Prior to joining Nasdaq, Mr. Campbell was employed by The Ohio Company, a privately held investment bank, from 1971 to 1996 as Senior Executive Vice President, and he was a member of the board of directors from 1991 to 1996. Mr. Campbell serves on the board of directors and is chairman of the audit committee of Shearer s Foods, Inc., a privately held company.

Table of Contents

Michael L. Finn has served as President of Central Power Systems, a wholesale distributor of outdoor power equipment in Columbus, Ohio, since 1985, and President of Chesapeake Realty Co., a real estate development and management company in Columbus, Ohio, since 1970. Mr. Finn has also served as Chairman of the Board of Directors of Power Source Canada, a Canadian corporation, since 2004, and as Chairman of the Board of Directors of Integrated Distributors Network, LLC, a Wisconsin corporation, since 2004, both of which market and distribute outdoor power equipment.

G. Courtney Haning has served as Chairman, President and Chief Executive Officer of Peoples National Bank, a community bank in New Lexington, Ohio, since January 1991.

Curtis A. Loveland has served as Secretary of the Company since October 1992, of Five Star and Lifestyle since December 1992, of Rocky Canada since July 2003, and of Wholesale and Retail since January 2005. Mr. Loveland has been a practicing attorney for 35 years and has been a partner in the law firm of Porter Wright Morris & Arthur LLP, Columbus, Ohio since 1979. Mr. Loveland also serves on the board of Max & Erma s Restaurants, Inc.

Mike Brooks has served as Chairman and Chief Executive Officer of the Company and its Subsidiaries since January 2005. Prior to that he served as Chairman, President, and Chief Executive Officer of the Company from August 1991 to January 2005. Mr. Brooks also has served Lifestyle as President since November 1988 and as Chairman and Chief Executive Officer since December 1992, and Five Star as President since March 1987, as Chairman since August 1991, and as Chief Executive Officer since December 1992. Mr. Brooks is a pattern engineering and shoe design graduate of the Ars Sutoria in Milan, Italy. After employment with U.S. Shoe Corporation and various tanning companies, Mr. Brooks returned to the family shoe business in Nelsonville, Ohio, in 1975, serving first as Manager of Product Development and a national salesman and then, in 1984, becoming President. He has been a director of American Apparel and Footwear Association (formerly Footwear Industries of America) since April 1986 and currently serves on the Executive Board.

Glenn E. Corlett has been a professor of accounting of the College of Business at Ohio University, Athens, Ohio, since July 1997 and was Dean of the College from that date until he retired on June 30, 2007. From 1993 to 1996, Mr. Corlett was Executive Vice President and Chief Operating Officer of N.W. Ayer & Partners, an international advertising agency, headquartered in New York, New York. Mr. Corlett also served as Chief Financial Officer of N.W. Ayer & Partners from 1990 to 1995. Prior to joining N.W. Ayer & Partners, Mr. Corlett had a long history with PricewaterhouseCoopers where he was partner-in-charge for mergers and acquisitions in New York from 1988 to 1990; tax partner-in-charge in Denver from 1984 to 1988 and in Cleveland from 1979 to 1984; and held partner and staff positions from 1971 to 1979. Mr. Corlett also serves on the board of directors of Preformed Line Products Company, an international designer and manufacturer of products and systems employed in the construction and maintenance of overhead and underground networks for energy, communications and broadband network companies.

Harley E. Rouda, Jr. has served as Chief Executive Officer and General Counsel of Real Living, Inc., an independently-owned real estate brokerage and franchise firm headquartered in Columbus, Ohio, since February 2002. He has also served as Chief Executive Officer and General Counsel of HER Realtors, a Columbus based real estate firm, since May 1999 and May 1997, respectively. Prior to serving as Chief Executive Officer, Mr. Rouda served as President of HER Realtors from May 1996 until May 1999.

James L. Stewart has served as the proprietor of Rising Wolf Ranch, Inc., East Glacier, Montana, a summer resort and a winter rehabilitation center for teenage boys involved with drug abuse. Mr. Stewart also consults for various retail and catalog companies. Between 1984 and 1991, Mr. Stewart served as the President and Chief Executive Officer of Dunns Inc. and as the Vice President and General Manager of Gander Mountain Inc. Before that time, he served Sears Roebuck & Co. for 28 years in various management capacities.

Information Concerning the Board of Directors and Corporate Governance

The Board of Directors of the Company held a total of eight meetings during 2007. During 2007, each of the directors attended 75% or more of the total number of (i) meetings of the Board, and (ii) meetings of committees of the Board on which such director served.

Upon consideration of the criteria and requirements regarding director independence set forth in the Marketplace Rules of the NASDAQ Stock Market, the Board of Directors has determined that a majority of its members are independent. Specifically, the Board has determined that each of Messrs. Campbell, Corlett, Finn, Haning, Loveland, Rouda, and Stewart, meet the standards of independence established by Marketplace Rule 4200(a)(15).

The Company has a standing Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. The members of the Audit Committee are Messrs. Corlett (Chairman), Campbell, and Haning. The Board of Directors has determined that each of Messrs. Corlett, Campbell, and Haning are independent as independence is defined in Marketplace Rule 4200(a)(15) and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934, as amended, and that the Audit Committee meets the composition requirements of Marketplace Rule 4350(d)(2). The Board of Directors has determined that Mr. Corlett meets the requirements of an audit committee financial expert as set forth in Section 407(d)(5) of Regulation S-K promulgated by the Securities and Exchange Commission (SEC).

The Audit Committee met 11 times during 2007. The Audit Committee oversees and monitors management s and the independent registered public accounting firm s participation in the accounting and financial reporting processes and the audits of the financial statements of the Company. The Audit Committee has the responsibility to appoint, compensate, retain and oversee the work of the independent registered public accounting firm and to consult with the independent registered public accounting firm on matters relating to the scope of the audit, any non-audit assignments and related fees, the accounting principles used by the Company in financial reporting, internal financial auditing procedures, and the adequacy of the Company s internal control procedures. The Audit Committee is governed by an Amended and Restated Audit Committee Charter, which is posted on the Company s website at www.rockybrands.com. The Audit Committee Report relating to the 2007 fiscal year appears on pages 31 and 32.

The members of the Compensation Committee are Messrs. Rouda (Chairman), Stewart, and Finn. The Board of Directors has determined that each of Messrs. Rouda, Stewart, and Finn are independent as independence is defined in Marketplace Rule 4200(a)(15). The Compensation Committee is governed by an Amended and Restated Compensation Committee Charter, which is posted on the Company s website at www.rockybrands.com. The Compensation Committee met four times during 2007. This Committee administers the 1995 Stock Option Plan and the 2004 Stock Incentive Plan and approves compensation for the Company s executive officers. The Compensation Committee report relating to the 2007 fiscal year appears on page 29. For more information on the Compensation Committee, please refer to Executive Compensation Compensation Discussion and Analysis The Compensation Committee, beginning on page 10.

The members of the Nominating and Corporate Governance Committee are Messrs. Loveland (Chairman), Corlett, and Finn. The Board of Directors has determined that each of Messrs. Loveland, Corlett, and Finn are independent as independence is defined in Marketplace Rule 4200(a)(15). The Nominating and Corporate Governance Committee Charter is posted on the Company s website at www.rockybrands.com.

The Nominating and Corporate Governance Committee met twice during fiscal 2007. The Nominating and Corporate Governance Committee oversees the director nomination process and reviews related party transactions. The Nominating and Corporate Governance Committee has the responsibility to identify and recommend individuals qualified to become directors. When considering potential candidates, the Nominating and Corporate Governance Committee reviews the candidate s character, judgment, and skills, including financial literacy, and experience in the context of the needs of the Board of Directors. The Company generally does not pay any third parties to identify or evaluate, or assist in identifying or evaluating, potential nominees.

The Nominating and Corporate Governance Committee considers the recommendations of shareholders regarding potential director candidates. In order for shareholder recommendations regarding possible director candidates to be considered by the Nominating and Corporate Governance Committee:

- such recommendations must be provided to the Nominating and Corporate Governance Committee c/o Rocky Brands, Inc., 39 East Canal Street, Nelsonville, Ohio 45764, in writing at least 120 days prior to the date of the next scheduled annual meeting;

- the nominating shareholder must meet the eligibility requirements to submit a valid shareholder proposal under Rule 14a-8 of the Securities Exchange Act of 1934, as amended; and

- the nominating shareholder must describe the qualifications, attributes, skills, or other qualities of the recommended director candidate.

The Nominating and Corporate Governance Committee also has the responsibility to develop and recommend to the Board of Directors a set of corporate governance principles applicable to the Company and to administer and oversee the Company s Code of Business Conduct and Ethics.

The Company s Board of Directors welcomes communications from shareholders. Shareholders may send communications to the Board of Directors, or to any director in particular, c/o Rocky Brands, Inc., 39 East Canal Street, Nelsonville, Ohio 45764. Any correspondence addressed to the Board of Directors, or to any one of the Company s directors in care of our offices is forwarded to the addressee without review by management.

It is the Company s expectation that all members of the Board of Directors attend the Annual Meeting of Shareholders. All members of the Company s Board of Directors were present at the Company s 2007 Annual Meeting of Shareholders.

Table of Contents

Information Concerning Executive Officers

Executive Officers

In addition to Mike Brooks, the following individuals are executive officers of the Company:

David Sharp, 52, has served as President and Chief Operating Officer of the Company and its Subsidiaries since January 2005. Prior to that, he served as Executive Vice President and Chief Operating Officer of the Company from March 2002 until January 2005. He served as Senior Vice President Sales and Operations from June 2001 until March 2002, as Vice President of Sales and Marketing from October 2000 until June 2001, and as Vice President of Manufacturing Operations and Marketing from June 2000 until October 2000. Mr. Sharp served as Executive Vice President and Chief Operating Officer of Five Star and Lifestyle from August 2003 until January 2005 and of Rocky Canada from July 2003 until January 2005. Prior to that time, he served as Senior Vice President Sales and Operations of Five Star and Lifestyle from February 2002 until August 2003. Prior to joining the Company, from September 1994 until October 1999, Mr. Sharp served in various capacities, including Vice President and General Manager, of an operating division of H.H. Brown, Inc., a wholly owned subsidiary of Berkshire-Hathaway, Inc., engaged in the footwear business. Mr. Sharp also held various senior sales and marketing positions at Acme Boot Co., Inc. and Converse, Inc. from June 1991 until September 1994.

James E. McDonald, 47, has served as Executive Vice President, Chief Financial Officer, and Treasurer of the Company and its Subsidiaries since January 2005. Prior to that, he served as Vice President and Chief Financial Officer of the Company from June 2001, and as Treasurer from August 2003 until January 2005. Mr. McDonald served as Vice President and Chief Financial Officer of Five Star and Lifestyle from February 2002 until January 2005 and of Rocky Canada from July 2003 until January 2005. He served as Treasurer of Five Star and Lifestyle from August 2003 until January 2005 and Rocky Canada from July 2003 until January 2005. Prior to joining the Company, from July 1996 until June 2001, Mr. McDonald served as Chief Financial Officer for two operating divisions of H.H. Brown, Inc., a wholly owned subsidiary of Berkshire-Hathaway, Inc., engaged in the footwear business. Mr. McDonald also served as Controller of Wright s Knitwear Corporation, a privately held manufacturer of apparel.

Officers are elected annually by the Board of Directors and serve at its discretion. There are no family relationships among directors and executive officers of the Company.

Table of Contents

Principal Holders of Voting Securities

Ownership of Common Stock by Principal Shareholders

The following table sets forth information relating to the beneficial ownership of common stock by each person known by the Company to own beneficially more than 5% of the outstanding shares of common stock:

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned[1]	Percent of Class[2]
FMR Corp. 82 Devonshire Street Boston, Massachusetts 02109	538,458(3)	10.0%
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, California 90401	427,939(4)	7.8%
Mike Brooks c/o Rocky Brands, Inc. 39 East Canal Street Nelsonville, Ohio 45764	387,832(5)	7.0%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power and/or investment power with respect to those securities.

(2) Percent of Class is calculated by dividing the number of shares beneficially

owned by the total number of outstanding shares of the Company on March 31, 2008, plus the number of shares such person has the right to acquire within 60 days of March 31, 2008.

(3) Based on information filed on Schedule 13G/A with the Securities and Exchange Commission on February 14, 2007 by FMR Corp. (FMR), Edward C. Johnson 3d, Fidelity Management & Research Company (Fidelity) and Fidelity Low Priced Stock Fund (Fidelity Fund). Fidelity is a wholly owned subsidiary of FMR and acts as an investment adviser to various investment companies including the Fidelity Fund. Mr. Johnson, along with other members of the Johnson family, through their ownership of

Class B voting common stock and the execution of a shareholders voting agreement, are deemed to be a controlling group under the Investment Company Act of 1940 with respect to FMR.

(4) Based on information filed on Schedule 13G with the Securities and Exchange Commission on February 6, 2008. Dimensional Fund Advisors LP (Dimensional) furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (collectively, the Funds). In its role as investment advisor or manager, Dimensional

possesses
investment
and/or voting
power over the
securities

Table of Contents

of the Company owned by the Funds, and may be deemed to be the beneficial owner of the shares held by the Funds.

(5) Includes 61,000 shares of common stock for Mike Brooks which could be acquired under stock options exercisable within 60 days of February 29, 2008.

Ownership of Common Stock by Management

The following table sets forth information regarding beneficial ownership of the Company s common stock by each nominee for director, each director, each of the Company s executive officers named in the Summary Compensation Table, and the directors and executive officers of the Company as a group as of March 31, 2008:

Name	Number of Shares Beneficially Owned[1]	Percent of Class[1]
Mike Brooks	387,832(2)	7.0%
J. Patrick Campbell	34,895(2)	*
Glenn E. Corlett	30,221(2)	*
Michael L. Finn	25,172(2)	*
G. Courtney Haning	24,172(2)	*
Curtis A. Loveland	103,362(2)	1.9%
James E. McDonald	61,450(2)	1.1%
Thomas R. Morrison	15,500(2)	*
Harley E. Rouda, Jr.	23,351(2)	*
David Sharp	71,281(2)	1.3%
James L. Stewart	26,221(2)	*
All directors and executive officers as a group (11 persons)	803,457(2)	13.9%

* indicates less than 1%

(1) Beneficial ownership is determined in accordance with

the rules of the Securities and Exchange Commission which generally attribute beneficial ownership of securities to persons who possess sole or shared voting power and/or investment power with respect to those securities. Except as otherwise noted, none of the named individuals shares with another person either voting or investment power as to the shares reported. Percent of Class is calculated by dividing the number of shares beneficially owned by the total number of outstanding shares of the Company on March 31, 2008, plus the number of shares such person has the right to acquire within 60 days of March 31, 2008.

(2) Includes 61,000 shares of common stock

for Mr. Brooks, 10,000 shares of common stock for Mr. Campbell, 22,500 shares of common stock for Mr. Corlett, 10,000 shares of common stock for Mr. Finn, 10,000 shares of common stock for Mr. Haning, 15,000 shares of common stock for Mr. Loveland, 42,500 shares of common stock for Mr. McDonald, 15,500 shares of common stock for Mr. Morrison, 15,000 shares of common stock for Mr. Rouda, 35,250 shares of common stock for Mr. Sharp, 15,000 shares of common stock for Mr. Stewart, and 251,750 shares of common stock for all directors and executive officers as a group, which could be acquired under stock options exercisable within 60 days of March 31, 2008.

Executive Compensation

The following information provides discussion, analysis and data tables regarding the compensation of our named executive officers (NEOs), who are those officers listed in our Summary Compensation Table on page 17.

Compensation Discussion and Analysis

We have prepared this Compensation Discussion and Analysis (CD&A) to provide you with our perspective on executive compensation so that you may understand our compensation policies and our decisions regarding compensation for our NEOs. We recommend that you review the various executive compensation tables below in conjunction with this CD&A. Unless otherwise noted, the policies, plans and other information in this CD&A apply to all of our NEOs. Our CD&A covers the following topics:

- the role of the Compensation Committee in setting executive compensation;
- our compensation philosophy and its underlying principles including the objectives of our executive compensation program and what it is designed to reward;
- our process for setting executive compensation; and
- the elements of our executive compensation program including a discussion of why we choose to pay each element of compensation, how we determine the amount of such element, and how each element fits into our overall compensation objectives and total compensation for our NEOs.

The Compensation Committee

The Compensation Committee (referred to in this CD&A as the Committee) was appointed by our Board of Directors and is governed by a written charter that is available in the corporate governance section of our website, www.rockybrands.com. The Committee members are Harley E. Rouda, Jr., Chairman, Michael L. Finn, and James L. Stewart. Our Board of Directors has determined that each of the Committee members is independent under the standards of independence established by Marketplace Rule 4200(a)(15). In addition, each of the Committee members is a non-employee director as defined by Rule 16b-3 under the Securities Exchange of 1934 and an outside director as defined by the Internal Revenue Code.

Pursuant to its charter, the Committee has the authority and responsibility to:

- discharge the Board s responsibilities relating to executive compensation, including the review and approval of our executive compensation philosophy and policies and the application of such policies to the compensation of our executive officers;

Table of Contents

review and approve on an annual basis the corporate goals and objectives with respect to the chief executive officer, evaluate the chief executive officer s performance in light of such goals and objectives at least once a year, and, based on such evaluation, set the chief executive officer s annual compensation, including salary, bonus, incentive and equity compensation;

review and approve on an annual basis the evaluation process and compensation structure for our other executive officers and to evaluate and approve the annual compensation for such executive officers, including salary, bonus, incentive and equity compensation;

administer and review our compensation programs and plans, including, but not limited to, our incentive compensation, equity, and qualified and non-qualified benefit plans;

establish and periodically review policies for the administration of our executive compensation program;

approve employment arrangements with new executives;

review recommendations to create, amend or terminate certain compensation and benefit plans and to make a decision whether or not to approve of such recommendations; and

recommend to the Board the compensation arrangements with non-employee directors.

The Committee has the sole authority, to the extent it deems necessary or appropriate, to retain any compensation consultant to assist in the evaluation of executive compensation and has the sole authority to approve any such firm s fees. The Committee also has the authority to obtain the advice of and assistance from internal or external legal, accounting or other advisors, and may request any officer or employee of our Company, our outside counsel or independent registered public accounting firm to attend a meeting of the Committee or meet with any member of, or consultants to, the Committee.

The Committee meets as often as its members deem necessary to charge its duties and responsibilities and held four meetings during fiscal 2007. Mr. Rouda works in conjunction with our Chief Executive Officer and Chief Financial Officer to establish the meeting agenda. The Committee typically meets with the Chief Executive Officer, Chief Financial Officer and outside advisors and, where appropriate, other executive officers of our Company. In addition, the Committee regularly meets in executive session without management. Generally, the Committee receives and reviews materials in advance of each meeting. These materials include information that management believes will be helpful to the Committee as well as materials that the Committee has specifically requested.

Table of Contents

Compensation Philosophy

The philosophy of the Committee is to make compensation decisions based on an executive compensation program that is designed to meet the following objectives:

to attract and retain qualified executives;

to reward current and past individual performance;

to provide short-term and long-term incentives for superior future performance;

to align compensation policies to further shareholder value; and

to relate total compensation to individual performance and performance of our Company.

The Committee believes that an executive compensation program designed with these objectives in mind has a direct impact on the success of the business by helping to ensure we have qualified executive talent in the right positions at the right time. Our executive compensation program helps ensure that our leadership group is focused on performing effectively to deliver results and build long-term shareholder value.

Compensation Tax Philosophy

Internal Revenue Code Section 162(m) bars a deduction to any publicly held corporation for compensation paid to a covered employee in excess of $1 million per year unless objective performance criteria are set by the Committee prior to or within 90 days after the beginning of a performance period but in no event after 25% of the performance period has elapsed (or such earlier or later date as is permitted by Section 162(m)). Generally, we intend that compensation paid to NEOs shall be deductible to the fullest extent permitted by law. We may make payments that are not fully deductible if, in our judgment, such payments are necessary to achieve our compensation objectives and to protect shareholder interests. None of the compensation for fiscal 2007 was non-deductible because none of the NEOs had compensation in excess of $1 million.

Compensation Committee Process for Determining Executive Compensation

A substantial amount of the Committee s annual cycle of work relates to the determination of compensation for our executive officers, including our Chief Executive Officer. Generally, during or prior to the first quarter of our fiscal year, the Committee makes determinations of base cash compensation, incentive compensation percentages for the year, and equity grants for executive officers, including our Chief Executive Officer. For a discussion of each individual element of compensation and how it is specifically determined, refer to Compensation Program Elements below.

Although many compensation decisions are made near the beginning of the first quarter of the fiscal year, our compensation planning process is not a rigid yearly process with fixed beginning and end points. Rather, compensation decisions are designed to promote our compensation philosophy and principles throughout the year. The Committee believes that evaluation of executive performance, business and succession planning, and consideration of our business environment are year-round processes, and the Committee members monitor these as such.

Our Chief Executive Officer is not permitted to be present during deliberations or voting on his compensation. During this process, the Committee reviews and approves any new corporate goals and objectives with respect to compensation for our Chief Executive Officer. In light of the established goals and objectives, the Committee evaluates the performance of the Chief Executive Officer and, based upon these evaluations, sets the Chief Executive Officer s compensation. The Compensation Committee also reviews and approves on an annual basis the evaluation and compensation structure for the Company s other executive officers, including approval of salary, bonus, incentive, and equity compensation. Our Chief Executive Officer is present and provides input at the meetings and deliberations on the compensation of the Company s other executive officers but is not permitted to be present at the vote.

Compensation Program Elements

In fiscal 2007, our NEOs received the following elements of compensation:

- salary;
- non-equity incentive compensation;
- retirement benefits; and
- health and welfare benefits.

The Committee carefully considered and chose each compensation program element as a critical component in a comprehensive total compensation package. Each element is intended to reward and motivate executives in different ways consistent with our overall compensation principles and philosophy. Each of the elements has a critical relationship with one another with each focusing on and rewarding different areas. These elements are necessary for us to achieve our compensation program objectives.

(1) Salary:

Salary is utilized to compensate our executive officers for services rendered during the fiscal year. The Committee annually reviews and approves the compensation package of each NEO, including salary. The Committee considers an individual s qualifications and experience in setting an executive s salary. In determining salary increases, the Committee considers the size and responsibility of the individual s position and the individual s overall performance and future potential. The Committee considers these factors subjectively in the aggregate. Because the Committee believes that each of the factors is significant, the Committee does not assign a formula weight to any single factor in determining a salary increase.

Please refer to the Salary column in the Summary Compensation Table on page 17 for more information on each NEO s salary for fiscal 2007.

Table of Contents

(2) Non-Equity Incentive Compensation:

Non-equity incentive compensation (IC) for our NEOs is determined under an annual incentive compensation plan (the IC Plan) that is designed and approved by the Committee. Our IC Plan is designed to provide a competitive cash compensation program for recruiting and retaining executive talent and a short-term incentive and reward program that aligns pay with performance and motivates our executives to achieve results. The IC Plan pays cash awards based upon the achievement of key corporate objectives. In December 2006, the Committee designed and approved an IC Plan for the fiscal year ending December 31, 2007 (the 2007 Plan).

When setting IC, the Committee considers individual and corporate performance, levels of responsibility, prior experience, breadth of knowledge and competitive pay practices. The Committee considers these factors subjectively in the aggregate. IC is based on a percentage of base salary if Company performance goals are met. Payment of IC is prorated based on the percentage of the performance level achieved, and the bonus amounts are interpolated between the performance levels. The Committee establishes the financial performance goals under the IC Plan for the fiscal year. These goals are generally determined near the beginning of the year and are based on an analysis of historical performance and growth expectations for our business, expectations of the public markets, and progress toward achieving our long-range strategic plan for the business. The Committee determined that the performance criterion under the 2007 Plan was operating income, excluding earnings from military sales and IC payable under the 2007 Plan (Operating Income), and approved the following threshold, target, and maximum payout opportunities based on specified levels of Operating Income:

	Payout Opportunities as a Percentage of Base Salary		
	Threshold	Target	Maximum
Mike Brooks	0%	75%	175%
David Sharp	0%	60%	140%
James E. McDonald	0%	50%	115%
Thomas R. Morrison	0%	30%	60%

If Mr. Brooks became eligible to receive IC exceeding $10,000, he was permitted to choose to receive any portion of his IC in the form of restricted stock, which would vest immediately but would not be tradable in the public markets for one year (Restricted Stock). If Messrs. Sharp and McDonald became eligible to receive IC exceeding $10,000 each, a minimum of 35% of such IC was to be paid in shares of Restricted Stock, and each of Messrs. Sharp and McDonald could choose to receive any additional portion of such IC in the form of Restricted Stock. If Mr. Morrison became eligible to receive IC exceeding $10,000, a minimum of 10% of such IC was to be paid in Restricted Stock, and Mr. Morrison could choose to receive any additional portion of such IC in the form of Restricted Stock.

No payment was to be made for performance below the threshold level of Operating Income, and no payment was required for performance above the maximum amount.

However, in addition to the foregoing, assuming that the threshold amount of Operating Income was attained, 10% of any Operating Income attributable to military sales during fiscal 2007 was to go into a pool to be distributed to plan participants, including the four named executive officers, at the discretion of the Compensation Committee. Also, to the extent that the amount of Operating Income associated with the maximum IC payout opportunities was exceeded for fiscal 2007, 10% of such excess Operating Income was to go into a pool to be distributed to plan participants, including the four named executive officers, at the discretion of the Compensation Committee.

None of the NEOs earned any IC for the 2007 fiscal year.

(3) All Other Compensation:

The All Other Compensation column in our Summary Compensation Table on page 17 primarily consists of these items:

- annual employer contributions into the retirement/401(k) plan; and
- employer-paid premiums for life insurance.

(a) *Retirement and 401(k) Plan*:

We sponsor a qualified retirement and 401(k) plan for eligible employees (the Retirement Plan). The Retirement Plan allows NEOs to defer a portion of their total cash compensation (up to IRS limits) into this retirement account on a pre-tax basis. Our NEOs do not receive a Company match on any money they defer into the Retirement Plan. We make an annual contribution into the Retirement Plan for eligible employees, including NEOs, of three percent of applicable salary.

These annual employer contribution amounts to NEOs are included in the Summary Compensation Table s All Other Compensation column on page 17 below.

(b) *Employer-Paid Premiums for Life Insurance*:

We provide each of our NEOs with basic group term life insurance with a death benefit of $150,000. This is a relatively inexpensive benefit that we offer to our executives. This element of compensation, though relatively small, provides one additional item to the overall compensation package which strengthens our ability to recruit and retain talented executives.

We also provide Messrs. Brooks, Sharp and McDonald with individual term life insurance policies that have death benefits of $1,000,000, $500,000 and $500,000, respectively, to be paid to each individual s beneficiary in the event of his death.

For specific premium amounts paid, please refer to the Summary Compensation Table s All Other Compensation column and footnotes below on page 18.

(c) *Agreements with Mr. Brooks and Mr. Morrison*:

We have entered into a salary continuation agreement and an employment agreement with Mr. Brooks, our Chairman and Chief Executive Officer and an employment agreement with Mr. Morrison, our Senior Vice President Western Group. For a discussion of this agreement, please refer to Agreements with Mr. Brooks and Mr. Morrison and Potential Payments upon Termination or Change-in-Control beginning on page 21 below.

(4) Health and Welfare Benefits:

In addition to the compensation and benefits programs discussed in this proxy statement, we offer our employees, including our NEOs, a comprehensive benefits program. This program is designed to provide the employees and their families with competitive coverage at competitive rates. We strive to provide the employees with appropriate health benefits (medical, pharmacy, dental, and vision) to help protect the physical, mental and financial health of our employees and their immediate families.

Table of Contents

Summary Compensation Table

The following table sets forth certain information regarding compensation paid during the Company s last complete fiscal year to the Company s named executive officers (NEOs) for the 2007 fiscal year. For a discussion of the various elements of compensation provided in the table below, please refer to the discussion of our various compensation elements in our Compensation Discussion & Analysis under the heading Compensation Program Elements beginning on page 13 above.

SUMMARY COMPENSATION TABLE FOR FISCAL YEAR 2007

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(2)	All Other Compensation ($)(3)	Total ($)
Mike Brooks	2007	475,000					53,767	117,525	646,292
Chairman and Chief Executive Officer	2006	475,000			21,302		70,283	95,805	662,390
David Sh									