
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 001-14429

SKECHERS U.S.A., INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

95-4376145
(I.R.S. Employer Identification No.)

228 Manhattan Beach Blvd.
Manhattan Beach, California
(Address of Principal Executive Office)

90266
(Zip Code)

(310) 318-3100
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 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 whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 NUMBER OF SHARES OF CLASS A COMMON STOCK OUTSTANDING AS OF NOVEMBER 2, 2009: 33,689,209.
THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF NOVEMBER 2, 2009: 12,738,483.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
FORM 10-Q
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PART I — FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)**

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 246,380	\$ 114,941
Short-term investments	30,000	—
Trade accounts receivable, less allowances of \$14,957 in 2009 and \$14,880 in 2008	204,997	175,064
Other receivables	11,037	7,816
Total receivables	216,034	182,880
Inventories	191,819	261,209
Prepaid expenses and other current assets	28,915	31,022
Deferred tax assets	11,955	11,955
Total current assets	725,103	602,007
Property and equipment, at cost, less accumulated depreciation and amortization	172,624	157,757
Intangible assets, less accumulated amortization	4,867	5,407
Deferred tax assets	12,610	18,158
Long-term marketable securities	—	81,925
Other assets, at cost	12,630	11,062
TOTAL ASSETS	\$ 927,834	\$ 876,316
LIABILITIES AND EQUITY		
Current Liabilities:		
Current installments of long-term borrowings	583	572
Short-term borrowings	525	—
Accounts payable	160,776	164,643
Accrued expenses	33,460	23,021
Total current liabilities	195,344	188,236
Long-term borrowings, excluding current installments	15,751	16,188
Total liabilities	211,095	204,424
Commitments and contingencies		
Equity:		
Preferred Stock, \$.001 par value; 10,000 authorized; none issued and outstanding	—	—
Class A Common Stock, \$.001 par value; 100,000 shares authorized; 33,684 and 33,410 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	34	33
Class B Common Stock, \$.001 par value; 100,000 shares authorized; 12,738 and 12,782 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	13	13
Additional paid-in capital	267,396	264,200
Accumulated other comprehensive income (loss)	8,315	(4,719)
Retained earnings	435,919	409,166
Skechers U.S.A., Inc. equity	711,677	668,693
Noncontrolling interest	5,062	3,199
Total equity	716,739	671,892
TOTAL LIABILITIES AND EQUITY	\$ 927,834	\$ 876,316

See accompanying notes to unaudited condensed consolidated financial statements.

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SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share data)

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2009	2008	2009	2008
Net sales	\$ 405,374	\$ 403,159	\$ 1,047,820	\$ 1,142,656
Cost of sales	221,648	231,628	616,062	641,760
Gross profit	183,726	171,531	431,758	500,896
Royalty income	418	591	1,022	1,660
	<u>184,144</u>	<u>172,122</u>	<u>432,780</u>	<u>502,556</u>
Operating expenses:				
Selling	41,245	40,911	97,568	105,037
General and administrative	110,454	106,462	304,340	304,540
	<u>151,699</u>	<u>147,373</u>	<u>401,908</u>	<u>409,577</u>
Earnings from operations	<u>32,445</u>	<u>24,749</u>	<u>30,872</u>	<u>92,979</u>
Other income (expense):				
Interest income	322	1,618	1,612	5,911
Interest expense	(987)	(1,264)	(1,944)	(3,616)
Other, net	2,176	(828)	2,203	(81)
	<u>1,511</u>	<u>(474)</u>	<u>1,871</u>	<u>2,214</u>
Earnings before income taxes (benefit)	33,956	24,275	32,743	95,193
Income tax (benefit) expense	10,175	(3,639)	8,236	20,175
Net earnings	23,781	27,914	24,507	75,018
Less: Net loss attributable to noncontrolling interest	(679)	(375)	(2,246)	(756)
Net earnings attributable to Skechers U.S.A., Inc.	<u>\$ 24,460</u>	<u>\$ 28,289</u>	<u>\$ 26,753</u>	<u>\$ 75,774</u>
Net earnings per share attributable to Skechers U.S.A., Inc.:				
Basic	<u>\$ 0.53</u>	<u>\$ 0.61</u>	<u>\$ 0.58</u>	<u>\$ 1.65</u>
Diluted	<u>\$ 0.52</u>	<u>\$ 0.60</u>	<u>\$ 0.57</u>	<u>\$ 1.62</u>
Weighted average shares used in calculating earnings per share attributable to Skechers U.S.A., Inc.:				
Basic	<u>46,405</u>	<u>46,115</u>	<u>46,304</u>	<u>46,000</u>
Diluted	<u>47,095</u>	<u>46,835</u>	<u>46,649</u>	<u>46,770</u>
Comprehensive income:				
Net earnings	\$ 24,460	\$ 28,289	\$ 26,753	\$ 75,774
Unrealized gain (loss) on marketable securities, net of tax	—	(1,496)	8,151	(5,402)
Gain (loss) on foreign currency translation adjustment, net of tax	1,009	(8,618)	4,883	(7,728)
Total comprehensive income	<u>\$ 25,469</u>	<u>\$ 18,175</u>	<u>\$ 39,787</u>	<u>\$ 62,644</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine-Months Ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net earnings	\$ 26,753	\$ 75,774
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Noncontrolling interest in subsidiaries	(2,246)	(756)
Depreciation of property and equipment	14,465	12,855
Amortization of deferred financing costs	370	—
Amortization of intangible assets	579	120
Provision for bad debts and returns	2,959	8,617
Tax benefits from stock-based compensation	—	561
Non-cash stock compensation	2,464	1,698
Loss on disposal of property and equipment	2	1,525
Provision for deferred income taxes	(614)	—
Impairment of property and equipment	761	—
(Increase) decrease in assets:		
Receivables	(31,039)	(55,234)
Inventories	70,925	(46,762)
Prepaid expenses and other current assets	2,369	(13,891)
Other assets	(1,362)	(12,753)
Increase (decrease) in liabilities:		
Accounts payable	(6,339)	11,354
Accrued expenses	10,229	2,265
Net cash provided by (used in) operating activities	<u>90,276</u>	<u>(14,627)</u>
Cash flows from investing activities:		
Capital expenditures	(31,197)	(47,802)
Purchases of investments	(30,000)	(11,725)
Maturities of investments	375	20,375
Redemption of auction rate securities	95,250	—
Net cash provided by (used in) investing activities	<u>34,428</u>	<u>(39,152)</u>
Cash flows from financing activities:		
Net proceeds from the issuances of stock through employee stock purchase plan and the exercise of stock options	1,344	2,903
Payments on long-term debt	(275)	(315)
Increase in short-term borrowings	525	—
Contribution from noncontrolling interest of consolidated entity	4,000	3,000
Excess tax benefits from stock-based compensation	—	559
Net cash provided by financing activities	<u>5,594</u>	<u>6,147</u>
Net increase (decrease) in cash and cash equivalents	130,298	(47,632)
Effect of exchange rates on cash and cash equivalents	1,141	(904)
Cash and cash equivalents at beginning of the period	114,941	199,516
Cash and cash equivalents at end of the period	<u>\$ 246,380</u>	<u>\$ 150,980</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	\$ 3,260	\$ 3,951
Income taxes	1,624	14,502
Non-cash investing and financing activities:		
Acquisition of Chilean distributor	4,382	—

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 and 2008
(Unaudited)

(1) GENERAL

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include certain footnotes and financial presentations normally required under accounting principles generally accepted in the United States of America for complete financial reporting. The interim financial information is unaudited, but reflects all normal adjustments and accruals which are, in the opinion of management, considered necessary to provide a fair presentation for the interim periods presented. The accompanying condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The results of operations for the nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2009.

Use of Estimates

The preparation of the condensed consolidated 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 periods. Actual results could differ from those estimates.

Noncontrolling interests

On January 1, 2009, the Company adopted ASC 810-10 (formerly SFAS 160), "Noncontrolling Interests in Consolidated Financial Statements." The objective of ASC 810-10 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards for noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. Under the provisions of this statement, the income statement presentation has been revised to separately present consolidated net earnings, which now includes the amounts attributable to the Company, plus noncontrolling interests and net income attributable solely to the Company. Noncontrolling interest, previously referred to as minority interest, in the Company's consolidated financial statements results from the accounting for a noncontrolling interest in a consolidated subsidiary or affiliate. Noncontrolling interest represents partially-owned subsidiaries or consolidated affiliate's income, losses, and components of other comprehensive income (loss) which is attributable to the noncontrolling parties' interests. In addition, noncontrolling interests are considered a component of equity for all periods presented. Noncontrolling interests were previously classified within other long-term liabilities. Prior year presentations have been reclassified to conform with these requirements.

The Company has a 50 percent interest in Skechers China Limited ("Skechers China"), a joint venture which was formed in October 2007, and made a capital contribution of cash and inventory of \$4.0 million and \$3.0 million during the nine months ended September 30, 2009 and 2008, respectively. Our joint venture partner also made a corresponding cash capital contribution during the nine months ended September 30, 2009 and 2008, respectively. The Company also has a 50 percent interest in Skechers Southeast Asia Limited ("Skechers Southeast Asia") and a 51 percent interest in Skechers (Thailand) Ltd. ("Skechers Thailand"). The Company consolidates these joint ventures into its financial statements because it holds a majority of seats on the board of directors and, thus, controls

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the joint ventures. Net loss attributable to noncontrolling interest of \$0.7 million for the three months ended September 30, 2009 and \$2.2 million for the nine months ended September 30, 2009 represents the share of net loss that is attributable to the equity of these joint ventures that is owned by our joint venture partners. Transactions between these joint ventures and Skechers have been eliminated in the consolidated financial statements.

Recent accounting pronouncements

In June 2009, the FASB issued ASC 105-10 (formerly SFAS 168), "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles." ASC 105-10 became the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernment entities. It also modifies the GAAP hierarchy to include only two levels of GAAP; authoritative and non-authoritative. ASC 105-10 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted ASC 105-10 during the 2009 third quarter. The Company's adoption of ASC 105-10 did not have a material impact on the Company's consolidated financial statements.

(2) INVESTMENTS

During the nine months ended September 30, 2009, Wachovia Securities purchased \$95.3 million of the Company's investments in auction rate preferred stocks and auction rate Dividend Received Deduction ("DRD") preferred securities at par for cash. At September 30, 2009, short-term investments were \$30.0 million which consisted of U.S. government obligations with maturities of greater than 90 days. At December 31, 2008, long-term investments were \$81.9 million net of unrealized losses of \$13.7 million.

(3) REVENUE RECOGNITION

The Company recognizes revenue on wholesale sales when products are shipped and the customer takes title and assumes risk of loss, collection of relevant receivables is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. This generally occurs at time of shipment. The Company recognizes revenue from retail sales at the point of sale. Allowances for estimated returns, discounts, doubtful accounts and chargebacks are provided for when related revenue is recorded. Related costs paid to third-party shipping companies are recorded as a cost of sales.

Royalty income is earned from licensing arrangements. Upon signing a new licensing agreement, we receive up-front fees, which are generally characterized as prepaid royalties. These fees are initially deferred and recognized as revenue as earned (i.e., as licensed sales are reported to the company or on a straight-line basis over the term of the agreement). The first calculated royalty payment is based on actual sales of the licensed product. Typically, at each quarter-end we receive correspondence from our licensees indicating the actual sales for the period. This information is used to calculate and accrue the related royalties based on the terms of the agreement.

(4) OTHER COMPREHENSIVE INCOME

In addition to net earnings, other comprehensive income includes changes in foreign currency translation adjustments and unrealized gains and losses on marketable securities. The Company operates internationally through several foreign subsidiaries. Assets and liabilities of the foreign operations denominated in local currencies are translated at the rate of exchange at the balance sheet date. Revenues and expenses are translated at the weighted average rate of exchange during the period of translation. The resulting translation adjustments along with the translation adjustments related to intercompany loans of a long-term investment nature are included in the translation adjustment in other comprehensive income.

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The activity in other comprehensive income, net of income taxes, was as follows (in thousands):

	Three-Months Ended September 30, 2009	Nine-Months Ended September 30, 2009
Net earnings	\$ 23,781	\$ 24,507
Unrealized gain on marketable securities, net of tax	—	8,151
Gain on foreign currency translation adjustment, net of tax	1,093	4,992
Comprehensive income	24,874	37,650
Comprehensive loss attributable to noncontrolling interest	(595)	(2,137)
Comprehensive income attributable to parent	\$ 25,469	\$ 39,787

(5) STOCK COMPENSATION

For stock-based awards we have recognized compensation expense based on the estimated grant-date fair value using the Black-Scholes valuation model, which requires the input of highly subjective assumptions including the expected stock price volatility, expected term and forfeiture rate. Stock compensation expense was \$1.3 million and \$0.6 million for the three months ended September 30, 2009 and 2008, respectively. Stock compensation expense was \$2.5 million and \$1.7 million for the nine months ended September 30, 2009 and 2008, respectively.

Stock options granted pursuant to the 1998 Stock Option, Deferred Stock and Restricted Stock Plan and the 2007 Incentive Award Plan (the "Equity Incentive Plan") were as follows:

	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE
Outstanding at December 31, 2008	1,739,721	\$ 11.79		
Granted	—	—		
Exercised	(59,782)	9.48		
Cancelled	(107,945)	11.20		
Outstanding at September 30, 2009	1,571,994	11.92	2.2 years	\$ 9,232,409
Exercisable at September 30, 2009	1,571,994	11.92	2.2 years	\$ 9,232,409

A summary of the status and changes of our nonvested shares related to the Equity Incentive Plan as of and during the nine months ended September 30, 2009 is presented below:

	SHARES	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Nonvested at December 31, 2008	217,284	\$ 16.97
Granted	1,816,500	17.94
Vested	(102,640)	17.20
Cancelled	—	—
Nonvested at September 30, 2009	1,931,144	17.87

As of September 30, 2009, there was \$32.8 million of unrecognized compensation cost related to nonvested common shares. The cost is expected to be amortized over a weighted average period of 3.0 years.

(6) EARNINGS PER SHARE

Basic earnings per share represents net earnings divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share, in addition to the weighted average determined for basic earnings per share, includes potential common shares, if dilutive, which would arise from the exercise of stock options and nonvested shares using the treasury stock method.

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Net earnings for the nine months ended September 30, 2009 were positively impacted by a \$1.9 million adjustment for a discrete tax item as discussed in Note 7, Income Taxes.

The following is a reconciliation of net earnings and weighted average common shares outstanding for purposes of calculating basic earnings per share (in thousands, except per share amounts):

Basic earnings per share	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2009	2008	2009	2008
Net earnings attributable to Skechers U.S.A., Inc.	\$ 24,460	\$ 28,289	\$ 26,753	\$ 75,774
Weighted average common shares outstanding	46,405	46,115	46,304	46,000
Basic earnings per share attributable to Skechers U.S.A., Inc.	\$ 0.53	\$ 0.61	\$ 0.58	\$ 1.65

The following is a reconciliation of net earnings and weighted average common shares outstanding for purposes of calculating diluted earnings per share (in thousands, except per share amounts):

Diluted earnings per share	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2009	2008	2009	2008
Net earnings attributable to Skechers U.S.A., Inc.	\$ 24,460	\$ 28,289	\$ 26,753	\$ 75,774
Weighted average common shares outstanding	46,405	46,115	46,304	46,000
Dilutive effect of stock options	690	720	345	770
Weighted average common shares outstanding	47,095	46,835	46,649	46,770
Diluted earnings per share attributable to Skechers U.S.A., Inc.	\$ 0.52	\$ 0.60	\$ 0.57	\$ 1.62

Options to purchase 370,528 and 768,220 shares of Class A common stock were not included in the computation of diluted earnings per share for the three months and nine months ended September 30, 2009, respectively, because their effect would have been anti-dilutive. There were no options excluded from the computation of diluted earnings per share for the three months and nine months ended September 30, 2008.

(7) INCOME TAXES

The Company's effective tax rates for the third quarter and first nine months of 2009 were 30.0% and 25.2%, respectively, compared to the effective tax rates of (15.0%) and 21.2% for the third quarter and first nine months of 2008, respectively. Income tax expense for the three months ended September 30, 2009 was \$10.2 million compared to an income tax benefit of \$3.6 million for the same period in 2008. Income tax expense for the nine months ended September 30, 2009 was \$8.2 million compared to \$20.2 million for the same period in 2008. The tax provision for the nine months ended September 30, 2009 was computed using the estimated effective tax rates applicable to each of the domestic and international taxable jurisdictions for the full year. Included in the above effective tax rates and income tax expense amounts for the nine-month period ended September 30, 2009 is a \$1.9 million discrete tax benefit adjusting the amount of tax benefit recognized in 2008 relating to the Company entering into an advanced pricing agreement ("APA") with the U.S. Internal Revenue Service ("IRS"). Excluding this discrete item, the Company's effective tax rate for the nine months ended September 30, 2009 would have been 31.1%. The effective tax rate for the three- and nine-month periods ended September 30, 2009 is lower than the expected domestic rate of approximately 40% due to non-U.S. subsidiary earnings in lower tax rate jurisdictions and the Company's planned permanent reinvestment of undistributed earnings from its non-U.S. subsidiaries. As such, the Company did not provide for deferred income taxes on accumulated undistributed earnings of its non-U.S. subsidiaries.

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The Company files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Company has completed U.S. federal audits through 2003, and is not currently under examination by the IRS; however the Company is under examination by a number of state taxing authorities. During the nine months ended September 30, 2009, settlements were reached with certain state taxing authorities which reduced the balance of 2009 and prior year unrecognized tax benefits by \$0.5 million. It is reasonably possible that most or all of the remaining examinations could be settled within the next twelve months, which would reduce the remaining balance of 2009 and prior year unrecognized tax benefits by \$1.6 million.

With few exceptions, the Company is no longer subject to federal, state, local or non-U.S. income tax examinations by tax authorities for years before 2006. Tax years 2006 through 2008 remain open to examination by the U.S. federal, state, and foreign tax authorities. During the third quarter, the statute of limitations for the 2005 tax year lapsed for the U.S. federal and several state tax jurisdictions. The lapse in statute reduced the balance of prior year unrecognized tax benefits by \$0.2 million.

(8) LINE OF CREDIT AND SHORT-TERM BORROWINGS

On June 30, 2009, the Company entered into a \$250.0 million secured credit agreement with a group of eight banks (the "Credit Agreement") that replaced the existing \$150.0 million credit agreement. The new credit facility matures in June 2013. The Credit Agreement permits the Company and certain of its subsidiaries to borrow up to \$250.0 million based upon a borrowing base of eligible accounts receivable and inventory, which amount can be increased to \$300.0 million at the Company's request and upon satisfaction of certain conditions including obtaining the commitment of existing or prospective lenders willing to provide the incremental amount. Borrowings bear interest at the borrowers' election based on LIBOR or a Base Rate (defined as the greatest of the base LIBOR plus 1.00%, the Federal Funds Rate plus 0.5% or one of the lenders' prime rate), in each case, plus an applicable margin based on the average daily principal balance of revolving loans under the Credit Agreement (2.75% to 3.25% for Base Rate Loans and 3.75% to 4.25% for Libor Rate Loans). The Company pays a monthly unused line of credit fee between 0.5% and 1.0% per annum, which varies based on the average daily principal balance of outstanding revolving loans and undrawn amounts of letters of credit outstanding during such month. The Credit Agreement further provides for a limit on the issuance of letters of credit to a maximum of \$50.0 million. The Credit Agreement contains customary affirmative and negative covenants for secured credit facilities of this type, including a fixed charges coverage ratio that applies when excess availability is less than \$50.0 million. In addition, the Credit Agreement places limits on additional indebtedness that the Company is permitted to incur as well as other restrictions on certain transactions. As of September 30, 2009, the Company and its subsidiaries were in compliance with all financial covenants of the Credit Agreement. In September 2009, the Company's principal stockholder contributed stock into two trusts, which necessitated an amendment to the Credit Agreement. On November 5, 2009, an amendment to the Credit Agreement was obtained that included a waiver of any potential event of default. The Company and its subsidiaries had \$1.6 million of outstanding letters of credit and short-term borrowings of \$0.5 million as of September 30, 2009. During the nine months ended September 30, 2009, the Company paid syndication and commitment fees of \$5.5 million on this facility which are being amortized over the four-year life of the facility. Amortization expense related to this facility was \$0.4 million for both the three months and nine months ended September 30, 2009.

(9) STOCKHOLDERS' EQUITY

No shares of Class B common stock were converted into shares of Class A common stock during the three months ended September 30, 2009 and 2008. Certain Class B stockholders converted 43,902 and 50,000 shares of Class B common stock into an equivalent number of shares of Class A common stock during the nine months ended September 30, 2009 and 2008, respectively.

Prior year amounts related to noncontrolling interest, previously referred to as minority interest, have been reclassified to conform to the current year presentation as required by ASC 810-10.

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The following table reconciles equity attributable to noncontrolling interest (in thousands):

	Nine-Months Ended September 30, 2009
Noncontrolling interest, January 1, 2009	\$ 3,199
Net loss attributable to noncontrolling interest	(2,246)
Foreign currency translation adjustment	109
Capital contribution by noncontrolling interest	4,000
Noncontrolling interest, September 30, 2009	<u>\$ 5,062</u>

(10) SEGMENT AND GEOGRAPHIC REPORTING INFORMATION

We have four reportable segments — domestic wholesale sales, international wholesale sales, retail sales, and e-commerce sales. Management evaluates segment performance based primarily on net sales and gross profit. All other costs and expenses of the Company are analyzed on an aggregate basis, and these costs are not allocated to the Company's segments. Net sales, gross profit and identifiable assets for the domestic wholesale segment, international wholesale, retail, and the e-commerce segment on a combined basis were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net sales				
Domestic wholesale	\$ 202,963	\$ 225,706	\$ 544,352	\$ 647,890
International wholesale	100,099	93,371	261,140	270,338
Retail	95,250	79,275	227,541	211,027
E-commerce	7,062	4,807	14,787	13,401
Total	<u>\$ 405,374</u>	<u>\$ 403,159</u>	<u>\$ 1,047,820</u>	<u>\$ 1,142,656</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Gross profit				
Domestic wholesale	\$ 82,328	\$ 82,365	\$ 194,715	\$ 246,425
International wholesale	39,281	39,183	93,127	119,413
Retail	58,449	47,897	136,113	128,703
E-commerce	3,668	2,086	7,803	6,355
Total	<u>\$ 183,726</u>	<u>\$ 171,531</u>	<u>\$ 431,758</u>	<u>\$ 500,896</u>

	September 30, 2009	December 31, 2008
Identifiable assets		
Domestic wholesale	\$ 725,242	\$ 678,881
International wholesale	109,584	110,930
Retail	92,685	86,236
E-commerce	323	269
Total	<u>\$ 927,834</u>	<u>\$ 876,316</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Additions to property and equipment				
Domestic wholesale	\$ 402	\$ 7,209	\$ 19,628	\$ 30,938
International wholesale	1,718	1,306	4,811	2,041
Retail	2,217	1,449	6,758	14,823
Total	<u>\$ 4,337</u>	<u>\$ 9,964</u>	<u>\$ 31,197</u>	<u>\$ 47,802</u>

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Geographic Information:

The following summarizes our operations in different geographic areas for the period indicated (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net sales (1)				
United States	\$ 296,458	\$ 302,959	\$ 766,865	\$ 852,913
Canada	14,044	12,350	29,988	36,654
Other international (2)	94,872	87,850	250,967	253,089
Total	<u>\$ 405,374</u>	<u>\$ 403,159</u>	<u>\$ 1,047,820</u>	<u>\$ 1,142,656</u>

	<u>September 30, 2009</u>	<u>December 31, 2008</u>
Long-lived assets		
United States	\$ 162,773	\$ 148,228
Canada	960	471
Other international (2)	8,891	9,058
Total	<u>\$ 172,624</u>	<u>\$ 157,757</u>

- (1) The Company has subsidiaries in Canada, the United Kingdom, Germany, France, Spain, Italy, Netherlands, Brazil, Chile and joint ventures in China, Hong Kong, Malaysia, Singapore and Thailand that generate net sales within those respective countries and in some cases the neighboring regions. The Company also has a subsidiary in Switzerland that generates net sales from that country in addition to net sales to our distributors located in numerous non-European countries. Net sales are attributable to geographic regions based on the location of the Company subsidiary.
- (2) Other international consists of Brazil, Chile, China, Hong Kong, Malaysia, Singapore, Thailand, Switzerland, the United Kingdom, Germany, France, Spain, Italy and Netherlands.

(11) BUSINESS AND CREDIT CONCENTRATIONS

The Company generates the majority of its sales in the United States; however, several of its products are sold into various foreign countries, which subjects the Company to the risks of doing business abroad. In addition, the Company operates in the footwear industry, which is impacted by the general economy, and its business depends on the general economic environment and levels of consumer spending. Changes in the marketplace may significantly affect management's estimates and the Company's performance. Management performs regular evaluations concerning the ability of customers to satisfy their obligations and provides for estimated doubtful accounts. Domestic accounts receivable, which generally do not require collateral from customers, were equal to \$117.8 million and \$111.9 million before allowances for bad debts, sales returns and chargebacks at September 30, 2009 and December 31, 2008, respectively. Foreign accounts receivable, which may be collateralized by letters of credit, were equal to \$102.2 million and \$78.1 million before allowance for bad debts, sales returns and chargebacks at September 30, 2009 and December 31, 2008, respectively.

Net sales to customers in the U.S. exceeded 70% of total net sales for the three and nine months ended September 30, 2009 and 2008. Assets located outside the U.S. consist primarily of cash, accounts receivable, inventory, property and equipment, and other assets. Net assets held outside the United States were \$121.6 million and \$120.5 million at September 30, 2009 and December 31, 2008, respectively.

The Company's net sales to its five largest customers accounted for approximately 24.7% and 22.8% of total net sales for the three months ended September 30, 2009 and 2008, respectively. The Company's net sales to its five largest customers accounted for approximately 25.0% and 24.2% of total net sales for the nine months ended September 30, 2009 and 2008, respectively. No customer accounted for more than 10% of our net sales during the three months ended September 30, 2009 or 2008, respectively. No customer accounted for more than 10% of our net sales during the nine months ended September 30, 2009 or 2008, respectively. No customers accounted for more

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than 10% of our outstanding accounts receivable balance at September 30, 2009. One customer accounted for 9.5% of our outstanding accounts receivable balance at September 30, 2008.

The Company's top five manufacturers produced the following for the three and nine months ended September 30, 2009 and 2008, respectively:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Manufacturer #1	30.1%	31.9%	27.8%	31.6%
Manufacturer #2	14.7%	12.1%	12.5%	11.7%
Manufacturer #3	11.6%	10.0%	11.4%	9.1%
Manufacturer #4	11.1%	5.8%	10.6%	6.5%
Manufacturer #5	4.7%	5.4%	6.0%	6.4%
	<u>72.2%</u>	<u>65.2%</u>	<u>68.3%</u>	<u>65.3%</u>

The majority of the Company's products are produced in China. The Company's operations are subject to the customary risks of doing business abroad, including, but not limited to, currency fluctuations and revaluations, custom duties and related fees, various import controls and other monetary barriers, restrictions on the transfer of funds, labor unrest and strikes and, in certain parts of the world, political instability. The Company believes it has acted to reduce these risks by diversifying manufacturing among various factories. To date, these business risks have not had a material adverse impact on the Company's operations.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Condensed Consolidated Financial Statements and Notes thereto in Item 1 of this document.

We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. The discussion also provides information about the financial results of the various segments of our business to provide a better understanding of how those segments and their results affect the financial condition and results of operations of our company as a whole.

This quarterly report on Form 10-Q may contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, which can be identified by the use of forward-looking language such as "intend," "may," "will," "believe," "expect," "anticipate" or other comparable terms. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected in forward-looking statements, and reported results shall not be considered an indication of our company's future performance. Factors that might cause or contribute to such differences include:

- international, national and local general economic, political and market conditions including the recent global economic slowdown and financial crisis;
- sustaining, managing and forecasting our costs and proper inventory levels;
- losing any significant customers, decreased demand by industry retailers and cancellation of order commitments due to the lack of popularity of particular designs and/or categories of our products;
- maintaining our brand image and intense competition among sellers of footwear for consumers;
- anticipating, identifying, interpreting or forecasting changes in fashion trends, consumer demand for the products and the various market factors described above;
- sales levels during the spring, back-to-school and holiday selling seasons; and
- other factors referenced or incorporated by reference in our company's annual report on Form 10-K for the year ended December 31, 2008.

The risks included here are not exhaustive. Other sections of this report may include additional factors that could adversely impact our business, financial condition and results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and we cannot predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Investors should also be aware that while we do, from time to time, communicate with securities analysts, we do not disclose any material non-public information or other confidential commercial information to them. Accordingly, individuals should not assume that we agree with any statement or report issued by any analyst, regardless of the content of the report. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

FINANCIAL OVERVIEW

We have four reportable segments — domestic wholesale sales, international wholesale sales, retail sales, which includes domestic and international retail sales, and e-commerce sales. We evaluate segment performance based primarily on net sales and gross margins. The largest portion of our revenue is derived from the domestic wholesale segment. During the third quarter the weak retail environment continued to negatively impact our domestic business. Net income for the three months ended September 30, 2009 was \$24.5 million, or \$0.52 per diluted share.

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Revenue as a percentage of net sales was as follows:

	Three-Months Ended September 30,	
	2009	2008
Percentage of revenues by segment		
Domestic wholesale	50.1%	56.0%
International wholesale	24.7%	23.1%
Retail	23.5%	19.7%
E-commerce	1.7%	1.2%
Total	100%	100%

As of September 30, 2009 we owned 218 domestic retail stores and 26 international retail stores, and we have established our presence in most of what we believe to be the major domestic retail markets. During the first nine months of 2009, we opened five domestic concept stores, ten domestic outlet stores, one international concept store, and two international outlet stores and we closed two domestic concept stores. In addition, we acquired ten international concept stores from one of our distributors and contributed six other international concept stores to a new joint venture. During the remainder of 2009 and in 2010, we intend to focus on: (i) enhancing the efficiency of our operations by managing our inventory and reducing expenses, (ii) increasing our international customer base, (iii) increasing the product count of all customers by delivering trend-right styles at reasonable prices, and (iv) continuing to pursue opportunistic retail store locations. We expect to open between four and eight retail locations in the fourth quarter of 2009 and 20 to 25 retail locations in 2010. We periodically review all of our stores for impairment, and we carefully review our under-performing stores and may consider the non-renewal of leases upon completion of the current applicable lease term.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated, selected information from our results of operations (in thousands) and as a percentage of net sales:

	Three-Months Ended September 30,				Nine-Months Ended September 30,			
	2009		2008		2009		2008	
Net sales	\$405,374	100.0%	\$403,159	100.0%	\$1,047,820	100.0%	\$1,142,656	100.0%
Cost of sales	221,648	54.7	231,628	57.5	616,062	58.8	641,760	56.2
Gross profit	183,726	45.3	171,531	42.5	431,758	41.2	500,896	43.8
Royalty income	418	0.1	591	0.2	1,022	0.1	1,660	0.2
	184,144	45.4	172,122	42.7	432,780	41.3	502,556	44.0
Operating expenses:								
Selling	41,245	10.2	40,911	10.2	97,568	9.3	105,037	9.2
General and administrative	110,454	27.2	106,462	26.4	304,340	29.1	304,540	26.6
	151,699	37.4	147,373	36.6	401,908	38.4	409,577	35.8
Earnings from operations	32,445	8.0	24,749	6.1	30,872	2.9	92,979	8.2
Interest income	322	0.1	1,618	0.4	1,612	0.2	5,911	0.5
Interest expense	(987)	(0.2)	(1,264)	(0.3)	(1,944)	(0.2)	(3,616)	(0.3)
Other, net	2,176	0.5	(828)	(0.2)	2,203	0.2	(81)	—
Earnings before income taxes	33,956	8.4	24,275	6.0	32,743	3.1	95,193	8.4
Income tax expense (benefit)	10,175	2.5	(3,639)	(0.9)	8,236	0.8	20,175	1.9
Net earnings	23,781	5.9	27,914	6.9	24,507	2.3	75,018	6.5
Less: Net loss attributable to noncontrolling interest	(679)	(0.1)	(375)	(0.1)	(2,246)	(0.3)	(756)	(0.1)
Net earnings attributable to Skechers U.S.A., Inc.	\$ 24,460	6.0%	\$ 28,289	7.0%	\$ 26,753	2.6%	\$ 75,774	6.6%

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THREE MONTHS ENDED SEPTEMBER 30, 2009 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2008

Net sales

Net sales for the three months ended September 30, 2009 were \$405.4 million, an increase of \$2.2 million or 0.6%, as compared to net sales of \$403.2 million for the three months ended September 30, 2008. The increase in net sales was primarily due to higher sales in our retail and international wholesale segments partially offset by lower sales in our domestic wholesale segment.

Our domestic wholesale net sales decreased \$22.7 million, or 10.1%, to \$203.0 million for the three months ended September 30, 2009, from \$225.7 million for the three months ended September 30, 2008. The largest decreases in our domestic wholesale segment came in our Men's USA, Women's USA, and Women's Active divisions. The average selling price per pair within the domestic wholesale segment increased to \$21.71 per pair for the three months ended September 30, 2009 compared to \$20.51 per pair for the same period last year which was primarily the result of reduced closeouts and sales of more in-line, in-demand inventory. The decrease in the domestic wholesale segment's net sales came on a 15.1% unit sales volume decrease to 9.3 million pairs from 11.0 million pairs for the same period in 2008.

Our international wholesale segment net sales increased \$6.7 million, or 7.2%, to \$100.1 million for the three months ended September 30, 2009, compared to \$93.4 million for the three months ended September 30, 2008. Our international wholesale sales consist of direct subsidiary sales — those sales we make to department stores and specialty retailers — and sales to our distributors who in turn sell to retailers in various international regions where we do not sell direct. Direct subsidiary sales increased \$11.6 million, or 18.5%, to \$74.1 million for the three months ended September 30, 2009 compared to net sales of \$62.5 million for the three months ended September 30, 2008. The largest sales increases during the quarter came from our subsidiaries in China, Chile and Germany. Our distributor sales decreased \$4.8 million to \$26.0 million, or 15.7%, for the three months ended September 30, 2009, compared to sales of \$30.8 million for the three months ended September 30, 2008. The decrease in distributor sales was primarily due to decreased sales to our distributor in Panama as well as the conversion of our Chilean distributor to a subsidiary, effective June 1, 2009.

Our retail segment sales increased \$16.0 million to \$95.3 million for the three months ended September 30, 2009, a 20.2% increase over sales of \$79.3 million for the three months ended September 30, 2008. The increase in retail sales was due to a net increase of 29 stores and positive comparable domestic store sales (i.e. those open at least one year). For the three months ended September 30, 2009, we realized positive comparable store sales of 7.8% in our domestic retail stores and negative comparable store sales of 2.1% in our international retail stores due to unfavorable currency translations. During the three months ended September 30, 2009, we opened five stores which consisted of two domestic concept stores, one domestic outlet store, one international concept store and one international outlet store. Our domestic retail sales increased 19.3% for the three months ended September 30, 2009 compared to the same period in 2008 due to a net increase of 20 stores and positive comparable store sales. Our international retail sales increased 29.1% for the three months ended September 30, 2009 compared to the same period in 2008, attributable to the purchase of ten stores from our Chilean distributor.

Our e-commerce sales increased \$2.3 million, or 46.9%, to \$7.1 million for the three months ended September 30, 2009 from \$4.8 million for the three months ended September 30, 2008. The increase in sales was primarily due to increased sales of in-line and in-demand inventory. Our e-commerce sales made up approximately 2% of our consolidated net sales for the three months ended September 30, 2009 compared to approximately 1% for the three months ended September 30, 2008.

Gross profit

Gross profit for the three months ended September 30, 2009 increased \$12.2 million to \$183.7 million as compared to \$171.5 million for the three months ended September 30, 2008. Gross profit as a percentage of net sales, or gross margin, increased to 45.3% for the three months ended September 30, 2009 from 42.5% for the same

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period in the prior year. Our domestic wholesale segment gross profit decreased \$0.1 million, or 0.1%, to \$82.3 million for the three months ended September 30, 2009 compared to \$82.4 million for the three months ended September 30, 2008. Domestic wholesale margins increased to 40.6% for the three months ended September 30, 2009 from 36.5% for the same period in the prior year. The increase in domestic wholesale margins was due to less closeouts and increased sales of in-line, in-demand inventory.

Gross profit for our international wholesale segment increased \$0.1 million, or 0.3%, to \$39.3 million for the three months ended September 30, 2009 compared to \$39.2 million for the three months ended September 30, 2008. Gross margins were 39.2% for the three months ended September 30, 2009 compared to 42.0% for the three months ended September 30, 2008. The decrease in gross margins for our international wholesale segment was due to weaker retail environments abroad and unfavorable currency translations. International wholesale sales through our foreign subsidiaries achieved higher gross margins than our international wholesale sales through our foreign distributors. Gross margins for our direct subsidiary sales were 43.0% for the three months ended September 30, 2009 as compared to 47.8% for the three months ended September 30, 2008. Gross margins for our distributor sales were 28.5% for the three months ended September 30, 2009 as compared to 30.1% for the three months ended September 30, 2008.

Gross profit for our retail segment increased \$10.5 million, or 22.0%, to \$58.4 million for the three months ended September 30, 2009 as compared to \$47.9 million for the three months ended September 30, 2008. Gross margins for all stores were 61.4% for the three months ended September 30, 2009 as compared to 60.4% for the three months ended September 30, 2008. Gross margins for our domestic stores were 61.3% for the three months ended September 30, 2009 as compared to 60.4% for the three months ended September 30, 2008. Gross margins for our international stores were 62.4% for the three months ended September 30, 2009 as compared to 61.2% for the three months ended September 30, 2008. The increase in domestic and international retail margins was due to less closeouts and increased sales of in-line, in-demand inventory.

Our cost of sales includes the cost of footwear purchased from our manufacturers, royalties, duties, quota costs, inbound freight (including ocean, air and freight from the dock to our distribution centers), broker fees and storage costs. Because we include expenses related to our distribution network in general and administrative expenses while some of our competitors may include expenses of this type in cost of sales, our gross margins may not be comparable, and we may report higher gross margins than some of our competitors in part for this reason.

Selling expenses

Selling expenses increased by \$0.3 million, or 0.8%, to \$41.2 million for the three months ended September 30, 2009 from \$40.9 million for the three months ended September 30, 2008. As a percentage of net sales, selling expenses were 10.2% for both the three months ended September 30, 2009 and 2008. The increase in selling expenses was primarily due to higher marketing expenses partially offset by lower trade show expenses.

Selling expenses consist primarily of sales representative sample costs, sales commissions, trade shows, advertising and promotional costs, which may include television, print ads, ad production costs and point-of-purchase (POP) costs.

General and administrative expenses

General and administrative expenses increased by \$4.0 million, or 3.8%, to \$110.5 million for the three months ended September 30, 2009 from \$106.5 million for the three months ended September 30, 2008. As a percentage of sales, general and administrative expenses were 27.2% and 26.4% for the three months ended September 30, 2009 and 2008, respectively. The increase in general and administrative expenses was primarily due to higher salaries of \$2.1 million, increased depreciation expense of \$1.2 million, and higher rent expense of \$1.1 million as a result of an additional 29 stores from the prior year. In addition, the expenses related to our distribution network, including the functions of purchasing, receiving, inspecting, allocating, warehousing and packaging of our products totaled \$28.9 million and \$30.4 million for the three months ended September 30, 2009 and 2008, respectively.

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General and administrative expenses consist primarily of the following: salaries, wages and related taxes and various overhead costs associated with our corporate staff, stock-based compensation, domestic and international retail store operations, non-selling-related costs of our international operations, costs associated with our domestic and European distribution centers, professional fees related to legal, consulting and accounting, insurance, depreciation and amortization, and expenses related to our distribution network, which includes the functions of purchasing, receiving, inspecting, allocating, warehousing and packaging our products. These costs are included in general and administrative expenses and are not allocated to segments.

Interest income

Interest income for the three months ended September 30, 2009 decreased \$1.3 million to \$0.3 million compared to \$1.6 million for the same period in 2008. The decrease in interest income resulted from lower interest rates for the three months ended September 30, 2009 as compared to the same period in 2008.

Interest expense

Interest expense was \$1.0 million for the three months ended September 30, 2009 compared to \$1.3 million for the same period in 2008. The decrease was due to increased capitalized interest on our new corporate headquarters and the warehouse equipment for our new distribution center. Interest expense was incurred on our mortgages for our domestic distribution center and our corporate office located in Manhattan Beach, California, and on amounts owed to our foreign manufacturers.

Income taxes

Our effective tax rate was 30.0% and (15.0%) for the three months ended September 30, 2009 and 2008, respectively. Income tax expense for the three months ended September 30, 2009 was \$10.2 million compared to income tax benefit of \$3.6 million for the same period in 2008. The effective tax rate for the three months ended September 30, 2009 is lower than the expected domestic rate of approximately 40% due to our non-U.S. subsidiary earnings in lower tax rate jurisdictions and our planned permanent reinvestment of undistributed earnings from our non-U.S. subsidiaries. As such, we did not provide for deferred income taxes on accumulated undistributed earnings of our non-U.S. subsidiaries.

Noncontrolling interest in net loss of consolidated subsidiaries

Noncontrolling interest for the three months ended September 30, 2009 increased \$0.3 million to \$0.7 million compared to \$0.4 million for the same period in 2008. Noncontrolling interest represents the share of net loss that is attributable to our joint venture partners based on their investments in Skechers China, Skechers Southeast Asia and Skechers Thailand.

NINE MONTHS ENDED SEPTEMBER 30, 2009 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2008

Net sales

Net sales for the nine months ended September 30, 2009 were \$1.048 billion, a decrease of \$94.8 million or 8.3%, from net sales of \$1.142 billion for the nine months ended September 30, 2008. The decrease in net sales was primarily due to lower sales in our domestic wholesale segment.

Our domestic wholesale net sales decreased \$103.5 million, or 16.0%, to \$544.4 million for the nine months ended September 30, 2009, from \$647.9 million for the nine months ended September 30, 2008. The largest decreases in our domestic wholesale segment came in our Women's Active, Cali Gear, and Men's USA divisions. The average selling price per pair within the domestic wholesale segment increased to \$19.17 per pair for the nine months ended September 30, 2009 from \$19.10 per pair in the same period last year. The decrease in domestic

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wholesale segment net sales came on a 16.3% unit sales volume decrease to 28.4 million pairs from 33.9 million pairs for the same period in 2008.

Our international wholesale segment net sales decreased \$9.2 million, or 3.4%, to \$261.1 million for the nine months ended September 30, 2009, compared to \$270.3 million for the nine months ended September 30, 2008. Direct subsidiary sales increased \$1.3 million, or 0.7%, to \$183.1 million for the nine months ended September 30, 2009 compared to net sales of \$181.8 million for the nine months ended September 30, 2008. The largest sales increases during the nine months ended September 30, 2009 came from our subsidiary in China and Chile. Our distributor sales decreased \$10.5 million to \$78.1 million for the nine months ended September 30, 2009, a 11.9% decrease from sales of \$88.6 million for the nine months ended September 30, 2008. This was primarily due to decreased sales to our distributor in Russia as well as the conversion of our Chilean distributor to a subsidiary, effective June 1, 2009.

Our retail segment sales increased \$16.5 million to \$227.5 million for the nine months ended September 30, 2009, a 7.8% increase over sales of \$211.0 million for the nine months ended September 30, 2008. The increase in retail sales was due to a net increase of 29 stores partially offset by negative comparable store sales. For the nine months ended September 30, 2009, we realized negative comparable store sales of 1.1% in our domestic retail stores and 17.9% in our international retail stores due to the challenging retail environment and unfavorable currency translations. During the nine months ended September 30, 2009, we opened 18 stores which consisted of five domestic concept stores, ten domestic outlet stores, one international concept store and two international outlet stores. In addition, we acquired ten international concept stores from one of our distributors and contributed six other international concept stores to a new joint venture. Despite negative comparable store sales, our domestic retail sales increased 8.4% for the nine months ended September 30, 2009 compared to the same period in 2008 due to a net increase of 20 stores. Our international retail sales increased 2.1% for the nine months ended September 30, 2009 compared to the same period in 2008, attributable to the purchase of ten stores from our Chilean distributor.

Our e-commerce sales increased \$1.4 million, or 10.3%, to \$14.8 million for the nine months ended September 30, 2009 from \$13.4 million for the nine months ended September 30, 2008. Our e-commerce sales made up approximately 1% of our consolidated net sales for each of the nine months ended September 30, 2009 and 2008.

Gross profit

Gross profit for the nine months ended September 30, 2009 decreased \$69.1 million to \$431.8 million as compared to \$500.9 million for the nine months ended September 30, 2008. Gross margin decreased to 41.2% for the nine months ended September 30, 2008 from 43.8% for the same period in the prior year. Our domestic wholesale segment gross profit decreased \$51.7 million, or 21.0%, to \$194.7 million for the nine months ended September 30, 2009 compared to \$246.4 million for the nine months ended September 30, 2008. Domestic wholesale margins decreased to 35.8% for the nine months ended September 30, 2009 from 38.0% for the same period in the prior year. The decrease in domestic wholesale margins was primarily due to higher closeouts and product mix changes, and continued price pressure during the first half of 2009 resulting from the weak U.S. retail environment.

Gross profit for our international wholesale segment decreased \$26.3 million, or 22.0%, to \$93.1 million for the nine months ended September 30, 2009 compared to \$119.4 million for the nine months ended September 30, 2008. Gross margins were 35.7% for the nine months ended September 30, 2009 compared to 44.2% for the nine months ended September 30, 2008. The decrease in gross margins for our international wholesale segment was due to weaker retail environments abroad and unfavorable currency translations. Gross margins for our direct subsidiary sales were 39.1% for the nine months ended September 30, 2009 as compared to 51.2% for the nine months ended September 30, 2008. Gross margins for our distributor sales were 27.6% for the nine months ended September 30, 2009 as compared to 29.7% for the nine months ended September 30, 2008.

Gross profit for our retail segment increased \$7.4 million, or 5.8%, to \$136.1 million for the nine months ended September 30, 2009 as compared to \$128.7 million for the nine months ended September 30, 2008. Gross margins for all stores were 59.8% for the nine months ended September 30, 2009 as compared to 61.0% for the nine months

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ended September 30, 2008. Gross margins for our domestic stores were 59.9% for the nine months ended September 30, 2009 as compared to 60.9% for the nine months ended September 30, 2008. The decrease in domestic retail margins was due to higher closeouts and product mix changes, and continued price pressure during the first half of 2009 resulting from the weak U.S. retail environment. Gross margins for our international stores were 58.6% for the nine months ended September 30, 2009 as compared to 61.6% for the nine months ended September 30, 2008. The decrease in international retail margins was due to weaker retail environments abroad and unfavorable currency translations.

Selling expenses

Selling expenses decreased by \$7.4 million, or 7.0%, to \$97.6 million for the nine months ended September 30, 2009 from \$105.0 million for the nine months ended September 30, 2008. As a percentage of net sales, selling expenses were 9.3% and 9.2% for the nine months ended September 30, 2009 and 2008, respectively. The decrease in selling expenses was primarily due to decreased advertising costs of \$4.4 million and lower trade show expenses of \$2.2 million.

General and administrative expenses

General and administrative expenses decreased by \$0.2 million, or 0.1%, to \$304.3 million for the nine months ended September 30, 2009 from \$304.5 million for the nine months ended September 30, 2008. As a percentage of sales, general and administrative expenses were 29.1% and 26.6% for the nine months ended September 30, 2009 and 2008, respectively. The decrease in general and administrative expenses was primarily due to reduced temporary help costs of \$3.6 million, lower travel and entertainment costs of \$3.4 million, decreased bad debt expense of \$3.0 million, partially offset by higher rent expense of \$5.2 million as a result of an additional 29 stores from the prior year and higher salaries of \$2.6 million. In addition, the expenses related to our distribution network, including the functions of purchasing, receiving, inspecting, allocating, warehousing and packaging of our products totaled \$83.0 million and \$88.8 million for the nine months ended September 30, 2009 and 2008, respectively. The \$5.8 million decrease was due to reduced sales volumes.

Interest income

Interest income for the nine months ended September 30, 2009 decreased \$4.3 million to \$1.6 million compared to \$5.9 million for the same period in 2008. The decrease in interest income resulted from lower interest rates for the nine months ended September 30, 2009 as compared to the same period in 2008.

Interest expense

Interest expense was \$1.9 million for the nine months ended September 30, 2009 compared to \$3.6 million for the same period in 2008. The decrease was primarily due to increased capitalized interest on our new corporate headquarters and the warehouse equipment for our new distribution center and reduced interest on purchases from our manufacturers.

Income taxes

Our effective tax rate was 25.2% and 21.2% for the nine months ended September 30, 2009 and 2008, respectively. Income tax expense for the nine months ended September 30, 2009 was \$8.2 million compared to \$20.2 million for the same period in 2008. The tax provision for the nine months ended September 30, 2009 was computed using the estimated effective tax rates applicable to each of the domestic and international taxable jurisdictions for the full year. Included in the above effective tax rates and income tax expense amounts for the nine months ended September 30, 2009 is a \$1.9 million discrete tax benefit adjusting the amount of tax benefit recognized in 2008 from entering into an advanced pricing agreement (“APA”) with the U.S. Internal Revenue Service (“IRS”). Excluding this discrete item, our effective tax rate for the nine months ended September 30, 2009 would have been 31.1%. The effective tax rate for the nine-months ended September 30, 2009 is lower than the expected domestic rate of approximately 40% due to our non-U.S. subsidiary earnings in lower tax rate jurisdictions

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and our planned permanent reinvestment of undistributed earnings from our non-U.S. subsidiaries. As such, we did not provide for deferred income taxes on accumulated undistributed earnings of our non-U.S. subsidiaries.

Noncontrolling interest in net loss of consolidated subsidiaries

Noncontrolling interest for the nine months ended September 30, 2009 increased \$1.4 million to \$2.2 million compared to \$0.8 million for the same period in 2008.

LIQUIDITY AND CAPITAL RESOURCES

Our working capital at September 30, 2009 was \$529.8 million, an increase of \$116.0 million from working capital of \$413.8 million at December 31, 2008. Our cash and cash equivalents at September 30, 2009 were \$246.4 million compared to \$114.9 million at December 31, 2008. The increase in cash and cash equivalents of \$131.5 million was primarily the result of the redemption of our investments in auction rate securities of \$95.3 million and decreased inventory levels of \$70.9 million, partially offset by capital expenditures of \$31.2 million.

For the nine months ended September 30, 2009, net cash provided by operating activities was \$90.3 million compared to net cash used in operating activities of \$14.6 million for the nine months ended September 30, 2008. The increase in our operating cash flows for the nine months ended September 30, 2009, when compared to the nine months ended September 30, 2008 was primarily the result of reduced inventory levels.

Net cash provided by investing activities was \$34.4 million for the nine months ended September 30, 2009 as compared to net cash used in investing activities of \$39.2 million for the nine months ended September 30, 2008. In June 2009, Wachovia Securities redeemed our investments in auction rate preferred stocks and auction rate DRD preferred securities at par for cash, which was the primary reason for the increase in our cash flows from investing activities. Capital expenditures for the nine months ended September 30, 2009 were approximately \$31.2 million, which primarily consisted of warehouse equipment for our new distribution center and new store openings and remodels. This compared to capital expenditures of \$47.8 million for the nine months ended September 30, 2008, which primarily consisted of a corporate real property purchase, new store openings and remodels, and warehouse equipment upgrades. Excluding the costs of our new distribution center, we expect our ongoing capital expenditures for the remainder of 2009 to be approximately \$5.0 million to \$7.0 million, which includes opening an additional four to eight domestic retail stores, store remodels and tenant improvements in our new corporate facility. We are currently in the process of designing and purchasing the equipment to be used in our new distribution center and estimate the cost of this equipment to be approximately \$85.0 million, of which \$38.5 million was incurred as of September 30, 2009. We expect to spend the remaining balance in the second half of 2010.

Net cash provided by financing activities was \$5.6 million during the nine months ended September 30, 2009 compared to \$6.1 million during the nine months ended September 30, 2008. The decrease in cash provided by financing activities was due to lower proceeds from the issuance of Class A common stock upon the exercise of stock options during the nine months ended September 30, 2009 as compared to the same period in the prior year.

We have outstanding debt of \$16.3 million that primarily relates to notes payable for one of our distribution center warehouses and one of our administrative offices, which notes are secured by the properties and due in January 2011.

On June 30, 2009, we entered into the \$250.0 million Credit Agreement that replaced the existing \$150.0 million credit agreement. The new credit facility matures in June 2013. The Credit Agreement permits us and certain of our subsidiaries to borrow up to \$250.0 million based upon a borrowing base of eligible accounts receivable and inventory, which amount can be increased to \$300.0 million at our request and upon satisfaction of certain conditions including obtaining the commitment of existing or prospective lenders willing to provide the incremental amount. Borrowings bear interest at the borrowers' election based on LIBOR or a Base Rate (defined as the greatest of the base LIBOR plus 1.00%, the Federal Funds Rate plus 0.5% or one of the lenders' prime rate), in each case, plus an applicable margin based on the average daily principal balance of revolving loans under the Credit Agreement (2.75% to 3.25% for Base Rate Loans and 3.75% to 4.25% for Libor Rate Loans). We pay a monthly

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unused line of credit fee between 0.5% and 1.0% per annum, which varies based on the average daily principal balance of outstanding revolving loans and undrawn amounts of letters of credit outstanding during such month. The Credit Agreement further provides for a limit on the issuance of letters of credit to a maximum outstanding amount of \$50.0 million. The Credit Agreement contains customary affirmative and negative covenants for secured credit facilities of this type, including a fixed charges coverage ratio that applies when excess availability is less than \$50.0 million. In addition, the Credit Agreement places limits on additional indebtedness that we are permitted to incur as well as other restrictions on certain transactions. We and our subsidiaries were in compliance with all of the financial covenants of the Credit Agreement at September 30, 2009. We and our subsidiaries had \$1.6 million of outstanding letters of credit and short-term borrowings of \$0.5 million as of September 30, 2009. We paid syndication and commitment fees of \$5.5 million on this facility which are being amortized over the four-year life of the facility.

We believe that anticipated cash flows from operations, available borrowings under our secured line of credit, cash on hand and financing arrangements will be sufficient to provide us with the liquidity necessary to fund our anticipated working capital and capital requirements through September 30, 2010. However, in connection with our current strategies, we will incur significant working capital requirements and capital expenditures. Our future capital requirements will depend on many factors, including, but not limited to, costs associated with moving to a new distribution facility, the levels at which we maintain inventory, the market acceptance of our footwear, the success of our international operations, the levels of advertising and marketing required to promote our footwear, the extent to which we invest in new product design and improvements to our existing product design, any potential acquisitions of other brands or companies, and the number and timing of new store openings. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional funds through public or private financing of debt or equity. We cannot be assured that additional financing will be available or that, if available, it can be obtained on terms favorable to our stockholders and us. Failure to obtain such financing could delay or prevent our current business plans, which could adversely affect our business, financial condition and results of operations. In addition, if additional capital is raised through the sale of additional equity or convertible securities, dilution to our stockholders could occur.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any relationships with unconsolidated entities or financial partnerships such as entities often referred to as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance-sheet arrangements or for other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. For a detailed discussion of our critical accounting policies please refer to our annual report on Form 10-K for the year ended December 31, 2008 filed with the U.S. Securities and Exchange Commission ("SEC") on March 2, 2009.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued ASC 105-10 (formerly SFAS 168), "*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*." ASC 105-10 became the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernment entities. It also modifies the GAAP hierarchy to include only two levels of GAAP; authoritative and non-authoritative. ASC 105-10 is effective

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for financial statements issued for interim and annual periods ending after September 15, 2009. We adopted ASC 105-10 during the 2009 third quarter. Our adoption of ASC 105-10 did not have a material impact on our consolidated financial statements.

QUARTERLY RESULTS AND SEASONALITY

While sales of footwear products have historically been somewhat seasonal in nature with the strongest sales generally occurring in the second and third quarters, we believe that changes in our product offerings have somewhat mitigated the effect of this seasonality and, consequently, our sales are not necessarily as subjected to seasonal trends as those of our past or of our competitors in the footwear industry.

We have experienced, and expect to continue to experience, variability in our net sales and operating results on a quarterly basis. Various macroeconomic pressures have created a difficult retail environment which has caused a downturn in our overall business. Our domestic customers generally assume responsibility for scheduling pickup and delivery of purchased products. Any delay in scheduling or pickup which is beyond our control could materially negatively impact our net sales and results of operations for any given quarter. We believe the factors which influence this variability include (i) the timing of our introduction of new footwear products, (ii) the level of consumer acceptance of new and existing products, (iii) general economic and industry conditions that affect consumer spending and retail purchasing, (iv) the timing of the placement, cancellation or pickup of customer orders, (v) increases in the number of employees and overhead to support growth, (vi) the timing of expenditures in anticipation of increased sales and customer delivery requirements, (vii) the number and timing of our new retail store openings and (viii) actions by competitors. Due to these and other factors, the operating results for any particular quarter are not necessarily indicative of the results for the full year.

INFLATION

We do not believe that the relatively moderate rates of inflation experienced in the United States over the last three years have had a significant effect on our sales or profitability. However, we cannot accurately predict the effect of inflation on future operating results. We do not believe that inflation has had or will have a material effect on our sales or profitability. While we have been able to offset our foreign product cost increases by increasing prices or changing suppliers in the past, we cannot assure you that we will be able to continue to make such increases or changes in the future.

EXCHANGE RATES

Although we currently invoice most of our customers in U.S. dollars, changes in the value of the U.S. dollar versus the local currency in which our products are sold, along with economic and political conditions of such foreign countries, could adversely affect our business, financial condition and results of operations. During 2009, we have experienced unfavorable currency translations which may continue in the foreseeable future. Purchase prices for our products may be impacted by fluctuations in the exchange rate between the U.S. dollar and the local currencies of the contract manufacturers, which may have the effect of increasing our cost of goods in the future. In addition, the weakening of an international customer's local currency and banking market may negatively impact such customer's ability to meet their payment obligations to us. We regularly monitor the creditworthiness of our international customers and make credit decisions based on both prior sales experience with such customers and their current financial performance, as well as overall economic conditions. While we currently believe that our international customers have the ability to meet all of their obligations to us, there can be no assurance that they will continue to be able to meet such obligations. During 2008 and the first nine months of 2009, exchange rate fluctuations did not have a material impact on our inventory costs. We do not engage in hedging activities with respect to such exchange rate risk.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not hold any derivative securities that require fair value presentation per ASC 815-25 (formerly SFAS 133).

Market risk is the potential loss arising from the adverse changes in market rates and prices, such as interest rates and foreign currency exchange rates. Changes in interest rates and changes in foreign currency exchange rates have had and may continue to have an impact on our results of operations.

Interest rate fluctuations. The interest rate charged on our secured line of credit fluctuates and changes in interest rates will have an effect on the interest charged on outstanding balances. No amounts relating to this secured line of credit facility are currently outstanding at September 30, 2009. We had \$0.5 million of outstanding short-term borrowings subject to changes in interest rates; however, we do not expect that any changes will have a material impact on our financial condition or results of operations.

Foreign exchange rate fluctuations. We face market risk to the extent that changes in foreign currency exchange rates affect our non-U.S. dollar functional currency foreign subsidiary's revenues, expenses, assets and liabilities. In addition, changes in foreign exchange rates may affect the value of our inventory commitments. Also, inventory purchases of our products may be impacted by fluctuations in the exchange rates between the U.S. dollar and the local currencies of the contract manufacturers, which could have the effect of increasing the cost of goods sold in the future. We manage these risks by primarily denominating these purchases and commitments in U.S. dollars. We do not engage in hedging activities with respect to such exchange rate risks.

Assets and liabilities outside the United States are located in the United Kingdom, France, Germany, Spain, Switzerland, Italy, Canada, Belgium, the Netherlands, Brazil, Chile, China, Hong Kong, Malaysia, Singapore and Thailand. Our investments in foreign subsidiaries with a functional currency other than the U.S. dollar are generally considered long-term. Accordingly, we do not hedge these net investments. During the nine months ended September 30, 2009 and 2008, the fluctuation of foreign currencies resulted in a cumulative foreign currency translation gain of \$4.9 million and loss of \$7.7 million, respectively, that are deferred and recorded as a component of accumulated other comprehensive income in stockholders' equity. A 200 basis point reduction in each of these exchange rates at September 30, 2009 would have reduced the values of our net investments by approximately \$2.4 million.

ITEM 4. CONTROLS AND PROCEDURES

Attached as exhibits to this quarterly report on Form 10-Q are certifications of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This Controls and Procedures section includes information concerning the controls and controls evaluation referred to in the certifications.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The term "disclosure controls and procedures" refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods. We have established disclosure controls and procedures to ensure that material information relating to Skechers and its consolidated subsidiaries is made known to the officers who certify our financial reports, as well as other members of senior management and the Board of Directors, to allow timely decisions regarding required disclosures. As of the end of the period covered by this quarterly report on Form 10-Q, we carried out an evaluation under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures are effective in timely alerting them to material information related to our company that is required to be included in our periodic reports filed with the SEC under the Exchange Act.

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CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the three months ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on 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. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 22, 2009, Louis Miranda filed a lawsuit against us in the Superior Court for the State of California, County of Los Angeles, MIRANDA V. SKECHERS U.S.A., INC. (Case. No. BC414344). The complaint alleges harassment, discrimination based on sexual orientation, failure to prevent discrimination, retaliation and wrongful termination. The lawsuit seeks, among other things, general and compensatory damages, special damages according to proof, punitive damages, prejudgment interest, and attorneys' fees and costs. While we cannot predict the outcome of the litigation, we believe that we have meritorious defenses to the claims asserted by Miranda and intend to defend against those claims vigorously.

We have no reason to believe that any liability with respect to pending legal actions, individually or in the aggregate, will have a material adverse effect on our consolidated financial statements or results of operations. We occasionally become involved in litigation arising from the normal course of business, and management is unable to determine the extent of any liability that may arise from unanticipated future litigation. We recognize legal expense in connection with loss contingencies as incurred.

ITEM 1A. RISK FACTORS

The information presented below updates the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2008 and should be read in conjunction with the risk factors and other information disclosed in our 2008 annual report that could have a material effect on our business, financial condition and results of operations.

We Depend Upon A Relatively Small Group Of Customers For A Large Portion Of Our Sales.

During the nine months ended September 30, 2009 and September 30, 2008, our net sales to our five largest customers accounted for approximately 25.0% and 24.2% of total net sales, respectively. No customer accounted for more than 10% of our net sales during the nine months ended September 30, 2009 or 2008. No customers accounted for more than 10% of our outstanding accounts receivable balance at September 30, 2009. One customer accounted for 9.5% of our outstanding accounts receivable balance at September 30, 2008. Although we have long-term relationships with many of our customers, our customers do not have a contractual obligation to purchase our products and we cannot be certain that we will be able to retain our existing major customers. Furthermore, the retail industry regularly experiences consolidation, contractions and closings which may result in our loss of customers or our inability to collect accounts receivable of major customers. If we lose a major customer, experience a significant decrease in sales to a major customer or are unable to collect the accounts receivable of a major customer, our business could be harmed.

We Rely On Independent Contract Manufacturers And, As A Result, Are Exposed To Potential Disruptions In Product Supply.

Our footwear products are currently manufactured by independent contract manufacturers. During the nine months ended September 30, 2009 and September 30, 2008, the top five manufacturers of our manufactured products produced approximately 68.3% and 65.3% of our total purchases, respectively. One manufacturer accounted for 27.8% of total purchases for the nine months ended September 30, 2009 and the same manufacturer accounted for 31.6% of total purchases for the same period in 2008. A second manufacturer accounted for 12.5% of our total purchases during the nine months ended September 30, 2009 and another manufacturer accounted for 11.7% of total purchases for the nine months ended September 30, 2008. Two other manufacturers accounted for 11.4% and 10.6%, respectively, of our total purchases during the nine months ended September 30, 2009. We do not have long-term contracts with manufacturers, and we compete with other footwear companies for production facilities. We could experience difficulties with these manufacturers, including reductions in the availability of production capacity, failure to meet our quality control standards, failure to meet production deadlines or increased manufacturing costs. This could result in our customers canceling orders, refusing to accept deliveries or demanding reductions in purchase prices, any of which could have a negative impact on our cash flow and harm our business.

If some or all of our current manufacturers cease doing business with us, we could experience an interruption in the manufacture of our products. Although we believe that we could find alternative manufacturers, we may be unable to establish relationships with alternative manufacturers that will be as favorable as the relationships we have now. For example, new manufacturers may have higher prices, less favorable payment terms, lower manufacturing capacity, lower quality standards or higher lead times for delivery. If we are unable to provide products consistent with our standards or the manufacture of our footwear is delayed or becomes more expensive, our business would be harmed.

One Principal Stockholder Is Able To Exert Significant Influence Over All Matters Requiring A Vote Of Our Stockholders And His Interests May Differ From The Interests Of Our Other Stockholders.

As of September 30, 2009, Robert Greenberg, Chairman of the Board and Chief Executive Officer, beneficially owned 39.0% of our outstanding Class B common shares and members of Mr. Greenberg's immediate family beneficially owned an additional 21.3% of our outstanding Class B common shares. The remainder of our outstanding Class B common shares are held in two irrevocable trusts for the benefit of Mr. Greenberg and his immediate family members, and voting control of such shares resides with the independent trustee. The holders of Class A common shares and Class B common shares have identical rights except that holders of Class A common shares are entitled to one vote per share while holders of Class B common shares are entitled to ten votes per share on all matters submitted to a vote of our stockholders. As a result, as of September 30, 2009, Mr. Greenberg beneficially owned approximately 30.5% of the aggregate number of votes eligible to be cast by our stockholders, and together with shares beneficially owned by other members of his immediate family, they beneficially owned approximately 48.1% of the aggregate number of votes eligible to be cast by our stockholders. Therefore, Mr. Greenberg is able to exert significant influence over all matters requiring approval by our stockholders. Matters that

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require the approval of our stockholders include the election of directors and the approval of mergers or other business combination transactions. Mr. Greenberg also has significant influence over our management and operations. As a result of such influence, certain transactions are not likely without the approval of Mr. Greenberg, including proxy contests, tender offers, open market purchase programs or other transactions that can give our stockholders the opportunity to realize a premium over the then-prevailing market prices for their shares of our Class A common shares. Because Mr. Greenberg's interests may differ from the interests of the other stockholders, Mr. Greenberg's significant influence on actions requiring stockholder approval may result in our company taking action that is not in the interests of all stockholders. The differential in the voting rights may also adversely affect the value of our Class A common shares to the extent that investors or any potential future purchaser view the superior voting rights of our Class B common shares to have value.

We Have Recently Entered The Highly Competitive Performance Footwear Market.

Although the design and aesthetics of our products have traditionally been the most important factor in consumer acceptance of our footwear, we have recently introduced technical innovation into our product offerings to capitalize on the recent trends in the performance footwear market. The performance footwear market is keenly competitive in the United States and worldwide, and new entrants into that market face many challenges. Our historical reputation as a fashion and lifestyle footwear company, consumer perceptions of our performance features, competitive product offerings and technologies, rapid changes in footwear technology and consumer demands, professional and expert opinions on our technical features and performance claims, and publicity and media attention associated with this product category may constitute significant risk factors in our operations and may negatively impact our business.

ITEM 5. OTHER INFORMATION

Because of the timing of the event, we have opted to include the following disclosure in this Item 5, rather than filing a separate Form 8-K under Item 1.01 "Entry into a Material Definitive Agreement."

Effective November 5, 2009, we entered into Amendment Number One to Credit Agreement and Waiver (the "Amendment") which amends that certain Credit Agreement dated as of June 30, 2009, between us, three of our subsidiaries, and a group of eight banks including Wells Fargo Foothill, LLC, as joint-lead arranger and administrative agent, Bank of America N.A., as syndication agent, Bank of America LLC, as the joint-lead arranger (the "Lenders"). The Amendment (i) effects certain changes in the provisions describing the obligations of the Agent (as defined therein) to the Lenders and extends those provisions to include providers of bank products; (ii) amends the definition of a Permitted Holder for purposes of the change of control provisions of the Credit Agreement to include certain specifically designated trusts created by certain existing stockholders (the "Trusts"); (iii) waives any Event of Default (as defined therein) that might have occurred as a result of transfers of shares to the Trusts; and (iv) releases any claims that we or our guarantor subsidiaries might have against the Agent or the Lenders. Certain of the lenders party to the Credit Agreement, and their respective affiliates, have performed and may in the future perform for us various commercial banking, underwriting and other financial advisory services, for which they have received, and will receive, customary fees and expenses.

The foregoing description is not intended to be a complete description of the Amendment, and is qualified in its entirety by reference to the full text of the Amendment, which is filed as Exhibit 10.3 to this Quarterly Report on Form 10-Q.

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ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
10.1	Credit Agreement dated June 30, 2009, by and among the Registrant, certain of its subsidiaries that are also borrowers under the Agreement, and certain lenders including Wells Fargo Foothill, LLC, as co-lead arranger and administrative agent, Bank of America, N.A., as syndication agent, and Banc of America Securities LLC, as the other co-lead arranger (incorporated by reference to exhibit number 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on July 7, 2009).
10.2	Schedule 1.1 of Defined Terms to the Credit Agreement dated June 30, 2009, by and among the Registrant, certain of its subsidiaries that are also borrowers under the Agreement, and certain lenders including Wells Fargo Foothill, LLC, Bank of America, N.A., and Banc of America Securities LLC (incorporated by reference to exhibit number 10.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on July 7, 2009).
10.3	Amendment Number One to Credit Agreement dated November 5, 2009, by and among the Registrant, certain of its subsidiaries that are also borrowers under the Agreement, and certain lenders including Wells Fargo Foothill, LLC, as co-lead arranger and administrative agent, Bank of America, N.A., as syndication agent, and Banc of America Securities LLC, as the other co-lead arranger.
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. ***

*** In accordance with Item 601(b)(32)(ii) of Regulation S-K, this exhibit shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 6, 2009

SKECHERS U.S.A., INC.

By: /S/ DAVID WEINBERG _____

David Weinberg

Chief Financial Officer

(Principal Financial and Accounting Officer)

AMENDMENT NUMBER ONE TO CREDIT AGREEMENT AND WAIVER

THIS AMENDMENT NUMBER ONE TO CREDIT AGREEMENT AND WAIVER (this "Amendment"), dated as of November 5, 2009, is entered into by and among **SKECHERS U.S.A., INC.**, a Delaware corporation ("Parent"), each of Parent's Subsidiaries identified on the signature pages thereof (such Subsidiaries, together with Parent and each other Subsidiary that becomes a party thereto after the date thereof in accordance with the terms thereof, are referred to hereinafter each individually as a "Borrower", and individually and collectively, jointly and severally, as the "Borrowers"), the lenders identified on the signature pages hereof (such lenders, and the other lenders party to the below-defined Credit Agreement, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), and **WELLS FARGO FOOTHILL, LLC**, a Delaware limited liability company, as a joint lead arranger and as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, "Agent") in light of the following:

WITNESSETH

WHEREAS, Parent, Borrowers, Lenders, Agent, **BANK OF AMERICA, N.A.**, as syndication agent, and **BANC OF AMERICA SECURITIES LLC**, as a joint lead arranger are parties to that certain Credit Agreement, dated as of June 30, 2009 (as amended, restated, supplemented, or otherwise modified through the date hereof, the "Credit Agreement");

WHEREAS, Borrowers have informed Agent that (i) Robert Y. Greenberg, a Permitted Holder, has entered into The Robert Y. Greenberg 2009 Annuity Trust, executed on September 14, 2009 (the "Robert Greenberg Trust"), by and among Robert Y. Greenberg, as the settler, and Gil N. Schwartzberg, as the trustee (the "Trustee of the Robert Greenberg Trust") and, in connection therewith, has transferred 2.5 million Class B shares of the Stock of Parent to the Robert Greenberg Trust and (ii) M. Susan Greenberg, a Permitted Holder, has entered into The M. Susan Greenberg 2009 Annuity Trust, executed on September 14, 2009 (the "Susan Greenberg Trust"); and together with the Robert Greenberg Trust, collectively, the "Trusts"), by and among M. Susan Greenberg, as the settler, and Gil N. Schwartzberg, as the trustee (the "Trustee of the Susan Greenberg Trust"; the Trustee of the Susan Greenberg Trust and the Trustee of the Robert Greenberg Trust, referred to collectively as the "Trustee") and, in connection therewith, has transferred 2.5 million Class B shares of the Stock of Parent to the Susan Greenberg Trust;

WHEREAS, the Trusts do not constitute "Family Trusts" as defined in Schedule P-1 to the Credit Agreement;

WHEREAS, (i) as a result of the transfer of the Class B shares of the Stock of Parent to the Trusts, the Permitted Holders own and control approximately 48.1% of the Stock of Parent having the right to vote for the election of members of the Board of Directors, (ii) pursuant to the terms and conditions of the Robert Greenberg Trust and the Susan Greenberg Trust, the Trustee is the beneficial owner of approximately 30.5% of the Stock of Parent having the right to vote for the election of members of the Board of Directors, and (iii) in light of clauses (i) and (ii) of this recital, a Change of Control has occurred under the Credit Agreement (the "Designated Change of Control");

WHEREAS, the occurrence of the Designated Change of Control constitutes an Event of Default pursuant to Section 6.8 of the Credit Agreement (the "Designated Event of Default");

WHEREAS, Borrowers have requested that Agent and Lenders (i) make certain amendments to the Credit Agreement and (ii) waive the Designated Event of Default; and

WHEREAS, upon the terms and conditions set forth herein, Agent and the undersigned Lenders are willing to accommodate Borrowers' requests.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement, as amended hereby.

2. Amendments to Credit Agreement.

(a) Schedule 1.1 of the Credit Agreement is hereby amended and modified by amending and restating or adding (as applicable) the following definitions in the appropriate alphabetical order:

"Continuing Director" means (a) any member of the Board of Directors who was a director (or comparable manager) of Parent on the Closing Date, and (b) any individual who becomes a member of the Board of Directors after the Closing Date if such individual was approved, appointed or nominated for election to the Board of Directors by either (i) the Permitted Holders (other than any trust or estate planning vehicle pursuant to clause (b) or (c) of the definition of Family Trust) or (ii) a majority of the Continuing Directors, but excluding any such individual originally proposed for election in opposition to the Board of Directors in office at the Closing Date in an actual or threatened election contest relating to the election of the directors (or comparable managers) of Parent and whose initial assumption of office resulted from such contest or the settlement thereof.

"Family Member" has the meaning specified therefor in Schedule P-1.

"Family Trusts" has the meaning specified therefor in Schedule P-1.

"First Amendment" means that certain Amendment Number One to Credit Agreement and Waiver, dated as of November 5, 2009, by and among the Borrowers, Agent, and the Lenders signatory thereto.

"Non-Qualified Family Trust" has the meaning specified therefor in Section 5.17 of the Agreement.

"Robert Greenberg Trust Agreement" has the meaning specified therefor in the definition of Family Trusts.

"Susan Greenberg Trust Agreement" has the meaning specified therefor in the definition of Family Trusts.

"Trust Agreements" and "Trust Agreement" have the respective meanings specified therefor in the definition of Family Trusts.

(b) Section 5 of the Credit Agreement is hereby amended and modified by adding a new Section 5.17 following Section 5.16 therein as follows:

"5.17 **Trusts**. In the event that any trust or other estate planning vehicle is established for the benefit of Robert Greenberg or any Family Member of Robert Greenberg on or after the date of the First Amendment, which trust or other estate planning vehicle does not constitute a Family Trust

solely because Robert Greenberg or a Family Member of Robert Greenberg does not serve as trustee or a similar capacity therefor (a “Non-Qualified Family Trust”), Borrower shall provide Agent with not less than 5 Business Days prior written notice before (a) the establishment of any such Non-Qualified Family Trust that, at the time of its creation, will hold 250,000 or more shares of the Stock of Parent and (b) the transfer or contribution (whether in one transfer or contribution or a series of related transfers or contributions) of 250,000 or more shares of the Stock of Parent to any such Non-Qualified Family Trust, in each case, together with copies of the applicable trust agreement or estate planning vehicle agreement relating to such Non-Qualified Family Trust.”

(c) Section 8.2 of the Credit Agreement is hereby amended and modified by amending and restating Section 8.2(a) in its entirety as follows:

“(a) fails to perform or observe any covenant or other agreement contained in any of (i) Sections 3.6, 5.1, 5.2 (other than with respect to any of clauses (a) through (r) of Schedule 5.2), 5.3 (solely if any Borrower is not in good standing in its jurisdiction of organization), 5.6, 5.7 (solely if Borrowers refuse to allow Agent or its representatives or agents to visit Borrowers’ properties, inspect its assets or books or records, examine and make copies of its books and records, or discuss Borrowers’ affairs, finances, and accounts with officers and employees of Borrowers), 5.10, 5.11, 5.14, or 5.17 of this Agreement, (ii) Sections 6.1 through 6.16 of this Agreement, (iii) Section 7 of this Agreement, or (iv) Section 6 of the Security Agreement;”

(d) Section 15.1 of the Credit Agreement is hereby amended and modified by amending and restating the first four sentences appearing therein in their entirety as follows:

“**15.1 Appointment and Authorization of Agent.** Each Lender hereby designates and appoints WFF as its agent under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes Agent to execute and deliver each of the other Loan Documents on its behalf and to take such other action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to Agent by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. Agent agrees to act as agent for and on behalf of the Lenders (and the Bank Product Providers) on the conditions contained in this Section 15. The provisions of this Section 15 are solely for the benefit of Agent and the Lenders, and Parent and its Subsidiaries shall have no rights as a third party beneficiary of any of the provisions contained herein. Any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document notwithstanding, Agent shall not have any duties or responsibilities, except those expressly set forth herein or in the other Loan Documents, nor shall Agent have or be deemed to have any fiduciary relationship with any Lender (or Bank Product Provider), and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against Agent. Without limiting the generality of the foregoing, the use of the term “agent” in this Agreement or the other Loan Documents with reference to Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only a representative relationship between independent contracting parties. Each Lender hereby further authorizes (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to authorize) Agent to act as the secured party under each of the Loan Documents that create a Lien on any item of Collateral.”

(e) Section 15.3 of the Credit Agreement is hereby amended and modified by inserting “(or Bank Product Providers)” after “the Lenders” appearing therein.

(f) Section 15.4 of the Credit Agreement is hereby amended and modified by (1) inserting “(and, if it so elects, the Bank Product Providers)” after the phrase “If Agent so requests, it shall first be

indemnified to its reasonable satisfaction by the Lenders” and (b) inserting “(and Bank Product Providers)” after “the Lenders” in the last sentence appearing therein.

(g) Section 15.6 of the Credit Agreement is hereby amended and modified by amending and restating such section in its entirety as follows:

“15.6 **Credit Decision.** Each Lender (and Bank Product Provider) acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by Agent hereinafter taken, including any review of the affairs of Parent and its Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender (or Bank Product Provider). Each Lender represents (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to represent) to Agent that it has, independently and without reliance upon any Agent-Related Person and based on such due diligence, documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers or any other Person party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to Borrowers. Each Lender also represents (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to represent) that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrowers or any other Person party to a Loan Document. Except for notices, reports, and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender (or Bank Product Provider) with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrowers or any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons. Each Lender acknowledges (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to acknowledge) that Agent does not have any duty or responsibility, either initially or on a continuing basis (except to the extent, if any, that is expressly specified herein) to provide such Lender (or Bank Product Provider) with any credit or other information with respect to Borrowers, its Affiliates or any of their respective business, legal, financial or other affairs, and irrespective of whether such information came into Agent’s or its Affiliates’ or representatives’ possession before or after the date on which such Lender became a party to this Agreement (or such Bank Product Provider entered into a Bank Product Agreement).”

(h) Section 15.7 of the Credit Agreement is hereby amended and modified by inserting “(or Bank Product Providers)” after “Agent is authorized and directed to deduct and retain sufficient amounts from the Collections of Parent and its Subsidiaries received by Agent to reimburse Agent for such out-of-pocket costs and expenses prior to the distribution of any amounts to Lenders” appearing therein.

(i) Section 15.8 of the Credit Agreement is hereby amended and modified by amending and restating such section in its entirety as follows:

“15.8 **Agent in Individual Capacity.** WFF and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide Bank Products to, acquire equity interests in, and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Parent and its Subsidiaries and Affiliates and any other Person party to any Loan Document as though WFF were not Agent hereunder, and, in each case, without notice to or consent of the other members of the Lender Group. The other members of the Lender Group acknowledge (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to acknowledge) that, pursuant to such activities, WFF or its Affiliates may receive information regarding Parent or its Affiliates or any other Person

party to any Loan Documents that is subject to confidentiality obligations in favor of Parent or such other Person and that prohibit the disclosure of such information to the Lenders (or Bank Product Providers), and the Lenders acknowledge (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to acknowledge) that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver Agent will use its reasonable best efforts to obtain), Agent shall not be under any obligation to provide such information to them. The terms “Lender” and “Lenders” include WFF in its individual capacity.”

(j) Section 15.9 of the Credit Agreement is hereby amended and modified by amending and restating the first three sentences appearing therein in their entirety as follows:

“15.9 **Successor Agent.** Agent may resign as Agent upon 30 days prior written notice to the Lenders (unless such notice is waived by the Required Lenders) and Borrowers (unless such notice is waived by Borrowers) and without any notice to the Bank Product Providers. If Agent resigns under this Agreement, the Required Lenders shall be entitled to, with (so long as no Event of Default has occurred and is continuing) the consent of Borrowers (such consent not to be unreasonably withheld, delayed, or conditioned), appoint a successor Agent for the Lenders (and the Bank Product Providers). If, at the time that Agent’s resignation is effective, it is acting as an Issuing Lender or the Swing Lender, such resignation shall also operate to effectuate its resignation as an Issuing Lender or the Swing Lender, as applicable, and it shall automatically be relieved of any further obligation to issue Letters of Credit, to cause the Underlying Issuer to issue Letters of Credit, or to make Swing Loans.”

(k) Section 15.10 of the Credit Agreement is hereby amended and modified by amending and restating clause (a) of such section in its entirety as follows:

“(a) Any Lender and its respective Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, provide Bank Products to, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting, or other business with Parent and its Subsidiaries and Affiliates and any other Person party to any Loan Documents as though such Lender were not a Lender hereunder without notice to or consent of the other members of the Lender Group (or the Bank Product Providers). The other members of the Lender Group acknowledge (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to acknowledge) that, pursuant to such activities, such Lender and its respective Affiliates may receive information regarding Parent or its Affiliates or any other Person party to any Loan Documents that is subject to confidentiality obligations in favor of Parent or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to acknowledge) that, in such circumstances (and in the absence of a waiver of such confidentiality obligations, which waiver such Lender will use its reasonable best efforts to obtain), such Lender shall not be under any obligation to provide such information to them.”

(l) Section 15.11 of the Credit Agreement is hereby amended and modified by amending and restating such section in its entirety as follows:

“15.11 **Collateral Matters.**

(a) The Lenders hereby irrevocably authorize (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to authorize) Agent to release any Lien on any Collateral or otherwise consent to the disposition thereof free of the Lien created by the Loan Documents (i) upon the termination of the Commitments and payment and satisfaction in full by Borrowers of all Obligations, (ii) constituting property being sold or disposed of if a release is required or desirable in connection therewith and if Borrowers certify to Agent that the sale or disposition is

permitted under Section 6.4 or the other Loan Documents (and Agent may rely conclusively on any such certificate, without further inquiry), (iii) constituting property in which Parent or its Subsidiaries owned no interest at the time Agent's Lien was granted nor at any time thereafter, or (iv) constituting property leased to Parent or its Subsidiaries under a lease that has expired or is terminated in a transaction permitted under this Agreement. The Lenders hereby irrevocably authorize (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to authorize) Agent, based upon the instruction of the Required Lenders, to credit bid and purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral at any sale thereof conducted by Agent under the provisions of the Code, including pursuant to Sections 9-610 or 9-620 of the Code, any sale thereof conducted under the provisions of the Bankruptcy Code, including Section 363 of the Bankruptcy Code, or at any other sale or foreclosure conducted by Agent (whether by judicial action or otherwise) in accordance with applicable law. Except as provided above, Agent will not execute and deliver a release of any Lien on any Collateral without the prior written authorization of (y) if the release is of Collateral having an aggregate book value in excess of \$75,000,000 during any calendar year, all of the Lenders (without requiring the authorization of the Bank Product Providers), or (z) otherwise, the Required Lenders (without requiring the authorization of the Bank Product Providers); provided, however, that nothing in clause (y) of this sentence shall be deemed to restrict or limit the enforcement rights or remedies of Agent with respect to the Collateral under this Agreement or any other Loan Document that arise as a result of an Event of Default. Upon request by Agent or Borrowers at any time, the Lenders will (and if so requested, the Bank Product Providers will) confirm in writing Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 15.11; provided, however, that (1) Agent shall not be required to execute any document necessary to evidence such release on terms that, in Agent's opinion, would expose Agent to liability or create any obligation or entail any consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of Borrowers in respect of) all interests retained by Borrowers, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral. The Lenders further hereby irrevocably authorize (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to authorize) Agent, at its option and in its sole discretion, to subordinate any Lien granted to or held by Agent under any Loan Document to the holder of any Permitted Lien on such property if such Permitted Lien secures Permitted Purchase Money Indebtedness.

(b) Agent shall have no obligation whatsoever to any of the Lenders (or the Bank Product Providers) to assure that the Collateral exists or is owned by Parent or its Subsidiaries or is cared for, protected, or insured or has been encumbered, or that Agent's Liens 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 pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission, or event related thereto, subject to the terms and conditions contained herein, Agent may act in any manner it may deem appropriate, in its sole discretion given Agent's own interest in the Collateral in its capacity as one of the Lenders and that Agent shall have no other duty or liability whatsoever to any Lender (or Bank Product Provider) as to any of the foregoing, except as otherwise provided herein."

(m) Section 15.13 of the Credit Agreement is hereby amended and modified by amending and restating such section in its entirety as follows:

"15.13 **Agency for Perfection.** Agent hereby appoints each other Lender (and each Bank Product Provider) as its agent (and each Lender hereby accepts (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to accept) such appointment) for the purpose of

perfecting Agent's Liens in assets which, in accordance with Article 8 or Article 9, as applicable, of the Code can be perfected by possession or control. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Agent thereof, and, promptly upon Agent's request therefor shall deliver possession or control of such Collateral to Agent or in accordance with Agent's instructions."

(n) Section 15.14 of the Credit Agreement is hereby amended and modified by inserting "(or Bank Product Providers)" after "the Lenders" appearing therein:

(o) Section 15.15 of the Credit Agreement is hereby amended and modified by amending and restating such section in its entirety as follows:

"15.15 **Concerning the Collateral and Related Loan Documents.** Each member of the Lender Group authorizes and directs Agent to enter into this Agreement and the other Loan Documents. Each member of the Lender Group agrees (and by its acceptance of the benefits of the Loan Documents, each Bank Product Provider shall be deemed to agree) that any action taken by Agent in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral and the exercise by Agent of its powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders (and such Bank Product Provider)."

(p) Schedule P-1 to the Credit Agreement is hereby amended in its entirety and replaced with Schedule P-1 attached hereto as Exhibit B.

3. Waiver of Designated Event of Default. Anything in the Credit Agreement to the contrary notwithstanding, and subject to the satisfaction or waiver of the conditions precedent set forth in Section 4 hereof, Agent and Lenders hereby (i) waive the Designated Event of Default; provided, however, nothing herein, nor any communications among Parent, any Borrower, any Guarantor, Agent, or any Lender, shall be deemed a waiver with respect to any Events of Default, other than the Designated Event of Default, or any future failure of Parent, any Borrower or any Guarantor to comply fully with any provision of the Credit Agreement or any provision of any other Loan Document, and in no event shall this waiver be deemed to be a waiver of enforcement of any of Agent's or Lenders' rights or remedies under the Credit Agreement and the other Loan Documents, at law (including under the Code), in equity, or otherwise including, without limitation, the right to declare all Obligations immediately due and payable pursuant to Section 9.1 of the Credit Agreement, with respect to any other Defaults or Events of Default now existing or hereafter arising. Except as expressly provided herein, Agent and each Lender hereby reserves and preserves all of its rights and remedies against Parent, any Borrower and any Guarantor under the Credit Agreement and the other Loan Documents, at law (including under the Code), in equity, or otherwise including, without limitation, the right to declare all Obligations immediately due and payable pursuant to Section 9.1 of the Credit Agreement.

4. Conditions Precedent to Amendment. The satisfaction or waiver of each of the following shall constitute conditions precedent to the effectiveness of this Amendment:

(a) Agent shall have received this Amendment, duly executed by the parties hereto, and the same shall be in full force and effect.

(b) Agent shall have received the reaffirmation and consent of each Guarantor attached hereto as Exhibit A, duly executed and delivered by an authorized official of each Guarantor.

(c) Agent shall have received copies of The Robert Y. Greenberg 2009 Annuity Trust, executed on September 14, 2009, by and among Robert Y. Greenberg, as the settler, and Gil N. Schwartzberg, as the trustee, and The M. Susan Greenberg 2009 Annuity Trust, executed on September 14, 2009, by and among M.

Susan Greenberg, as the settler, and Gil N. Schwartzberg, as the trustee, and any other documents executed in connection therewith, duly executed and delivered by each party thereto, as in effect on November 5, 2009, which documents shall be in full force and effect and shall in the forms attached as Exhibit C hereto.

(d) After giving effect to this Amendment, the representations and warranties herein and in the Credit Agreement and the other Loan Documents shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date).

(e) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein shall have been issued and remain in force by any Governmental Authority against any Borrower, any Guarantor, Agent, or any Lender.

(f) After giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing or shall result from the consummation of the transactions contemplated herein.

5. Representations and Warranties. Each of Parent and each Borrower hereby represents and warrants to Agent and the Lenders as follows:

(a) It (i) is duly organized and existing and in good standing under the laws of the jurisdiction of its organization, (ii) is qualified to do business in any state where the failure to be so qualified reasonably could be expected to result in a Material Adverse Change, and (iii) has all requisite power and authority to own and operate its properties, to carry on its business in all material respects as now conducted and as proposed to be conducted, to enter into the Loan Documents to which it is a party and to carry out the transactions contemplated thereby.

(b) The execution, delivery, and performance by it of this Amendment and the performance by it of each Loan Document to which it is or will be a party (i) have been duly authorized by all necessary action on the part of such Borrower or Parent, as the case may be and (ii) do not and will not (A) violate any material provision of federal, state or local law or regulation applicable to it or its Subsidiaries, the Governing Documents of it or its Subsidiaries, or any order, judgment or decree of any court or other Governmental Authority binding on it or its Subsidiaries, (B) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Material Contract of it or its Subsidiaries, except to the extent that any such conflict, breach or default could not individually or in the aggregate reasonably be expected to have a Material Adverse Change, (C) result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of any Borrower or any Guarantor, other than Permitted Liens, or (D) require any approval of any Borrower's or any Guarantor's interestholders or any approval or consent of any Person under any Material Contract of any Borrower or any Guarantor, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of Material Contracts, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Change.

(c) No registration with, consent, or approval of, or notice to, or other action by, any Governmental Authority, other than registrations, consents approvals, notices, or other actions that have been obtained and that are still in force and effect and except for filings and recordings with respect to the Collateral to be made, or otherwise delivered to Agent for filing or recordation, as of the Closing Date, is

required in connection with the due execution, delivery and performance by it of this Amendment or any other Loan Document to which it is or will be a party.

(d) This Amendment is, and each other Loan Document to which it is or will be a party, when executed and delivered by each Loan Party that is a party thereto, will be the legally valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(e) No injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the consummation of the transactions contemplated herein has been issued and remains in force by any Governmental Authority against any Borrower, any Guarantor, or any member of the Lender Group.

(f) No Default or Event of Default has occurred and is continuing as of the date of the effectiveness of this Amendment, and no condition exists which constitutes a Default or an Event of Default.

(g) The representations and warranties set forth in this Amendment, the Credit Agreement, as amended by this Amendment and after giving effect hereto, and the other Loan Documents to which it is a party are true, correct, and complete in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof) on and as of the date hereof, as though made on such date (except to the extent that such representations and warranties relate solely to an earlier date).

(h) This Amendment has been entered into without force or duress, of the free will of each of Parent and each Borrower, and the decision of each of Parent and each Borrower to enter into this Amendment is a fully informed decision and such Person is aware of all legal and other ramifications of each decision.

(i) It has read and understands this Amendment, has consulted with and been represented by independent legal counsel of its own choosing in negotiations for and the preparation of this Amendment, has read this Amendment in full and final form, and has been advised by its counsel of its rights and obligations hereunder and thereunder.

6. Release by Each Borrower and Each Guarantor.

(a) Effective on the date hereof, each Borrower and each Guarantor, for itself and on behalf of its successors and assigns, and any Person acting for or on behalf of, or claiming through it, hereby waives, releases, remises and forever discharges Agent and each Lender, each of their respective Affiliates, and each of their respective successors in title, past, present and future officers, directors, employees, limited partners, general partners, investors, attorneys, assigns, subsidiaries, shareholders, trustees, agents and other professionals and all other persons and entities to whom any member of the Lenders would be liable if such persons or entities were found to be liable to such Borrower or such Guarantor (each a "Releasee" and collectively, the "Releasees"), from any and all past, present and future claims (provided that, future claims are hereby waived, released, remised and forever discharged solely to the extent such future claims relate, directly or indirectly, to acts or omissions that occurred on or prior to the date of this Amendment), suits, liens, lawsuits, adverse consequences, amounts paid in settlement, debts, deficiencies, diminution in value, disbursements, demands, obligations, liabilities, causes of action, damages, losses, costs and expenses of any kind or character, whether based in equity, law, contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law (each a "Claim" and

collectively, the “Claims”), whether known or unknown, fixed or contingent, direct, indirect, or derivative, asserted or unasserted, matured or unmatured, foreseen or unforeseen, past or present, liquidated or unliquidated, suspected or unsuspected, which such Borrower or such Guarantor ever had from the beginning of the world, now has, or might hereafter (provided, that, claims that might arise hereafter are hereby waived, released, remised and forever discharged solely to the extent such claims relate, directly or indirectly, to acts or omissions that occurred on or prior to the date of this Amendment) have against any such Releasee which relates, directly or indirectly, to any acts or omissions of any such Releasee that occurred on or prior to the date of this Amendment, which relate directly or indirectly, to the Credit Agreement, any other Loan Document, or to the lender-borrower relationship evidenced by the Loan Documents. As to each and every Claim released hereunder, each Borrower and each Guarantor hereby represents that it has received the advice of legal counsel with regard to the releases contained herein, and having been so advised, specifically waives the benefit of the provisions of Section 1542 of the Civil Code of California which provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH A CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM, MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

As to each and every Claim released hereunder, each Borrower and each Guarantor also waives the benefit of each other similar provision of applicable federal or state law (including without limitation the laws of the state of New York), if any, pertaining to general releases after having been advised by its legal counsel with respect thereto.

Each Borrower and each Guarantor acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true with respect to such claims, demands, or causes of action and agrees that this instrument shall be and remain effective in all respects notwithstanding any such differences or additional facts. Each Borrower and each Guarantor understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(b) Each Borrower and each Guarantor, for itself and on behalf of its successors and assigns, and any Person acting for or on behalf of, or claiming through it, hereby absolutely, unconditionally and irrevocably, covenants and agrees with and in favor of each Releasee above that it will not sue (at law, in equity, in any regulatory proceeding or otherwise) any Releasee on the basis of any claim released, remised and discharged by such Person pursuant to the above release. Each Borrower and each Guarantor further agrees that it shall not dispute the validity or enforceability of the Credit Agreement or any of the other Loan Documents or any of its obligations thereunder, or the validity, priority, enforceability or the extent of Agent’s Lien on any item of Collateral under the Credit Agreement or the other Loan Documents. If each Borrower and each Guarantor or any of its respective successors, assigns, or officers, directors, employees, agents or attorneys, or any Person acting for or on behalf of, or claiming through it violate the foregoing covenant, such Person, for itself and its successors, assigns and legal representatives, agrees to pay, in addition to such other damages as any Releasee may sustain as a result of such violation, all attorneys’ fees and costs incurred by such Releasee as a result of such violation.

7. Choice of Law. THE VALIDITY OF THIS AMENDMENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AMENDMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, STATE OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE AGENT ELECTS TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH PARTY HERETO WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 7.

TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO HEREBY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THE TRANSACTIONS CONTEMPLATED HEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY HERETO REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AMENDMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

8. Amendments. This Amendment cannot be altered, amended, changed or modified in any respect or particular unless each such alteration, amendment, change or modification is made in accordance with the terms and provisions of Section 14.1 of the Credit Agreement.

9. Counterpart Execution. This Amendment may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart of this Amendment by telefacsimile or electronic mail shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile or electronic mail also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

10. Expenses. Each Borrower shall pay to the Agent and the Lenders all costs, all out-of-pocket expenses, and all fees and charges of every kind in connection with the preparation, negotiation, execution and delivery of this Amendment any documents and instruments relating thereto. In addition thereto, each Borrower agrees to reimburse Agent and the Lenders on demand for its costs arising out of this Amendment and all documents or instruments relating hereto (which costs may include the reasonable fees and expenses of any attorneys retained by Agent or any Lender).

11. Effect on Loan Documents.

(a) The Credit Agreement, as amended hereby, and each of the other Loan Documents shall be and remain in full force and effect in accordance with their respective terms and hereby are ratified and confirmed in all respects. The execution, delivery, and performance of this Amendment shall not operate, except as expressly set forth herein, as a modification or waiver of any right, power, or remedy of Agent or any Lender under the Credit Agreement or any other Loan Document. The waivers, consents and modifications herein are limited to the specifics hereof (including facts or occurrences on which the same are based), shall not apply with respect to any facts or occurrences other than those on which the same are

based, shall not excuse any non-compliance with the Loan Documents (except as expressly stated herein), and shall not operate as a consent to any matter under the Loan Documents. Except for the amendments to the Credit Agreement expressly set forth herein, the Credit Agreement and other Loan Documents shall remain unchanged and in full force and effect. The execution, delivery and performance of this Amendment shall not operate as a waiver (except as expressly stated herein) of or, except as expressly set forth herein, as an amendment of, any right, power or remedy of the Lenders in effect prior to the date hereof. The amendments and waivers set forth herein are limited to the specifics hereof, shall not apply with respect to any facts or occurrences other than those on which the same are based, and except as expressly set forth herein, shall neither excuse any future non-compliance with the Credit Agreement, nor operate as a waiver of any Default or Event of Default (other than the Designated Event of Default). To the extent any terms or provisions of this Amendment conflict with those of the Credit Agreement or other Loan Documents, the terms and provisions of this Amendment shall control.

(b) Upon and after the effectiveness of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “herein”, “hereof” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to “the Credit Agreement”, “thereunder”, “therein”, “thereof” or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified and amended hereby.

(c) To the extent that any terms and conditions in any of the Loan Documents shall contradict or be in conflict with any terms or conditions of the Credit Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified or amended accordingly to reflect the terms and conditions of the Credit Agreement as modified or amended hereby.

(d) This Amendment is a Loan Document.

(e) Unless the context of this Amendment clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the terms “includes” and “including” are not limiting, and the term “or” has, except where otherwise indicated, the inclusive meaning represented by the phrase “and/or”.

12. Entire Agreement. This Amendment, and terms and provisions hereof, the Credit Agreement and the other Loan Documents constitute the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and supersedes any and all prior or contemporaneous amendments or understandings with respect to the subject matter hereof, whether express or implied, oral or written.

13. Integration. This Amendment, together with the other Loan Documents, incorporates all negotiations of the parties hereto with respect to the subject matter hereof and is the final expression and agreement of the parties hereto with respect to the subject matter hereof.

14. Reaffirmation of Obligations. Each of Parent and each Borrower hereby reaffirms its obligations under each Loan Document to which it is a party. Each of Parent and each Borrower hereby further ratifies and reaffirms the validity and enforceability of all of the liens and security interests heretofore granted, pursuant to and in connection with the Security Agreement or any other Loan Document to Agent, on behalf and for the benefit of the Lender Group and Bank Product Providers, as collateral security for the obligations under the Loan Documents in accordance with their respective terms, and acknowledges that all of such liens and security interests, and all collateral heretofore pledged as security for such obligations, continues to be and remain Collateral for such obligations from and after the date hereof.

15. Ratification. Each of Parent and each Borrower hereby restates, ratifies and reaffirms each and every term and condition set forth in the Credit Agreement and the Loan Documents effective as of the date hereof and as amended hereby.

16. Severability. In case any provision in this Amendment shall be invalid, illegal or unenforceable, such provision shall be severable from the remainder of this Amendment and the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

[signature pages follow]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

SKECHERS U.S.A., INC.,
a Delaware corporation, as Parent and as a Borrower

By: /s/ DAVID WEINBERG
Name: David Weinberg
Title: Chief Operating Officer

SKECHERS U.S.A., INC. II,
a Delaware corporation, as a Borrower

By: /s/ DAVID WEINBERG
Name: David Weinberg
Title: Chief Financial Officer

SKECHERS BY MAIL, INC.,
a Delaware corporation, as a Borrower

By: /s/ DAVID WEINBERG
Name: David Weinberg
Title: Chief Financial Officer

310 GLOBAL BRANDS, INC.,
a Delaware corporation, as a Borrower

By: /s/ DAVID WEINBERG
Name: David Weinberg
Title: Chief Executive Officer

[Signature Page to Amendment Number One to Credit Agreement and Waiver]

WELLS FARGO FOOTHILL, LLC,
a Delaware limited liability company, as
Agent and as a Lender

By: /s/ RINA SHINODA
Name: Rina Shinoda
Title: Vice President

[Signature Page to Amendment Number One to Credit Agreement and Waiver]

BANK OF AMERICA, N.A.,
as a Lender

By: /s/ STEPHEN KING

Name: Stephen King

Title: Senior Vice President

[Signature Page to Amendment Number One to Credit Agreement and Waiver]

PNC BANK, N.A.,
as a Lender

By: /s/ Robin L. Arriola
Name: Robin L. Arriola
Title: Vice President

[Signature Page to Amendment Number One to Credit Agreement and Waiver]

UNION BANK, N.A.,
as a Lender

By: /s/ PETER EHLINGER
Name: Peter Ehlinger
Title: Vice President

[Signature Page to Amendment Number One to Credit Agreement and Waiver]

HSBC BUSINESS CREDIT (USA) INC.,
as a Lender

By: /s/ KYSHA A. PIERRE-LOUIS

Name: Kysha A. Pierre-Louis

Title: Vice President

[Signature Page to Amendment Number One to Credit Agreement and Waiver]

CIT BANK,
as a Lender

By: /s/ BENJAMIN HASLAM

Name: Benjamin Haslam

Title: Authorized Signatory

[Signature Page to Amendment Number One to Credit Agreement and Waiver]

CAPITAL ONE LEVERAGE FINANCE CORPORATION,
as a Lender

By: /s/ ARI KAPLAN
Name: Ari Kaplan
Title: Senior Vice President

[Signature Page to Amendment Number One to Credit Agreement and Waiver]

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ WAYNE G. ELLIOTT
Name: Wayne Glen Elliott
Title: Vice President

[Signature Page to Amendment Number One to Credit Agreement and Waiver]

EXHIBIT A

REAFFIRMATION AND CONSENT

All capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in that certain Credit Agreement dated as of June 30, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among **SKECHERS U.S.A., INC.**, a Delaware corporation ("Parent"), each of Parent's Subsidiaries identified on the signature pages thereof (such Subsidiaries, together with Parent and each other Subsidiary that becomes a party thereto after the date thereof in accordance with the terms thereof, are referred to hereinafter each individually as a "Borrower", and individually and collectively, jointly and severally, as the "Borrowers"), the lenders identified on the signature pages hereof (such lenders, and the other lenders party to the below-defined Credit Agreement, together with their respective successors and permitted assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), **WELLS FARGO FOOTHILL, LLC**, a Delaware limited liability company, as a joint lead arranger and as administrative agent for the Lenders (in such capacity, together with its successors and assigns in such capacity, "Agent"), **BANK OF AMERICA, N.A.** ("BOA"), as syndication agent, and **BANC OF AMERICA SECURITIES LLC** ("BOAS"), as a joint lead arranger, as amended by that certain Amendment Number One to Credit Agreement and Waiver, dated as of November 5, 2009 (the "Amendment"), by and among the Borrowers, the Lenders signatory thereto, and Agent. The undersigned Guarantors each hereby (a) represents and warrants to Agent and the Lenders that the execution, delivery, and performance of this Reaffirmation and Consent (i) are within its powers, (ii) have been duly authorized by all necessary action, (iii) do not and will not violate of any material provisions of federal, state, or local law or regulation applicable to it or its Subsidiaries or of the terms of its Governing Documents, or any order, judgment, or decree of any court or other Governmental Authority binding on it or its Subsidiaries, (iv) do not and will not in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Material Contract of such Guarantor except to the extent that any such conflict, breach or default could not individually or in the aggregate reasonably be expected to have a Material Adverse Change, (v) do not and will not result in or require the creation or imposition of any Lien of any nature whatsoever upon any assets of such Guarantor, other than Permitted Liens, and (vi) do not and will not require any approval of its interestholders or any approval or consent of any Person under any Material Contract of such Guarantor, other than consents or approvals that have been obtained and that are still in force and effect and except, in the case of Material Contracts, for consents or approvals, the failure to obtain could not individually or in the aggregate reasonably be expected to cause a Material Adverse Change; (b) consents to the amendment of the Credit Agreement as set forth in the Amendment and any waivers granted therein, including, without limitation, and agrees to the terms of the release granted in Section 6 thereof; (c) acknowledges and reaffirms its obligations owing to Agent and the Lenders under any Loan Document to which it is a party; (d) agrees that each of the Loan Documents to which it is a party is and shall remain in full force and effect; and (e) ratifies and reaffirms the validity and enforceability of all of the liens and security interests heretofore granted, pursuant to and in connection with the Security Agreement or any other Loan Document to Agent, on behalf and for the benefit of the Lender Group and the Bank Product Providers, as collateral security for the obligations under the Loan Documents in accordance with their respective terms, and acknowledges that all of such liens and security interests, and all collateral heretofore pledged as security for such obligations, continues to be and remain Collateral for such obligations from and after the date hereof. Although each of the undersigned has been informed of the matters set forth herein and in the Amendment and has acknowledged and agreed to same, they each understand that neither any Agent nor any Lender has any obligations to inform it of such matters in the future or to seek its acknowledgment or agreement to future amendments, and nothing herein shall create such a duty. Delivery of an executed counterpart of this Reaffirmation and Consent by telefacsimile or electronic mail shall be equally as effective as delivery of an original executed counterpart of this Reaffirmation and Consent. Any party delivering an executed

counterpart of this Reaffirmation and Consent by telefacsimile or electronic mail also shall deliver an original executed counterpart of this Reaffirmation and Consent but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Reaffirmation and Consent.

This Reaffirmation and Consent is a Loan Document.

THE VALIDITY OF THIS REAFFIRMATION AND CONSENT, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF, AND THE RIGHTS OF THE PARTIES HERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR RELATED HERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have each caused this Reaffirmation and Consent to be executed as of the date of the Amendment.

SKECHERS COLLECTION, LLC,
a California limited liability company

By: SKECHERS U.S.A., INC.,
its sole member and manager

By: _____
Name:
Title:

SKECHERS SPORT, LLC,
a California limited liability company

By: SKECHERS U.S.A., INC.,
its sole member and manager

By: _____
Name:
Title:

DUNCAN INVESTMENTS, LLC,
a California limited liability company

By: SKECHERS U.S.A., INC.,
its sole member and manager

By: _____
Name:
Title:

SEPULVEDA BLVD. PROPERTIES, LLC,
a California limited liability company

By: SKECHERS U.S.A., INC.,
its sole member and manager

By: _____
Name:
Title:

[SIGNATURE PAGE TO REAFFIRMATION AND CONSENT TO
AMENDMENT NUMBER ONE TO CREDIT AGREEMENT AND WAIVER]

SKX ILLINOIS, LLC,
an Illinois limited liability company

By: SKECHERS U.S.A., INC.,
its sole member and manager

By: _____
Name:
Title:

[SIGNATURE PAGE TO REAFFIRMATION AND CONSENT TO
AMENDMENT NUMBER ONE TO CREDIT AGREEMENT AND WAIVER]

EXHIBIT B

Schedule P-1

Permitted Holder means Robert Greenberg and any of his Affiliates, Family Members, Family Trusts and any Family Trust of a Family Member of Robert Greenberg.

For purposes of this Schedule, "Family Member" means, with respect to any individual, any other individual having a relationship by blood (to the second degree of consanguinity), marriage, or adoption to such individual and "Family Trusts" means, (a) with respect to any individual, trusts or other estate planning vehicles established for the benefit of such individual or Family Members of such individual and in respect of which such individual or a Family Member of such individual serves as trustee or in a similar capacity, (b) with respect to Robert Y. Greenberg, The Robert Y. Greenberg 2009 Annuity Trust, executed on September 14, 2009, by and among Robert Y. Greenberg, as the settler, and Gil N. Schwartzberg, as the trustee, as in effect on November 5, 2009 in the form attached as Exhibit C to the First Amendment (the "Robert Greenberg Trust Agreement"), and (c) with respect to M. Susan Greenberg, The M. Susan Greenberg 2009 Annuity Trust, executed on September 14, 2009, by and among M. Susan Greenberg, as the settler, and Gil N. Schwartzberg, as the trustee, as in effect on November 5, 2009 in the form attached as Exhibit C to the First Amendment (the "Susan Greenberg Trust Agreement"), and together with the Robert Greenberg Trust Agreement, each a "Trust Agreement" and collectively, the "Trust Agreements").

CERTIFICATION

I, Robert Greenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2009 of Skechers U.S.A., 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 officer(s) 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 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 fiscal 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; and
5. The registrant's other certifying officer(s) 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 the 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: November 6, 2009

/S/ ROBERT GREENBERG

Robert Greenberg
Chief Executive Officer

CERTIFICATION

I, David Weinberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended September 30, 2009 of Skechers U.S.A., 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 officer(s) 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 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 fiscal 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; and
5. The registrant's other certifying officer(s) 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 the 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: November 6, 2009

/S/ DAVID WEINBERG
DAVID WEINBERG
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Skechers U.S.A, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the date indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) 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/ ROBERT GREENBERG

Robert Greenberg
Chief Executive Officer
(Principal Executive Officer)
November 6, 2009

/s/ DAVID WEINBERG

David Weinberg
Chief Financial Officer
(Principal Financial and Accounting Officer)
November 6, 2009

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN
PROVIDED TO THE COMPANY AND WILL BE RETAINED BY THE COMPANY AND FURNISHED TO
THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.