UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES 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)

<TABLE>
<S> <C>

DELAWARE	95-4376145
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

</TABLE>

228 MANHATTAN BEACH BLVD.
MANHATTAN BEACH, CALIFORNIA 90266
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (310) 318-3100
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<TABLE>
<CAPTION>
<S> <C>

Title of each class	Name of each exchange on Which registered
Class A Common Stock $0.001 par value	New York Stock Exchange

</TABLE>

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 [X] No [ ]

THE NUMBER OF SHARES OF CLASS A COMMON STOCK OUTSTANDING AS OF AUGUST 10, 2000: 9,325,796

THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF AUGUST 10, 2000: 25,823,445

SKECHERS U.S.A., INC. AND SUBSIDIARIES

FORM 10-Q

INDEX

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

ASSETS

<TABLE>
<CAPTION>

	June 30, 2000	December, 31 1999
<S>	<C>	<C>
Current Assets:		
Cash	$ 7,062	$ 10,836
Trade accounts receivable, less allowance for bad debts and returns of $6,248 in 2000 and $3,237 in 1999	112,132	63,052
Due from officers and employees	160	851
Other receivables	1,067	2,771
Inventories	91,309	68,959
Prepaid expenses and other current assets	5,303	5,130
Deferred tax assets	2,810	2,810
Total current assets	219,843	154,409
Property and equipment, at cost, less accumulated depreciation and amortization	31,874	21,387
Intangible assets, at cost, less applicable amortization	611	663

Other assets, at cost	1,402	1,455
	--------	--------
	$253,730	$177,914
	--------	--------

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Short-term borrowings	$ 46,099	$ 30,382
Current installments of long-term borrowings	1,800	1,060
Accounts payable	79,620	47,696
Accrued expenses	13,623	10,268
	--------	--------
Total current liabilities	141,142	89,406
	--------	--------
Long-term borrowings, excluding current installments	7,215	2,508
	--------	--------
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, $.001 par value; 10,000 authorized; none issued and outstanding	--	--
Class A Common Stock, $.001 par value; 100,000 shares authorized; 9,285 and 7,091 shares issued and outstanding at June 30, 2000 and December 31, 1999, respectively	9	7
Class B Common Stock, $.001 par value; 60,000 shares authorized; 25,823 and 27,814 shares issued and outstanding at June 30, 2000 and December 31, 1999, respectively	26	28
Additional paid-in capital	70,575	69,948
Retained earnings	34,763	16,017
	--------	--------
Total stockholders' equity	105,373	86,000
	--------	--------
	$253,730	$177,914
	========	========

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)
(In thousands, except per share data)

<TABLE>
<CAPTION>

	Three-Months Ended June 30,	
	2000	1999
	---------	---------
<S>	<C>	<C>
Net sales	$ 163,899	$ 104,582
Cost of sales	94,763	61,850
	---------	---------
Gross profit	69,137	42,732
Royalty income, net	104	158
	---------	---------
	69,240	42,890
	---------	---------
Operating expenses:		
Selling	16,441	11,587
General and administrative	31,130	18,795
	---------	---------
	47,571	30,382
	---------	---------
Earnings from operations	21,669	12,508

Other income (expense):		
Interest, net	(2,192)	(2,115)
Other, net	277	21
	(1,915)	(2,094)
Earnings before income taxes	19,754	10,414
Income taxes	7,744	1,121
Net earnings	$ 12,010	$ 9,293
Pro forma operations data:		
Earnings before income taxes	$ 19,754	$ 10,414
Income taxes	7,744	4,166
Net earnings	$ 12,010	$ 6,248
Net earnings per share:		
Basic	$ 0.34	$ 0.21
Diluted	$ 0.33	$ 0.20
Weighted average shares:		
Basic	34,940	29,506
Diluted	36,307	31,462

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)
(In thousands, except per share data)

<TABLE>
<CAPTION>

	Six-Months Ended June 30,	
	2000	1999
<S>	<C>	<C>
Net sales	$ 297,243	$ 200,318
Cost of sales	174,472	120,888
Gross profit	122,771	79,430
Royalty income, net	109	207
	122,880	79,637
Operating expenses:		
Selling	31,112	27,158
General and administrative	57,224	35,192
	88,335	62,350
Earnings from operations	34,545	17,287
Other income (expense):		
Interest, net	(3,991)	(3,869)
Other, net	277	504

	(3,714)	(3,365)
	---------	---------
Earnings before income taxes	30,830	13,922
Income taxes	12,086	1,200
	---------	---------
Net earnings	$ 18,745	$ 12,722
	=========	=========
Pro forma operations data:		
Earnings before income taxes	$ 30,830	$ 13,922
Income taxes	12,086	5,569
	---------	---------
Net earnings	$ 18,745	$ 8,353
	=========	=========
Net earnings per share:		
Basic	$ 0.54	$ 0.29
	=========	=========
Diluted	$ 0.52	$ 0.27
	=========	=========
Weighted average shares:		
Basic	34,923	28,665
	=========	=========
Diluted	36,040	30,777
	=========	=========

</TABLE>

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES
STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS

(Unaudited)
(In thousands)

<TABLE>
<CAPTION>

	Six-Months Ended June 30,	
	2000	1999
	--------	--------
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	$ 18,745	$ 12,722
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization of property and equipment	2,478	2,031
Amortization of intangible assets	52	55
Provision (recovery) for bad debts and returns	3,011	(570)
Loss on disposal of equipment	72	--
Gain on distribution of intangibles		(118)
(Increase) decrease in assets:		
Receivables	(49,696)	(27,418)
Inventories	(22,350)	6,657
Deferred tax assets	--	(2,195)
Prepaid expenses and other current assets	(173)	224
Other assets	53	32
Increase (decrease) in liabilities:		
Accounts payable	31,924	17,865
Accrued expenses	3,355	(591)
	--------	--------
Net cash provided by (used in) operating activities	(12,529)	8,694
	--------	--------
Cash flows used in investing activities-capital expenditures	(13,037)	(3,730)
	--------	--------

Cash flows from financing activities:		
Net proceeds from initial public offering of common stock	--	69,720
Net proceeds from issuance of common stock	628	--
Net proceeds (payments) related to short-term borrowings	15,717	(39,717)
Proceeds from long-term borrowings	5,822	--
Payments on long-term borrowings	(375)	(132)
Payments on notes payable to stockholder	--	(12,244)
Distributions paid to stockholders	--	(33,312)
Net cash provided by (used in) financing activities	21,792	(15,685)
Net decrease in cash	(3,774)	(10,721)
Cash at beginning of period	10,836	10,942
Cash at end of period	$ 7,062	$ 221
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 3,172	$ 3,951
Income taxes	5,283	79

</TABLE>

During the six-month period ended June 30, 2000, the Company acquired property and equipment aggregating $6,020 under capital lease obligations.

During the six-month period ended June 30, 1999, the Company declared cash dividends of $35,364 of which $33,312 were paid during the six months ended June 30, 1999. The Company also distributed intangibles aggregating of $350 during the six months ended June 30, 1999.

See accompanying notes to unaudited condensed consolidated financial statements.

SKECHERS U.S.A., INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) GENERAL

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation for each of the periods presented. The results of operations for interim periods are not necessarily indicative of results to be achieved for full fiscal years.

As contemplated by the Securities and Exchange Commission (SEC) under Rule 10-01 of Regulation S-X, the accompanying condensed consolidated financial statements and related footnotes have been condensed and do not contain certain information that will be included in the Company's annual consolidated financial statements and footnotes thereto. For further information, refer to the consolidated financial statements and related footnotes for the year ended December 31, 1999 included in the Company's Annual Report on Form 10-K.

(2) 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 reflects the potential dilution that could occur if options to issue common stock were exercised or converted into common stock. The weighted average diluted shares outstanding for three-month and six-month periods ended June 30, 1999 gives effect to the sale by the Company of those shares of common stock necessary to fund the payment of the excess of (i) the sum of stockholder distributions paid or declared from January 1, 1998 to June 7, 1999, the S Corporation termination date, in excess of (ii) the S Corporation earnings from January 1, 1998 to June 7, 1999 based on an initial public offering price of $11 per share, net of underwriting discounts.

The reconciliation of basic to diluted weighted average shares is as follows (in thousands):

<TABLE>
<CAPTION>

<S>	Three-Months Ended June 30, 2000 <C>	Three-Months Ended June 30, 1999 <C>	Six-Months Ended June 30, 2000 <C>	Six-Months Ended June 30, 1999 <C>
Weighted average shares used in basic Computation	34,940	29,506	34,923	28,665
Shares to fund stockholders' distributions described above	--	920	--	1,074
Dilutive effect of stock options	1,367	1,036	1,117	1,038
Weighted average shares used in diluted computation	36,307	31,462	36,040	30,777

</TABLE>

(3) INCOME TAXES

Income taxes for the interim periods were computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by management.

The pro forma income tax adjustment for the interim periods ended June 30, 1999 represents taxes that would have been reported had the Company been subject to Federal and state income taxes as a C Corporation, assuming an effective rate of 40.0%.

(4) SHORT-TERM BORROWINGS

The Company has available a secured line of credit permitting borrowings up to $120.0 million based upon eligible accounts receivable and inventories. The agreement expires on December 31, 2002. As amended on June 1, 2000, borrowings bear interest at the prime rate (9.5% at June 30, 2000) minus 0.50%. The agreement provides for the issuance of letters of credit up to a maximum of $36.0 million of which 50% decreases the amount available for borrowings under the agreement. Outstanding letters of credit at June 30, 2000 were $2.2 million. Available borrowings under the line of credit at June 30, 2000 were $78.7 million. The Company pays an unused line of credit fee of .25% annually. The Company is required to maintain certain financial covenants including specified minimum tangible net worth, working capital and leverage ratios as well as limit the payment of dividends if it is in default of any provision of the agreement. The Company was in compliance with these covenants at June 30, 2000.

(5) LEASE OBLIGATIONS

The Company has entered into three capital lease agreements since December 31, 1999. The first is with Banc of America Leasing & Capital, LLC and provides up to $11,250,000 for the purchase of material/inventory handling, sortation and delivery equipment. The Company will pay 60 monthly payments, each equal to 1.6% of original cost plus a 35.0% (of original cost) balloon payment at the end of the lease. The interest rate per annum is equal to 2.25% plus the U.S. Treasury obligation bond-equivalent yield per annum corresponding to the average life of the lease term. In addition, the Company will pay the same interest rate on advances from the date of the advance until the lease commencement date. During the six months ended June 30, 2000, the Company submitted and received advances for $4,237,000 at an interest rate of 8.5%.

The Company is required to maintain financial covenants including specified minimum tangible net worth, working capital and leverage ratios as well as limit the payment of dividends if it is in default of the agreement. The Company was in compliance with these covenants at June 30, 2000.

The second, dated February 4, 2000, provided $933,000 for the acquisition of warehouse equipment. The term of the lease is for five years at an interest rate of 8.8% per annum.

The third, dated May 15, 2000, provides $850,000 for the acquisition of warehouse equipment. The term of the lease is for 5 years at an interest rate of 9.4% per annum.

(6) LITIGATION

In January 2000 and December 1999, the Company and two officers/directors were named as defendants in four purported class-action lawsuits. Two of the lawsuits also named the underwriters of the Company's initial public offering as defendants. All of the complaints seek damages and rescission on behalf of a class of persons who purchased securities in, or traceable to, the Company's initial public offering or thereafter on the open market prior to July 6, 1999. These suits have now been consolidated into one matter. As this matter is in the early stages of discovery, neither the Company nor its counsel are able to conclude as to the potential likelihood of an unfavorable outcome. The Company is vigorously defending these complaints and believe their defenses to be meritorious. Accordingly, the Company has not provided for any potential losses associated with these lawsuits.

The Company is involved in other litigation arising from the ordinary course of business. Management does not believe that the disposition of these matters will have a material effect on the Company's financial position or results of operations.

(7) STOCKHOLDERS' EQUITY

During the three-months ended June 30, 2000, certain Class B stockholders converted 600,000 shares of Class B common stock to Class A common stock. On February 28, 2000, certain Class B stockholders converted 1,390,710 shares of Class B common stock to Class A common stock.

ITEM 2

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

The following discussion should be read in conjunction with the Company's Condensed Consolidated Financial Statements and Notes thereto appearing elsewhere in this document.

This Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements with regards to the Company's revenues, earnings, spending, margins, cash flow, orders, inventory, products, actions, plans, strategies and objectives. Forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or simply state future results, performance or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "intend," "plan," "project," "will be," "will continue," "will result," "could," "may," "might," or any variations of such words with similar meanings. Any such statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially from those which are management's current expectations or forecasts. Such information is subject to the risk that such expectations or forecasts, or the assumptions underlying such exceptions or forecasts, become inaccurate.

Risks and uncertainties that could affect the Company's actual results and could cause such results to differ materially from those contained forward-looking statements made

by or on behalf of the Company are included under the "Risk Factors" on pages 14 through 22 in the Company's Form 10-K.

OVERVIEW

Skechers designs and markets branded contemporary casual, active rugged and lifestyle footwear for men, women and children. The Company's objective is to become a leading source of contemporary casual and active footwear while ensuring the longevity of both the Company and Skechers brand name through controlled, well managed growth. The Company strives to achieve this objective by developing and offering a balanced assortment of basic and fashionable merchandise across a wide spectrum of product categories and styles, while maintaining a diversified, low-cost sourcing base and controlling the growth of its distribution channels. The Company sells its products to department stores such as Nordstrom, Dillards, Robinsons-May, JC Penney and specialty retailers such as Footlocker, Famous Footwear, Genesco's Journeys and Jarman chains, and Footaction U.S.A. The Company also sells its products internationally in over 100 countries and territories through major international distributors and directly to consumers through Company owned stores and via mail order and e-commerce.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated, selected information from the Company's results of operations as a percentage of net sales. Pro forma reflects adjustments for Federal and state income taxes for the interim periods ended June 30, 1999 as if the Company had been taxed as a C Corporation at an assumed effective rate of 40.0% rather than as an S Corporation.

<TABLE>
<CAPTION>

	Three-Months Ended June 30,			
	2000		1999	
<S>	<C>	<C>	<C>	<C>
Net sales	$ 163,899	100.0%	$ 104,582	100.0%
Cost of sales	94,763	57.8	61,850	59.1
Gross profit	69,137	42.2	42,732	40.9
Royalty income, net	104	0.0	158	0.1
	69,240	42.2	42,890	41.0
Operating expenses:				
Selling	16,441	10.0	11,587	11.1
General and administrative	31,130	19.0	18,795	18.0
	47,571	29.0	30,382	29.1
Earnings from operations	21,669	13.2	12,508	12.0
Interest expense, net	(2,192)	(1.3)	(2,115)	(2.0)

Other, net	277	0.2	21	0.0
Earnings before pro forma income taxes	19,754	12.1	10,414	10.0
Pro forma income taxes	7,744	4.8	4,166	4.0
Pro forma net earnings	$ 12,010	7.3 %	$ 6,248	6.0%

</TABLE>

<TABLE>
<CAPTION>

	Six-Months Ended June 30,			
	2000		1999	
<S>	<C>	<C>	<C>	<C>
Net sales	$ 297,243	100.0%	$ 200,318	100.0%
Cost of sales	174,472	58.7	120,888	60.3
Gross profit	122,771	41.3	79,430	39.7
Royalty income, net	109	0.1	207	0.1
	122,880	41.4	79,637	39.8
Operating expenses:				
Selling	31,112	10.5	27,158	13.6
General and administrative	57,224	19.3	35,192	17.6
	88,335	29.8	62,350	31.2
Earnings from operations	34,545	11.6	17,287	8.6
Interest expense, net	(3,991)	(1.3)	(3,869)	(1.9)
Other income, net	277	0.1	504	0.2
Earnings before pro forma income taxes	30,830	10.4	13,922	6.9
Pro forma income taxes	12,086	4.1	5,569	2.8
Pro forma net earnings	$ 18,745	6.3%	$ 8,353	4.2%

</TABLE>

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

Net Sales

Net sales for three-months ended June 30, 2000 were $163.9 million or 56.7% higher than $104.6 million in the comparable period of 1999. The increase in net sales is a result of continued brand imaging and awareness achieved through the support of a dedicated nationwide sales force and enhanced marketing efforts. Additionally, the Company has experienced sales growth due to the expansion of product categories and number of styles offered. The Company continues to focus primarily on its wholesale business, which experienced a 54% increase in sales during the three-months ended June 30, 2000 compared to the same period in 1999. Retail sales grew as 10 additional Company retail locations opened during the year, 5 of which opened since January 1, 2000. Mail order sales increased during the three-months ended June 30, 2000 compared to 1999 due to the increased focus on catalog development and expansion of circulation. International sales experienced an increase in sales during the three-months ended June 30, 2000 compared to the same period in 1999 due to increased brand awareness achieved through advertising and marketing campaigns abroad.

Gross Profit

The Company's gross profit as a percentage of net sales increased to 42.2% for the three-months ended June 30, 2000 from 40.9% for the comparable period in 1999. The increase is due in part to increased sales in the Company's Retail and Mail Order business and sales in higher margin product categories recently introduced by the Company. Domestic wholesale profit margin increased by 3.7% during the three-months ended June 30, 2000 from the comparable period in 1999. The increase in overall profit margin was offset slightly by an increase in a provision for estimated sales returns

and allowances as a percentage of gross sales which increased by 0.5% to 3.3% in three-months ended June 30, 2000 compared to 2.8% in the comparable period in 1999.

Selling Expenses

Selling expense (which includes sales salaries, commissions and incentives, advertising, promotions, trade shows and catalog printing costs) increased $4.9 million to $16.4 million or 10.0% of net sales for the three months ended June 30, 2000 from $11.6 million or 11.1% of net sales for the three months ended June 30, 1999. As a percentage of net sales, sales salaries, commission and incentives expenses decreased to 1.9% of net sales in the three-months ended June 30, 2000 from 2.0% for the comparable period in 1999. This decrease is attributable to a sliding scale commission structure that declines as a percentage of net sales.

Management is committed to the overall marketing strategy that is largely responsible for the increase in the market presence, product visibility and product demand over the past three years. The Company has increased its advertising budget consistent with projected sales, which has included such avenues as magazine, television, trade show, billboards, and buses. The Company endeavors to spend approximately 8% to 10% of annual net sales in the marketing of Skechers footwear through advertising, promotions, public relations, trade shows and other marketing efforts. Marketing expense as a percentage of net sales may vary from quarter to quarter. In the three-months ended June 30, 2000, total advertising expenses increased to $11.9 million or 7.0% of net sales from $8.9 million or 8.5% of net sales for the same period in 1999.

General and Administrative Expenses

General and administrative expenses increased 65.6% to $31.1 million or 19.0% of net sales for the three-months ended June 30, 2000 from $18.8 million or 18.0% of net sales for the three-months ended June 30, 1999. The increase as a percentage of net sales is partially attributable to increased volume in the Company's Mail Order Business, which inherently has a higher percentage of expenses per dollar sales than the Company's other business units. Additionally, the Company incurred increased distribution and warehousing costs to meet demand until its new distribution center is operational, which is expected in the fourth quarter of 2000, and expansion into new retail locations has caused expenses to increase.

During three-months ended June 30, 2000, salaries, wages and temporary help costs increased to $14.4 million or 8.5% of net sales from $7.8 million or 7.5% of net sales for the comparable period in 1999. Such increase can be attributed in part to normal payroll costs associated with additional staffing needs to meet the growth of the Company. In addition, the Company utilized overtime and temporary help for the warehousing and shipping department to meet the demand of the increasing sales volume.

Interest Expense

Interest expense for the three-months ended June 30, 2000 and 1999 was comparable.

Income Taxes

Income taxes for the interim period were computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by management.

The pro forma income tax adjustment for the interim period ended June 30, 1999 represents taxes that would have been reported had the Company been subject to Federal and state income taxes as a C Corporation, assuming an effective rate of 40.0%.

Other Income, Net

Other income, net for the three-months ended June 30, 2000 includes a gain of $312,000 related to commercial lawsuits filed by the Company and settled on favorable terms.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

Net Sales

Net sales for six-months ended June 30, 2000 were $297.2 million or 48.4% higher than $200.3 million in the comparable period of 1999. The Company continues to focus primarily on its wholesale business, which experienced a 47% increase during the six-months ended June 30, 2000 versus the six-months ended June 30, 1999. The increase in sales is a result of continued brand awareness and imaging achieved through the significant expansion of the Company's dedicated nationwide sales force and marketing campaigns. Additionally, the Company continues to experience growth through product diversification and increased style offerings. The Company has expanded its product categories to offer additional styles of women's, men's and children's athletic shoes and a line of men's quality dress shoes. Retail sales grew during the six-months ended June 30, 2000 compared the same period in 1999. The increase is primarily due to 10 more locations being added nationwide during the year. Mail order sales increased during the six-months ended June 30, 2000 compared to 1999 due to the focus on catalog development and expansion of circulation. International sales experienced an increase during the six-months ended June 30, 2000 compared to 1999 due to increase brand awareness and advertising campaigns abroad.

Gross Profit

The Company's gross profit as a percentage of net sales increased to 41.3% for the six-months ended June 30, 2000 from 39.7% for the comparable period in 1999. The increase is due in part to increased sales in the Company's Mail Order and Retail business and higher margin product categories within the domestic wholesale business. Domestic wholesale profit margin increased 3.5% during the six-months ended June 30, 2000 from the comparable period in 1999. Sales returns and allowances as a percentage of gross sales remained consistent at 3.3% during the six-months ended June 30, 2000 compared to the same period in 1999.

Selling Expenses

Selling expenses increased $4.0 million to $31.1 million or 10.5% of net sales for the six-months ended June 30, 2000 from $27.2 million or 13.6% of net sales for the comparable period in 1999. The increase in total dollars is primarily due to the increase in advertising and promotional costs attributable to the Company's ongoing marketing efforts. The decrease as a percentage of net sales is attributable to the sales growth realized from the strength in the brand image and product awareness.

As a percentage of net sales, sales salaries, commission and incentives expenses dropped to 2.0% of net sales in the six-months ended June 30, 2000 from 2.3% for the comparable period in 1999. This decrease is attributable to a sliding scale commission structure that declines as a percentage of net sales.

General and Administrative Expenses

General and administrative expenses increased 62.6% to $57.2 million or 19.3% of net sales for the six-months ended June 30, 2000 from $35.2 million or 17.6% of net sales for the comparable period in 1999. This 1.7% increase as a percentage of net sales is partly attributable to the Company's Mail Order business which inherently has a higher percentage of expenses per dollar sales. Additionally, the Company incurred increased distribution and warehousing costs to meet demand until its new distribution center is operational, which is expected in the fourth quarter of 2000, and expansion into new retail locations has caused expenses to increase.

During six-months ended June 30, 2000, salaries, wages and temporary help costs increased to $25.9 million or 8.4% of net sales from $14.3 million or 6.9% of net sales for the comparable period in 1999. Such increase can be attributed in part to normal payroll costs associated with additional staffing needs to meet the growth of the Company. In addition, the Company utilized overtime and temporary help for the warehousing and shipping department to meet the demand of the increasing sales volume.

Interest Expense

Interest expense for the six-months ended June 30, 2000 and 1999 was comparable.

Income Taxes

Income taxes for the interim period were computed using the effective tax rate estimated to be applicable for the full fiscal year, which is subject to ongoing review and evaluation by management.

The pro forma income tax adjustment for the interim period ended June 30, 1999 represents taxes that would have been reported had the Company been subject to Federal and state income taxes as a C Corporation, assuming an effective rate of 40.0%.

Other Income, Net

Other income, net for the six-months ended June 30, 2000 includes a gain of $312,000 related to commercial lawsuits filed by the Company and settled on favorable terms.

LIQUIDITY AND CAPITAL RESOURCES

The Company's need for funds arises primarily from its working capital requirements, including the need to finance its receivables and inventory. The Company's working capital was $78.7 million at June 30, 2000 and $65.0 million at December 31, 1999. The 21.1% increase in working capital at June 30, 2000 was principally due to the increase in trade accounts receivable and inventories net of an increase in related short-term borrowings and accounts payable since December 31, 2000.

The Company is currently negotiating with a lender to provide approximately $8.4 million for the acquisition of the Company's Ontario, California, distribution facilities and related improvements. It is anticipated that the financing will be amortized over 20 years, with a final balloon payment due after 10 years, and will be at current market rates for similar financing.

As part of the Company's working capital management, the Company performs substantially all customer credit functions internally, including extension of credit and collections. The Company's bad debt write-offs were less than 0.06% of net sales for the six-month period ended June 30, 2000. The Company carries bad debt insurance to cover approximately the first 90.0% of bad debts on substantially all of the Company's major retail accounts.

Net cash used in operating activities totaled $12.5 million for the six-months ended June 30, 2000 compared to cash provided by operating activities of $8.7

million for the comparable period in 1999. The decrease in cash provided by operating activities was the net result of a substantial increase in trade accounts receivable(net of a $3.0 million provision for bad debts and returns) and inventories offset by a substantial increase in related accounts payable and accrued expenses. These increases are due to the Company's growth during the six-months ended June 30, 2000.

Net cash used in investing activities, consisting of capital expenditures, totaled $13.0 million and $3.7 million for the six-months ended June 30, 2000 and 1999, respectively. Capital expenditures during the six-months ended June 30, 2000 were comprised primarily of equipment for the new material/inventory handling, sortation and delivery system and the construction of 5 additional retail stores. Investing activities for the same period in 1999 was primarily due to capital expenditures in connection with the establishment of the Company's existing distribution facilities in Ontario, California, the construction of additional Company retail stores, and additional hardware and software for the Company's computer needs.

Net cash provided by financing activities totaled $21.7 million during the six-months ended June 30, 2000, compared to cash used in financing activities of $15.7 million for the comparable period in 1999. During the six-month ended June 30, 2000, cash was provided by proceeds from borrowings on the Company's credit facilities as well as capital lease financing during the period. This compares to cash used in financing activities during the six-months ended June 30, 1999, principally to repay short-term borrowings, as well as payments to stockholders, which were partially financed by the initial public offering.

The Company's credit facility provides for borrowings under a revolving line of credit of up to $120.0 million and a term loan, with actual borrowings limited to available collateral and certain limitations on total indebtedness (approximately $78.7 million of availability as of June 30, 2000) with The CIT Group, as agent for the lenders. The Company negotiated more favorable interest terms on June 1, 2000. As amended, the revolving line of credit bears interest at the prime rate (9.5% at June 30, 2000) minus 0.50%. Interest on the revolving line of credit is payable monthly. The revolving line of credit expires on December 31, 2002. The revolving line of credit provides a sub-limit for letters of credit of up to $36.0 million to finance the Company's foreign purchases of merchandise inventory. As of June 30, 2000, the Company had approximately $2.2 million of letters of credit under the revolving line of credit. The term loan component of the credit facility, which has a principal balance of approximately $2.3 million as of June 30, 2000, bears interest at the prime rate plus 1% and is due in monthly installments with a final balloon payment December 2002. The proceeds from this note were used to purchase equipment for one of the Company's distribution centers in Ontario, California and the note is secured by such equipment. The credit facility contains certain financial covenants that require the Company to maintain minimum tangible net worth working capital and specified leverage ratios and limit the ability of the Company to pay dividends if it is in default of any provisions of the credit facility. The Company was in compliance with these covenants as of June 30, 2000.

The Company believes that anticipated cash flows from operations, available borrowings under the Company's revolving line of credit, cash on hand and its financing arrangements will be sufficient to provide the Company with the liquidity necessary to fund its anticipated working capital and capital requirements through fiscal 2000. However, in connection with its growth strategy, the Company will incur significant working capital requirements and capital expenditures. The Company's future capital requirements will depend on many factors, including, but not limited to, the levels at which the Company maintains inventory, the market acceptance of the Company's footwear, the levels of promotion and advertising required to promote its footwear, the extent to which the Company invests in new product design and improvements to its existing product design and the number and timing of new store openings. To the extent that available funds are insufficient to fund the Company's future activities, the Company may need to raise additional funds through public or private financing. No assurance can be given that additional financing will be available or that, if available, it can be obtained on terms favorable to the Company and its stockholders. Failure to obtain such financing could delay or prevent the Company's planned expansion, which could adversely affect the Company's 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 the Company's stockholders could occur.

QUARTERLY RESULTS AND SEASONALITY

While sales of footwear products have historically been somewhat seasonal in nature with the strongest sales generally occurring in the third and fourth quarters, the Company believes that changes in its product offerings have somewhat mitigated the effect of this seasonality and, consequently, the Company's sales are not necessarily as subjected to seasonal trends as that of its' past or its' competitors in the footwear industry.

The Company has experienced, and expects to continue to experience, variability in its net sales and operating results on a quarterly basis. The Company's domestic customers generally assume responsibility for scheduling pickup and delivery of purchased products. Any delay in scheduling or pickup which is beyond the Company's control could materially negatively impact the Company's net sales and results of operations for any given quarter. The Company believes the factors which influence this variability include (i) the timing of the Company's 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 new Company 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

The Company does 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 its net sales or profitability. However, the Company cannot accurately predict the effect of inflation on future operating results. Although higher rates of inflation have been experienced in a number of foreign countries in which the Company's products are manufactured, the Company does not believe that inflation has had a material effect on the Company's net sales or profitability. In the past, the Company has been able to offset its foreign product cost increases by increasing prices or changing suppliers, although no assurance can be given that the Company will be able to continue to make such increases or changes in the future.

EXCHANGE RATES

The Company receives U.S. Dollars for substantially all of its product sales and its royalty income. Inventory purchases from offshore contract manufacturers are primarily denominated in U.S. Dollars; however, purchase prices for the Company's 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 the Company's cost of goods in the future. During 2000 and 1999, exchange rate fluctuations did not have a material impact on the Company's inventory costs. The Company does not engage in hedging activities with respect to such exchange rate risk.

MARKET RISK

The Company does not hold any derivative securities. The Company's short-term borrowings are sensitive to changes in short-term interest rates and an increase in rates may decrease the Company's earnings.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS No. 133"). SFAS No. 133 modifies the accounting for derivative and hedging activities and is effective for fiscal years beginning after June 15, 2000. Since the Company does not presently hold any derivatives or engage in hedging activities, SFAS No. 133 should not impact the Company's financial position or results of operations.

On March 31, 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, Accounting for Certain Transactions involving Stock Compensation - an interpretation of APB Opinion No. 25 (FIN 44). This interpretation provides guidance for issues that have arisen in applying APB Opinion No. 25 Accounting for Stock Issued to Employees. FIN 44 applies prospectively to new awards, exchanges of awards in business combinations, modification of outstanding awards, and changes in grantee status that occur on or after July 1, 2000, except for the provisions related to

repricings and the definition of an employee which apply to awards issued after December 15, 1998. The provisions related to modifications to fixed stock option awards to add a reload feature are for awards modified after January 12, 2000. The new interpretation is not expected to have a material impact upon the Company's financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS - Not Applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS -- Not Applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES -- Not Applicable

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

On June 14, 2000, the Company held its Annual Meeting of Stockholders. The following matters were voted on at the meeting: (1) the election of a member to the Board of Directors; (2) the ratification and approval of KPMG LLP as the Company's independent auditors for fiscal 2000; (3) and the transaction of other business which came to the attention of the stockholders during the meeting.

The results of the voting on these matters are set forth below:

<TABLE>
<CAPTION>

PROPOSAL	VOTES FOR	VOTES AGAINST/WITHHELD	ABSTENTIONS	BROKER NON-VOTES
<S>	<C>	<C>	<C>	<C>
Proposal No. 1 -- Election of Director Nominee				
Robert Greenberg	258,552,595	50,343	0	0
Proposal No. 2 -- Ratification of KPMG LLP				

as Independent Auditors for Fiscal 2000	258,590,027	7,411	5,500	0

</TABLE>

The following Directors were not standing for election and are continuing as Directors of the Company: Michael Greenberg, David Weinberg, John Quinn, and Richard Siskind.

ITEM 5. OTHER INFORMATION -- Not Applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K --

(a) Exhibits

10.1 Amendment to 1998 Employee Stock Purchase Plan

27 Financial Data Schedule

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the quarterly period ended June 30, 2000.

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.

SKECHERS U.S.A, INC.

Dated: August 14, 2000 /s/ David Weinberg

David Weinberg
Executive Vice President and
Chief Financial Officer

EXHIBIT 10.1

SKECHERS U.S.A., INC.

AMENDED AND RESTATED

1998 EMPLOYEE STOCK PURCHASE PLAN

The 1998 Employee Stock Purchase Plan of Skechers U.S.A., Inc., a Delaware corporation, is amended and restated in its entirety to incorporate Amendment No. 1 and to make the revisions as set forth herein as of June ___, 2000:

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Class A Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(c) "Class A Common Stock" shall mean the Class A Common Stock of the Company.

(d) "Company" shall mean Skechers U.S.A., Inc., a Delaware corporation, and any Designated Subsidiary of the Company.

(e) "Compensation" shall mean all base straight time gross earnings including commissions, payments for overtime, incentive payments and performance bonuses.

(f) "Designated Subsidiary" shall mean any Subsidiary which has been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(g) "Employee" shall mean any individual who is an Employee of the Company for tax purposes whose customary employment with the Company is at least twenty (20) hours per week and more than five (5) months in any calendar year. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on sick leave or other leave of absence approved by the Company. Where the period of leave exceeds 90 days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

(h) "Enrollment Date" shall mean the first Trading Day of each Offering Period.

(i) "Exercise Date" shall mean the last Trading Day of each Purchase Period.

(j) "Fair Market Value" shall mean, as of any date, the value of Class A Common Stock determined as follows:

(1) If the Class A Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day on the date of such

determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;

(2) If the Class A Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Class A Common Stock on the date of such determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;

(3) In the absence of an established market for the Class A Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(k) "Offering Periods" shall mean the periods of approximately six (6) months during which an option granted pursuant to the Plan may be exercised, commencing on the first Trading Day on or after January 1 and July 1 of each year and terminating on the last Trading Day in the periods ending six months later, except as provided in Section 4 of this Plan. The first Offering Period under the Plan shall commence with the first Trading Day on or after July 1, 1999. The duration and timing of Offering Periods may be changed pursuant to Section 4 of this Plan.

(l) "Plan" shall mean this Employee Stock Purchase Plan.

(m) "Purchase Period" shall mean the approximately six month period commencing after one Exercise Date and ending with the next Exercise Date, except that the first Purchase Period of any Offering Period shall commence on the Enrollment Date and end with the next Exercise Date. The first Purchase Period under the Plan shall commence with the first Trading Day on or after July 1, 1999. Beginning on July 1, 2000, each Purchase Period will be for the same six (6) month interval as the corresponding Offering Period as provided in Section 4 of this Plan.

(n) "Purchase Price" shall mean an amount equal to 85% of the Fair Market Value of a share of Class A Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided, however, that the Purchase Price may be adjusted by the Board pursuant to Section 20.

(o) "Reserves" shall mean the number of shares of Class A Common Stock covered by each option under the Plan which have not yet been exercised and the number of shares of Class A Common Stock which have been authorized for issuance under the

Plan but not yet placed under option.

(p) "Subsidiary" shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(q) "Trading Day" shall mean a day on which national stock exchanges and the Nasdaq System are open for trading.

3. Eligibility.

(a) Any Employee who shall be employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Company and its subsidiaries accrues at a rate which exceeds Twenty-Five Thousand Dollars ($25,000) worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods.

(a) The first Offering Period under the Plan shall commence on July 1, 1999, and the Plan shall continue to be implemented with consecutive, non-overlapping Offering Periods commencing on the first Trading Day on or after January 1 and July 1 of each year thereafter, or on such other date as the Board shall determine, and continuing thereafter until terminated in accordance with Section 20 hereof, except as provided as follows:

(1) Employees enrolled in the Plan as of January 1, 2000 pursuant to the Offering Period that was intended for the twelve (12) month period ended on December 31, 2000, prior to this amendment and restatement of the Plan, will continue to qualify for an Enrollment Date of January 1, 2000 with an Exercise Date of December 31, 2000, with the Purchase Price determined in accordance with Section 2(n) of this Plan. Employees enrolled in this Offering Period may only decrease their payroll deductions as provided in Section 6(c) of this Plan, and the payroll deduction may not be increased.

(2) Notwithstanding the foregoing, beginning on July 1, 2000, all additional Offering Periods will be for six (6) month periods, and Employees eligible to

enroll in the Plan at such time will only qualify for an Enrollment Date of July 1, 2000 with an Exercise Date of December 31, 2000, with the Purchase Price determined in accordance with Section 2(n) of this Plan. Employees enrolled in this Offering Period may only decrease their payroll deductions as provided in Section 6(c) of this Plan, and the payroll deduction may not be increased. Employees previously enrolled in the Offering Period beginning on January 1, 2000 will not be eligible to concurrently enroll in the Offering Period beginning on July 1, 2000.

(3) Beginning on January 1, 2001, all Employees eligible to participate in the Plan, including Employees previously enrolled in the Plan pursuant to Sections 4(a)(1) and 4(a)(2) of this Agreement, will qualify for Offering Periods that are exclusively six (6) months in duration, with the first such Offering Period having an Enrollment Date of January 1, 2001 and an Exercise Date of June 30, 2001. Employees will only be able to decrease, and not increase, their payroll deductions as provided in Section 6(c) of this Plan.

(b) The Board shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval if such change is announced at least five (5) days prior to the scheduled beginning of the first Offering Period to be affected thereafter.

5. Participation.

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form of Exhibit A to this Plan and filing it with the Company's payroll office not later than two (2) weeks prior to the applicable Enrollment Date. Eligible employees who begin employment with the Company within two weeks of an Enrollment Date may file a subscription agreement with the Company's payroll office up to one day prior to the applicable Enrollment Date. With respect to the first Enrollment Date, eligible Employees may file a subscription agreement up to one day prior to the Enrollment Date. An eligible Employee may participate in only one Offering Period at a time.

(b) Payroll deductions for a participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10 hereof.

6. Payroll Deductions.

(a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each pay day during the Offering Period in an amount not exceeding 15% of the Compensation which he or she receives on each pay day during the Offering Period. The maximum calendar year contribution shall not exceed $25,000 worth of stock (determined at the fair market value of the shares at the time such option is granted).

(b) All payroll deductions made for a participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in Section 10 hereof, or may decrease the rate of his or her payroll deductions during the Offering Period by completing or filing with the Company a new subscription agreement authorizing a change in payroll deduction rate. The Board may, in its discretion, limit the number of participation rate changes during any Offering Period. The change in rate shall be effective with the first full payroll period following five (5) business days after the Company's receipt of the new subscription agreement unless the Company elects to process a given change in participation more quickly. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) hereof, a participant's payroll deductions may be decreased to zero percent (0%) at any time during a Purchase Period. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Purchase Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10 hereof.

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Class A Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Class A Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Class A Common Stock by the Employee.

7. Grant of Option. On the Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of the Company's Class A Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Participant's account as of the Exercise Date by the applicable Purchase Price; provided that in no event shall an Employee be permitted to purchase during each Offering Period more than a number of Shares determined by dividing $25,000 by the Fair Market Value of a share of the Company's Class A Common Stock (subject to any adjustment pursuant to Section 19) on the Enrollment Date, and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12 hereof. The Board may, for future Offering Periods and in its

absolute discretion, set a maximum number of shares of the Company's Class A Common Stock an Employee may purchase

during each Purchase Period of such Offering Period and increase or decrease such maximum. Exercise of the option shall occur as provided in Section 8 hereof, unless the participant has withdrawn pursuant to Section 10 hereof. The option shall expire on the last day of the Offering Period.

8. Exercise of Option.

(a) Unless a participant withdraws from the Plan as provided in Section 10 hereof, his or her option for the purchase of shares shall be exercised automatically on the Exercise Date, and the maximum number of full shares subject to option shall be purchased for such participant at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares shall be purchased; any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full share shall be retained in the participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the participant as provided in Section 10 hereof. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

(b) If the Board determines that, on a given Exercise Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of shares of Class A Common Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of shares available for sale under the Plan on such Exercise Date, the Board may in its sole discretion (x) provide that the Company shall make a pro rata allocation of the shares of Class A Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Class A Common Stock on such Exercise Date, and continue all Offering Periods then in effect, or (y) provide that the Company shall make a pro rata allocation of the shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Class A Common Stock on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 20 hereof. The Company may make pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date.

9. Delivery. As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery, either electronically or manually, to each participant, as appropriate, or to a designated broker as chosen by the Company in its discretion, of a certificate representing the shares purchased upon exercise of his or her option.

10. Withdrawal.

(a) A participant may withdraw all but not less than all the payroll deductions

credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company in the form of Exhibit B to this Plan. All of the participant's payroll deductions credited to his or her account shall be paid to such participant promptly after receipt of notice of withdrawal and such participant's option for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of shares shall be made for such Offering Period. If a participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) A participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan which may hereafter be adopted by the Company or in succeeding Offering Periods which commence after the termination of the Offering Period from which the participant withdraws.

11. Termination of Employment.

Upon a participant's ceasing to be an Employee, for any reason, he or she shall be deemed to have elected to withdraw from the Plan and the payroll deductions credited to such participant's account during the Offering Period, but not yet used to exercise the option, shall be returned to such participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15 hereof, and such participant's option shall be automatically terminated. The preceding sentence notwithstanding, a participant who receives payment in lieu of notice of termination of employment shall be treated as continuing to be an Employee for the participant's customary number of hours per week of employment during the period in which the participant is subject to such payment in lieu of notice.

12. Interest. No interest shall accrue on the payroll deductions of a participant in the Plan.

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of the Company's Class A Common Stock which shall be made available for sale under the Plan shall be 2,781,415 shares (adjusted to account for the exchange of each of the 200 outstanding shares of common stock of Skechers U.S.A., Inc., a California corporation, available under the Plan for approximately 13,907 shares of Class A Common Stock upon giving effect to the reincorporation of the Company in Delaware, whereby the Company's predecessor entity was merged into the newly formed Company), plus an annual increase to be added on the first day of the Company's fiscal year beginning in 1999 equal to the lesser of (i) 2,781,415 shares (post-adjustment as described above), (ii) one percent (1%) of the outstanding shares on such date, or (iii) a lesser amount as determined by the Board.

(b) The participant shall have no interest or voting right in shares covered by his option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan shall be registered in the name of the participant or in the name of the participant and his or her spouse.

14. Administration. The Plan shall be administered by the Board or a committee of members of the Board appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties.

15. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to exercise of the option. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16. Transferability. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. Reports. Individual accounts shall be maintained for each participant in the Plan. Statements of account shall be given to participating Employees at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

19. Adjustments Upon Changes in Capitalization, Dissolution, Liquidation, Merger or Asset Sale.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the Reserves, the maximum number of shares each participant may purchase each Purchase Period (pursuant to Section 7), as well as the price per share and the number of shares of Class A Common Stock covered by each option under the Plan which has not yet been exercised shall be proportionately adjusted for any increase or decrease in the number of issued shares of Class A Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Class A Common Stock, or any other increase or decrease in the number of shares of Class A Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Class A Common Stock subject to an option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date"), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Board. The New Exercise Date shall be before the date of the Company's proposed dissolution or liquidation. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, any Purchase Periods then in progress shall be shortened by setting a new Exercise Date (the "New Exercise Date") and any Offering Periods then in progress shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company's proposed sale or merger. The Board shall notify each participant in writing, at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. Amendment or Termination.

(a) The Board of Directors of the Company may at any time and for any reason terminate or amend the Plan. Except as provided in Section 19 hereof, no such termination can affect options previously granted, provided that an Offering Period may be terminated by the Board of Directors on any Exercise Date if the Board determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its stockholders. Except as provided in Section 19 and this Section 20 hereof, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain stockholder approval in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Class A Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(1) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change

in Purchase Price;

(2) shortening any Offering Period so that Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Board action; and

(3) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

21. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the

Company for the receipt thereof.

22. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the stockholders of the Company. It shall continue in effect until June 30, 2008, unless sooner terminated under Section 20 hereof.

EXHIBIT A

SKECHERS U.S.A., INC.
1998 EMPLOYEE STOCK PURCHASE PLAN
SUBSCRIPTION AGREEMENT

[ ] Original Application Offering Period Beginning:
[ ] Change in Payroll Deduction Rate --------------
[ ] Change of Beneficiary(ies)

NAME (Please print):

(First) (Middle) (Last)

SOCIAL SECURITY NUMBER: - -

ADDRESS: PHONE:
--- ------------
(W)
--- ------------
(H)
--- ------------

1. _________ hereby elects to participate in the Skechers U.S.A., Inc. 1998 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan") and subscribes to purchase shares of the Company's Class A Common Stock in accordance with this Subscription Agreement and the Employee Stock Purchase Plan.

2. I hereby authorize payroll deductions from each paycheck in the amount of __% of my Compensation on each payday (from 1 to 15%) during the Offering Period in accordance with the Employee Stock Purchase Plan. (Please note that no fractional percentages are permitted.)

3. I understand that said payroll deductions shall be accumulated for the purchase of shares of Class A Common Stock at the applicable Purchase Price determined in accordance with the Employee Stock Purchase Plan. I understand that if I do not withdraw from an Offering Period, any accumulated payroll deductions will be used to automatically exercise my option.

4. I have received a copy of the complete Employee Stock Purchase Plan. I understand that my participation in the Employee Stock Purchase Plan is in all respects subject to the terms of the Plan. I understand that my ability to exercise the option under this Subscription Agreement is subject to stockholder approval of the Employee Stock Purchase Plan.

5. Shares purchased for me under the Employee Stock Purchase Plan should be issued in the name(s) of (Employee or Employee and Spouse only): _________.

6. I understand that if I dispose of any shares received by me pursuant to the Plan within 2 years after the Enrollment Date (the first day of the Offering Period during which I purchased such shares) or 1 year after the Exercise Date, I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the shares at the time such shares were purchased by me over the price which I paid for the shares. I hereby agree to notify the Company in writing within 30 days after the date of any disposition of my shares and I will make adequate provision for Federal, state or other tax withholding obligations, if any, which arise upon the disposition of the Class A Common Stock. The Company may, but will not be obligated to, withhold from my compensation the amount necessary to meet any applicable withholding obligation including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Class A Common Stock by me. If I dispose of such shares at any time after the expiration of the 2-year and 1-year holding periods, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (1) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares, or (2) 15% of the fair market value of the shares on the first day of the Offering Period. The remainder of the gain, if any, recognized on such disposition will be taxed as capital gain.

7. I hereby agree to be bound by the terms of the Employee Stock Purchase Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Employee Stock Purchase Plan.

8. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and shares due me under the Employee Stock Purchase Plan:

Primary Beneficiary (please print):

(First) (Middle Initial) (Last)

Relationship: ---------------- Percentage Distribution (if Applicable): ----------

Beneficiary's Address: --
(include City, State, Zip)

Contingent or Other Beneficiary (please print):

(First) (Middle Initial) (Last)

Relationship: ---------------- Percentage Distribution (if Applicable): ----------

Beneficiary's Address: ---
(include City, State, Zip) ---

Signature of Spouse: --
(Required if spouse is not named beneficiary)

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated: -------------------- -----------------------------------
Signature of Employee

EXHIBIT B

SKECHERS U.S.A., INC.

1998 EMPLOYEE STOCK PURCHASE PLAN
NOTICE OF WITHDRAWAL

The undersigned participant in the Offering Period of the Skechers U.S.A., Inc. 1998 Employee Stock Purchase Plan which began on ____________ , ____ (the "Enrollment Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as practicable all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned shall be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name: ------------------------------
Address: ---------------------------
Social Security #: -----------------
Signature: -------------------------
Date: ------------------------------

<TABLE> <S> <C>

<ARTICLE> 5
<MULTIPLIER> 1,000

<S> <C>
<PERIOD-TYPE> 6-MOS
<FISCAL-YEAR-END> DEC-31-2000
<PERIOD-START> JAN-01-2000
<PERIOD-END> JUN-30-2000
<CASH> 7,062
<SECURITIES> 0
<RECEIVABLES> 119,607
<ALLOWANCES> 6,248
<INVENTORY> 91,309
<CURRENT-ASSETS> 219,843
<PP&E> 43,121
<DEPRECIATION> 11,246
<TOTAL-ASSETS> 253,730
<CURRENT-LIABILITIES> 141,142
<BONDS> 7,215
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 70,610
<OTHER-SE> 34,763
<TOTAL-LIABILITY-AND-EQUITY> 253,730
<SALES> 297,243
<TOTAL-REVENUES> 297,352
<CGS> 174,472
<TOTAL-COSTS> 88,355
<OTHER-EXPENSES> (277)
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 3,991
<INCOME-PRETAX> 30,830
<INCOME-TAX> 12,086
<INCOME-CONTINUING> 18,745
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 18,745
<EPS-BASIC> 0
<EPS-DILUTED> 0

</TABLE>