
**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 March 31, 2015

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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 MAY 1, 2015: 42,114,398.

THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF MAY 1, 2015: 9,914,396.

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

	March 31, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 396,710	\$ 466,685
Trade accounts receivable, less allowances of \$23,763 in 2015 and \$21,007 in 2014	442,688	272,103
Other receivables	13,440	16,510
Total receivables	456,128	288,613
Inventories	392,192	453,837
Prepaid expenses and other current assets	51,401	57,015
Deferred tax assets	18,864	18,864
Total current assets	1,315,295	1,285,014
Property, plant and equipment, net	375,586	373,183
Other assets	22,702	16,721
Total non-current assets	398,288	389,904
TOTAL ASSETS	\$1,713,583	\$ 1,674,918
LIABILITIES AND EQUITY		
Current Liabilities:		
Current installments of long-term borrowings	\$ 99,762	\$ 101,407
Short-term borrowings	87	1,810
Accounts payable	321,034	352,815
Accrued expenses	61,467	49,705
Total current liabilities	482,350	505,737
Long-term borrowings, excluding current installments	13,660	15,081
Other long-term liabilities	21,040	19,993
Total non-current liabilities	34,700	35,074
Total liabilities	517,050	540,811
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock, \$.001 par value; 10,000 shares authorized; none issued and outstanding	—	—
Class A Common Stock, \$.001 par value; 100,000 shares authorized; 40,673 and 40,287 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	41	40
Class B Common Stock, \$.001 par value; 60,000 shares authorized; 10,214 and 10,470 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	10	10
Additional paid-in capital	362,174	355,636
Accumulated other comprehensive loss	(20,465)	(16,077)
Retained earnings	791,720	735,640
Skechers U.S.A., Inc. equity	1,133,480	1,075,249
Noncontrolling interests	63,053	58,858
Total equity	1,196,533	1,134,107
TOTAL LIABILITIES AND EQUITY	\$1,713,583	\$ 1,674,918

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three-Months Ended March 31,	
	2015	2014
Net sales	\$ 767,997	\$ 546,518
Cost of sales	435,457	306,115
Gross profit	332,540	240,403
Royalty income	1,882	3,022
	334,422	243,425
Operating expenses:		
Selling	49,092	36,742
General and administrative	197,141	158,523
	246,233	195,265
Earnings from operations	88,189	48,160
Other income (expense):		
Interest income	186	103
Interest expense	(2,836)	(2,696)
Other, net	(4,761)	(1,082)
Total other expense	(7,411)	(3,675)
Earnings before income tax expense	80,778	44,485
Income tax expense	19,120	11,437
Net earnings	61,658	33,048
Less: Net earnings attributable to noncontrolling interests	5,578	2,083
Net earnings attributable to Skechers U.S.A., Inc.	\$ 56,080	\$ 30,965
Net earnings per share attributable to Skechers U.S.A., Inc.:		
Basic	\$ 1.10	\$ 0.61
Diluted	\$ 1.10	\$ 0.61
Weighted average shares used in calculating net earnings per share attributable to Skechers U.S.A., Inc.:		
Basic	50,804	50,558
Diluted	51,143	50,844

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three-Months Ended March 31,	
	2015	2014
Net earnings	\$ 61,658	\$ 33,048
Other comprehensive gain (loss), net of tax:		
(Loss) gain on foreign currency translation adjustment	(4,621)	302
Comprehensive income	57,037	33,350
Less: Comprehensive income attributable to noncontrolling interests	5,345	2,003
Comprehensive income attributable to Skechers U.S.A., Inc.	<u>\$ 51,692</u>	<u>\$ 31,347</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)

	Three-Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net earnings	\$ 61,658	\$ 33,048
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation of property, plant and equipment	13,298	11,288
Amortization of deferred financing costs	300	300
Amortization of intangible assets	9	234
Provision for bad debts, returns and allowances	4,057	5,103
Tax benefit from share-based compensation	—	8
Non-cash share-based compensation	4,400	1,321
Loss on disposal of property, plant and equipment	14	128
Deferred income taxes	209	8,458
(Increase) decrease in assets:		
Receivables	(175,488)	(89,383)
Inventories	59,228	45,518
Prepaid expenses and other current assets	4,959	(1,381)
Other assets	(6,050)	(273)
Increase (decrease) in liabilities:		
Accounts payable	(30,276)	(43,174)
Accrued expenses	15,258	2,225
Net cash used in operating activities	<u>(48,424)</u>	<u>(26,580)</u>
Cash flows from investing activities:		
Capital expenditures	(14,623)	(11,369)
Purchases of investments	(801)	—
Sales of investments	104	—
Net cash used in investing activities	<u>(15,320)</u>	<u>(11,369)</u>
Cash flows from financing activities:		
Payments on long-term debt	(3,066)	(2,972)
Payments on short-term borrowings	(1,753)	(1)
Excess tax benefits from share-based compensation	2,138	—
Distributions to noncontrolling interests	(1,150)	(1,325)
Net cash used in financing activities	<u>(3,831)</u>	<u>(4,298)</u>
Net decrease in cash and cash equivalents	(67,575)	(42,247)
Effect of exchange rates on cash and cash equivalents	(2,400)	(316)
Cash and cash equivalents at beginning of the period	466,685	372,011
Cash and cash equivalents at end of the period	<u>\$ 396,710</u>	<u>\$ 329,448</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 2,387	\$ 2,491
Income taxes	13,459	2,419

See accompanying notes to unaudited condensed consolidated financial statements.

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SKECHERS U.S.A., INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015 AND 2014
(Unaudited)

(1) GENERAL

Basis of Presentation

The accompanying condensed consolidated financial statements of Skechers U.S.A., Inc. (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, 2014.

The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2015.

Fair Value of Financial Instruments

The carrying amount of the Company’s financial instruments, which principally include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and approximates fair value because of the relatively short maturity of such instruments.

The carrying amount of the Company’s long-term borrowings are considered Level 2 liabilities that approximates fair value based upon current rates and terms available to the Company for similar debt.

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.

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 the relevant receivable is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. This generally occurs at time of shipment. Wholesale sales, which include amounts billed for shipping and handling costs, are recognized net of allowances for estimated returns, sales allowances, discounts, and chargebacks. Allowances for estimated returns, discounts, doubtful accounts and chargebacks are recorded when related revenue is recorded. Related costs paid to third-party shipping companies are recorded as cost of sales. The Company recognizes revenue from retail and e-commerce sales at the point of sale. Sales and value added taxes collected from retail customers are excluded from reported revenues.

Royalty income is earned from licensing arrangements. Upon signing a new licensing agreement, the Company receives up-front fees, which are generally characterized as prepaid royalties. These fees are initially deferred and recognized as revenue as earned. In addition, the Company receives royalty payments based on actual sales of the

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licensed products. Typically, at each quarter-end the Company receives correspondence from licensees indicating the actual sales for the period. This information is used to calculate and record the related royalties based on the terms of the agreement.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) amended the FASB Accounting Standards Codification and created a new Topic ASC 606, “*Revenue from Contracts with Customers*” (“ASC 606”). This amendment prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment supersedes the revenue recognition requirements in Topic 605, “*Revenue Recognition*,” and most industry-specific guidance throughout the Industry Topics of the Codification. For annual and interim reporting periods the mandatory adoption date of ASC 606 is January 1, 2017, and there will be two methods of adoption allowed, either a full retrospective adoption or a modified retrospective adoption. The Company is currently evaluating the impact of ASC 606, but at the current time does not know what impact the new standard will have on revenue recognized and other accounting decisions in future periods, if any, nor what method of adoption will be selected if the impact is material.

In August 2014, the FASB amended the FASB Accounting Standards Codification and amended Subtopic 205-40, “*Presentation of Financial Statements – Going Concern*.” This amendment prescribes that an entity should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. The amendments will become effective for the Company’s annual and interim reporting periods beginning January 1, 2017. The Company will begin evaluating going concern disclosures based on this guidance upon adoption. The Company does not expect that the adoption of this standard will have a material impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 “*Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*” (“ASU 2015-03”). ASU 2015-03 requires an entity to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The amendment will be effective for the Company’s annual and interim reporting periods beginning January 1, 2016 and should applied on a retrospective basis. The adoption of ASU 2015-03 will not have any impact on the Company’s results of operations, but will result in debt issuance costs being presented as a direct reduction from the carrying amount of debt liabilities. This standard will not have a material impact on the Company’s consolidated financial statements.

(2) LINE OF CREDIT, SHORT-TERM AND LONG-TERM BORROWINGS

The Company and its subsidiaries had \$3.9 million and \$3.4 million of outstanding letters of credit as of March 31, 2015 and December 31, 2014, respectively, and approximately \$0.1 million and \$1.8 million in short-term borrowings as of March 31, 2015 and December 31, 2014, respectively.

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Long-term borrowings at March 31, 2015 and December 31, 2014 are as follows (in thousands):

	<u>2015</u>	<u>2014</u>
Note payable to banks, due in monthly installments of \$346.6 (includes principal and interest), variable-rate interest at 3.93% per annum, secured by property, balloon payment of \$77,060 due October 2015	\$ 77,648	\$ 77,900
Note payable to banks, due in monthly installments of \$531.4 (includes principal and interest), fixed-rate interest at 3.54% per annum, secured by property, balloon payment of \$12,635 due December 2015	16,500	17,940
Note payable to banks, due in monthly installments of \$483.9 (includes principal and interest), fixed-rate interest at 3.19% per annum, secured by property, balloon payment of \$11,670 due June 2016	17,857	19,159
Note payable to TCF Equipment Finance, Inc., due in monthly installments of \$30.5, (includes principal and interest) fixed-rate interest at 5.24% per annum, maturity date of July 2019	<u>1,417</u>	<u>1,489</u>
Subtotal	113,422	116,488
Less current installments	<u>99,762</u>	<u>101,407</u>
Total long-term borrowings	<u>\$ 13,660</u>	<u>\$ 15,081</u>

(3) STOCKHOLDERS' EQUITY

During the three months ended March 31, 2015, 255,522 shares of Class B common stock were converted into shares of Class A common stock. During the three months ended March 31, 2014, 10,296 shares of Class B common stock were converted into shares of Class A common stock.

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

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Noncontrolling interest, beginning of period	\$ 58,858	\$ 49,598
Net earnings attributable to noncontrolling interest	5,578	2,083
Foreign currency translation adjustment	(233)	(80)
Capital distribution to noncontrolling interests	<u>(1,150)</u>	<u>(1,325)</u>
Noncontrolling interest, end of period	<u>\$ 63,053</u>	<u>\$ 50,276</u>

(4) NONCONTROLLING INTERESTS

The Company has equity interests in several joint ventures that were established either to exclusively distribute the Company's products throughout Asia or to construct the Company's domestic distribution facility. These joint ventures are variable interest entities ("VIE")s under Accounting Standards Codification ("ASC") 810-10-15-14. The Company's determination of the primary beneficiary of a VIE considers all relationships between the Company and the VIE, including management agreements, governance documents and other contractual arrangements. The Company has determined for its VIEs the Company is the primary beneficiary because it has both of the following characteristics: (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Accordingly, the Company includes the assets and liabilities and results of operations of these entities in its consolidated financial statements, even though the Company may not hold a majority equity interest. There

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have been no changes during 2015 in the accounting treatment or characterization of any previously identified VIE. The Company continues to reassess these relationships quarterly. The assets of these joint ventures are restricted in that they are not available for general business use outside the context of such joint ventures. The holders of the liabilities of each joint venture have no recourse to the Company. The Company does not have a variable interest in any unconsolidated VIEs.

The following VIEs are consolidated into the Company's condensed consolidated financial statements and the carrying amounts and classification of assets and liabilities were as follows (in thousands):

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<u>HF Logistics-SKX, LLC</u>		
Current assets	\$ 8,052	\$ 6,812
Noncurrent assets	<u>117,523</u>	<u>118,837</u>
Total assets	<u>\$125,575</u>	<u>\$ 125,649</u>
Current liabilities	\$ 79,198	\$ 78,668
Noncurrent liabilities	<u>1,118</u>	<u>1,194</u>
Total liabilities	<u>\$ 80,316</u>	<u>\$ 79,862</u>
<u>Distribution joint ventures (1)</u>		
Current assets	\$111,638	\$ 94,819
Noncurrent assets	<u>11,843</u>	<u>10,322</u>
Total assets	<u>\$123,481</u>	<u>\$ 105,141</u>
Current liabilities	\$ 45,619	\$ 38,470
Noncurrent liabilities	<u>64</u>	<u>66</u>
Total liabilities	<u>\$ 45,683</u>	<u>\$ 38,536</u>

- (1) Distribution joint ventures include Skechers China Limited, Skechers Southeast Asia Limited, Skechers (Thailand) Limited, Skechers South Asia Private Limited, and Skechers Retail India Private Limited.

Net earnings attributable to noncontrolling interests was \$5.6 million and \$2.1 million for the three months ended March 31, 2015 and 2014, respectively, which represents the share of net earnings that is attributable to the Company's joint venture partners. HF Logistics-SKX, LLC made cash capital distributions of \$1.2 million and \$1.0 million during the three months ended March 31, 2015 and 2014, respectively. Skechers China Limited made capital distributions of \$0.3 million during the three months ended March 31, 2014.

(5) EARNINGS PER SHARE

Basic earnings per share represent 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.

The Company has two classes of issued and outstanding common stock, Class A Common Stock and Class B Common Stock. Holders of Class A Common Stock and holders of Class B Common Stock have substantially identical rights, including rights with respect to any declared dividends or distributions of cash or property and the right to receive proceeds on liquidation or dissolution of the Company after payment of the Company's indebtedness. The two classes have different voting rights, with holders of Class A Common Stock entitled to one vote per share while holders of Class B Common Stock are entitled to ten votes per share. The Company uses the two-class method for calculating net earnings per share. Basic and diluted net earnings per share of Class A Common Stock and Class B Common Stock are identical.

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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 March 31,	
	2015	2014
Net earnings attributable to Skechers U.S.A., Inc.	\$ 56,080	\$ 30,965
Weighted average common shares outstanding	50,804	50,558
Basic earnings per share attributable to Skechers U.S.A., Inc.	\$ 1.10	\$ 0.61

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 March 31,	
	2015	2014
Net earnings attributable to Skechers U.S.A., Inc.	\$ 56,080	\$ 30,965
Weighted average common shares outstanding	50,804	50,558
Dilutive effect of stock options	339	286
Weighted average common shares outstanding	51,143	50,844
Diluted earnings per share attributable to Skechers U.S.A., Inc.	\$ 1.10	\$ 0.61

(6) STOCK COMPENSATION

For share-based awards the Company recognized compensation expense based on the grant date fair value. Share-based compensation expense was \$4.4 million and \$1.3 million for the three months ended March 31, 2015 and 2014, respectively.

A summary of the status and changes of our nonvested shares related to the Company's Equity Incentive Plans as of and for the three months ended March 31, 2015 is presented below:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested at December 31, 2014	1,263,833	\$ 43.38
Granted	7,500	68.01
Vested	(130,000)	27.54
Cancelled	0	—
Nonvested at March 31, 2015	<u>1,141,333</u>	45.35

(7) INCOME TAXES

Income tax expense and the effective tax rate for the three months ended March 31, 2015 and 2014 were as follows (in thousands, except the effective tax rate):

	Three Months Ended March 31,	
	2015	2014
Income tax expense	\$ 19,120	\$ 11,437
Effective tax rate	23.7%	25.7%

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The tax provision for the three months ended March 31, 2015 and 2014 was computed using the estimated effective tax rates applicable to each of the domestic and international taxable jurisdictions for the full year. The Company estimates its ongoing effective annual tax rate in 2015 to be between 21% and 25%, which is subject to management's quarterly review and revision, if necessary.

The Company's provision for income tax expense and effective income tax rate are significantly impacted by the mix of the Company's domestic and foreign earnings (loss) before income taxes. In the foreign jurisdictions in which the Company has operations, the applicable statutory rates range from 0% to 34%, which is generally significantly lower than the U.S. federal and state combined statutory rate of approximately 39%. For the three months ended March 31, 2015, the decrease in the effective tax rate was primarily attributable to an increase in the amount of foreign earnings relative to domestic earnings as compared to the same period in the prior year.

As of March 31, 2015, the Company had approximately \$396.7 million in cash and cash equivalents, of which \$171.2 million, or 43.2%, was held outside the U.S. Of the \$171.2 million held by the Company's foreign subsidiaries, approximately \$51.1 million is available for repatriation to the U.S. without incurring U.S. income taxes and applicable foreign income and withholding taxes in excess of the amounts accrued in the Company's condensed consolidated financial statements as of March 31, 2015. Under current applicable tax laws, if the Company chooses to repatriate some or all of the funds designated as indefinitely reinvested outside the U.S., the amount repatriated would be subject to U.S. income taxes and applicable foreign income and withholding taxes. The Company does not expect to repatriate any of the funds presently designated as indefinitely reinvested outside the U.S. As such, the Company did not provide for deferred income taxes on its accumulated undistributed earnings of the Company's foreign subsidiaries.

(8) 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 subject the Company to the risks of doing business abroad. In addition, the Company operates in the footwear industry, 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 \$236.1 million and \$166.9 million before allowances for bad debts, sales returns and chargebacks at March 31, 2015 and December 31, 2014, respectively. Foreign accounts receivable, which in some cases are collateralized by letters of credit, were equal to \$230.3 million and \$126.2 million before allowance for bad debts, sales returns and chargebacks at March 31, 2015 and December 31, 2014, respectively. The Company's charges for bad debt and reserves for credit losses for the three months ended March 31, 2015 and 2014 were approximately \$4.1 million and \$5.1 million, respectively. The Company's credit losses attributable to write-offs for the three months ended March 31, 2015 and 2014 were \$1.1 million and \$3.8 million, respectively.

Assets located outside the U.S. consist primarily of cash, accounts receivable, inventory, property, plant and equipment, and other assets. Net total assets held outside the United States were \$600.5 million and \$548.9 million at March 31, 2015 and December 31, 2014, respectively.

The Company's net sales to its five largest customers accounted for approximately 17.1% and 17.1% of total net sales for the three months ended March 31, 2015 and 2014, respectively. No customer accounted for more than 10% of our net sales during the three months ended March 31, 2015 and 2014. No customer accounted for more than 10% of net trade receivables at March 31, 2015 or December 31, 2014.

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The Company's top five manufacturers produced the following, as a percentage of total production, for the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014
Manufacturer #1	34.4%	36.8%
Manufacturer #2	8.4%	5.8%
Manufacturer #3	6.9%	5.4%
Manufacturer #4	4.5%	5.3%
Manufacturer #5	4.1%	5.0%
	<u>58.3%</u>	<u>58.3%</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.

(9) SEGMENT AND GEOGRAPHIC REPORTING INFORMATION

The Company has 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, identifiable assets and additions to property and equipment for the domestic wholesale, international wholesale, retail, and the e-commerce segments on a combined basis were as follows (in thousands):

	Three Months Ended March 31,		
	2015	2014	
Net sales			
Domestic wholesale	\$ 321,328	\$ 232,492	
International wholesale	285,571	179,083	
Retail	154,557	128,878	
E-commerce	6,541	6,065	
Total	<u>\$ 767,997</u>	<u>\$ 546,518</u>	
		Three Months Ended March 31,	
		2015	2014
Gross profit			
Domestic wholesale	\$ 125,730	\$ 84,554	
International wholesale	113,377	76,290	
Retail	90,270	76,761	
E-commerce	3,163	2,798	
Total	<u>\$ 332,540</u>	<u>\$ 240,403</u>	

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	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Identifiable assets		
Domestic wholesale	\$ 964,314	\$ 979,582
International wholesale	544,859	510,063
Retail	204,082	185,041
E-commerce	328	232
Total	<u>\$ 1,713,583</u>	<u>\$ 1,674,918</u>

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Additions to property, plant and equipment		
Domestic wholesale	\$ 5,688	\$ 2,006
International wholesale	3,555	1,004
Retail	5,380	8,359
Total	<u>\$ 14,623</u>	<u>\$ 11,369</u>

Geographic Information:

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

	<u>Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Net sales (1)		
United States	\$ 453,164	\$ 344,654
Canada	23,242	21,684
Other international (2)	291,591	180,180
Total	<u>\$ 767,997</u>	<u>\$ 546,518</u>

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Property, plant and equipment		
United States	\$ 332,512	\$ 332,383
Canada	7,256	7,203
Other international (2)	35,818	33,597
Total	<u>\$ 375,586</u>	<u>\$ 373,183</u>

- (1) The Company has subsidiaries in Canada, the United Kingdom, Germany, France, Spain, Portugal, Italy, the Netherlands, Japan, Brazil, Hungary and Chile that generate net sales within those respective countries and in some cases the neighboring regions. The Company has joint ventures in China, Hong Kong, Malaysia, Singapore, Thailand and India that generate net sales from those countries. The Company also has a subsidiary in Switzerland that generates net sales from that country in addition to net sales to 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 includes Switzerland, the United Kingdom, Germany, Austria, France, Spain, Portugal, Italy, Belgium, the Netherlands, Brazil, Chile, China, Hong Kong, Malaysia, Singapore, Thailand, Vietnam, India, Hungary and Japan.

(10) LITIGATION

The Company recognizes legal expense in connection with loss contingencies as incurred.

In accordance with accounting principles generally accepted in the U.S., the Company records a liability in its consolidated financial statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. When determining the estimated loss or range of loss, significant judgment is required to estimate the amount and timing of a loss to be recorded. Estimates of probable losses resulting from litigation and governmental proceedings are inherently difficult to predict, particularly when the matters are in the procedural stages or with unspecified or indeterminate claims for damages, potential penalties, or fines. Accordingly, the Company cannot determine the final amount, if any, of its liability beyond the amount accrued in the consolidated financial statements as of March 31, 2015, nor is it possible to estimate what litigation-related costs will be in the future.

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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 unaudited Condensed Consolidated Financial Statements and Notes thereto in Item 1 of this report and our annual report on Form 10-K for the year ended December 31, 2014.

We intend for this discussion to provide the reader with information that will assist in understanding our condensed consolidated 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 condensed consolidated 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 future performance. Factors that might cause or contribute to such differences include:

- international economic, political and market conditions including the uncertainty of sustained recovery in our European markets;
- our ability to maintain our brand image and to anticipate, forecast, identify, and respond to changes in fashion trends, consumer demand for the products and other market factors;
- our ability to remain competitive among sellers of footwear for consumers, including in the highly competitive performance footwear market;
- our ability to sustain, manage and forecast our costs and proper inventory levels;
- the loss of any significant customers, decreased demand by industry retailers and the cancellation of order commitments;
- our ability to continue to manufacture and ship our products that are sourced in China, which could be adversely affected by various economic, political or trade conditions, or a natural disaster in China;
- our ability to predict our revenues, which have varied significantly in the past and can be expected to fluctuate in the future due to a number of reasons, many of which are beyond our control;
- sales levels during the spring, back-to-school and holiday selling seasons; and
- other factors referenced or incorporated by reference in our annual report on Form 10-K for the year ended December 31, 2014 under the captions “Item 1A: Risk Factors” and “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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, which reflect our opinions only as of the date of this quarterly report, as a prediction of actual results. We undertake no obligation to publicly release any revisions to the forward-looking statements after the date of this document, except as otherwise required by reporting requirements of applicable federal and states securities laws.

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FINANCIAL OVERVIEW

Our net sales for the three months ended March 31, 2015 were \$768.0 million, an increase of \$221.5 million, or 40.5%, as compared to net sales of \$546.5 million for the three months ended March 31, 2014, which was attributable to increased sales across several key divisions including Women's GO, Sport Active, Girls, Women's Sport, and Men's Sport divisions. Gross margins decreased to 43.3% for the three months ended March 31, 2015 from 44.0% for the same period in the prior year, which was primarily attributable to the negative impact of foreign currency exchange rates due to the stronger U.S. dollar during the period. Net earnings attributable to Skechers U.S.A., Inc. were \$56.1 million for the three months ended March 31, 2015, an increase of \$25.1 million, or 81.1%, compared to net earnings of \$31.0 million in the prior-year period. Diluted net earnings per share attributable to Skechers U.S.A., Inc. for the three months ended March 31, 2015 was \$1.10, which reflected a 80.0% increase from the \$0.61 diluted earnings per share reported in the prior-year period. Earnings from operations attributable to Skechers U.S.A., increased \$40.0 million to \$88.2 million, or 11.5% of net sales, for the three months ended March 31, 2015 from \$48.2 million, or 8.8% of net sales, for the same period in 2014. The increase in net earnings attributable to Skechers U.S.A., Inc. for three months ended March 31, 2015 was primarily the result of increased sales across all our business segments following the introduction of new products. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2015.

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.

Revenue by segment as a percentage of net sales was as follows:

	Three Months Ended March 31,	
	2015	2014
Percentage of revenues by segment:		
Domestic wholesale	41.8%	42.5%
International wholesale	37.2%	32.8%
Retail	20.1%	23.6%
E-commerce	0.9%	1.1%
Total	100.0%	100.0%

As of March 31, 2015, we owned and operated 453 stores, which includes 365 domestic retail stores and 88 international retail stores. We believe we have established our presence in what we believe to be most of the major domestic retail markets. During the first three months of 2015, we opened two domestic outlet stores, three domestic warehouse stores, and one international outlet store. In addition, we closed one domestic concept store and one domestic outlet store. We review all of our stores for impairment annually, or more frequently if events occur that may be an indicator of impairment, and we carefully review our under-performing stores and consider the potential for non-renewal of leases upon completion of the current term of the applicable lease.

During the remainder of 2015, we intend to focus on: (i) continuing to develop new lifestyle and performance product at affordable prices to increase product count for all customers, (ii) continuing to manage our inventory and expenses to be in line with expected sales levels, (iii) growing our international business, (iv) strategically expanding our retail distribution channel by opening another 45 to 55 stores, of which 10 to 15 are expected to be opened during the second quarter of 2015 and (v) substantially completing the equipment upgrades to both our European Distribution Center and Rancho Belago distribution center to increase our capacity and efficiency and to better manage our growth worldwide.

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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 March 31,			
	2015		2014	
Net sales	\$767,997	100.0%	\$546,518	100.0%
Cost of sales	435,457	56.7	306,115	56.0
Gross profit	332,540	43.3	240,403	44.0
Royalty income	1,882	0.2	3,022	0.5
	<u>334,422</u>	<u>43.5</u>	<u>243,425</u>	<u>44.5</u>
Operating expenses:				
Selling	49,092	6.4	36,742	6.7
General and administrative	197,141	25.6	158,523	29.0
	<u>246,233</u>	<u>32.0</u>	<u>195,265</u>	<u>35.7</u>
Earnings from operations	88,189	11.5	48,160	8.8
Interest income	186	0.0	103	0.0
Interest expense	(2,836)	(0.4)	(2,696)	(0.5)
Other, net	(4,761)	(0.6)	(1,082)	(0.2)
Earnings before income tax expense	80,778	10.5	44,485	8.1
Income tax expense	19,120	2.5	11,437	2.1
Net earnings	61,658	8.0	33,048	6.0
Less: Net earnings attributable to noncontrolling interests	5,578	0.7	2,083	0.3
Net earnings attributable to Skechers U.S.A., Inc.	<u>\$ 56,080</u>	<u>7.3%</u>	<u>\$ 30,965</u>	<u>5.7%</u>

THREE MONTHS ENDED MARCH 31, 2015 COMPARED TO THREE MONTHS ENDED MARCH 31, 2014

Net sales

Net sales for the three months ended March 31, 2015 were \$768.0 million, an increase of \$221.5 million, or 40.5%, as compared to net sales of \$546.5 million for the three months ended March 31, 2014. The increase in net sales was broad based and attributable to higher sales in our domestic wholesale sales segment, international wholesale sales segment and our retail sales segment primarily due to the introduction of new styles and lines of footwear.

Our domestic wholesale net sales increased \$88.8 million, or 38.2%, to \$321.3 million for the three months ended March 31, 2015 from \$232.5 million for the three months ended March 31, 2014. The increase in our domestic wholesale segment was attributable to strong sales and significant growth in several key divisions including Women's GO, Sport Active, Girls, Women's Sport, and Men's Sport divisions. The average selling price per pair within the domestic wholesale sales segment increased \$1.27 to \$22.86 per pair for the three months ended March 31, 2015 from \$21.59 per pair for the same period last year, which was attributable to variation in product mix with sales of more products with higher average selling prices. The increase in the domestic wholesale segment's net sales came on a 30.5% unit sales volume increase to 14.1 million pairs for the three months ended March 31, 2015 from 10.8 million pairs for the same period in 2014.

Our international wholesale sales segment sales increased \$106.5 million, or 59.5%, to \$285.6 million for the three months ended March 31, 2015 compared to sales of \$179.1 million for the three months ended March 31, 2014. Our international wholesale sales consist of direct subsidiary sales – those 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 directly. Direct subsidiary sales increased \$81.1 million, or 58.5%, to \$219.8 million for the three months ended March 31, 2015 compared to net sales of \$138.7 million for the three months ended March 31, 2014. The largest sales increases during the quarter came from our subsidiaries in Germany, the United Kingdom, Italy,

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Switzerland, and our joint venture in China, primarily due to increased sales in our Women's Sport, Women's GO, and Sport Active divisions. Our distributor sales increased \$25.3 million to \$65.6 million for the three months ended March 31, 2015, a 62.7% increase from sales of \$40.3 million for the three months ended March 31, 2014. The largest sales increases during the quarter came from sales to our distributors in the United Arab Emirates ("UAE"), Taiwan, Turkey, and Australia and New Zealand, primarily due to increased sales in our Women's Active, Women's GO, and Men's USA divisions.

Our retail segment sales increased \$25.7 million to \$154.6 million for the three months ended March 31, 2015, a 19.9% increase over sales of \$128.9 million for the three months ended March 31, 2014. The increase in retail sales was primarily attributable to increased comparable store sales of 9.3% resulting from increased sales of our Men's Sport, Men's USA, Women's Active and Women's GO divisions, and a net increase of 36 domestic and 18 international stores compared to the same period in 2014. For the three months ended March 31, 2015, our domestic retail sales increased 18.1% compared to the same period in 2014, which was primarily attributable to increased store count and positive comparable domestic store sales of 8.3%. Our international retail store sales increased 28.5% compared to the same period in 2014, which was primarily attributable to increased international store count and positive comparable international store sales of 14.8%. During the three months ended March 31, 2015, we opened two domestic outlet stores, three domestic warehouse stores, and one international outlet store, and we closed one domestic concept store and one domestic outlet store.

Our e-commerce sales increased \$0.4 million, or 7.9%, to \$6.5 million for the three months ended March 31, 2015 compared to \$6.1 million for the three months ended March 31, 2014. Our e-commerce sales made up approximately 0.9% and 1.1% of our consolidated net sales for the three months ended March 31, 2015 and 2014, respectively.

Gross profit

Gross profit for the three months ended March 31, 2015 increased \$92.1 million to \$332.5 million as compared to \$240.4 million for the three months ended March 31, 2014. Gross profit as a percentage of net sales, or gross margin, decreased to 43.3% for the three months ended March 31, 2015 from 44.0% for the same period in the prior year. Our domestic wholesale sales segment gross profit increased \$41.1 million to \$125.7 million for the three months ended March 31, 2015 compared to \$84.6 million for the three months ended March 31, 2014. Domestic wholesale margins increased to 39.1% in the three months ended March 31, 2015 from 36.4% for the same period in the prior year. The increase in domestic wholesale margins was attributable to increased sales of our Women's Active, Women's GO, Men's Sport and Girls footwear, which had higher average selling prices and margins.

Gross profit for our international wholesale segment increased \$37.1 million, or 48.6%, to \$113.4 million for the three months ended March 31, 2015 compared to \$76.3 million for the three months ended March 31, 2014. International wholesale gross margins were 39.7% for the three months ended March 31, 2015 compared to 42.6% for the three months ended March 31, 2014. Gross margins for our direct subsidiary sales decreased to 43.6% for the three months ended March 31, 2015 as compared to 47.1% for the three months ended March 31, 2014. The decrease in gross margins for our direct subsidiary segment was primarily attributable to the effect of negative foreign currency exchange rates from a strengthening U.S. dollar during the period. Gross margins for our distributor sales were 26.7% for the three months ended March 31, 2015 as compared to 27.1% for the three months ended March 31, 2014. This decrease in gross margin for our distributor sales was primarily attributable to increased sales of our lower margin Kids footwear.

Gross profit for our retail sales segment increased \$13.5 million, or 17.6%, to \$90.3 million for the three months ended March 31, 2015 as compared to \$76.8 million for the three months ended March 31, 2014. Gross margins for all company-owned domestic and international stores were 58.4% for the three months ended March 31, 2015 as compared to 59.6% for the three months ended March 31, 2014. Gross margins for our domestic stores were 60.0% and 61.0% for the three months ended March 31, 2015 and 2014, respectively. Gross margins for our international stores were 51.8% for the three months ended March 31, 2015 as compared to 52.9% for the three months ended March 31, 2014. The decrease in domestic retail margins was primarily attributable to increased discounts on seasonal products with slightly lower margins when compared to the same period in the prior year. The decrease in international retail margins was attributable to the effect of negative foreign currency exchange rates due to a strengthening U.S. dollar during the period.

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Our cost of sales includes the cost of footwear purchased from our manufacturers, 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 \$12.4 million, or 33.6%, to \$49.1 million for the three months ended March 31, 2015 from \$36.7 million for the three months ended March 31, 2014. As a percentage of net sales, selling expenses were 6.4% and 6.7% for the three months ended March 31, 2015 and 2014, respectively. The increase in selling expenses was primarily attributable to higher advertising expenses of \$11.3 million and higher sales commissions of \$1.1 million due to increased net sales for the three months ended March 31, 2015.

Selling expenses consist primarily of the following: 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 \$38.6 million, or 24.4%, to \$197.1 million for the three months ended March 31, 2015 from \$158.5 million for the three months ended March 31, 2014. As a percentage of sales, general and administrative expenses were 25.6% and 29.0% for the three months ended March 31, 2015 and 2014, respectively. The \$38.6 million increase in general and administrative expenses was primarily attributable to \$15.8 million of increased expenses related to our international operations, which included increased temporary help of \$7.3 million primarily at our European Distribution Center from the implementation of our new automated equipment. In addition, we had \$7.6 million of increased operating expenses attributable to operating an additional 54 stores since March 31, 2014. The expenses related to our distribution network, including purchasing, receiving, inspecting, allocating, warehousing and packaging of our products, increased \$16.7 million to \$48.8 million for the three months ended March 31, 2015 as compared to \$32.1 million for the same period in the prior year. The increase in warehousing costs was primarily due to increased costs related to the transition of our new automated equipment at our European Distribution Center combined with increased sales volumes worldwide.

General and administrative expenses consist primarily of the following: salaries, wages and related taxes and various overhead costs associated with our corporate staff, share-based compensation, domestic and international retail operations, non-selling related costs of our international operations, costs associated with our 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.

Other income (expense)

Interest income was \$0.2 million and \$0.1 million for the three months ended March 31, 2015 and 2014, respectively. Interest expense increased \$0.1 million to \$2.8 million for the three months ended March 31, 2015 compared to \$2.7 million for the same period in 2014. The increase was primarily attributable to increased interest paid to our foreign manufacturers which was offset by lower interest paid on loans for our domestic distribution center equipment. Other, net expense increased \$3.7 million to \$4.8 million for the three months ended March 31, 2015 as compared to other expense of \$1.1 million for the same period in 2014. The increase in other expense was primarily attributable to foreign currency exchange loss of \$4.9 million for the three months ended March 31, 2015, as compared to a foreign currency exchange loss of \$1.0 million for the three months ended March 31, 2014, respectively. The increased foreign currency exchange loss was primarily attributable to a stronger U.S. dollar.

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Income taxes

Income tax expense and the effective tax rate for the three months ended March 31, 2015 and 2014 were as follows (in thousands, except the effective tax rate):

	Three Months Ended March 31,	
	2015	2014
Income tax expense	\$19,120	\$11,437
Effective tax rate	23.7%	25.7%

The tax provision for the three months ended March 31, 2015 and 2014 was computed using the estimated effective tax rates applicable to each of the domestic and international taxable jurisdictions for the full year. We estimate our ongoing effective annual tax rate in 2015 to be between 21% and 25%, which is subject to management's quarterly review and revision, if necessary.

Our provision for income tax expense and effective income tax rate are significantly impacted by the mix of our domestic and foreign earnings (loss) before income taxes. In the foreign jurisdictions in which we have operations, the applicable statutory rates range from 0% to 34%, which is generally significantly lower than the U.S. federal and state combined statutory rate of approximately 39%. For the three months ended March 31, 2015, the decrease in the effective tax rate was primarily attributable to an increase in the amount of foreign earnings relative to domestic earnings as compared to the same period in the prior year.

As of March 31, 2015, we had approximately \$396.7 million in cash and cash equivalents, of which \$171.2 million, or 43.2%, was held outside the U.S. Of the \$171.2 million held by our foreign subsidiaries, approximately \$51.1 million is available for repatriation to the U.S. without incurring U.S. income taxes and applicable foreign income and withholding taxes in excess of the amounts accrued in our condensed consolidated financial statements as of March 31, 2015. We do not expect to repatriate any of the funds presently designated as indefinitely reinvested outside the U.S. Under current applicable tax laws, if we choose to repatriate some or all of the funds designated as indefinitely reinvested outside the U.S., the amount repatriated would be subject to U.S. income taxes and applicable foreign income and withholding taxes. As such, we did not provide for deferred income taxes on accumulated undistributed earnings of our foreign subsidiaries.

Noncontrolling interests in net income and loss of consolidated subsidiaries

Net earnings attributable to noncontrolling interests for the three months ended March 31, 2015 increased \$3.5 million to \$5.6 million as compared to \$2.1 million for the same period in 2014 primarily attributable to increased profitability of our joint ventures. Noncontrolling interests represents the share of net earnings that is attributable to our joint venture partners.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Our working capital at March 31, 2015 was \$832.9 million, an increase of \$53.6 million from working capital of \$779.3 million at December 31, 2014. Our cash and cash equivalents at March 31, 2015 were \$396.7 million compared to \$466.7 million at December 31, 2014. The decrease in cash and cash equivalents of \$70.0 million was primarily the result of increased receivables of \$175.5 million, decreased accounts payable of \$30.3 million, and capital expenditures of \$14.6 million partially offset by our net earnings of \$61.7 million, depreciation of property, plant and equipment of \$13.3 million and decreased inventories of \$59.2 million. Our primary sources of operating cash flows are customer collections and retail sales collections. Our primary uses of cash are inventory purchases, selling, general and administrative expenses, capital expenditures and debt service payments.

For the three months ended March 31, 2015, net cash used in operating activities was \$48.4 million as compared to \$26.6 million for the three months ended March 31, 2014. On a comparative year-to-year basis, the \$21.8 million increase in cash flows used in operating activities for the three months ended March 31, 2015, primarily resulted from an increase in accounts receivable balances of \$86.1 million from increased sales volumes when compared to cash used in operating activities for the three months ended March 31, 2014. The increase in accounts receivable balances were partially offset by increased net earnings of \$28.6 million, a \$13.7 million larger decrease in inventories and a \$12.9 million smaller decrease in accounts payable balances during the three months ended March 31, 2015 as compared to the three months ended March 31, 2014.

Net cash used in investing activities was \$15.3 million for the three months ended March 31, 2015 as compared to \$11.4 million for the three months ended March 31, 2014. The increase in net cash used in investing activities for the three months ended March 31, 2015 as compared to the same period in the prior year was primarily the result of higher capital expenditures of \$3.3 million. Capital expenditures primarily consisted of \$7.6 million for several new store openings and remodels, and \$3.3 million for equipment costs for increased automation for our domestic distribution center. This was compared to capital expenditures of \$11.4 million for the three months ended March 31, 2014, which consisted of new store openings and remodels and \$2.0 million related to a property purchase for potential future corporate development. Excluding the costs of upgrading our European Distribution Center and Ranch Belago distribution center, we expect our capital expenditures through 2015 to be approximately \$35 million to \$40 million, which includes opening an additional 45 to 55 retail stores, several store remodels and a property purchase for potential future corporate development. We are currently in the process of upgrading the equipment for our European Distribution Center and estimate the cost of this equipment upgrade to be approximately \$24.0 million, of which approximately \$13.4 million has been incurred as of March 31, 2015. In addition, we are currently in the process upgrading our equipment in our Rancho Belago distribution center and estimate the cost of this equipment upgrade to be approximately \$17.0 million, of which \$5.9 has been incurred as of March 31, 2015. We expect to complete both equipment upgrades by early 2016 and to fund these upgrades through existing cash balances and cash from operations.

Net cash used in financing activities was \$3.8 million during the three months ended March 31, 2015 compared to \$4.3 million during the three months ended March 31, 2014. The decrease in cash used in financing activities in the three months ended March 31, 2015 as compared to the same period in the prior year is primarily attributable to an increase in the excess tax benefit from share-based compensation offset by payments on short-term borrowings.

Sources of Liquidity

On April 30, 2010, we entered into a construction loan agreement (the "Loan Agreement"), by and among HF Logistics-SKX T1, LLC, a wholly-owned subsidiary of the JV ("HF-T1"), Bank of America, N.A. and Raymond James Bank, FSB. Borrowings made pursuant to the Loan Agreement were up to a maximum limit of \$55.0 million (the "Loan"), which were used to construct our domestic distribution center in Rancho Belago, California. Borrowings bore interest based on LIBOR, and the Loan Agreement's original maturity date was April 30, 2012, which was extended to November 30, 2012. On November 16, 2012, HF-T1 executed a modification to the Loan Agreement (the "Modification"), which increased the borrowings under the Loan to \$80.0 million and extended the

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maturity date of the Loan to October 30, 2015. Under the Modification, OneWest Bank, FSB is an additional lender that funded in part the increase to the Loan, and the interest rate on the Loan is the daily British Bankers Association LIBOR rate plus a margin of 3.75%, which is no longer subject to a minimum rate. The Loan Agreement and the Modification are subject to customary covenants and events of default. We were in compliance with all debt covenant provisions related to the Loan Agreement as of the date of this quarterly report. We had \$77.6 million outstanding under the Loan Agreement and the Modification, which is included in current installments of long-term borrowings as of March 31, 2015. We paid commitment fees of \$0.6 million on the Modification, which are being amortized to interest expense over the three-year life of the Modification.

On December 29, 2010, we entered into a master loan and security agreement (the “Master Agreement”), by and between us and Banc of America Leasing & Capital, LLC, and an Equipment Security Note (together with the Master Agreement, the “Loan Documents”), by and among us, Banc of America Leasing & Capital, LLC, and Bank of Utah, as agent (“Agent”). The Note entered into on the same date as the Master Agreement represents a borrowing of approximately \$39.3 million. Interest accrues at a fixed rate of 3.54% per annum. On June 30, 2011, we entered into another Note agreement for approximately \$36.3 million. Interest accrues at a fixed rate of 3.19% per annum. As of March 31, 2015, an aggregate of \$34.4 million was outstanding under the Notes, of which \$12.5 million is included in long-term borrowings and \$21.8 million is included in short-term borrowings. We paid commitment fees of \$0.8 million on this loan, which are being amortized to interest expense over the five-year life of the Notes.

On June 30, 2009, we entered into a \$250.0 million secured credit agreement, (the “Credit Agreement”) with a syndicate of banks, of which six currently remain as participants. On November 5, 2009, March 4, 2010, May 3, 2011, and March 31, 2014, we entered into four successive amendments to the Credit Agreement (collectively, the “Amended Credit Agreement”). The Amended Credit Agreement matures in June 2015. The Amended 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 our 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 (0.50%, 0.75% or 1.00% for Base Rate loans and 1.50%, 1.75% or 2.00% for LIBOR loans). We pay a monthly unused line of credit fee of 0.25% or 0.375% 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 Amended Credit Agreement further provides for a limit on the issuance of letters of credit to a maximum of \$50.0 million. The Amended Credit Agreement contains customary affirmative and negative covenants for secured credit facilities of this type, including a fixed charge coverage ratio that applies when excess availability is less than \$40.0 million. In addition, the Amended Credit Agreement places limits on additional indebtedness that we are permitted to incur as well as other restrictions on certain transactions. We paid syndication and commitment fees of \$6.7 million on this facility, which are being amortized over the six-year life of the facility. As of March 31, 2015, there was \$0.1 million outstanding under this credit facility, which is classified as short-term borrowings in our condensed consolidated balance sheets.

As of March 31, 2015, outstanding short-term and long-term borrowings were \$113.4 million, of which \$34.4 million relates to notes payable for warehouse equipment for our new distribution center that are secured by the equipment and \$79.0 million relates to our construction loans for our domestic distribution center. We were in compliance with all debt covenants under the Amended Credit Agreement, the Loan Agreement and the Modification, and the Loan Documents as of the date of this quarterly report.

We believe that existing cash balances, anticipated cash flows from operations, available borrowings under our secured line of credit, and current financing arrangements will be sufficient to provide us with the liquidity necessary to fund our anticipated working capital and capital requirements through at least May 31, 2016 and for the foreseeable future. Our future capital requirements will depend on many factors, including, but not limited to, the global economy and the outlook for and pace of sustainable growth in our markets, the levels at which we maintain inventory, sale of excess inventory at discounted prices, the market acceptance of our footwear, the success of our

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international operations, costs associated with upgrading the equipment in both our European Distribution Center and Rancho Belago distribution center, 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 have been successful in the past in raising additional funds through financing activities; however, we cannot be assured that additional financing will be available to us or that, if available, it can be obtained on past terms which have been 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, 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, 2014 filed with the SEC on February 27, 2015. Our critical accounting policies and estimates did not change materially during the quarter ended March 31, 2015.

Recent Accounting Pronouncements

In May 2014, the FASB amended the FASB Accounting Standards Codification and created a new Topic 606, "*Revenue from Contracts with Customers*." This amendment prescribes that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendment supersedes the revenue recognition requirements in Topic 605, "*Revenue Recognition*," and most industry-specific guidance throughout the Industry Topics of the Codification. For annual and interim reporting periods the mandatory adoption date of ASC 606 is January 1, 2017, and there will be two methods of adoption allowed, either a full retrospective adoption or a modified retrospective adoption. We are currently evaluating the impact of ASC 606, but at the current time we do not know what impact the new standard will have on revenue recognized and other accounting decisions in future periods, if any, nor what method of adoption will be selected if the impact is material.

In August 2014, the FASB amended the FASB Accounting Standards Codification and amended Subtopic 205-40, "*Presentation of Financial Statements – Going Concern*." This amendment prescribes that an entity should evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The amendments will become effective for our annual and interim reporting periods beginning January 1, 2017. We will begin evaluating going concern disclosures based on this guidance upon adoption. We do not expect that the adoption of this standard will have a material impact on our consolidated financial statements.

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In April 2015, the FASB issued ASU 2015-03 “*Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs.*” ASU 2015-03 requires an entity to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The amendment will be effective for our annual and interim reporting periods beginning January 1, 2016 and should be applied on a retrospective basis. The adoption of ASU 2015-03 will not have any impact on our results of operations, but will result in debt issuance costs being presented as a direct reduction from the carrying amount of debt liabilities. This standard will not have a material impact on our consolidated financial statements.

QUARTERLY RESULTS AND SEASONALITY

While sales of footwear products have historically been seasonal in nature with the strongest sales generally occurring in the second and third quarters, we believe that changes in our product offerings and growth in our international sales and retail sales segments have partially mitigated the effect of this seasonality.

We have experienced, and expect to continue to experience, variability in our net sales and operating results on a quarterly basis. 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. Because of these and other factors including those referenced or incorporated by reference in our annual report on Form 10-K for the year ended December 31, 2014 under the captions “Item 1A: Risk Factors” and “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations,” 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 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. Although higher rates of inflation have been experienced in a number of foreign countries in which our products are manufactured, we do not believe that inflation has had 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. 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 2014 and the first three months of 2015, exchange rate fluctuations did not have a material impact on our net sales or inventory costs. We do not engage in hedging activities with respect to such exchange rate risk.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not hold any derivative securities that require fair value presentation pursuant to ASC 815-25, Derivatives and Hedging.

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 and will have an impact on our results of operations.

Interest rate fluctuations. As of March 31, 2015 we have \$0.1 million and \$77.6 million of outstanding short-term and long-term borrowings, respectively subject to changes in interest rates. A 200 basis point increase in interest rates would have increased interest expense by approximately \$0.2 million for the quarter ended March 31, 2015. We do not expect any changes in interest rates to have a material impact on our financial condition or results of operations during the remainder of 2015. The interest rate charged on our secured line of credit facility is based on the prime rate of interest, and changes in the prime rate of interest will have an effect on the interest charged on outstanding balances. As of March 31, 2015, there was \$0.1 million outstanding under this credit facility.

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 subsidiaries' 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 those countries where we have subsidiaries or joint ventures: the United Kingdom, France, Germany, Spain, Portugal, Switzerland, Italy, Canada, Belgium, the Netherlands, Brazil, Chile, China, Hong Kong, Singapore, Malaysia, Thailand, Vietnam, India, Hungary and Japan. Our investments in foreign subsidiaries and joint ventures with a functional currency other than the U.S. dollar are generally considered long-term. Accordingly, we do not hedge these net investments. The fluctuation of foreign currencies resulted in a cumulative foreign currency translation loss of \$4.4 million and a cumulative foreign currency translation gain of \$0.4 million for the three months ended March 31, 2015 and 2014, 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 March 31, 2015 would have reduced the values of our net investments by approximately \$12.0 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

We have established "disclosure controls and procedures" 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 and that such information is accumulated and communicated to the officers who certify our financial reports as well as other members of senior management to allow timely decisions regarding required disclosures. As of the end of the period covered by this quarterly report on Form 10-Q, we evaluated under the supervision and with the participation of our management, including our CEO and CFO, the

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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, at the reasonable assurance level, as of such time.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in our internal control over financial reporting during the three months ended March 31, 2015 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 CEO and CFO, 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 attributable 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 as a result of error or fraud may occur and not be detected.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Our claims and advertising for our toning products including for our Shape-ups are subject to the requirements of, and routinely come under review by regulators including the U.S. Federal Trade Commission ("FTC"), states' Attorneys General and government and quasi-government regulators in foreign countries. We have responded to requests for information regarding our claims and advertising from regulatory and quasi-regulatory agencies in several countries and are fully cooperating with such requests. While we believe that our claims and advertising with respect to our core toning products are supported by scientific tests, expert opinions and other relevant data, and while we have been successful in defending our claims and advertising in several different countries, we have discontinued using certain test results and we periodically review and update our claims and advertising. The regulatory inquiries may conclude in a variety of outcomes, including the closing of the inquiry with no further regulatory action, settlement of any issues through changes in its claims and advertising, settlement of any issues through payment to the regulatory entity, or litigation.

As we disclosed in previous periodic SEC filings, the FTC and Attorneys General for 44 states and the District of Columbia ("SAGs") had been reviewing the claims and advertising for Shape-ups and our other toning shoe products. We also disclosed that we had been named as a defendant in multiple consumer class actions challenging our claims and advertising for our toning shoe products, including Shape-ups. On May 16, 2012, we announced that we had settled all domestic legal proceedings relating to advertising claims made in connection with the marketing of our toning shoe products. Under the terms of the global settlement—without admitting any fault or liability, with no findings being made that our company had violated any law, and with no fines or penalties being imposed—we made payments in the aggregate amount of \$50 million to settle and finally resolve the domestic advertising class action lawsuits and related claims brought by the FTC and the SAGs. The FTC Stipulated Final Judgment was

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approved by the United States District Court for the Northern District of Ohio on July 12, 2012. Consent judgments in the 45 SAG actions were approved and entered by courts in those jurisdictions. On May 13, 2013, the United States District Court for the Western District of Kentucky entered an order finally approving the nationwide consumer class action settlement, and the time for any appeals from that final approval order has expired.

On November 8, 2012, we were served with a Grand Jury Subpoena (“Subpoena”) for documents and information relating to our past advertising claims for our toning footwear, including Shape-ups and Resistance Runners. The Subpoena was issued by a Grand Jury of the United States District Court for the Northern District of Ohio, in Cleveland, Ohio. The Subpoena seeks documents and information related to outside studies conducted on our toning footwear. This Subpoena appears to grow out of the FTC’s inquiry into our claims and advertising for Shape-ups and our other toning shoe products, which we settled with the FTC, SAGs and consumer class as part of a global settlement, as set forth above. We are fully cooperating and are in the process of producing documents and other information requested in the Subpoena. The Assistant United States Attorney has informed us that neither our company nor our employees are targets at the present time. Although we do not believe this matter will have a material adverse impact on our results of operations or financial position, it is too early to predict the timing and outcome of this matter or reasonably estimate a range of potential losses, if any.

The toning footwear category, including our Shape-ups products, has also been the subject of some media attention arising from a number of consumer complaints and lawsuits alleging injury while wearing Shape-ups. We believe our products are safe and are defending ourselves from these media stories and injury lawsuits. It is too early to predict the outcome of any case or inquiry, whether there will be future personal injury cases filed, whether adverse results in any single case or in the aggregate would have a material adverse impact on our results of operations, financial position, or result in a material loss in excess of a recorded accrual and whether insurance coverage will be adequate to cover any losses.

Patty Tomlinson v. Skechers U.S.A., Inc. — On January 13, 2011, Patty Tomlinson filed a lawsuit against our company in Circuit Court in Washington County, Arkansas, Case No. CV11-121-7. The complaint alleges, on her behalf and on behalf of all others similarly situated, that our advertising for Shape-ups violates Arkansas’ Deceptive Trade Practices Act, constitutes a breach of certain express and implied warranties, and is resulting in unjust enrichment (the “*Tomlinson* action”). The complaint seeks certification of a statewide class, compensatory damages, prejudgment interest, and attorneys’ fees and costs. On February 18, 2011, we removed the case to the United States District Court for the Western District of Arkansas, where it was pending as *Patty Tomlinson v. Skechers U.S.A., Inc.*, CV 11-05042 JLH. On March 21, 2011, Ms. Tomlinson moved to remand the action back to Arkansas state court, which motion we opposed. On May 25, 2011, the Court ordered the case remanded to Arkansas state court and denied our motion to dismiss or transfer as moot, but stayed the remand pending completion of appellate review. On September 11, 2012, the District Court lifted its stay and remanded this case to the Circuit Court of Washington County, Arkansas. On October 11, 2012, by stipulation of the parties, the state Circuit Court issued an order staying the case. On August 13, 2012, the United States District Court for the Western District of Kentucky granted preliminary approval of the nationwide consumer class action settlement in *Grabowski v. Skechers U.S.A., Inc.* Case No. 3:12-CV-00204, and *Morga v. Skechers U.S.A., Inc.*, Case No. 3:12-CV-00205 (the “*Grabowski/Morga* class actions”), and issued a preliminary injunction enjoining the continued prosecution of the *Tomlinson* action, among other cases. On May 13, 2013, the Court in the *Grabowski/Morga* class actions entered an order finally approving the nationwide consumer class action settlement, and the time for any appeals therefrom has expired. The settlement in the *Grabowski/Morga* class actions is expected entirely to resolve the class claims brought by the plaintiff in *Tomlinson*.

Elma Boatright and Sharon White v. Skechers U.S.A., Inc., Skechers U.S.A., Inc. II and Skechers Fitness Group — On February 15, 2012, Elma Boatright and Sharon White filed a lawsuit against our company in the United States District Court for the Western District of Kentucky, Case No. 3:12-cv-87-S. The complaint alleges, on behalf of the named plaintiffs and all others similarly situated, that our advertising for Shape-ups is false and misleading, thereby constituting a breach of contract, breach of implied and express warranties, fraud, and resulting in unjust enrichment. The complaint seeks certification of a nationwide class, compensatory damages, and attorneys’ fees and costs. On March 6, 2012, the named plaintiffs filed a motion to consolidate this action with *In re Skechers Toning Shoe Products Liability Litigation*, case no. 11-md-02308-TBR. On August 13, 2012, the United States District

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Court for the Western District of Kentucky granted preliminary approval of the consumer class action settlement agreement in the *Grabowski/Morga* class actions (described above), and issued a preliminary injunction enjoining the continued prosecution of this action. On May 13, 2013, the Court in the *Grabowski/Morga* class actions entered an order finally approving the nationwide consumer class action settlement, and the time for any appeals therefrom has expired. The settlement in the *Grabowski/Morga* class actions is expected entirely to resolve the class claims brought by the plaintiff in *Boatright*.

Jason Angell v. Skechers U.S.A., Inc., Skechers U.S.A., Inc. II and Skechers U.S.A. Canada, Inc. — On April 12, 2012, Jason Angell filed a motion to authorize the bringing of a class action in the Superior Court of Québec, District of Montréal. Petitioner Angell seeks to bring a class action on behalf of all residents of Canada (or in the alternative, all residents of Québec) who purchased Skechers Shape-ups footwear. Petitioner’s motion alleges that we have marketed Shape-ups through the use of false and misleading advertisements and representations about the products’ ability to provide health benefits to users. The motion requests the Court’s authorization to institute a class action seeking damages (including damages for bodily injury), punitive damages, and injunctive relief. Petitioner’s motion was formally presented to the Court on June 29, 2012. At a mediation held on February 28, 2013, the parties reached an agreement in principle to settle the *Angell* action (as well as the *Niras* and *Dedato* actions described below) through authorization by the Québec Superior Court of a nationwide settlement class. That agreement was finalized by the parties in December 2013 and thereafter presented to the Québec Superior Court for approval. On November 5, 2014, the Court issued its formal judgment approving the settlement. Notwithstanding, if approval of the class action settlement is reversed on appeal, we cannot predict the outcome of the *Angell* action or a reasonable range of potential losses or whether the outcome of the *Angell* action would have a material adverse impact on our results of operations, financial position or result in a material loss in excess of the settlement or a recorded accrual.

Brenda Davies/Kourtney Smith v. Skechers U.S.A., Inc., Skechers U.S.A., Inc. II, and Skechers U.S.A. Canada Inc. — On September 5, 2012, Brenda Davies filed a Statement of Claim in the Court of Queen’s Bench in Edmonton, Alberta, on behalf of all residents of Canada who purchased Skechers Shape-ups footwear. The Statement of Claim alleges that Skechers marketed Shape-ups through the use of false and misleading advertisements and representations about the products’ ability to provide fitness benefits to users. The Statement of Claim seeks damages (including damages for bodily injury), restitution, punitive damages, and injunctive relief. On or about November 21, 2013, an Amended Statement of Claim was filed to substitute a new representative plaintiff, Kourtney Smith, in place of Ms. Davies and to allege substantially the same claims as in the original Statement of Claim with respect to all Skechers toning footwear sold to residents of Canada. On or about February 28, 2014, representative plaintiff Smith agreed to the terms and conditions of the settlement reached in the *Angell*, *Niras*, and *Dedato* class actions (described above and below), and agreed to discontinue the *Davies/Smith* action once the settlement in the *Angell*, *Niras*, and *Dedato* class actions is finally approved by the Court and affirmed on appeal in the event an appeal is taken. On November 5, 2014, the Québec Superior Court issued its formal judgment approving the settlement in the *Angell* class action. On January 16, 2015, the Court in the *Davies/Smith* action issued an order effectively dismissing that action. Notwithstanding, if approval of the class action settlement is reversed on appeal, we cannot predict the outcome of the *Davies/Smith* action or a reasonable range of potential losses or whether the outcome of the *Davies/Smith* action would have a material adverse impact on our results of operations, financial position or result in a material loss in excess of the settlement or a recorded accrual.

George Niras v. Skechers U.S.A., Inc., Skechers U.S.A., Inc. II, and Skechers U.S.A. Canada Inc. — On September 21, 2012, George Niras filed a Statement of Claim in the Ontario Superior Court of Justice on behalf of all residents of Canada who purchased Shape-ups, Resistance Runner, Shape-ups Toners/Trainers, or Tone-ups. The Statement of Claim alleges that Skechers marketed these toning shoes through the use of false and misleading advertisements and representations about the products’ ability to provide health benefits to users. The Statement seeks damages, restitution, punitive damages, and injunctive relief. Skechers has not yet responded to the Statement. At a mediation held on February 28, 2013, the parties reached an agreement in principle to settle the *Niras* action (as well as the *Angell* action described above and the *Dedato* action described below) through authorization by the Québec Superior Court of a nationwide settlement class. That agreement was finalized by the parties in December 2013 and thereafter presented to the Québec Superior Court for approval. On November 5, 2014, the Québec Superior Court issued its formal judgment approving the settlement. On November 20, 2014, the Ontario Superior Court issued an order effectively dismissing the *Niras* action. Notwithstanding, if approval of the class action

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settlement is reversed on appeal, we cannot predict the outcome of the *Niras* action or a reasonable range of potential losses or whether the outcome of the *Niras* action would have a material adverse impact on our results of operations, financial position or result in a material loss in excess of the settlement or a recorded accrual.

Frank Dedato v. Skechers U.S.A., Inc. and Skechers U.S.A. Canada, Inc. — On or about November 5, 2012, Frank Dedato filed a Statement of Claim in Ontario Superior Court of Justice on behalf of all residents of Canada who purchased Shape-ups, Tone-ups or Resistance Runner footwear. The Statement of Claim alleges that Skechers has allegedly made misleading statements about its footwear products' ability to provide fitness benefits to users. The Statement of Claim seeks damages, restitution, punitive damages, and injunctive relief. Skechers has not yet responded to the Statement of Claim. At a mediation held on February 28, 2013, the parties reached an agreement in principle to settle the *Dedato* action (as well as the *Angell* and *Niras* actions described above) through authorization by the Québec Superior Court of a nationwide settlement class. That agreement was finalized by the parties in December 2013 and thereafter presented to the Québec Superior Court for approval. On November 5, 2014, the Québec Superior Court issued its formal judgment approving the settlement. On November 19, 2014, the Ontario Superior Court in issued an order effectively dismissing the *Dedato* action. Notwithstanding, if approval of the class action settlement is reversed on appeal, we cannot predict the outcome of the *Dedato* action or a reasonable range of potential losses or whether the outcome of the *Dedato* action would have a material adverse impact on our results of operations, financial position or result in a material loss in excess of the settlement or a recorded accrual.

Susan Cooper et al. v. Ontrea Inc. et al. — On October 22, 2014, the Company was named as a third-party defendant in a lawsuit pending in the Court of Queen's Bench in Calgary, Alberta, Case No. 1301 10673. The third party notice asserts claims for indemnification and contribution arising from injuries plaintiff allegedly sustained as a result of wearing Shape-ups shoes. The class action settlement in the *Angell* action, described above, is expected to resolve the *Cooper* action. However, if approval of the class action settlement is reversed on appeal, we cannot predict the outcome of the *Cooper* action or a reasonable range of potential losses or whether the outcome of the *Cooper* action would have a material adverse impact on our results of operations, financial position or result in a material loss in excess of the settlement or a recorded accrual.

Personal Injury Lawsuits Involving Shape-ups — As previously reported, on February 20, 2011, Skechers U.S.A., Inc., Skechers U.S.A., Inc. II and Skechers Fitness Group were named as defendants in a lawsuit that alleged, among other things, that Shape-ups are defective and unreasonably dangerous, negligently designed and/or manufactured, and do not conform to representations made by our company, and that we failed to provide adequate warnings of alleged risks associated with Shape-ups. In total, we are named as a defendant in 1,201 currently pending cases (some on behalf of multiple plaintiffs) filed in various courts that assert further varying injuries but employ similar legal theories and assert similar claims to the first case, as well as claims for breach of express and implied warranties, loss of consortium, and fraud. Although there are some variations in the relief sought, the plaintiffs generally seek compensatory and/or economic damages, exemplary and/or punitive damages, and attorneys' fees and costs.

On December 19, 2011, the Judicial Panel on Multidistrict Litigation issued an order establishing a multidistrict litigation ("MDL") proceeding in the United States District Court for the Western District of Kentucky entitled *In re Skechers Toning Shoe Products Liability Litigation*, case no. 11-md-02308-TBR. Since 2011, a total of 1,121 personal injury cases have been filed in or transferred to the MDL proceeding and 414 additional individuals have submitted claims by plaintiff fact sheets. The Company has resolved 432 personal injury claims in the MDL proceedings, comprised of 62 that were filed as formal actions and 370 that were submitted by plaintiff fact sheets. Skechers has also settled 8 claims in principle—6 filed cases and 2 claims submitted by plaintiff fact sheets—and anticipates that those settlements will be finalized in the near term. Thirty-eight cases in the MDL proceeding have been dismissed either voluntarily or on motions by Skechers and 38 unfilled claims submitted by plaintiff fact sheet have been abandoned. The MDL currently encompasses 1,021 personal injury cases (which include the claims of 976 individuals who filed court approved questionnaires) and 4 claims submitted by plaintiff fact sheets. Under a mediation procedure authorized by the District Court, a total of 2,353 settlement questionnaires were submitted by persons who had yet to file a lawsuit or who were already participants in the MDL or related coordinated proceedings pending in California state court (described in greater detail below). Mediations were held on October 4, 2014 and December 16, 2014, but no settlements were reached. On December 29, 2014, the District Court

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ordered that a total of sixty cases be selected by the parties for staggered, accelerated discovery and then either be remanded to their originating districts or set for trial. The sixty cases were selected in January 2015 and both written and deposition discovery is proceeding. Four of the 60 accelerated cases have been voluntarily dismissed, and the Company expects two additional voluntary dismissals will be filed in the near term. To the extent that the remaining 54 accelerated cases are not resolved by dispositive motions or otherwise, trials are expected to be set for dates in early to mid-2016.

Skechers U.S.A., Inc., Skechers U.S.A., Inc. II and Skechers Fitness Group also have been named as defendants in a total of 71 personal injury actions filed in various Superior Courts of the State of California that were brought on behalf of 914 individual plaintiffs (360 of whom also submitted MDL court-approved questionnaires for mediation purposes in the MDL proceeding). Of those cases, 67 were originally filed in the Superior Court for the County of Los Angeles (the "LASC cases"). On August 20, 2014, the Judicial Council of California granted a petition by the Company to coordinate all personal injury actions filed in California that relate to Shape-ups with the LASC cases (collectively, the "LASC Coordinated Cases"). On October 6, 2014, three cases that had been pending in other counties were transferred to and coordinated with the LASC Coordinated Cases. On April 17, 2015, an additional case was transferred to and coordinated with the LASC Coordinated Cases. Four of the actions originally filed as LASC cases, brought on behalf of a total of 6 plaintiffs, have been dismissed. The claims of 44 additional plaintiffs have been dismissed entirely from certain of the lawsuits, either voluntarily, on motion by Skechers, or pursuant to a settlement agreement. The claims of 21 additional persons have been dismissed in part, either voluntarily or on motions by Skechers. Thus, the LASC Coordinated Cases currently involve 67 pending personal injury lawsuits brought on behalf of a total of 864 plaintiffs. On March 12, 2014, the Superior Court selected twelve plaintiffs as bellwether cases to be set for one or more trials starting in March 2015. To date, extensive written discovery and document productions have taken place in the LASC cases. Over twenty fact witness depositions have been taken (all of which were cross-noticed in the MDL), as have eight expert depositions. Two of the bellwether cases have settled and one bellwether plaintiff dismissed her action after Skechers filed a motion for summary judgment. On January 7, 2015, the Court vacated the March 2015 initial bellwether trial date and granted Skechers' motions for summary adjudication in five bellwether cases with respect to those plaintiffs' advertising-related claims, including their claims for breach of warranty, fraud, and violations of consumer protection laws. On February 25, 2015, the Court granted Skechers' motions for summary adjudication in the four remaining bellwether cases with respect to those plaintiffs' advertising-related claims, including their claims for breach of warranty, fraud, and violations of consumer protection laws; the Court also granted Skechers' summary adjudication motions as to two of the four plaintiffs' products liability claims for an alleged failure to warn, and took under submission the portion of Skechers' motions seeking summary adjudication of all four plaintiffs' products liability claims for alleged design defects. The Court also set trial dates of October 26, 2015 and January 25, 2016 for the first two bellwether cases, but deferred selection of the specific individual bellwether plaintiff to go forward on each of those two dates to a later time.

In other state courts, a total of 123 personal injury actions (some on behalf of numerous plaintiffs) have been filed that have not been removed to federal court and transferred to the MDL. Ten of those actions have been resolved and dismissed. The remaining 113 actions include the claims of 680 plaintiffs, 671 of whom had submitted court-approved settlement questionnaires in the MDL. Twenty-three of those personal injury actions have been removed to various federal courts and are expected to be transferred to the MDL in the near term. It is further expected that removal petitions and requests for transfer to the MDL will be filed for the other 90 state court personal injury actions. No discovery has taken place in these actions. A trial date of January 4, 2016, has been set in one action currently pending in Missouri state-court. No other trial dates have been set.

The personal injury cases in the MDL and LASC Coordinated Cases and in other state courts are in many instances solicited and handled by the same plaintiffs law firms. It is too early to predict the outcome of any case, whether there will be future personal injury cases filed, whether adverse results in any single case or in the aggregate would have a material adverse impact on our operations or financial position, and whether insurance coverage will be adequate to cover any losses. Notwithstanding, we believe we have meritorious defenses, vehemently deny the allegations and intend to defend each of these cases vigorously.

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Converse, Inc. v. Skechers U.S.A., Inc. — On October 14, 2014, Converse filed an action against our company in the United States District Court for the Eastern District of New York, Brooklyn Division, Case 1:14-cv-05977-DLI-MDG, alleging trademark infringement, false designation of origin, unfair competition, trademark dilution and deceptive practices arising out of our alleged use of certain design elements on footwear. The complaint seeks, among other things, injunctive relief, profits, actual damages, enhanced damages, punitive damages, costs and attorneys' fees. On October 14, 2014, Converse also filed a complaint naming 27 respondents including our company with the U.S. International Trade Commission (the "ITC" or "Commission"), Federal Register Doc. 2014-24890, alleging violations of federal law in the importation into and the sale within the United States of certain footwear. Converse has requested that the Commission issue a general exclusion order, or in the alternative a limited exclusion order, and cease and desist orders. On December 8, 2014, the District Court stayed the proceedings before it. On December 19, 2014, Skechers responded to the ITC complaint, denying the material allegations and asserting affirmative defenses. Fact discovery in the ITC proceedings closed on April 10, 2015, and expert discovery is scheduled to close on May 29, 2015. Trial before the ITC is scheduled to commence on August 3, 2015. While it is too early to predict the outcome of these legal proceedings or whether an adverse result in either or both of them would have a material adverse impact on our operations or financial position, we believe we have meritorious defenses and intend to defend these legal matters vigorously.

Deckers Outdoor Corporation v. Skechers U.S.A., Inc. — On November 20, 2014, Deckers filed an action against our company in the United States District Court for the Central District of California, Case 2:14-cv-08988-SJO-FFM, alleging trademark infringement, patent infringement, trade dress infringement, and unfair competition arising out of our alleged use of certain names and design elements. The complaint seeks, among other things, injunctive relief, an accounting of profits, compensatory damages, statutory, treble and punitive damages, costs and attorneys' fees. While it is too early to predict the outcome of these legal proceedings or whether an adverse result in either or both of them would have a material adverse impact on our operations or financial position, we believe we have meritorious defenses and intend to defend these legal matters vigorously.

In addition to the matters included in its reserve for loss contingencies, we occasionally become involved in litigation arising from the normal course of business, and we are unable to determine the extent of any liability that may arise from any such unanticipated future litigation. We have no reason to believe that there is a reasonable possibility or a probability that we may incur a material loss, or a material loss in excess of a recorded accrual, with respect to any other such loss contingencies. However, the outcome of litigation is inherently uncertain and assessments and decisions on defense and settlement can change significantly in a short period of time. Therefore, although we consider the likelihood of such an outcome to be remote with respect to those matters for which we have not reserved an amount for loss contingencies, if one or more of these legal matters were resolved against our company in the same reporting period for amounts in excess of our expectations, our consolidated financial statements of a particular reporting period could be materially adversely affected.

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, 2014 and should be read in conjunction with the risk factors and other information disclosed in our 2014 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 three months ended March 31, 2015 and 2014, our net sales to our five largest customers accounted for approximately 17.1% and 17.1% of total net sales, respectively. No customer accounted for more than 10% of our net sales during the three months ended March 31, 2015 or 2014. No customer accounted for more than 10% of outstanding accounts receivable balance at March 31, 2015 or December 31, 2014. 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.

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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 three months ended March 31, 2015 and 2014, the top five manufacturers of our manufactured products produced approximately 58.3% and 58.3% of our total purchases, respectively. One manufacturer accounted for 34.4% of total purchases for the three months ended March 31, 2015, and the same manufacturer accounted for 36.8% of total purchases for the same period in 2014. 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 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.

The Success Of Our Business Depends On The Proper Operation, Development And Expansion Of Our Domestic And European Distribution Centers.

We distribute our products to our customers and retail stores primarily through our two distribution centers located in Rancho Belago, California and Liege, Belgium, and to a lesser extent, directly from our manufacturers. Our ability to meet customer expectations, manage inventory, complete sales, and achieve objectives for operating efficiencies and growth depends on the proper operation of our distribution centers, the development or expansion of additional distribution capabilities, and the timely performance of services by third parties (including those involved in shipping product to and from our distribution centers). We are currently in the process of upgrading the equipment at both of our distribution centers for the purposes of expansion and automation, which entails risks that could cause delays, such as shortages of materials, shortages of skilled labor or work stoppages, unforeseen construction, scheduling, engineering, environmental or geological problems, weather interference, and fires or other casualty losses. Any such delays could cause the actual completion dates of these projects to differ significantly from the expected completion dates, which could disrupt the timely distribution of our products in North America and/or Europe. Our distribution centers could also be interrupted by information technology problems and disasters such as earthquakes or fires. Any significant failure in our distribution centers could have a material adverse effect on our business, results of operations and financial condition.

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One Principal Stockholder Is Able To Control Substantially All Matters Requiring Approval By Our Stockholders And Another Stockholder Is Able To Exert Significant Influence Over All Matters Requiring A Vote Of Our Stockholders, And Their Interests May Differ From The Interests Of Our Other Stockholders.

As of March 31, 2015, our Chairman of the Board and CEO, Robert Greenberg, beneficially owned 46.5% of our outstanding Class B common shares, members of Mr. Greenberg's immediate family beneficially owned an additional 12.5% of our outstanding Class B common shares, and Gil Schwartzberg, trustee of several trusts formed by Mr. Greenberg and his wife for estate planning purposes, beneficially owned 40.3% of our outstanding Class B common shares. 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 March 31, 2015, Mr. Greenberg beneficially owned 33.3% 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, Mr. Greenberg and his immediate family beneficially owned 42.6% of the aggregate number of votes eligible to be cast by our stockholders, and Mr. Schwartzberg beneficially owned 28.6% of the aggregate number of votes eligible to be cast by our stockholders. Therefore, Mr. Greenberg and Mr. Schwartzberg are each able to exert significant influence over all matters requiring approval by our stockholders. Matters that 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 Messrs. Greenberg and Schwartzberg, 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. Mr. Greenberg's and/or Mr. Schwartzberg's interests may differ from the interests of the other stockholders. Each of them has an ability to significantly influence or substantially control actions requiring stockholder approval, which 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.

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ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
10.1	Lease Agreement dated October 17, 2014 by and among the Registrant, Skechers EDC SPRL, a subsidiary of the Registrant, and ProLogis Belgium II BVBA, regarding ProLogis Park Liege Distribution Center III in Liege, Belgium.
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.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* 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.

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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: May 8, 2015

SKECHERS U.S.A., INC.

By: /S/ DAVID WEINBERG

David Weinberg
Chief Financial Officer



Warehouse Agreement

BETWEEN THE UNDERSIGNED:

1. The limited liability company **Prologis Belgium II BVBA**, having its registered office at 2850 Boom, Scheldeweg 1, registered with the Crossroads Bank for Enterprises under the number 0472.435.431 (RLE Antwerp) and with VAT number 0472.435.431,

represented by Mr. Bram Verhoeven, holder of a special proxy,

hereinafter referred to as "**Prologis**",

AND

2. The limited liability company **Skechers EDC Spri**, having its registered office at [4041 Milmort (Liège), avenue du Parc Industriel 3], registered with the Crossroads Bank for Enterprises under the number 0478.543.758 (RLE Liège) and with VAT number 0478.543.758,

represented by Mr. David Weinberg,

hereinafter referred to as "**Skechers**",

Prologis and Skechers hereinafter jointly referred to as "**Parties**" or individually as a "**Party**";

AND

3. The limited liability company under the laws of the State of Delaware (USA) **Skechers USA Inc.**, having its registered office at CA 90266 Manhattan Beach (USA), Manhattan Beach Blvd. 228, and registered under the Commission File Number 001-1429 with I.R.S. Employer Identification No. 95-437615,

represented by Mr. David Weinberg,

hereinafter referred to as "**Guarantor**",

WHEREAS:

1. Skechers has concluded an "Agreement for the availability of Space for the storage of goods and Offices for the management of this" dated 12 August 2002, as amended, with respect to the Prologis Park Liège Distribution Center I located in the Industrial Park Hauts-Sarts, Milmort, Liège, avenue du Parc Industriel (the "Agreement DC I") and an "Agreement for the availability of Space for the storage of goods and Offices for the management of this" dated 20 May 2008, as amended with respect to Prologis Park Liège Distribution Center II located in the Industrial Park Hauts-Sarts, Milmort, Liège, avenue du Parc Industriel (the "Agreement DC II").
2. Prologis is currently negotiating the acquisition of an additional parcel of land located in the Industrial Park Hauts-Sarts, Milmort, Liège, Avenue du Parc Industriel (the "Site", as further described in Part I - Article 1.1, last paragraph of the present agreement), on which it intends to construct additional warehouses, mezzanine and offices, i.e. the Prologis Park Liège Distribution Center III (the "Premises" as further described in Part I - Article 1.1, first paragraph of the present agreement).
3. Skechers wishes to perform activities related to the storage, handling, transportation and distribution in the Premises which will be constructed on the Site.
4. Parties and the Guarantor now wish to conclude an agreement by which the Premises will be designed and constructed by Prologis and put at the disposal of Skechers subject to the terms and conditions as set out and mutually agreed upon in present agreement (hereinafter referred to as the "Agreement").

THE FOLLOWING HAS BEEN AGREED:

PRELIMINARY PART - CONDITIONS PRECEDENT

1. The design and construction of the Premises and the putting at the disposal thereof to Skechers shall be subject to the cumulative fulfilment of the following conditions precedent ("**Conditions Precedent**"):
 - 1.1. Obtaining of undisputable, executable and final building and environmental permit(s) (as the case may be "*permis unique*") in accordance with the permit application mentioned in Part I - Article 2.1., and any other authorizations and consents required for the design and construction of the Premises; and
 - 1.2. Subject to the fulfilment of the condition precedent set forth in Article 1.1. above, acquisition by Prologis of the Site from Services Promotion Initiatives en Province de Liège (SPI) SCRL for a purchase price not exceeding € 30.00 / m² land, which in addition implies that an agreement is to be reached between Prologis and Services Promotion Initiatives en Province de Liège (SPI) SCRL with respect to the ground levelling works required. Prologis is however entitled (but not obliged) to waive the

application of the present Condition Precedent as far as relating to the purchase price and/or agreement on ground levelling works.

2. Prologis shall endeavour all best efforts in order to have the Conditions Precedent satisfied cumulatively as soon as possible. Should the Conditions Precedent not be satisfied cumulatively by 1 April 2015 (this day included) at the latest, each of the Parties is entitled to consider the present Agreement void, subject to prior notification by the relevant Party to the other Party, without any damages or costs being due by either Party or the Guarantor to any other Party or the Guarantor.

3. For the avoidance of doubt only and without prejudice to the above, it is clarified that Prologis will at any moment be entitled to proceed to the acquisition of the Site at the terms and conditions to be agreed with Services Promotion Initiatives en Province de Liège (SPI) SCRL, despite - as the case may be - the non-fulfilment of the condition precedent set forth in Article 1.1. above.

PART I - DESIGN AND CONSTRUCTION OF THE PREMISES

Article 1 - Design and construction

1.1 Subject to the Conditions Precedent, Prologis undertakes to deliver to Skechers, an industrial building referred to as "Prologis Park Liège Distribution Center III", designed and constructed according to Prologis' own design, with due observance of the Outline Specifications of the Premises, attached as **Appendix 3**, having a surface of approx. 26,685 m² and consisting of:

- approx. 24,309 m² warehouses (hereinafter referred to as the "**Warehouses**");
- approx. 2,026 m² mezzanine (hereinafter referred to as the "**Mezzanine**");
- approx. 350 m² offices (hereinafter referred to as the "**Offices**").

i.e. the "**Premises**".

The Warehouses, Mezzanine, Offices and accompanying car parking places are indicated on the situation plan of the Premises which is attached to present Agreement as **Appendix 2**. The situation plan of the Premises may be modified subject to the mutual written consent by the Parties and in conformity with the permit(s) obtained by Prologis in conformity with Article 2.1. below.

The Premises shall be constructed on a parcel of land located in the Industrial Park Hauts-Sarts, Milmort, Liège (Herstal), Avenue du Parc Industriel, with cadastral references Herstal, 6th Division (Vottem, A La Chaussée), Section A, number 559/E/2 (part), with a total surface of approx. 42,856 m² (hereinafter referred to as the "Site"). A plan of the Site is attached as **Appendix 1** to present Agreement.

1.2. Prologis shall be responsible for producing the provisional design, technical design, final design and the building specifications, based on the above description and the Outline Specifications of the Premises, attached as **Appendix 3**.

1.3. Prologis may, in consultation with Skechers carry out variations or substitute alternative materials of a similar colour and to no less a quality or performance criteria within the relevant Belgian

Standards (i) so long as it does not materially alter the design, layout and nature of the Premises, or (ii) if the changes are to comply with planning or statutory requirements.

1.4. Skechers shall provide Prologis with all reasonably required documents and information in time. Failure to do so shall, to the extent this failure is (at least partly) attributable to Skechers, result in a deferral of the construction period with the number of working days in the construction sector equal to the number of working days in the construction sector during which Skechers failed to provide the documents or information concerned, unless Prologis is able to reasonably demonstrate that the delay by Skechers has additional consequences on the construction period.

1.5. During the construction works best efforts will be used to minimize hindrance to the activity in and the use of Distribution Center I and Distribution Center II adjoining to the Site, by Skechers, it being understood that Skechers will not be entitled to claim damages for any remaining hindrance during the works.

Article 2 - Permits and authorisations (construction phase)

2.1. Prologis shall endeavour to apply for the required building and environmental permit(s) and other administrative consents and authorizations for the construction of the Premises, as soon as possible.

Prologis shall provide Skechers with a draft of the application(s) allowing Skechers to formulate reasonable technical remarks. Skechers shall as soon as possible and in any event within 8 business days as from the receipt of the draft application(s), either confirm that such application(s) is/are entirely satisfactory or provide Prologis with reasonable technical remarks. Both the application(s) as the reasonable technical remarks, if any, shall be in full conformity with **Appendices 1, 2 and 3** of the present Agreement, and with any agreed upon modifications, as the case may be, pursuant to Article 3 "Request for modifications" below. If Skechers fails to reply within the 8 business days delay, it shall be considered to have accepted the draft application(s).

A copy of the application(s) as filed will be attached as **Appendix 5** to present Agreement.

2.2. For the avoidance of doubt, it is clarified that if any environmental or operating permit, authorisation or notification is (are) required for the activities of Skechers, Skechers shall be responsible, at its sole risk and expense, for the application and obtainment thereof. Failure to timely obtain such permits or authorisations shall, however, not result in a deferral or cancelling of the Delivery or Commencement Date, as defined below. Prologis will be held harmless with respect hereto.

Article 3 - Requests for modifications

3.1. Prologis shall offer Skechers or its representative the opportunity to assess the design documents and the specifications in time, as soon as these documents become available.

3.2. Skechers is entitled to timely submit requests for changes to be made to the building specifications, as far as (i) (still) technically feasible, (ii) in accordance with the Outline Specifications of the Premises, attached as **Appendix 3**, and (iii) permitted by the permits applied for and obtained pursuant to article 2 above.

Prologis shall implement such changes to the building specifications, unless this cannot reasonably be required from Prologis for reasons of letability or future disposals of the Premises, or unless not compliant with the first paragraph.

3.3. As soon as practically possible following receipt and prior to implementing the change to the specifications, Prologis shall inform Skechers in writing with respect to the consequences thereof, as the case may be, on the construction period and/or on the Compensation due to Prologis.

3.4. The estimated construction period shall be deferred with the period of time as communicated by Prologis, required to execute the changes to the building specifications requested by Skechers in accordance with this Article 3, provided Prologis has informed Skechers in writing on the impact of these changes in accordance with Article 3.3. above and provided Skechers has agreed in writing within five business days upon receipt of the reply from Prologis, to proceed with these changes.

If Skechers fails to answer in writing within this delay, it shall be considered to have refused the new delivery date and financial consequences proposed by Prologis, in which case - for the avoidance of doubt - the requested modifications shall not be executed.

3.5. Without prejudice to the above, Parties already agreed with the execution of the modifications and extra works listed in **Appendix 14**, against a lump sum compensation due by Skechers to Prologis in an amount of €452,030 (excl. VAT), to be paid within 10 business days following invoicing by Prologis.

Article 4 - Timing

4.1. Target date for the Delivery of the Premises in accordance with Article 5 below is 30 September 2015. This date is based upon start construction 1 January 2015, i.e. an irrevocable building permit is in place and no other circumstances preventing a start of construction. Prologis shall endeavour all best efforts in order to reach this target date.

An overview of milestones is attached as **Appendix 4**, for information purposes.

4.2. The target date shall be deferred in the event of one or more of the following occurrences:

- occurrence of circumstances which are to be considered as *force majeure* or Acts of God, including war, hostilities, terrorism, rebellion, ionising radiation, contamination by radioactivity, riot, commotion, strikes or disorder, earthquake, storm, flooding and lightning, bad weather, archaeological discoveries or circumstances and/or circumstances related to the presence of wildlife or environmental fragility; the target date shall be deferred with the number of working days in the construction sector equal to the number of working days in the construction sector during which one or more of the above circumstances occur(s) or persist(s), unless Prologis is able to reasonably demonstrate that the circumstance(s) referred to has (have) additional consequences on the construction period.
- in the event of modifications in accordance with Article 3.3. and 3.4.; the deferral of the target date shall be equal to the number of calendar days as agreed upon between Skechers and Prologis pursuant to article 3.4.
- any delay or retardation attributable to Skechers' non-compliance with its obligations under this Agreement; the target date shall be deferred with the number of working days in the construction sector equal to the number of working days in the construction sector

during which Skechers is in non-compliance, unless Prologis is able to reasonably demonstrate that such non-compliance has additional consequences on the construction period.

- any delay or retardation caused by Skechers' right to review pursuant to Part II, Article 4.4.; the target date shall be deferred with the number of working days in the construction sector equal to the number of working days in the construction sector between Prologis' notification and Skechers' agreement pursuant to Part II, Article 4.4., unless Prologis is able to reasonably demonstrate that such delay has additional consequences on the construction period.

Article 5 - Completion - Delivery

5.1. Completion shall take place in accordance with the Outline Specifications of the Premises, attached as **Appendix 3**.

The approval of the completion shall occur in accordance with the following principles (the "**Delivery**"):

- The Premises shall be approved by Skechers in its entirety (not phased), in accordance with Article 5.3 below.
- However, in the relation with each of its contractors separately, Prologis is allowed to perform phased approval procedures.
- Before approving works performed by the (individual) contractors, Prologis shall invite Skechers to inspect the respective works and to communicate, within five working days, technically relevant remarks, with due motivation. Such technically relevant remarks of Skechers shall be incorporated in the remarks of Prologis towards its contractors.
- If Skechers does not communicate its remarks within the abovementioned timeframe of five working days as from its inspection of the works, it shall be deemed to have accepted the works concerned.
- Approval of the Premises by Skechers can only be refused for non-compliance with the Outline Specifications of the Premises, attached as **Appendix 3** to the extent such non-compliance would impede the normal use of the Premises by Skechers for the purposes as described in Part II - Article 2 and 3 of this Agreement.

5.2. Skechers or its representative and/or consultants are entitled to inspect the Premises at all times and receive an invitation for the building meetings and shall receive a copy of the notes of the construction meetings. Prologis and Skechers agree that the minutes of the construction meetings will be given only for the convenience of attendees present and/or absent. No rights, obligations, amendments or decisions are to be concluded from these notes.

5.3. Prologis shall give notice to Skechers, in writing, at least ten (10) business days in advance of the date when the Premises shall be ready for Delivery, taking into account and without prejudice to the principles set forth in Article 5.1. above. It shall provide Skechers with the technical descriptions as available at that moment (such as, but not limited to, with regard to the concrete ("**béton**") used). In the event that Skechers fails to attend the Delivery meeting, in despite of having been notified

correctly and having been provided with the technical descriptions available, Delivery shall be deemed to be accepted.

The Parties shall, during the Delivery meeting, draft and sign the list of remaining snagging items, if any, i.e. any defect or non-conformity which does not impede the operation of the Premises and, hence, the Delivery. The Parties will agree upon a time table for the carrying out of the remedial works relating to the snagging items.

In any case, a disagreement regarding these snagging items shall not prevent Delivery from taking place.

Delivery shall be deemed to be granted by Skechers once the Parties have agreed upon and executed Delivery minutes, to which - as the case may be - a list of snagging items may be attached. Skechers shall no longer be entitled to make claims for apparent defects that are not mentioned on the list of snagging items.

5.4. A complete copy of the As-Built file shall be handed over to Skechers as soon as available.

Article 6 - Customer fit-out works

6.1. Best effort will be made by Prologis to make the Premises available for customer fit-out works one month before expected date of Delivery. As from that moment, Skechers will have access to the Premises but only to execute the customer fit-out works in the Premises. Skechers shall expeditiously and carefully carry out the customer fit-out works.

6.2. The customer fit-out works shall be carried out by Skechers at its own risk and expense.

6.3. The inclusion of the customer fit-out works in the construction schedule will be coordinated by Prologis, and Skechers agrees that as a result, both Prologis and the contractor of Prologis can give binding instructions to the contractor(s) of Skechers with respect to the execution of the customer fit-out works. Skechers shall comply with, and shall take care that the contractors comply with, the reasonable instructions given by Prologis and/or the contractor of Prologis.

6.4. Skechers shall execute the customer fit-out works (i) in a professional manner and not in breach of the environmental and building permit ("permis unique") for the construction, or any civil or public law or regulations, (ii) using good quality materials, (iii) in a way which causes as little nuisance and inconvenience as possible to Prologis, the contractor of Prologis or to lessees, owners or users of adjacent parcels, if applicable, and (iv) in accordance with the reasonable instructions given by Prologis and/or the contractor of Prologis, if any.

6.5. Skechers shall at all times ensure that neither the construction work executed by Prologis or a contractor are hampered by the (execution of the) customer fit-out works and Skechers shall not cause any delay, inconvenience or increase of the costs for the construction works. Skechers shall at any time provide Prologis and its contractors access to the Premises.

For the period between the moment Skechers has access to the Premises to execute the customer fit-out works in the Premises and the Commencement Date (as defined in Part II - Article 6), the costs for utilities (gas, water, electricity, etc) for the Premises, will be equally divided between Skechers and Prologis (or its contractor). During the same period, Skechers shall comply with all obligations (except for the payment obligations) under this Agreement.

6.6. Skechers shall immediately notify Prologis of the completion of the customer fit-out works and shall provide Prologis with two (2) sets of as-built plans with respect to the customer fit-out works , and this within three (3) weeks after completion of the customer fit-out works.

Article 7 - Distribution Center IV

7.1. In the event Prologis (or an affiliated party) acquires the land adjacent to the Site, as indicated on **Appendix 1**, from Services Promotion Initiatives en Province de Liège (SPI) SCRL, Prologis (or the relevant affiliated party) shall grant to Skechers a right of first refusal with regard to the VAT lease of (a) new distribution centre(s) that Prologis (or an affiliated party) might develop on that land (and possibly also partly on the Site - hereinafter referred to as "**Distribution Center IV**"). This right of first refusal shall apply for a period of 36 months starting on the calendar day on which Prologis (or an affiliated party) actually and definitively acquires the abovementioned land, as the case may be.

If, during this period of 36 months, Prologis (or the affiliated party) intends to agree with any third party (or offers any third party to agree) upon a possible VAT lease of Distribution Center IV as the case may be to be constructed on that land, it shall inform Skechers accordingly in conformity with Article 2 of Part III of this Agreement. following which Skechers shall have a period of 3 weeks in order to inform Prologis (or the relevant affiliated party), in conformity with Article 2 of Part III of this Agreement, of its decision to agree upon the VAT lease of Distribution Center IV as offered by Prologis (or the relevant third party). The absence of a timely answer shall be considered as a refusal.

In case of refusal or in the event no final and definitive VAT lease agreement for Distribution Center IV has been executed between Prologis (or the relevant affiliated party) and Skechers within six weeks of the notification of Skechers' decision to agree, the right of first refusal shall terminate as of right and Prologis (or the relevant affiliated party) shall have the right to develop and lease Distribution Center IV to any third party.

In addition and for the avoidance of doubt, upon termination of the period of 36 months, referred to above, or in the event Skechers has expressly indicated in writing at any moment in time not to be willing to VAT lease Distribution Center IV, Prologis (or the relevant affiliated party) also has the right to develop and lease Distribution Center IV to any third party.

Prologis warrants that the affiliated party referred to above, shall fully comply with the provisions of this article 7 (and this obligation on behalf of Prologis is to be considered a "sterkmaking" / "convention de porte-fort" as referred to in article 1120 of the Belgian Civil Code).

7.2. As the case may be, Distribution Center IV will possibly be directly connected and adjacent to the Premises. Skechers is aware of and accepts the possibility that - in the event Distribution Center IV would be built - a number of elements and installations of the Premises might be shared with the users of Distribution Center IV.

7.3. In the event Prologis (or an affiliated party) develops Distribution Center IV, it will be entitled to use and/or connect to existing or future installations and elements of the Premises, e.g. a sprinkler system, for Distribution Center IV, implying that those installations and elements of the Premises may become shared with users of Distribution Center IV, which Skechers shall accept, it being understood (i) that such sharing shall not negatively affect the performances of such installations or elements to the detriment of the Premises, (ii) that all costs and expenses related to the works, without exception, enabling such sharing will be borne by Prologis (or the affiliated party), unless agreed otherwise, and (iii) the Distribution Center IV shall - in the event it would be leased to a third party - be accessed over (a) separate access way(s), i.e. not over the Site.

7.4. The provisions of this Article 7 cannot be considered as an obligation for Prologis to actually acquire the land referred to above. Likewise, the provisions of this Article 7 cannot be considered as an obligation for Prologis to actually construct and/or develop Distribution Center IV, unless agreed so with Skechers pursuant to Article 7.1., 2nd paragraph. In addition, the provisions of Article 7 do not prevent Prologis (or the relevant affiliated party) to transfer (any rights on) the land and/or Distribution Center IV to one or more party(ies) affiliated to Prologis, to the extent such affiliated party(ies) expressly agree(s) in writing to fully comply with the provisions of Article 7. Such transfer shall be subject to Skechers' prior approval, whereby it is understood that Skechers shall give its approval upon receipt from Prologis of a written declaration from the affiliated party referred to above that it shall fully and unconditionally comply with the provisions of Article 7.

7.5. Prologis will hold Skechers fully harmless in the event that Prologis and/or any affiliated party referred to above would not fully and unconditionally comply with the provisions of this Article 7.

PART II - VAT WAREHOUSE LEASE ("Terbeschikkingstelling")

Article 1 - Premises

- 1.1. Prologis puts the Premises at the disposal of Skechers, who accepts.
- 1.2. Skechers is perfectly familiar with the Premises and requires no further description thereof. By executing the Delivery minutes as provided for in Article 5 of Part I of this Agreement, Skechers acknowledges the Premises to be appropriate for the use as further described in Article 2 and 3 of Part II of present Agreement.
- 1.3. Parties waive their rights in case of difference between the actual total measure(s) of the Premises and the abovementioned measure(s).

Article 2 - Purpose of the Premises

- 2.1. The Premises may only be used by Skechers for activities as described in article 18, § 1, second section, 9° of the Belgian VAT Code (Decision of the VAT authorities dated 29 September 1995 with reference E.T. 84.364, as completed by the decision of the VAT authorities dated 13 January 2005 with reference E.T. 108.597).
- 2.2. The purpose agreed upon - i.e. the use of the Premises as a distribution and logistics center by Skechers for the purpose of storing goods in accordance with the provisions of article 44, §3, 2°, a), second dash of the Belgian VAT Code - constitutes an essential condition of the present Agreement, without which Prologis would never have entered into the present contract. In the event that due to a use of the Premises during the term of this Agreement which is not in conformity with the terms of this Agreement, the payments under the present Agreement would be no longer subject to VAT, either in part or in their entirety, Skechers will compensate Prologis and hold Prologis harmless for any loss suffered by the latter in this respect, including interests and fines and including the loss which Prologis may suffer by being unable to recuperate the VAT which has been already paid.
- 2.3. Parties furthermore expressly agree that the Premises can in no event be used by Skechers for carrying out activities which could be qualified as retail trade or as an activity as a craftsman in direct contact with the public, according to which present Agreement should be governed by the Belgian law of 30 April 1951 on commercial leases.
- 2.4. In no event the purpose and use of the Premises can be modified by Skechers without the prior, written and express consent of Prologis, who may always refuse, provided it does so for justified reasons.

Article 3 - Use of the Premises

- 3.1. Without prejudice to Article 2 above, Skechers will only use the Premises for the purpose of storing goods in general and for activities relating to handling, storage, transportation, distribution and repair of normal (dry) (consumer) goods or products in particular. The ancillary Offices of which the surface currently is - and always should be - less than 10 % of the total surface of the Warehouses and

Offices, can only be used by warehousemen and / or employees of Skechers in charge of the management of the Warehouses.

3.2. Skechers will furthermore use and operate the Premises in compliance with all the applicable legal, regulatory, administrative, zoning, planning and other requirements. Skechers will comply with any and all regulations and requirements concerning fire safety and technical installations, as imposed by any advices or reports by the fire department, the relevant permits, the general regulation for labour protection (“RGPT” or “Règlement général pour la protection du travail” / “ARAB” or “Algemeen Reglement voor Arbeidsbescherming”), the general regulations on electrical installations (“RGIE” or “Règlement général des installations électriques” / “AREF” or “Algemeen Reglement voor Elektrische Installaties”), the applicable stipulations of the legislation on well-being on the workplace, or by any other applicable regulation. Furthermore, Skechers will be solely responsible at the discharge of Prologis, to maintain the Premises in conformity with the building and environmental permits and with any legislation, regulations, norms, decrees or advices of any competent authority which might become applicable during the term of present Agreement, in so far as such legislation or regulations would apply to the activities of Skechers in the Premises.

3.3. Skechers may not carry out any activities in the Premises, nor install any objects or equipment which could generate excessive loads on the floors or extreme pressure on the structure of the Premises. In this respect, Skechers shall comply with the maximum floor loads permitted on the floors of the Premises, namely 5,000 kg/m² with respect to the floor of the Warehouses and 400 kg/m² with respect to the floor of the Offices (weight of partition included).

3.4. Skechers shall be solely responsible for the obtaining of all licenses, authorizations and/or permits that might be required under applicable and future federal, regional or local laws and regulations with respect to Skechers’ use and operation of the Premises as described in present Article, without any obligation for Prologis to intervene, nor any recourse against Prologis in this respect.

3.5. Skechers undertakes to use the Premises as a *bonus pater familias* (i.e. normally prudent person in similar circumstances) and not to exercise any activity of which could reasonably be expected that such activity would materially disturb the occupants of the adjacent and neighbouring parcels.

3.6. Skechers accepts and agrees that during the term of the present Agreement the roof surface of the Premises may be used by Prologis or by a third party appointed by Prologis for the installation and exploitation of a photovoltaic installation. In such case:

- Prologis will take care of all additional obligations and liabilities (including as to maintenance and repair) in connection with the roof of the Premises, i.e. those obligations and liabilities in connection with the roof of the Premises that would not have existed in the event no photovoltaic installation had been installed;
- Prologis will obtain a separate (or complementary) insurance with respect to the photovoltaic installation, which shall include a waiver of recourse against Skechers and the premiums in relation to that policy shall not be charged to Skechers;
- The access to the roof for whatever reason (setting-up, the connection and the maintenance of the photovoltaic installation) will be executed autonomously and separately from the access of Skechers to the Premises, to the extent materially possible;
- Prologis will hold Skechers harmless for and against all damages incurred as a result or in connection with the building, setting-up, connecting, operating, or maintaining of the photovoltaic installation;
- Prologis undertakes to include the abovementioned obligations of this Article 3.6 in any agreement it may enter into with a third party in view of operating a photovoltaic

installation on the roof, and it undertakes and warrants (by means of "sterkmaking"/"convention de porte-fort" as referred to in article 1120 of the Belgian Civil Code) that that third party shall comply with those obligations;

- Skechers will not plant any plantation or install any installation on the Site which can overshadow in whole or in part the photovoltaic installation installed on the roof of the Premises, unless strictly necessary for Skechers to operate its activities in the Premises.

Prologis undertakes that the installation and exploitation of such photovoltaic installation shall not entail any additional cost for Skechers. In addition, Parties shall use best efforts in order to identify and implement possibilities for Skechers to benefit from such photovoltaic installation.

3.7. An overview of the easements and obligations encumbering the Site and the Premises shall be attached as **Appendix 9**. Skechers undertakes to fully comply with such easements and obligations, as modified from time to time, and will hold Prologis harmless for any damage and/or costs which may arise in this respect, without prejudice to Article 18 below.

Article 4 - Compensation

4.1. The annual base compensation consists of:

- € 41.00 / m² / year for the Warehouses, i.e. a total amount of € 996,669.00 / year;
- € 23.00 / m² / year for the Mezzanine, i.e. a total amount of € 46,598.00 / year;
- € 85.00 / m² / year for the Offices, i.e. a total amount of € 29,750.00 / year;

and has been determined at an amount of € 1,073,017.00 per year resp. € 268,254.25 per quarter, always to be increased with VAT, and excluding Services as further defined in Article 8.3. below and other expenses, and subject to the yearly adjustment as further described in Article 5 below (hereafter respectively referred to as the "Annual Compensation", the "Quarterly Compensation" and in general the "Compensation").

4.2. The Quarterly Compensation is payable in advance at the latest on the first day of the months of January, April, July and October of each year. If the Commencement Date is not equal to January 1st, April 1st, July 1st, or October 1st, the Quarterly Compensation due for the first quarter will be calculated on a pro rata basis and will be due on the Commencement Date, without prejudice to Article 4.4.

The payments of the Quarterly Compensation shall be credited in EURO to Prologis' account number which shall be communicated in due course. Any bank transfer costs are for the account of Skechers.

4.3. Overdue Compensation shall automatically bear interest at an interest rate determined in conformity with the Law of 2 August 2002 relative to late payments in commercial transactions applicable on the due date per annum, as from the date payments are due, and this without notice of default and without prejudice to Prologis' right to sue for termination for cause of the present Agreement.

4.4. The amounts of the Compensation in Article 4.1. have been based (amongst others parameters) on an initial cost for ground levelling works at charge of Prologis of € 1,549,000 (excl. VAT), on the basis of the assumptions set forth in **Appendix 12**. In the event the actual cost of the ground levelling works should exceed the budgeted cost of € 1,549,000.- (excl. VAT), the amount of such excess shall unconditionally and exclusively be borne by Skechers and shall be paid to Prologis within 10 business days following invoicing by Prologis. Without prejudice to this principle, the Parties shall agree on the

terms of this additional compensation by Skechers, and Skechers shall be offered the opportunity to review the full details of the excess costs proposed by the contractor performing the ground levelling works. Prologis shall not commit to any such excess costs proposed by the contractor, unless Skechers, after having reviewed the above, has agreed on such costs, whereby it is understood that Skechers shall not unreasonably withhold or delay its approval. In the event the actual cost of the ground levelling works turn out to be lower than the budgeted cost of € 1,549,000.- (excl. VAT), the amount of such surplus shall be reimbursed by Prologis to Skechers within 10 business days following Delivery.

Article 5 - Adjustment of the Compensation

5.1. The Annual Compensation is linked to the health index as published each month in the Belgian State Gazette.

5.2. The Annual Compensation will be adjusted automatically and as of right each year on January 1 (for the first time on January 1, 2016) and this in accordance with the following formula:

$$\text{New Annual Compensation} = \frac{\text{Annual Compensation X New index}}{\text{Base index}}$$

whereby

- Annual Compensation = the Annual Compensation referred to in Article 4 of Part II of present Agreement;
- base index = the health index of the month preceding the month during which Parties signed present Agreement, namely the index of August 2014, i.e. 100.12 (with 2013 = 100);
- new index = the health index of the month preceding the month of the adjustment of the Compensation (December).

However, the new Annual Compensation will never be less than the Annual Compensation due during the year preceding the adjustment of the Annual Compensation.

5.3. In the event that the calculation and the publication of the health index should be discontinued or cancelled, the Annual Compensation will be linked to the consumer price index. In the event that the calculation and publication of the consumer index should be discontinued or cancelled, the Annual Compensation will be linked to the new index published by the Belgian government which might replace the consumer price index. In the event that no new official index is published and Parties fail to agree on a new method of adjusting the Annual Compensation, the method of adjustment will be determined by an expert appointed by the Justice of the Peace in whose jurisdiction the Premises are located.

5.4. It is explicitly agreed that Prologis shall only waive the right to adjust the Annual Compensation arising from this Article by a written confirmation, signed by the latter.

Article 6 - Commencement and duration

6.1. The right to occupy and use the Premises under present Agreement shall start on the date of the Delivery in accordance with Part I, Article 5, i.e. the "**Commencement Date**", for an initial and unreducible period of 15 consecutive years, which as a result shall end 15 years after the Commencement Date, notwithstanding however Article 6.2. below.

6.2. Following the expiry of the period referred to in Article 6.1. above, this Agreement will be automatically extended for subsequent periods of 5 years, unless one of the Parties expressly terminates present agreement by registered mail or bailiff's writ served not less than (i) 12 months prior to the end of the period referred to in Article 6.1. above or (ii) 12 months prior to the end of the applicable five year extension period.

Notices hereunder shall be deemed given and effective in accordance with Article 2.2. of Part III of this Agreement.

Article 7 - Transfer of rights and disposal to third parties

7.1. Skechers may put the Premises (wholly or partially) at the disposal of third parties ("sub-lease") and/or transfer its rights (wholly or partially) subject to prior written permission by Prologis. No such prior written permission shall be required, however, in case of a disposal ("sub-lease") to a Skechers affiliate (whereby "affiliate" shall have the meaning as referred to in article 11 of the Belgian Company Code). In case of disposal of the Premises to a third party (other than a Skechers affiliate), such a permission shall not unreasonably be withheld by Prologis insofar the Articles of the present Agreement are complied with. In case of transfer of rights to a third party, it shall be reasonable for Prologis to withhold its consent in any of the following instances:

- i) the identity or business reputation of the candidate will, in good faith judgment of Prologis, tend to damage the goodwill or reputation of the Premises;
- ii) the creditworthiness of the candidate is unsatisfactory to the fair judgment of Prologis;
- iii) the transfer to another customer of Prologis on the Site is at a rate, which is below the rate charged by Prologis for comparable space on the Site.
- iv) the terms and conditions of the transfer agreement are not the same as the terms and conditions of this Agreement.
- v) the term of the transfer agreement exceeds the remaining term of this Agreement.
- vi) the transfer is not subjected to VAT during its' entire course.

Even if the transfer of rights is approved by Prologis because of compliance with the instances above or by way of consent of Prologis, Skechers is not allowed to market the Premises for a price lower than the Compensation under the present Agreement. Any approved transfer of rights shall be expressly subject to the terms and conditions of the present Agreement.

Skechers shall provide Prologis all information concerning the third party to whom the Premises are put at the disposal or to whom rights are transferred, and this at Prologis' first request.

7.2. In the event that Prologis authorizes the disposal of the Premises to a third party, Skechers will remain jointly and severally responsible and liable to Prologis for all obligations arising under present Agreement, and in particular for any additional costs resulting from such disposal to a third party.

7.3. In the event that Prologis authorizes the disposal of the Premises or the transfer of the present Agreement to a third party, such authorization shall be conditional upon Skechers providing Prologis with a declaration from that third party's bank that upon effective transfer of the Agreement or disposal of the Premises, as the case may be, that bank will issue a bank guarantee equivalent to six (6) months' Compensation plus applicable VAT, without prejudice to Article 20.

Article 8 - Taxes and charges

8.1. Taxes

8.1.1. All taxes, duties and contributions whatsoever with respect to the Premises including but not limited to the real estate withholding tax for the benefit of the State, the Region, the Municipality, the Province, or any other public authority, are to be borne exclusively by Skechers during the term of present Agreement. This enumeration is not limited.

To the extent such taxes, duties and contributions are claimed from Prologis, the latter will immediately (and to the extent possible no later than 10 working days as from receipt of the first invitation to pay from the relevant authority) invoice the amount to Skechers (always joining a copy of the original first invitation to pay from the relevant authority). Prologis undertakes to proceed with prompt payment of any such taxes to the authority concerned, immediately upon receipt of the corresponding payment from Skechers.

8.1.2. Furthermore, all taxes, duties and contributions related to the activities of Skechers in the Premises and, in general, related to the occupation and use of the Premises by Skechers, are to be borne exclusively by Skechers.

8.1.3. In the event that a law should impose that the real estate withholding tax in part or in whole has to be borne by Prologis, the latter reserves the right to adjust the Compensation in such way that it will be equal to the amount of the current Compensation increased with the amount of the new taxes to be borne by Skechers.

8.1.4. Further to the obligation sub article 8.1.1. above, Prologis undertakes to make the necessary and correct applications or notifications to the authorities so as to ensure that the authorities are in a position to calculate the taxes, duties or contributions on the basis of correct data.

8.1.5. Skechers will compensate Prologis for any loss (such as late payment interests and fines) which Prologis may suffer as a result of any overdue payments of the aforementioned taxes, duties and contributions, as the case may be provided such overdue payment is the consequence of Skechers' failure to timely pay the invoice mentioned above sub article 8.1.1. To the extent the overdue payment is attributable to Prologis' non-compliance with Article 8.1.1. second paragraph, late payment interests and fines caused by such overdue payment will be borne by Prologis.

8.2. Individual Charges

8.2.1. Skechers will bear all costs relating to the use of water, gas, electricity, telephone, telex, etc. or relating to any other services and utilities of the Premises. Furthermore, Skechers will also pay any charges invoiced by the utility companies for measurement appliances, systems, wiring, pipes, mains, etc.

8.2.2. Skechers may not claim any compensation from Prologis in case of any discontinuance or interruption, irrespective of the duration of such discontinuance or interruption of the water supply, gas and electricity, telephone, telex, etc., or of any other services and provisions such as heating, airing, etc. related to the Premises, whatever the reason, unless such a discontinuance or interruption may be ascribed to serious failure of Prologis to take reasonable measures to ensure the continuation of such provisions and services.

8.3. Services

8.3.1. Skechers will take care of all the services, supplies and site maintenance of the Premises according to the specifications provided by Prologis at Skechers' costs, attached to present Agreement as **Appendix 7** (hereinafter referred to as the "**Services**").

8.3.2. Skechers undertakes for the full term of this Agreement, as a *bonus pater familias* and in accordance with the requirements of good management, to conclude all agreements which, in Skechers' opinion are required, for the Services. Skechers shall inform Prologis of the conclusion of these agreements. Skechers shall, with the exclusion of Prologis, be responsible for the due execution of such agreements. Skechers shall fully indemnify and hold harmless Prologis for all damages or claims which could result from agreements for Services concluded by Skechers.

8.3.3. Prologis has the right to inspect and review the Premises. If Skechers does not perform the Services properly, Prologis will notify Skechers in writing to comply within thirty (30) calendar days. If Skechers fails to comply therewith, Prologis is entitled to take over all supply, services and maintenance of the Premises. Skechers will be invoiced accordingly.

8.3.4. In the event of the development of Distribution Center IV (as defined in Part I - Article 7.1.), Parties shall convene on the implications of such development on the above provisions of Article 8.3., to the extent required, without prejudice, however, to the principles and respective rights and obligations of the Parties as laid down in this Article 8.3.

Article 9 - Insurance

9.1. Prologis undertakes to take out an insurance with respect to the Premises (covering fire and water damage, civil liability as well as all windows in the Premises) at rebuilding value. The insurance premiums in relation thereto shall be charged to Skechers.

9.2. Skechers undertakes to take out and maintain during the entire term of this Agreement an all risk insurance by a reputable insurance company related to all movables and personal assets of Skechers including equipment situated in the Premises, covering the risks of fire, loss due to electrical faults, water damage, storm and hail damage, and civil liability. Skechers shall submit proof of such insurance to Prologis at the latter's first request.

Skechers' insurance policy will furthermore include a clause stating that the insurance company will notify Prologis by registered mail at least 15 days in advance in case of termination or suspension of Skechers' insurance policy for whatever reason.

9.3. Subject to and to the extent of the effective intervention of the aforementioned insurance compan(y)(ies), the Parties and the Guarantor mutually waive any recourse they might be entitled to exercise against each other, as well as against the owner, long lessee, tenants, sub-tenants, transferors, transferees, occupants and managers of the Premises, as well as against all those in their service and their authorised agents, for any damage they might suffer because of the occurrence of the insured risks, except for loss resulting from gross negligence or intentional misconduct. Skechers guarantees that the obligation of a waiver of recourse will be accepted by the third party occupier / customer and its insurer except for loss resulting from gross negligence or intentional misconduct.

9.4. Skechers expressly and unconditionally waives any right of recourse it might have under articles 1382 to 1386 of the Civil Code. Furthermore, Skechers waives the application *per analogiam* of articles 1719, 1720 and 1721 of the Civil Code.

9.5. Damage to the Premises caused by burglary or attempt to burglary, or vandalism will always be borne exclusively by Skechers.

9.6. If the activities of Skechers in the Premises result in an increase of the insurance premium to be paid by Prologis as referred to under Article 9.1. above, said increased premium will be at the exclusive charge of Skechers.

Article 10 - Advertising signs and satellite dish

10.1. Advertising signs and/or satellite dish(es) on and around the Premises can only be installed by Skechers if the latter has obtained express, prior and written consent of Prologis, who is entitled to impose conditions related to the dimensions, the colours and the content of such advertising signs resp. satellite dish(es). Displaying or advertising any brand and/or company names which are (also) brand and/or company names of - or refer to - companies or parties with activities similar to the activities of Prologis is also prohibited.

10.2. Without prejudice to the above, the placement and the removal of the advertising signs and satellite dish(es) are at the costs and risk of Skechers who will be also responsible for obtaining all necessary authorisations and permits, without any obligation for Prologis to intervene nor any recourse against Prologis in this respect.

10.3. Within the framework of the maintenance of the Premises, Skechers will at its own costs and upon the Prologis' first request temporarily remove the advertising signs and satellite dish(es) on and around the Premises if reasonably necessary.

10.4. Drilling in face brick and blue limestone will in any event be strictly prohibited

Article 11 - State of the Premises at the Commencement Date

11.1. Before Skechers commences its occupation of the Premises, a "State-of-Delivery" report will be agreed upon by the Parties, describing the current status of the Premises as well as the way the Premises should be delivered at the end of the Agreement, including a list of improvements that do and do not need to be reinstated by Skechers, subject to the provisions in Article 13 below. Any improvements by Skechers are to be maintained by Skechers without any compensation or payment due to Skechers.

11.2. This "State-of-Delivery" report will be signed by Skechers and Prologis on the date of Delivery of the Premises and will then be attached to this Agreement as **Appendix 6**.

Article 12 - Repair and maintenance of the Premises

12.1. Skechers shall occupy the Premises with due and proper care. It undertakes to keep the Premises at its own cost in a constant good state of maintenance and repair during the entire term of the present Agreement.

12.2. In addition to the obligations on the part of Skechers arising from the general regulations of the Belgian Civil Code (as the case may be applicable *per analogiam*), Skechers will, inter alia, be responsible for the following (without prejudice to the non-restrictive nature of this enumeration):

- to maintain, repair and renew the interior paintwork and the interior decoration of the Premises.
- to maintain, repair and, if necessary, to replace the sanitary fittings, the water faucets and any equivalent appliances and fittings.
- to properly maintain the water pipes, the water outlets and sewer pipes, emptying grease traps and protect them against frost and, if necessary, to unblock them.
- to repair any damage which is not directly the result of age or a defective condition and, if necessary, to replace them.
- to repair and, if necessary, to replace the wall panelling, floors, all locks and electrical equipment.
- to replace any broken windows, whatever the reason thereof (the costs hereof shall, however, be covered by the insurance referred to in the first paragraph of Article 10 above).
- to maintain the heating and ventilation system and to repair any damage which is not directly the result of age or a defective condition.
- to clean the ventilation ducts and to have the chimneys swept.
- to be responsible for maintaining the paving of the grounds forming part of the Premises and keeping it at its original level.
- to insure and properly maintain the roof of the Premises.

Skechers undertakes to submit to Prologis the annual statement regarding the maintenance of the heating and the ESFR Sprinkler system, as well as the annual statement of the sweeping of the chimneys by an approved chimney sweeper.

To keep the certificate of the sprinkler system valid, Skechers shall at least every two weeks start up the engine of the sprinkler pumps. The results of this test must be added to the logbook belonging to the sprinkler system.

12.3. Prologis is, for its own account, only responsible for structural works and repairs as mentioned under article 605 and article 606 of the Civil Code, i.e. the works of maintenance and repair relative to the structure, the foundations and the floor (upper floor covering excepted), the roof and the external walls of the Premises. If however structural works (or defects), which would normally be borne by Prologis are the result of a failure by Skechers to perform its maintenance obligation or of any misuse or inadmissible use by Skechers or of any other reason which may be attributed to Skechers, the latter will also be responsible for such works or defects.

12.4. Prologis may require Skechers to carry out all necessary repair and maintenance works and to complete them within two (2) weeks as from receipt by Skechers of the notification (including a plan of the works ("*bestek*" "*devis*")). Should Skechers fail to meet these obligations, Prologis is authorized to have the works carried out in order to maintain and restore the Premises in good condition at the expense and risk of the defaulting Skechers. In such event Skechers will reimburse all costs of the works, without prejudice to any other rights or actions of Prologis.

12.5. Skechers will tolerate, without compensation or reduction of Compensation, the execution of all structural works, repairs or improvements which might become necessary during the term of present Agreement and this regardless the duration of said structural works, repairs or improvements.

12.6. Skechers will inform Prologis as soon as reasonably possible following discovery of any structural repairs incumbent upon Prologis. In case Skechers would not inform Prologis hereof in due time, Skechers will be responsible for the costs of the necessary structural repairs.

12.7. During the entire duration of the Agreement, both Parties will have to comply with any statutory, administrative or any other applicable regulations. They will be responsible towards each other for any consequences arising from failure to comply with these regulations.

Article 13 - Alteration and modification of the Premises

13.1. Skechers is entitled to fix partitions and lighting systems in the Premises and to carry out small works and improvements necessary for or useful to its activities. Upon the termination of this Agreement, Prologis may, at its own choice, keep the partitions, lighting system, small works and improvements itself without any compensation or payment to Skechers, or oblige Skechers to remove the partitions, lighting system, small works and improvements and to return the Premises to their original state, at the costs of Skechers.

13.2. If applicable Skechers shall provide Prologis as soon as possible with a copy of the post intervention files related to such works.

13.3. Significant alterations or work, in particular where they affect the structure of the Premises, are not permitted, unless prior written permission has been given by Prologis. Prologis will have to give the reasons for withholding its permission. If Prologis gives such permission, it will also immediately inform Skechers, whether or not, upon termination of the Agreement, it will keep the significant alterations or work subject to the permission. In the absence of such decision by Prologis, the significant alterations or work need to be removed at charge of Skechers.

13.4. Expenses resulting from any transformation, alteration or extension of the Premises, required by or by virtue of legal, administrative, professional or any other prescriptions and regulations of any kind becoming applicable during the term of present Agreement, are to be borne by Skechers.

Article 14 - Return of the Premises

14.1. At the end of the term of present Agreement as stipulated in Article 6 above or in the event of early termination, Skechers shall return the Premises well-maintained and clean.

The Parties agree that the "State of Delivery" report, as referred to in Article 11 above, shall be the leading document and shall be the basis for a new inspection report of the Premises. As soon as Skechers has completed his removal from the Premises and in any event on the latest day of the term of present Agreement as described in Article 6 above, Prologis will, in the presence of Skechers, draw up a new inspection report of the Premises. The inspection report shall indicate the damages in the Premises for which Skechers is responsible and liable (whereby it is understood that Skechers shall never be liable for deterioration of the Premises as a result of 'fair wear and tear'), as well as the duration of non-availability of the Premises due to the execution of the repair works.

In case of disagreement between the Parties on the content of the inspection report, the Parties will address this matter as soon as possible to an independent expert specialized in real estate. This expert shall be appointed by the Parties or, failing agreement between the Parties, at the request of either Party, by the President of the Commercial Court of Liège. The decision of the expert shall be binding to the Parties and the Guarantor and the costs shall be equally divided between the Parties.

14.2. Skechers shall be liable for any damage to the Premises, caused by an act or omission on its part or caused by any act or omission on the part of its representatives, employees and of any persons in general for which Skechers is liable by law or in accordance with this Agreement.

In addition to the costs for the execution of repair works, Skechers shall also pay a compensation for non-availability of the Premises due to damage to the Premises caused by an act or omission for which Skechers is liable pursuant to the preceding paragraph or caused by the fact that Skechers has not vacated the Premises in due time. This compensation for non-availability of the Premises shall be equivalent to the amount of the Compensation in force covering the whole period of unavailability of the Premises, as determined between the Parties or by the expert in the inspection report.

14.3. The transfer of the keys, in whatever form, upon or after departure by Skechers shall in no event release or discharge Skechers of its obligations, either in part or in their entirety under this Agreement, and in particular with respect to possible repair works to be executed by Skechers and / or the non-availability of the Premises after the (early) termination of present Agreement.

Article 15 - Expropriation

In the event that the Premises, either in part or in their entirety, are expropriated, Skechers will have no right of recourse against Prologis. The rights which Skechers may assert against the expropriating authority shall at no time affect the rights which Prologis shall have against the expropriating authority.

Article 16 - End of the Agreement - Visits to the Premises

16.1. Prologis, its agent and representatives are authorized to visit the Premises with a person appointed Skechers, whenever necessary, subject to prior notification (at least 24 hours) to Skechers.

16.2. During the six (6) months preceding the termination of the Agreement or in the event of any sale of the Premises, Prologis is entitled to fix the necessary advertising signs and announcements on the Premises, announcing the putting at the disposal or sale of the Premises.

Article 17 - Environment and soil

17.1. Skechers shall at all times use its best efforts to minimize the impact of its activities on the environment and human health as required in accordance with applicable laws and regulations.

17.2. Skechers shall, both during the term of present Agreement and afterwards, fully indemnify Prologis and hold Prologis harmless for all damages and costs resulting from the release by Skechers of harmful substances into the air, the water, the soil and the groundwater, or from any activity which is harmful for the environment or human health, including but not limited to (i) the fees and expenses for surveys or other studies, preventive or remedying measures and for monitoring programs, (ii) the decrease of the value of the Site, (iii) the loss of benefit of the exploitation of the Site, (iv) liabilities towards third parties and/or public authorities, (v) all penalties, interests, proceedings and fees of technical, legal and financial experts.

17.3. Prior to the Commencement Date, Prologis shall have conducted a Phase I Environmental Site Assessment and a Geotechnical Site Investigation on the Site, for its own account. The Assessment and the Geotechnical Site Investigation will be attached to present Agreement as **Appendix 8**.

17.4. Prior to the termination of this Agreement, Skechers will, at its sole expense, order an accredited expert to carry out an exploratory soil survey on the Site. If the results of this exploratory soil survey indicate that there are concentrations of substances in the soil and/or the groundwater of the Site exceeding the standards which apply on such date and/or which give cause to further survey

measures and/or soil decontamination, Skechers will have these further surveys and soil decontamination carried out, for its own account.

Skechers will also compensate Prologis for any damage which the latter may suffer as a result of any soil and/or groundwater contamination exceeding the contamination ascertained in the Assessment and the Geotechnical Site Investigation that will be attached as **Appendix 8** or as a result of the survey and remediation measures carried out by Skechers for such contamination, unless and to the extent Skechers is able to prove that such contamination is due to third party's activities.

Skechers will make a reasonable effort to ensure that the survey and remediation measures are carried out prior to the termination of the Agreement and interfere as little as possible with the use of the Site.

Article 18 - Terms of the Property Title

18.1. As soon as Prologis acquired the Site from Services Promotion Initiatives en Province de Liège (SPI) SCRL, Prologis will communicate an extract containing the provisions of the property title which are relevant to Skechers. Said extract will also be attached as **Appendix 10** to present Agreement. Skechers has been provided with a draft of the agreement (or at the least, with an extract containing the draft provisions of the property title which are relevant to Skechers), in order to allow Skechers to verify whether these provisions are not materially more burdensome than the ones provided for in the property title in connection with the land on which Distribution Center I and Distribution Center II are built.

18.2. Skechers undertakes to comply with the terms of the Property Title and undertakes, for itself, any of its entitled parties and any of its successors and assigns, to comply conscientiously with the relevant provisions of the property title, in so far as these provisions are or can be applicable to Skechers, and to ensure that these provisions are also complied with conscientiously by any third parties which may acquire a right of lease, use or any other right to the Premises or the Site.

18.3. Skechers shall indemnify and hold fully harmless Prologis for any damage and/or costs which may arise from a failure to comply with the relevant terms of the property title.

Article 19 - Bankruptcy - Default

19.1. In the case of failure, bankruptcy and liquidation, either voluntary or involuntary or in the event of the winding-up of Skechers, in the event of seizure on any of the assets of Skechers or if Skechers is in default of any of its obligations under this Agreement or other material agreements, Prologis shall be entitled to terminate present Agreement, without being due any damages. In this event, Skechers will, however, have to pay an indemnification to Prologis equal to six months Compensation due at that time, and this without prejudice to the other obligations incumbent upon it under the terms of present Agreement, including the payment of the Compensation, indexed, for the remaining duration of this Agreement as mentioned under Article 6.1, or in the event of an extension in conformity with Article 6.2.

19.2. The above indemnification has been explicitly agreed on the basis of the fact that the Premises are forward financed and constructed by Prologis at the request and upon instruction of Skechers and that, as a result, the ability of Prologis to receive the agreed Compensation during at least 15 years constitutes an essential condition of present Agreement, without which Prologis would never have entered into present Agreement.

Article 20 - Bank Guarantee

20.1. In the event of a material change in the liquidity, solvability and financial performance of Skechers and/or the Guarantor or any threat thereof, as compared to the liquidity, solvability and financial performance of Skechers and/or the Guarantor at the moment of the execution of the present Agreement, Skechers will provide Prologis, at first request of the latter, as security for the good performance by Skechers of its obligations under this Agreement as well as under the Agreement DC I and the Agreement DC II (and their respective amendments), with an abstract, transferable and on first demand callable, irrevocable and unconditional bank guarantee issued in favour of Prologis and Prologis Belgium III Sprl (and any future owner of the respective premises) by a major bank of good standing (A rating) with registered seat in Belgium (in the form approved by Prologis in advance at its own discretion), equal to the total amount of three (3) months' Compensation under this Agreement as well as under the Agreement DC I and the Agreement DC II (hereinafter referred to as the "**Bank Guarantee**").

The Bank Guarantee, as the case may be, will be valid for the term of this Agreement, Agreement DC I and Agreement DC II, including any possible extension thereof, plus six (6) months.

20.2. As the case may be, at the end of each five years' period of present Agreement, the amount of the Bank Guarantee shall be adapted so that it always corresponds to three (3) months' Compensation under the Agreement DC I plus the applicable VAT due at that time.

20.3. As the case may be, in the event that one or more of the beneficiaries of the Bank Guarantee partly or wholly execute(s) the Bank Guarantee during the term of present Agreement, Skechers undertakes to provide the beneficiaries (within a period requested by the latter) with a replacement Bank Guarantee (or an amendment to the Bank Guarantee which has been partly or wholly executed) which amounts to three (3) months' Compensation due at that time under the Agreement DC I plus the applicable VAT.

20.4. As the case may be, the beneficiaries of the Bank Guarantee shall be entitled to call on the Bank Guarantee in order to, without limitation, (i) cover the costs of returning the Premises under present Agreement as well as under the Agreement DC I and the Agreement DC II (and their respective amendments) to the state as described in the respective inspection reports in conformity with the respective provisions of the Agreements DC III, DC II and DC I; and/or (ii) set-off any amounts owed by Skechers to one or more beneficiaries under said Agreements; and/or (iii) set-off any damages, losses, costs and expenses incurred by the beneficiaries of the Bank Guarantee as a result of any breach of these Agreements by Skechers, without prejudice to any other remedy provided in said Agreements or provided by law. The collection by one or more of the beneficiaries of the Bank Guarantee of all or part of the amounts from the Bank Guarantee shall not release Skechers from performing its relevant obligations under the Agreements DC III, DC II and DC I.

20.5. Present clause is without prejudice to the applicability and enforceability of Article 21 below.

Article 21 - Parent Company Guarantee ("*hoofdelijke borgtocht/caution solidaire*")

21.1. The Guarantor shall be jointly and severally liable with Skechers vis-à-vis Prologis for the good performance by Skechers of its obligations and undertakings under present Agreement.

21.2. The Guarantor waives its rights under articles 2026 and 2037 of the Civil Code.

21.3. The Guarantor agrees not to claim against Skechers the reimbursement of any payment made to Prologis in accordance to this Article 21 or accept any payment or security from Skechers,

whenever such reimbursement or payment to the Guarantor could jeopardize the due compliance of Skechers of its obligations under the present Agreement.

21.4. Skechers shall provide Prologis with annual financial statements of the Guarantor at its first request. If there has been a material adverse change in the financial condition of the Guarantor, Skechers shall procure that another company acceptable to Prologis provides a replacement guarantee on the terms as set out in this Article and Skechers shall procure that such other company concludes an amendment to this Agreement upon written demand by Prologis.

21.5. The costs relating to the present guarantee, its enforcement before the courts or before a public official, and its execution shall be borne exclusively by the Guarantor.

21.6. The Guarantor declares that the entering into the parent company guarantee as described in present Article, is in accordance with its corporate purpose.

21.7. Present clause is without prejudice to the applicability and enforceability of Article 20 above.

Article 22 - Registration

22.1. Skechers is responsible for the registration of present Agreement and will pay all costs, charges and fines in this respect.

22.2. Given the fact that present Agreement is to be considered as an agreement by which the Premises are put at the disposal of Skechers for activities as described in article 18, § 1, second section, 9° of the Belgian VAT Code, present Agreement will be registered at the fixed registration duty of € 50.

PART III - GENERAL AND FINAL CLAUSES

Article 1 - Language

1.1. The Parties and the Guarantor acknowledge that they have required the present Agreement to be drawn up in the French and the English language. The French version will be used for registration purposes. The English version will be attached to the French version as **Appendix 11**. In the event of discrepancies the English version will prevail.

1.2. The Parties and the Guarantor acknowledge that they have required all notices and legal proceedings provided for hereunder or related hereto, to be drawn up in the English language, to the extent permitted by rules of public policy relating directly or indirectly to these proceedings.

Article 2 - Choice of residence - Notices

2.1. For purposes of this Agreement, Parties and the Guarantor elect domicile at their respective registered office.

2.2. Any notice under this Agreement shall be given by bailiff's writ or by registered letter. Notices hereunder shall be deemed given and effective (i) if delivered by a bailiff, upon delivery, or (ii) if sent by registered mail within two (2) business days of deposit in the post office.

Article 3 - Various clauses

3.1. This Agreement, including Appendices, contains the entire agreement of the Parties hereto and the Guarantor with regard to the object to which it refers and contains everything the Parties and the Guarantor have negotiated and agreed upon within the framework of this Agreement.

No amendment or modification of this Agreement shall take effect unless it is in writing and is executed by duly authorized representatives of the Parties and - as the case may be - the Guarantor .

The Appendices to this Agreement form an integral part thereof and any reference to this Agreement shall include a reference to the Appendices and vice versa.

Present Agreement replaces and annuls any agreement, communication, offer, proposal, or correspondence, oral or written, previously exchanged or concluded between the Parties and the Guarantor and referring to the same object.

3.2. Notwithstanding any provision contrary to the present Agreement, neither Party shall be liable for a delay or failure to fulfil its obligations under this Agreement arising from any cause beyond its reasonable control or arising from strikes, lockouts, work stoppages or other collective labour disputes, insofar that the Party invoking the force majeure informs the other Party as soon as reasonable possible of the occurrence and the estimated duration and the termination thereof, as well as an accurate description of the causes thereof. In case the situation of force majeure has a duration of more than 2 (two) months, the other Party is entitled to terminate this Agreement in accordance with the terms of this Agreement.

3.3. If one or more of the provisions of this Agreement is declared to be invalid, illegal or unenforceable in any respect under the applicable law, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected. In the case whereby such invalid, illegal or unenforceable clause affects the entire nature of this Agreement, each of the Parties and - as the case may be - the Guarantor shall use its best efforts to immediately and in good faith negotiate a legally valid replacement provision which is economically equal to the affected clause.

3.4. No failure or delay of a Party to exercise any right or remedy under this Agreement shall be considered a final waiver thereof, nor shall any single or partial exercise of any right or remedy preclude any other or further exercise thereof. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

Article 4 -Applicable law and jurisdiction

4.1. Present Agreement is governed by Belgian law.

4.2. The commercial courts of Liège will have sole and exclusive jurisdiction with respect to any dispute relating to the conclusion, validity, the implementation or the interpretation of this Agreement.

*
* * *

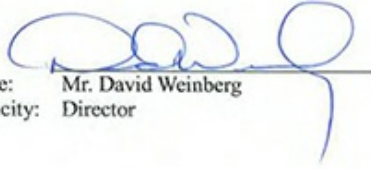
Done in _____, on 17/10/ 2014, in four original counterparts, each Party and the Guarantor acknowledging receipt of a fully executed original copy, and one remaining counterpart being intended for the registration office.

Prologis



Name: Bram Verhoeven
Capacity: Holder of a special proxy

Skechers



Name: Mr. David Weinberg
Capacity: Director

Guarantor



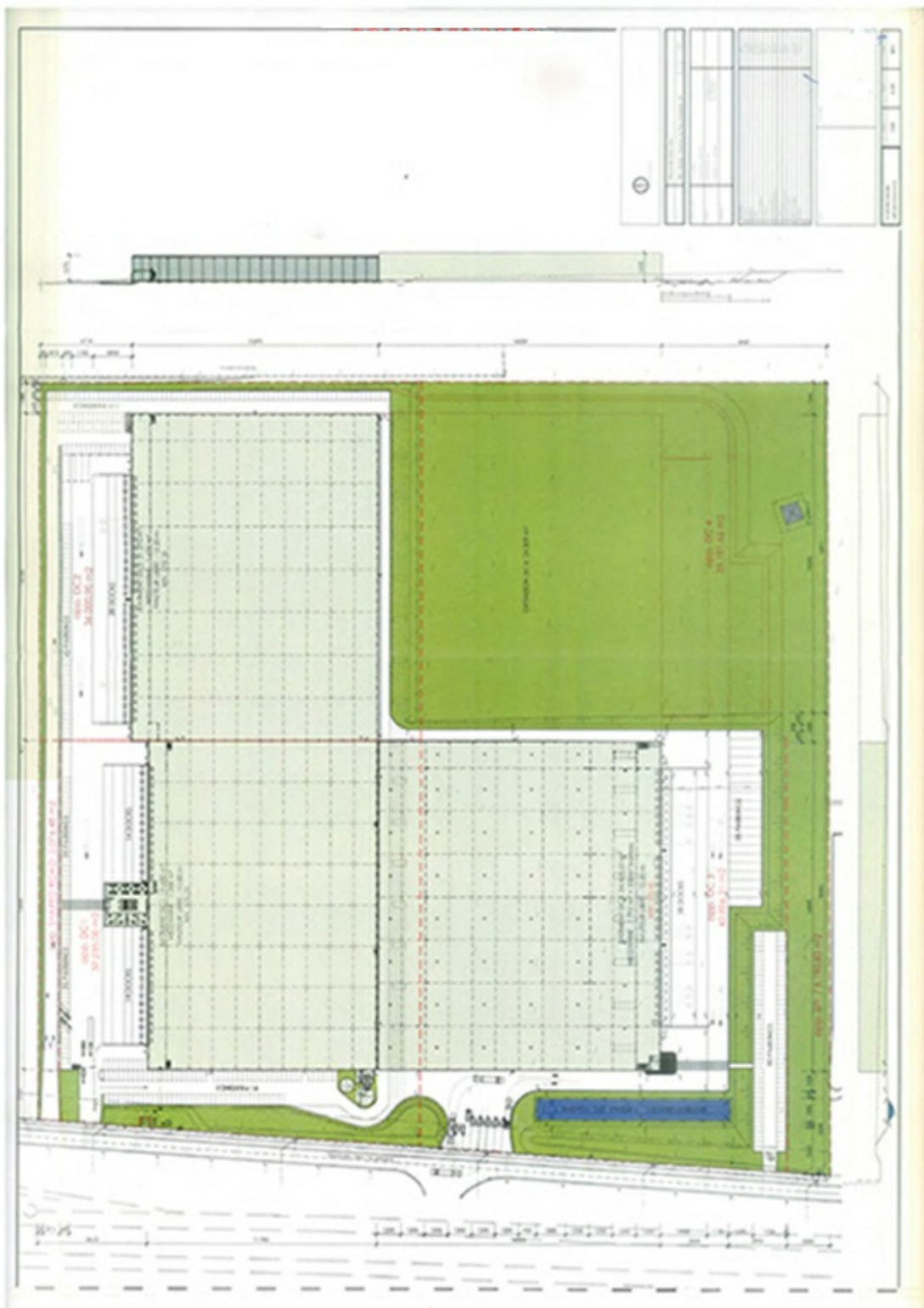
Name: Mr. David Weinberg
Capacity: Director

Appendices:

1. Plan of the Site (including the land adjacent to the Site)
2. Building plan of the Premises
3. Outline specifications of the Premises
4. Milestones
5. Copy of the application for the building and environmental permit - added when available
6. State of delivery report - added when executed
7. List of supplies and services
8. Soil survey of the Site - added when executed
9. Easements and obligations - added when available
10. Extract from property title - added when available
11. French version of the present Agreement
12. Ground levelling works - technical assumptions
13. Ground levelling agreement
14. Pre-agreed modifications and extra works

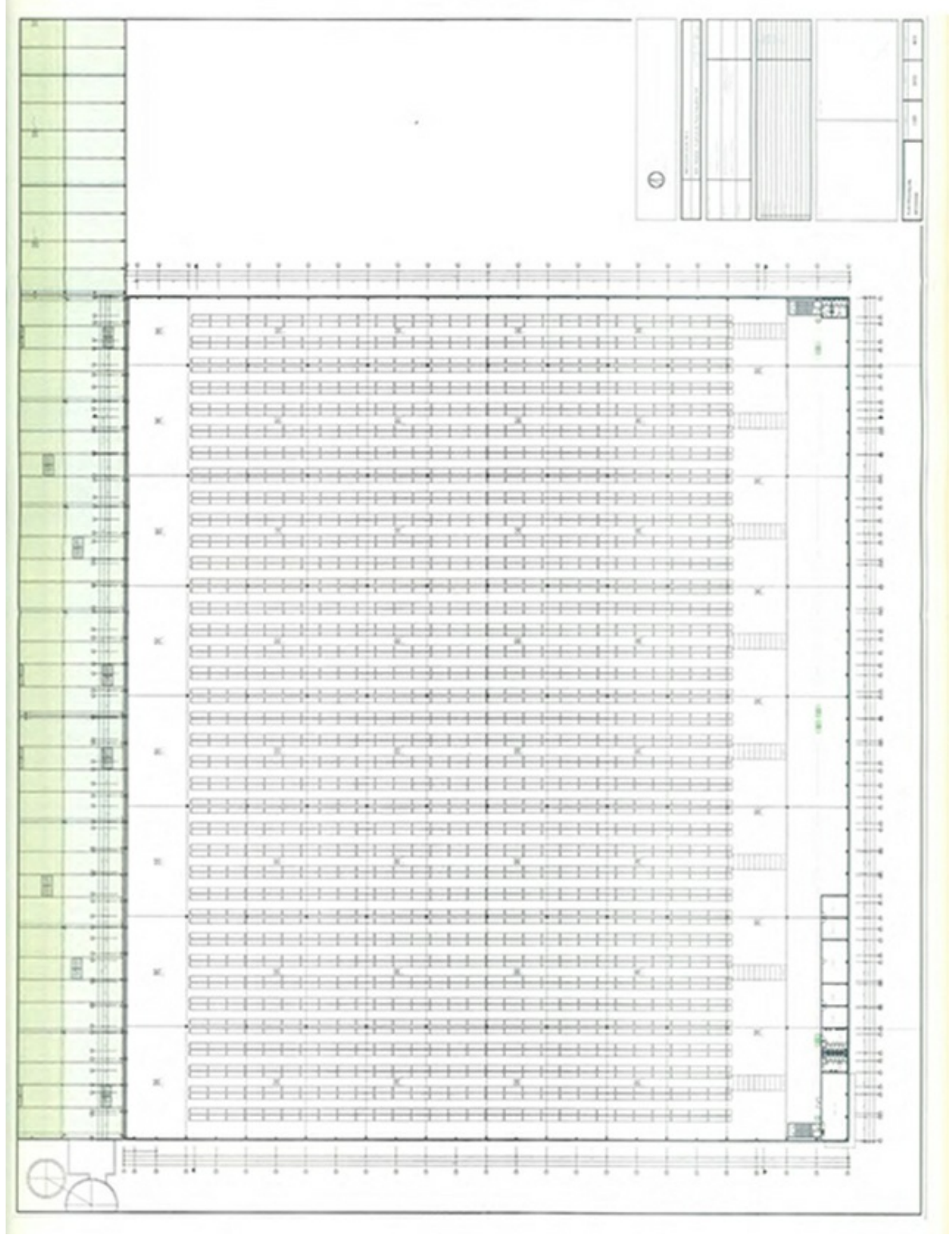


Appendix 1 – Plan of the Site

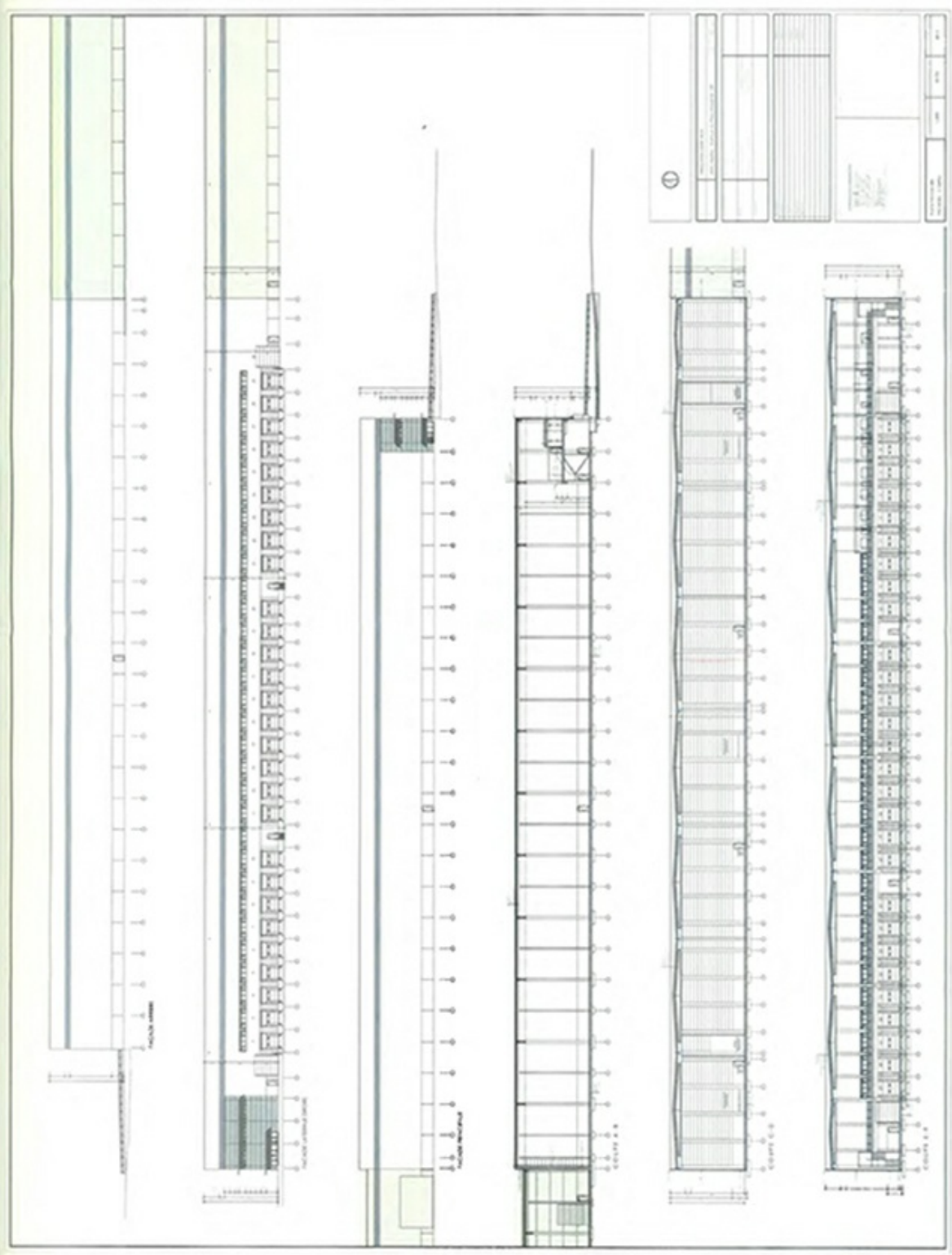




Appendix 2 – Building plan of the Premises









Proj. No.	PROJ.006/11/04.00	4813	10/09/2014
AD/Proj. No.	AD/Proj. No. - 200/04/04	LAJZ/PAZ	04
			1/500

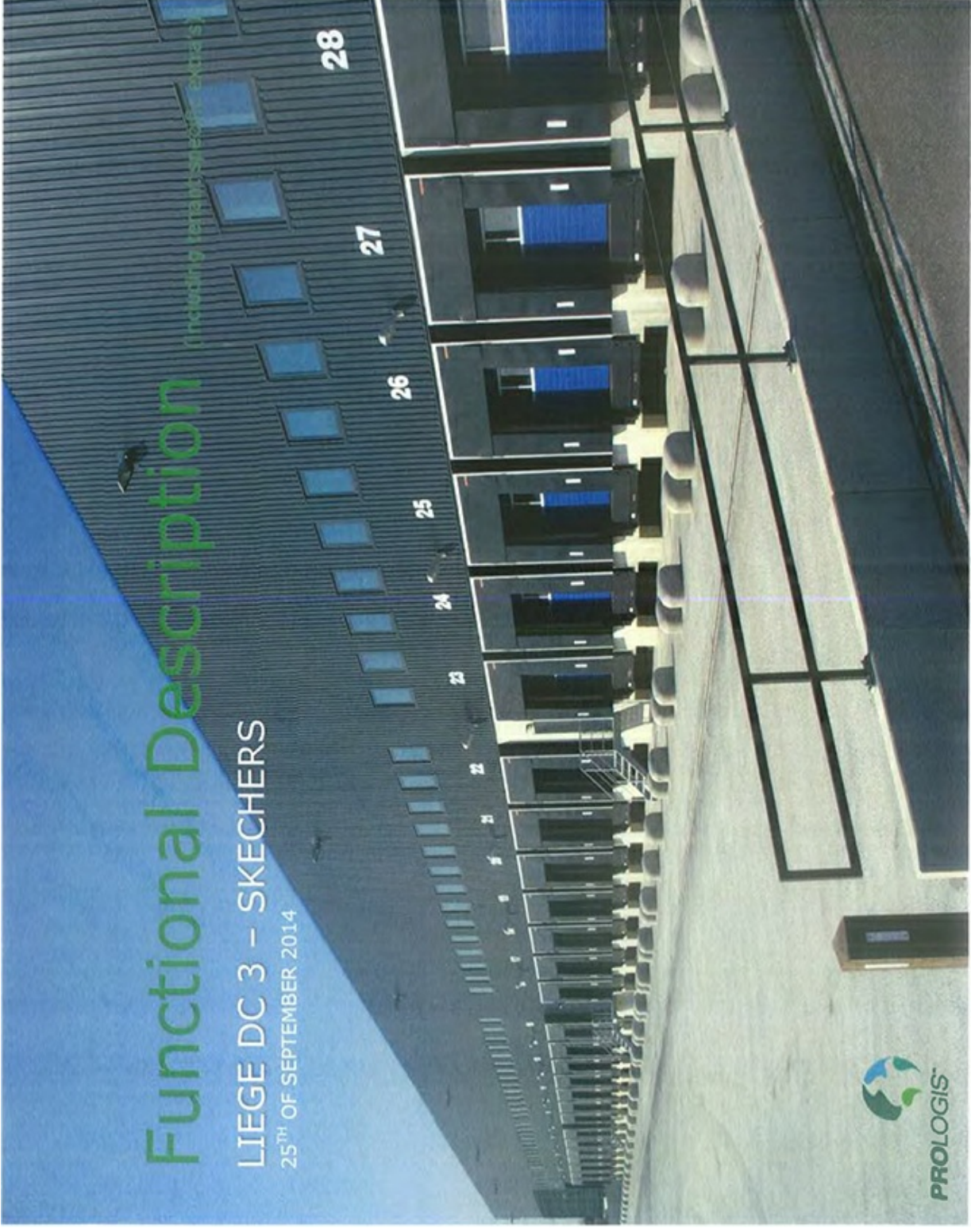


Appendix 3 – Outline specifications of the Premises

Functional Description

(including tenant space analysis)

LIEGE DC 3 - SKECHERS
25TH OF SEPTEMBER 2014



DESCRIPTION OF THE BUILDING

Warehouse	approx. 24.425 m ² gross floor area
Clear height warehouse	12,20 m (similar to DC2)
Mezzanine Office	approx. 350 m ² gross floor area
Mezzanine (4kN/m ²)	approx. 1.792 m ² gross floor area
Loading docks	28 pcs*
Ground-floor gates	2 pcs*
Fire compartments	1 pcs.
Truck parking space	20 pcs.
Car parking space	90 pcs.

CHARACTERISTICS

Supporting Structure and Floor Slab

- Supporting structure warehouse: construction of concrete and steel, reinforced concrete foundation, steel binders
- Floor Slab: Capability area loads of 50 kN/ m² and point loads of 60 kN per shelf post with a base plate of 150x150 mm, flatness upgrade to DIN15185*. Prepared for tenant specific guide wire system.

Wall elements, façade and roof

- Robust prefabricated reinforced concrete plinth 2250 mm above floor level and an insulation value of Rc≥3.5 m² KW.
- Roof system with vapour barrier, inflammable FM-approved PIR thermal insulation Rc-value ≥ 3,5 m²KW and PVC roof membrane with internal polyester scrim reinforcement t=1.5mm (light grey). Fastening-plan according to FM-global.
- Roof safety system and safety zone marking.
- Roof dewatering system with emergency overflow system partly insulated.
- Wall cladding panels with thermal insulation Rc-value ≥ 3,5 m²KW.

Docks and Gates

- Dock levelers 26 pcs- l/w = 2.50/ 2.00 m, dynamic load capacity of 60 kN, hinged lip with under-passages. Running plate thick 6/8mm with gap sealing.
- Jumbo dock levelers 2 pcs- l/w = 4.50/ 2.00 m, dynamic load capacity of 60 kN, hinged lip with under-passages. Running plate thick 6/8mm with gap sealing.
- Dock shelters with head and side flaps of PVC.
- Buffer: each dock leveler 2 pcs. rubber buffers with steel cover plate*.
- Dock spotlights 28 pcs.
- Dock doors electrical operated 28 pcs: - w/h = 3.0 / 3.0 m, equipped with sight windows and seals.
- Ground level access doors electrical operated 2 pcs: - w/h = 4.0 / 4.5 m equipped with sight windows and seals.
- Fire door 1 pcs: - w/h = 4.0 / 6.5 m (the fire-rated wall between DC 1 & 3 will be prepared for a second door)
- Exterior loading docks numbers on the façade in the center above each door.
- Concrete wheel guides.

Outdoor Facilities

- Fencing: mesh-wire fence h=2.00 m, 3 flagpoles in front of office
- Entrance gate: 1 pcs. Width = 6m, with staff entrance door – electrical operated, wider entrance* gate 1 pcs. double width = 24m electrical operated*
- Guard house*
- Automatic barriers and intercom 7 pcs*.
- Loading area: -1,20 m FFL warehouse, concrete 24m, suitable for heavy loads SLW 60, 18m max. slope of 2% and 6m max. slope 8%.
- Car moving space: asphalt or cobblestones
- Access roads: asphalt or cobblestones suitable for heavy loads SLW 60
- Lawn: according to the requirements of the zoning plan
- bicycle shed

Building Service

- Control panel: each 1 pcs. for light and heat control
- Utilities: connected to existing utilities, submeter each unit 1 pcs. for power, gas and water, 1 pcs. submeter each office part for power.

Interior Work Office

- Entrance hall equipped with tiles 30x30 cm, sanitary facilities 15x15 cm, all with a skirting board h= 5 cm
- Locker rooms equipped with tiles 30x30cm.
- Office rooms open plan equipped with anti-static, with standing chair rolls carpet tiles, wear class 4
- Clean-off zone: 1.50x2.50 m at the main entrance
- Kitchenette: connections are provided for installations made by the tenant.
- Windows: coated aluminum windows with insulating glazing Uws1.1W/ m²K
- Outside doors: made of aluminum with glass-insert and a canopy at the main entrance
- Inside doors: tubular chipboard door leaves, steel frame, door stops
- Mail box and bell system: representative stainless steel, 1 pcs. per floor with intercom system
- Inside walls: office-double planked gypsum board, white painted wallpaper, - sanitary facilities - tiles up to edge of door frame–15x15 cm.
- Ceiling: suspended mineral-fiber plate ceiling 60x60 cm or 120x60 cm

Power

- Socket outlets warehouse: 1 pcs, 230V/16A each second dock leveler, 1 pcs. socket outlet combination 1x400V/16A and 2x230V/16A each 1.000 m²
- Fork-Lift charging stations: 10 pcs. each 15.000 m² existing of 5x400V/16A and 5x400V/32A each 5-pole.
- Office: double power outlet each 1.800mm in cable ducts along outside wall
- Kitchenette: 2 pcs power sockets
- Corridors: 1 pcs. each 20 m²
- Transformer: not applicable, connected to the existing transformer of DC1&2

Lighting

- Warehouse: power saving reflector lamps, energy efficient T5 Eco fluorescent lamps – average light intensity 200 lux warehouse (based on narrow aisle racking*), 250 lux picking area (+1.0m FFL), control by movement sensors.
- Office: power saving grid lamps, energy efficient T5 fluorescent lamps – average light intensity 500 lux office rooms with daylight sensor along window side, 250 lux entrance area, 100 lux stairs (+1.0m FFL)
- Outside facilities: energy efficient LED lamps at loading area 75 lux, truck parking space 15 lux, car parking space 10 lux and und 10m distance warehouse 5 lux (+1.0m FFL)

Heating/Cooling

- Warehouse: 18 °C – high efficiency directly gas-fired tube heaters with outside temperature of -10 °C
- Office: Energy efficient HR boiler with profiled flat-/valve radiators, step less thermostat valves according to the local work place legislation and infrared heaters.
- Air-conditioning split-units in the office areas.
- Ventilation or top-cooling in the social areas.

Fire Protection

- Sprinkler system: ESFR K25-ceiling-sprinkler according to NFPA/FM-Global, ANPI certified.
- Fire alarm system: in compliance with fire protection requirements
- Fire extinguisher cabinets: in compliance with fire protection requirements
- Smoke hatches in roof with translucent panels and additional skylights above expedition area.
- Evacuation Alarm System: in compliance with fire protection requirements
- Separation wall elements according to fire regulations

Sustainability

- ☺ Energy efficient T5 Eco fluorescent lamps.
- ☺ Movement sensors for warehouse strip lighting
- ☺ High efficiency (HR) heating systems for warehouse and office.
- ☺ Grey water system for flushing toilets.
- ☺ Building certificate according to BREEAM, minimum classification 'Very Good'
- ☺ Minimum requirement for air-tightness 3.0 m³/(m²h)

Tenant specific extra's *(according to appendix 14)

- Additional dock positions 8 pcs.
- Steel cover plate dock buffers 18 pcs.
- Dock spotlights 28 pcs.
- Additional ground floor gate 1 pcs.
- Double and wider entrance sliding gate 1 pcs.
- Automatic barriers and intercom 7 pcs.
- Wider site entrance.
- New guard house.
- Warehouse strip lighting for narrow aisles.
- Upgrade of floor flatness according to DIN 15185.

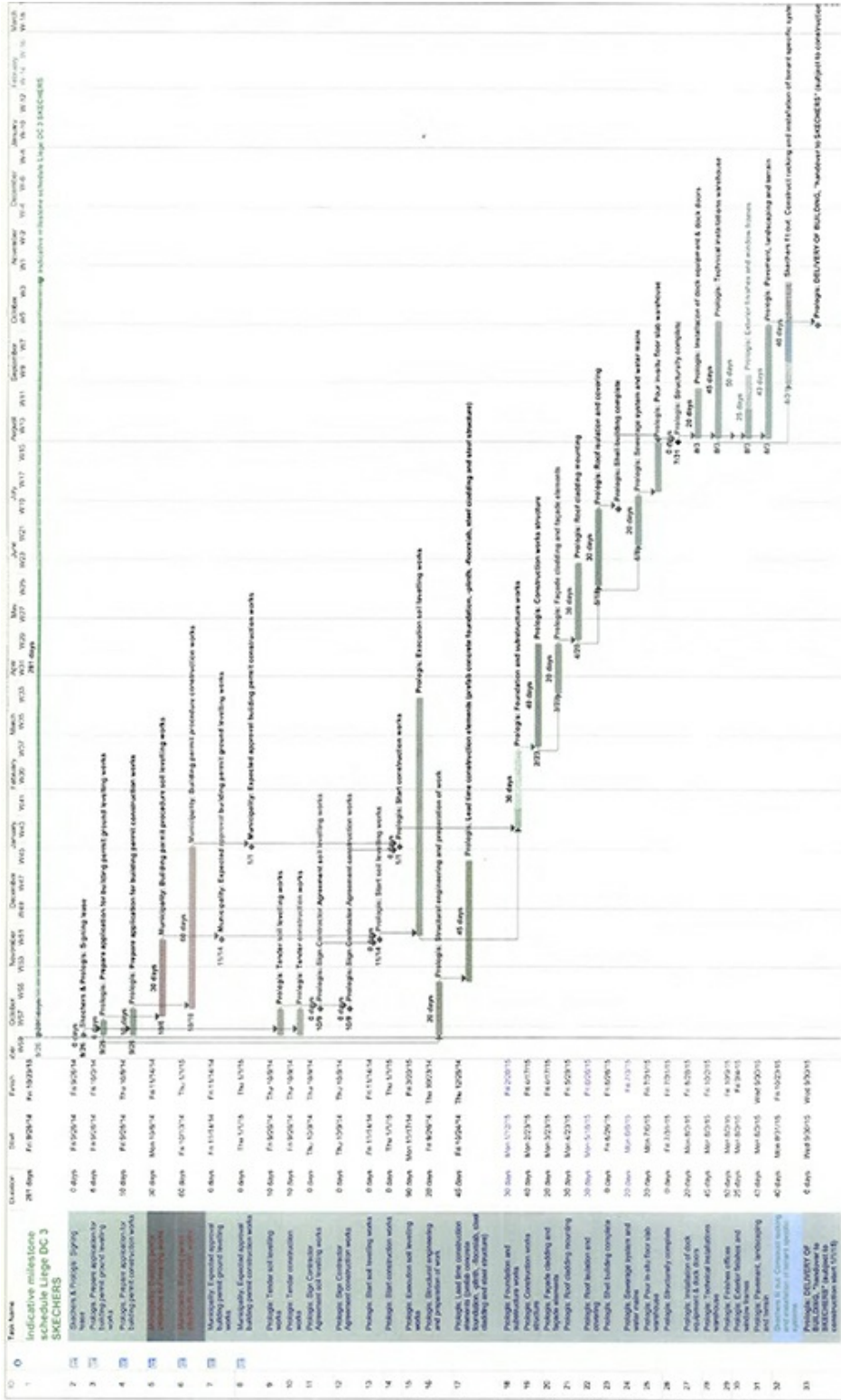
Tenant works / options (excluded)

- Burglar alarm.
- Racking and in-rack sprinkler.
- CCTV Video and access control.
- Radio system.
- Telephones.
- Hand fire extinguishers.
- Server room.
- LED lighting in office and warehouse.
- Furniture.
- ICT incl. data cabling .
- Reconfiguration of existing site entrance DC 1 & 2.
- Adjustment of parking at side façade of DC 1.





Appendix 4 - Milestones



Project Summary: SRECIERS

Task: Deliver to client Construction works

Start: Mar 11/2024

End: Mar 11/2024

Duration: 0 days

Progress: 100%

Page 11



Appendix 5 – Copy of the application for the building and environmental – added when available



Appendix 6 – State of delivery report – added
when executed



Appendix 7 – List of supplies and services

List of Supplies and Services - DISTRIBUTION CENTER	
Component	Frequency
Doors	
* Inspection and maintenance of dock equipment (overhead doors, levellers, shelters) * Maintenance of exterior door and window furniture	1x p.a. or acc. to Belgian legislation
Grounds	
* Maintenance of paved areas	1x p.a.
* Clean channels, pump sumps, inspection chambers and outlets, flush through foul water sewer and clean settlement tank including removal of waste in an environmentally sound manner	1x p.a. 2x p.a.
* Preventative maintenance of electric sliding gates and turnstiles on site	1x p.a. or acc. to Belgian legislation
* Maintenance of green areas	T.B.D.
* Sweep whole site	T.B.D.
* Barriers/outdoor lighting	T.B.D.
External walls	
* Clean external walls and claddings of warehouse, offices + guardhouse	1x/3 years
* Clean external walls and claddings of offices 1x p.a. after first cleaning	1x p.a.
* Clean glazing	T.B.D.
Paintwork	
* Touch up interior paintwork	1x p.a.
Roof surfaces	
* Check roof safeties	acc. to Belgian legislation
* Clean roof surfaces	2x p.a.
* Inspect roof (payable by owner)	T.B.D.
General structural	
* Minor structural maintenance, split between several visits per year (max. 3)	1x p.a.
* Preventative maintenance of fire shutters	1x p.a.
* Preventative maintenance of (interior) sun shading	1x p.a.
lift systems	
* Regular maintenance of lift systems in accordance with regulations	
* Testing of lift systems in accordance with regulations	acc. to Belgian legislation
Building maintenance systems	
* Regular maintenance of building maintenance systems in accordance with regulations	
* Testing of building maintenance systems in accordance with regulations	acc. to Belgian legislation
Plumbing and HVAC systems	
* Preventative maintenance of plumbing and HVAC systems	1x p.a. or acc. to Belgian legislation
System components:	
* Boiler systems	
* Switching cabinets and control equipment	
* Air conditioning systems	
* Gas-fired air heaters	
* Cooling systems (split systems and/or refrigeration equipment)	
* Tempering valves, motorised valves, valves, filling and drain cocks	
* Circulating pumps, pressure expansion tanks, non-return valves, safety devices	
* Air humidifiers	
* Jobs to be performed:	
* Inspection and maintenance of equipment installed	1x p.a.
* Check filters (clean, replace)	1x p.a.
* STEK / F gases decree inspections of refrigeration equipment and airco	2x p.a.
* Periodic inspection of heating equipment under Environmental Management Act	1x/2 years
* including consumables such as air filters (1x p.a.), drive belts, lubricants, cleaning agents, paint, indicator lamps, screw fuses up to 25A, ionisation / ignition pins	
* Use lifting platform	T.B.D.

List of Supplies and Services - FOR YOUR NEW DISTRIBUTION CENTER

Component	Frequency
Sanitary installations	
<ul style="list-style-type: none"> * Preventative maintenance of sanitary installations, installation components: <ul style="list-style-type: none"> * Toilet, basin, shower, utility sink and urinal combinations * Fire hose reels * Electric water heaters, gas water heater * Wash troughs * Booster-systems * Eye showers * Pantries * Rainwater outlet and emergency overflow outlets * Daborain systems * Fire hydrants, including flow meters 	1x p.a.
Electrical systems	
<ul style="list-style-type: none"> * Preventative maintenance of electrical systems with 8 hour response time <p>System components:</p> <ul style="list-style-type: none"> * Electrical system * Emergency lighting system * Lightning protection * Barrier system * Intercom system * Evacuation alarm system <ul style="list-style-type: none"> * Thermographic inspection of electrical system * Replace fluorescent tubes in racking warehouse * Replace fluorescent tubes in other warehouse locations * Systems/equipment installed by tenant, e.g. security systems, access control systems, internal turnstiles, battery chargers, wrapping machines, additional compressors, equipment in ESD room, etc. 	1x p.a. or acc. to Belgian legislation 1x/3 years 1x/8 years 1x/5 years T.B.D. T.B.D. T.B.D.
Sprinkler system	
<ul style="list-style-type: none"> * Preventative maintenance of sprinkler system * Test sprinkler system on fortnightly basis as per regulations * Replace gaskets in alarm valves * Preventative maintenance of sprinkler control panel * Replace batteries in sprinkler control panel * Preventative maintenance of sprinkler pump set * Replace oil and filters on sprinkler pump set * Replace gaskets, thermostat etc. * Replace hoses and V belts * Major overhaul of pump set * Check condition of clean water tank * Inspection of sprinkler system by inspection bureau * Preventative maintenance of fire doors * Preventative maintenance of smoke vents * Produce legionella control plan * Perform checks detailed in legionella control plan 	1x p.a. or acc. to Belgian legislation 26x p.a. 1x/3 years 1x p.a. 1x/3 years 1x p.a. 1x p.a. 1x/2 years 1x/6 years 1x/12 years 1x/15 years 2x p.a. 1x p.a. 1x p.a. T.B.D. T.B.D.
Environment	
<ul style="list-style-type: none"> * Take air and/or contact samples for checking indoor environment 	acc. to Belgian legislation
General	
<ul style="list-style-type: none"> * Gas * Electricity * Pest control 	
* Component if applicable; specific in-house components may be added.	



Appendix 8 – Soil survey of the site

Phase I ESA report

Avenue du Parc Industriel, 159 – Lot II 4041 Milmort (Herstal)

Prologis – Liège DC1

Project number BE0114.000521 | version 1 | 16-07-2014





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EXECUTIVE SUMMARY

ARCADIS Belgium was commissioned by Prologis Germany to perform a Phase I Environmental Site Assessment (ESA) for a property (lot II) located at Avenue du Parc Industriel 159, 4041 Milmort, Belgium. The survey is carried out in view of the potential extension of a warehouse located to the North ("Lot I").

This assessment is based on a Site visit, performed on 18 June 2014, and the review of available documents and information related to the Site. Throughout the assessment focus is provided at 2 levels, namely a) findings related to the Site and findings related to the construction footprint (approx.. 50% of the total site property).

This Phase I ESA was performed in general conformance with the scope and limitations of the following: 1) American Society for Testing and Materials (ASTM) Standard Practice E1527-13 Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process (and any and all subsequent amendments thereto); and 2) the United States Environmental Protection Agency's (EPAs) standards for All Appropriate Inquiries (AAI) as far as applicable in Belgium, Walloon Region 3) the Master Service Agreement dated 06 December 2010.

RECs/ HRECs / CRECs

The assessment did not identify current, historic or controlled recognized environmental conditions (RECs) for the subject site and the construction footprint, and no further assessment is warranted.

Others findings

Topic	Recommendation for the Site	Recommendation for the "construction footprint"
Storm water management	Install a storm water retention basin	Install a storm water retention basin
Archaeology: archaeological remains from the old roman road and a late Roman Empire site		Obligation to let the "Service Archéologique" perform investigations on site. The duration has to be defined in a mutual agreement protocol.

Topic	Recommendation for the Site	Recommendation for the "construction footprint"
Geotechnical/Foundation design		Building design should follow geotechnical recommendations as discussed in this investigation report
Waste deposits	Removal of minor debris: waste collection and disposal prior to development	Removal of minor debris: waste collection and disposal prior to development
High voltage power lines	Height limitations Prohibition of construction within 15 m around the electric pylon Construction difficulties (with cranes,...) during execution of construction works	Restrictions may be imposed on construction works (e.g. limited movement of cranes)

1 INTRODUCTION

1.1 Purpose

ARCADIS Belgium was commissioned by Prologis Germany to perform a Phase I Environmental Site Assessment (ESA) for a property ("lot II") located at Avenue du Parc Industriel 159, 4041 Millmort, Belgium.

The survey is carried out in view of the potential extension of an existing warehouse located to the North ("Lot I").

The purpose of this Phase I Environmental Site Assessment report is to identify recognized environmental conditions that may impair, impose a liability to, or restrict the use of the subject property, including conditions associated with past or current practices at or around the Site.

Recognized environmental conditions is defined as the presence or likely presence of any hazardous substances or petroleum products in, on or at a property (1) due to release to the environment; (2) under conditions indicative of a release to the environment; or (3) under conditions that pose a material threat of a future release to the environment.

The Phase I also included the review of the availability of utilities and their capacities and a review of the regional Urban Plan regulations.

Objectives of the works were to determine environmental deficiencies and / or deviations from legal obligations by inspection of documents, visual inspection and interviews and to assess the necessities of remediation/investigation measurements.

No soil investigation is included in the Phase I Site Assessment, based on the ASTM practice.

1.2 Scope of Work

The Phase I ESA is based upon the following activities:

- On-Site inspection of the Site, including the construction footprint, to assess current environmental conditions and note any areas of concern as defined above;
- Observation of adjacent properties and the local area to evaluate the potential for adverse environmental impact to the Site and the construction footprint;
- Interviews with the previous owner and the local authorities;
- Review of available documents related to the Site;
- Review of regional regulatory databases and review of available environmental documents for the Site.

The Phase I ESA did not include the collection or analysis of soil, groundwater, surface water, air, radon, paint, or asbestos.

ARCADIS considered a Level of Materiality of EUR 5,000 per issue for the environmental assessment. Identified issues with expected costs exceeding this threshold were considered as "material" in the assessment and therefore mentioned in the report. Similar issues that do not exceed this threshold individually but in their aggregate were also considered and mentioned in the report. Issues with expected costs below this threshold were not included in the assessment.

1.3 User reliance

The report may be relied upon by Prologis and by Prologis permitted assigns.

1.4 Deletions and deviations

No significant deviations from the referenced ASTM Standard occurred. It should be noted however, that the ASTM standard is not fully applicable in Belgium, given the lack of publicly available historical information and publicly available site specific information such as EDR databases.

1.5 Limitations

It is understood that the services performed and any opinions expressed by ARCADIS in the report are based upon the limits of the investigation as described above. It is understood that ARCADIS has relied upon the accuracy of documents, oral information and other material and information provided by Site representatives and others, and ARCADIS assumes no liability for the accuracy of such data. Similarly, past and present activities on the Site indicating the potential for the existence of environmental concerns may not have been discovered by ARCADIS' inquiries.

ARCADIS can offer no assurances and assumes no responsibility for Site conditions or Site activities that are outside the scope of the services as described above, or for changes to Site conditions or regulatory requirements that may apply after completion of the services by ARCADIS. It is understood that such changes can lead to liability in connection with the Site that will not be identified in the report. ARCADIS has reviewed the information obtained in connection with the performance of the services as described above, in keeping with existing applicable environmental consulting standards and enforcement practices, but cannot predict what actions any given agency may take or what standards and practices may apply in the future.

1.6 Consultant Qualifications

The work was completed by personnel who meet the definition of "environmental professional" as defined in ASTM E-1527-13. The Phase I ESA Update was conducted by Domitille Delacroix, Environmental Consultant of ARCADIS Belgium, and reviewed by Herwig Teughels, Senior Environmental Consultant of ARCADIS Belgium.

2 SITE DESCRIPTION

2.1 Legal description

The postal address of the Site is Avenue du Parc Industriel 159 at 4041 Milmort (Herstal).

The site is located in the Walloon Region, more especially in the Province of Liège within the industrial zone "Parc d'activités économiques des Hauts-Sarts zone III" in Milmort, Herstal, about 6 km Northeast of the city center of Liège. The entire surface of the Industrial Zone 3 is app. 121 ha.

According to the regional zoning Plan, the Site area is classified as industrial economic activities area allowing non-polluting industrial activities.

The reviewed Site consists of one main cadastral parcel (n°62112A0559/00E002) with a footprint of 83 108 m² ("Lot II"). In addition, the project site overlaps two cadastral parcels located to the North where the first two warehouses of Prologis are already constructed (parcels n° 62064A0450/00E002 and 62064A0450/00G002) ("Lot I"). These overlap areas are also considered in this assessment. The project site covers in total approximately 9.19 ha. The future building has a planned footprint of 24 367m²; it concerns the extension of one of the two warehouses located to the North, along the Avenue du Parc Industriel. The European highway E313 Liège-Hasselt exit "34" is located approx. 700 m northwest of the Site and can be directly accessed via the Avenue du Parc Industriel.

Site location maps, cadastral map and regional zoning plan are attached in Appendices A.1 – A.4.

2.2 Owner

The Site is currently owned by SPI (Service Promotion Initiatives en Province de Liège, Rue du Vertbois 11 à 4000 LIEGE).

2.3 Zoning (noise/traffic)

The Site is located within the industrial zone "Parc d'activités économiques des Hauts-Sarts zone III" along the E313 highway Liège-Hasselt (Exit 34) and the A601 (see Appendix A.1). The noise generated by current activities in the zoning is masked by the traffic noise. Sound power levels that can be observed due to the highways traffic are as follows: 55 dB(A) up to 65 dB(A) at day and 50 dB(A) up to 60 dB(A) at night (see Appendix F.1).

According to the Municipality, there is no traffic problem within the zoning.

2.4 Utilities (location and capacity)

2.4.1 Potable water

The potable water supply of the Site is partly provided by the S.W.D.E. (Société Wallonne des eaux) and the C.I.L.E. (Compagnie Intercommunale Liégeoise des eaux). One water pipeline of 200 mm diameter is located along the street Avenue du Parc Industriel with one connection point easily accessible at the west edge of the site.

2.4.2 Gas

Natural gas is supplied to the zoning and the Site by the regional energy supplier RESA, part of TECTEO group. According to a plan¹ from 2002, a medium pressure line (15 bars) is located in the sidewalk of the Avenue du Parc Industriel and runs along the edge of the site. The network is easily accessible (<10 m).

2.4.3 Electricity

Electricity is supplied to the zoning and the Site by the regional energy supplier RESA, part of TECTEO group.

According to RESA, low and medium voltage grids are present in the vicinity of the site (Avenue du Parc Industriel). No plan is yet available.

There is a project of optical fiber placement on the road running along the future extension, but no impact on the Site (nor on the construction footprint) is expected.

A high voltage transmission line operated by Elia crosses a small part of the Site at the South East corner. One of the electric pylons is located within the parcel.

The presence of the high voltage power line and the pylon within the Site area implies the following:

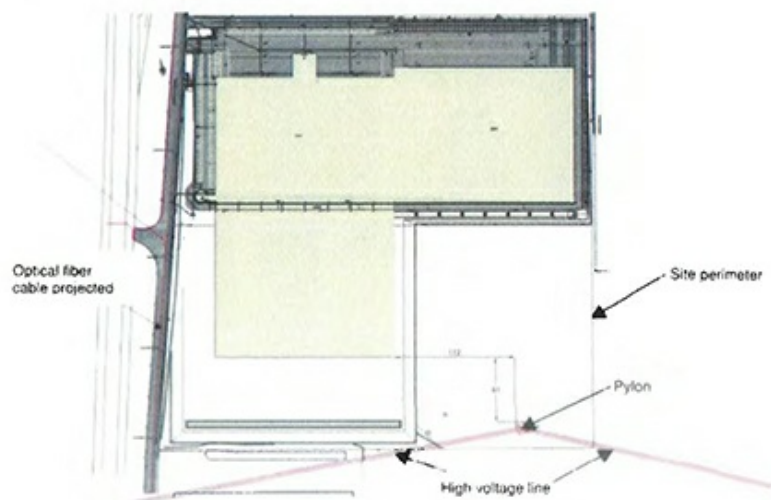
- Elia must be consulted before any work is carried out within 100 meters of high-voltage facilities.
- Legal height restrictions apply to constructions in the vicinity of a high-voltage line (depending on the nature of the connection, environmental factors and distance between pylons). According to the contact centre of Elia, a minimal vertical distance of 4,5 m should be maintained between a line of 150 kV and any building underneath. A horizontal safe clearance distance of at least 3,5 m must also be respected. The exact distance has to be determined by Elia Engineers with respect to the specifications of the power line (see appendix G.2).

¹ Plan n°26 of the Association Liégeoise du Gaz

Table 1 Safe clearance distance for a power line of 150 kV

Vertical distance	Construction (roof, chimney, ...)	4,5 m
	Luminaire, antenna, plantation	
Horizontal distance	Construction	3,5 m
	Luminaire, antenna, plantation	4,0 m

- No construction is allowed within 15 m around the electric pylon. In case of earthmoving works and use of construction machinery in this perimeter, an authorization will be needed from Elia to ensure that there is no risk on the pylon stability.
- The pylon must be permanently accessible. A minimum 3 m wide access has to be maintained from the public road to the pylon.



Considering the **construction footprint**, the impact of the high voltage line is however limited:

- The future building is located outside the security perimeter determined by Elia (more than 60 meters away from the power line and more than 100 meters away from the pylon). No restriction is expected. This risk has to be reassessed if the location of the projected building changes.

- No construction is foreseen within 15 m around the pylon. No authorization for earthmoving works or use of construction machinery will be needed from Elia.
- There is a potential risk of construction restrictions (restricted rotation of the crane nearby the overhead cables) during execution of construction works.

2.4.4

Sewage network

Based on the Public Water Management Company map, a public sewer system is in place along the Avenue du Parc Industriel and is connected to the local consortium (AIDE) wastewater treatment plant of Liège Oupeye. The capacity of this wastewater treatment plant is sufficient for additional waste water. However, storm water should be managed on site (storm water basin) to prevent the saturation of the network (see chapter 5.3).

2.5

Current use

At this moment the land is still used as arable ground (primarily cereals).

3 REGIONAL DESCRIPTION

3.1 Topography

The Site is located at an elevation of approx. 179 meters (m) above the sea level. The topography of the Site slopes from the West and South to the Northeast. Backfill soil is present on the southern portion of the Site. This soil is originating from the construction of the building of an adjacent property (building n°171 on the map in Appendix A.5). This property was previously used for agricultural purpose, the risk that the backfill soil is contaminated can be considered as low.

3.2 Surface water

The only surface water bodies of importance for the Site are the river called the "Meuse (de Maas)" and the Albert canal, both located approximately 6 km to the east of the Site.

3.3 Floodplains

Flooding risk maps² do not indicate a potential flooding risk due to the overflow of watercourses. However, in Wallonia, overland flows and mudflows are also included in the flood hazard map. According to this map, a high risk area of overland flow crosses the site. Nevertheless, the model used to build this map takes the natural topography of the site (before the construction of the zoning) into account (when all the lands were used for agricultural purpose). Since the construction of the industrial park and the hardstanding, one can assume that the risk of mudflows is unlikely. Furthermore, according to the Municipality, no flooding of the site and no mudflow occurred in the past years. To conclude, the risk of flooding of the Site can be considered as low.

The present public sewer system along the Avenue du Parc Industriel is of "mixed" nature and collect storm water as well. Obligations regarding storm water management are discussed in chapter 5.3.

3.4 Geology

The geology of the location can be schematised in the following way:

- The site of investigation is situated in the wide valley of the Meuse. Immediately below surface, Quaternary river deposits occur. These can consist of gravel (Pleistocene Meuse terraces) and a mixture of sand, silt and clay (Holocene Meuse deposits).

² "Mapping of potential flooding due to the overflow of watercourses", approved by the Walloon Government in December 2013

- Below these recent layers, the Paleozoic basis occurs. At the location the top is formed by deposits of Westphalian and Namurian (late Carboniferous) age. These layers consist of sandstone and schist, alternated with coal beds. Underneath, the Viséan and Tournesian limestones occur. The underlying Devonian beds consist of alternating thick limestone and sandstone layers. The basis of the Paleozoic layers is formed by metamorphous schist and kwartsite of Silurian and Cambrian age.
- Potential aquifers in the region are formed by the Meuse gravel deposits, and the Paleozoic limestones in which secondary porosity was created by karstic phenomena.

Underground quarries of lime phosphate are present in the region. Two phosphate wells were discovered during the geotechnical tests of June 2014 (Prologis investigation performed by ARCADIS Belgium). The risk of setting should be identified and potentially managed accordingly (see the geotechnical part of the due diligence process).

3.5 Hydrogeology

According to information of the hydrogeological map, two aquifers are present at the site location:

- An upper sand aquifer (above cretaceous aquifer);
- The aquifer of the cretaceous formation which is about 30 m below surface level.

The groundwater flow of the cretaceous aquifer is expected to be North directed.

In the geotechnical report performed in 2014, no groundwater was found until a depth of 10 m below surface level.

Eight groundwater abstraction wells (non-potable) are present within a distance of 1,5 km. The data are presented in Appendix C.2.

The site is not located in a drinking water protection area. A protection zone II is located to the other side of the Avenue du Parc Industriel (< 10 m from the west border of the site). A prevention zone is justified by the potential presence of any pollutant in the aquifer that could reach the water catchment area without being degraded or sufficiently dissolved and leaving no possibility to recover it efficiently. The presence of this zone doesn't affect the use of the site.

3.6 Surroundings Properties

Several enterprises, mostly related to logistics activities (as it is the case for the existing buildings owned by Prologis "Lot I") are located within the industrial zone. Some medium-size industries with manufacturing activities are also present in the vicinity of the site.

According to the Municipality, no environmental issues originating from the neighbouring activities were ever reported.

The surrounding companies are:

To the West

- Skechers S.P.R.L (on property of Prologis)
 - Activity: Logistic (Shoes distribution centre).
 - Number on the Map presented in Appendix A.5: 176
- TeamOne Employment Spec. S.A. (on property of Prologis)
 - Activity: interim services
 - Number on the Map presented in Appendix A.5: 176

To the East

- Techspace Aero S.A.
 - Activity: Design, development and production of modules, equipment and test benches for aeronautical and space engines. The activities have been present for 40 years. No particular problems were ever noticed.
 - Techspace Aero falls under the Industrial Emission Directive (IED) for its "Surface Treating Metals and Plastic Materials" activities.
 - The main building is located 150 m north-eastwards of the Site and 320 m north-eastwards of the construction footprint. Regarding its hydraulically downgradient location, the risk of migration of contaminant from this company to the Site/construction footprint can be considered as low.
 - Number on the Map presented in Appendix A.5: 103a
- Pratt and Whitney
 - Activity: Provider of engine maintenance, repairs, and overhaul services to military and defence industries. The company is implemented in Herstal since 2008.
 - The main building is located 15 m eastwards of the site and 200 m eastwards of the construction footprint. Regarding the expected hydraulic gradient and the water table depth (> 10 m), the risk of migration of contaminant from this company to the Site/construction footprint can be considered as low.
 - Number on the Map presented in Appendix A.5: 103b

To the South

- Galler Chocolatiers S.A.
 - Location: The main building is located 15 m eastwards of the site and 200 m eastwards of the construction footprint

Activity: Transport of chocolates

Regarding the type of activities carried out, no major impact on the Site/construction footprint is expected.

Number on the Map presented in Appendix A.5: 171

- Vincent Logistics S.A.

Activity: Logistics activities

Regarding the type of activities carried out, no major impact on the Site/construction footprint is expected.

Number on the Map presented in Appendix A.5: 171

- SMIW S.A.

Activity: Logistics Company specialized in food products under controlled temperature

Regarding the type of activities carried out, no major impact on the Site/construction footprint is expected.

Number on the Map presented in Appendix A.5: 171

- AGORA Liège (Floris S.P.R.L.)

Activity: Flower wholesaler

Regarding the type of activities carried out, no major impact on the Site/construction footprint is expected.

Number on the Map presented in Appendix A.5: 242

- Blanchisserie Base Meuse (B&M) S.A.

Activity: Laundry facilities and rental laundry for HORECA

The main building is located 90 m southwards of the site and 200 m south eastwards of the construction footprint. Dry cleaners often uses hazardous chemicals (solvents) and are a potential source of pollution (chlorinated VOC). Even if these activities are located hydraulically upgradient, the risk of migration of contaminants to the site is low considering the water table depth (> 10 m) and the impermeability of soil in the upper 10 m (loam and clay).

Number on the Map presented in Appendix A.5: 238

- SNEL sa

Activity: Printing activities

Number on the Map presented in Appendix A.5: 217

Printing activities often use hazardous chemicals (solvents) and are a potential source of pollution (chlorinated VOC). Even if these activities are located hydraulically upgradient, the risk of migration of contaminant to the

site is low considering the water table depth (> 10 m) and the impermeability of soil in the upper 10 m (loam and clay).

Other important (in size) companies in the neighbourhood:

- Air liquide Belge S.A.
 Activity: Filling up canisters with industrial gases
 Number on the Map presented in Appendix A.5: 102
- ISPC
 Activity: A wholesale business (+ transport) in horeca requirements (food, cooking utensils, etc.).
 Number on the Map presented in Appendix A.5: 129

The closest SEVESO³ site is located more than 1,5 km to the North East. It concerns Redermecker Interchimie S.A., a wholesaler of chemical products.

Based on the review available documentation, interview with the local authorities and the site visit, the current use of the surrounding properties does not seem to represent any risk of potential contamination of the Site.

³ The term « SEVESO » refers to the European « SEVESO » Directive which requires a.o. the identification of industrial establishments with a potential major impact (environment, health & safety) towards surrounding receptors. A SEVESO company generally holds an activity linked to handling, manufacturing, using or storing hazardous substances (i.e. refineries, petrochemical sites, oil depots or explosives depots).

4 SITE AND REGIONAL HISTORY

4.1 Aerial photographs

Based on information from the interpretation of historical aerial photographs and interviews, the Site has been used as agricultural land until now. Its immediate surroundings had the same land use and were progressively developed over the years. Historical aerial photographs were available for the period 1994-2000 (Appendix B.3.1), 2006-2007 (Appendix B.3.2), 2009-2010 (Appendix B.3.3):

- **1994-2000** (exact year unknown): Almost all the zoning is free of construction and used for agricultural purpose. In the vicinity of the Site, only Techspace Aero and Galliker Transport Liège are constructed.
- **2006-2007**: The zoning is partially developed and the first warehouse on the Lot 1 is constructed (Prologis). The Air liquid, SMIW and Snel's buildings already exist.
- **2009-2010**: Most of the zoning is developed. The first extension of the Prologis warehouse (Lot I phase 2) is erected. The reviewed land is still an agricultural land. A new private road is constructed to the East and gives access to Pratt and Whitney building.

4.2 Topographic Maps

No historical topographical maps were available for the Site area.

4.3 Historic Maps

The consultation of historical maps provides the following information:

- Ferraris map from 1777: the site vicinity is referred to be part of the "Rocour Plain", a battle field during the war of 1746 (see Appendix A.3-1).
- Vander Maelen map from 1850 (see Appendix A.3-2): the site is marked as a farm field.

From the archaeological point of view, the Site and the construction footprint are quite sensitive as they are crossed by the former Roman track from Tongeren to Herstal (Chaussée Brunehaut on the maps). This implies that every application for a building permit will induce an assessment by the "Service de l'Archéologie, Direction de Liège". If something of archaeological importance is found this administration is empowered to stop the excavation and construction works. For the construction of the first warehouse in 2001 (Lot I, phase 1), relicts from a Late Roman Empire site were discovered and construction works were suspended for two weeks.

According to the Service de l'Archéologie, there is a likely presence on site of relicts from the old Roman road or the late Roman Empire site. Therefore, this administration wishes to agree with Prologis on a protocol allowing them to perform investigations (duration to be defined in the protocol). In their letter dated 25/06/2014 (see appendix G.1), they require to be contacted by registered letter at the first development stage of the building permit application.

It seems in the interest of both parties to have these investigations performed as soon as possible before the beginning of the construction works. The timeline will mainly depend on property rights (authorization to excavate and to damage existing crops).

Investigations will be done in two steps, a preliminary survey followed by further investigations if relicts were discovered in the first stage. Once this is finished, the Service de l'Archéologie will in principle declare the land free.

Mrs Bauwens, archaeologist at the Service de l'Archéologie was interviewed on 25/06/2014. In her opinion, it is unlikely that some relicts not found during the archaeological investigation will be discovered afterwards, during construction works.

The risk that the archaeological value of the site impacts the project (imposition of restrictions or cancelling the project) is also unlikely.

4.4 Historic Site Occupants

Based on interviews, historical maps and historical aerial photographs, one can deduce that the site has been used for agricultural purpose (primarily cereals) until now. The use of the Site for agricultural purposes does not affect the intended industrial use of the property. ARCADIS does not recommend further assessment.

4.5 Historic Site Ownership

In 2008, the site, already owned by SPI at this time, was purchased by Aannemingen Janssen. After five years, the ownership went back to SPI.

Period	Owner(s) of the site
31/07/2013 until now	SPI
02/08/2008 – 31/07/2013	Warehouse and Industrial Properties SA Aannemingen Janssen NV
21/05/2008-02/08/2008	Aannemingen Janssen NV
..... – 21/05/2008	SPI

4.6 Environmental Liens or Use Limitations

Environmental liens searches are not possible in Belgium. No use limitations were reported with regard to the subject Site.

4.7 Valuation Reductions for Environmental Issues

Actual knowledge of a valuation reduction for environmental issues in connection with the Site does not exist.

4.8 Prior Assessments

A Phase I ESA report for the undeveloped Site area has been previously prepared by ARCADIS/GEDAS in 2001 for Prologis and was considered in the preparation of the present report. The land studied in 2000 covered approximately 15,8 ha. The whole Site was at the time (2000) owned by S.P.I.+ and was free of construction.

In 2001, the site was divided in 2 major parts (Lot I and Lot II) of each app. 8 ha. Prologis bought one of both sites in June 2001 (Lot I). The other part (Lot II) still remained the property of S.P.I.. The 2001 report did not identify any environmental concerns.

In August 2002, after the construction of the first warehouse, ARCADIS/GEDAS performed an update of the Phase I Environmental Site Assessment (Phase I ESA) and a soil investigation for a part of the Lot I (cadastral parcel 62064A0450/00E002). Three soil samples were taken (two at a depth of 0.5-1.0 m and one at a depth 1.5-2.0 m) within the current project Site and analysed for metals, mineral oil, Polycyclic Aromatic Hydrocarbons (PAH) and EOX by a certified laboratory. No environmental concerns were identified.

If we compare the soil analysis results to the new Walloon soil decree dated 5 December 2008, no threshold and intervention values are exceeded.

4.9 Unexploded Ordinance

The site is close to two former military forts:

- At 1,8 km to the North, the old Fort of Liers which was active during the first World War
- At 4,5 km to the West, the old Fort of Pontisse which was active during World Wars I and II.

In addition, old underground bunkers were discovered in the region (the closest one known is located about 2 km from the site).

No clearance investigation has been performed.

As there is no legal requirement for performing an clearance survey into unexploded ordnance in Belgium, there is no information on presence of unexploded ordnance readily available. Based on the local information of the city council administration, who stated that no report on unexploded ordnance was ever made upon the development of the industrial area in which the site is located, ARCADIS assesses the probability of unexploded ordnance to be low.

5 SITE INSPECTION AND INTERVIEWS

5.1 Interviews

Interviews were conducted in order to obtain information regarding recognized environmental conditions in connection with the property.

5.1.1 Interview with the past owner

Mr Lenoir of the S.P.I.+ was contacted in June 2014. He provided us with more information concerning the historic of the Site and the industrial economic park activities.

5.1.2 Interview with the local government official

In June 2014 information was asked to the municipality of Herstal. The 18th of June, Mr Dosogne provided us with information considering the surrounding firms, obligations that should be complied with, complains from inhabitants, etc. No problems were noted with regard to these firms.

The local Urbanism Department (M. Bonini) was contacted regarding storm water management – outcome is presented in section 6.3.

5.1.3 Interview with the contact centre of Elia

Information regarding safe clearances from power lines has been asked to the contact centre of Elia – outcome is presented in section 3.4.3.

5.1.4 Interview with the service de l'archéologique (Walloon Region)

Mrs Bauwens was contacted in June 2014 regarding the site archaeological value and the archaeological investigation process – outcome is presented in section 5.3.

5.2 Information asked by e-mail

Information was asked by e-mail to

- The municipality of Herstal regarding surrounding properties – outcome is presented in section 4.6.
- The utilities operators: NATO, RESA, S.W.D.E., Elia, Belgacom regarding utilities – outcome is presented in section 3.4.

5.3 Storm Water

Currently, the site is not covered with any hardstanding and the major part of runoff water infiltrates in the ground. In case of an urban permit demand, the Municipality of Herstal will require the implementation of a storm water basin to compensate the loss of infiltration area.

The storm water outflow rate allowed should be calculated taking in account an overall run-off coefficient $C = 0.35$ (as if the site surface was only 35 % constructed). Based on this, the maximum flow in the sewer should be about 370 l/s (to be confirmed by local authorities). The retention volume to be implemented has to be discussed with the local Urbanism Department.

5.4 Material and Waste Storage

During the walkover, three minor illegal waste disposal of about 2 m² each were observed at the entrance of the site (see pictures 8 and 9 in Appendix B.1). It mainly consists in rubbles and construction waste (including plaster, cement bags, etc.). No staining or evidence of environmental concern was noted. Due to the limited size of these deposits, we can assume that the risk of contamination is low. ARCADIS does not recommend further assessment.

5.5 Storage tanks

No evidence of AST/UST was observed.

5.6 Wastewater discharges

The Site is undeveloped, therefore there are currently no wastewater discharges.

5.7 Air Emissions

The Site is undeveloped, therefore there are currently no air emissions.

5.8 PCBs

The Site is undeveloped, therefore PCBs are not present and are not considered a concern.

5.9 Groundwater Wells

No groundwater wells were observed during the Site visit or are registered to the Walloon administration.

6 ENVIRONMENTAL RECORD REVIEW

6.1 Contaminated Land Register

ARCADIS performed a regulatory database review to obtain information on potential surrounding off-site sources of groundwater contamination. Therefore, the following database has been reviewed:

- WALSOLS: database of contaminated sites in Walloon Region maintained by SPAQUE. (Please note that this database is not exhaustive).

The reviewed Site is not listed in the WALSOLS database.

The closest contaminated site registered is located 1,5 km South-East from the site and is a former waste disposal site. No groundwater samples have been analysed. However, a contamination of the Aquifer of the Creteaceous formation can not be excluded. The groundwater flow is expected to be North directed (towards the site).

Based on the observation that this aquifer is at a depth of about 30 mbgl and the distance of separation, consequences on the Site are not expected.

7 SUPPLEMENTAL CONSIDERATIONS

7.1 Wetlands

According to the environmental map of the Walloon Region, the Site is not located in an ecological area or protected zone. The closest Natura 2000 site, "Basse vallée du Geer", is located approximately 5,5 km to the north of the Site. No other sensitive or protected areas (wetlands zones of biological interest, natural reserves, etc.) are identified within a radius of 6 km of the project site.

7.2 Asbestos

The Site is undeveloped, therefore asbestos is not present and is not a concern.

7.3 Lead-In-Paint

The Site is undeveloped, therefore lead-in-paint is not present and is not a concern.

7.4 Lead-In-Drinking Water

The Site is undeveloped, therefore lead-in-drinking water is not present and is not a concern.

7.5 Radon

The radon, a radioactive gas that ventilates naturally from the soil, is the main source of exposure to natural radioactivity. According to the Federal Agency for Nuclear Control (FANC), the average concentration of radon in Herstal is estimated at 75 Bq/m³. 75 % of the measures were below 100 Bq/m³ and 25 % comprised between 100 and 200 Bq/m³.

The level of radon is then expected to be below the acceptable level of 200 Bq/m³ recommended for new constructions (annual average value).

7.6 Mold

The Site is undeveloped, therefore mold is not present and is not a concern.

8 CONCLUSIONS AND RECOMMENDATIONS

Summary of Issues	
<p>1 Environmental risk assessment</p>	<p>Conclusion</p> <p>Based on the findings of the Site inspection, the interviews and data review, the previous and actual site utilizations do not inhere environmental risks.</p> <p>The Site is not listed in the Register of Contaminated Land.</p> <hr/> <p>Recommendation</p> <ul style="list-style-type: none"> • No Action required
<p>2 Results of Walk-Over Inspection</p>	<p>Conclusion</p> <p>During the walk-over inspection, no issues representing a relevant matter of environmental concern or indicating the need for major rehabilitation- or corrective measures have been identified</p> <hr/> <p>Recommendation</p> <ul style="list-style-type: none"> • No Action required
<p>3. Site Utilization / Easements / History</p>	<p>Conclusion</p> <p>The Site has always been used as agricultural land. A former Roman road is historically present.</p> <p>Site is located within the vicinity of several former Fortresses as used in second World War. There is no clearance performed on unexploded ordinance. As there is no formal legal requirement for performing an clearance survey into unexploded ordinance in Belgium, there is no information on presence of unexploded ordinance readily available. ARCADIS assesses the probability of unexploded ordinance to be low.</p> <p>Legal height restrictions apply to buildings at a horizontal distance of about 3,5 m from the high-voltage line 150 kV crossing the very south part of the site. Furthermore, no construction is allowed within 15 m around the electric pylon. An access of 3 m wide to the pylon should be ensured.</p> <p>The construction footprint is located more than 70 m from the high voltage power line and the pylon. No restrictions are therefore directly to apply to the current project.</p> <hr/> <p>Recommendation</p> <ul style="list-style-type: none"> • Obligation to let the "Service Archéologique" perform archaeological investigations on site. Duration to be defined in a mutual agreement protocol. • Check with ELIA on potential restrictions on construction works (e.g. limited movement of cranes)

<p>4. Planning Applications / Site Access and Traffic /Utilities</p>	<p>Conclusion</p> <p>The Site is located within the industrial zone "Parc d'activités économiques des Hauts-Sarts zone III" in Milmort. According to the regional zoning Plan, the Site area is classified as industrial economic activities area allowing non-polluting industrial activities, logistic companies included.</p> <p>Site access is possible from the Avenue du parc industriel which directly connects to the European highway E313 Liège-Hasselt via exit "34". The industrial zone is well developed; all necessary utilities are available along the Avenue du Parc Industriel.</p>
	<p>Recommendation</p> <ul style="list-style-type: none"> • No Action required

Based on the results of this assessment, no RECs/CRECs/HRECs were identified and no further environmental investigations or remediation are required.

Reviewed by:



Herwig Teughels
Senior project manager

Prepared by:



Domitille Delacroix
Environmental Consultant

Appendices

Appendix A Figures

- A.1 Site Location on topographical map
- A.2 Cadastral Land Register Excerpt
- A.3 Historical maps
- A.4 Regional Zoning plan
- A.5 Activities parc of Hauts Sarts zone III

Appendix B Color Photographic Log

- B.1 Photographs from Site Visit
- B.2 Aerial Photographs
- B.3 Historical Aerial Photographs

Appendix C Database Record Search

- C.1 Information from the Register of Contaminated Land
- C.2 Groundwater abstraction within a 1,5 km radius

Appendix D Historic Research Documents (not applicable)

Appendix E References and Information Sources

Appendix F Environmental maps

- F.1 Noise maps
- F.2 Flooding areas

Appendix G Correspondences

- G.1 Letter from the Service de l'Archéologie de la Région wallonne
- G.2 Letter from Elia



Appendix 9 – Easements and obligations –
added when available



PROLOGIS.

Appendix 10 – Extract from property title –
added when available



Appendix 11 – French version of the present Agreement



Convention d'entrepôt

ENTRE LES SOUSSIGNÉES:

1. La société privée à responsabilité limitée **Prologis Belgium II BVBA**, dont le siège social est situé à 2850 Boom, Scheldeweg 1, inscrite à la Banque Carrefour des Entreprises sous le numéro 0472.435.431 (RPM Antwerp) et ayant comme numéro TVA 0472.435.431,

représentée par Monsieur Bram Verhoeven, porteur de procuration,

ci-après dénommée « **Prologis** »,

ET

2. La société privée à responsabilité limitée **Skechers EDC SPRL**, dont le siège social est situé à [4041 Milmort (Liège), avenue du Parc Industriel 3], inscrite à la Banque Carrefour des Entreprises sous le numéro 0478.543.758 (RPM Liège) et ayant comme numéro TVA 0478.543.758,

représentée par Monsieur David Weinberg,

ci-après dénommée « **Skechers** »,

Prologis et Skechers sont désignés ci-après collectivement les « **Parties** » ou individuellement une « **Partie** »;

ET

3. La société à responsabilité limitée selon les lois de l'Etat du Delaware (USA) **Skechers USA Inc.**, dont le siège social est situé à CA 90266 Manhattan Beach (USA), Manhattan Beach Blvd. 228, et inscrite sous le Numéro de Dossier Commission 001-1429 avec comme numéro d'Identification Employeur I.R.S.95-437615,

représentée par Monsieur David Weinberg,

ci-après dénommée « **Garant** »,

IL EST PRECISE CE QUI SUI:

1. Skechers a conclu une « *Convention pour la disponibilité d'Espace pour l'entreposage de biens et des Bureaux pour sa gestion* » en date du 12 août 2002, telle qu'amendée, concernant le Prologis Park Liège Distribution Center I situé dans le Parc Industriel Hauts-Sarts, Milmort, Liège, avenue du Parc Industriel (la « **Convention DC I** ») et une « *Convention pour la disponibilité d'Espace pour l'entreposage de biens et des Bureaux pour sa gestion* » en date du 20 mai 2008, telle qu'amendée, concernant le Prologis Park Liège Distribution Center II situé dans le Parc Industriel Hauts-Sarts, Milmort, Liège, avenue du Parc Industriel (la « **Convention DC II** »).
2. Prologis négocie actuellement l'acquisition d'une parcelle de terrain additionnelle située dans le Parc Industriel Hauts-Sarts, Milmort, Liège, Avenue du Parc Industriel (le « **Site** », tel que plus amplement décrit dans la Partie I - Article 1.1, dernier alinéa de la présente Convention), sur laquelle elle a l'intention de construire des entrepôts additionnels, une mezzanine et des bureaux, à savoir le Prologis Park Liège Distribution Center III (les « **Lieux** », tels que plus amplement décrits dans la Partie I - Article 1.1, premier alinéa de la présente Convention).
3. Skechers souhaite développer des activités de stockage, de manutention, de transport et de distribution dans les Lieux qui seront construits sur le Site.
4. Les Parties et le Garant souhaitent dorénavant conclure une convention par laquelle les Lieux seront conçus et construits par Prologis et mis à la disposition de Skechers aux termes et conditions tels que déterminés et convenus de commun accord dans la présente convention (désigné ci-après la « **Convention** »).

IL EST CONVENU CE QUI SUI:**PARTIE PRÉLIMINAIRE - CONDITIONS SUSPENSIVES**

1. La conception et la construction des Lieux et leur mise à disposition au profit de Skechers seront subordonnées à la réalisation cumulative des conditions suspensives suivantes (« **Conditions Suspensives** »):

- 1.1. L'obtention d'un (de) permis d'urbanisme et d'environnement (le cas échéant « permis unique ») ne pouvant plus faire l'objet de contestation, étant exécutoire et final conformément à la demande de permis mentionnée à la Partie I - Article 2.1, et de toutes autres autorisations et de tous autres consentements requis pour la conception et la construction des Lieux ; et

1.2. Moyennant la réalisation de la condition suspensive mentionnée à l'Article 1.1 ci-dessus, l'acquisition par Prologis du Site auprès des Services Promotion Initiatives en Province de Liège (SPI) SCRL pour un prix d'achat ne dépassant par € 30.00 / m² de terrain, ce qui en plus implique qu'un accord soit trouvé entre Prologis et Services Promotion Initiatives en Province de Liège (SPI) SCRL concernant les travaux de nivellement du sol requis. Prologis est toutefois autorisé (mais n'est pas contraint) de renoncer à la présente Condition Suspensive pour ce qui concerne le prix d'achat et/ou l'accord sur les travaux de nivellement du sol.

2. Prologis fera ses meilleurs efforts afin que les Conditions Suspensives soient réalisées cumulativement dès que possible. Si les Conditions Suspensives ne sont pas réalisées cumulativement pour le 1^{er} avril 2015 (ce jour inclus) au plus tard, chacune des Parties est autorisée à considérer la présente Convention comme nulle, moyennant une notification préalable par la Partie concernée à l'autre Partie, sans indemnité ou coût au profit d'une Partie ou du Garant à charge d'une autre Partie ou du Garant.

3. Pour éviter tout doute et sans préjudice de ce qui précède, il est précisé que Prologis sera à tout moment autorisé à procéder à l'acquisition du Site à des termes et conditions à convenir avec Services Promotion Initiatives en Province de Liège (SPI) SCRL, malgré - le cas échéant - la non-réalisation de la condition précédente indiquée à l'Article 1.1 ci-dessus.

PARTIE I - CONCEPTION ET CONSTRUCTION DES LIEUX

Article 1 - Conception et construction

1.1 Moyennant la réalisation des Conditions Suspensives, Prologis s'engage à délivrer à Skechers un immeuble industriel renseigné comme le « Prologis Park Liège Distribution Center III », conçu et construit conformément au concept propre à Prologis, moyennant le respect des Spécifications Descriptives des Lieux, jointes en **Annexe 3**, ayant une surface approximative de 26.685 m² et comprenant :

- approximativement 24.309 m² d'entrepôts (ci-après désignés les « **Entrepôts** »);
- approximativement 2.026 m² de mezzanine (ci-après désignée la « **Mezzanine** »);
- approximativement 350 m² de bureaux (ci-après désignés les « **Bureaux** »).

à savoir les « **Lieux** ».

Les Entrepôts, la Mezzanine, les Bureaux et les emplacements de parking s'y rapportant sont indiqués sur le plan de situation des Lieux qui est joint à la présente Convention en **Annexe 2**. Le plan de situation des Lieux peut être modifié moyennant l'accord écrit mutuel des Parties et conformément au(x) permis obtenu(s) par Prologis conformément à l'Article 2.1 ci-dessous.

Les Lieux seront construits sur une parcelle de terrain située dans le Parc Industriel Hauts-Sarts, Milmort, Liège (Herstal), avenue du Parc Industriel, ayant comme références cadastrales Herstal, 6^e Division (Vottem, A La Chaussée), Section A, numéro 559/E/2 (partie), avec une surface totale approximative de 42.856 m² (ci-après désigné le « Site »). Un plan du Site est joint en **Annexe 1** à la présente Convention.

1.2. Prologis sera responsable de la production du concept provisoire, du concept technique, du concept final et des spécifications du bâtiment, basés sur la description ci-dessus et les Spécifications Descriptives des Lieux jointes en **Annexe 3**.

1.3. Prologis peut, en consultation avec Skechers, réaliser des modifications ou substituer des matériaux alternatifs d'une couleur similaire et d'une qualité ou d'un critère de performance ne pouvant être inférieur au sein des Standards Belges (i) pour autant qu'il ne modifie pas de manière importante le concept, la présentation et la nature des Lieux, ou (ii) si les changements sont nécessaires pour se conformer aux exigences planologiques ou réglementaires.

1.4. Skechers remettra à Prologis tous les documents et informations raisonnablement nécessaires à temps. Le défaut d'y satisfaire, si ce défaut est attribuable (du moins en partie) à Skechers, donnera lieu à un report de la période de construction à concurrence du nombre de jours ouvrables dans le secteur de la construction égal au nombre de jours ouvrables dans le secteur de la construction pendant lesquels Skechers n'a pas remis les documents ou informations concernés, sauf si Prologis peut démontrer de manière raisonnable que le délai mis par Skechers a des conséquences additionnelles sur la période de construction.

1.5. Durant les travaux de construction, les meilleurs efforts seront mis en œuvre pour minimiser les nuisances à l'activité dans et l'utilisation par Skechers du Distribution Center I et du Distribution Center II qui sont voisins du Site, étant compris que Skechers ne sera pas autorisé à réclamer des dommages et intérêts pour quelque nuisance que ce soit durant les travaux.

Article 2 - Permis et autorisations (phase de construction)

2.1. Prologis veillera à solliciter le(s) permis d'urbanisme et d'environnement requis et les autres consentements et autorisations requis pour la construction des Lieux, dès que possible.

Prologis remettra à Skechers un projet de demande(s), Skechers étant autorisée à formuler des remarques techniques raisonnables. Aussi vite que possible et en tout état de cause endéans les 8 jours ouvrables à compter de la réception du projet de demande(s), Skechers soit confirmera que cette(s) demande(s) est/sont entièrement satisfaisante(s) soit communiquera à Prologis des remarques techniques raisonnables. Tant la(les) demande(s) que les remarques techniques raisonnables, s'il y en a, seront pleinement conformes aux **Annexes 1, 2 et 3** de la présente Convention, et à toutes modifications convenues, le cas échéant conformément à l'article 3 « Demande de modifications » ci-dessous. Si Skechers ne répond pas dans le délai de 8 jours ouvrables, il sera considéré avoir accepté le projet de demande(s).

Une copie de la demande(s) telle qu'introduite(s) sera jointe en tant qu'**Annexe 5** à la présente Convention.

2.2. Pour éviter tout doute, il est précisé que si un permis d'environnement ou d'exploitation, une autorisation ou notification est (sont) requis pour les activités de Skechers, Skechers sera responsable, à ses seuls risques et frais, pour leur demande et leur obtention. Le défaut d'obtenir à temps de tels permis ou autorisations ne donnera cependant pas lieu à un report ou une annulation de la Délivrance ou de la Date de Début, comme définis ci-après. Prologis sera tenu indemne dans ce cadre.

Article 3 - Demandes de modifications

3.1. Prologis offrira à Skechers ou ses représentants l'opportunité d'apprécier les documents de conception et les spécifications à temps, dès que ces documents seront disponibles.

3.2. Skechers est autorisé à introduire à temps des demandes de modifications à apporter aux spécifications du bâtiment, pour autant qu'elles soient (i) toujours techniquement faisables, (ii) conformes aux Spécifications Descriptives des Lieux jointes en **Annexe 3**, et (iii) permises par les permis sollicités et obtenus conformément à l'article 2 ci-dessus.

Prologis apportera de tels changements aux spécifications du bâtiment, sauf si ceci ne peut être raisonnablement demandé à Prologis pour des raisons de mise en location ou de disposition future des Lieux, ou sauf s'il n'est pas satisfait au premier alinéa.

3.3. Dès que cela est pratiquement possible après réception et avant de réaliser le changement aux spécifications, Prologis informera Skechers par écrit sur les conséquences en résultant, le cas échéant, sur la période de construction et/ou sur la Redevance due à Prologis.

3.4. La période estimée de construction sera reportée à concurrence de la période de temps communiquée par Prologis, requise pour exécuter les changements aux spécifications du bâtiment requis par Skechers conformément au présent Article 3, pour autant que Prologis ait informé Skechers par écrit sur l'impact de ces changements conformément à l'Article 3.3 ci-dessus et pour autant que Skechers ait marqué son accord par écrit endéans les cinq jours ouvrables à compter de la réception de la réponse de Prologis, de réaliser ces changements.

Si Skechers ne répond pas par écrit endéans ce délai, il sera considéré avoir refusé la nouvelle date de délivrance et les conséquences financières avancées par Prologis, auquel cas - pour éviter tout doute - les modifications réclamées ne seront pas exécutées.

3.5. Sans préjudice de ce qui précède, les Parties ont déjà convenu de procéder à la réalisation des modifications et des travaux additionnels listés en **Annexe 14**, moyennant une compensation forfaitaire due par Skechers à Prologis d'un montant de € 452.030 (TVA exclue), à payer dans les 10 jours ouvrables suivant facturation par Prologis.

Article 4 - Délai

4.1. La date visée pour la Délivrance des Lieux conformément à l'Article 5 ci-dessous est le 30 septembre 2015. Cette date est basée sur le début de la construction le 1^{er} janvier 2015, ce qui implique qu'un permis d'urbanisme irrévocable est disponible et qu'aucune autre circonstance n'empêche le début de la construction. Prologis veillera à mettre en œuvre ses meilleurs efforts pour atteindre cette date visée.

Un aperçu des étapes est joint en **Annexe 4**, à titre informatif.

4.2 La date visée sera reportée en cas de survenance d'un ou de plusieurs des événements suivants:

- survenance de circonstances qui doivent être considérées comme *force majeure* ou cas fortuit, incluant la guerre, les hostilités, le terrorisme, la rébellion, la radiation ionique, la contamination radioactive, l'émeute, le trouble, les grèves ou désordres, le tremblement de terre, la tempête, l'inondation et la foudre, le mauvais temps, les découvertes ou circonstances archéologiques et/ou les circonstances relatives à la présence de faune sauvage ou de fragilité environnementale ; la date visée sera reportée à concurrence du nombre de jours ouvrables dans le secteur de la construction égal au nombre de jours ouvrables dans le secteur de la construction durant lesquels une ou plusieurs des circonstances ci-dessus se produit(s) ou persiste(nt), sauf si Prologis peut démontrer de manière raisonnable que la(les) circonstances dont question a (ont) des conséquences additionnelles sur la période de construction.
- en cas de modifications conformément aux Articles 3.3 et 3.4; le report de la date visée sera égal au nombre de jours calendrier convenus entre Skechers et Prologis conformément à l'Article 3.4.
- tout délai ou retard attribuable au non-respect par Skechers de ses obligations aux termes de la présente Convention; la date visée sera reportée à concurrence du nombre de jours ouvrables dans le secteur de la construction égal au nombre de jour ouvrables dans le secteur de la construction durant lesquels Skechers est en défaut, sauf si Prologis peut démontrer de manière raisonnable que ce défaut a des conséquences additionnelles sur la période de construction.
- tout délai ou retard causé par le droit de Skechers de revoir conformément à la Partie II, Article 4.4; la date visée sera reportée à concurrence du nombre de jours ouvrables dans le secteur de la construction égal au nombre de jours ouvrables dans le secteur de la construction entre la notification par Prologis et l'accord de Skechers conformément à la Partie II, Article 4.4, sauf si Prologis peut démontrer de manière raisonnable qu'un tel délai a des conséquences additionnelles sur la période de construction.

Article 5 - Achèvement - Délivrance

5.1. L'achèvement aura lieu conformément aux Spécifications Descriptives des Lieux, jointes en **Annexe 3**.

L'approbation de l'achèvement interviendra conformément aux principes suivants (la « *Délivrance* »):

- Les Lieux seront agréés par Skechers dans son intégralité (non par phase), conformément à l'Article 5.3 ci-dessous.
- Cependant, dans les rapports distincts avec chacun de ses entrepreneurs, Prologis est autorisé à réaliser des procédures d'agrément par phase.

- Avant d'agréer les travaux réalisés par les entrepreneurs (individuels), Prologis invitera Skechers à inspecter les travaux concernés et à transmettre, endéans les cinq jours ouvrables, des remarques techniques pertinentes, dûment motivées. De telles remarques techniques pertinentes de Skechers seront comprises dans les remarques de Prologis à l'attention de ses entrepreneurs.
- Si Skechers ne transmet pas ses remarques endéans les cinq jours ouvrables mentionnés ci-dessus de son inspection des travaux, il sera considéré avoir agréé les travaux concernés.
- L'agrément des Lieux par Skechers ne peut être refusé qu'en cas de non-respect des Spécifications Descriptives des Lieux, jointes en **Annexe 3** dans la mesure où ce non-respect entraverait l'usage normal des Lieux par Skechers pour les buts tels que décrits à la Partie II - Articles 2 et 3 de la présente Convention.

5.2. Skechers ou ses représentants et/ou consultants sont autorisés à inspecter les Lieux en tout temps de même qu'ils seront invités aux réunions de chantier et recevront une copie des procès-verbaux de réunion de chantier. Prologis et Skechers conviennent que les procès-verbaux de réunion de chantier ne seront donnés que pour la commodité des participants présents et/ou absents. Aucun droit, aucune obligation, aucun amendement ni aucune décision ne peuvent être tirés de ces procès-verbaux.

5.3. Prologis informera Skechers par écrit au moins dix (10) jours ouvrables à l'avance de la date à laquelle les Lieux seront prêts pour la Délivrance, prenant en compte et sans préjudice des principes énoncés à l'Article 5.1 ci-dessus. Il communiquera à Skechers les descriptifs techniques tels que disponibles à ce moment (comme, mais non limité à, en ce qui concerne le béton utilisé). Si Skechers n'est pas présent à la réunion de Délivrance, malgré avoir été dûment invité et avoir été mis en possession des descriptifs techniques disponibles, la Délivrance sera considérée avoir été agréée.

Durant la réunion de Délivrance, les Parties dresseront et signeront la liste des défauts véniels restants, s'il en existe, à savoir tout défaut ou non-conformité qui n'empêche pas l'exploitation des Lieux et, de fait, la Délivrance. Les Parties conviendront d'un délai pour réaliser les travaux de réparation relatifs aux défauts véniels.

En tout état de cause, un désaccord concernant ces défauts véniels n'empêchera pas la Délivrance d'avoir lieu.

La Délivrance sera considérée comme octroyée par Skechers une fois que les Parties sont tombées d'accord et ont exécuté les procès-verbaux de Délivrance, auxquels - le cas échéant - une liste de défauts véniels peut être jointe. Skechers ne sera plus autorisée à introduire des plaintes pour des défauts apparents qui ne sont pas mentionnés sur la liste des défauts véniels.

5.4. Une copie complète du dossier As-Built sera remise à Skechers dès que disponible.

Article 6 - Travaux d'aménagement client

6.1. Prologis fera ses meilleurs efforts pour rendre les Lieux disponibles pour les travaux d'aménagement client un mois avant la date prévue de Délivrance. A partir de ce moment, Skechers aura accès aux Lieux mais uniquement pour réaliser les travaux d'aménagement client dans les Lieux. Skechers réalisera rapidement et avec soin les travaux d'aménagement client.

6.2. Les travaux d'aménagement client seront réalisés par Skechers à ses propres risques et frais.

6.3. La prise en compte des travaux d'aménagement client dans le planning de construction sera coordonnée par Prologis, et Skechers accepte qu'en conséquence tant Prologis que l'entrepreneur de Prologis peut donner des instructions contraignantes à(aux) l'entrepreneur(s) de Skechers concernant l'exécution des travaux d'aménagement client. Skechers se conformera, et veillera à ce que les entrepreneurs se conforment, aux instructions raisonnables données par Prologis et/ou l'entrepreneur de Prologis.

6.4. Skechers exécutera les travaux d'aménagement client (i) d'une manière professionnelle et sans violation du permis unique délivré pour la construction, ou de toute législation civile ou publique ou de toute réglementation, (ii) en utilisant des matériaux de bonne qualité, (iii) d'une manière qui cause le moins de troubles et d'inconvénients possibles à Prologis ou aux locataires, propriétaires ou usagers des parcelles adjacentes, si applicable, et (iv) conformément aux instructions raisonnables données par Prologis et/ou l'entrepreneur de Prologis, le cas échéant.

6.5. Skechers s'assurera en tout temps que les travaux de construction réalisés par Prologis ou un entrepreneur ne sont pas empêchés par les (l'exécution) des travaux d'aménagement client et Skechers ne causera aucun retard, aucun inconvénient ou aucune augmentation des coûts pour les travaux de construction. Skechers laissera en tout temps Prologis et ses entrepreneurs accéder aux Lieux.

Pour la période entre le moment où Skechers a accès aux Lieux pour exécuter les travaux d'aménagement client dans les Lieux et la Date de Début (telle que définie à la Partie II - Article 6), les coûts d'utilisation (gaz, eau, électricité, etc.) pour les Lieux, seront répartis de manière égale entre Skechers et Prologis (ou son entrepreneur). Durant la même période, Skechers se conformera à toutes les obligations (sauf les obligations de paiement) aux termes de la présente Convention.

6.6. Skechers notifiera immédiatement à Prologis l'achèvement des travaux d'aménagement client et communiquera à Prologis deux (2) exemplaires des plans as-built relatifs aux travaux d'aménagement client, et ceci endéans les trois (3) semaines après l'achèvement des travaux d'aménagement client.

Article 7 - Distribution Center IV

7.1. Si Prologis (ou une partie liée) acquiert le terrain adjacent au Site, tel que repris sur l'Annexe I, des Services Promotion Initiatives en Province de Liège (SPI) SCRL, Prologis (ou la partie liée concernée) octroiera à Skechers un droit de préférence concernant la location TVA d'un (de) nouveau(x) centre(s) de distribution que Prologis (ou une partie liée) pourra développer sur ce terrain (et peut-être également partiellement sur le Site - ci-après désigné le « **Distribution Center IV** »). Ce droit de préférence s'appliquera pour une période de 36 mois débutant le jour calendrier au cours duquel Prologis (ou une partie liée) acquiert effectivement et définitivement le cas échéant le terrain susmentionné.

Si, durant cette période de 36 mois, Prologis (ou une partie liée) a l'intention de convenir avec un tiers quelconque (ou propose à un tiers quelconque de convenir) d'une possible location TVA du Distribution Center IV à construire le cas échéant sur ce terrain, il en informera Skechers conformément à l'Article 2 de la Partie III de la présente Convention, suite à quoi Skechers aura une période de 3 semaines afin d'informer Prologis (ou la partie liée concernée), conformément à l'Article 2 de la Partie III de la présente Convention, de sa décision de marquer son accord sur la location TVA du Distribution Center IV telle que proposée par Prologis (ou la partie tierce concernée). L'absence de réponse dans le délai sera considéré comme un refus.

En cas de refus ou si aucun contrat de bail TVA final et définitif pour le Distribution Center IV n'est conclu entre Prologis (ou la partie liée concernée) et Skechers endéans les six semaines de la notification de la décision de Skechers de consentir, le droit de préférence prendra fin de plein droit et Prologis (ou la partie liée concernée) aura le droit de développer et de louer le Distribution Center IV à quelque tiers que ce soit.

En outre et pour éviter tout doute, à l'expiration de la période de 36 mois, dont question ci-dessus, ou si Skechers a expressément indiqué par écrit à quelque moment que ce soit ne pas être disposé à prendre le Distribution Center IV en location TVA, Prologis (ou la partie liée concernée) a également le droit de développer et de louer le Distribution Center IV à quelque tiers que ce soit.

Prologis garantit que la partie liée dont question ci-dessus, se conformera pleinement avec les dispositions du présent Article 7 (et cette obligation dans le chef de Prologis doit être considérée comme une convention de porte-fort dont question à l'article 1120 du Code civil belge).

7.2. Le cas échéant, le Distribution Center IV pourra être relié directement et être adjacent aux Lieux. Skechers est conscient et accepte la possibilité que - si le Distribution Center IV est construit - certains éléments et certaines installations des Lieux pourront être partagés avec les usagers du Distribution Center IV.

7.3. Si Prologis (ou une partie liée) développe le Distribution Center IV, il sera autorisé à utiliser et/ou à se relier aux installations et éléments existants ou futurs des Lieux, par exemple le système de sprinklage, pour le Distribution Center IV, ce qui implique que ces installations et éléments des Lieux peuvent être partagés avec les usagers du Distribution Center IV, ce que Skechers acceptera, étant compris (i) qu'un tel partage n'affectera pas négativement les performances de ces installations ou éléments au détriment des Lieux, (ii) que tous les coûts et dépenses se rapportant aux travaux, sans exception, permettant ce partage seront supportés par Prologis (ou la partie liée), sauf convenu différemment, et (iii) que le Distribution Center IV sera - s'il est loué à un tiers - accessible par une (des) voie(s) d'accès séparée(s), c'est-à-dire ne traversant par le Site.

7.4. Les dispositions du présent Article 7 ne peuvent être considérées comme une obligation pour Prologis d'acquérir effectivement le terrain mentionné ci-dessus. De même, les dispositions du présent Article 7 ne peuvent être considérées comme une obligation pour Prologis de construire et/ou développer effectivement le Distribution Center IV, sauf convenu comme tel avec Skechers conformément à l'Article 7.1, 2^e aliéna. En outre, les dispositions du présent Article 7 n'empêchent pas Prologis (ou la partie liée concernée) de transférer (tous droits sur) le terrain et/ou le Distribution Center IV à une ou plusieurs parties liées à Prologis, dans la mesure où cette(ces) partie(s) liée(s) accepte(nt) expressément par écrit de se conformer pleinement aux dispositions du présent Article 7. Un tel transfert sera soumis à l'accord préalable de Skechers, étant compris que Skechers donnera son accord à la réception d'une déclaration écrite émanant de la partie liée dont question ci-dessus adressée par Prologis selon laquelle elle se conformera pleinement et inconditionnellement aux dispositions du présent Article 7.

7.5. Prologis tiendra Skechers pleinement indemne si Prologis et/ou toute partie liée dont question ci-dessus ne se conforme pas pleinement et inconditionnellement aux dispositions du présent Article 7.

PARTIE II - LOCATION D'ENTREPÔT SOUMIS À TVA (« MISE À DISPOSITION »)

Article 1 - Lieux

1.1. Prologis met les Lieux à la disposition de Skechers, qui accepte.

1.2. Skechers est parfaitement familier avec les Lieux et n'en réclame pas de description additionnelle. En signant le procès-verbal de Délivrance tel que mentionné à l'Article 5 de la Partie I de la présente Convention, Skechers reconnaît que les Lieux sont adaptés à l'usage tel que plus amplement décrit aux Articles 2 et 3 de la Partie II de la présente Convention.

1.3. Les Parties renoncent à leurs droits en cas de différence entre la(les) mesure(s) réelle(s) des Lieux et la(les) mesure(s) mentionnées ci-dessus.

Article 2 - Destination des Lieux

2.1. Les Lieux ne peuvent être utilisés par Skechers que pour les activités décrites à l'article 18, § 1, section 2, 9^o du Code belge de la TVA (décision des autorités TVA datée du 29 septembre 1995 ayant pour références E.T. 84.364, telle que complétée par la décision des autorités TVA datée du 13 janvier 2005 ayant pour références E.T. 108.597).

2.2. La destination convenue - à savoir l'utilisation des Lieux comme centre de distribution et de logistique par Skechers dans le but d'entreposer des biens conformément aux dispositions de l'article

44, §3, 2°, a), second tiret du Code de TVA belge - constitue une condition essentielle de la présente Convention, sans laquelle Prologis n'aurait jamais conclu la présente Convention. Si, en raison de l'usage des Lieux pendant la durée de la présente Convention qui n'est pas conforme aux termes de la présente Convention, les paiements en vertu de la présente Convention ne sont plus soumis à la TVA, soit en partie soit en totalité, Skechers indemniser Prologis et tiendra Prologis indemne de toute perte subie par ce dernier de ce chef, en ce compris les intérêts et amendes et en ce compris la perte subie par Prologis du fait qu'il ne peut récupérer la TVA qui a déjà été payée.

2.3. Les Parties conviennent en outre expressément que les Lieux ne peuvent aucunement être utilisés par Skechers pour exercer des activités qui pourraient être qualifiées de commerce ou d'artisan en lien direct avec le public, sur base desquelles la présente Convention serait gouvernée par la loi belge du 30 avril 1951 sur les baux commerciaux.

2.4. En aucun cas, la destination et l'usage des Lieux ne peuvent être modifiés par Skechers sans l'accord préalable, écrit et exprès de Prologis, qui peut toujours refuser, pour autant qu'il le fasse pour des motifs justifiés.

Article 3 - Usage des Lieux

3.1. Sans préjudice de l'Article 2 ci-dessus, Skechers utilisera les Lieux exclusivement pour l'entreposage de biens en général et pour des activités se rapportant à la manutention, l'entreposage, le transport, la distribution et la réparation de biens ou produits (de consommation) (sec) normaux en particulier. Les Bureaux auxiliaires dont la surface est actuellement - et devrait toujours être - inférieure à 10 % de la surface totale des Entrepôts et des Bureaux, ne peuvent être utilisés que par les magasiniers et / ou les employés de Skechers en charge de la gestion des Entrepôts.

3.2. En outre, Skechers utilisera et exploitera les Lieux conformément à toutes les exigences légales, réglementaires, administratives, de secteur, d'aménagement et autres applicables. Skechers se conformera à toutes les réglementations et exigences en matière de sécurité incendie et d'installations techniques, telles qu'imposées par tous les avis ou rapports du service incendie, les permis concernés, le règlement général pour la protection du travail (« RGPT » ou « Règlement général pour la protection du travail » / « ARAB » ou « Algemeen Reglement voor Arbeidsbescherming »), le règlement général sur les installations électriques (« RGIE » ou « Règlement général des installations électriques » / « AREI » ou « Algemeen Reglement voor Elektrische Installaties »), les dispositions applicables de la législation sur le bien-être au travail, ou par toute autre réglementation applicable. En outre, Skechers sera seul responsable à la décharge de Prologis, pour maintenir les Lieux en conformité avec les permis d'urbanisme et d'environnement et avec toutes législations, réglementations, normes, décrets ou avis de toute autorité compétente qui pourraient devenir applicables pendant la durée de la présente Convention, dans la mesure où ces législations ou ces réglementations s'appliquent aux activités de Skechers dans les Lieux.

3.3. Skechers ne peut exercer aucune activité dans les Lieux, ni installer aucun objet ou équipement qui pourrait générer des charges excessives sur les planchers ou une pression extrême sur la structure des Lieux. Dans ce cadre, Skechers se conformera aux charges maximales de plancher permises sur les planchers des Lieux, à savoir [4.000] kg/m² en ce qui concerne le plancher des Entrepôts et [400] kg/m² en ce qui concerne le plancher des Bureaux (poids du cloisonnement inclus).

3.4. Skechers sera seul responsable pour obtenir toutes les licences, toutes les autorisations et/ou tous les permis qui pourraient être requis en vertu des lois et réglementations applicables et futures fédérales, régionales ou locales en ce qui concerne l'usage et l'exploitation par Skechers des Lieux comme décrit au présent Article, sans obligation pour Prologis d'intervenir, ni recours contre Prologis dans ce cadre.

3.5. Skechers s'engage à user des Lieux en *bonus pater familias* (soit une personne normalement prudente placée dans les mêmes circonstances) et à n'exercer aucune activité dont il peut être raisonnablement attendu que pareille activité perturberait fortement les occupants des parcelles adjacentes et voisines.

3.6. Skechers accepte et consent que pendant la durée de la présente Convention, la surface du toit des Lieux soit utilisée par Prologis ou par un tiers désigné par Prologis pour l'installation et l'exploitation d'une installation photovoltaïque. Dans ce cas :

- Prologis se chargera de toutes les obligations et responsabilités additionnelles (en ce compris pour ce qui concerne la maintenance et les réparations) en rapport avec le toit des Lieux, à savoir ces obligations et responsabilités en rapport avec le toit des Lieux qui n'existeraient pas si une installation photovoltaïque n'avait pas été installée ;
- Prologis conclura une assurance distincte (ou complémentaire) en rapport avec l'installation photovoltaïque, qui comprendra un abandon de recours contre Skechers et les primes en rapport avec cette police ne seront pas mises à charge de Skechers ;
- L'accès au toit pour quelque raison que ce soit (mise en place, connexion et maintenance de l'installation photovoltaïque) sera réalisé de manière autonome et sera distinct de l'accès de Skechers aux Lieux, dans la mesure où cela est possible dans les faits ;
- Prologis tiendra Skechers indemne pour et contre tous dommages survenant en raison de ou en rapport avec l'immeuble, la mise en place, la connexion, l'exploitation, ou la maintenance de l'installation photovoltaïque ;
- Prologis s'engage à inclure les obligations mentionnées ci-dessus du présent Article 3.6 dans tout contrat qu'il pourrait conclure avec un tiers en vue d'exploiter une installation photovoltaïque sur le toit, et il s'engage à et garantit (au moyen d'une « convention de porte-fort » visée à l'article 1120 du Code civil belge) que ce tiers se conformera à ces obligations ;
- Skechers ne plantera aucune plantation ni n'installera aucune installation sur le Site qui peut ombrager en tout ou en partie l'installation photovoltaïque installée sur le toit des Lieux, sauf si cela est strictement nécessaire pour que Skechers exerce ses activités dans les Lieux.

Prologis s'engage à ce que l'installation et l'exploitation d'une telle installation photovoltaïque n'entraîne aucun coût additionnel pour Skechers. En outre, les Parties feront leurs meilleurs efforts afin d'identifier et de mettre en œuvre les possibilités pour Skechers de bénéficier de cette installation photovoltaïque.

3.7. Un aperçu des servitudes et des obligations grevant le Site et les Lieux sera joint en **Annexe 9**. Skechers s'engage à se conformer pleinement à ces servitudes et obligations, telles que modifiées au fil du temps, et tiendra Prologis indemne pour tout dommage et/ou coût qui pourrait en résulter, sans préjudice de l'Article 18 ci-dessous.

Article 4 - Redevance

4.1. La redevance annuelle de base consiste en :

- € 41.00 / m² / an pour les Entrepôts, soit un montant total de € 996,669.00 / an;
- € 23.00 / m² / an pour la Mezzanine, soit un montant total de € 46,598.00 / an;
- € 85.00 / m² / an pour les Bureaux, soit un montant total de € 29,750.00 / an;

et a été fixée à un montant de € 1,073,017.00 par an respectivement € 268,254.25 par trimestre, toujours à majorer de la TVA, et excluant les Services tels que définis à l'Article 8.3 ci-dessous et d'autres dépenses, et est soumise à un ajustement annuel tel que décrit à l'Article 5 ci-dessous (ci-après désigné respectivement la « **Redevance Annuelle** », la « **Redevance Trimestrielle** » et en général la « **Redevance** »).

4.2. La Redevance Trimestrielle est payable par anticipation au plus tard le premier jour des mois de janvier, avril, juillet et octobre de chaque année. Si la Date de Début ne correspond pas au 1^{er} janvier, 1^{er} avril, 1^{er} juillet ou 1^{er} octobre, la Redevance Trimestrielle due pour le premier trimestre sera calculée *pro rata* et sera due à la Date de Début, sans préjudice de l'Article 4.4.

Les paiements de la Redevance Trimestrielle seront crédités en EURO sur le numéro de compte de Prologis qui sera communiqué en temps voulu. Tous les coûts de transfert bancaire sont à charge de Skechers.

4.3. Les Redevances impayées produiront automatiquement un intérêt au taux d'intérêt déterminé conformément à la Loi du 2 août 2002 relative au retard de paiement dans les transactions commerciales applicable à la date de paiement par année, à compter de la date d'échéance des paiements, et ceci sans mise en demeure et sans préjudice du droit de Prologis de poursuivre la résolution de la présente Convention.

4.4. Les montants de la Redevance à l'Article 4.1 sont basés (parmi d'autres paramètres) sur un coût initial de travaux de nivellement du sol à charge de Prologis de € 1.549.000 (TVA exclue) sur la base des hypothèses reprises en **Annexe 12**. Si le coût réel des travaux de nivellement du sol excède le coût budgété de €1.549.000 (TVA exclue), le montant de ce dépassement sera inconditionnellement et exclusivement supporté par Skechers et sera payé à Prologis endéans les 10 jours ouvrables suivant la facturation par Prologis. Sans préjudice de ce qui précède, les Parties s'accorderont sur les termes de cette compensation additionnelle par Skechers, et Skechers se verra offrir l'opportunité de revoir en détail les coûts de dépassement proposés par l'entrepreneur réalisant les travaux de nivellement du sol. Prologis ne devra pas supporter ces coûts de dépassement proposés par l'entrepreneur, sauf si Skechers, après les avoir revus, a marqué son accord sur ces coûts, étant compris que Skechers ne retiendra ni ne retardera son accord de manière déraisonnable. Si le coût réel des travaux de nivellement du sol s'avère être inférieur au coût budgété de € 1.549.000 (TVA exclue), le montant de ce surplus sera remboursé par Prologis à Skechers endéans les 10 jours ouvrables de la Délivrance.

Article 5 - Ajustement de la Redevance

5.1. La Redevance Annuelle est liée à l'indice santé tel que publié mensuellement au Moniteur belge.

5.2. La Redevance Annuelle sera ajustée automatiquement et de plein droit chaque année le 1^{er} janvier (pour la première fois le 1^{er} janvier 2016) et ceci conformément à la formule suivante :

$$\text{Nouvelle Redevance Annuelle} = \frac{\text{Redevance Annuelle X Nouvel indice}}{\text{Indice de base}}$$

dans laquelle

- Redevance Annuelle = la Redevance Annuelle dont question à l'Article 4 de la Partie II de la présente Convention;
- indice de base = l'indice santé du mois précédant le mois durant lequel les Parties ont signé la présente Convention, à savoir l'indice d'août 2014, soit 100,12 (avec 2013 = 100);
- nouvel indice = l'indice santé du mois précédant le mois de l'ajustement de la Redevance (décembre).

Cependant, la Redevance Annuelle nouvelle ne sera jamais inférieure à la Redevance Annuelle due pendant l'année précédant l'ajustement de la Redevance Annuelle.

5.3. Si le calcul et la publication de l'indice santé viennent à être interrompus ou à cesser, la Redevance Annuelle sera liée à l'indice des prix à la consommation. Si le calcul et la publication de l'indice des prix à la consommation viennent à être interrompus ou à cesser, la Redevance Annuelle sera liée au nouvel indice publié par le gouvernement belge qui remplacera le cas échéant l'indice des prix à la consommation. Si aucun indice officiel n'est publié et les Parties ne parviennent pas à s'accorder sur une nouvelle méthode d'ajustement de la Redevance Annuelle, la méthode d'ajustement sera déterminée par un expert désigné par la Justice de Paix compétente sur base de la localisation des Lieux.

5.4. Il est expressément convenu que Prologis ne pourra renoncer au droit d'ajuster la Redevance Annuelle résultant du présent Article que par confirmation écrite, signée par Prologis.

Article 6 - Début et durée

6.1. Le droit d'occuper et d'utiliser les Lieux en vertu de la présente Convention commencera à la date de Délivrance conformément à la Partie I, Article 5, à savoir la « **Date de Début** », pour une période initiale et irréductible de 15 années consécutives, qui par conséquent prendra fin 15 ans après la Date de Début, nonobstant toutefois l'Article 6.2 ci-dessous.

6.2. A l'expiration de la période mentionnée à l'Article 6.1 ci-dessus, la présente Convention sera automatiquement prolongée pour des périodes subséquentes de 5 années, sauf si une des Parties met fin expressément à la présente Convention par lettre recommandée ou par exploit d'huissier de justice notifié pas moins de (i) 12 mois avant la fin de la période mentionnée à l'Article 6.1 ci-dessus ou (ii) 12 mois avant la fin de la période concernée de prolongation de cinq ans.

Les notifications dans ce cadre seront considérées avoir été données et être effectives conformément à l'Article 2.2 de la Partie III de la présente Convention.

Article 7 - Transfert de droits et mise à disposition au profit de tiers

7.1. Skechers peut mettre les Lieux (totalement ou partiellement) à la disposition de tiers (« sous-louer ») et/ou transférer ses droits (totalement ou partiellement) moyennant l'autorisation préalable et écrite de Prologis. Cette autorisation préalable et écrite ne sera pas requise, cependant, en cas de mise à disposition (« sous-location ») à une société liée à Skechers (« société liée » ayant la signification renseignée à l'article 11 du Code des sociétés belge). En cas de mise à disposition des Lieux à un tiers (autre qu'une société liée à Skechers), une telle autorisation ne sera pas refusée de manière déraisonnable par Prologis dans la mesure où les Articles de la présente Convention sont respectés. En cas de transfert de droits à un tiers, il sera raisonnable pour Prologis de refuser son accord dans les cas suivants :

- i) l'identité ou la réputation commerciale du candidat est de nature, selon l'appréciation de bonne foi de Prologis, à porter atteinte au goodwill ou à la réputation des Lieux ;
- ii) le crédit du candidat n'est pas suffisant selon jugement équitable de Prologis ;
- iii) le transfert à un autre client de Prologis sur le Site se fait à un taux inférieur au taux réclamé par Prologis pour des espaces comparables sur le Site ;
- iv) les termes et conditions du contrat de transfert ne sont pas les mêmes que les termes et conditions de la présente Convention ;
- v) la durée du contrat de transfert excède la durée restante de la présente Convention ;
- vi) le transfert n'est pas soumis à TVA pendant toute sa durée.

Même si le transfert de droits est approuvé par Prologis parce qu'il est satisfait aux critères ci-dessus ou par accord de Prologis, Skechers n'est pas autorisé à mettre sur le marché les Lieux pour un prix inférieur à la Redevance en vertu de la présente Convention. Tout transfert de droit approuvé sera expressément soumis aux termes et conditions de la présente Convention.

Skechers communiquera à Prologis toutes les informations concernant le tiers auquel les Lieux sont mis à disposition ou à qui les droits sont transférés, et ceci à la première demande de Prologis.

7.2. Si Prologis autorise la mise à disposition des Lieux à un tiers, Skechers restera indivisiblement et solidairement responsable vis-à-vis de Prologis pour toutes les obligations résultant de la présente Convention, et en particulier pour les coûts additionnels résultant d'une telle mise à disposition à un tiers.

7.3. Si Prologis autorise la mise à disposition des Lieux ou le transfert de la présente Convention à un tiers, une telle autorisation sera conditionnée à la remise par Skechers à Prologis d'une déclaration émanant de la banque de ce tiers selon laquelle en cas de transfert effectif de la Convention ou de mise à disposition des Lieux, le cas échéant, cette banque émettra une garantie bancaire équivalente à six (6) mois de Redevance plus la TVA applicable, sans préjudice de l'Article 20.

Article 8 - Taxes et charges

8.1. Taxes

8.1.1. Toutes les taxes, tous les droits et toutes les impositions de quelque nature que ce soit concernant les Lieux en ce compris mais non limité à le précompte immobilier au profit de l'Etat, la Région, la Commune, la Province, ou toute autre autorité publique, doivent être supportés exclusivement par Skechers pendant la durée de la présente Convention. Cette énumération n'est pas limitative.

Dans la mesure où ces taxes, droits et impositions sont réclamés à Prologis, ce dernier facturera immédiatement (et dans la mesure du possible pas plus tard que 10 jours ouvrables à compter de la réception de la première demande de paiement de l'autorité compétente) le montant à Skechers (toujours en joignant une copie de la première demande de paiement de l'autorité compétente). Prologis s'engage à procéder rapidement au paiement de toutes taxes à l'autorité concernée, immédiatement sur réception du paiement correspondant de Skechers.

8.1.2. En outre, toutes les taxes, tous les droits et toutes les impositions se rapportant aux activités de Skechers dans les Lieux et, en général, se rapportant à l'occupation et l'usage des Lieux par Skechers, doivent être supportés exclusivement par Skechers.

8.1.3. Si une loi prescrit que le précompte immobilier doit être supporté en tout ou en partie par Prologis, ce dernier se réserve le droit d'adapter la Redevance de manière à ce qu'elle soit égale au moment de la Redevance actuelle augmentée du montant des nouvelles taxes à supporter par Skechers.

8.1.4. En sus de l'obligation sous l'article 8.1.1. ci-dessus, Prologis s'engage à faire le nécessaire et à corriger les demandes ou notifications des autorités de manière à s'assurer que les autorités sont en mesure de calculer les taxes, les droits et les impositions sur base de données correctes.

8.1.5. Skechers indemnifiera Prologis pour toute perte (tels que le paiement d'intérêts de retard et les amendes) que Prologis peut supporter en raison des paiements tardifs des taxes, des droits et des impositions susmentionnés, le cas échéant pourvu que ces retards de paiement soient la conséquence du défaut de Skechers de payer à temps les factures mentionnées ci-dessus sous l'article 8.1.1. Dans la mesure où le défaut de paiement est imputable au non-respect par Prologis de l'Article 8.1.1. alinéa 2, les intérêts de retard et les amendes causés par ce défaut seront supportés par Prologis.

8.2. Charges individuelles

8.2.1. Skechers supportera tous les coûts liés à l'utilisation de l'eau, du gaz, de l'électricité, du téléphone, du télex, etc. ou se rapportant à tous autres services ou toutes autres installations des Lieux. En outre, Skechers paiera également toutes les charges facturées par les compagnies de services pour les appareils de mesurage, les systèmes, les câbles, les tuyaux, les canalisations, etc.

8.2.2. Skechers ne peut réclamer aucune indemnité à Prologis en cas d'interruption, quelle que soit la durée de cette interruption, de la fourniture d'eau, de gaz et d'électricité, du téléphone, du télex, etc., ou de tous autres services ou de toutes autres fournitures tels que le chauffage, la ventilation, etc. se rapportant aux Lieux, pour quelque raison que ce soit, sauf si cette interruption peut être imputée à un manquement sérieux de Prologis à prendre les mesures raisonnables pour assurer la continuité de telles fournitures et de tels services.

8.3. Services

8.3.1. Skechers prendra soin de tous les services, de tous les équipements et de toute la maintenance des Lieux conformément aux spécifications communiquées par Prologis aux frais de Skechers, jointes à la présente Convention en **Annexe 7** (ci-après désignés les « **Services** »).

8.3.2. Skechers s'engage pendant toute la durée de la présente Convention, en tant que *bonus pater familias* et en conformité avec les exigences de bonne gestion, à conclure toutes les conventions qui, selon Skechers, sont nécessaires pour les Services. Skechers informera Prologis de la conclusion de ces conventions. Skechers sera responsable, à l'exclusion de Prologis, de la parfaite exécution de ces conventions. Skechers indemnisera intégralement et tiendra Prologis indemne pour tous dommages ou toutes demandes qui pourraient résulter des contrats pour les Services conclus par Skechers.

8.3.3. Prologis a le droit d'inspecter et d'examiner les Lieux. Si Skechers ne réalise pas les Services proprement, Prologis sollicitera de Skechers par écrit qu'il y satisfasse endéans les trente (30) jours calendrier. A défaut pour Skechers d'y satisfaire, Prologis est en droit de reprendre toutes les fournitures, tous les services et la maintenance des Lieux. Des factures seront adressées en conséquence à Skechers.

8.3.4. En cas de développement du Distribution Center IV (tel que défini à la Partie I - Article 7.1.), les Parties se concerteront sur les implications de ce développement sur les dispositions de l'Article 8.3 ci-dessus, dans la mesure requise, sans préjudice, cependant, des principes et des droits et obligations respectifs des Parties tels qu'inscrits au présent Article 8.3.

Article 9 - Assurance

9.1. Prologis s'engage à souscrire une assurance concernant les Lieux (couvrant l'incendie et le dégât des eaux, la responsabilité civile ainsi que toutes les vitres dans les Lieux) à leur valeur de reconstruction. Les primes d'assurance s'y rapportant seront mises à charge de Skechers.

9.2. Skechers s'engage à souscrire et à maintenir pendant toute la durée de la présente Convention une assurance tous risques auprès d'une compagnie d'assurances réputée se rapportant aux biens meubles et aux effets personnels de Skechers en ce compris les équipements situés dans les Lieux, couvrant les risques de feu, de perte due à des défauts électriques, les dégâts des eaux, les tempêtes, les dégâts de grêle, et la responsabilité civile. Skechers fournira la preuve de cette assurance à Prologis à sa première demande.

La police d'assurance de Skechers comprendra en outre la clause selon laquelle la compagnie d'assurances notifiera à Prologis par lettre recommandée au moins 15 jours à l'avance la résiliation ou la suspension de la police d'assurance de Skechers pour quelque raison que ce soit.

9.3. Moyennant l'intervention effective de la (des) compagnie(s) d'assurance précitée(s) et dans la mesure de leur intervention effective, les Parties et le Garant renoncent mutuellement à tous recours qu'ils pourraient exercer l'un contre l'autre, ainsi que contre le propriétaire, l'emphytéote, les locataires, les sous-locataires, les cédants, les cessionnaires, les occupants et les gérants des Lieux, ainsi que contre ceux à leur service et les agents autorisés, pour tout dommage qu'ils pourraient encourir en raison de la survenance de risques assurés, sauf en cas de perte résultant d'une faute lourde ou intentionnelle. Skechers garantit que l'obligation d'abandon de recours sera acceptée par l'occupant / le client tiers et son assureur sauf en cas de perte résultant d'une faute lourde ou intentionnelle.

9.4. Skechers renonce expressément et inconditionnellement à tout droit de recours qu'il pourrait avoir sur pied des articles 1382 à 1386 du Code civil. En outre, Skechers renonce par analogie à l'application des articles 1719, 1720 et 1721 du Code civil.

9.5. Les dommages aux Lieux causés en cas de vol ou de tentative de vol, ou par vandalisme seront toujours supportés exclusivement par Skechers.

9.6. Si les activités de Skechers dans les Lieux entraînent une augmentation de la prime d'assurance à payer par Prologis dont question à l'Article 9.1 ci-dessus, cette prime augmentée sera à la charge exclusive de Skechers.

Article 10 - Enseignes publicitaires et antennes paraboliques

10.1. Des enseignes publicitaires et/ou antenne(s) parabolique(s) sur ou autour des Lieux ne peuvent être installées par Skechers que si ce dernier a obtenu le consentement exprès, préalable et écrit de Prologis, qui est autorisé à imposer des conditions se rapportant aux dimensions, couleurs et contenu de ces enseignes publicitaires et antenne(s) parabolique(s). Exposer ou faire de la publicité pour quelque marque que ce soit et/ou noms de société qui sont (également) des marques et/ou noms de société de - ou se référant à des - sociétés ou parties qui ont des activités similaires aux activités de Prologis est également interdit.

10.2. Sans préjudice de ce qui précède, le placement et l'enlèvement d'enseignes publicitaires et d'antenne(s) parabolique(s) se font aux coûts et risques de Skechers qui sera seul responsable pour obtenir toutes les autorisations et tous les permis nécessaires, sans aucune obligation pour Prologis d'intervenir ni de recours contre Prologis dans ce cadre.

10.3. Dans le cadre de l'entretien des Lieux, Skechers enlèvera temporairement à ses frais et à la première requête de Prologis les enseignes publicitaires et antenne(s) parabolique(s) sur et autour des Lieux si cela est raisonnablement nécessaire.

10.4. Forer dans la brique de façade et la pierre bleue seront en toutes circonstances strictement interdits.

Article 11 - Etat des Lieux à la Date de Début

11.1. Avant que Skechers commence son occupation des Lieux, un rapport d'« Etat de Délivrance » sera convenu entre les Parties, décrivant l'état actuel des Lieux ainsi que la manière dont les Lieux devraient être délivrés à la fin de la Convention, en ce compris une liste des améliorations qui doivent et ne doivent pas être restituées par Skechers, conformément aux conditions de l'Article 13 ci-dessous. Toute amélioration par Skechers doit être maintenue par Skechers sans aucune compensation ou paiement dû à Skechers.

11.2. Ce rapport d'« Etat de Délivrance » sera signé par Skechers et Prologis à la date de Délivrance des Lieux et sera alors joint à la présente Convention en **Annexe 6**.

Article 12 - Réparations et entretien des Lieux

12.1. Skechers occupera les Lieux avec soin. Il s'engage à maintenir les Lieux à ses propres frais dans un bon état constant d'entretien et de réparation pendant toute la durée de la présente Convention.

12.2. En plus des obligations incombant à Skechers en vertu des règles générales du Code civil belge (applicable le cas échéant par analogie), Skechers sera, entre autres, responsable pour ce qui suit (sans préjudice du caractère non-limitatif de cette énumération) :

- entretenir, réparer et renouveler les peintures intérieures et la décoration intérieure des Lieux.
- entretenir, réparer et, si nécessaire, remplacer les installations sanitaires, les robinets d'eau et toutes installations et équipements similaires.
- entretenir correctement les conduites d'eau, les points d'eau et les conduites d'égouts, vider les collecteurs de graisses et les protéger contre le gel et, si nécessaire, les débloquer.
- réparer tout dommage qui n'est pas directement le résultat de la vétusté ou d'un état défectueux et, si nécessaire, les remplacer.
- réparer et, si nécessaire, remplacer le recouvrement des murs, les planchers, toutes les serrures et les équipements électriques.
- remplacer toute vitre brisée, pour quelque raison que ce soit (les coûts en résultant seront, cependant, couverts par l'assurance mentionnée au premier alinéa de l'Article 10 ci-dessus).
- entretenir le système de chauffage et de ventilation et réparer tout dommage qui n'est pas directement le résultat de la vétusté ou d'un état défectueux.
- nettoyer les conduits de ventilation et faire ramoner les cheminées.
- être responsable pour l'entretien du carrelage des sols faisant partie des Lieux et le maintenir à son niveau initial.
- assurer et entretenir correctement le toit des Lieux.

Skechers s'engage à remettre à Prologis un état annuel concernant l'entretien du chauffage et du système de sprinklage ESFR, ainsi qu'un état annuel du ramonage des cheminées par un ramonneur agréé.

Afin de maintenir la validité du certificat du système de sprinklage, Skechers fera démarrer au moins toutes les deux semaines le moteur des pompes de sprinklage. Les résultats de ce test devront être ajoutés au registre faisant partie du système de sprinklage.

12.3. Prologis est, pour son propre compte, seulement responsable des travaux structurels et des réparations mentionnés aux articles 605 et 606 du Code civil, à savoir les travaux d'entretien et de réparation relatifs à la structure, aux fondations et au sol (à l'exclusion du revêtement des planchers), au toit et aux murs extérieurs des Lieux. Si cependant les travaux structurels (ou défauts), qui devraient normalement être supportés par Prologis sont la conséquence du défaut de Skechers d'exécuter ses obligations d'entretien ou de tout abus ou usage inadmissible par Skechers ou de toute autre raison qui peut être imputée à Skechers, ce dernier sera également responsable pour ces travaux ou défauts.

12.4. Prologis peut demander à Skechers de réaliser toutes les réparations nécessaires et tous les travaux d'entretien et de les terminer endéans les deux (2) semaines de la réception par Skechers de la notification (comprenant un devis des travaux). A défaut pour Skechers de satisfaire à ces obligations, Prologis est autorisé à faire réaliser les travaux afin de maintenir et de remettre les Lieux en bon état aux frais et risques de Skechers en défaut. Dans ce cas, Skechers remboursera tous les coûts des travaux, sans préjudice de tout autre droit ou de toute autre action de Prologis.

12.5. Skechers tolérera, sans indemnité ou réduction de Redevance, l'exécution de tous les travaux structurels, réparations ou améliorations qui pourraient devenir nécessaires pendant la durée de la présente Convention et ceci indépendamment de la durée de ces travaux structurels, réparations ou améliorations.

12.6. Skechers informera Prologis au si vite que raisonnablement possible de la découverte de toutes réparations structurelles incombant à Prologis. Si Skechers n'informe pas Prologis à ce sujet à temps, Skechers sera responsable pour les coûts des réparations structurelles nécessaires.

12.7. Pendant toute la durée de la présente Convention, les Parties devront se conformer à toutes les réglementations légales, administratives ou autres applicables. Elles seront responsables l'une à l'égard de l'autre pour toutes les conséquences résultant du défaut de se conformer à ces réglementations.

Article 13 - Altération et modification des Lieux

13.1. Skechers est autorisé à placer des cloisons et des systèmes d'éclairage dans les Lieux et à réaliser de petits travaux et améliorations nécessaires pour ou utiles à ses activités. A la fin de la présente Convention, Prologis peut, à son choix, conserver les cloisons, les systèmes d'éclairage, les petits travaux et améliorations sans aucune indemnité ou paiement à Skechers, ou contraindre Skechers à enlever les cloisons, les systèmes d'éclairage, les petits travaux et améliorations et à remettre les Lieux dans leur état d'origine, aux frais de Skechers.

13.2. Si requis Skechers remettra à Prologis au plus vite une copie des dossiers d'intervention ultérieure relatifs à de tels travaux.

13.3. Des modifications ou travaux importants, en particulier qui affectent la structure des Lieux, ne sont pas permis, sauf accord préalable et écrit de Prologis. Prologis devra donner les raisons de ne pas donner cette autorisation. Si Prologis donne cette autorisation, il informera de même immédiatement Skechers, s'il décide ou non, à la fin de la présente Convention, de conserver les modifications ou travaux importants soumis à son autorisation. En l'absence de décision de Prologis, les modifications ou travaux importants doivent être enlevés à la charge de Skechers.

13.4. Les dépenses résultant de toute transformation, modification ou extension des Lieux, requis par ou en vertu de prescriptions et réglementations de tout type légales, administratives, professionnelles ou autres devenant applicables pendant la durée de la présente Convention, doivent être supportées par Skechers.

Article 14 - Restitution des Lieux

14.1. A la fin de la durée de la présente Convention comme stipulé à l'Article 6 ci-dessus ou en cas de fin anticipée, Skechers restituera les Lieux en bon état et propres.

Les Parties conviennent que le rapport d'« Etat de Délivrance », dont question à l'Article 11 ci-dessus, constituera le document directeur et constituera la base pour un nouveau rapport d'inspection des Lieux. Dès que Skechers a terminé sa libération des Lieux et en tout état de cause le dernier jour de la durée de la présente Convention comme précisé à l'Article 6 ci-dessus, Prologis, en présence de Skechers, établira un nouveau rapport d'inspection des Lieux. Le rapport d'inspection indiquera les dégâts dans les Lieux pour lesquels Skechers est responsable (étant compris que Skechers ne sera jamais responsable de la détérioration des Lieux résultant de l'usure normale), ainsi que la durée d'indisponibilité des Lieux en raison de la réalisation des travaux de réparation.

En cas de désaccord entre les Parties sur le contenu du rapport d'inspection, les Parties adresseront ce désaccord aussi vite que possible à un expert indépendant spécialisé en immobilier. Cet expert sera désigné par les Parties ou, à défaut d'accord entre les Parties, à la requête de chaque Partie, par le Président du Tribunal de Commerce de Liège. La décision de l'expert sera obligatoire pour les Parties et le Garant et les coûts seront répartis de manière égale entre les Parties.

14.2. Skechers sera responsable pour tout dommage aux lieux, causé par un acte ou une omission de sa part ou causé par un acte ou une omission de la part de ses représentants, ses employés ou de toutes autres personnes en général pour qui Skechers est responsable en vertu de la loi ou conformément à la présente Convention.

Outre les coûts pour la réalisation des travaux de réparation, Skechers paiera aussi une indemnité pour l'indisponibilité des Lieux résultant du dommage aux Lieux causé par un acte ou une omission pour laquelle Skechers est responsable en vertu de l'alinéa précédent ou causé par le fait que Skechers n'a pas libéré les Lieux à temps. Cette indemnité d'indisponibilité des Lieux sera égale au montant de la Redevance en vigueur couvrant toute la période d'indisponibilité des Lieux, telle que déterminée entre les Parties ou par l'expert dans son rapport d'inspection.

14.3. La remise des clés, sous quelque forme ce que soit, au départ ou après le départ de Skechers ne libérera ni ne déchargera d'aucune manière Skechers de ses obligations, en partie ou totalement au termes de la Convention, et en particulier en ce concerne les possibles travaux de réparation à réaliser par Skechers et/ou l'indisponibilité des Lieux après la fin (anticipée) de la présente Convention.

Article 15 - Expropriation

En cas d'expropriation totale ou partielle des Lieux, Skechers n'aura aucun droit de recours contre Prologis. Les droits que Skechers pourrait faire valoir contre l'autorité expropriante n'affecteront en aucune manière les droits que Prologis aura contre l'autorité expropriante.

Article 16 - Fin de la Convention - Visites des Lieux

16.1. Prologis, ses agents et ses représentants sont autorisés à visiter les Lieux avec une personne désignée par Skechers, à chaque fois que cela est nécessaire, moyennant une notification préalable (au moins 24 heures à l'avance) à Skechers.

16.2. Durant les six (6) mois précédant la fin de la Convention ou en cas de vente des Lieux, Prologis est autorisé à fixer des panneaux et des annonces publicitaires nécessaires sur les Lieux, annonçant la mise à disposition ou en vente des Lieux.

Article 17 - Environnement et sol

17.1. Skechers fera en tout temps ses meilleurs efforts pour minimiser l'impact de ses activités sur l'environnement et la santé humaine comme requis en vertu des législations et réglementations applicables.

17.2. Tant pendant la durée de la présente Convention qu'après, Skechers indemnisera complètement Prologis et tiendra Prologis indemne pour tous dommages et coûts résultant du rejet par Skechers de substances nocives dans l'air, l'eau, le sol et les eaux souterraines, ou d'activités qui sont nocives pour l'environnement ou la santé humaine, en ce compris mais non limité à (i) les frais et dépenses pour les études de sol ou autres études, les mesures préventives ou curatives et pour les programmes de suivi, (ii) la diminution de la valeur du Site, (iii) la perte de bénéfice d'exploitation du Site, (iv) les responsabilités vis-à-vis des tiers et/ou des autorités publiques, (v) les pénalités, intérêts, procédures et frais d'experts techniques, légaux ou financiers.

17.3. Avant la Date de Début, Prologis aura réalisé une Phase I d'Evaluation Environnementale du Site et une Investigation Géotechnique de Site sur le Site, pour son propre compte. L'Evaluation et l'Investigation Géotechnique de Site seront jointes à la présente Convention en **Annexe 8**.

17.4. Avant la fin de la présente Convention, Skechers ordonnera à ses propres frais à un expert agréé de réaliser une étude de reconnaissance du sol sur le Site. Si les résultats de cette étude de reconnaissance du sol indiquent qu'il y a des concentrations de substances dans le sol et/ou dans les eaux souterraines du Site excédant les standards qui s'appliquent à cette date et/ou qui doivent donner lieu à d'autres mesures d'investigations et/ ou à une décontamination du sol, Skechers fera procéder à ces investigations et à cette décontamination du sol pour son propre compte.

Skechers compensera de même Prologis pour tout dommage que ce dernier pourrait souffrir du fait de toute contamination du sol et/ou des eaux souterraines excédant la contamination mesurée dans l'Evaluation et l'Investigation Géotechnique de Site qui seront jointes en **Annexe 8** ou résultant des investigations et mesures de décontamination réalisées par Skechers pour cette contamination, sauf si et dans la mesure où Skechers peut prouver que cette contamination est due aux activités de tiers.

Skechers fera un effort raisonnable pour assurer que les investigations et les mesures de décontamination soient réalisées avant la fin de la présente Convention et interfèrent aussi peu que possible avec l'usage du Site.

Article 18 - Conditions du Titre de Propriété

18.1. Dès que Prologis aura acquis le Site des Services Promotion Initiatives en Province de Liège (SPI) SCRL, Prologis communiquera un extrait contenant les dispositions du titre de propriété qui sont pertinentes pour Skechers. Cet extrait sera aussi joint en **Annexe 10** à la présente Convention. Skechers s'est vu remettre un projet de convention (ou du moins, un extrait reprenant le projet de dispositions du titre de propriété qui sont pertinentes pour Skechers), afin de permettre à Skechers de vérifier si ces dispositions ne sont pas matériellement plus contraignantes que celles prévues dans le titre de propriété relatif au terrain sur lequel le Distribution Center I et le Distribution Center II sont construits.

18.2. Skechers s'engage à se conformer aux termes du titre de propriété et s'engage, pour lui-même, chacun de ses ayants droit et chacun de ses successeurs et cessionnaires, à se conformer consciencieusement aux dispositions pertinentes du titre de propriété, dans la mesure où ces dispositions sont ou peuvent être appliquées à Skechers, et à assurer que ces dispositions sont consciencieusement respectées par tout tiers qui pourrait acquérir un droit de bail, d'usage ou tout autre droit sur les Lieux ou le Site.

18.3. Skechers indemnisera et tiendra pleinement indemne Prologis pour tous dommages et/ou coûts qui pourraient résulter du non-respect des dispositions pertinentes du titre de propriété.

Article 19 - Faillite - Manquement

19.1. En cas de défaillance, de faillite et de liquidation, volontaire ou involontaire ou en cas de réorganisation de Skechers, en cas de saisie des biens de Skechers ou en cas de défaut de Skechers de satisfaire à ses obligations en vertu de la présente Convention ou d'autres conventions importantes, Prologis sera autorisée à mettre fin à la présente Convention, sans être redevable de dommages et intérêts. Dans ce cas, Skechers devra cependant payer une indemnité à Prologis s'élevant à six mois de Redevance due à ce moment, et ceci sans préjudice des autres obligations lui incombant en vertu de la présente Convention, en ce compris le paiement de la Redevance, indexée, pour la durée restante de la présente Convention telle que mentionnée à l'Article 6.1, ou en cas d'extension conformément à l'Article 6.2.

19.2. L'indemnité mentionnée ci-dessus a été expressément convenue sur la base du fait que les Lieux sont préfinancés et construits par Prologis à la demande et sur instruction de Skechers et que, par conséquent, la faculté de Prologis de recevoir la Redevance convenue durant au moins 15 ans constitue un élément essentiel de la présente Convention, sans lequel Prologis n'aurait jamais conclu la présente Convention.

Article 20 - Garantie bancaire

20.1. En cas de changement important dans la liquidité, la solvabilité et les résultats financiers de Skechers et/ou du Garant ou de menace de tel changement, par rapport à la liquidité, la solvabilité et les résultats financiers de Skechers et/ou du Garant au moment de la conclusion de la présente Convention, Skechers remettra à Prologis, à la première demande de ce dernier, en tant que sûreté pour la bonne exécution par Skechers de ses obligations en vertu de la présente Convention ainsi qu'en vertu de la Convention DC I et de la Convention DC II (et leurs amendements respectifs), une garantie bancaire abstraite, cessible et appelable à première demande, irrévocable et inconditionnelle en faveur de Prologis et de Prologis Belgium III sprl (et de tout autre futur propriétaire des lieux respectifs) par une banque importante de bon standing (A rating) disposant d'un siège social en Belgique (sous une forme approuvée par Prologis à l'avance à sa seule discrétion), égale au montant total de trois (3) mois de Redevance en vertu de la présente Convention ainsi qu'en vertu la Convention DC I et de la Convention DC II (ci-après la « **Garantie Bancaire** »).

La Garantie Bancaire, le cas échéant, sera valide pour la durée de la présente Convention, de la Convention DC I et de la Convention DC II, en ce compris leurs éventuelles extensions, plus six (6) mois.

20.2. Le cas échéant, à la fin de chaque période de cinq ans de la présente Convention, le montant de la Garantie Bancaire sera adapté de sorte qu'il corresponde toujours à trois (3) mois de Redevance en vertu de la Convention DC I plus la TVA applicable due à ce moment.

20.3. Le cas échéant, si un ou plusieurs des bénéficiaires de la Garantie Bancaire exécutent partiellement ou totalement la Garantie Bancaire pendant la durée de la présente Convention, Skechers s'engage à remettre aux bénéficiaires (endéans une période postulée par ces derniers) une Garantie Bancaire de remplacement (ou un amendement à la Garantie Bancaire qui a déjà été partiellement ou intégralement réalisée) qui s'élève à trois (3) mois de Redevance due à ce moment en vertu de la Convention DC I plus la TVA applicable.

20.4. Le cas échéant, les bénéficiaires de la Garantie Bancaire seront autorisés à faire appel à la Garantie Bancaire afin de, sans limitation, (i) couvrir les coûts de restitution des Lieux en vertu de la présente Convention ainsi qu'en vertu de la Convention DC I et de la Convention DC II (et leurs amendements respectifs) dans l'état tel que décrit dans les rapports d'inspection respectifs conformément aux dispositions respectives des Conventions DC III, DC II et DC I; et/ou (ii) compenser tous montants dus par Skechers à un ou plusieurs bénéficiaires en vertu de ces Conventions; et/ou (iii) compenser tous dommages, toutes pertes, tous coûts et toutes dépenses encourus par les bénéficiaires de la Garantie Bancaire suite à toute violation de ces Conventions par Skechers, sans préjudice de tout autre remède fourni par ces Conventions ou fourni par la loi. Le recouvrement par un ou plusieurs des bénéficiaires de la Garantie Bancaire de tout ou partie des montants de la Garantie Bancaire ne libérera pas Skechers de l'exécution de ses obligations en vertu des Conventions DC III, DC II et DC I.

20.5. La présente clause est convenue sans préjudice de l'application et de la mise en œuvre de l'article 21 ci-dessous.

Article 21 - Garantie de la société mère (« hoofdelijke borgtocht/caution solidaire »)

21.1. Le Garant sera indivisiblement et solidairement responsable avec Skechers vis-à-vis de Prologis pour la bonne exécution par Skechers de ses obligations et engagements en vertu de la présente Convention.

21.2. Le Garant renonce à ses droits aux termes des articles 2026 et 2037 du Code civil.

21.3. Le Garant accepte de ne pas réclamer à Skechers le remboursement de tout paiement fait à Prologis en vertu du présent Article 21 ou de ne pas accepter de paiement ou de sûreté de Skechers, lorsque un tel remboursement ou paiement au Garant pourrait mettre à mal la bonne exécution par Skechers de ses obligations en vertu de la présente Convention.

21.4. Skechers remettra à la première demande de Prologis les états financiers annuels du Garant. En cas de survenance d'un changement négatif important dans la situation financière du Garant, Skechers obtiendra qu'une autre société acceptable pour Prologis fournisse une garantie de remplacement aux termes décrits dans le présent Article et Skechers obtiendra que cette autre société conclue un avenant à la présente Convention à la demande écrite de Prologis.

21.5. Les coûts relatifs à la présente garantie, sa mise en œuvre devant les tribunaux ou devant un officier public, et son exécution seront supportés exclusivement par le Garant.

21.6. Le Garant déclare que le fait de fournir la garantie mère telle que décrite au présent Article, est conforme à son objet social.

21.7. La présente clause est convenue sans préjudice de l'application et de la mise en œuvre de l'article 20 ci-dessus.

Article 22 - Enregistrement

22.1. Skechers est responsable de l'enregistrement de la présente Convention et en paiera tous les coûts, toutes les charges et toutes les amendes.

22.2. Vu que la présente Convention doit être considérée comme une convention par laquelle les Lieux sont à la disposition de Skechers pour des activités décrites à l'article 18, § 1^{er}, seconde section, 9^o du Code de TVA belge, la présente Convention sera enregistrée au droit fixe de € 50.

PARTIE III - CLAUSES GÉNÉRALES ET FINALES

Article 1 - Langue

1.1. Les Parties et le Garant reconnaissent qu'ils ont requis que la présente Convention soit rédigée en français et en anglais. La version française sera utilisée à des fins d'enregistrement. La version anglaise sera jointe à la version française en tant qu'**Annexe 11**. En cas de divergences la version anglaise prévaudra.

1.2. Les Parties et le Garant reconnaissent qu'ils ont requis que toutes les notifications et les procédures légales dont question ci-dessous ou s'y rapportant soient rédigées en anglais, dans la mesure permise par les règles d'ordre public se rapportant directement ou indirectement à ces procédures.

Article 2 - Election de domicile - Notifications

2.1. Pour les besoins de la présente Convention, les Parties et le Garant font élection de domicile à leur siège social respectif.

2.2. Toute notification en vertu de la présente Convention sera faite par exploit d'huissier de justice ou par lettre recommandée. Les notifications seront considérées avoir été remises et être effectives (i) si remises par un huissier au moment de la remise, ou (ii) si envoyées par lettre recommandée dans les deux (2) jours ouvrables du dépôt au bureau de poste.

Article 3 - Clauses diverses

3.1. La présente Convention, en ce compris ses Annexes, contient l'intégralité de l'accord des Parties s'y rapportant et du Garant en ce qui concerne l'objet auquel elle se réfère et contient tout ce que les Parties et le Garant ont négocié et convenu dans le cadre de la présente Convention.

Aucun amendement ou modification à la présente Convention ne prendra effet à moins d'avoir été convenu par écrit et d'avoir été signé par les représentants valablement autorisés des Parties et - le cas échéant - du Garant.

Les Annexes à la présente Convention en font partie intégrante et toute référence à la présente Convention inclura une référence aux Annexes et vice versa.

La présente Convention remplace et annule tout accord, toute communication, toute offre, toute proposition, ou toute correspondance, orale ou écrite, échangée précédemment ou conclue entre les Parties et le Garant et se référant au même objet.

3.2. Nonobstant toute clause contraire de la présente Convention, aucune Partie ne sera responsable du retard ou du défaut d'exécution de ses obligations en vertu de la présente Convention résultant d'une cause échappant à son contrôle raisonnable ou résultant de grèves, blocages, arrêts de travail ou conflits sociaux collectifs, dans la mesure où la Partie invoquant la force majeure informe l'autre Partie dès que raisonnablement possible de la survenance et de la durée estimée et de sa fin, ainsi qu'une description précise des causes. Si la situation de force majeure a une durée de plus de deux (2) mois, l'autre Partie est autorisée à terminer la présente Convention conformément aux termes de la présente Convention.

3.3. Si une ou plusieurs dispositions de la présente Convention sont déclarées invalides, illégales ou inexécutables en vertu du droit applicable, la validité, la légalité et le caractère exécutoire des dispositions restantes ne seront en aucune manière affectées. Dans l'hypothèse où une telle invalidité, illégalité ou inexécution d'une clause affecte l'entièreté de la présente Convention, chacune des Parties et - le cas échéant - le Garant feront leurs meilleurs efforts pour négocier immédiatement et de bonne foi une disposition de remplacement valide qui est économiquement égale à la clause affectée.

3.4. Le défaut ou le retard d'une Partie d'exercer un droit ou un remède en vertu de la présente Convention ne sera pas considéré comme une renonciation à s'en prévaloir, et l'exercice unique ou partiel de quelque droit ou remède que ce soit n'empêchera aucun autre ou ultérieur exercice. Les droits et remèdes résultant de la présente Convention sont cumulables et n'excluent pas les droits ou remèdes résultant de la loi.

Article 4 - Droit applicable et juridiction

4.1. La présente Convention est gouvernée par le droit belge.

4.2. Les tribunaux de commerce de Liège sont seuls et exclusivement compétents pour régler tout litige concernant la conclusion, la validité, l'exécution ou l'interprétation de la présente Convention.

*
* *

Fait à [...], le [...], en quatre exemplaires originaux, chaque Partie et le Garant déclarant avoir reçu un exemplaire original, et un exemplaire étant destiné aux fins d'enregistrement.

Prologis



Nom: Bram Verhoeven
Qualité: Porteur de procuration

17/10/2014

Skechers


Nom: Monsieur David Weinberg
Qualité: [...]

Garant

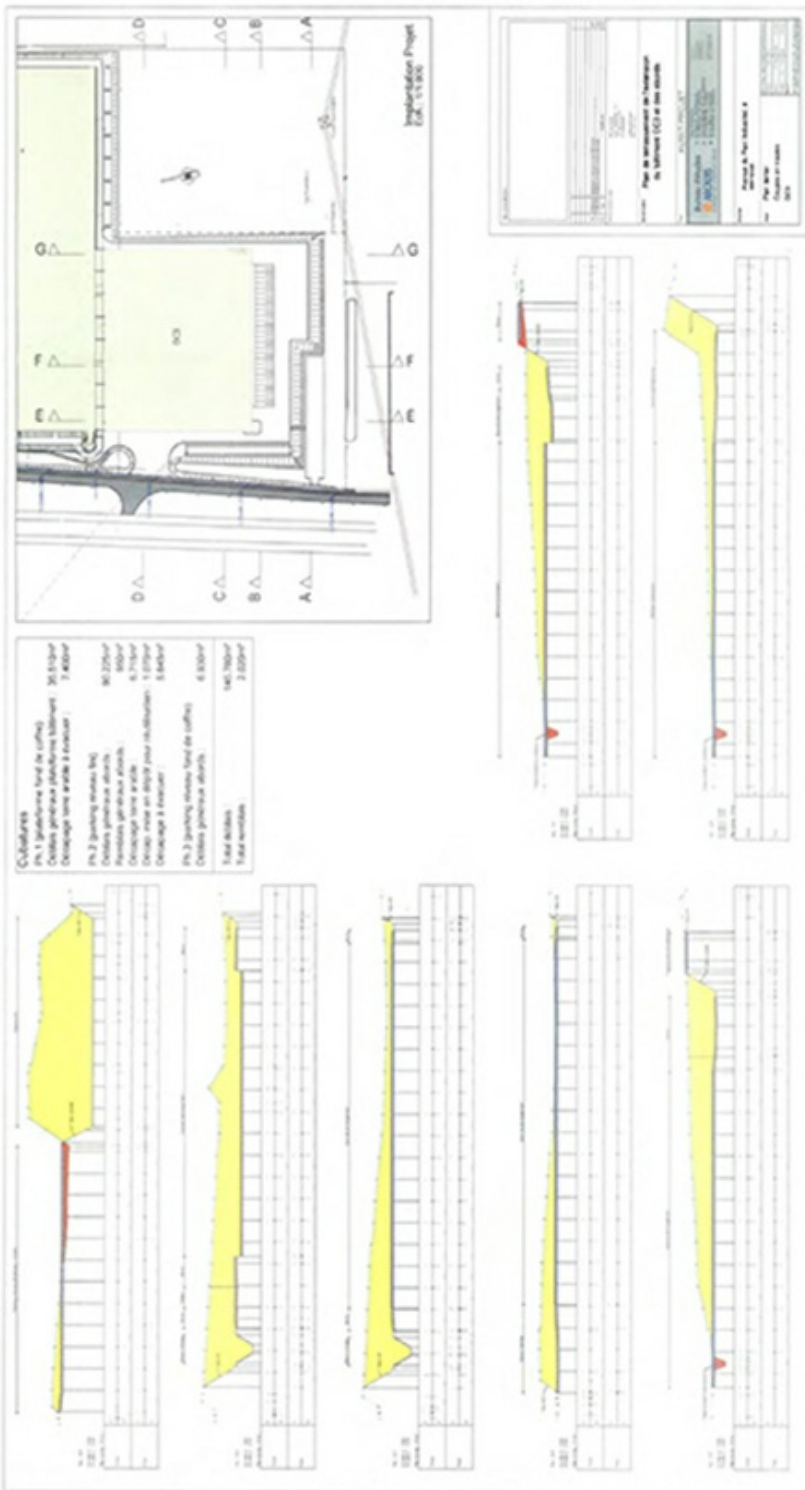

Nom: Monsieur David Weinberg
Qualité: [...]

Annexes:

1. Plan du Site (incluant le terrain adjacent au Site)
2. Plan de situation des Lieux
3. Spécifications Descriptives des Lieux
4. Etapes
5. Copie de la demande de permis unique - à ajouter quand disponible
6. Rapport d'état de délivrance - à ajouter quand réalisé
7. Liste des équipements et des services
8. Etude de sol du Site - à ajouter quand réalisée
9. Servitudes et obligations - à ajouter quand disponible
10. Extrait du titre de propriété - à ajouter quand disponible
11. Version [anglaise] de la présente Convention
12. Travaux de nivellement du sol - hypothèses techniques
13. Convention de nivellement du sol
14. Modifications préconvenues et travaux additionnels



Appendix 12 – Ground levelling works – technical assumptions





Appendix 13 – Ground levelling agreement



Agreement

BETWEEN THE UNDERSIGNED:

1. The limited liability company **Prologis Belgium II BVBA**, having its registered office at 2850 Boom, Scheldeweg 1, registered with the Crossroads Bank for Enterprises under the number 0472.435.431 (RLE Antwerp) and with VAT number 0472.435.431,

represented by Mr. Bram Verhoeven, holder of a special proxy,

hereinafter referred to as "**Prologis**",

AND

2. The limited liability company **Skechers EDC Spri**, having its registered office at [4041 Milmort (Liège), avenue du Parc Industriel 3], registered with the Crossroads Bank for Enterprises under the number 0478.543.758 (RLE Liège) and with VAT number 0478.543.758,

represented by Mr. David Weinberg,

hereinafter referred to as "**Skechers**",

Prologis and Skechers hereinafter jointly referred to as "**Parties**" or individually as a "**Party**";

AND

3. The limited liability company under the laws of the State of Delaware (USA) **Skechers USA Inc.**, having its registered office at CA 90266 Manhattan Beach (USA), Manhattan Beach Blvd. 228, and registered under the Commission File Number 001-1429 with I.R.S. Employer Identification No. 95-437615,

represented by David Weinberg,

hereinafter referred to as "**Guarantor**",

WHEREAS:

1. Parties and the Guarantor have executed, at present, a conditional agreement (the "**Warehouse Agreement**") with respect to the design, construction and putting at the disposal by Prologis to Skechers, of warehouses, mezzanine and offices, i.e. the Prologis Park Liège Distribution Center III, on a parcel of land located in the Industrial Park Hauts-Sarts, Milmort, Liège, Avenue du Parc Industriel, as further described in Article 1.1, last paragraph of Part I of the Warehouse Agreement (the "**Site**").
2. The Site is currently owned by Services Promotion Initiatives en Province de Liège (SPI) SCRL. Prologis is negotiating terms and conditions of the acquisition of the Site.
3. The Warehouse Agreement is conditional to both (i) obtaining the required building and environmental permit(s) and other consents and authorisations for the design and construction of the Prologis Park Liège Distribution Center III, and (ii) acquisition of the Site.
4. Given the timing constraints for Skechers, Skechers has nevertheless requested Prologis to start ground levelling works on the Site.

THE FOLLOWING HAS BEEN AGREED:

1. Prologis shall use best efforts in order to obtain the prior approval of Services Promotion Initiatives en Province de Liège (SPI) SCRL in order to start ground levelling works on the Site in view of the construction of the Prologis Park Liège Distribution Center III, as further detailed in **Appendix I**, i.e. prior to the acquisition of the Site by Prologis.
2. Subject to obtaining the approval by Services Promotion Initiatives en Province de Liège (SPI) SCRL to start the ground levelling works ahead of the acquisition of the Site, Prologis shall apply for the required building and environmental permit(s) and other consents and authorisations for the ground levelling works on the Site as further detailed in **Appendix I**. To the extent possible Prologis shall apply for such permits and authorisations separately from and in advance of the application for the building and environmental permit(s) and other consents and authorisations for the actual design and construction of the Prologis Park Liège Distribution Center III.
3. As from reception of the confirmation of the undisputable, executable and final approvals, permits and consents referred to sub 1 and 2 above, Prologis shall use best efforts in order to start ground levelling works on the Site in view of the construction of the Prologis Park Liège Distribution Center III, as further detailed in **Appendix I**, as soon as reasonably and technically possible.
4. In the event the Conditions Precedent, as defined in the Warehouse Agreement, are not cumulatively fulfilled in accordance with the Warehouse Agreement, and provided this non-fulfilment is not exclusively attributable to Prologis, any and all costs incurred and paid by Prologis to third parties with respect to the present Agreement and the works referred to therein, including but not limited to the costs for any actual ground levelling works on the Site and reinstatement of the Site, shall be entirely and unconditionally reimbursed by Skechers, at the first request of Prologis and Prologis shall be held harmless by Skechers with respect hereto.

5. The Guarantor shall be jointly and severally liable with Skechers vis-à-vis Prologis for the good performance by Skechers of its obligations and undertakings under present Agreement. Article 21 "Parent Company Guarantee ("*hoofdelijke borgtocht/caution solidaire*")" of Part II of the Warehouse Agreement applies accordingly.
6. For the avoidance of doubt, the present Agreement is not conditional to the Conditions Precedent, as defined in the Warehouse Agreement.
7. The present Agreement is governed by Belgian law. The commercial courts of Liège will have sole and exclusive jurisdiction with respect to any dispute relating to the conclusion, validity, the implementation or the interpretation of this Agreement.

*
* *
*

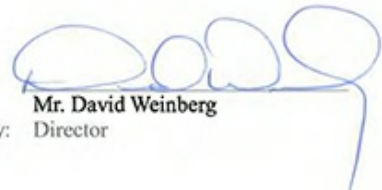
Done in _____, on 17/10/ 2014, in three original counterparts, each Party and the Guarantor acknowledging receipt of a fully executed original copy.

Prologis



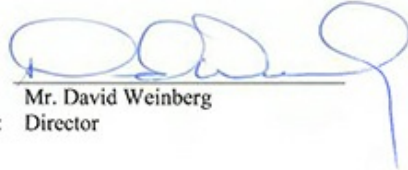
Name: Bram Verhoeven
Capacity: Holder of a special proxy

Skechers



Name: Mr. David Weinberg
Capacity: Director

Guarantor



Name: Mr. David Weinberg
Capacity: Director

Appendices

1. Ground levelling works - technical description



Appendix 14 – Pre-agreed modifications and extra works

Appendix 14 Liege DC 3
Pre-agreed modifications and extra works
Tenant specific changes and additions to initial plan (as per LOI)
Date 25th of September 2014



Tenant specific changes and additions	Quantity	Unit	Unit rate	Total
Additional dock positions incl. leveller, shelter, dock door, plinth, foundation and loading pit	8 pcs		€ 19,350	€ 154,800
Steel cover plate dock buffers	28 pcs		incl.	€ 0
Dock spotlights	28 pcs		€ 275	€ 7,700
Additional groundfloor gate	1 pcs		€ 4,350	€ 4,350
Truck parking	17 pcs		incl.	€ 0
Double and wider entrance sliding gate	1 pcs		€ 22,000	€ 22,000
Automatic barriers and intercom	5 pcs		€ 3,850	€ 19,250
Re-arrange existing site entrance	1 ps		€ 15,000	€ 15,000
Wider site entrance	850 m2		€ 79	€ 67,150
New guard house	1 ps		€ 25,000	€ 25,000
Warehouse strip lighting narrow aisles	24,425 m2		€ 3	€ 63,505
Upgrade floor flatness according to DIN15185	24,425 m2		€ 3	€ 73,275
Extra toilets	1 ps		incl.	€ 0
Total tenant specific changes and additions (excl. VAT)				€ 452,030

CERTIFICATION

I, Robert Greenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended March 31, 2015 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: May 8, 2015

/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 March 31, 2015 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: May 8, 2015

/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 March 31, 2015 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)
May 8, 2015

/s/ DAVID WEINBERG

David Weinberg
Chief Financial Officer
(Principal Financial and Accounting Officer)
May 8, 2015

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.