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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 10-Q**

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(Mark One)

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

For the quarterly period ended June 30, 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

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**SKECHERS U.S.A., INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

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

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

**90266**  
(Zip Code)

**(310) 318-3100**

(Registrant's Telephone Number, Including Area Code)

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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 AUGUST 1, 2015: 42,686,958.

THE NUMBER OF SHARES OF CLASS B COMMON STOCK OUTSTANDING AS OF AUGUST 1, 2015: 9,395,486.

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**FORM 10-Q**  
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**PART I – FINANCIAL INFORMATION**

**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

	<u>June 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 513,902	\$ 466,685
Trade accounts receivable, less allowances of \$23,313 in 2015 and \$21,007 in 2014	434,191	272,103
Other receivables	15,314	16,510
<b>Total receivables</b>	<b>449,505</b>	<b>288,613</b>
Inventories	470,640	453,837
Prepaid expenses and other current assets	51,633	57,015
Deferred tax assets	18,866	18,864
<b>Total current assets</b>	<b>1,504,546</b>	<b>1,285,014</b>
Property, plant and equipment, net	381,853	373,183
Other assets	26,126	16,721
<b>Total non-current assets</b>	<b>407,979</b>	<b>389,904</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,912,525</b>	<b>\$ 1,674,918</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities:</b>		
Current installments of long-term borrowings	\$ 109,290	\$ 101,407
Short-term borrowings	1,340	1,810
Accounts payable	430,422	352,815
Accrued expenses	53,626	49,705
<b>Total current liabilities</b>	<b>594,678</b>	<b>505,737</b>
Long-term borrowings, excluding current installments	1,592	15,081
Other long-term liabilities	24,400	19,993
<b>Total non-current liabilities</b>	<b>25,992</b>	<b>35,074</b>
<b>Total liabilities</b>	<b>620,670</b>	<b>540,811</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Preferred Stock, \$.001 par value; 10,000 shares authorized; none issued and outstanding	—	—
Class A Common Stock, \$.001 par value; 100,000 shares authorized; 41,563 and 40,287 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	42	40
Class B Common Stock, \$.001 par value; 60,000 shares authorized; 9,395 and 10,470 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	9	10
Additional paid-in capital	369,404	355,636
Accumulated other comprehensive loss	(18,747)	(16,077)
Retained earnings	871,502	735,640
<b>Skechers U.S.A., Inc. equity</b>	<b>1,222,210</b>	<b>1,075,249</b>
Noncontrolling interests	69,645	58,858
<b>Total equity</b>	<b>1,291,855</b>	<b>1,134,107</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,912,525</b>	<b>\$ 1,674,918</b>

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net sales	\$ 800,464	\$ 587,051	\$ 1,568,461	\$ 1,133,569
Cost of sales	425,856	317,676	861,313	623,791
Gross profit	374,608	269,375	707,148	509,778
Royalty income	3,630	1,836	5,512	4,858
	378,238	271,211	712,660	514,636
Operating expenses:				
Selling	64,875	53,839	113,967	90,581
General and administrative	201,021	163,616	398,162	322,139
	265,896	217,455	512,129	412,720
Earnings from operations	112,342	53,756	200,531	101,916
Other income (expense):				
Interest income	157	197	344	300
Interest expense	(3,041)	(3,656)	(5,878)	(6,352)
Other, net	2,990	148	(1,771)	(934)
Total other income (expense)	106	(3,311)	(7,305)	(6,986)
Earnings before income tax expense	112,448	50,445	193,226	94,930
Income tax expense	25,383	12,232	44,503	23,669
Net earnings	87,065	38,213	148,723	71,261
Less: Net earnings attributable to non-controlling interests	7,283	3,411	12,861	5,494
Net earnings attributable to Skechers U.S.A., Inc.	\$ 79,782	\$ 34,802	\$ 135,862	\$ 65,767
Net earnings per share attributable to Skechers U.S.A., Inc.:				
Basic	\$ 1.57	\$ 0.69	\$ 2.67	\$ 1.30
Diluted	\$ 1.55	\$ 0.68	\$ 2.65	\$ 1.29
Weighted average shares used in calculating net earnings per share attributable to Skechers U.S.A, Inc.:				
Basic	50,904	50,565	50,855	50,562
Diluted	51,342	50,914	51,259	50,879

See accompanying notes to unaudited condensed consolidated financial statements.

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net earnings	\$ 87,065	\$ 38,213	\$ 148,723	\$ 71,261
Other comprehensive gain (loss), net of tax:				
Gain (loss) on foreign currency translation adjustment	1,742	801	(2,879)	1,102
Comprehensive income	88,807	39,014	145,844	72,363
Less: Comprehensive income attributable to non-controlling interests	7,307	3,516	12,652	5,519
Comprehensive income attributable to Skechers U.S.A., Inc.	<u>\$ 81,500</u>	<u>\$ 35,498</u>	<u>\$ 133,192</u>	<u>\$ 66,844</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 148,723	\$ 71,261
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of property, plant and equipment	27,676	22,886
Amortization of deferred financing costs	601	601
Amortization of intangible assets	16	467
Provision for bad debts and returns	4,216	6,597
Tax benefits from share-based compensation	—	10
Non-cash share-based compensation	8,874	2,920
Loss (gain) on disposal of property, plant and equipment	(20)	244
Deferred income taxes	2,215	20,162
(Increase) decrease in assets:		
Receivables	(166,970)	(95,196)
Inventories	(19,209)	(3,249)
Prepaid expenses and other current assets	4,997	(10,942)
Other assets	(8,223)	(474)
Increase in liabilities:		
Accounts payable	75,679	53,985
Accrued expenses	8,368	4,994
Net cash provided by operating activities	<u>86,943</u>	<u>74,266</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(33,004)	(23,927)
Intangible asset additions	(95)	—
Purchases of investments	(2,106)	—
Sales of investments	105	—
Net cash used in investing activities	<u>(35,100)</u>	<u>(23,927)</u>
<b>Cash flows from financing activities:</b>		
Net proceeds from the issuances of stock through employee stock purchase plan	2,238	1,721
Net payments on long-term debt	(5,599)	(5,967)
Net proceeds (payments) on short-term borrowings	(487)	97
Excess tax benefits from share-based compensation	2,656	—
Contribution from non-controlling interests of consolidated entity	485	83
Distributions to non-controlling interests of consolidated entity	(2,350)	(1,975)
Net cash used in financing activities	<u>(3,057)</u>	<u>(6,041)</u>
Net increase in cash and cash equivalents	48,786	44,298
Effect of exchange rates on cash and cash equivalents	(1,569)	(1,501)
Cash and cash equivalents at beginning of the period	466,685	372,011
Cash and cash equivalents at end of the period	<u>\$ 513,902</u>	<u>\$ 414,808</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for:		
Interest	\$ 4,947	\$ 5,735
Income taxes	32,487	13,577

See accompanying notes to unaudited condensed consolidated financial statements.

**SKECHERS U.S.A., INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 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 six months ended June 30, 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 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 materially 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, 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 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 to 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, 2018, 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 February 2015, the FASB issued ASU 2015-02, “*Amendments to the Consolidation Analysis*” (“ASU 2015-02”). ASU 2015-02 amends the consolidation guidance for variable interest entities (“VIEs”) and general partners’ investments in limited partnerships and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. The amendment will be effective for the Company’s annual and interim reporting periods beginning January 1, 2016, with early adoption permitted. The Company will begin evaluating the impact of ASU 2015-02 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 be 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 \$4.4 million and \$3.4 million of outstanding letters of credit as of June 30, 2015 and December 31, 2014, respectively, and approximately \$1.3 million and \$1.8 million in short-term borrowings as of June 30, 2015 and December 31, 2014, respectively.

Long-term borrowings at June 30, 2015 and December 31, 2014 are as follows (in thousands):

	2015	2014
Note payable to banks, due in monthly installments of \$338.0 (includes principal and interest), variable-rate interest at 3.94% per annum, secured by property, balloon payment of \$77,060 due October 2015	\$ 77,396	\$ 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	15,048	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	16,544	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	1,344	1,489
Note payable to bank from Skechers Retail India Private Ltd.	550	—
Subtotal	110,882	116,488
Less current installments	109,290	101,407
Total long-term borrowings	<u>\$ 1,592</u>	<u>\$ 15,081</u>

On June 30, 2015, the Company entered into a \$250.0 million loan and security agreement, subject to increase by up to \$100 million, (the "Credit Agreement"), with the following lenders: Bank of America, N.A., MUFG Union Bank, N.A. and HSBC Bank USA, National Association. The Credit Agreement matures on June 30, 2020. The Credit Agreement replaces the credit agreement dated June 30, 2009, which expired on June 30, 2015. The Credit Agreement permits the Company and certain of its subsidiaries to borrow based on a percentage of eligible accounts receivable plus the sum of (a) the lesser of (i) a percentage of eligible inventory to be sold at wholesale and (ii) a percentage of net orderly liquidation value of eligible inventory to be sold at wholesale, plus (b) the lesser of (i) a percentage of the value of eligible inventory to be sold at retail and (ii) a percentage of net orderly liquidation value of eligible inventory to be sold at retail, plus (c) the lesser of (i) a percentage of the value of eligible in-transit inventory and (ii) a percentage of the net orderly liquidation value of eligible in-transit inventory. Borrowings bear interest at our election based on (a) LIBOR or (b) the greater of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.5% and (iii) LIBOR for a 30-day period plus 1.0%, in each case, plus an applicable margin based on the average daily principal balance of revolving loans available under the Credit Agreement. The Company pays a monthly unused line of credit fee of 0.25%, payable on the first day of each month in arrears, which is based on the average daily principal balance of outstanding revolving loans and undrawn amounts of letters of credit outstanding during such month. The Credit Agreement further provides for a limit on the issuance of letters of credit to a maximum of \$100.0 million. The Credit Agreement contains customary affirmative and negative covenants for secured credit facilities of this type, including covenants that will limit the ability of the Company and its subsidiaries to, among other things, incur debt, grant liens, make certain acquisitions, dispose assets, effect a change of control of the Company, make certain restricted payments including certain dividends and stock redemptions, make certain investments or loans, enter into certain transactions with affiliates and certain prohibited uses of proceeds. The Credit Agreement also requires compliance with a minimum fixed-charge coverage ratio if Availability drops below 10% of the Revolver Commitments (as such terms are defined in the Credit Agreement) until the date when no event of default has existed and Availability has been over 10% for 30 consecutive days. The Company paid closing and arrangement fees of \$1.1 million on this facility, which are being amortized to interest expense over the five-year life of the facility. As of June 30, 2015, there was \$1.3 million outstanding under this credit facility, which is classified as short-term borrowings in our condensed consolidated balance sheets.

### (3) STOCKHOLDERS' EQUITY

During the three months ended June 30, 2015, 818,910 shares of Class B common stock were converted into shares of Class A common stock. During the three months ended June 30, 2014, 289,480 shares of Class B common stock were converted into shares of Class A common stock. During the six months ended June 30, 2015, 1,074,432 shares of Class B common stock were converted into shares of Class A common stock. During the six months ended June 30, 2014, 299,776 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>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Non-controlling interests, beginning of period	\$ 58,858	\$ 49,598
Net earnings attributable to non-controlling interests	12,861	5,494
Foreign currency translation adjustment	(209)	25
Capital contribution by non-controlling interests	485	83
Capital distribution to non-controlling interests	(2,350)	(1,975)
Non-controlling interests, end of period	<u>\$ 69,645</u>	<u>\$ 53,225</u>

#### (4) NON-CONTROLLING 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 VIEs 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 that 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 VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. 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 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>HF Logistics-SKX, LLC</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 7,908	\$ 6,812
Noncurrent assets	116,214	118,837
Total assets	<u>\$ 124,122</u>	<u>\$ 125,649</u>
Current liabilities	\$ 78,678	\$ 78,668
Noncurrent liabilities	1,041	1,194
Total liabilities	<u>\$ 79,719</u>	<u>\$ 79,862</u>
<u>Distribution joint ventures (1)</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Current assets	\$ 117,333	\$ 94,819
Noncurrent assets	13,001	10,322
Total assets	<u>\$ 130,334</u>	<u>\$ 105,141</u>
Current liabilities	\$ 40,547	\$ 38,470
Noncurrent liabilities	616	66
Total liabilities	<u>\$ 41,163</u>	<u>\$ 38,536</u>

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

Net earnings attributable to non-controlling interests were \$7.3 million and \$3.4 million for the three months ended June 30, 2015 and 2014, respectively, which represents the share of net earnings that is attributable to our joint venture partners. Net earnings attributable to non-controlling interests were \$12.9 million and \$5.5 million for the six months ended June 30, 2015 and 2014, respectively. HF Logistics-SKX, LLC made capital distributions of \$0.8 million and \$1.9 million during the three and six months ended June 30, 2015, respectively. HF Logistics-SKX, LLC made capital distributions of \$0.7 million and \$1.6 million during the three and six months ended June 30, 2014, respectively. Skechers China Limited made capital distributions of \$0.5 million during the

three and six months ended June 30, 2015. Skechers China Limited made capital distributions of \$0.3 million during the three and six months ended June 30, 2014. Our distribution joint venture partners made cash capital contributions of \$0.5 during the three and six months ended June 30, 2015, respectively. Our distribution joint venture partners made cash capital contributions of \$0.1 million during the three and six months ended June 30, 2014.

## (5) EARNINGS PER SHARE

Basic earnings per share represents net earnings divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share, in addition to the weighted average determined for basic earnings per share, includes potential common shares, if dilutive, that 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.

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net earnings attributable to Skechers U.S.A., Inc.	\$ 79,782	\$ 34,802	\$ 135,862	\$ 65,767
Weighted average common shares outstanding	50,904	50,565	50,855	50,562
Basic earnings per share attributable to Skechers U.S.A., Inc.	\$ 1.57	\$ 0.69	\$ 2.67	\$ 1.30

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net earnings attributable to Skechers U.S.A., Inc.	\$ 79,782	\$ 34,802	\$ 135,862	\$ 65,767
Weighted average common shares outstanding	50,904	50,565	50,855	50,562
Dilutive effect of nonvested shares	438	349	404	317
Weighted average common shares outstanding	51,342	50,914	51,259	50,879
Diluted earnings per share attributable to Skechers U.S.A., Inc.	\$ 1.55	\$ 0.68	\$ 2.65	\$ 1.29

There were no options excluded in the computation of diluted earnings per share for the three and six months ended June 30, 2015 and 2014.

## (6) STOCK COMPENSATION

For stock-based awards the Company recognized compensation expense based on the grant date fair value. Share-based compensation expense was \$4.5 million and \$1.6 million for the three months ended June 30, 2015 and 2014, respectively. Share-based compensation expense was \$8.9 million and \$2.9 million for the six months ended June 30, 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 six months ended June 30, 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	(153,500)	29.02
Cancelled	—	—
Nonvested at June 30, 2015	<u>1,117,833</u>	<u>\$ 45.52</u>

As of June 30, 2015, there was \$40.9 million of unrecognized compensation cost related to nonvested common shares. The cost is expected to be amortized over a weighted average period of 2.3 years.

## (7) INCOME TAXES

Income tax expense and the effective tax rate for the three and six months ended June 30, 2015 and 2014 were as follows (in thousands, except the effective tax rate):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Income tax expense	\$ 25,383	\$ 12,232	44,503	\$ 23,669
Effective tax rate	22.6 %	24.2 %	23.0 %	24.9 %

The tax provision for the three and six months ended June 30, 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 and six months ended June 30, 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 June 30, 2015, the Company had approximately \$513.9 million in cash and cash equivalents, of which \$233.6 million, or 45.4%, was held outside the U.S. Of the \$233.6 million held by the Company's foreign subsidiaries, approximately \$82.9 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 June 30, 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 subjects 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 \$256.0 million and \$166.9 million before allowances for bad debts, sales returns and chargebacks at June 30, 2015 and December 31, 2014, respectively. Foreign accounts receivable, which in some cases are collateralized by letters of credit, were equal to \$201.5 million and \$126.2 million before allowance for bad debts, sales returns and chargebacks at June 30, 2015 and December 31, 2014, respectively. The Company's charges for bad debt and reserves for credit losses for the six months ended June 30, 2015 and 2014 were \$4.2 million and \$6.6

million, respectively. The Company's credit losses attributable to write-offs for the six months ended June 30, 2015 and 2014 were \$0.7 million and \$4.9 million, respectively.

Assets located outside the U.S. consist primarily of cash, accounts receivable, inventory, property, plant and equipment, and other assets. Net assets held outside the United States were \$659.8 million and \$548.9 million at June 30, 2015 and December 31, 2014, respectively.

The Company's net sales to its five largest customers accounted for approximately 15.9% and 16.2% of total net sales for the three months ended June 30, 2015 and 2014, respectively. The Company's net sales to its five largest customers accounted for approximately 16.3% and 16.6% of total net sales for the six months ended June 30, 2015 and 2014, respectively. No customer accounted for more than 10% of our net sales during the three and six months ended June 30, 2015 and 2014. No customer accounted for more than 10% of net trade receivables at June 30, 2015 or December 31, 2014.

The Company's top five manufacturers produced the following, as a percentage of total production, for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Manufacturer #1	32.8%	35.8%	33.5%	36.3%
Manufacturer #2	7.5%	7.1%	7.9%	6.3%
Manufacturer #3	7.4%	6.0%	7.2%	5.7%
Manufacturer #4	6.9%	4.9%	5.7%	5.3%
Manufacturer #5	3.5%	3.9%	3.9%	4.3%
	<u>58.1%</u>	<u>57.7%</u>	<u>58.2%</u>	<u>57.9%</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 margins, 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
<b>Net sales:</b>				
Domestic wholesale	\$ 338,646	\$ 256,684	\$ 659,975	\$ 489,177
International wholesale	241,872	151,051	527,443	330,134
Retail	212,667	171,881	367,224	300,759
E-commerce	7,279	7,435	13,819	13,499
Total	<u>\$ 800,464</u>	<u>\$ 587,051</u>	<u>\$ 1,568,461</u>	<u>\$ 1,133,569</u>
<b>Gross profit:</b>				
Domestic wholesale	\$ 135,062	\$ 94,186	\$ 260,793	\$ 178,741
International wholesale	103,771	64,792	217,148	141,081
Retail	130,669	106,817	220,939	183,578
E-commerce	5,106	3,580	8,268	6,378
Total	<u>\$ 374,608</u>	<u>\$ 269,375</u>	<u>\$ 707,148</u>	<u>\$ 509,778</u>

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Identifiable assets:		
Domestic wholesale	\$ 1,096,705	\$ 979,582
International wholesale	616,080	510,063
Retail	199,497	185,041
E-commerce	243	232
Total	<u>\$ 1,912,525</u>	<u>\$ 1,674,918</u>

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Additions to property, plant and equipment:				
Domestic wholesale	\$ 3,729	\$ 2,950	\$ 9,417	\$ 4,956
International wholesale	4,971	3,929	8,526	4,933
Retail	9,681	5,678	15,061	14,038
Total	<u>\$ 18,381</u>	<u>\$ 12,557</u>	<u>\$ 33,004</u>	<u>\$ 23,927</u>

#### Geographic Information:

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

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net Sales (1):				
United States	\$ 512,705	\$ 402,009	\$ 965,869	\$ 746,663
Canada	27,641	18,433	50,883	40,118
Other international (2)	260,118	166,609	551,709	346,788
Total	<u>\$ 800,464</u>	<u>\$ 587,051</u>	<u>\$ 1,568,461</u>	<u>\$ 1,133,569</u>

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Property, plant and equipment, net:		
United States	\$ 336,849	\$ 332,383
Canada	7,547	7,203
Other international (2)	37,457	33,597
Total	<u>\$ 381,853</u>	<u>\$ 373,183</u>

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

#### (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 June 30, 2015, nor is it possible to estimate what litigation-related costs will be in the future.

## 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.

### FINANCIAL OVERVIEW

Our net sales for the three months ended June 30, 2015 were \$800.5 million, an increase of \$213.4 million, or 36.4%, as compared to net sales of \$587.1 million for the three months ended June 30, 2014, which was primarily attributable to increased sales across several key divisions including Women's GO, Sport Active, Girls, Women's Sport, Men's U.S.A., and Men's Sport divisions. Gross margins increased to 46.8% for the three months ended June 30, 2015 from 45.9% for the same period in the prior year, primarily from increased sales of newer higher margin products in our domestic wholesale segment. Net earnings attributable to

Skechers U.S.A., Inc. were \$79.8 million for the three months ended June 30, 2015, an increase of \$45.0 million, or 129.2%, compared to net earnings of \$34.8 million in the prior-year period. Diluted net earnings per share attributable to Skechers U.S.A., Inc. for the three months ended June 30, 2015 were \$1.55, which reflected a 127.3% increase from the \$0.68 diluted earnings per share reported in the prior-year period. Earnings from operations attributable to Skechers U.S.A., increased \$58.5 million to \$112.3 million, or 14.0% of net sales, for the three months ended June 30, 2015 from \$53.8 million, or 9.2% of net sales, for the same period in 2014. The increase in net earnings attributable to Skechers U.S.A., Inc. for the three months ended June 30, 2015 was primarily the result of increased sales and margins in our domestic wholesale segment and increased sales in our international wholesale and retail segments following the introduction of new products. The results of operations for the three months ended June 30, 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:

	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Percentage of revenues by segment:		
Domestic wholesale	42.3 %	43.7 %
International wholesale	30.2 %	25.7 %
Retail	26.6 %	29.3 %
E-commerce	0.9 %	1.3 %
Total	<u>100.0 %</u>	<u>100.0 %</u>

As of June 30, 2015, we owned and operated 461 stores, which includes 366 domestic retail stores and 95 international retail stores. We have established our presence in what we believe to be most of the major domestic retail markets. During the first six months of 2015, we opened four domestic outlet stores, six domestic warehouse stores, five international concept stores, two international outlet stores, and one international wholesale store. In addition, we closed five domestic concept stores, 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 30 to 35 stores during the remainder of the year, and (v) continuing to upgrade our European distribution center to increase our capacity and efficiency and to better manage our growth worldwide.

## 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 June 30,				Six Months Ended June 30,			
	2015		2014		2015		2014	
Net sales	\$800,464	100.0 %	\$587,051	100.0 %	\$1,568,461	100.0 %	\$1,133,569	100.0 %
Cost of sales	425,856	53.2	317,676	54.1	861,313	54.9	623,791	55.0
Gross profit	374,608	46.8	269,375	45.9	707,148	45.1	509,778	45.0
Royalty income	3,630	0.4	1,836	0.3	5,512	0.4	4,858	0.4
	378,238	47.2	271,211	46.2	712,660	45.5	514,636	45.4
Operating expenses:								
Selling	64,875	8.1	53,839	9.2	113,967	7.3	90,581	8.0
General and administrative	201,021	25.1	163,616	27.8	398,162	25.4	322,139	28.4
	265,896	33.2	217,455	37.0	512,129	32.7	412,720	36.4
Earnings from operations	112,342	14.0	53,756	9.2	200,531	12.8	101,916	9.0
Interest income	157	—	197	—	344	—	300	—
Interest expense	(3,041)	(0.4)	(3,656)	(0.6)	(5,878)	(0.4)	(6,352)	(0.6)
Other, net	2,990	0.4	148	—	(1,771)	(0.1)	(934)	—
Earnings before income tax expense	112,448	14.0	50,445	8.6	193,226	12.3	94,930	8.4
Income tax expense	25,383	3.2	12,232	2.1	44,503	2.8	23,669	2.1
Net earnings	87,065	10.8	38,213	6.5	148,723	9.5	71,261	6.3
Less: Net earnings attributable to non-controlling interests	7,283	0.9	3,411	0.6	12,861	0.8	5,494	0.5
Net earnings attributable to Skechers U.S.A., Inc.	\$ 79,782	9.9 %	\$ 34,802	5.9 %	\$ 135,862	8.7 %	\$ 65,767	5.8 %

### THREE MONTHS ENDED JUNE 30, 2015 COMPARED TO THREE MONTHS ENDED JUNE 30, 2014

#### Net sales

Net sales for the three months ended June 30, 2015 were \$800.5 million, an increase of \$213.4 million, or 36.4%, as compared to net sales of \$587.1 million for the three months ended June 30, 2014. The increase in net sales was primarily attributable to increased sales in our domestic wholesale, international wholesale and retail segments primarily from the introduction of new styles and lines of footwear.

Our domestic wholesale net sales increased \$81.9 million, or 31.9%, to \$338.6 million for the three months ended June 30, 2015 from \$256.7 million for the three months ended June 30, 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, Men's U.S.A., and Men's Sport divisions. The average selling price per pair within the domestic wholesale segment increased \$1.94 to \$23.48 per pair for the three months ended June 30, 2015 from \$21.54 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 21.0% unit sales volume increase to 14.4 million pairs for the three months ended June 30, 2015 from 11.9 million pairs for the same period in 2014.

Our international wholesale segment sales increased \$90.8 million, or 60.1%, to \$241.9 million for the three months ended June 30, 2015 compared to sales of \$151.1 million for the three months ended June 30, 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 \$66.8 million, or 64.0%, to \$171.3 million for the three months ended June 30, 2015 compared to net sales of \$104.5 million for the three months ended June 30, 2014. The largest sales increases during the quarter came from our subsidiaries in the United Kingdom, Germany, Canada and our joint venture in China, primarily due to increased sales in our Women's Sport, Women's GO, and Men's U.S.A. divisions. Our distributor sales increased \$24.0 million to \$70.6 million for the three months ended June 30, 2015, a 51.5% increase from sales of \$46.6 million for the three months ended June 30, 2014. The largest sales increases during the quarter came from sales to our

distributors in the United Arab Emirates (“UAE”), South Korea, Taiwan, Indonesia, Australia and New Zealand, and were primarily driven by increased sales of product from our Women’s Sport, Women’s GO, Men’s Sport and Men’s GO divisions.

Our retail segment sales increased \$40.8 million to \$212.7 million for the three months ended June 30, 2015, a 23.7% increase over sales of \$171.9 million for the three months ended June 30, 2014. The increase in retail sales was primarily attributable to increased comparable store sales of 12.8% resulting from increased sales across several key divisions including Women’s GO, Women’s Sport, Girls, Men’s U.S.A., and Men’s Sport divisions and a net increase of 26 domestic and 22 international stores since June 30, 2014. For the three months ended June 30, 2015, our domestic retail sales increased 21.0% compared to the same period in 2014, which was primarily attributable to positive comparable domestic store sales of 13.1% and our international retail store sales increased 35.0% compared to the same period in 2014, which was primarily attributable to positive comparable international store sales of 11.8%. During the three months ended June 30, 2015, we opened two domestic outlet stores, three domestic warehouse stores, five international concept stores, one international outlet store, and one international warehouse store; we closed four domestic concept stores.

Our e-commerce sales decreased \$0.1 million, or 2.1%, to \$7.3 million for the three months ended June 30, 2015 compared to \$7.4 million for the three months ended June 30, 2014. Our e-commerce sales made up approximately 0.9% and 1.3% of our consolidated net sales for each of the three-month periods ended June 30, 2015 and 2014, respectively.

### ***Gross profit***

Gross profit for the three months ended June 30, 2015 increased \$105.2 million to \$374.6 million as compared to \$269.4 million for the three months ended June 30, 2014. Gross profit as a percentage of net sales, or gross margin, increased to 46.8% for the three months ended June 30, 2015 from 45.9% for the same period in the prior year, primarily due to increased domestic wholesale margins. Our domestic wholesale segment gross profit increased \$40.9 million to \$135.1 million for the three months ended June 30, 2015 compared to \$94.2 million for the three months ended June 30, 2014. Domestic wholesale margins increased to 39.9% in the three months ended June 30, 2015 from 36.7% for the same period in the prior year. The increase in domestic wholesale margins was attributable to increased sales of our Women’s Sport, Women’s GO, Men’s U.S.A., and Men’s Sport footwear, which had higher average selling prices and margins.

Gross profit for our international wholesale segment increased \$39.0 million, or 60.2%, to \$103.8 million for the three months ended June 30, 2015 compared to \$64.8 million for the three months ended June 30, 2014. International wholesale gross margins were 42.9% for the three months ended June 30, 2015 and June 30, 2014. Gross margins for our direct subsidiary sales decreased to 49.3% for the three months ended June 30, 2015 as compared to 50.4% for the three months ended June 30, 2014, which was primarily attributable to the negative effect of foreign currency exchange rates from a strengthening U.S. dollar. Gross margins for our distributor sales were 27.5% for the three months ended June 30, 2015 as compared to 26.1% for the three months ended June 30, 2014, which was primarily due to increased sales of newer products in the UAE, South Korea, Taiwan, Indonesia, Australia and New Zealand.

Gross profit for our retail segment increased \$23.9 million, or 22.3%, to \$130.7 million for the three months ended June 30, 2015 as compared to \$106.8 million for the three months ended June 30, 2014. Gross margins for all company-owned domestic and international stores were 61.4% for the three months ended June 30, 2015 as compared to 62.2% for the three months ended June 30, 2014. Gross margins for our domestic stores were 63.3% for each of the three months ended June 30, 2015 and 2014. Gross margins for our international stores were 54.8% for the three months ended June 30, 2015 as compared to 57.4% for the three months ended June 30, 2014. The decrease in gross margins for the international retail segment was primarily due to the negative effect of foreign currency exchange rates from a strengthening U.S. dollar.

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 \$11.1 million, or 20.5%, to \$64.9 million for the three months ended June 30, 2015 from \$53.8 million for the three months ended June 30, 2014. As a percentage of net sales, selling expenses were 8.1% and 9.2% for the three months ended June 30, 2015 and 2014, respectively. The increase in selling expenses was primarily attributable to higher advertising expenses of \$7.1 million and higher sales commissions of \$1.4 million due to increased net sales for the three months ended June 30, 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 \$37.4 million, or 22.9%, to \$201.0 million for the three months ended June 30, 2015 from \$163.6 million for the three months ended June 30, 2014. As a percentage of sales, general and administrative expenses were 25.1% and 27.8% for the three months ended June 30, 2015 and 2014, respectively. The \$37.4 million increase in general and administrative expenses was primarily attributable to \$15.8 million related to supporting our international operations due to increased sales volumes and \$8.7 million of operating expenses attributable to opening an additional 48 stores since June 30, 2014. In addition, the expenses related to our distribution network, including purchasing, receiving, inspecting, allocating, warehousing and packaging of our products increased \$9.2 million to \$39.7 million for the three months ended June 30, 2015 as compared to \$30.5 million for the same period in the prior year. The increase in warehousing costs was primarily due to increased sales volumes worldwide.

General and administrative expenses consist primarily of the following: salaries, wages, related taxes and various overhead costs associated with our corporate staff, stock-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 for each of the three months ended June 30, 2015 and 2014. Interest expense decreased \$0.7 million to \$3.0 million for the three months ended June 30, 2015 compared to \$3.7 million for the same period in 2014. The decrease was primarily attributable to decreased interest paid on lower average balances for our domestic distribution center equipment loans. Interest expense was also incurred on amounts owed on loans for our domestic distribution center and amounts owed to our foreign manufacturers. Other income increased \$2.9 million to \$3.0 million for the three months ended June 30, 2015 as compared to other income of \$0.1 million for the same period in 2014. The increase in other income was primarily attributable to foreign currency exchange gain of \$2.9 million for the three months ended June 30, 2015, as compared to a foreign currency exchange gain of \$0.2 million for the three months ended June 30, 2014. This increased foreign currency exchange gain was primarily attributable to the impact of a weaker U.S. dollar on our intercompany investments in our foreign subsidiaries.

**Income taxes**

Income tax expense and the effective tax rate for the three months ended June 30, 2015 and June 30, 2014 were as follows (in thousands, except the effective tax rate):

	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Income tax expense	\$ 25,383	\$ 12,232
Effective tax rate	22.6%	24.2%

The tax provision for the three months ended June 30, 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 June 30, 2015, the decrease in the effective tax rate was primarily attributable to an increase in the amount of foreign earnings (loss) relative to domestic earnings as compared to the same period in the prior year.

As of June 30, 2015, we had approximately \$513.9 million in cash and cash equivalents, of which \$233.6 million, or 45.4%, was held outside the U.S. Of the \$233.6 million held by our foreign subsidiaries, approximately \$82.9 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 June 30, 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.

#### ***Non-controlling interests in net income and loss of consolidated subsidiaries***

Net earnings attributable to non-controlling interests for the three months ended June 30, 2015 increased \$3.9 million to \$7.3 million as compared to \$3.4 million for the same period in 2014 primarily attributable to increased profitability by our joint ventures. Non-controlling interests represents the share of net earnings that is attributable to our joint venture partners.

#### **SIX MONTHS ENDED JUNE 30, 2015 COMPARED TO SIX MONTHS ENDED JUNE 30, 2014**

##### ***Net sales***

Net sales for the six months ended June 30, 2015 were \$1.568 billion, an increase of \$434.9 million, or 38.4%, as compared to net sales of \$1.134 billion for the six months ended June 30, 2014. The increase in net sales was broad-based across our domestic wholesale, international wholesale and retail segments, primarily from the introduction of new styles and lines of footwear.

Our domestic wholesale net sales increased \$170.8 million, or 34.9%, to \$660.0 million for the six months ended June 30, 2015 from \$489.2 million for the six months ended June 30, 2014. The increase in our domestic wholesale segment was attributable to strong sales and significant growth in several key divisions including Women's Sport, Women's GO, Sport Active, Girls, Men's Sport, and Men's U.S.A. divisions. The average selling price per pair within the domestic wholesale segment increased \$1.62 to \$23.17 per pair for the six months ended June 30, 2015 from \$21.55 per pair for the same period last year, which was attributable to a 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 25.5% unit sales volume increase to 28.5 million pairs for the six months ended June 30, 2015 from 22.7 million pairs for the same period in 2014.

Our international wholesale segment sales increased \$197.3 million, or 59.8%, to \$527.4 million for the six months ended June 30, 2015 compared to sales of \$330.1 million for the six months ended June 30, 2014. Direct subsidiary sales increased \$148.0 million, or 60.9%, to \$391.2 million for the six months ended June 30, 2015 compared to net sales of \$243.2 million for the six months ended June 30, 2014. The largest sales increases during the period came from our subsidiaries in the United Kingdom, Germany, Italy, Spain, Switzerland, Canada and our joint venture in China, primarily due to increased sales in our Women's Sport, Women's GO, Women's Active and Men's Sport divisions. Our distributor sales increased \$49.3 million to \$136.2 million for the six months ended June 30, 2015, a 56.7% increase from sales of \$86.9 million for the six months ended June 30, 2014. The largest sales increases during the period came from sales to our distributors in the UAE, South Korea, Taiwan, Turkey, Australia, and New Zealand, and were primarily driven by increased sales of product from our Women's Sport, Women's GO, Men's Sport and Men's GO divisions.

Our retail segment sales increased \$66.4 million to \$367.2 million for the six months ended June 30, 2015, a 22.1% increase over sales of \$300.8 million for the six months ended June 30, 2014. The increase in retail sales was primarily attributable to increased comparable store sales of 11.3% resulting from increased sales of our Women's Sport, Women's GO, Men's U.S.A. and Men's Sport divisions and a net increase of 26 domestic and 22 international stores since June 30, 2014. For the six months ended June 30, 2015, our domestic retail sales increased 19.7% compared to the same period in 2014, which was primarily attributable to positive comparable domestic store sales of 11.0%, and our international retail store sales increased 32.4%, which was primarily attributable to positive comparable international store sales of 12.9% and a net increase of 22 stores. During the six months ended June 30, 2015, we opened four domestic outlet stores, six domestic warehouse stores, five international concept stores, two international outlet stores, and one international warehouse store; we closed five domestic concept stores and one domestic outlet store.

Our e-commerce sales increased \$0.3 million, or 2.4%, to \$13.8 million for the six months ended June 30, 2015 as compared to \$13.5 million for the six months ended June 30, 2014. Our e-commerce sales made up approximately 0.9% and 1.2% of our consolidated net sales for the six-month periods ended June 30, 2015 and 2014, respectively.

### ***Gross profit***

Gross profit for the six months ended June 30, 2015 increased \$197.3 million to \$707.1 million as compared to \$509.8 million for the six months ended June 30, 2014. Gross profit as a percentage of net sales, or gross margin, increased to 45.1% for the six months ended June 30, 2015 from 45.0% for the same period in the prior year. Our domestic wholesale segment gross profit increased \$82.1 million, or 45.9%, to \$260.8 million for the six months ended June 30, 2015 compared to \$178.7 million for the six months ended June 30, 2014, primarily attributable to increased sales of newer products with higher selling prices and margins. Domestic wholesale margins increased to 39.5% in the six months ended June 30, 2015 from 36.5% for the same period in the prior year. The increase in domestic wholesale margins was attributable to increased sales of our Women's Sport, Women's GO, Sport Active, Men's U.S.A., and Men's Sport footwear, which had higher selling prices and margins.

Gross profit for our international wholesale segment increased \$76.0 million, or 53.9%, to \$217.1 million for the six months ended June 30, 2015 compared to \$141.1 million for the six months ended June 30, 2014. International wholesale gross margins were 41.2% and 42.7% for the six months ended June 30, 2015 and June 30, 2014, respectively. Gross margins for our direct subsidiary sales decreased to 46.1% for the six months ended June 30, 2015 as compared to 48.5% for the six months ended June 30, 2014, which 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 27.1% for the six months ended June 30, 2015 as compared to 26.6% for the six months ended June 30, 2014, which was attributable to increased sales of newer products in the UAE, South Korea, Taiwan, Turkey, Australia and New Zealand.

Gross profit for our retail segment increased \$37.3 million, or 20.4%, to \$220.9 million for the six months ended June 30, 2015 as compared to \$183.6 million for the six months ended June 30, 2014. Gross margins for all company-owned domestic and international stores were 60.2% for the six months ended June 30, 2015 as compared to 61.0% for the six months ended June 30, 2014. Gross margins for our domestic stores were 61.8% for the six months ended June 30, 2015 as compared to 62.3% for the six months ended June 30, 2014. Gross margins for our international stores were 53.6% and 55.6% for the six months ended June 30, 2015 and 2014, respectively. The slight decrease in retail gross margins was primarily attributable to lower margins in our international stores due to the effect of negative foreign currency exchange rates from a strengthening U.S. dollar during the period.

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 \$23.4 million, or 25.8%, to \$114.0 million for the six months ended June 30, 2015 from \$90.6 million for the six months ended June 30, 2014. As a percentage of net sales, selling expenses were 7.3% and 8.0% for the six months ended June 30, 2015 and 2014, respectively. The increase in selling expenses was primarily attributable to higher advertising expenses of \$18.5 million and higher sales commissions of \$2.5 million due to increased net sales for the six months ended June 30, 2015.

### ***General and administrative expenses***

General and administrative expenses increased by \$76.1 million, or 23.6%, to \$398.2 million for the six months ended June 30, 2015 from \$322.1 million for the six months ended June 30, 2014. As a percentage of sales, general and administrative expenses were 25.4% and 28.4% for the six months ended June 30, 2015 and 2014, respectively. The \$76.1 million increase in general and administrative expenses was primarily attributable to \$34.3 million related to supporting our international operations due to increased sales volumes and \$16.3 million of operating expenses attributable to opening an additional 48 stores since June 30, 2014. In addition, the expenses related to our distribution network, including purchasing, receiving, inspecting, allocating, warehousing and packaging of our products increased \$25.9 million to \$88.5 million for the six months ended June 30, 2015 from \$62.6 million for the six months ended June 30, 2014. 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.

### ***Other income (expense)***

Interest income was \$0.3 million for each of the six months ended June 30, 2015 and 2014. Interest expense decreased \$0.5 million to \$5.9 million for the six months ended June 30, 2015 compared to \$6.4 million for the same period in 2014. The decrease was primarily attributable to decreased interest paid on lower average balances for our domestic distribution center equipment loans. Interest expense was also incurred on amounts owed on loans for our domestic distribution center and amounts owed to our foreign

manufacturers. Other expense increased \$0.9 million to \$1.8 million for the six months ended June 30, 2015 as compared to other expense of \$0.9 million for the same period in 2014. The increase in other expense was primarily attributable to a foreign currency exchange loss of \$2.0 million for the six months ended June 30, 2015, as compared to a foreign currency exchange loss of \$0.8 million for the six months ended June 30, 2014, respectively. This increased foreign currency exchange loss was primarily attributable to the impact of a weaker U.S. dollar on our intercompany investments in our foreign subsidiaries.

### ***Income taxes***

Income tax expense and the effective tax rate for the six months ended June 30, 2015 and 2014 were as follows (in thousands, except the effective tax rate):

	Six Months Ended June 30,	
	2015	2014
Income tax expense	\$ 44,503	\$ 23,669
Effective tax rate	23.0 %	24.9 %

The tax provision for the six months ended June 30, 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 are generally significantly lower than the U.S. federal and state combined statutory rate of approximately 39%. For the six months ended June 30, 2015, the decrease in the effective tax rate was primarily attributable to an increase in the amount of foreign earnings (loss) relative to domestic earnings as compared to the same period in the prior year.

### ***Non-controlling interests in net income of consolidated subsidiaries***

Net earnings attributable to non-controlling interests for the six months ended June 30, 2015 increased \$7.4 million to \$12.9 million as compared to \$5.5 million for the same period in 2014 attributable to increased profitability by our joint ventures. Non-controlling interests represents the share of net earnings that is attributable to our joint venture partners.

## **LIQUIDITY AND CAPITAL RESOURCES**

### ***Cash Flows***

Our working capital at June 30, 2015 was \$909.9 million, an increase of \$130.6 million from working capital of \$779.3 million at December 31, 2014. Our cash and cash equivalents at June 30, 2015 were \$513.9 million compared to \$466.7 million at December 31, 2014. The increase in cash and cash equivalents of \$47.2 million was primarily the result of an increase in net cash provided by operating activities of \$12.7 million and a decrease in net cash used in financing activities of \$3.0 million, partially offset by an increase in net cash used in investing activities of \$11.2 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 six months ended June 30, 2015, net cash provided by operating activities was \$86.9 million as compared to \$74.3 million for the six months ended June 30, 2014. On a comparative year-to-year basis, the \$12.7 million increase in cash flows provided by operating activities for the six months ended June 30, 2015, primarily resulted from an increase in net earnings of \$77.5 million and a decrease in prepaid expenses of \$15.9 million, which were partially offset by an increase in accounts receivable balances of \$71.8 million from increased sales volumes during the six months ended June 30, 2015 as compared to the six months ended June 30, 2014.

Net cash used in investing activities was \$35.1 million for the six months ended June 30, 2015 as compared to \$23.9 million for the six months ended June 30, 2014. The increase in net cash used in investing activities for the six months ended June 30, 2015 as compared to the same period in the prior year was primarily the result of higher capital expenditures of \$9.1 million. Capital expenditures primarily consisted of \$19.9 million for several new store openings and remodels and \$11.1 million for equipment costs for increased automation of our distribution centers. This was compared to capital expenditures of \$23.9 million for the six months ended June 30, 2014, of which \$14.0 million consisted of new store openings and remodels, \$4.0 million for equipment upgrade costs for our European Distribution Center, \$2.0 million related to a property purchase for potential future corporate development, and \$1.6 million for equipment. Excluding the costs of upgrading our European Distribution Center and Rancho Belago distribution center, we expect our capital expenditures for the remainder of 2015 to be approximately \$40 million to \$45 million, which includes opening an additional 30 to 35 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 \$23.8 million, of which approximately \$15.1 million has been incurred as of June 30, 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 \$16.7 million, of which \$9.6 has been incurred as of June 30, 2015. We expect to complete upgrades of both distribution centers by early 2016 and to fund these upgrades through existing cash balances and cash from operations.

Net cash used in financing activities was \$3.1 million during the six months ended June 30, 2015 compared to \$6.0 million during the six months ended June 30, 2014. The decrease in cash used in financing activities in the six months ended June 30, 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.

### *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 ("HF-T1"), a wholly-owned subsidiary of HF Logistics SKX, LLC ("HF"), 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 maturity date of the Loan to October 30, 2015. The \$80.0 million was used to (i) repay \$54.7 million in outstanding borrowings under the original Loan, (ii) repay a loan of \$18.3 million including accrued interest from HF to the joint venture partner, (iii) repay a loan to the joint venture partner of \$2.5 million including accrued interest from Skechers RB, LLC, a wholly-owned subsidiary of our company (iv) pay a deferred management fee of \$1.9 million to HF, (iv) pay distributions of \$0.9 million to each of HF and Skechers RB, LLC, and (v) pay \$0.8 million in loan commitment fees and other closing costs. 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 \$77.4 million outstanding under the Loan Agreement and the Modification, which is included in current installments of long-term borrowings as of June 30, 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"). We used the proceeds to refinance certain equipment already purchased and to purchase new equipment for use in our Rancho Belago distribution center. Borrowings made pursuant to the Master Agreement may be in the form of one or more equipment security notes (each a "Note," and, collectively, the "Notes") up to a maximum limit of \$80.0 million and each for a term of 60 months. 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 June 30, 2015 an aggregate of \$31.6 million was outstanding under the Notes, which is included in current installments of long-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, 2015, we entered into a \$250.0 million loan and security agreement, subject to increase by up to \$100 million, (the "Credit Agreement"), with the following lenders: Bank of America, N.A., MUFG Union Bank, N.A. and HSBC Bank USA, National Association. The Credit Agreement matures on June 30, 2020. The Credit Agreement replaces the credit agreement dated June 30, 2009, which expired on June 30, 2015. The Credit Agreement permits us and certain of our subsidiaries to borrow based on a

percentage of eligible accounts receivable plus the sum of (a) the lesser of (i) a percentage of eligible inventory to be sold at wholesale and (ii) a percentage of net orderly liquidation value of eligible inventory to be sold at wholesale, plus (b) the lesser of (i) a percentage of the value of eligible inventory to be sold at retail and (ii) a percentage of net orderly liquidation value of eligible inventory to be sold at retail, plus (c) the lesser of (i) a percentage of the value of eligible in-transit inventory and (ii) a percentage of the net orderly liquidation value of eligible in-transit inventory. Borrowings bear interest at our election based on (a) LIBOR or (b) the greater of (i) the Prime Rate, (ii) the Federal Funds Rate plus 0.5% and (iii) LIBOR for a 30-day period plus 1.0%, in each case, plus an applicable margin based on the average daily principal balance of revolving loans available under the Credit Agreement. We pay a monthly unused line of credit fee of 0.25%, payable on the first day of each month in arrears, which is based on the average daily principal balance of outstanding revolving loans and undrawn amounts of letters of credit outstanding during such month. The Credit Agreement further provides for a limit on the issuance of letters of credit to a maximum of \$100.0 million. The Credit Agreement contains customary affirmative and negative covenants for secured credit facilities of this type, including covenants that will limit the ability of the Company and its subsidiaries to, among other things, incur debt, grant liens, make certain acquisitions, dispose assets, effect a change of control of the Company, make certain restricted payments including certain dividends and stock redemptions, make certain investments or loans, enter into certain transactions with affiliates and certain prohibited uses of proceeds. The Credit Agreement also requires compliance with a minimum fixed-charge coverage ratio if Availability drops below 10% of the Revolver Commitments (as such terms are defined in the Credit Agreement) until the date when no event of default has existed and Availability has been over 10% for 30 consecutive days. We paid closing and arrangement fees of \$1.1 million on this facility, which are being amortized to interest expense over the five-year life of the facility. As of June 30, 2015, there was \$1.3 million outstanding under this credit facility, which is classified as short-term borrowings in our condensed consolidated balance sheets.

As of June 30, 2015, outstanding short-term and long-term borrowings were \$112.2 million, of which \$31.6 million relates to notes payable for warehouse equipment for our new distribution center that are secured by the equipment and \$78.7 million relates to our construction loans for our domestic distribution center. We were in compliance with all debt covenants under the Loan Agreement, the Loan Documents and the Credit Agreement as of the date of this quarterly report.

We believe that anticipated cash flows from operations, available borrowings under our credit agreement, existing cash balances and current financing arrangements will be sufficient to provide us with the liquidity necessary to fund our anticipated working capital and capital requirements at least through August 31, 2016. 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 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 June 30, 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, 2018, 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.

In February 2015, the FASB issued ASU 2015-02, “*Amendments to the Consolidation Analysis*” (“ASU 2015-02”). ASU 2015-02 amends the consolidation guidance for VIEs and general partners' investments in limited partnerships and modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities. The amendment will be effective for our annual and interim reporting periods beginning January 1, 2016, with early adoption permitted. We will begin evaluating the impact of ASU 2015-02 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.

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 six 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.

## 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 June 30, 2015, we have \$78.7 million and \$0.6 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 June 30, 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 June 30, 2015, there was \$1.3 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: Belgium, Brazil, Chile, China, Canada, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Malaysia, the Netherlands, Peru, Poland, Portugal, Serbia, Singapore, Spain, Switzerland, Thailand, Vietnam, and the United Kingdom. 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 \$2.7 million and a cumulative foreign currency translation gain of \$1.1 million for the six months ended June 30, 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 June 30, 2015 would have reduced the values of our net investments by approximately \$13.2 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 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 June 30, 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. Assessments 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 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 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 and the time for appealing the judgment has now expired without any appeal. Notwithstanding, claims are still being evaluated and the funds still have to be distributed to class members. In the event that there are unforeseen circumstances which upset the settlement, we cannot predict the outcome of this action or a reasonable range of potential losses or whether the outcome of this 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 and the time for appealing the judgment has now expired without any appeal. On January 16, 2015, the Court in the *Davies/Smith* action issued an order effectively dismissing that action. Notwithstanding, claims are still being evaluated in connection with the settlement of the *Angell* action and the funds still have to be distributed to class members. In the event that there are unforeseen circumstances which upset the settlement 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 Runners, 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. 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 and the time for appealing the judgment has now expired without any appeal. On November 20, 2014, the Ontario Superior Court issued an order effectively dismissing the *Niras* action. Notwithstanding, claims are still being evaluated in connection with the settlement of the *Angell* action and the funds still have to be distributed to class members. In the event that there are unforeseen circumstances which upset the settlement, 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 Runners 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. 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 and the time for appealing the judgment has now expired without any appeal. Notwithstanding, claims are still being evaluated in connection with the settlement of the *Angell* action and the funds still have to be distributed to class members. In the event that there are unforeseen circumstances which upset the settlement, 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, in the event there are unforeseen circumstances that upset the settlement, 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 1,199 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 1,233 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. Forty-two cases in the MDL proceeding have been dismissed either voluntarily or on motions by Skechers and 38 unfiled claims submitted by plaintiff fact sheet have been abandoned. The MDL currently encompasses 1,129 personal injury cases (which include the claims of 1,437 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 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. Seven of the 60 accelerated cases have been dismissed either voluntarily or on motions by Skechers, and the Company expects the stipulated dismissal of an additional case will be ordered in the near term. To the extent that the remaining 52 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. If the remaining bellwether cases are not resolved, 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 13 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 3 actions include the claims of 220 plaintiffs, all of whom had submitted court-approved settlement questionnaires in the MDL. No discovery has taken place in these actions. If not otherwise resolved, 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. Mediations were held with these law firms on May 18, June 18, and July 24, 2015. Settlements in principle are being negotiated with several groups that collectively claim to represent over 2,700 claimants. The settlements involve complex monetary and non-monetary terms that still have to be negotiated and documented. If the group settlements are not finalized and the litigation proceeds, it is too early to predict the outcome of any case, 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. In addition, even if the global settlement is finalized, it is too early to predict whether there will be future personal injury cases filed which are not covered by the settlement, 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 available and/or adequate to cover any losses.

*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 commenced 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. The Company has reached a settlement in principle involving both monetary and non-monetary terms and, if finalized, the settlement will not have a material adverse impact on our operations or financial position. Notwithstanding, if the parties are unable to complete the settlement, 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.

*Brian Nicklaus v. Skechers USA, Inc. et al.* On July 27, 2015, a former employee named Brian Nicklaus filed an action against our company in the Superior Court of California, County of Los Angeles, Case No. BC589344, alleging age discrimination, wrongful termination, and retaliation, among other causes of actions, and seeking compensatory damages, punitive and exemplary damages and attorneys' fees. The company believes it has meritorious defenses, vehemently denies the allegations and intends to defend this case vigorously. Notwithstanding, 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 condensed 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 six months ended June 30, 2015 and 2014, our net sales to our five largest customers accounted for approximately 16.3% and 16.6% of total net sales, respectively. No customer accounted for more than 10% of our net sales during the six months ended June 30, 2015 and 2014. No customer accounted for more than 10% of outstanding accounts receivable balance at June 30, 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.

### **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 six months ended June 30, 2015 and 2014, the top five manufacturers of our manufactured products produced approximately 58.2% and 57.9% of our total purchases, respectively. One manufacturer accounted for 33.5% of total purchases for the six months ended June 30, 2015, and the same manufacturer accounted for 36.3% 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.

**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 June 30, 2015, our Chairman of the Board and CEO, Robert Greenberg, beneficially owned 47.3% of our outstanding Class B common shares, members of Mr. Greenberg's immediate family beneficially owned an additional 16.1% 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 36.1% 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 June 30, 2015, Mr. Greenberg beneficially owned 32.6% 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 44.3% of the aggregate number of votes eligible to be cast by our stockholders, and Mr. Schwartzberg beneficially owned 24.8% 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.

**ITEM 5. OTHER INFORMATION**

On August 7, 2015, we entered into an employment agreement with our president, Michael Greenberg (the "Agreement"), with a term of four years starting on January 1, 2015.

The Agreement provides for the following compensation:

- an annual base salary of not less than \$2.2 million;
- an annual bonus of not less than 0.25% of the amount that net sales for the current year exceeds net sales for the prior year, with such bonus being calculated and paid on a quarterly basis; and
- acknowledgment of the previous award of 200,000 restricted shares of our stock, with one-quarter of the shares vesting on each of November 1, 2015 and the first three anniversaries thereof, pursuant to the restricted stock agreement that was entered into with Mr. Greenberg on October 21, 2014 (the "Restricted Stock Agreement").

Under the terms of the Agreement, in the event that Mr. Greenberg's employment is terminated by Skechers for "Cause" (as defined in the Agreement), or Mr. Greenberg terminates his employment without "Good Reason" (as defined in the Agreement), he shall be paid his then current salary through the "Date of Termination" (as defined in the Agreement).

Under the terms of the Agreement, in the event that Mr. Greenberg's employment is terminated by Skechers without Cause, or Mr. Greenberg terminates his employment for Good Reason, or Mr. Greenberg's employment is terminated by Skechers or its successor upon or within 120 days after a Change in Control (as defined in the Agreement), subject to a release of claims by Mr. Greenberg:

- he shall be paid his then current salary for the remainder of the four year term;
- he shall be paid an annual bonus for each of the remaining years of the four year term equal to the highest amount of the annual bonus that was earned by Mr. Greenberg in any year of the four year term prior to his termination; and
- Skechers shall accelerate the vesting of all restricted shares of our stock held by Mr. Greenberg, subject to the terms of Skechers' 2007 Incentive Award Plan and the Restricted Stock Agreement.

During the period of his employment, Mr. Greenberg has agreed not to compete with Skechers, and during the four-year term of the Agreement and for a period of one year thereafter, Mr. Greenberg has agreed not to solicit any employees of Skechers.

The Agreement is filed as Exhibit 10.5 to this Form 10-Q and is incorporated herein by reference.

## ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	Credit Agreement dated June 30, 2015, by and among the Registrant, certain of its subsidiaries who are also borrowers under the Agreement, certain of its subsidiaries who are guarantors under the Agreement, and Bank of America, N.A., MUFG Union Bank, N.A. and HSBC Bank USA, National Association (incorporated by reference to exhibit number 10.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on July 7, 2015).
10.2	Lease Agreement dated July 10, 2015 by and among the Registrant, Skechers EDC SPRL, a subsidiary of the Registrant, and ProLogis Belgium II BVBA, regarding ProLogis Park Liege Distribution Center IV in Liege, Belgium.
10.3	Addendum to Agreement dated August 3, 2015 by and among the Registrant, Skechers EDC SPRL, a subsidiary of the Registrant, ProLogis Belgium II BVBA, and ProLogis Belgium III BVBA regarding ProLogis Park Liege Distribution Centers I, II and III in Liege, Belgium.
10.4	Addendum to Agreement dated August 3, 2015 by and among the Registrant, Skechers EDC SPRL, a subsidiary of the Registrant, ProLogis Belgium II BVBA, and ProLogis Belgium III BVBA regarding ProLogis Park Liege Distribution Center IV in Liege, Belgium.
10.5	Employment Agreement, executed August 7, 2015, effective as of January 1, 2015, between the Registrant and Michael Greenberg.
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.

**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: August 10, 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 III BVBA**, having its registered office at 2850 Boom, Scheldeweg 1, registered with the Crossroads Bank for Enterprises under the number 0472.435.629 (RLE Antwerp) and with VAT number 0472.435.629, represented by Mr. Bram Verhoeven, holder of a special proxy, hereinafter referred to as "**Prologis**",

**AND**

2. The limited liability company **Skechers EDC Sprl**, 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, Business Manager, 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, Director 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**"), 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**") and a "Warehouse Agreement" dated 19 September 2014, with respect to the Prologis Park Liège Distribution Center III located in the Industrial Park Hauts-Sarts, Milmort, Liège, avenue du Parc Industriel (the "**Agreement DC III**").
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 "**Land**", as further described in Part I - Article 1.1, last paragraph of the present agreement).
3. On this Land and on a portion of the land on which Prologis Park Liège Distribution Centers II and III has been, respectively is being constructed (together referred to as the "**Site**"), Prologis intends to construct additional warehouses, mezzanine and offices, i.e. the Prologis Park Liège Distribution Center IV (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:**

<b>Preliminary Part - Conditions Precedent</b>
--

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 Land from Services Promotion Initiatives en Province de Liège (SPI) SCRL for a purchase price not exceeding € 48.00 / m<sup>2</sup> 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 condition precedent set forth in Article 1.1. not be satisfied at the above due date or should the Conditions Precedent not be satisfied cumulatively by 30 September 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, provided however that should it be, in both Parties' opinion, reasonably obvious that all of the Conditions Precedent can be satisfied shortly after 30 September 2015, without impact on the Delivery Date provided for in Article 4 of Part I below, the Parties will conduct good faith negotiations in view of extending the abovementioned date of 30 September 2015. If so, a specific addendum to this Agreement will be attached.

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 Land 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 IV", 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. 26,451 m<sup>2</sup> and consisting of:

- approx. 24,309 m<sup>2</sup> warehouses (hereinafter referred to as the "**Warehouses**");
- approx. 1,792 m<sup>2</sup> mezzanine (hereinafter referred to as the "**Mezzanine**");
- approx. 350 m<sup>2</sup> 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. 40,372 m<sup>2</sup> (hereinafter referred to as the "Land") and on a portion of the land on which Prologis Park Liège Distribution Centers II and III has been respectively is being constructed (together 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, Distribution Center II and Distribution Center III adjoining to the Land, by Skechers, it being understood that Skechers will not be entitled to claim damages for any remaining hindrance during the works.

1.6. For the avoidance of doubt, Parties confirm that articles 7.2. and 7.3. of Part I of the Agreement DC III remain applicable, to the exception, however, of those sections of both articles where reference is being made to the possibility of leasing Distribution Center IV (or granting other rights in this respect) to third parties. For avoidance of doubt, it is understood that Distribution Center IV will be built for and leased (by means of a "terbeschikkingstelling") to Skechers only, and that no rights in connection with Distribution Center IV will be granted to third parties.

**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.

Prologis will inform Skechers on a regular basis about the progress of the application (and will answer specific enquiries from Skechers in this respect without delay), and will also immediately inform Skechers of any and all circumstances that may affect the Delivery Date or the fulfilment of other obligations of Prologis. Skechers will be invited to and is entitled to participate in any meetings with the competent authorities.

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 lettability 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.

#### **Article 4 - Timing**

4.1. Target date for the Delivery of the Premises in accordance with Article 5 below is 1 April 2016. This date is based upon start of the construction works on 1 May 2015, i.e. an irrevocable building permit is in place at that moment and no other circumstances have occurred or occur preventing a start of the construction works at that date. 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, 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. or by the Parties' discussions pursuant to Part II, Article 4.5.; 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. respectively equal to the number of working days in the construction sector of discussion pursuant to Part II, Article 4.5., unless Prologis is able to reasonably demonstrate that such delay has additional consequences on the construction period.

4.3. Parties are aware of the likely presence of archaeological artefacts on the Site, which may have an impact on the timing of the construction works. Prologis will use best efforts in order to enter into an agreement ("protocol") with the Walloon archaeological authorities, if so requested by these authorities, with regard to the archaeological survey of the Land and their timing. As the case may be, the different process steps (and timing) for the archaeological survey will be described in that agreement. Prologis shall use best efforts to have such agreement based on the protocol as agreed upon for the archaeological survey of DC III.

If needed, the target date set out above will be adjusted on the basis of the timing required for the archaeological survey. Such timing may - as the case may be - be set forth in the protocol to be agreed with the Walloon archaeological authorities. In case the authorities do not comply or do not timely comply with their obligations under the aforementioned agreement, Prologis undertakes to take all necessary actions which are reasonably in its powers, towards the authorities in view of enforcing their obligations under the agreement.

#### 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.

**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*" / "*ARET*" 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/m<sup>2</sup> with respect to the floor of the Warehouses and 400 kg/m<sup>2</sup> 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:

- € 42.40 / m<sup>2</sup> / year for the Warehouses, i.e. a total amount of € 1,030,701.60 / year;
- € 23.00 / m<sup>2</sup> / year for the Mezzanine, i.e. a total amount of € 41,216.00 / year;
- € 85.00 / m<sup>2</sup> / year for the Offices, i.e. a total amount of € 29,750.00 / year;

and has been determined at an amount of **€ 1,101,667.60 per year** resp. **€ 275,416.90 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 1<sup>st</sup>, April 1<sup>st</sup>, July 1<sup>st</sup>, or October 1<sup>st</sup>, 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 Articles 4.4 and 4.5.

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 the following assumptions:

- ground levelling works to realize the same ground / altitude level as Prologis Park Liège Distribution Center I, Prologis Park Liège Distribution Center II and Prologis Park Liège Distribution Center III;
- foundation equal to the foundation level of Prologis Park Liège Distribution Center II and Prologis Park Liège Distribution Center III;
- utilities for the Premises will be connected to the existing infrastructure of Prologis Park Liège Distribution Center I, Prologis Park Liège Distribution Center II and Prologis Park Liège Distribution Center III.

Should one or more of these assumptions not be correct or not confirmed, the additional cost shall unconditionally and exclusively be borne by Skechers. 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. Prologis shall not commit to any such excess costs, 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.

4.5. In addition, the amounts of the Compensation in Article 4.1. have also been based (amongst others parameters) on the assumption of the acquisition by Prologis of the Land from Services Promotion Initiatives en Province de Liège (SPI) SCRL for a purchase price not exceeding € 30.00 / m<sup>2</sup>.

In the event of a purchase price exceeding € 30.00 / m<sup>2</sup> but not exceeding € 48.00 / m<sup>2</sup> for the acquisition of the Land (*cf.* Condition Precedent under Part I, Article 1.2), Parties agree that the first portion of the additional cost for acquiring the Land at a price exceeding € 30.00 / m<sup>2</sup> but not exceeding € 48.00 / m<sup>2</sup>, in an amount of € 250,000 shall in any event be borne by Prologis, whereas the remainder shall be borne by Skechers.

In the event the additional cost for acquiring the Land at a price exceeding € 30.00 / m<sup>2</sup> should be inferior to € 250,000, the entire amount of such lower additional cost shall be borne by Prologis.

The above implies that should the Land be acquired at € 48.00 / m<sup>2</sup>, the additional cost for acquiring the Land amounts to € 726,696, of which amount € 250,000 shall be borne by Prologis and € 476,696 shall be borne by Skechers.

Additional registration taxes and notary costs linked to the additional cost for acquiring the Land at a price exceeding € 30.00 / m<sup>2</sup> shall be borne by Prologis.

The amount due by Skechers by virtue of this Article 4.5. is to be considered as Compensation and shall be paid upon invoice by Prologis, at the latest at the moment of the acquisition of the Land (and payment of the purchase price thereof) by Prologis. The Condition Precedent under Part I, Article 1.1 does not apply to this obligation of Skechers.

In the event of a purchase price exceeding € 48.00 / m<sup>2</sup> for the acquisition of the Land (and a waiver by Prologis of Condition Precedent under Part I, Article 1.2 *in fine*), Parties engage to further negotiate in good faith.

It is explicitly agreed that this Article 4.5 shall not impact in any way whatsoever the right of Prologis to appeal to the Condition Precedent under Part I, Article 1.2 *in fine* (or not).

**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, 2018) 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 January 2015, i.e. 100,61 (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;

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- 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. Prologis shall , to the exclusion of any liability for Skechers in this respect, bear any costs, fines, or excess taxes, duties or contributions, that are the result of Prologis not having filed or not having timely filed the necessary and correct applications or notifications mentioned above.

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. For the avoidance of doubt, Parties confirm that article 8.3.4. of Part II of the Agreement DC III shall not longer be applicable.

### **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 has acquired the Land 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, Distribution Center II and Distribution Center III 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 as an indemnification to Prologis 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, the Agreement DC II and the Agreement DC III (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 II 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, the Agreement DC II and the Agreement DC III (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, Agreement DC II and Agreement DC III, 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, the Agreement DC II and the Agreement DC III (and their respective amendments) to the state as described in the respective inspection reports in conformity with the respective provisions of present Agreement and 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 present Agreement and 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.

\*

\* \*

- 19/21 -

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**VAT Lease Liège DC4 Unit D**

Done in [...], on [...], 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: /s/ Bram Verhoeven  
Bram Verhoeven  
Capacity: Holder of a special proxy

**Skechers**

Name: /s/ David Weinberg  
David Weinberg  
Capacity: Business Manager

**Guarantor**

Name: /s/ David Weinberg  
David Weinberg  
Capacity: Director

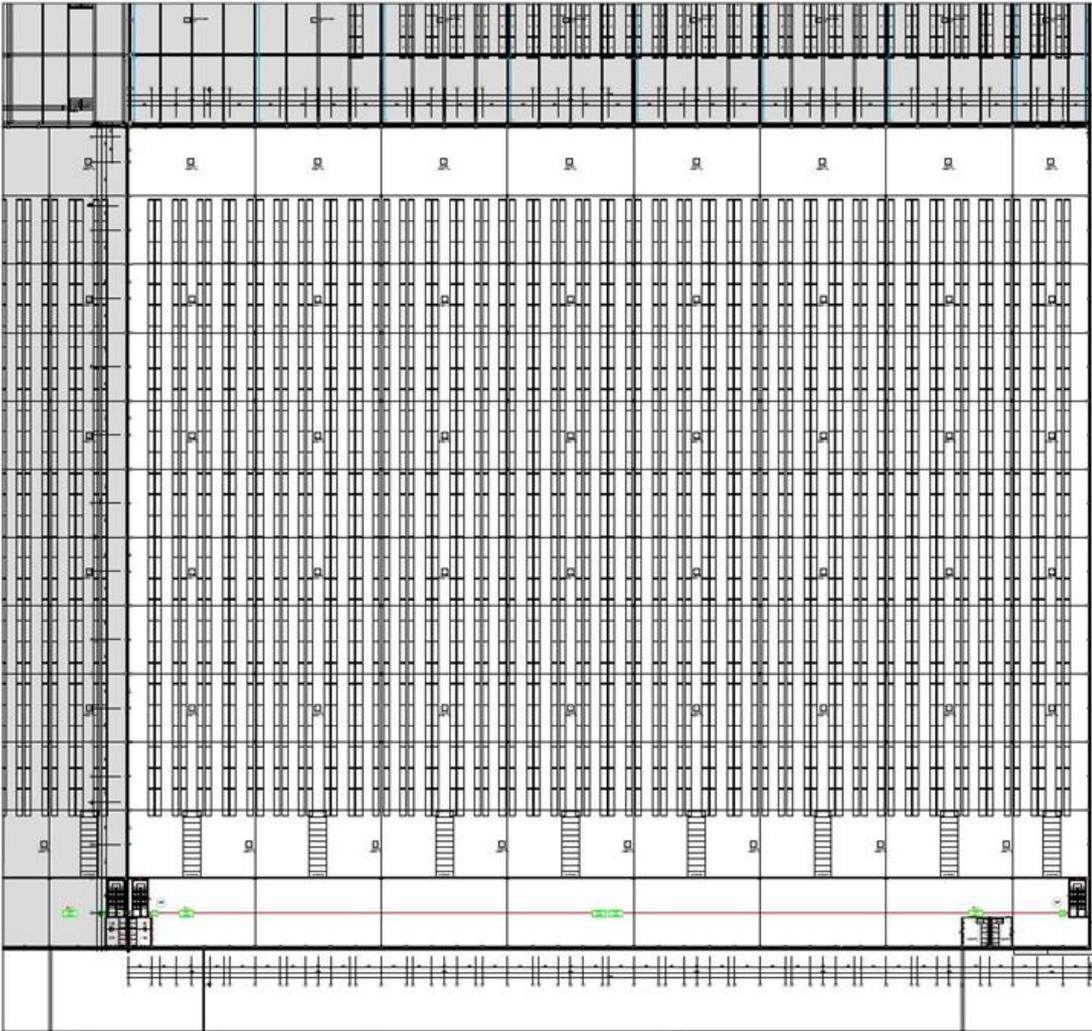
Appendices:

1. Plan of the Site (including the Land and the land adjacent to the Land)
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 agreement









	
UNIVERSIDAD DE LOS ANDES - FACULTAD DE INGENIERIA INSTITUTO VENEZOLANO DE INVESTIGACIONES CIENTIFICAS	
TITULO: ASIGNATURA: AUTORES: FECHA:	N°: ESCUELA: GRUPO:
DESCRIPCION: OBJETIVOS: METODOS: RESULTADOS: CONCLUSIONES:	
OBSERVACIONES: REVISIONES: FECHA:	
AUTORES: COORDINADOR: REVISOR:	
ESCUELA DE INGENIERIA CIVIL INSTITUTO VENEZOLANO DE INVESTIGACIONES CIENTIFICAS	
ESCALA:	HOJA:



# Functional Description (including tenant specific extras)

LIEGE DC 4 – SKECHERS

11<sup>TH</sup> OF MAY 2015



**DESCRIPTION OF THE BUILDING**

Warehouse	approx. 24.309 m <sup>2</sup> gross floor area
Clear height warehouse	12.20 m (similar to DC2)
Mezzanine Office	approx. 350 m <sup>2</sup> gross floor area
Mezzanine (4KN/m <sup>2</sup> )	approx. 1.787 m <sup>2</sup> gross floor area
Loading docks	28 pcs*
Ground-floor gates	2 pcs*
Fire compartments	1 pcs.
Truck parking space	31 pcs (13 pcs in front of DC 3)
Extra car parking space	40 pcs (in front of DC 3)

**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/ m<sup>2</sup> and point loads of 60 KN per shelf post with a base plate of 150x150 mm, flatness upgrade to DIN15185 in racking area without flexible joints  
Prepared for tenant specific guide wire system. Installation of tenant-specific guide wire system for Skechers' expense. Prologis will co-ordinate the installation of the guide wires.

**Wall elements, façade and roof**

- Robust prefabricated reinforced concrete plinth 2250 mm above floor level and an insulation value of  $R_{\geq 3.5} \text{ m}^2 \text{ K/W}$ .
- Roof system with vapour barrier, inflammable FM-approved PIR thermal insulation  $R_{\geq 3.5} \text{ m}^2 \text{ K/W}$  and PVC roof membrane with internal polyester scrim reinforcement  $t=1.5\text{mm}$  (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  $R_{\geq 3.5} \text{ m}^2 \text{ K/W}$ .

**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 4 pcs: - w/h = 4.0 / 6.5 m in the fire-rated wall between DC 2 & 3
- Exterior loading docks numbers on the façade in the center above each door.
- Concrete wheel guides.

**Interior Work Office**

- Entrance hall equipped with tiles 30x30 cm, sanitary facilities 15x15 cm, all with a skirting board  $h= 5 \text{ cm}$
- 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
- Pantry with refrigerator and dishwasher.

- Windows: coated aluminum windows with insulating glazing  $U_w \leq 1.1 \text{ W/m}^2\text{K}$
- Offices with large windows same as DC 2 managers office.
- 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

**Outdoor Facilities**

- Fencing: mesh-wire fence  $h=2.00 \text{ m}$ , 3 flagpoles in front of office
- 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: half-open grass tiles of concrete.
- Access roads: asphalt or concrete 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.

**Power**

- Socket outlets warehouse: 1 pcs, 230V/16A each second dock leveller, 1 pcs. socket outlet combination 1x400V/16A and 2x230V/16A each 1.000 m<sup>2</sup>
- Fork-Lift charging stations: 10 pcs. each 15.000 m<sup>2</sup> 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 m<sup>2</sup>
- 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 m<sup>3</sup>/( m<sup>2</sup>h)

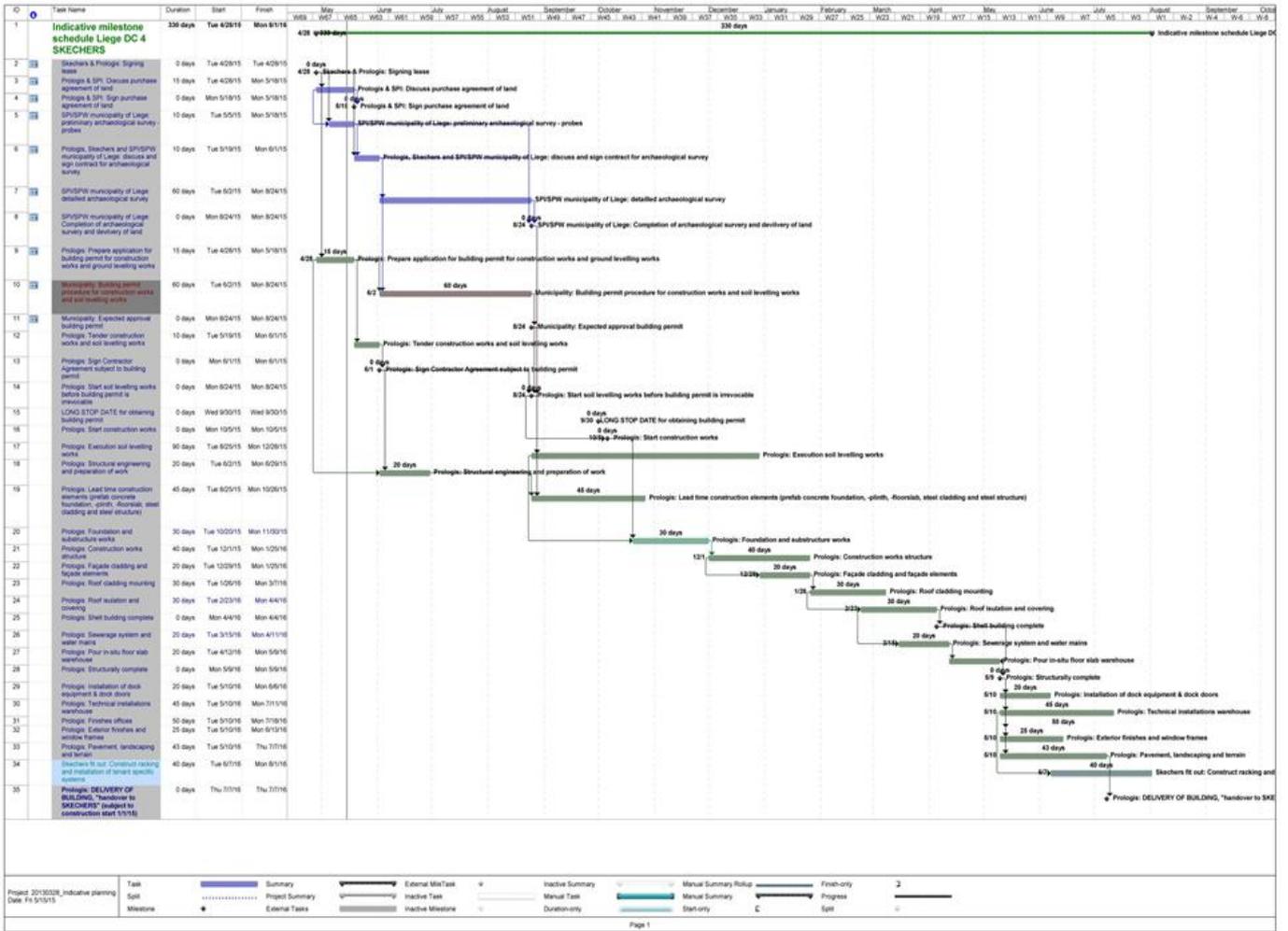
**Tenant specific extra's \*(included)**

- Additional dock positions 8 pcs.
- Steel cover plate dock buffers 28 pcs.
- Dock spotlights 28 pcs.
- Additional ground floor gate 1 pcs.
- Warehouse strip lighting for narrow aisles.
- Upgrade of floor flatness according to DIN 15185.
- Interior upgrade of existing main office of a value of € 30.000 excl. VAT, exact works to be discussed.

**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









**Phase I ESA report**

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

**Prologis – Liège DC1**

**Project number BE0114.000521 | version 2 | 03-03-2015**





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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"). ARCADIS Belgium was commissioned in two steps: phase C in June 2014 (Liège DC1 – unit C) and phase D in January 2015 (Liège DC1 – unit D).

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. No new Site visit has taken place within the phase D of the ESA (Liège DC1 – unit D). However the entire footprint (unit C+D) was part of the assessment on the site visit.

Throughout the assessment, focus is provided at 2 levels, namely a) findings related to the Site and b) findings related to the construction footprint (buildings DC1 – unit C and DC1 - unit D ; approx.. 55% 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" (buildings DC1 - unit C and DC1 – unit D)
<p>Archaeology: archaeological remains from the old roman road and a late Roman Empire site</p>		<p>Obligation to let the "Service Archéologique" perform investigations on site. The duration has to be defined in a mutual agreement protocol. While a protocol has been set up for the unit C, it still has to be defined for the unit D.</p>
<p>Geotechnical/Foundation design</p>		<p>Building design should follow geotechnical recommendations as discussed in this investigation report - July 2014 (performed on unit C and unit D footprint)</p>
<p>Waste deposits</p>	<p>Removal of minor debris: waste collection and disposal prior to development</p>	<p>Removal of minor debris: waste collection and disposal prior to development</p>
<p>High voltage power lines</p>	<p>Height limitations Prohibition of construction within 15 m around the electric pylon Construction difficulties (with cranes,...) during execution of construction works</p>	<p>Restrictions may be imposed on construction works (e.g. limited movement of cranes)</p>

## 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 Milmort, Belgium.

ARCADIS Belgium was commissioned in two steps: phase C in June 2014 (Liège DC1 – unit C) and phase D in January 2015 (Liège DC1 – unit D).

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 m<sup>2</sup> ("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 two future buildings, DC1 - unit C and DC1 – unit D, have a planned footprint of 24 425 m<sup>2</sup> and 24 309 m<sup>2</sup> respectively. They concern the extension the two existing 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 plan<sup>1</sup> from 2002 and information provided by RESA in August 2014, 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 a plan<sup>2</sup> provided by RESA in August 2014, low and high voltage grids are present in the sidewalk of the Avenue du Parc Industriel and run along the edge of the site. .

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, certainly for DC1 - unit D.
- 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).

<sup>1</sup> Plan n°26 of the Association Liégeoise du Gaz

<sup>2</sup> Plan n°59.992/417 of the Association Liégeoise d'Electricité

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:

- Situated more than 80 meters away from the power line and more than 100 meters away from the pylon, the future building DC1 unit C is located outside the security

perimeter determined by Elia (horizontal safe clearance distance of about 3,5 m from the line). No restriction is expected except for the construction activities (e.g. cranes,...).

- Situated more than 60 meters away from the power line and the pylon, the future building DC1 unit D is located outside the security perimeter determined by Elia (horizontal safe clearance distance of about 3,5 m from the line). No restriction is expected except for the construction activities (e.g. cranes,...).
- 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.

The risk has to be reassessed if the location of the projected buildings changes.

#### 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 maps<sup>3</sup> 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).

<sup>3</sup> "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 SEVESO<sup>4</sup> 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.

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<sup>4</sup> 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 Liquide, 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. In its letter dated 25/06/2014 (see appendix G.1), this administration required to be contacted by registered letter at the first development stage of the building permit application.

The service de l'archéologie was already contacted for DC1 - unit C. A preliminary survey was conducted on the construction footprint of this building. Given the first findings, an agreement protocol was concluded between SPI, Prologis and the Service de l'Archéologie allowing further archeological investigations. Investigation works have started beginning of January 2015 and will be finished by July 2015.

Mr. Marchal, in charge of the archeological investigation for DC1 – unit C, was interviewed in February 2015. According to him, a similar approach has to be followed for DC1 – unit D construction footprint. Investigations will be done in two steps, a preliminary survey followed by further investigations if relicts were discovered in the first stage. At this moment, it is not possible to know if further investigations will be necessary. Once this is finished, the Service de l'Archéologie will in principle declare the land free.

As for DC1 - unit C, 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) and on the availability of the Service de l'Archéologie resources.

According to the Service de l'Archéologie (Mrs Bauwens, archaeologist), 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 deduct 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 Annemingen 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 Annemingen Janssen NV
21/05/2008-02/08/2008	Annemingen 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 ordinance in Belgium, there is no information on presence of unexploded ordinance readily available. Based on the local information of the city council administration, who stated that no report on unexploded ordinance was ever made upon the development of the industrial area in which the site is located, ARCADIS assesses the probability of unexploded ordinance 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 18<sup>th</sup> 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.

Mr. Marchal, in charge of the archeological investigation for DC1 - unit C, was interviewed in February 2015. He confirmed that investigation works on this construction footprint had started at the end of January, as agreed in the agreement protocol.

For DC1 – unit D construction footprint, the same approach will be followed with a preliminary survey followed by further investigations if relicts were discovered at the first stage. At this stage, it is not possible to know if further investigations will be necessary.

### 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.

According to the site plan dated 19/01/2015, a storage capacity of 2 000 m<sup>3</sup> is planned on the project Site and will collect roof runoff water from the two warehouses already constructed (DC1 - unit A and DC1 - unit B) as well as from the two new buildings (DC1 - unit C and DC1 - unit D). This retention volume was calculated based on information provided by the local Urbanism Department.

### 5.4 Material and Waste Storage

During the walkover, three minor illegal waste disposal of about 2 m<sup>2</sup> 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/m<sup>3</sup>. 75 % of the measures were below 100 Bq/m<sup>3</sup> and 25 % comprised between 100 and 200 Bq/m<sup>3</sup>.

The level of radon is then expected to be below the acceptable level of 200 Bq/m<sup>3</sup> 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><b>Conclusion</b></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><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• No Action required</li> </ul>
<p>2 Results of Walk-Over Inspection</p>	<p><b>Conclusion</b></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><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• No Action required</li> </ul>
<p>3. Site Utilization / Easements / History</p>	<p><b>Conclusion</b></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 (DC1 - C and DC1 – unit D) is located more than 60 m from the high voltage power line and the pylon. No restrictions are therefore directly to apply to the current project.</p> <hr/> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Obligation to let the "Service de l'Archéologie" perform archaeological investigations on site. Duration to be defined in a mutual agreement protocol. While a protocol has already been agreed for the DC1 - unit C construction</li> </ul>

	<p>footprint, contact with the "Service de l'Archéologie" has still to be made for DC1 - unit D.</p> <ul style="list-style-type: none"> <li>• Check with ELIA on potential restrictions on construction works (e.g. limited movement of cranes)</li> </ul>
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<p>4. Planning Applications / Site Access and Traffic /Utilities</p>	<p><b>Conclusion</b></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><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• No Action required</li> </ul>

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

Reviewed by:

Prepared by:

Herwig Teughels  
Senior project manager

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





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**Convention d'entrepôt**

**Entre les soussignées:**

1. La société privée à responsabilité limitée **Prologis Belgium III BVBA**, dont le siège social est situé à 2850 Boom, Scheldeweg 1, inscrite à la Banque Carrefour des Entreprises sous le numéro 0472.435.629 (RPM Antwerp) et ayant comme numéro TVA 0472.435.629, 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, gérant, 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, Directeur ci-après dénommée « **Garant** »,

**IL EST PRECISE CE QUI SUIT:**

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** »), 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** ») et une « *Convention de dépôt* » en date du 19 septembre 2014, concernant le Prologis Park Liège Distribution Center III situé dans le Parc Industriel Hauts-Sarts, Milmort, Liège, avenue du Parc Industriel (la « **Convention DC III** »).
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 « **Terrain** », tel que plus amplement décrit dans la Partie I - Article 1.1, dernier alinéa de la présente Convention).
3. Sur ce Terrain et sur une portion de terrain sur laquelle Prologis Park Liège Distribution Centers II et III a construit respectivement est en train de construire (ensemble ci-après le « **Site** »), Prologis a l'intention de construire des entrepôts additionnels, une mezzanine et des bureaux, à savoir le Prologis Park Liège Distribution Center IV (les « **Lieux** », tels que plus amplement décrits dans la Partie I - Article 1.1, premier alinéa de la présente Convention).
4. Skechers souhaite développer des activités de stockage, de manutention, de transport et de distribution dans les Lieux qui seront construits sur le Site.
5. 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 SUIT:**

**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 Terrain auprès des Services Promotion Initiatives en Province de Liège (SPI) SCRL pour un prix d'achat ne dépassant par € 48.00 / m<sup>2</sup> 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 la condition suspensive indiquée à l'Article 1.1 n'est pas réalisée à la date mentionnée ci-dessus ou si les Conditions Suspensives ne sont pas réalisées cumulativement pour le 30 septembre 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, étant toutefois convenu que s'il devait être, de l'opinion des deux Parties, raisonnablement évident que toutes les Conditions Suspensives peuvent être réalisées rapidement après le 30 septembre 2015, sans impact sur la Date de Délivrance prévue à l'Article 4 de la Partie I ci-dessus, les Parties mèneront des négociations de bonne foi afin d'étendre la date susmentionnée du 30 septembre 2015. Dans ce cas, un addendum spécifique à la Convention sera joint.

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 Terrain 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 suspensive 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 IV », 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 26.451 m<sup>2</sup> et comprenant :

- approximativement 24.309 m<sup>2</sup> d'entrepôts (ci-après désignés les « **Entrepôts** »);
- approximativement 1.792 m<sup>2</sup> de mezzanine (ci-après désignée la « **Mezzanine** »);
- approximativement 350 m<sup>2</sup> 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<sup>e</sup> Division (Vottem, A La Chaussée), Section A, numéro 559/E/2 (partie), avec une surface totale approximative de 40.372 m<sup>2</sup> (ci-après désigné le « **Terrain** ») et sur une portion de terrain sur laquelle Prologis Park Liège Distribution Centers II et III a construit respectivement est en train de construire (ensemble 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, du Distribution Center II et du Distribution Center III qui sont voisins du Terrain, étant compris que Skechers ne sera pas autorisé à réclamer des dommages et intérêts pour quelque nuisance que ce soit durant les travaux.

1.6 Pour éviter tout doute, les Parties confirment que les articles 7.2 et 7.3 de la Partie I de la Convention DC III restent d'application, à l'exception, cependant, des sections de ces deux articles où il est fait référence à la possibilité de louer le Distribution Center IV (ou d'octroyer d'autres droits à son égard) à des tiers. Pour éviter tout doute, il est compris que le Distribution Center IV sera construit pour et loué (au moyen d'une « mise à disposition ») à Skechers uniquement, et qu'aucun droit en rapport avec le Distribution Center IV ne sera octroyé à des tiers.

## 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(ces) 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.

Prologis informera Skechers de manière régulière sur la progression de la demande (et répondra aux demandes spécifiques de Skechers à cet égard sans délai), et informera aussi Skechers immédiatement de toutes circonstances qui peuvent affecter la Date de Délivrance ou l'exécution d'autres obligations de Prologis. Skechers sera invité à toutes les réunions avec les autorités compétentes et pourra y participer.

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.

#### Article 4 - Délai

4.1. La date visée pour la Délivrance des Lieux conformément à l'Article 5 ci-dessous est le 1<sup>er</sup> avril 2016. Cette date est basée sur le début des travaux de construction le 1<sup>er</sup> mai 2015, ce qui implique qu'un permis d'urbanisme irrévocable est disponible à ce moment et qu'aucune autre circonstance ne s'est produite ou se produit qui empêche le début des travaux de construction à cette date. 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, 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(sent) 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 ou par les discussions des Parties conformément à la Partie II, Article 4.5; 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 respectivement égal au nombre de jours ouvrables dans le secteur de la construction des discussions conformément à la Partie II, Article 4.5, sauf si Prologis peut démontrer de manière raisonnable qu'un tel délai a des conséquences additionnelles sur la période de construction.4.3 Les Parties sont conscientes de la possible présence d'artefacts archéologiques sur le Site, qui peuvent avoir un impact sur le timing des travaux de construction. Prologis fera ses meilleurs efforts afin de conclure une convention (« protocole ») avec les autorités archéologiques wallonnes, si requis par ces autorités, concernant les fouilles archéologiques du Terrain et leur timing. Le cas échéant, les différentes étapes (et timing) des fouilles archéologiques seront décrites dans cette convention. Prologis fera ses meilleurs efforts pour obtenir cette convention basée sur le protocole tel que convenu pour les fouilles archéologiques de DC III.

Si requis, la date visée précisée ci-dessus sera ajustée sur base du timing requis pour les fouilles archéologiques. Ce timing peut - le cas échéant - être précisé dans le protocole à convenir avec les autorités archéologiques wallonnes. Si les autorités ne se conforment pas ou ne se conforment pas à temps à leurs obligations en vertu de ladite convention, Prologis s'engage à prendre toutes les actions qui sont raisonnablement dans ses pouvoirs, vis-à-vis des autorités aux fins d'assurer l'exécution de leurs obligations en vertu de la convention.

#### 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 refusée 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.

**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) mesures 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° 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 5.000 kg/m<sup>2</sup> en ce qui concerne le plancher des Entrepôts et 400 kg/m<sup>2</sup> 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 :

- € 42.40 / m<sup>2</sup> / an pour les Entrepôts, soit un montant total de € 1.030.701,60 / an;
- € 23.00 / m<sup>2</sup> / an pour la Mezzanine, soit un montant total de € 41,216,00 / an;
- € 85.00 / m<sup>2</sup> / an pour les Bureaux, soit un montant total de € 29.750,00 / an;

et a été fixée à un montant de € **1.101.667,60 par an** respectivement € **275.416,90 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<sup>er</sup> janvier, 1<sup>er</sup> avril, 1<sup>er</sup> juillet ou 1<sup>er</sup> octobre, la Redevance Trimestrielle due pour le premier trimestre sera calculée *pro rata* et sera due à la Date de Début, sans préjudice des Articles 4.4 et 4.5.

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) au départ des hypothèses suivantes :

- travaux de nivellement du sol pour réaliser le même sol / niveau que Prologis Park Liège Distribution Center I, Prologis Park Liège Distribution Center II et Prologis Park Liège Distribution Center III ;
- fondations égales au niveau des fondations du Prologis Park Liège Distribution Center II et Prologis Park Liège Distribution Center III ;
- les équipements pour les Lieux seront connectés à l'infrastructure existante du Prologis Park Liège Distribution Center I, du Prologis Park Liège Distribution Center II et du Prologis Park Liège Distribution Center III.

Si une ou plusieurs de ces hypothèses n'est pas correcte ou confirmée, le coût additionnel sera inconditionnellement et exclusivement supporté par Skechers. 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. Prologis ne devra pas supporter ces coûts de dépassement, 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.

4.5. En outre, les montants de la Redevance à l'Article 4.1 sont également basés (parmi d'autres paramètres) sur l'hypothèse de l'acquisition par Prologis du Terrain auprès de Services Promotion Initiatives en Province de Liège (SPI) SCRL pour un prix d'achat n'excédant pas € 30.00 / m<sup>2</sup>.

En cas de prix d'achat excédant € 30.00 / m<sup>2</sup> mais n'excédant pas € 48.00 / m<sup>2</sup> pour l'acquisition du Terrain (*cf.* Condition Suspensive à la Partie I, Article 1.2), les Parties conviennent que la première partie du coût additionnel pour acquérir le Terrain à un prix excédant € 30.00 / m<sup>2</sup> mais n'excédant pas € 48.00 / m<sup>2</sup>, pour un montant de € 250.000 sera en toute hypothèse supporté par Prologis, alors que le reste sera supporté par Skechers.

Si le coût additionnel pour acquérir le Terrain à un prix excédant € 30.00 / m<sup>2</sup> est inférieur à € 250.000, le montant total de ce coût additionnel inférieur sera supporté par Prologis.

Ce qui précède implique que si le Terrain est acquis à € 48.00 / m<sup>2</sup>, le coût additionnel pour acquérir le Terrain s'élève à € 726.696, un montant de € 250.000 étant supporté par Prologis et un montant de € 476.696 étant supporté par Skechers.

Les droits d'enregistrements et les coûts notariés additionnels liés au coût additionnel pour acquérir le Terrain au prix excédant € 30,00 / m<sup>2</sup> seront supportés par Prologis.

Le montant dû par Skechers en application de cet Article 4.5 est à considérer comme Redevance et sera payé sur base d'une facture par Prologis, au plus tard au moment de l'acquisition du Terrain (et du paiement du prix d'achat y relatif) par Prologis. La Condition Suspensive visée à la Partie I, Article 1.1 ne s'applique pas à cette obligation de Skechers.

En cas d'un prix d'achat excédant € 48,00 / m<sup>2</sup> pour l'acquisition du Terrain (et une renonciation de Prologis à la Condition Suspensive visée à la Partie I, Article 1.2, *in fine*), les Parties s'engagent à continuer à négocier de bonne foi.

Il est expressément convenu que cet Article 4.5 n'aura aucun impact quelconque sur le droit de Prologis de faire appel à la Condition Suspensive visée à la Partie I, Article 1.2 *in fine* (ou pas).

#### 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<sup>er</sup> janvier (pour la première fois le 1<sup>er</sup> janvier 2018) 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 de janvier 2015, soit 100,61 (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. Prologis, à l'exclusion de toute responsabilité de Skechers dans ce cadre, supportera tous les coûts, amendes, ou taxes supplémentaires, droits ou contributions, qui résultent du défaut de Prologis d'introduire ou du défaut de Prologis d'introduire à temps les demandes ou notifications nécessaires et correctes, mentionnées ci-dessus.

8.1.5. Skechers indemnisera 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. Pour éviter tout doute, les Parties confirment que l'article 8.3.4 de la Partie II de la Convention DC III ne sera plus applicable.

## **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 ramoneur 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 libèrera ni ne déchargera d'aucune manière Skechers de ses obligations, en partie ou totalement aux 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 indemnifiera 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 a acquis le Terrain 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, le Distribution Center II et le Distribution Center III 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 indemnifiera 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 en tant qu'indemnité à Prologis 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, de la Convention DC II et de la Convention DC III (et leurs amendements respectifs), une garantie bancaire abstraite, cessible et appellable à première demande, irrévocable et inconditionnelle en faveur de Prologis et de Prologis Belgium II 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, de la Convention DC II et de la Convention DC III (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, de la Convention DC II et de la Convention DC III, 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, de la Convention DC II et de la Convention DC III (et leurs amendements respectifs) dans l'état tel que décrit dans les rapports d'inspection respectifs conformément aux dispositions respectives de la présente Convention et 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 de la présente Convention et 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<sup>er</sup>, seconde section, 9<sup>o</sup> du Code de TVA belge, la présente Convention sera enregistrée au droit fixe de € 50.

<b>Partie III – Clauses générales et finales</b>
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#### **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.

\*

\* \*

- 19/21 -

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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: \_\_\_\_\_  
Qualité: Bram Verhoeven  
Porteur de procuration

**Skechers**

Nom: \_\_\_\_\_  
Qualité: Monsieur David Weinberg  
Gérant

**Garant**

Nom: \_\_\_\_\_  
Qualité: Monsieur David Weinberg  
Directeur

Annexes:

1. Plan du Site (incluant le Terrain et le terrain adjacent au Terrain)
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. Convention de nivellement du sol



**Agreement**

**Between the undersigned:**

1. The limited liability company **Prologis Belgium III BVBA**, having its registered office at 2850 Boom, Scheldeweg 1, registered with the Crossroads Bank for Enterprises under the number 0472.435.629 (RLE Antwerp) and with VAT number 0472.435.629, represented by Mr. Bram Verhoeven, holder of a special proxy, hereinafter referred to as "**Prologis**",

**AND**

2. The limited liability company **Skechers EDC Sprl**, 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, Business Manager, 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, Director hereinafter referred to as "**Guarantor**",

## Ground levelling DC4 Liège

### 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 IV, on a parcel of land located in the Industrial Park Hauts-Sarts, Milmort, Liège, Avenue du Parc Industriel (the "**Land**") and on a portion of the land on which Prologis Park Liège Distribution Centers II and III has been, respectively is being constructed (together referred to as the "**Site**"), as further described in Article 1.1, last paragraph of Part I of the Warehouse Agreement.
2. The Land is currently owned by Services Promotion Initiatives en Province de Liège (SPI) SCRL. Prologis is negotiating terms and conditions of the acquisition of the Land.
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 IV, and (ii) acquisition of the Land.
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 IV, as further detailed in **Appendix 1**, i.e. prior to the acquisition of the Land 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 Land, 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 1**. 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 IV.
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 IV, as further detailed in **Appendix 1**, 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.

\*

\* \*

**Ground levelling DC4 Liège**

Done in \_\_\_\_\_, on \_\_\_\_\_ 2015, in three original counterparts, each Party and the Guarantor acknowledging receipt of a fully executed original copy.

**Prologis**

Name: \_\_\_\_\_  
Capacity: Bram Verhoeven  
Holder of a special proxy

**Skechers**

Name: \_\_\_\_\_  
Capacity: David Weinberg  
Business Manager

**Guarantor**

Name: \_\_\_\_\_  
Capacity: David Weinberg  
Director

**Appendices**

1. Ground levelling works - technical description



**Addendum to the Warehouse Agreement**

**Between the undersigned:**

1. The private 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 Belgium II**”,

**AND**

2. The private limited liability company **Skechers EDC SPRL**, 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, Business Manager,  
hereinafter referred to as “**Skechers**”,

**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, Director,  
hereinafter referred to as “**Guarantor**”,

**AND**

4. The private limited liability company **Prologis Belgium III BVBA**, having its registered office at 2850 Boom, Scheldeweg 1, registered with the Crossroads Bank for Enterprises under the number 0472.435.629 (RLE Antwerp) and with VAT number 0472.435.629,  
represented by Mr. Bram Verhoeven, holder of a special proxy,  
hereinafter referred to as “**Prologis Belgium III**”.

**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”**), 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”**) and a *“Warehouse Agreement”* dated 19 September 2014, with respect to the Prologis Park Liège Distribution Center III located in the Industrial Park Hauts-Sarts, Milmort, Liège, avenue du Parc Industriel (the **“Agreement DC III”**).
2. Prologis Belgium II (instead of Prologis Belgium III) 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 **“Land”**).
3. On this Land and on a portion of the land on which Prologis Park Liège Distribution Centers II and III has been, respectively is being constructed (together referred to as the **“Site”**), the intention is to construct additional warehouses, mezzanine and offices, i.e. the Prologis Park Liège Distribution Center IV (the **“Premises”**).
4. Skechers wishes to perform activities related to the storage, handling, transportation and distribution in the Premises which will be constructed on the Site.
5. Prologis Belgium III, Skechers and the Guarantor wanted to conclude an agreement by which the Premises would be designed and constructed by Prologis Belgium III and put at the disposal of Skechers subject to the terms and conditions as set out and mutually agreed upon in an agreement. To that extent, Prologis Belgium III, Skechers and the Guarantor entered into said agreement (the **“Agreement”**).
6. It has been decided to amend the Agreement by replacing Prologis Belgium III by Prologis Belgium II under the Agreement.

**THE FOLLOWING HAS BEEN AGREED:**

The conditions of the Agreement remain unchanged except for the following conditions:

Prologis Belgium III, as contracting party under the Agreement, is, with retroactive effect as from the date of execution of the Agreement, fully replaced by Prologis Belgium II, at the full discharge of Prologis Belgium III which, as a result, is freed from any obligations resulting from the Agreement.

\*  
\*       \*  
\*

Done in Boom, on 20/7/2015, in five original counterparts, each party acknowledging receipt of a fully executed original copy, and one remaining counterpart being intended for the registration office.

**Prologis Belgium II**

/s/ Bram Verhoeven  
Name: Bram Verhoeven  
Capacity: Holder of a special proxy

**Skechers**

s/ David Weinberg  
8/3/2015  
Name: David Weinberg  
Capacity: Business Manager

**Guarantor**

/s/ David Weinberg  
8/3/2015  
Name: David Weinberg  
Capacity: Director

**Prologis Belgium III**

/s/ Bram Verhoeven  
Name: Bram Verhoeven  
Capacity: Holder of a special proxy



## Addendum to the Agreement

**Between the undersigned:**

1. The private 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 Belgium II**”,

**AND**

2. The private limited liability company **Skechers EDC SPRL**, 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, Business Manager,

hereinafter referred to as “**Skechers**”,

**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, Director,

hereinafter referred to as “**Guarantor**”,

**AND**

4. The private limited liability company **Prologis Belgium III BVBA**, having its registered office at 2850 Boom, Scheldeweg 1, registered with the Crossroads Bank for Enterprises under the number 0472.435.629 (RLE Antwerp) and with VAT number 0472.435.629,

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

hereinafter referred to as “**Prologis Belgium III**”.

**WHEREAS:**

1. Prologis Belgium III, Skechers and the Guarantor have executed a conditional agreement (the **‘Warehouse Agreement’**) with respect to the design, construction and putting at the disposal by Prologis Belgium III to Skechers, of warehouses, mezzanine and offices, i.e. the Prologis Park Liège Distribution Center IV, on a parcel of land located in the Industrial Park Hauts-Sarts, Milmort, Liège, Avenue du Parc Industriel (the **“Land”**) and on a portion of the land on which Prologis Park Liège Distribution Centers II and III has been, respectively is being constructed (together referred to as the **“Site”**), as further described in Article 1.1, last paragraph of Part I of the Warehouse Agreement.
2. The Land is currently owned by Services Promotion Initiatives en Province de Liège (SPI) SCRL. Prologis Belgium II (instead of Prologis Belgium III) is negotiating terms and conditions of the acquisition of the Land.
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 IV, and (ii) acquisition of the Land.
4. Given the timing constraints for Skechers, Skechers has nevertheless requested Prologis Belgium III to start ground levelling works on the Site. To that extent, Prologis Belgium III, Skechers and the Guarantor entered into an agreement related to said works (the **“Agreement”**).
5. It has been decided to amend the Agreement by replacing Prologis Belgium III by Prologis Belgium II under the Agreement. The same amendment has been decided with regard to the Warehouse Agreement and has been acted in a separate document.

**THE FOLLOWING HAS BEEN AGREED:**

The conditions of the Agreement remain unchanged except for the following conditions:

Prologis Belgium III, as contracting party under the Agreement, is, with retroactive effect as from the date of execution of the Agreement, fully replaced by Prologis Belgium II, at the full discharge of Prologis Belgium III which, as a result, is freed from any obligations resulting from the Agreement.

\*  
\*       \*

**Addendum - Ground levelling DC4 Liège**

Done in Boom, on 20/7/2015, in four original counterparts, each party acknowledging receipt of a fully executed original copy.

**Prologis Belgium II**

/s/ Bram Verhoeven  
Name: Bram Verhoeven  
Capacity: Holder of a special proxy

**Skechers**

/s/ David Weinberg  
8/3/2015  
Name: David Weinberg  
Capacity: Business Manager

**Guarantor**

/s/ David Weinberg  
8/3/2015  
Name: David Weinberg  
Capacity: Director

**Prologis Belgium III**

/s/ Bram Verhoeven  
Name: Bram Verhoeven  
Capacity: Holder of a special proxy

**SKECHERS U.S.A., INC.**  
**EMPLOYMENT AGREEMENT**

**THIS EMPLOYMENT AGREEMENT** (“Agreement” herein) is entered into as of January 1, 2015, by and between SKECHERS U.S.A., INC., a Delaware corporation (the “Company”), and Michael Greenberg (“Employee”).

1. Employment and Duties. The Company hereby employs Employee as President of the Company on the terms and subject to the conditions contained in this Agreement. Employee hereby accepts such employment and agrees to perform in good faith and to the best of Employee's ability all services which may be required of Employee hereunder, to do what is asked of him, and to be available to render services at all times and places in accordance with such directions, requests, rules and regulations made by the Company in connection with Employee's employment. Employee hereby acknowledges and understands the duties and services that are expected of him hereunder, and he hereby represents that he has the experience and knowledge to perform such duties and services. Employee shall report to the Chief Executive Officer of the Company, or such other executive officer as may be designated by the Company. Employee shall be based at the Company's corporate offices. Employee understands, however, that Employee may be required to travel within and outside of the State of California to discharge his duties hereunder.

2. Devotion to Company Business. Employee shall devote his full business time, ability, and attention to the business of the Company during the term of this Agreement and shall not during the term of this Agreement engage in any other business activities, duties, or pursuits whatsoever, or directly or indirectly render any services of a business, commercial, or professional nature to any other person or organization, whether for compensation or otherwise, without the prior written consent of the Company's Board of Directors. It shall not be a violation of this Agreement for Employee to (a) engage in charitable or community activities, or in trade or professional organizations, or (b) manage personal investments, as long as such activities do not significantly interfere with the performance of Employee's responsibilities as an employee of the Company in accordance with this Agreement. Nothing in this Agreement shall be interpreted to prohibit Employee from making passive personal investments. However, Employee shall not directly or indirectly acquire, hold, or retain any interest in any business competing with or similar in nature to the business of the Company, except as permitted by Company policies or authorized by the Chief Executive Officer of the Company.

3. Fiscal Year and Term of Employment Agreement. The Company's fiscal year is January 1 through December 31 of each year (“Fiscal Year”), with the respective fiscal quarters ending March 31, June 30, September 30 and December 31 of each year (“Fiscal Quarter”). The term of this Agreement shall commence as of the date hereof and shall terminate on December 31, 2018 (the “Term”), unless sooner terminated as provided herein.

4. Compensation. As compensation for Employee's services hereunder and all the rights granted hereunder by Employee to the Company, Employee will be entitled to the following pay and benefits:

---

4.1 Salary. The Company will pay Employee a gross salary of not less than USD \$2.2 million per fiscal year during the term of this Agreement. Employee's salary shall be payable in bi-weekly increments in accordance with the Company's payroll practices for salaried employees.

4.2 Annual Bonus. Employee will be eligible to receive an annual bonus in an amount of not less than 0.25% percent of the amount which net sales for the applicable Fiscal Year during the Term exceed net sales for the prior Fiscal Year, such amounts being payable on a quarterly basis during the Term in an amount which net sales for the applicable Fiscal Quarter exceed net sales for the corresponding Fiscal Quarter in the prior year. The bonus, if any, for each such Fiscal Quarter will be paid no later than the end of the Fiscal Quarter following the Fiscal Quarter in which the bonus is earned.

4.3 Restricted Stock. Employee and the Company acknowledge the Company's October 21, 2014, grant of 200,000 shares of restricted Company stock to Employee, which vest as follows: 50,000 shares on November 1, 2015; 50,000 shares on November 1, 2016; 50,000 shares on November 1, 2017 and 50,000 shares on November 1, 2018, subject to the terms and conditions of the Company's 2007 Incentive Award Plan and the restricted stock agreement thereunder entered into between Employee and the Company (the "Restricted Stock Agreement"). Employee and the Company further acknowledge that the grant of restricted stock under this Section 4.3 is over and above any stock that had previously been granted to Employee and not in lieu of any such stock.

4.4 Automobile Allowance. The Company will provide Employee with a Company car commensurate with his position to use for Company business and will pay the automobile insurance premiums on Employee's behalf.

4.5 Vacation. Employee shall have the right during each one year period of the term of this Agreement to earn and accrue four weeks of paid vacation, in accordance with and subject to the provisions of the Company's vacation policy in effect from time to time. Employee may take accrued vacation at such times that are mutually convenient to Employee and the Company, subject to the business requirements of the Company.

4.6 Employee Plans, etc. Employee shall be entitled to participate, to the same extent as other officers of the Company, in any bonus compensation plan, stock purchase or stock option plan, group life insurance plan, group medical insurance plan and other compensation or employee benefit plans (collectively, "Plans") which are generally available to a majority of the other officers of the Company during the term hereof and for which Employee shall qualify. Employee further understands, however, that the Board of Directors, or such committee or person or persons designated by the Board of Directors, shall determine in its sole discretion (i) whether any Plans are made available to a majority of the officers of the Company; (ii) whether one or more Plans are adopted solely for the Chief Executive Officer and/or one or more (but not a majority) of the officers of the Company; (iii) whether one or more Plans are made available to a majority of the officers; and (iv) the amounts payable or the benefits provided thereunder to each participant in whole or in part. Employee agrees and acknowledges that he has no vested interest in the continuance of any Plan, and that no Plan in existence on the date of this Agreement has acted as a material inducement to Employee in entering into this Agreement.

4.7 Other Benefits. Employee shall be entitled to participate, in the same manner and to the same extent as other officers of the Company, in all of the Company's employee benefits as described in the Company's Employee Handbook. However, nothing shall require or obligate the Company to adopt or implement, or to prevent, preclude or otherwise prohibit the Company from amending, modifying, continuing, discontinuing, or otherwise terminating any particular employee benefit plan, program or arrangement.

5. Expense Reimbursement. Employee shall be reimbursed by the Company for all traveling, hotel, entertainment and other expenses that are properly and necessarily incurred by Employee, consistent with Employee's position with the Company and the Company's policies on the same.

6. Termination of Employment. This Agreement shall terminate automatically as of the expiration date set forth in Section 3, above, without notice by either party, unless renewed by mutual written agreement of Employee and the Company. In addition, this Agreement and Employee's employment may be terminated earlier only as follows:

6.1 Death. This Agreement and Employee's employment shall terminate upon Employee's death.

6.2 Disability. The Company may terminate this Agreement and Employee's employment, by providing written notice of such termination to Employee, if Employee shall suffer a physical or mental disability which renders Employee unable to perform the essential functions of his job, with or without reasonable accommodation. Subject to the provisions of the Americans With Disabilities Act and applicable state law, Employee shall be presumed to be disabled if Employee is unable to substantially perform the services required of Employee hereunder for a period in excess of 60 consecutive work days or 60 work days during any 90 work day period. In such event, Employee shall be presumed to be disabled as of such 60th workday.

6.3 For Cause. The Company may terminate this Agreement and Employee's employment for "Cause" by providing written notice of such termination to Employee. For purposes of this Agreement, "Cause" shall mean: (i) Employee willfully breaches or habitually neglects the duties that Employee is required to perform under this Agreement; (ii) Employee commits an intentional act of moral turpitude that has a material detrimental effect on the reputation or business of the Company; (iii) Employee is convicted of a felony or commits any material act of dishonesty, fraud or intentional misrepresentation; (iv) Employee engages in an unauthorized disclosure or use of inside information, trade secrets or other confidential information; or (v) Employee willfully breaches a fiduciary duty, or violates any law, rule or regulation, which breach or violation results in a material adverse effect on the Company. If the Company decides to terminate Employee's employment for Cause, the Company will provide Employee with notice specifying the grounds for termination, accompanied by a brief written statement of the relevant facts supporting such grounds.

6.4 Without Cause. The Company may terminate this Agreement and Employee's employment without cause upon providing written notice of such employment termination to Employee.

6.5 Voluntary Termination Without Good Reason . Employee may voluntarily terminate this Agreement and Employee's employment with the Company without "Good Reason" as defined in Section 6.6, below, upon providing one hundred twenty (120) days written notice of such termination to the Company, provided, however, that the Company may waive any part or all of the notice period, in its sole and absolute discretion.

6.6 Voluntary Termination for Good Reason. Employee may terminate this Agreement and Employee's employment for "Good Reason" upon providing written notice of such employment termination to the Company. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following without Cause, unless the Company has Employee's prior written consent: (i) Employee is removed from his position specified in Section 1, above, and is not placed in a reasonably comparable or higher position; (ii) an unreasonable reduction in the duties defined in Section 1, above, provided, however, that the term Good Reason does not include a situation where duties defined in Section 1, above, are removed from Employee's responsibilities and are replaced with duties that have greater responsibility and/or authority than the duties that are removed; (iii) Employee is demoted or his annual salary is reduced or his benefits and annual compensation package is materially reduced; (iv) Employee is required to relocate outside of Los Angeles County to continue employment; or (v) Employee's employment conditions are altered to the material detriment of Employee. Voluntary termination will not be considered to be for Good Reason unless (i) Employee gives written notice of such termination to the Company within ninety (90) days of learning from an authoritative source that the Company has acted so as to provide Good Reason for Employee to terminate this Agreement, (ii) Employee gives ninety (90) days' written notice of such termination to the Company, specifying in detail the actions that constitute Good Reason, and (iii) the Company does not cure the actions that would constitute Good Reason within ninety (90) days of its receipt of the notification.

6.7 Change in Control. The Company and/or its successor may terminate this Agreement and Employee's employment in connection with a Change in Control, as defined and provided in Section 8.4, below.

7. Notice and Effective Date of Termination.

7.1 Notice. Any termination of this Agreement and Employee's employment by the Company or by Employee during the Term of this Agreement (other than as a result of death) shall be communicated by written notice of termination to the other party hereto.

7.2 Date of Termination. The Date of Termination shall be:

- (a) If Employee's employment is terminated by Employee's Death, the date of Employee's death;
- (b) If Employee's employment is terminated by reason of Disability, the 31st day following delivery of the notice of termination;
- (c) If Employee's employment is voluntarily terminated by Employee without Good Reason or terminated by the Company for Cause, the date on which the notice of termination is delivered by one party to the other party;

(d) If Employee's employment is terminated without Cause by the Company, the date on which a notice of termination is delivered by the Company to Employee.

(e) If Employee's employment is terminated by Employee for Good Reason, the 91<sup>st</sup> day after the date on which a notice of termination is delivered by Employee to the Company, provided that the Company has not cured the actions that would constitute Good Reason within ninety (90) days of its receipt of the notification.

(f) If Employee's employment terminates by reason of a Change in Control, the date on which a notice of termination is delivered by the Company or its successor to Employee.

## 8. Compensation and Benefits Upon Termination.

8.1 Death or Disability. If Employee's employment terminates pursuant to Death or Disability, Employee (or Employee's estate) shall be paid Employee's then current salary earned through the date of termination, in addition to any accrued, but unused vacation, and Employee shall be reimbursed for any business expenses incurred by Employee in accordance with Section 5, above. Employee shall be entitled to no further compensation or benefits.

8.2 Termination for Cause or Voluntary Termination Without Good Reason. If Employee's employment terminates by the Company for Cause or by Employee without Good Reason, Employee shall be paid Employee's then current salary earned through the date of termination, in addition to any accrued, but unused vacation, and Employee shall be reimbursed for any business expenses incurred by Employee in accordance with Section 5, above. Employee shall be entitled to no further compensation or benefits.

8.3 Termination Without Cause or Voluntary Termination for Good Reason. If Employee's employment terminates by the Company without Cause or by Employee with Good Reason, Employee shall be paid Employee's then current salary earned through the date of termination, in addition to any accrued but unused vacation, and Employee shall be reimbursed for any business expenses incurred by Employee in accordance with Section 5, above. Employee shall be entitled to no further compensation or benefits, provided, however, that if in connection with the termination of his employment Employee executes a "Waiver and Release Agreement" in the form attached hereto as Attachment "A," and if that "Waiver and Release Agreement" is not revoked by Employee pursuant to its terms and becomes effective and enforceable, then (i) the Company shall be obligated to pay Employee the total gross amount (the "Section 8.3(i) Amount") equal to Employee's salary for the remainder of the four year Term (at the annual rate payable at the time of such termination) plus an annual bonus for each of the remaining Fiscal Years in the four year Term equal to the highest amount of the bonus specified in Section 4.2, above, that was earned by Employee in any Fiscal Year in the four year Term prior to Employee's termination, less bonus amounts already paid for the Fiscal Year of termination, and (ii) the Company will, at its own expense, accelerate the vesting of all Company stock options and restricted Company stock held by the Employee, provided that such acceleration is allowed by the terms of the Company's 2007 Incentive Award Plan and the Restricted Stock Agreement. The payments and benefits specified in (i) and (ii) of the preceding sentence will not be made, the "Waiver and Release Agreement" will become null and void, and Employee will not be entitled to any payments or benefits other than those specified in the first sentence of this Section

8.3, unless and until each of the following four conditions are satisfied: (a) Employee executes the “Waiver and Release Agreement” within twenty-one (21) days after receiving it, (b) Employee returns the executed “Waiver and Release Agreement” to the Company no later than five (5) working days after executing it, (c) the “Waiver and Release Agreement” by its terms becomes effective and enforceable after the seven (7) day revocation period specified in the “Waiver and Release Agreement” has expired without revocation by Employee, and (d) Employee returns all Records (as defined in Section 10, below) to the Company no later than five (5) days after the termination of his employment. Moreover, Employee acknowledges and agrees that, if the Section 8.3(i) Amount exceeds the amount that would qualify as “separation pay” within the meaning of Treasury Regulation 1.409A-1(b)(9) (the “Separation Pay Limitation”), then the maximum amount which would not exceed the Separation Pay Limitation shall be paid in one lump-sum payment on the first Company payroll date which follows the end of the month in which occurs the last of the events specified in (a)-(d) of the immediately preceding sentence. The balance of the Section 8.3(i) Amount shall be paid in one lump-sum payment that is payable on the Company’s first payroll date no earlier than six (6) months and one (1) day after the termination of Employee’s employment, and no later than seven (7) months after the termination of Employee’s employment.

Notwithstanding the foregoing or any other provision of this Agreement, if any part or all of the payments or benefits specified in this Section 8.3 are subject to taxation under Section 409A of the Internal Revenue Code, as determined by the Company, with the advice of its independent accounting firm or other tax advisors, then the payments or benefits shall be subject to modification as set forth hereafter in Section 19 of this Agreement.

8.4 Termination Upon Change in Control. For purposes of this Agreement, “Change in Control” is defined to mean the earlier occurrence of one of the following events, whether by a single transaction or in a series of related transactions: (i) a merger, consolidation or similar transaction involving (directly or indirectly) the Company and, immediately after the consummation of such merger, consolidation or similar transaction, the stockholders of the Company immediately prior thereto do not own, directly or indirectly, outstanding voting securities representing more than fifty percent (50%) of the combined outstanding voting power of the surviving entity in such merger, consolidation or similar transaction or more than fifty percent (50%) of the combined outstanding voting power of the parent of the surviving entity in such merger, consolidation or similar transaction; (ii) a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries, other than a sale, lease, license or other disposition of all or substantially all of the consolidated assets of the Company and its subsidiaries to an entity, of more than fifty percent (50%) of the combined voting power of the voting securities of which are owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale, lease, license or other disposition; or (iii) the acquisition by any Person (other than any employee benefit plan, or related trust, sponsored or maintained by the Company) as Beneficial Owner (as ‘Person’ and ‘Beneficial Owner’ are defined in the Securities Exchange Act of 1934, as amended, or the rules and regulations thereunder), directly or indirectly, of securities of the Company representing 20 percent (20%) or more of the total voting power represented by the Company’s then outstanding voting securities.

If Employee’s employment is terminated by the Company or its successor without Cause during the Term of this Agreement upon or within one hundred twenty (120) days after a Change

in Control, Employee shall be paid Employee's then current salary earned through the date of termination, in addition to any accrued but unused vacation, and Employee shall be reimbursed for any business expenses incurred by Employee in accordance with Section 5, above. Employee shall be entitled to no further compensation or benefits, provided, however, that if the Company or its successor terminates Employee's employment without Cause during the Term of this Agreement upon a Change in Control or within one hundred twenty (120) days after a Change in Control, and if in connection with the termination of his employment by the Company Employee executes a "Waiver and Release Agreement" in the form attached hereto as Attachment "A, and if that "Waiver and Release Agreement" is not revoked by Employee pursuant to its terms and becomes effective and enforceable, then (i) the Company shall be obligated to pay Employee the total gross amount (the "Section 8.4(i) Amount") equal to Employee's salary for the remainder of the four year Term (at the annual rate payable at the time of such termination) plus an annual bonus for each of the remaining Fiscal Years in the four year Term equal to the highest amount of the bonus specified in Section 4.2, above, that was earned by Employee in any Fiscal Year in the four year Term prior to Employee's termination, less bonus amounts already paid for the Fiscal Year of termination, and (ii) the Company will, at its own expense, accelerate the vesting of all Company stock options and restricted Company stock held by the Employee, provided that such acceleration is allowed by the terms of the Company's 2007 Incentive Award Plan and the Restricted Stock Agreement. The payments and benefits specified in (i) and (ii) of the preceding sentence will not be made, the "Waiver and Release Agreement" will become null and void, and Employee will not be entitled to any payments or benefits other than those specified in the first sentence of this Section 8.4, unless and until each of the following four conditions are satisfied: (a) Employee executes the "Waiver and Release Agreement" within twenty-one (21) days after receiving it, (b) Employee returns the executed "Waiver and Release Agreement" to the Company no later than five (5) working days after executing it, (c) the "Waiver and Release Agreement" by its terms becomes effective and enforceable after the seven (7) day revocation period specified in the "Waiver and Release Agreement" has expired without revocation by Employee, and (d) Employee returns all Records (as defined in Section 10, below) to the Company no later than five (5) working days after the termination of his employment. Moreover, Employee acknowledges and agrees that, if the Section 8.4(i) Amount exceeds the Separation Pay Limitation, then the maximum amount which would not exceed the Separation Pay Limitation shall be paid in one lump-sum payment on the first Company payroll date which follows the end of the month in which occurs the last of the events specified in (a)-(d) of the immediately preceding sentence. The balance of the Section 8.4(i) Amount shall be paid in one lump-sum payment that is payable on the Company's first payroll date no earlier than six (6) months and one (1) day after the termination of Employee's employment, and no later than seven (7) months after the termination of Employee's employment. The payments and benefits under this Section 8.4 shall be in lieu of any payments or benefits due under Section 8.3.

Notwithstanding the foregoing or any other provision of this Agreement, if any part or all of the payments or benefits specified in this Section 8.4 are subject to taxation under Section 280G or Section 409A of the Internal Revenue Code, as determined by the Company, with the advice of its independent accounting firm or other tax advisors, then the payments or benefits shall be subject to modification as set forth hereafter in Section 18 or Section 19 of this Agreement.

8.5 Single Trigger Event. The provisions for payments contained in this Section 8 may be triggered only once during the term of this Agreement, so that, for example, should Employee be terminated because of a Disability and should there thereafter be a Change in Control, then Employee would be entitled to be paid only under Section 8.1 and not under Section 8.4, as well. In addition, Employee shall not be entitled to receive severance benefits of any kind from any parent, wholly owned subsidiary or other affiliated entity of the Company if in connection with the same event or series of events as to which the payments provided for in Section 8.3 or Section 8.4 have been triggered.

8.6 The Company shall have no further obligations to Employee as a result of the termination of Employee's employment, other than those expressly outlined in this Section 8.

9. Trade Secrets and Related Matters.

9.1 "Trade Secrets" means confidential business or technical information or trade secrets of the Company which Employee acquires while employed by the Company, whether or not conceived of, developed or prepared by Employee or at his direction and includes, without limitation:

(a) Any information or compilation of information concerning the Company's financial position, financing, purchasing, accounting, marketing, merchandising, sales, salaries, pricing, investments, costs, profits, plans for future development, employees, prospective employees, research, development, formulae, patterns, designs, drawings, inventions, plans, specifications, devices, products, procedures, processes, operations, techniques, software, computer programs or data;

(b) Any information or compilation of information concerning the identity, plans, requirements, preferences, practices and methods of doing business on specific customers, suppliers, prospective customers and prospective suppliers of the Company;

(c) Any other information or "know how" which is related to any product, process, service, business or research of the Company; and

(d) Any information which the Company acquires from another party and treats as its proprietary information or confidential information," whether or not owned or developed by the Company.

Notwithstanding the foregoing, "Trade Secrets" do not include either of the following:

(a) Information which is publicly known through no breach of this Section 9 by Employee, or which is generally employed by the trade, whether on or after the date that Employee first acquires the information; or

(b) General information or knowledge which Employee necessarily would have legitimately learned in the course of similar work elsewhere in the trade.

9.2 Acknowledgments. Employee acknowledges that:

- (a) Employee's relationship with the Company will be a confidential relationship in which Employee will have access to and may create Trade Secrets.
- (b) The Company uses the Trade Secrets in its business to obtain a competitive advantage over its competitors who do not know or use that information.
- (c) The protection of the Trade Secrets against unauthorized disclosure or use is of critical importance in maintaining the competitive position of the Company.

9.3 Nondisclosure, etc. Employee acknowledges that disclosure of any Trade Secret about the Company by Employee would be damaging to the Company and the growth of its business. As such, Employee agrees and warrants that he will not at any time or in any manner directly or indirectly use for his own benefit or the benefit of any other person or entity, or otherwise divulge, disclose or communicate in any fashion, to any person or entity, including, without limitation, the media or by way of the World Wide Web, any Trade Secret of the Company that has been learned or discovered by Employee while performing or preparing to perform his duties for the Company, without permission of the Company's Chief Executive Officer or unless compelled to do so by applicable law.

9.4 Liability. Employee acknowledges that each of the restrictions contained in this Agreement relating to this Paragraph 9 is reasonable and necessary in order to protect legitimate interests of the Company and that any violation thereof would cause irreparable injury to the Company. Employee acknowledges and agrees that, in the event of any violation thereof, the Company shall be authorized and entitled to obtain preliminary and permanent injunctive relief as well as an equitable accounting of all profits or benefits arising out of such violation and any damages for breach of this Agreement which may be applicable. The aforesaid rights and remedies shall be independent, severable and cumulative and shall be in addition to any other rights or remedies to which the Company may be entitled under this Agreement or applicable law.

9.5 Non-Competition. Employee agrees that, during the period of Employee's employment with the Company (a) he will not, directly or indirectly, either as an employee or in any other capacity, engage or participate in any business that is in competition in any manner whatsoever with the Company, including, but not limited to, the brokering of transactions to competitors of the Company, and (b) he will not engage in any activity that presents a conflict of interest with his duties and responsibilities to the Company.

9.6 Non-Solicitation of Employees. Employee shall not, during the term of this Agreement and for a period of one (1) year thereafter, for himself or on behalf of any other person, partnership, corporation or entity, directly or indirectly, or by action in concert with others, solicit, induce, suggest or encourage any person known to him to be an employee of the Company or any affiliate of the Company to terminate his or her employment or other contractual relationship with the Company or any of its affiliates.

9.7 Severability. The parties agree that the above restrictions contained in this Section 9 shall be completely severable and independent, and any invalidity or unenforceability

of any one or more of such restrictions, or portions of such restrictions, shall not render invalid or unenforceable any one or more of the other restrictions or portions of restrictions.

10. Records.

10.1 Records: Definition. The word "Records" shall be given its broadest possible interpretation and shall include, without limitation, files, accounts, records, log books, documents, drawings, sketches, designs, diagrams, models, plans, blueprints, specifications, manuals, books, forms, notes, reports, memoranda, studies, surveys, software, flow charts, data, computer programs, listing of source code, calculations, recordings, catalogues, compilations of information, correspondence, confidential data of customers and employees, and all copies, abstracts or summaries of the foregoing in any storage medium (including, without limitation, electronic form), as well as instruments, tools, storage devices, disks, equipment and all other physical items related to the business of the Company (other than merely personal items of a general professional nature), whether of a public nature or not, and whether prepared by Employee or not.

10.2 Ownership. All Records are and shall remain the exclusive property of the Company.

10.3 Return of Records. At the termination of this Agreement for any reason, Employee shall promptly return to the Company all records in Employee's possession or over which Employee has control.

11. Ownership of Material and Ideas. Employee agrees that all material, ideas, and inventions pertaining to the business of the Company, any of its affiliates or of any client of the Company, including but not limited to, all patents and copyrights thereon and renewals and extensions thereof, trademarks and trade names, and the names, addresses and telephone numbers of customers, distributors and sales representatives of the Company, belong solely to the Company. Employee hereby assigns any rights he may have to any such property to the Company, and agrees to execute and deliver any documents which evidence such assignment.

12. Services Unique. It is agreed that the services to be rendered by Employee hereunder are of a special, unique, unusual, extraordinary and intellectual character which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law and that a breach by Employee of any of the provisions contained in this Agreement will cause the Company irreparable injury and damage. Employee expressly agrees that the Company shall be entitled to injunctive or other equitable relief to prevent such a breach. Resort to any such equitable relief shall not be construed as a waiver of any of the rights or remedies which the Company may have against Employee for damages or otherwise.

13. Key Man Life Insurance. During the term of this Agreement, the Company may at any time effect insurance on Employee's life and/or health in such amounts and in such form as the Company may in its sole discretion decide. Employee shall not have any interest in such insurance, and shall not have the right to designate beneficiaries, but shall, if the Company requests, submit to such medical examinations, supply such information and execute such documents as may be required in connection with, or so as to enable the Company to effect, such insurance.



19. Internal Revenue Code Section 409A Limitation. It is the intention of the Company and Employee that any bonus, severance and other amounts that may become payable to Employee under this Agreement either be exempt from, or otherwise comply with, Section 409A of the Code (“Section 409A”). Each payment and each installment of any bonus, severance or other payment provided to Employee under this Agreement or otherwise shall be treated as a separate payment for purposes of application of Section 409A. Notwithstanding any other term or provision of this Agreement, to the extent that any provision of this Agreement is determined by the Company with the advice of its independent accounting firm or other tax advisors to be subject to and not in compliance with Section 409A, including, without limitation, the definition of “change in control” or “disability,” the timing of commencement and completion of severance and/or other benefit payments to Employee hereunder, or the amount of any such payments, such provisions shall be interpreted in the manner required to comply with Section 409A. The Company and Employee acknowledge and agree that such interpretation could, among other matters, (i) limit the circumstances or events that constitute a “change in control” or “disability,” (ii) delay for a period of six (6) months or more, or otherwise modify the commencement of severance and/or other benefit payments, (iii) modify the completion date of severance and/or other benefit payments, and/or (iv) reduce the amount of any such payments.

Payments determined to be “nonqualified deferred compensation” payable upon Employee’s separation from service from the Company at a time that Employee is determined to be a “specified employee” (as defined and determined under Section 409A) shall be made no earlier than (a) the first (1st) day of the seventh (7th) complete calendar month following such separation from service, or (b) Employee’s death, consistent with the provisions of Section 409A. Any payment delayed by reason of the prior sentence shall be paid out in a single lump sum at the end of such required delay period in order to catch up to the original payment schedule.

All expense reimbursement or in-kind benefits subject to Section 409A provided under this Agreement or under any Company program or policy, shall be subject to the following rules: (i) the amount of expenses eligible for reimbursement or in-kind benefits provided during one calendar year may not affect the benefits provided during any other calendar year; (ii) reimbursements shall be paid no later than the end of the calendar year following the calendar year in which Employee incurs such expenses, and Employee shall take all actions necessary to claim all such reimbursements on a timely basis to permit the Company to make all such reimbursement payments prior to the end of said period, and (iii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

It is the intent of the parties that the provisions of this Agreement and all other plans and programs sponsored by the Company be interpreted to comply in all respects with Section 409A; provided, however, the Company shall have no liability to Employee, or any successor or beneficiary thereof, in the event taxes, penalties or excise taxes may ultimately be determined to be applicable to any payment or benefit received by Employee or any successor or beneficiary thereof.

The Company and Employee further acknowledge and agree that if, in the judgment of the Company and its independent accounting firm or other tax advisors, amendment of this Agreement is necessary to comply with Section 409A, the Company and Employee will negotiate reasonably and in good faith to amend the terms of this Agreement to the extent

necessary so that it complies (with the most limited possible economic effect on the Company and Employee) with Section 409A.

20. Applicable Law. This Agreement shall, in all respects, be governed by the laws of the State of California applicable to agreements executed and to be wholly performed within the State of California.

21. Severability. In the event that any of the provisions, or portions thereof, of this Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions or portions thereof shall not be affected thereby.

22. Mediation. Prior to engaging in any legal or equitable litigation or other dispute resolution process regarding any of the terms and conditions of this Agreement between the parties, or concerning the subject matter of the Agreement between the parties, each party specifically agrees to engage in good faith in a mediation process at the expense of the Company, complying with the procedures provided for under California Evidence Code Sections 1115 through and including 1125, as then currently in effect. The parties further and specifically agree to use their best efforts to reach a mutually agreeable resolution of the matter. The parties understand and specifically agree that should either party to this Agreement refuse to participate in mediation for any reason, the other party will be entitled to seek a court order to enforce this provision in any court of appropriate jurisdiction requiring the dissenting party to attend, participate, and to make a good faith effort in the mediation process to reach a mutually agreeable resolution of the matter.

23. Arbitration. To the extent not resolved through mediation as provided in Section 22, and except for claims that may not be included in this arbitration agreement as a matter of law (e.g., unemployment and workers' compensation claims), all claims, disputes and other matters in question arising out of or relating to this Agreement, the Employee's employment with the Company, any termination of the Employee's employment, the enforcement or interpretation of this Agreement, or because of an alleged breach, default, or misrepresentation in connection with any of the provisions of this Agreement, including (without limitation) any common law claims and any state or federal statutory claims, both claims the Employee may have against the Company (and its current or former affiliates, directors, shareholders, officers, employees, members, successors, agents and assigns) and claims the Company may have against the Employee, shall be resolved by binding arbitration in Los Angeles, California, before a sole, neutral arbitrator (the "Arbitrator") mutually selected by the parties from Judicial Arbitration and Mediation Services ("JAMS") in accordance with the Employment Arbitration Rules and Procedures ("Rules") of JAMS then in effect. The Rules may be found on JAMS' website at [www.jamsadr.com](http://www.jamsadr.com). The parties acknowledge and agree that that the arbitration and this agreement to arbitrate will be governed by the Federal Arbitration Act, and that the Company's business and the nature of the Employee's employment affects interstate commerce. Final resolution of any dispute through arbitration may include any remedy or relief that the Arbitrator deems just and equitable, including any and all remedies provided by common law and applicable state or federal statutes, any and all remedies that would otherwise be available to the Employee and the Company in a court action. The parties will be permitted to engage in sufficient discovery to allow the parties to gather necessary evidence to prove their claims and present their defenses. The prevailing party shall be entitled to such reasonable attorneys' fees,

costs and expenses as may be fixed by the arbitrator, including, without limitation, the costs and fees charged by the arbitrator and JAMS, in accordance with the provisions of applicable law. However, if either party prevails on a statutory claim that affords attorneys' fees to the prevailing party, the arbitrator may award reasonable fees to the prevailing party in accordance with applicable law. Subject to the arbitrator's ruling, the Company shall pay filing fees related to the arbitration and the arbitrator's fees and costs. At the conclusion of the arbitration, the Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based. The parties expressly waive the right to a jury trial, and agree that the arbitrator's award shall be final and binding on both parties, subject to any appeal rights provided by law, and may be enforced by any court of competent jurisdiction.

24. Modifications or Amendments. No amendment, change or modification of this Agreement shall be valid unless in writing and signed by each of the parties hereto. Further, any amendment, change or modification of this Agreement must be approved in advance by the Board of Directors of the Company and reflected in the minutes of such Board's meetings or in an action by unanimous written consent.

25. Successors and Assigns. All of the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns. In view of the personal nature of the services to be performed under this Agreement by Employee, Employee will not have the right to assign, transfer or delegate any of his rights, obligations or benefits under this Agreement.

26. Entire Agreement. Employee acknowledges and agrees that the Company has not made any representation with respect to the subject matter of this Agreement or any representation inducing the execution of this Agreement except such representations as are specifically set forth herein, and Employee expressly acknowledges that he has relied on his own judgment in entering into this Agreement. Employee further agrees that any representations that may have heretofore been made by the Company to Employee are of no effect and that Employee has not relied thereon in connection with his dealings with the Company. With the exception of (i) the Restricted Stock Agreement, (ii) the indemnification agreement dated June 7, 1999, and (iii) the registration rights agreement dated June 9, 1999, each executed by Employee and the Company (and the Greenberg Family Trust in the case of the registration rights agreement), which remain in full force and effect, and which are incorporated by reference in this Agreement, this Agreement constitutes the entire Agreement between the Company and Employee and fully supersedes any and all prior agreements or understandings between them pertaining to the subject matter of this Agreement. This Agreement may not be altered, modified, amended or changed, in whole or in part, except as specified in Section 24, above.

27. No Waiver. Any failure by either party on any occasion to enforce or require adherence to any term or condition of this Agreement shall not constitute a waiver of any such term or condition, and shall not prevent that party from insisting on the strict adherence to and performance of such term or condition on any other or future occasion.

28. Drafting. This Agreement shall be construed as if each party participated equally in its negotiation and drafting, and each party agrees that any ambiguity contained in any provision of this Agreement shall not be construed against either party to this Agreement by virtue of that party's role in the negotiation or drafting of this Agreement.

29. Section Headings. The various section headings are inserted for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement or any section hereof.

30. Counsel. Employee acknowledges that he is free to seek advice from independent counsel with respect to this Agreement, and that the Company has urged him to seek such advice. Employee further acknowledges that he either has obtained such advice or, after carefully reviewing this Agreement, voluntarily has decided to forego such advice.

31. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but both of which together will constitute one and the same instrument.

32. Survival of Certain Provisions. Upon the termination of this Agreement and Employee's employment, the obligations of the Company and Employee hereunder shall cease, except to the extent of the Company's obligation, if any, to provide payments and benefits to Employee following termination of employment, as specified in Section 8 (and Attachment "A"), and provided that Sections 5, 9.1, 9.2, 9.3, 9.4, 9.6, 9.7, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30 of this Agreement shall also survive the termination hereof.

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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

EMPLOYEE:

/s/ Michael Greenberg

Michael Greenberg

228 Manhattan Beach Blvd.

Manhattan Beach, CA 90266

Address

COMPANY:

SKECHERS U.S.A., INC.

a Delaware corporation

By: /s/ David Weinberg

David Weinberg

Name

Chief Financial Officer and Chief Operating Officer

Title

ATTACHMENT "A"

WAIVER AND RELEASE AGREEMENT

## WAIVER AND RELEASE AGREEMENT

This Waiver and Release Agreement (the "Waiver Agreement") is entered into by and between MICHAEL GREENBERG ("Employee") and SKECHERS U.S.A., INC. (the "Company").

### RECITALS

- A. Employee and the Company have entered into an Employment Agreement dated as of January 1, 2015 (the "Agreement").
- B. A condition precedent to certain of the Company's obligations under [Section 8.3 or Section 8.4, as applicable] of the Agreement is the execution of this Waiver Agreement by Employee.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties, intending to be legally bound, agree and covenant as follows:

### GENERAL RELEASE

In consideration for the payments and benefits specified in Section [Section 8.3 or Section 8.4, as applicable] of the Agreement, Employee agrees unconditionally and forever to release and discharge the Company, and its parents, subsidiaries, affiliates and successors-in-interest, and all of their respective officers, directors, managers, employees, members, shareholders, representatives, attorneys, insurers, reinsurers, agents and assigns, from any and all claims, actions, causes of action, demands, rights or damages of any kind or nature whatsoever, whether known or unknown, foreseen or unforeseen, which Employee ever had, now has or may claim to have against any or all of them for, upon or by reason of any fact, matter, injury, incident, circumstance, cause or thing whatsoever, from the beginning of time up to and including the date of Employee's execution of this Waiver Agreement, including, without limitation, any claim or obligation arising from or in any way related to Employee's employment with the Company, the termination of that employment or an alleged breach of the Agreement.

This General Release specifically includes, but is not limited to, any claim for discrimination or violation of any statutes, rules, regulations or ordinances, whether federal, state or local, including, but not limited to, Title VII of the Civil Rights Act, the Age Discrimination in Employment Act, the Reconstruction Era Civil Rights Act, the California Fair Employment and Housing Act, the California Labor Code and the California Business and Professions Code, the California constitution, and any claims at common law.

Employee further knowingly and willingly agrees to waive the provisions and protections of Section 1542 of the California Civil Code, which reads:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

This General Release covers not only any and all claims by Employee against the Company and the other persons and entities released in his General Release, but, to the extent permitted by applicable law, it also covers any claim for monetary recovery or reinstatement asserted on Employee's behalf by any other person or entity, including, without limitation, any government agency, and Employee expressly waives the right to any such monetary recovery or reinstatement.

This General Release does not include any claims that cannot lawfully be waived or released by Employee.

### **REPRESENTATIONS OF EMPLOYEE**

Employee represents and agrees that, prior to his execution of this Waiver Agreement, Employee has been informed by the Company of his right to consult with legal counsel regarding the terms of this Waiver Agreement, that Employee has had the opportunity to discuss the terms of this Waiver Agreement with legal counsel of Employee's choosing, and that the Company by this writing is encouraging Employee to seek this advice of legal counsel.

Employee affirms that no promise or inducement was made to cause Employee to enter into this Waiver Agreement other than the inducements provided in this Waiver Agreement and in the Agreement. Employee further confirms that Employee has not relied upon any statement or representation by anyone, other than what is in this Waiver Agreement and the Agreement, as a basis for Employee's agreement to execute this Waiver Agreement.

### **MISCELLANEOUS**

Except for the Agreement, this Waiver Agreement sets forth the entire agreement between Employee and the Company regarding the subject matter hereof, and shall be binding on both party's heirs, representatives and successors. This Waiver Agreement shall be construed under the laws of the State of California, both procedurally and substantively. If any portion of this Waiver Agreement is found to be illegal or unenforceable, such action shall not affect the validity or enforceability of the remaining paragraphs or subparagraphs of this Waiver Agreement.

Employee and the Company acknowledge and agree that (i) Employee has twenty-one (21) days from his receipt of this Waiver Agreement in which to consider its terms (including, without limitation, Employee's release and waiver of any and all claims under the Age Discrimination in Employment Act) before executing it, although Employee may execute this Waiver Agreement earlier if he chooses (**but not earlier than his employment termination date**), and (ii) Employee will have seven (7) days after his execution of this Waiver Agreement in which to revoke this Waiver Agreement (including, without limitation, Employee's release and waiver of any and all claims under the Age Discrimination in Employment Act), in which event a written notice of revocation must be received by the Chief Executive Officer of the Company before the expiration of this seven (7) day revocation period.

Employee and the Company further acknowledge and agree that the payments and benefits specified in subsections (i) and (ii) of [Section 8.3 or Section 8.4, as applicable] of the Agreement will not be made, the Waiver Agreement will become null and void, and Employee will not be entitled to any payments or benefits other than those specified in the first sentence of [Section 8.3 or Section 8.4, as applicable] of the Agreement, unless and until each of the

following four conditions are satisfied: (a) Employee executes the Waiver Agreement within twenty-one (21) days after receiving it, (b) Employee returns the executed Waiver Agreement to the Company no later than five (5) working days after executing it, (c) the Waiver Agreement by its terms becomes effective and enforceable after the seven (7) day revocation period specified in the preceding paragraph has expired without revocation by Employee, and (d) Employee returns all Records (as defined in Section 10 of the Agreement) to the Company no later than five (5) days after the termination of his employment. Moreover, Employee acknowledges and agrees that, if the combined payments specified in subsection (i) of [Section 8.3 or Section 8.4, as applicable] of the Agreement exceed the Separation Pay Limitation as that term is defined in the Agreement, then the amounts payable pursuant to [Section 8.3 or Section 8.4, as applicable] shall be paid in the amounts and at the times specified in [Section 8.3 or Section 8.4, as applicable].

This Waiver Agreement becomes effective, enforceable and irrevocable on the eighth (8th) day following Employee's execution of this Waiver Agreement. No payments or benefits will be made or given to Employee until such date.

The undersigned agree to the terms of this Waiver Agreement and voluntarily enter into it with the intent to be bound hereby.

EMPLOYEE:

\_\_\_\_\_  
Michael Greenberg

COMPANY:

SKECHERS U.S.A., INC.  
a Delaware corporation

By: \_\_\_\_\_

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

## CERTIFICATION

I, Robert Greenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three months ended June 30, 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: August 10, 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 June 30, 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: August 10, 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 June 30, 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)  
August 10, 2015

/s/ DAVID WEINBERG

David Weinberg  
Chief Financial Officer  
(Principal Financial and Accounting Officer)  
August 10, 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.