XILINX INC
Form 10-Q
November 08, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended October 2, 2010

or

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

For the transition period from ____________________ to ____________________.

Commission File Number 000-18548

Xilinx, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**77-0188631**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2100 Logic Drive, San Jose, California	**95124**
(Address of principal executive offices)	(Zip Code)

(408) 559-7778

(Registrant s telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report)

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes þ No o

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

Shares outstanding of the registrant s common stock:

Class	Shares Outstanding as of October 22, 2010
Common Stock, $.01 par value	259,116,334

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

XILINX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
(In thousands, except per share amounts)	Oct. 2, 2010	Sept. 26, 2009	Oct. 2, 2010	Sept. 26, 2009
Net revenues	$ 619,666	$ 414,950	$ 1,214,403	$ 791,185
Cost of revenues	213,260	158,177	421,436	301,999
Gross margin	406,406	256,773	792,967	489,186
Operating expenses:				
Research and development	96,578	90,145	191,062	173,378
Selling, general and administrative	87,174	78,621	171,232	152,177
Amortization of acquisition-related intangibles				2,493
Restructuring charges		5,915		21,686
Total operating expenses	183,752	174,681	362,294	349,734
Operating income	222,654	82,092	430,673	139,452
Interest and other expense, net	(3,484)	(1,782)	(8,614)	(12,692)
Income before income taxes	219,170	80,310	422,059	126,760
Provision for income taxes	48,275	16,272	92,577	24,716
Net income	$ 170,895	$ 64,038	$ 329,482	$ 102,044
Net income per common share:				
Basic	$ 0.66	$ 0.23	$ 1.23	$ 0.37
Diluted	$ 0.65	$ 0.23	$ 1.22	$ 0.37
Cash dividends declared per common share	$ 0.16	$ 0.14	$ 0.32	$ 0.28
Shares used in per share calculations:				
Basic	260,151	276,353	267,355	275,735

Diluted	263,286	276,988	270,484	276,271

See notes to condensed consolidated financial statements.

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XILINX, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value amounts)	Oct. 2, 2010 (Unaudited)	Apr. 3, 2010*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 774,505	$ 1,031,457
Short-term investments	632,159	355,148
Accounts receivable, net	556,766	262,735
Inventories	170,180	130,628
Deferred tax assets	98,158	101,126
Prepaid expenses and other current assets	112,145	25,972
Total current assets	2,343,913	1,907,066
Property, plant and equipment, at cost	740,633	714,905
Accumulated depreciation and amortization	(366,249)	(349,027)
Net property, plant and equipment	374,384	365,878
Long-term investments	704,586	582,202
Goodwill	117,955	117,955
Other assets	175,013	211,217
Total Assets	$ 3,715,851	$ 3,184,318
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 131,008	$ 96,169
Accrued payroll and related liabilities	123,898	114,663
Income taxes payable	1,393	14,452
Deferred income on shipments to distributors	93,608	80,132
Other accrued liabilities	40,927	51,745
Total current liabilities	390,834	357,161
Convertible debentures	884,390	354,798
Deferred tax liabilities	350,702	294,149
Long-term income taxes payable	61,478	56,248
Other long-term liabilities	1,216	1,492

Commitments and contingencies		
Stockholders equity:		
Preferred stock, $.01 par value (none issued)		
Common stock, $.01 par value	2,590	2,735
Additional paid-in capital	1,006,787	1,102,411
Retained earnings	1,009,448	1,016,545
Accumulated other comprehensive income (loss)	8,406	(1,221)
Total stockholders equity	2,027,231	2,120,470
Total Liabilities and Stockholders Equity	$ 3,715,851	$ 3,184,318

* Derived from audited financial statements

See notes to condensed consolidated financial statements.

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XILINX, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
(In thousands)	Oct. 2, 2010	Sept. 26, 2009
Cash flows from operating activities:		
Net income	$ 329,482	$ 102,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	24,938	25,065
Amortization	3,686	8,567
Stock-based compensation	30,541	25,491
Net (gain) loss on sale of available-for-sale securities	(4,198)	97
Amortization of debt discount on convertible debentures	6,266	1,911
Derivatives revaluation and amortization	375	(550)
Tax benefit from exercise of stock options	647	3,727
(Excess) reduction of tax benefit from stock-based compensation	(2,079)	16,297
Changes in assets and liabilities:		
Accounts receivable, net	(294,031)	(10,283)
Inventories	(39,536)	18,862
Deferred income taxes	62,015	(762)
Prepaid expenses and other current assets	(9,266)	(1,790)
Other assets	6,129	30,577
Accounts payable	34,839	43,965
Accrued liabilities (including restructuring activities)	(4,218)	10,799
Income taxes payable	(12,408)	(22,465)
Deferred income on shipments to distributors	13,476	13,391
Net cash provided by operating activities	146,658	264,943
Cash flows from investing activities:		
Purchases of available-for-sale securities	(1,307,889)	(803,322)
Proceeds from sale and maturity of available-for-sale securities	920,628	589,872
Purchases of property, plant and equipment	(33,444)	(8,847)
Other investing activities	(1,000)	(2,816)
Net cash used in investing activities	(421,705)	(225,113)
Cash flows from financing activities:		
Repurchases of common stock	(466,309)	
Proceeds from issuance of common stock through various stock plans	45,554	15,918
Payment of dividends to stockholders	(85,462)	(77,318)
Proceeds from issuance of convertible debts, net of issuance costs	587,644	
Purchase of call options	(112,319)	
Proceeds from issuance of warrants	46,908	

Excess (reduction of) tax benefit from stock-based compensation		2,079		(16,297)
Net cash provided by (used in) financing activities		18,095		(77,697)
Net decrease in cash and cash equivalents		(256,952)		(37,867)
Cash and cash equivalents at beginning of period		1,031,457		1,065,987
Cash and cash equivalents at end of period	$	774,505	$	1,028,120
Supplemental disclosure of cash flow information:				
Interest paid	$	10,914	$	10,776
Income taxes paid, net of refunds	$	36,055	$	18,285

See notes to condensed consolidated financial statements.

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XILINX, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared in conformity with United States (U.S.) generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X, and should be read in conjunction with the Xilinx, Inc. (Xilinx or the Company) consolidated financial statements filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K for the fiscal year ended April 3, 2010. The interim financial statements are unaudited, but reflect all adjustments which are, in the opinion of management, of a normal, recurring nature necessary to provide a fair statement of results for the interim periods presented. The results of operations for the interim periods shown in this report are not necessarily indicative of the results that may be expected for the fiscal year ending April 2, 2011 or any future period.

The Company uses a 52- to 53-week fiscal year ending on the Saturday nearest March 31. Fiscal 2011 is a 52-week year ending on April 2, 2011. Fiscal 2010, which ended on April 3, 2010, was a 53-week fiscal year. The third quarter of fiscal 2010 was a 14-week quarter ended on January 2, 2010. The quarters ended October 2, 2010 and September 26, 2009 each included 13 weeks.

Note 2. Recent Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued the authoritative guidance to update the accounting and reporting requirements for revenue arrangements with multiple deliverables. This guidance established a selling price hierarchy, which allows the use of an estimated selling price to determine the selling price of a deliverable in cases where neither vendor-specific objective evidence nor third-party evidence is available. This guidance is to be applied prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, which for the Company is its fiscal 2012. Early adoption is permitted, and if this update is adopted early in other than the first quarter of an entity s fiscal year, then it must be applied retrospectively to the beginning of that fiscal year. The Company does not expect this guidance to have significant impacts on its consolidated financial statements.

In October 2009, the FASB issued the authoritative guidance that clarifies which revenue allocation and measurement guidance should be used for arrangements that contain both tangible products and software, in cases where the software is more than incidental to the tangible product as a whole. More specifically, if the software sold with or embedded within the tangible product is essential to the functionality of the tangible product, then this software as well as undelivered software elements that relate to this software are excluded from the scope of existing software revenue guidance. This guidance is to be applied prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, which for the Company is its fiscal 2012. Early adoption is permitted, and if this update is adopted early in other than the first quarter of an entity s fiscal year, then it must be applied retrospectively to the beginning of that fiscal year. The Company does not expect this guidance to have significant impacts on its consolidated financial statements.

In January 2010, the FASB issued amended standards that require additional disclosures about inputs and valuation techniques used to measure fair value as well as disclosures about significant transfers, beginning in the Company s fourth quarter of fiscal 2010. Additionally, these amended standards require presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3), beginning in the Company s first quarter of fiscal 2012. The Company does not expect these new standards to have significant impacts on the Company s consolidated financial statements.

In April 2010, the FASB issued the authoritative guidance on milestone method of revenue recognition. Under the new guidance, an entity can recognize revenue from consideration that is contingent upon achievement of a milestone in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. This guidance is to be applied prospectively for milestones achieved in fiscal years, and interim period within those years, beginning on or after June 15, 2010, which for the Company is its fiscal 2012. Early adoption is permitted, and if this update is adopted early in other than the first quarter of an entity s fiscal year, then it must be applied retrospectively to the beginning of that fiscal year. The Company does not expect this guidance to have significant impacts on its consolidated financial statements.

Note 3. Significant Customers and Concentrations of Credit Risk

Avnet, Inc. (Avnet), one of the Company s distributors, distributes the substantial majority of the Company s products worldwide. As of October 2, 2010 and April 3, 2010, Avnet accounted for 87% and 83% of the Company s total accounts receivable, respectively. Resale of product through Avnet accounted for 53% and 52% of the Company s worldwide net revenues in the second quarter and the first six months of fiscal 2011, respectively. For the second quarter and the first six months of fiscal 2010, resale of product through Avnet accounted for 46% and 49% of the Company s worldwide net revenues, respectively. While the percentage of worldwide net revenues from Avnet are consistent with historical patterns, the percentage of accounts receivable due from Avnet increased as of October 2, 2010. The Company has further strengthened its partnership with Avnet, and Avnet now supports more of the Company s customers and has committed more personnel and resources to the Company s business. As part of this relationship, beginning in our first quarter of fiscal 2011 the Company agreed to temporarily extend payment terms for Avnet through the next two quarters. The extensions of payment terms are scheduled to be reduced each quarter and Avnet is expected to return to standard payment terms by April 2011.

Xilinx is subject to concentrations of credit risk primarily in its trade accounts receivable and investments in debt securities to the extent of the amounts recorded on the consolidated balance sheets. The Company attempts to mitigate the concentration of credit risk in its trade receivables through its credit evaluation process, collection terms, distributor sales to diverse end customers and through geographical dispersion of sales. Xilinx generally does not require collateral for receivables from its end customers or from distributors.

One end customer accounted for 10% of our net revenues for the second quarter and the first six months of fiscal 2011. No end customer accounted more than 10% of our net revenues for the second quarter and the first six months of fiscal 2010.

The Company mitigates concentrations of credit risk in its investments in debt securities by currently investing more than 94% of its portfolio in AA or higher grade securities as rated by Standard & Poor s or Moody s Investors Service. The Company s methods to arrive at investment decisions are not solely based on the rating agencies credit ratings. Xilinx also performs additional credit due diligence and conducts regular portfolio credit reviews, including a review of counterparty credit risk related to the Company s forward currency exchange and interest rate swap contracts. Additionally, Xilinx limits its investments in the debt securities of a single issuer based upon the issuer s credit rating and attempts to further mitigate credit risk by diversifying risk across geographies and type of issuer.

As of October 2, 2010, approximately 3% of the Company s $2.01 billion investment portfolio consisted of student loan auction rate securities and all of these securities are rated AAA with the exception of $8.7 million that were downgraded to an A rating during fiscal 2009. More than 98% of the underlying assets that secure these securities are pools of student loans originated under the Federal Family Education Loan Program (FFELP), which are substantially guaranteed by the U.S. Department of Education. These securities experienced failed auctions in the fourth quarter of fiscal 2008 due to liquidity issues in the global credit markets. In a failed auction, the interest rates are reset to a maximum rate defined by the contractual terms for each security. The Company has collected and expects to collect all interest payable on these securities when due. During the first six months of fiscal 2011, $450 thousand of these student loan auction rate securities were redeemed for cash by the issuers at par value. Because there can be no assurance of a successful auction in the future, the student loan auction rate securities are reclassified as long-term investments on the consolidated balance sheets. The maturity dates range from March 2023 to November 2047.

As of October 2, 2010, approximately 25% of the portfolio consisted of mortgage-backed securities. All of the mortgage-backed securities in the investment portfolio are AAA rated and were issued by U.S. government-sponsored enterprises and agencies.

The global credit and capital markets have continued to experience adverse conditions that have negatively impacted the values of various types of investment and non-investment grade securities, and have experienced volatility and disruption due to instability in the global financial system, uncertainty related to global economic conditions and concerns regarding sovereign financial stability. While general conditions in the global credit markets have improved, there is a risk that the Company may incur other-than-temporary impairment charges for certain types of investments should credit market conditions deteriorate or the underlying assets fail to perform as anticipated. See Note 5. Financial Instruments for a table of the Company s available-for-sale securities.

Note 4. Fair Value Measurements

The guidance for fair value measurements established by the FASB defines fair value as the exchange price that would be received from selling an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which Xilinx would transact and also considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions and risk of nonperformance.

The Company determines the fair value for marketable debt securities using industry standard pricing services, data providers and other third-party sources and by internally performing valuation analyses. The Company primarily uses a consensus price or weighted average price for its fair value assessment. The Company determines the consensus price using market prices from a variety of industry standard pricing services, data providers, security master files from large financial institutions and other third party sources and uses those multiple prices as inputs into a distribution-curve-based algorithm to determine the daily market value. The pricing services use multiple inputs to determine market prices, including reportable trades, benchmark yield curves, credit spreads and broker/dealer quotes as well as other industry and economic events. For certain securities with short maturities, such as discount commercial paper and certificates of deposit, the security is accreted from purchase price to face value at maturity. If a subsequent transaction on the same security is observed in the marketplace, the price on the subsequent transaction is used as the current daily market price and the security will be accreted to face value based on the revised price. For certain other securities, such as student loan auction rate securities, the Company performs its own valuation analysis using a discounted cash flow pricing model.

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The Company validates the consensus prices by taking random samples from each asset type and corroborating those prices using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. There have not been any changes to the Company s fair value methodology during the first six months of fiscal 2011 and the Company did not adjust or override any fair value measurements as of October 2, 2010.

Fair Value Hierarchy

The measurements of fair value were established based on a fair value hierarchy that prioritizes the utilized inputs. This hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. The guidance for fair value measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following categories:

Level 1 Quoted (unadjusted) prices in active markets for identical assets or liabilities.

The Company s Level 1 assets consist of U.S. Treasury securities and money market funds.

Level 2 Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

The Company s Level 2 assets consist of bank certificates of deposit, commercial paper, corporate bonds, municipal bonds, U.S. agency securities, foreign government and agency securities, floating-rate notes and mortgage-backed securities. The Company s Level 2 assets and liabilities include foreign currency forward contracts and interest rate swaps.

Level 3 Unobservable inputs to the valuation methodology that are supported by little or no market activity and that are significant to the measurement of the fair value of the assets or liabilities. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, as well as significant management judgment or estimation.

The Company s Level 3 assets and liabilities include student loan auction rate securities and the embedded derivative related to the Company s debentures.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The following tables present information about the Company s assets and liabilities measured at fair value on a recurring basis as of October 2, 2010 and April 3, 2010:

	Oct. 2, 2010			
(In thousands)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	$ 174,230	$	$	$ 174,230
Bank certificates of deposit		35,010		35,010
Commercial paper		434,814		434,814
Corporate bonds		20,972		20,972
Auction rate securities			63,982	63,982

Municipal bonds		8,572		8,572
U.S. government and agency securities	39,443	92,946		132,389
Foreign government and agency securities		534,881		534,881
Floating rate notes		96,929		96,929
Mortgage-backed securities		511,185		511,185
Interest rate swaps (net)		268		268
Foreign currency forward contracts (net)		5,862		5,862
Total assets measured at fair value	$ 213,673	$ 1,741,439	$ 63,982	$ 2,019,094
Liabilities:				
Convertible debentures embedded derivative			1,462	1,462
Total liabilities measured at fair value	$	$	$ 1,462	$ 1,462
Net assets measured at fair value	$ 213,673	$ 1,741,439	$ 62,520	$ 2,017,632

	Apr. 3, 2010			
(In thousands)	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Money market funds	$ 138,738	$	$	$ 138,738
Bank certificates of deposit		59,996		59,996
Commercial paper		437,790		437,790
Corporate bonds		538		538
Auction rate securities			61,644	61,644
Municipal bonds		9,703		9,703
U.S. government and agency securities	49,995	71,961		121,956
Foreign government and agency securities		488,845		488,845
Floating rate notes		112,430		112,430
Mortgage-backed securities		442,199		442,199
Total assets measured at fair value	$ 188,733	$ 1,623,462	$ 61,644	$ 1,873,839

Liabilities:	s by participating Named Executive Officers.

The Compensation Committee believes that stock ownership by management has been demonstrated to be beneficial to all stockholders and equity-based compensation awards have historically been granted by Skechers to executive officers and other employees for the foregoing reasons and as further discussed below. Certain executive employees, including all of the Named Executive Officers, were awarded shares of restricted stock in September 2009 under the 2007 Plan as a component of their total compensation for the 2009 fiscal year. We have not granted any stock options to the Named Executive Officers as part of their annual compensation since February 2004.

Equity-based compensation awards were previously granted under our Amended and Restated 1998 Stock Option, Deferred Stock and Restricted Stock Plan (the 1998 Stock Plan). The 1998 Stock Plan was terminated and no additional awards under that plan were permitted after December 31, 2007. As of January 1, 2008, our employees, including the Named Executive Officers, were eligible to receive, from time to time, issuances of restricted stock, grants of stock options and other equity-based compensation under the 2007 Plan.

Restricted Stock

Historically, awards of restricted stock made to our Named Executive Officers are subject to certain restrictions that generally lapse over a period of two to four years from the date of the award depending on the specific award.

This vesting schedule promoted retention and encouraged long-term investment in our company by the Named Executive Officers, especially those who did not already hold shares of our Class A or Class B Common Stock. This also provided a reasonable time frame to align the Named Executive Officers compensation with stockholder interests since any appreciation of our stock price will benefit both management and stockholders. An additional advantage of restricted stock is that, in comparison to stock options, fewer shares are required to deliver the same economic value. This may result in lower stockholder dilution than granting stock options. The Compensation Committee awarded restricted stock to the Named Executive Officers, except for Robert Greenberg and Frederick Schneider, on September 4, 2009 as part of their total compensation for the 2009 fiscal year in part due to these advantages. These restricted stock awards are scheduled to vest in three equal installments on each of November 1, 2010, 2011 and 2012. This vesting schedule is less than the four years of vesting of previous awards because these shares were awarded in September 2009 in lieu of potential annual incentive compensation to be paid in cash to the Named Executive Officers for 2010, 2011 and 2012. Robert Greenberg did not receive an award of restricted stock in 2009 because management decided that it was in his best interests to maintain his targeted non-equity incentive compensation for 2010, 2011 and 2012 at rates similar to 2009 rather than receive an award of restricted stock in lieu of lower targeted non-equity compensation for those years as did the other Named Executive Officers.

Employment Agreements, Severance Benefits and Change of Control Provisions

We do not have any employment, severance or change-of-control agreements in effect with any of our Named Executive Officers.

As mentioned above in this Compensation Discussion and Analysis under the heading Equity-Based Compensation, as of December 31, 2009, we have awarded shares of restricted stock that are subject to accelerated vesting in full upon a change of control of Skechers. Generally, for all shares of restricted stock awarded under the 1998 Stock Plan prior to its termination in 2007, 20% of the shares vested immediately on the date of award and the remaining shares vest 20% per year on each anniversary of the date of award, with restrictions on all shares lapsing on the fourth anniversary of the date of award. For all shares of restricted stock awarded on January 3, 2008 under the 2007 Plan, 50% of the shares vested on March 1, 2009 and the remaining 50% vested on March 1, 2010. For all shares of restricted stock awarded on September 4, 2009 under the 2007 Plan, the shares are scheduled to vest in three equal installments on each of November 1, 2010, 2011 and 2012. In the event of a change of control, all shares of restricted stock previously awarded under these plans would vest in full.

A change of control is generally defined in both the 1998 Stock Plan and the 2007 Plan, including the equity award agreements thereunder, as (i) the acquisition by certain persons of our securities representing 50% or more of the combined voting power of our outstanding securities; (ii) a change during any two-year period in a majority of the Board of Directors unless each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period, or whose election or nomination was so approved; (iii) approval by our stockholders of a merger or consolidation (except with certain permitted entities); or (iv) approval by our stockholders of a complete liquidation of our company or the sale or disposition of all or substantially all of our assets.

The Compensation Committee believes that our change of control policy is consistent with the objectives of providing the highest possible return to stockholders by allowing the Named Executive Officers to be able to effectively participate equally with stockholders in evaluating alternatives in the event of a change of control transaction, without compelling the Named Executive Officer to remain employed under new ownership.

Equity Award Practices

As described under the Equity Compensation section, equity-based awards are a key component of our overall executive compensation program. We do not backdate grants of awards nor do we coordinate the grant of awards with the release of material information that might result in favorable pricing. New hire grants of awards to executive officers and other new employees are generally based on the date of hire. It is our practice that the per share exercise price for all grants of stock options be equal to the closing price of a share of our Class A Common Stock on the New York Stock Exchange on the date of grant, and we have never re-priced any grants.

Perquisites and Other Benefits

We provide our Named Executive Officers with perquisites and other benefits, reflected in the All Other Compensation column in the table captioned *Summary Compensation Table* in this proxy statement, that we believe are reasonable, competitive and consistent with our overall executive compensation program. The costs of these benefits constitute only a small percentage of each Named Executive Officer s total compensation and include the following:

Aircraft usage. We have an agreement with an aircraft operator for use of its aircraft for business travel. Each Named Executive Officer may also use the aircraft for personal use. If we are not reimbursed for costs associated with personal use of the aircraft, such costs are considered taxable income to the Named Executive Officer. During 2009, there was no personal use of the aircraft by any of the Named Executive Officers for which we were not reimbursed in full.

Automobile usage. During 2009, automobiles that we leased or purchased at our sole cost were used by Robert Greenberg, Michael Greenberg and David Weinberg. We also paid on their behalf the automobile insurance premiums related to their use of these automobiles.

Health Club Dues. During 2009, we paid health club membership fees for David Weinberg, Frederick Schneider and Philip Paccione.

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Impact of Regulatory Requirements

Tax Deductibility of Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code and, collectively, Section 162(m)), places a limit of $1,000,000 on the annual amount of compensation (other than compensation that qualifies as qualified performance-based compensation) that publicly held companies may deduct for federal income tax purposes for certain executive officers.

The Compensation Committee believes that tax deductibility is an important factor, but only one factor, to be considered in evaluating a compensation program. The Compensation Committee generally seeks to structure compensation in a manner that is intended to avoid the disallowance of deductions under Section 162(m) of the Code. Nevertheless, when warranted due to competitive and other factors, the Compensation Committee may in certain circumstances award compensation that exceeds the deductibility limit under Section 162(m) of the Code or otherwise pay non-deductible compensation.

Internal Revenue Code Section 409A

Section 409A of the Code requires that nonqualified deferred compensation be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities and penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, it is our intention to design and administer our compensation and benefits plans and programs for all of our employees and other service providers, including the Named Executive Officers, so that they are either exempt from, or satisfy the requirements of, Section 409A of the Code.

Accounting Standards

FASB ASC Topic 718 (formerly known as Financial Accounting Standard No. 123(R), Share-Based Payments) requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of restricted stock and stock options under the 1998 Stock Plan and the 2007 Plan are accounted for under FASB ASC Topic 718. The Compensation Committee regularly considers the accounting implications of significant compensation decisions, especially in connection with decisions that relate to equity compensation awards. As accounting standards change, we may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

Other Tax, Accounting and Regulatory Considerations

Many other Code provisions, SEC regulations and accounting rules affect the delivery of executive compensation and are generally taken into consideration as programs are developed. Our goal is to create and maintain plans that are efficient and in full compliance with these requirements.

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis (set forth above) with the management of Skechers, and, based on such review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and, through incorporation by reference from this proxy statement, in Skechers Annual Report on Form 10-K for the year ended December 31, 2009.

Respectfully submitted,

Richard Siskind, Chairman
Morton D. Erlich

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EXECUTIVE COMPENSATION

The following table sets forth selected information concerning the compensation earned by our Principal Executive Officer, Principal Financial Officer, former Principal Financial Officer who resigned in September 2009, and each of our three most highly compensated executive officers who served in positions other than Principal Executive Officer and Principal Financial Officer at the end of the last completed fiscal year (the Named Executive Officers).

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($)[1]	Non-Equity Incentive Plan Compensation ($)[2]	All Other Compensation ($)	Total ($)
Robert Greenberg	2009	1,038,462		1,148,471	34,766(3)	2,221,699
Chairman of the Board and	2008	1,000,000	508,588	939,457	32,424(3)	2,480,469
Chief Executive Officer	2007	1,000,000		1,706,330	29,920(3)	2,736,250
Frederick Schneider	2009	519,231		79,694	23,488(4)	622,413
Former Chief Financial Officer	2008	500,000	101,724	37,887	13,986(4)	653,597
	2007	500,000		191,266	21,949(4)	713,215
Michael Greenberg	2009	1,038,462	5,403,000	778,930	62,377(5)	7,282,769
President and Director	2008	1,000,000	356,019	632,605	24,167(5)	2,012,791
	2007	1,000,000		873,798	48,205(5)	1,922,003
David Weinberg	2009	1,038,462	2,251,250	439,083	66,462(6)	3,795,257
Executive Vice President;	2008	1,000,000	305,156	313,661	55,083(6)	1,673,900
Chief Operating Officer, Chief Financial Officer and Director	2007	1,000,000		528,166	57,664(6)	1,585,830
Mark Nason	2009	1,038,462	1,350,750	299,236	21,656(7)	2,710,104
Executive Vice President,	2008	1,000,000	254,294	194,718	18,806(7)	1,467,818
Product Development	2007	1,000,000		382,532	14,470(7)	1,397,002
Philip Paccione[8] Executive Vice President, Business Affairs; General Counsel and Corporate Secretary	2009	415,385	1,350,750	78,033	23,304(9)	1,867,472

(1) Represents the aggregate grant date fair value of stock awards granted during the applicable fiscal year, as calculated in accordance with FASB ASC Topic 718. The fair value was calculated using the closing price of our Class A Common Stock on the grant dates for the shares awarded.

(2) Represents the cash awards that the Named Executive Officers earned under our 2006 Annual Incentive Compensation Plan. Incentive compensation is paid quarterly based on performance levels that our company achieved in the prior quarter. The amounts listed for each year exclude any bonuses earned by the Named Executive Officers in the previous year that were paid in the indicated year and include incentive compensation earned in the fourth quarter of the indicated year that was paid in the following year. Additional information regarding the 2006 Annual Incentive Compensation Plan is described in the section entitled *Compensation Discussion and Analysis* in this proxy statement.

(3) Represents health and life insurance payments of $15,288, $13,371 and $10,514, and costs of $19,478, $19,053 and $19,406 related to automobiles purchased by our company for use by Mr. Greenberg for 2009, 2008 and 2007, respectively. The aggregate incremental costs of automobile usage are based on depreciation expense for an automobile purchased in 2006 and automobile insurance premiums paid by our company on behalf of Mr. Greenberg.

(4) Represents health and life insurance payments of $15,046, $12,330 and $14,150, payments of health club membership fees of $1,092, $1,656 and $1,049, and annual matching contributions of $7,350, $0 and $6,750 that we made under the 401(k) Plan for 2009, 2008 and 2007, respectively.

(5) Represents health and life insurance payments of $21,521, $18,806 and $14,340, costs of $33,544, $5,361 and $27,115 related to automobiles purchased by our company for use by Mr. Greenberg and automobile insurance premiums paid by our company on behalf of Mr. Greenberg, and annual matching contributions of $7,312, $0 and $6,750 that we made under the 401(k) Plan for 2009, 2008 and 2007, respectively. The aggregate incremental costs of automobile usage are based on depreciation expense for an automobile purchased in 2008 and automobile insurance premiums paid by our company on behalf of Mr. Greenberg.

(6) Represents health and life insurance payments of $17,561, $13,040 and $9,354, payments of health club membership fees of $1,092, $1,656 and $1,049, costs of $40,459, $40,387 and $40,511 related to automobiles leased or purchased by our company for use by Mr. Weinberg, and annual matching contributions of $7,350, $0 and $6,750 that we made under the 401(k) Plan for 2009, 2008 and 2007, respectively. The aggregate incremental costs of automobile usage are based on depreciation expense for an automobile purchased in 2006 and automobile insurance premiums paid by our company on behalf of Mr. Weinberg.

(7) Represents health and life insurance payments of $21,521, $18,806 and $14,340, and annual matching contributions of $135, $0 and $130 that we made under the 401(k) Plan for 2009, 2008 and 2007, respectively.

(8) Mr. Paccione was not a Named Executive Officer in 2007 or 2008.

(9) Represents health and life insurance payments of $14,862, payments of health club membership fees of $1,092 and an annual matching contribution of $7,350 that we made under the 401(k) Plan for 2009.

Grants of Plan-Based Awards in Fiscal 2009

The following table provides information about plan-based awards granted to the Named Executive Officers in 2009: (i) the grant date; (ii) the estimated future payouts under non-equity incentive plan awards, which consist of potential payouts under the 2006 Plan that were awarded in 2009 for the performance period covering fiscal 2009; (iii) the number of shares underlying all other stock awards and (iv) the grant date fair value of each equity award computed under FASB ASC Topic 718.

		Estimated Future Payments Under Non-Equity Incentive Plan Awards[(1)]			All Other Stock Awards: Number of Shares of Stock or Units (#)[(2)]	Grant Date Fair Value of Stock and Option Awards ($)[(3)]
Name of Executive	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**		
Robert Greenberg	1/22/09	0	1,148,471	5,000,000		
Frederick Schneider	1/22/09	0	79,694	5,000,000		
Michael Greenberg	1/22/09	0	778,930	5,000,000		
	9/4/09				300,000	5,403,000
David Weinberg	1/22/09	0	439,083	5,000,000		
	9/4/09				125,000	2,251,250
Mark Nason	1/22/09	0	299,236	5,000,000		
	9/4/09				75,000	1,350,750
Philip Paccione	1/22/09	0	78,033	5,000,000		
	9/4/09				75,000	1,350,750

(1) These columns are intended to show the potential value of the payments for each Named Executive Officer under the 2006 Plan if the threshold, target or maximum goals are satisfied for the performance measures. The potential payments are performance-driven and therefore completely at risk. Incentive compensation is conditioned on our company achieving a minimum or threshold performance level, and no payments are made to the Named Executive Officers if the threshold performance levels are not met. The Compensation Committee approved the performance goals during the first quarter of 2009 for fiscal 2009. Additional information regarding the business measurements and performance goals for determining the payments are described in the section entitled *Compensation Discussion and Analysis* in this proxy statement. There are no specific target amounts that can be determined, as any incentive compensation for each Named Executive Officer is based on pre-approved percentages in excess of certain performance goals of Skechers. The target amounts presented in this table represent the actual payments of non-equity incentive compensation to each of our Named Executive Officers

that were earned in fiscal 2009. When determining the performance goals, the Compensation Committee did not place a limit on the non-equity incentive compensation that could be earned by the Named Executive Officers in fiscal 2009; however, the maximum amount of incentive compensation that any Named Executive Officer may earn in a 12-month period under the 2006 Plan is $5,000,000.

(2) This column shows the number of shares of restricted stock granted in 2009 to the Named Executive Officers under the 2007 Plan. Of the restricted shares of Class A Common Stock awarded on September 4, 2009, the shares are scheduled to vest in three equal installments on each of November 1, 2010, 2011 and 2012.

(3) This column shows the aggregate grant date fair value of stock awards in 2009, as calculated in accordance with FASB ASC Topic 718. The fair value was calculated using the closing price of our Class A Common Stock on the grant date for the shares awarded, which was $18.01 per share on September 4, 2009.

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Options Exercised and Stock Vested in Fiscal 2009

The following table provides information for the Named Executive Officers regarding stock options exercised in 2009, including the number of shares acquired upon exercise and the value realized, and the number of shares acquired in 2009 upon the vesting of restricted stock awards and the value realized, each before payment of any applicable withholding tax and broker commissions.

	Option Awards		Stock Awards	
Name of Executive	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Robert Greenberg			14,819	89,062(1)
Frederick Schneider			4,964	42,254(2)
Michael Greenberg			10,373	62,342(1)
David Weinberg			8,891	53,435(1)
Mark Nason	6,118(3)	23,991(3)	7,409	44,528(1)
Philip Paccione			2,964	17,814(1)

(1) Amount is calculated by multiplying the number of shares of Class A Common Stock acquired by each of Robert Greenberg (14,819 shares), Michael Greenberg (10,373 shares), David Weinberg (8,891 shares), Mark Nason (7,409 shares) and Philip Paccione (2,964 shares) by the closing price of $6.01 per share on the first date that the financial markets were open after the vesting date of March 1, 2009, which was a Sunday.

(2) Amount is calculated as the sum of (a) 2,964 shares of Class A Common Stock acquired by Frederick Schneider multiplied by the closing price of $6.01 per share on the first date that the financial markets were open after the vesting date of March 1, 2009, and (b) 2,000 shares of Class A Common Stock acquired by Mr. Schneider multiplied by the closing price of $12.22 per share on the first date that the financial markets were open after the vesting date of January 3, 2009, which was a Saturday.

(3) Mr. Nason exercised 5,000 stock options on June 2, 2009 with an exercise price of $6.95 and market price of $10.33 per share, and 1,118 stock options on June 3, 2009 with an exercise price of $3.9375 and market price of $10.28 per share.

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Outstanding Equity Awards at 2009 Fiscal Year-End

The following table provides information on the outstanding stock option and stock awards held by the Named Executive Officers as of December 31, 2009. This table includes unexercised option awards and unvested shares of restricted stock. Each equity award is shown separately for each Named Executive Officer. The market value of the stock award is based on the closing price of our Class A Common Stock as of December 31, 2009, which was $29.41. For additional information about option awards and stock awards, see the description of equity-based compensation in the section entitled *Compensation Discussion and Analysis* in this proxy statement.

	Option Awards				Stock Awards	
Name of Executive	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Robert Greenberg					14,819(1)	435,827
Frederick Schneider	40,000	0	8.35	2/5/14	2,000(2)	58,820
					2,964(1)	87,171
Michael Greenberg	37,500	0	13.00	7/6/10	10,374(1)	305,099
					300,000(3)	8,823,000
David Weinberg	37,500	0	13.00	7/6/10	8,892(1)	261,514
	37,500	0	15.50	1/1/11	125,000(3)	3,676,250
	30,000	0	24.00	4/1/11		
	30,000	0	10.58	11/6/11		
	36,453	0	8.35	2/5/14		
Mark Nason	10,200	0	13.00	7/6/10	7,410(1)	217,928
	2,500	0	15.50	1/1/11	75,000(3)	2,205,750
	30,000	0	24.00	4/1/11		
	9,200	0	10.58	11/6/11		
	15,000	0	6.95	10/9/12		
	51,000	0	8.35	2/5/14		
Philip Paccione	7,500	0	24.00	4/1/11	2,964(1)	87,171
					75,000(3)	2,205,750

(1) Shares of restricted stock vested on March 1, 2010.

(2) Shares of restricted stock vested on January 3, 2010.

(3) Shares of restricted stock scheduled to vest in three equal installments on each of November 1, 2010, 2011 and 2012.

Change of Control Benefits

Upon a change of control under the 1998 Stock Plan and the 2007 Plan, Robert Greenberg, Frederick Schneider, Michael Greenberg, David Weinberg, Mark Nason and Philip Paccione would be entitled to full vesting of their outstanding restricted stock valued at $435,827, $145,991, $9,128,099, $3,937,764, $2,423,678 and $2,292,921, respectively, based on the closing price of our Class A Common Stock on December 31, 2009, which was $29.41 per share. As of December 31, 2009, there were no outstanding unvested stock options under the 1998 Stock Plan or the 2007 Plan held by any of the Named Executive Officers.

For additional information about change of control terms under the 1998 Stock Plan and the 2007 Plan, see the description provided in the section entitled *Compensation Discussion and Analysis* in this proxy statement.

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Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2009 regarding compensation plans (including individual compensation arrangements) under which our equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders:			
1998 Stock Plan	1,505,694	$ 12.01	
2007 Plan			5,238,382
2008 ESPP			2,678,272
Total plans approved by security holders	1,505,694(1)	$ 12.01	7,916,654(2)
Equity compensation plans not approved by security holders			
Total	1,505,694		7,916,654

(1) Amount does not include an additional 2,158,644 shares of restricted stock, which were awarded under the 1998 Stock Plan or the 2007 Plan, that were outstanding with a weighted-average grant date fair value of $17.86.

(2) The shares available for issuance under the 2007 Plan are available for issuance as restricted stock and other forms of equity-based compensation in addition to stock options, warrants and rights. The number of shares available for future issuance under the 2008 Employee Stock Purchase Plan (the 2008 ESPP) may be adjusted annually on January 1 for increases equal to the least of 500,000 shares, 1% of the outstanding shares of our capital stock on such date or a lesser amount as may be determined by our Board of Directors. The 1998 Stock Plan and the Amended and Restated 1998 Employee Stock Purchase Plan were terminated and no additional granting of awards or rights under those plans were permitted after December 31, 2007.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee consists of three non-employee directors who are independent under the standards adopted by the Board of Directors and applicable NYSE Rules and SEC standards. The Audit Committee is responsible for oversight and evaluation of (i) the quality and integrity of Skechers financial statements, (ii) the performance of Skechers internal audit and internal controls functions in addition to financial risk assessment and management applicable to Skechers, (iii) Skechers policies and procedures regarding transactions with related persons, (iv) the appointment, compensation, independence and performance of Skechers registered public accounting firm, KPMG LLP, and (v) Skechers compliance with legal and regulatory requirements,

the performance of our internal audit and internal controls functions in addition to financial risk assessment and management applicable to our company, (iii) our policies and procedures regarding transactions with related persons, as described in greater detail below in the section entitled *Transactions with Related Persons* (iv) the appointment, compensation, independence and performance of our independent registered public accounting firm, and (v) our compliance with legal and regulatory requirements

The Audit Committee has reviewed and discussed with Skechers management, internal finance staff, internal auditors and KPMG LLP, with and without management present, Skechers audited financial statements for the fiscal year ended December 31, 2009, management s assessment of the effectiveness of Skechers internal controls over financial reporting and KPMG LLP s evaluation of Skechers internal controls over financial reporting. The Audit Committee has also discussed with KPMG LLP the results of its examinations and the judgments concerning the quality, as well as the acceptability, of Skechers accounting principles and such other matters that Skechers is required to discuss with its independent auditors under applicable rules, regulations or generally accepted auditing standards (including Statement on Auditing Standards No. 61). In addition, the Audit Committee has received from KPMG LLP the written disclosures and the letter from its independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors communications with the Audit Committee concerning independence and has discussed with KPMG LLP their independence from Skechers and management, including a consideration of the compatibility of non-audit services with their independence, the scope of the audit and the fees paid to KPMG LLP during the year.

Based on our review and the discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Skechers Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the SEC.

Respectfully submitted,

Morton D. Erlich, Chairman
Geyer Kosinski
Richard Siskind

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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Fees to Independent Registered Public Accounting Firm for Fiscal Years 2009 and 2008

We retained KPMG LLP to provide services for fiscal years 2009 and 2008 in the categories and amounts as follows:

Service	2009	2008
Audit fees(1)	$ 1,493,000	$ 1,374,000
Audit-related fees		
Tax fees(2)	200,000	182,000
All other fees(3)		121,000
Total audit and non-audit fees	$ 1,693,000	$ 1,677,000

(1) These are fees for professional services performed by KPMG LLP for the audit of our annual financial statements and the review of our annual report on Form 10-K, the review of financial statements included in our quarterly reports on Form 10-Q, the attestation of the effectiveness of internal controls under Section 404 of the Sarbanes-Oxley Act of 2002, as amended, and consultations regarding financial accounting and reporting, as well as for services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) These are fees for professional services performed by KPMG LLP with respect to U.S. federal, state and international tax compliance, tax consulting and tax work stemming from Audit items. This includes preparation of original tax returns for our company and its consolidated subsidiaries.

(3) These are fees for other permissible work performed by KPMG LLP that does not meet the other category descriptions.

Pre-Approval Policy

The Audit Committee s Pre-Approval Policy provides for pre-approval of specifically described audit, audit-related, tax and all other services by the Audit Committee in order to ensure that the provision of such services does not impair the independent registered public accounting firm s independence. The Pre-Approval Policy also provides a list of prohibited non-audit services. Unless a type of service to be provided by the independent registered public accounting firm has received general pre-approval, the requested service will require specific pre-approval by the Audit Committee. The term of any pre-approved services is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee will periodically review and may revise the list of pre-approved services, based on subsequent determinations. Pre-approval fee levels for all services to be provided by the independent registered public accounting firm are established annually by the Audit Committee after the independent registered public accounting firm s appointment for the then current fiscal year has been approved by the Audit Committee. Any fees for proposed services exceeding these levels will also require specific pre-approval by the Audit Committee.

Attendance at Annual Meeting

A representative of KPMG LLP will attend the Annual Meeting to make any statements he or she may desire and to respond to appropriate stockholder questions.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of Class A Common Stock and Class B Common Stock as of April 7, 2010 by (i) each of our directors, (ii) each of our Named Executive Officers, (iii) each person that we know to be a beneficial owner of more than 5% of either class of our Common Stock and (iv) all of our directors and executive officers as a group.

Each stockholder s percentage of ownership in the following table is based upon 37,421,907 shares of Class A Common Stock and 12,154,435 shares of Class B Common Stock outstanding as of April 7, 2010. Our Class B Common Stock is convertible at any time into shares of Class A Common Stock on a one-for-one basis. Beneficial ownership is determined in accordance with SEC rules and regulations. In computing the number of shares of our Class A Common Stock beneficially owned by a person and the percentage of beneficial ownership of that person, shares of Class A Common Stock underlying notes, options or shares of Class B Common Stock held by that person that are convertible or exercisable, as the case may be, within 60 days of April 7, 2010 are included. Those shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. See the section entitled *Transactions with Related Persons* in this proxy statement for a description of transactions between the Greenberg Family Trust, of which Robert Greenberg is a trustee, Michael Greenberg and our company. To our knowledge, unless otherwise indicated in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares of Class A and Class B Common Stock set forth opposite such person s name. Unless otherwise indicated in the footnotes below, the address of each beneficial owner listed below is c/o Skechers U.S.A., Inc., 228 Manhattan Beach Boulevard, Manhattan Beach, California 90266.

Name of Beneficial Owner	Number of Class A Shares Beneficially Owned	Percentage of Class A Shares Beneficially Owned	Number of Class B Shares Beneficially Owned	Percentage of Class B Shares Beneficially Owned
5% stockholders:(1)				
FMR LLC	6,262,400(2)	16.7%		
BlackRock, Inc.	2,412,216(3)	6.4		
Gil Schwartzberg	5,000,000(4)	11.8	5,000,000(5)	41.1%
Named Executive Officers and directors:				
Robert Greenberg	4,488,667(6)	10.7	4,479,436(7)	36.9
Michael Greenberg	1,019,303(8)	2.7	640,341(9)	5.3
Jeffrey Greenberg	960,198(10)	2.4	624,834(11)	5.1
David Weinberg	330,994(12)	*		
Mark Nason	129,099(13)	*		
Frederick Schneider	86,526(14)	*		
Philip Paccione	75,475	*		
Morton Erlich	21,000(15)	*		
Geyer Kosinski	12,000	*		
Richard Siskind	61,333(16)	*		
All current directors and executive officers as a group (10 persons)	7,173,069(17)	16.5%	5,744,611	47.3%

* Less than 1.0%

(1) S.A.C. Capital Advisors, L.P., S.A.C. Capital Advisors, Inc. and Steven A. Cohen jointly filed a Schedule 13G with the SEC on February 12, 2010, which disclosed the number of shares beneficially owned as of February 11, 2010 when these stockholders beneficially owned greater than 5% of our Class A Common Stock. However, based on the number of outstanding shares of our Class A Common Stock on April 7, 2010, each of these stockholders then beneficially owned less than 5% of our Class A Common Stock and therefore was excluded from this table.

(2) Information is based on a Schedule 13G filed with the SEC on January 11, 2010 and represents the number of shares beneficially owned as of December 31, 2009. The principal business office of FMR LLC (FMR) and its subsidiary and related funds as set forth below are located at 82 Devonshire Street, Boston, Massachusetts 02109. FMR filed as a parent holding company. Fidelity Management & Research Company (Fidelity), a wholly-owned subsidiary of FMR and an investment adviser registered under the Investment Advisers Act of 1940, beneficially owns 6,262,400 shares of Class A Common Stock. Various persons are reported to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Class A Common Stock. The interest of one person, Fidelity Growth Company Fund, an investment company registered under the Investment Company Act of 1940, amounted to 2,005,000 shares of Class A Common Stock. The interest of one person, Fidelity Low Priced Stock Fund, an investment company registered under the

Investment Company Act of 1940, amounted to 3,250,000 shares of Class A Common Stock. Edward C. Johnson 3d, Chairman of FMR, and FMR, through its control of Fidelity, and Fidelity s funds each has sole power to dispose of the 6,262,400 shares owned by such funds. Neither FMR nor Mr. Johnson has the sole power to vote or direct the voting of the shares owned directly by Fidelity s funds, which power resides with the funds Boards of Trustees. Fidelity carries out the voting of the shares under written guidelines established by the funds Boards of Trustees.

(3) Information is based on a Schedule 13G filed with the SEC on January 29, 2010 and represents the number of shares beneficially owned as of December 31, 2009. BlackRock, Inc. has sole voting power and sole dispositive power with respect to 2,412,216 shares. The principal business office of BlackRock, Inc. is located at 40 East 52nd Street, New York, New York 10022.

(4) Represents 5,000,000 shares of Class B Common Stock that are convertible at any time into shares of Class A Common Stock on a one-for-one basis. Beneficial ownership of these shares is described in greater detail in note 5 below.

(5) Represents 2,500,000 shares of Class B Common Stock held by the Robert Y. Greenberg 2009 Annuity Trust and 2,500,000 shares of Class B Common Stock held by the M. Susan Greenberg 2009 Annuity Trust. Gil Schwartzberg may be deemed to beneficially own these shares as sole trustee of the trusts, and Mr. Schwartzberg has sole voting power and sole dispositive power with respect to the shares held by these trusts. Mr. Schwartzberg disclaims beneficial ownership of any of these shares except to the extent of his pecuniary interest therein. The principal business office of Mr. Schwartzberg is located at 269 S. Beverly Drive, Suite 1315, Beverly Hills, California 90212.

(6) Includes 4,479,436 shares of Class B Common Stock that are convertible at any time into shares of Class A Common Stock on a one-for-one basis. Beneficial ownership of these shares is described in greater detail in note 7 below.

(7) Represents 4,479,436 shares of Class B Common Stock held by the Greenberg Family Trust (the Trust) that Robert Greenberg, our Chief Executive Officer and Chairman of the Board, is deemed to beneficially own as a trustee of the Trust. His wife, Susan Greenberg, is also a trustee of the Trust and is also deemed to beneficially own all shares held by the Trust.

(8) Includes 640,341 shares of Class B Common Stock that are convertible at any time into shares of Class A Common Stock on a one-for-one basis, 16,695 shares of Class A Common Stock underlying options that are exercisable currently or within 60 days of April 7, 2010 and 46,542 shares of Class A Common Stock beneficially owned by Michael Greenberg, our President and a member of our Board of Directors, indirectly through his wife, Wendy Greenberg, and their children. Mr. Greenberg disclaims beneficial ownership of these 46,542 shares except to the extent of his pecuniary interest therein. Beneficial ownership of the 640,341 shares of Class B Common Stock is described in greater detail in note 9 below.

(9) Represents 589,041 shares of Class B Common Stock held by the Michael and Wendy Greenberg Family Trust that Michael Greenberg is deemed to beneficially own as trustee of such trust, and 51,300 shares of Class B Common Stock held in various trust accounts for Mr. Greenberg s minor children and of which a third party acts as trustee. Mr. Greenberg disclaims beneficial ownership of these 51,300 shares except to the extent of his pecuniary interest therein.

(10) Includes 624,834 shares of Class B Common Stock that are convertible at any time into shares of Class A Common Stock on a one-for-one basis, and 7,964 shares of Class A Common Stock held by the Chloe July

Greenberg 2004 Trust and 7,964 shares of Class A Common Stock held by the Catherine Elle Greenberg 2006 Trust that Mr. Greenberg is deemed to beneficially own as trustee of such trusts. Beneficial ownership of the 624,834 shares of Class B Common Stock is described in greater detail in note 11 below.

(11) Represents 538,214 shares of Class B Common Stock held by the Jeffrey and Lori Greenberg Family Trust that Jeffrey Greenberg, a member of our Board of Directors, is deemed to beneficially own as trustee of such trust. Also represents 68,336 shares of Class B Common Stock held in various trust accounts for Mr. Greenberg s two daughters who are minors and of which Mr. Greenberg is deemed to beneficially own as trustee of such trusts, and 10,792 shares of Class B Common Stock held by the Chloe July Greenberg custodial account and 7,492 shares of Class B Common Stock held by the Catherine Elle Greenberg custodial account, for which one of his siblings acts as custodian. These custodial accounts are for the benefit of Mr. Greenberg s two daughters who are minors, and he disclaims beneficial ownership of the 18,284 shares held in the two custodial accounts except to the extent of his pecuniary interest therein.

(12) Includes 109,541 shares of Class A Common Stock that David Weinberg, our Chief Operating Officer, Chief Financial Officer, Executive Vice President and a member of our Board of Directors, is deemed to beneficially own as sole trustee of The David Weinberg Trust dated September 7, 2000, and 96,453 shares of Class A Common Stock underlying options that are exercisable currently or within 60 days of April 7, 2010.

(13) Includes 53,248 shares of Class A Common Stock underlying options that are exercisable currently or within 60 days of April 7, 2010.

(14) Includes 50,000 shares of Class A Common Stock underlying options that are exercisable currently or within 60 days of April 7, 2010, 15,000 shares held by the Schneider Limited Partnership that Frederick Schneider, our former Chief Financial Officer, is deemed to beneficially own as its general partner and 16,562 shares held by The Schneider CA Partnership that Mr. Schneider is deemed to beneficially own as its general partner.

(15) Includes 9,000 shares of Class A Common Stock held by The Erlich Family Trust that Morton D. Erlich, a member of our Board of Directors, is deemed to beneficially own as a trustee of such trust.

(16) Includes 35,000 shares of Class A Common Stock underlying options that are exercisable currently or within 60 days of April 7, 2010.

(17) Includes 201,396 shares of Class A Common Stock underlying options that are exercisable currently or within 60 days of April 7, 2010 by our executive officers and Board of Directors. The group of 10 current directors and executive officers excludes Frederick Schneider, who resigned as our Chief Financial Officer in September 2009, and includes Leonard Armato, who was hired as our Chief Marketing Officer and President, Fitness Group in March 2010.

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COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Exchange Act requires our officers, directors and persons who own more than ten percent of a registered class of our securities, to file with the SEC reports of initial ownership (Form 3 s) and reports of changes in ownership (Form 4 s and 5 s) of our securities. Officers, directors and greater than ten percent stockholders are required by the SEC s regulations to furnish us with copies of all Section 16(a) forms that they file. Based on our review of copies of Form 3 s, 4 s and 5 s furnished to us as well as communications with our officers, directors and greater than ten percent stockholders, we believe that all of them complied with the filing requirements of Section 16(a) and we are not aware of any late or missed filings of such reports for the 2009 fiscal year.

TRANSACTIONS WITH RELATED PERSONS

Policies and Procedures

As provided in our Audit Committee Charter, the Audit Committee shall review (i) at least annually a summary of directors and executive officers related party transactions and potential conflicts of interest and our policies relating to the avoidance of conflicts of interest (which is discussed in our Code of Business Conduct and Ethics), (ii) past and proposed transactions between our company, on the one hand, and any of our directors or executive officers, on the other hand, and (iii) policies and procedures as well as audit results associated with directors and executive officers expense accounts and perquisites, including the use of corporate assets.

Our Policies and Procedures for Related Person Transactions (the Policy), which was adopted by the Board of Directors as of March 8, 2007, covers any transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, (including any indebtedness or guarantee of indebtedness) in which (i) the aggregate amount involved will or may be expected to exceed $100,000 in any calendar year, (ii) we are a participant, and (iii) any Related Person has or will have a direct or indirect interest (other than solely as a result of being a director or a less than ten percent beneficial owner of another entity). A Related Person is any (a) person who is or was (since the beginning of the last fiscal year for which we have filed a Form 10-K and proxy statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director of Skechers, (b) greater than five percent beneficial owner of our Class A or Class B Common Stock or (c) immediate family member of either of the foregoing.

Certain categories of transactions with Related Persons (such as transactions involving competitive bids) have been reviewed and pre-approved by the Audit Committee under the Policy. The Audit Committee shall review the material facts of all other transactions with Related Persons that require the Committee s approval. If advance approval by the Audit Committee of a transaction with a Related Person is not feasible, then the transaction shall be considered and, if the Committee determines it to be appropriate, ratified at the Committee s next regularly scheduled meeting. Factors that the Audit Committee will take into account include whether the transaction with a Related Person is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person s interest in the transaction. No Audit Committee member shall participate in any discussion or approval of a transaction with a Related Person pursuant to which he is a Related Person except for providing material information concerning the transaction. For those transactions with a Related Person that are ongoing, the Audit Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Person to determine that the Related Person remains appropriate.

The following list of transactions with Related Persons includes all such transactions that took place since January 1, 2009, which were identified by the Audit Committee, and each of these transactions was reviewed, and approved or ratified by the Audit Committee, pursuant to the policies and procedures discussed herein.

Related Person Transactions

As of April 7, 2010, Robert Greenberg, who is our Chairman of the Board and Chief Executive Officer, his children and the Greenberg Family Trust, collectively, beneficially own 58.3% of our Class B Common Stock and approximately 45.7% of the combined voting power of our Class A and Class B Common Stock. Robert Greenberg, directly and indirectly through the Greenberg Family Trust, beneficially owns approximately 28.2% of the combined voting power of our Class A and Class B Common Stock. As a result, Robert Greenberg is a control person of Skechers within the meaning of the rules and regulations promulgated under the Securities Act of 1933, as amended, and we are considered a Controlled Company under the NYSE Rules and are thereby exempt from certain listing requirements and regulations as set forth in the NYSE Rules. Michael Greenberg, who is our President, and Jeffrey Greenberg, both of whom are members of our Board of Directors, are each beneficiaries of the Greenberg Family Trust, which influences the election of Robert Greenberg, Michael Greenberg and Jeffrey Greenberg to our Board of Directors.

Michael Greenberg owns a 12% beneficial ownership interest in Manhattan Inn Operating Company, LLC (MIOC), the primary business of which is to own and operate the Shade Hotel in Manhattan Beach, California. Michael Greenberg, David Weinberg, who is our Chief Operating Officer, Chief Financial Officer, Executive Vice President and a member of our Board of Directors, and Michael Greenberg s brothers Jeffrey Greenberg, who is a director of Skechers, and Jason and Joshua Greenberg, all of whom are senior vice presidents of Skechers, own in aggregate a 17% beneficial ownership interest in MIOC. During 2009, we paid approximately $183,000 to the Shade Hotel for lodging, food and events that were held there including our annual holiday party.

Jeffrey Greenberg, Jason Greenberg, Joshua Greenberg and Jennifer Greenberg Messer, who are the children of Robert Greenberg and also the siblings of Michael Greenberg, are non-executive employees of Skechers, and they earned total compensation of $684,131, $653,024, $683,093 and $129,473, respectively, in 2009. These amounts included awards of restricted stock on September 4, 2009. Jeffrey Greenberg, Jason Greenberg and Joshua Greenberg were each awarded 200,000 restricted shares of Class A Common Stock that are scheduled to vest in three equal installments on each of November 1, 2010, 2011 and 2012. Jeffrey Greenberg was also a member of our Board of Directors in 2009, but did not earn any additional compensation for services provided as a director.

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NOMINATIONS AND STOCKHOLDER PROPOSALS FOR 2011 ANNUAL MEETING

Stockholder proposals intended to be presented at our next Annual Meeting of Stockholders to be held in 2011 must be received at our principal executive offices no later than December 31, 2010 to be considered for inclusion in the proxy statement and form of proxy relating to that meeting. Proposals must comply with the proxy rules relating to stockholder proposals, in particular Rule 14a-8 under the Exchange Act, to be included in our proxy materials. Stockholders who wish to submit a proposal for consideration at our 2011 Annual Meeting of Stockholders, but who do not wish to submit a proposal for inclusion in our proxy statement, must, in accordance with our bylaws, deliver a copy of their proposal no later than the close of business on the 60th day nor earlier than the close of business on the 90th day in advance of such meeting. In either case, proposals should be sent by certified or registered mail, return receipt requested, to Skechers U.S.A., Inc., 228 Manhattan Beach Boulevard, Manhattan Beach, California 90266, Attention: General Counsel.

OTHER BUSINESS

Our Board of Directors does not know of any other matter to be acted upon at the meeting. However, if any other matter shall properly come before the meeting, the proxyholders named in the proxy accompanying this proxy statement will have authority to vote all proxies in accordance with their discretion.

BY ORDER OF THE BOARD OF DIRECTORS

Philip G. Paccione,
Corporate Secretary

Dated: April 30, 2010
Manhattan Beach, California

ANNUAL MEETING OF STOCKHOLDERS OF
SKECHERS U.S.A., INC.
Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 2, 2010
The Notice of Annual Meeting, Proxy Statement, 2009 Annual Report and other SEC filings are available at the investor relations page of our corporate information website at http://www.skx.com/investor.jsp.

Please date, sign and mail your proxy card in the envelope provided as soon as possible.

â **Please detach along perforated line and mail in the envelope provided.** â

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE NOMINEES LISTED IN PROPOSAL 1. PLEASE SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE. x

1. Election of Directors	FOR ALL THE NOMINEES	WITHHOLD AUTHORITY FOR ALL NOMINEES	FOR ALL EXCEPT (See instructions below)	**NOMINEES:**
	o	o	o	¡ Michael Greenberg ¡ David Weinberg ¡ Jeffrey Greenberg

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark FOR ALL EXCEPT and mark the box next to each nominee you wish to withhold, as shown here: x

Each of the persons named as proxies herein are authorized, in such person s discretion, to vote upon such other matters as may properly come before the Annual Meeting of Stockholders, or any adjournments thereof.

To change the address on your account, please fill in the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. o

Please check here if you plan to attend the meeting. o

Signature of Stockholder:	Date:	Signature of Stockholder:	Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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SKECHERS U.S.A., INC.
PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 2, 2010
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned stockholder(s) of Skechers U.S.A., Inc. a Delaware corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated April 30, 2010, and hereby appoints Morton Erlich and Richard Siskind and each of them, with full power of substitution, as attorneys-in-fact and proxies for, and in the name and place of, the undersigned, and hereby authorizes each of them to represent and to vote all of the shares which the undersigned is entitled to vote at the Annual Meeting of Stockholders of Skechers U.S.A., Inc. to be held at the Shade Hotel located at 1221 North Valley Drive, Manhattan Beach, California 90266, on Wednesday, June 2, 2010, at 10:00 a.m. Pacific time, and at any adjournments thereof, upon the matters as set forth in the Notice of Annual Meeting of Stockholders and Proxy Statement, receipt of which is hereby acknowledged. Directions to the Annual Meeting may be found by going to the annual meeting section of the investor relations page of our corporate information website at www.skx.com/investor.jsp.

THIS PROXY, WHEN PROPERLY EXECUTED AND RETURNED IN A TIMELY MANNER, WILL BE VOTED AT THE ANNUAL MEETING AND AT ANY ADJOURNMENTS THEREOF IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER(S). IF NO SPECIFICATION IS MADE, THE PROXY WILL BE VOTED FOR ELECTION OF THE NOMINEES LISTED IN PROPOSAL 1, AND IN ACCORDANCE WITH THE JUDGMENT OF THE PERSONS NAMED AS PROXIES HEREIN ON ANY OTHER MATTERS THAT MAY PROPERLY COME BEFORE THE ANNUAL MEETING.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

(continued, and to be signed and dated, on reverse side)