SKECHERS USA INC
Form S-3/A
July 15, 2002

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As Filed with the Securities and Exchange Commission on July 15, 2002

Registration No. 333-87868

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SKECHERS U.S.A., INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**5139**	**95-4376145**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

228 Manhattan Beach Boulevard

Manhattan Beach, California 90266
(310) 318-3100
(310) 318-5019 (fax)
(Address including zip code and telephone number, including area code, of registrant s principal executive offices)

Robert Greenberg
Chairman of the Board and Chief Executive Officer
228 Manhattan Beach Boulevard
Manhattan Beach, California 90266
(310) 318-3100
(310) 318-5019 (fax)
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to
Thomas J. Poletti, Esq.
Ted Weitzman, Esq.
Kirkpatrick & Lockhart LLP
10100 Santa Monica Blvd., 7th Floor
Los Angeles, CA 90067
Telephone (310) 552-5000
Facsimile (310) 552-5001

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
$90,000,000 4.50% Convertible Subordinated Notes due April 15, 2007	$90,000,000(1)	100%(2)	$90,000,000	$8,280*
Class A Common Stock, $.001 par value(3)	3,465,804			(4)

(Footnotes to table on next page)

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registration shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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* Previously paid.

(1) Represents the aggregate principal amount of the notes issued by the registrant.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act and exclusive of accrued interest and distributions, if any.

(3) Represents 3,465,804 shares of Class A common stock issuable upon conversion of the notes at the conversion price of $25.9680 per share of Class A common stock. Pursuant to Rule 416 under the Securities Act, such number of shares of Class A common stock registered hereby shall include an indeterminate number of shares of Class A common stock that may be issued in connection with a stock split, stock dividend, recapitalization or similar event.

(4) Pursuant to Rule 457(i) under the Securities Act, no additional filing fee is payable with respect to the shares of Class A common stock issuable upon conversion of the notes because no additional consideration will be received in connection with the exercise of the conversion privilege.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement relating to these securities that has been filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 15, 2002

PROSPECTUS

$90,000,000

4.50% Convertible Subordinated Notes due April 15, 2007

and the Class A common stock issuable upon conversion of the notes

We issued the notes offered by this prospectus in a private placement in April 2002. This prospectus will be used by selling securityholders to resell their notes and the Class A common stock issuable upon conversion of their notes. We will not receive any proceeds from this offering.

You may convert the notes into shares of our Class A common stock at any time before their maturity unless we have previously redeemed or repurchased them. The notes will be due on April 15, 2007. The conversion rate is 38.5089 shares per each $1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of approximately $25.9680 per share.

We will pay interest on the notes on April 15 and October 15 of each year. The first interest payment will be made on October 15, 2002. The notes are subordinated in right of payment to all of our existing and future senior debt and will be effectively subordinated to all of the indebtedness and liabilities of our subsidiaries.

We may redeem some or all of the notes at any time before April 15, 2005 at a redemption price of $1,000 per $1,000 principal amount of notes, plus accrued and unpaid interest, if any, to, but excluding, the redemption date if the closing price of our Class A common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day immediately before the date of mailing of the provisional redemption notice. Upon any such provisional redemption, we will make an additional payment in cash or, at our option, Class A common stock, or a combination of cash and Class A common stock, in an amount equal to $135.00 per $1,000 principal amount of notes, less the amount of any interest actually paid on the notes before the date of redemption. We may also redeem some or all of the notes at any time on or after April 15, 2005, at the redemption prices set forth in this prospectus plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In the event of a Change in Control, as described in this prospectus, you may require us to repurchase any notes held by you.

The notes are not listed on any securities exchange or included in any automated quotation system. The notes are eligible for trading in The PORTAL Market of the National Association of Securities Dealers, Inc. Our Class A common stock is listed on the New York Stock Exchange under the symbol SKX. On July 9, 2002, the closing price of our Class A common stock on the New York Stock Exchange was $20.30 per share.

The securities offered by this prospectus involve a high degree of risk. See Risk Factors beginning on page 7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated July , 2002

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WHERE YOU CAN FIND MORE INFORMATION

We file annual and special reports and other information with the SEC. Certain of our SEC filings are available over the Internet at the SEC s web site at http://www.sec.gov. You may also read and copy any document we file with the SEC at its public reference facilities:

Public Reference Room Office
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. Callers in the United States can also call 1-800-732-0330 for further information on the operations of the public reference facilities.

DOCUMENTS INCORPORATED BY REFERENCE

We incorporate information into this prospectus by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede the information contained in this prospectus. We incorporate by reference the documents listed below:

our Annual Report on Form 10-K for the year ended December 31, 2001;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002;

our Current Reports on Form 8-K filed on April 9, 2002 and April 29, 2002; and

the description of our capital stock contained in our registration statement on Form 8-A filed with the SEC on August 20, 1998, including any amendment or report filed for the purpose of updating such description.

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We also incorporate by reference all documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of the offering of the notes.

Any statement contained in a document that is incorporated by reference will be modified or superseded for all purposes to the extent that a statement contained in this prospectus, or in any other document that is subsequently filed with the SEC and incorporated by reference, modifies or is contrary to that previous statement. Any statement so modified or superseded will not be deemed a part of this prospectus except as so modified and superseded.

You may request a copy of these filings, at no cost, by contacting us at the following address or telephone number:

Skechers U.S.A.
228 Manhattan Beach Boulevard
Manhattan Beach, CA 90266
Attention: David Weinberg
Chief Financial Officer
Telephone: (310) 318-3100

You should rely only on the information incorporated by reference or provided in this prospectus or a prospectus supplement or amendment. We have not authorized anyone else to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume the information in this prospectus or a prospectus supplement or amendment is accurate as of any date other than the date on the front of the documents.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this prospectus contains statements relating to our future business and/or results, including, without limitation, the statements under the captions Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business. These statements include certain projections and business trends which are forward-looking within the meaning of the United States Private Securities Litigation Reform Act of 1995. You can identify these statements by the use of words like may, will, could, should, project, believe, anticipate, expect, plan, estimate, forecast, potential, intend, continue and variations of these words. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. Actual results will differ, and may differ materially, from projected results as a result of certain risks and uncertainties. These risks and uncertainties include, without limitation, those described under Risk Factors and those detailed from time to time in our filings with the SEC, and include, among others, the following:

international, national and local general economic and market conditions;

the size and growth of the casual, functional and active footwear markets;

our ability to respond to changing consumer demands, identify and interpret fashion trends, successfully market new products and maintain our brand image;

intense competition from other established companies in the footwear industry for consumers;

our ability to successfully execute our growth strategy, and forecast, manage and sustain our growth and inventories;

our dependence on independent contract manufacturers and risks associated with reduction in the availability of production capacity and work stoppages;

general risks associated with doing business outside the United States, including, without limitation, changing economic conditions, political and social unrest, import tariffs and trade duties, import and export controls and compliance with foreign laws;

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- changes in trade or political relations with China and political instability in China;
- compliance by our contract manufacturers, suppliers and licensees with applicable United States and foreign laws and regulations;
- our ability to successfully open retail stores in existing and new markets, and meet sales forecasts for existing retail stores in those markets;
- fluctuations and difficulty in forecasting operating results, including, without limitation, the fact that advance futures orders may not be indicative of future revenues due to the changing mix of futures and at-once orders or due to changing cancellation rates;
- the loss of a major customer or a significant decrease in sales to a major customer;
- our ability to attract and retain qualified personnel;
- our ability to secure and protect trademarks, patents and other intellectual property;
- business disruptions due to energy shortages or natural disasters in California;
- any liability and other claims asserted against us; and
- other factors referenced or incorporated by reference in this prospectus and other filings with the Securities and Exchange Commission.

These risks are not exhaustive. Other sections of this prospectus may include additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or to the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. These forward-looking statements are made only as of the date of this prospectus. Except for our ongoing obligation to disclose material information as required by federal securities laws, we do not intend to update you concerning any future revisions to any forward-looking statements to reflect events or circumstances occurring after the date of this prospectus.

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PROSPECTUS SUMMARY

This summary highlights some information from this prospectus, and it may not contain all of the information that is important to you. You should read the following summary together with the more detailed information regarding our company and the notes being sold in this offering, including Risk Factors and our consolidated financial statements and related notes, included elsewhere in, or incorporated by reference into, this prospectus.

Our Company

We design and market a collection of contemporary footwear for men, women and children under the Skechers brand, one of the most recognized names in the footwear industry. Our footwear reflects a combination of style, quality and value that appeals to a broad range of customers. Our shoes are sold through a wide range of department stores and leading specialty stores, a growing network of our own retail stores and our e-commerce website. Our objective is to continue to profitably grow our domestic operations, while leveraging our brand name to expand internationally.

We seek to offer consumers a collection of fashionable footwear that satisfies their casual, active and dress footwear needs. Our product line currently consists of over 1,500 active styles that are organized in seven distinct collections. Our core customer is a style-conscious consumer between the ages of 12 and 25 who is attracted to our youthful brand image and fashion forward designs. Over the last several years, we have introduced and expanded several footwear lines that have broadened our customer base. Our *Skechers Kids* line combines styling themes found elsewhere in our product lines with colors and materials that reflect a playful image appropriate for children. We have also recently introduced or expanded several other lines such as *Skechers Collection* and *Skechers By Michelle K* that appeal to young adults interested in sophisticated fashions for the workplace and social occasions.

We believe that a well-recognized brand is an important element for success in the footwear business. We have aggressively promoted the Skechers brand through a comprehensive marketing campaign. This ongoing program has included endorsements from celebrities such as Britney Spears, Rick Fox, Robert Downey, Jr., Matt Dillon and Rob Lowe, print advertisements in publications such as *GQ, Vogue* and *Seventeen* and commercials aired on major networks and leading cable channels such as MTV, ESPN and Nickelodeon. We believe that this campaign, which is image oriented rather than product specific, has resulted in a high level of recognition of the Skechers brand across a variety of footwear categories.

We were founded in 1992 as a distributor of third party footwear. Over time, we shifted our focus to the design and marketing of footwear lines for several brands that we owned. Our success with this effort encouraged us, starting in 1996, to focus almost exclusively on the Skechers brand. Our net sales grew to $960.4 million in 2001 from $115.1 million in 1996, representing a compound annual growth rate of 52.8%. In 2001, our net sales grew by 42.3%. This growth was achieved through several ongoing initiatives that have included an expanded product line, the acquisition of new wholesale accounts and a growing base of our own retail stores. We have attempted to balance our growth with a focus on profitability. In 2001, our gross profit as a percent of net sales increased to 42.3% from 42.1% in 2000. During the fourth quarter ended December 31, 2001, our gross margin was 39.7% compared to 43.3% in the same period during 2000.

Domestic Sales

Wholesale Accounts

As of May 31, 2002, we distributed our footwear to over 3,500 wholesale accounts in the United States. These accounts include such leading department stores as Nordstrom, Kohl s and JC Penney and specialty footwear retailers such as Famous Footwear, Shoe Carnival and FootAction. Our shoes are also sold through a large number of locally focused footwear chains. We believe that our broad product line enables us to appeal to a variety of wholesale accounts, many of whom may operate stores within the same mall or other retail locations, because retailers can select those Skechers styles that best satisfy the fashion, function and price criteria of their customers.

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Retail Stores

As of May 31, 2002, we owned and operated an integrated network of 82 Skechers stores in the United States, consisting of 29 concept stores, 30 factory outlet stores and 23 warehouse outlet stores. These stores work in unison to promote our full product line, appeal to consumers at a variety of price points and remove excess inventory from our system. Our concept stores, which are located in marquee street locations or high performing regional malls, promote awareness of the Skechers brand and showcase a broad assortment of our footwear. Our factory outlet stores generally sell in-season footwear at lower price points while our warehouse outlet stores appeal to our most value conscious customers and help us clear merchandise from past seasons.

International Sales

Our footwear is currently sold in over 100 countries and territories throughout the world. We believe that consumers outside the United States are attracted to our footwear because of our distinctive brand image and the same attributes of contemporary design, quality and value that appeal to our domestic customers. We generate revenues from outside the United States from three principal sources: (1) sales of our footwear directly to foreign distributors who distribute such footwear to department stores and specialty retail stores in Europe, Asia, Latin America, South America and numerous other countries and territories, (2) in France, Germany and the United Kingdom, we sell footwear directly to department stores and specialty retail stores and through retail stores that we own and operate and (3) to a lesser extent, royalties from licensees who manufacture and distribute our products outside the United States. We intend to further increase our share of the international footwear market by heightening our marketing presence through our international advertising campaigns, which are designed to establish Skechers as a global brand synonymous with casual shoes.

Our Strategy

We attempt to distinguish ourselves from other participants in the footwear industry and to provide for controlled, well-managed growth. The following are the key elements of this strategy:

Leverage the Skechers Brand

The appeal of the Skechers brand is an integral part of our business and a source of sustainable competitive advantage. We believe that consumers generally associate the Skechers brand name with footwear for an active, youthful lifestyle. This appeal, which extends beyond any single shoe category or style, allows us to respond to evolving fashion trends. We utilize an integrated campaign of celebrity endorsements, high impact print and television advertising, point-of-purchase marketing and high-profile trade show presentations to establish and maintain our image. We endeavor to spend approximately 8% to 10% of annual net sales in the marketing of our footwear and the promotion of the Skechers brand.

Offer an Innovative, Compelling Footwear Collection

Our footwear line covers a broad range of functional categories that include fashion sneakers and joggers, casual dress shoes, hiking and street boots and shoe based skates. We believe that this collection is one of the most comprehensive in the footwear industry and an important source of differentiation from our competitors. We introduce new footwear lines in accordance with our industry s spring and fall selling seasons, and we seek to stay current with evolving fashion trends by offering complementary styles every 30 to 60 days. Our footwear is generally priced to be highly competitive with other branded footwear collections.

Maximize our Wholesale Network s Productivity

Our footwear is currently carried by almost 3,500 leading department stores and specialty retailers in the United States. We continuously work with these accounts to increase the amount and net profitability of our products that they sell. Our team of sales and merchandising professionals help retailers determine the styles they should carry and how our product should be displayed. They also work with wholesale accounts to monitor inventory levels and, in turn, provide information that allows us to more efficiently coordinate our production schedules. We expect to increase the number of stores that sell our footwear as our existing network of retailers open new locations and we identify other high productivity retailers that can support our collections within a given market.

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Open Additional Skechers Retail Stores

We intend to selectively open new Skechers retail stores throughout the world, including approximately four to eight domestic retail stores during the remainder of 2002. We operate our retail store strategy through our three integrated retail formats: the concept store, the factory outlet and the warehouse outlet store. Our concept stores complement our wholesale distribution accounts by building awareness of the Skechers brand and consumer interest in our footwear collection. Our store base also helps us to manage our inventory by providing early feedback on new styles and, through our outlet and warehouse stores, a brand sensitive venue to sell excess product.

Expand our International Operations

We are working to significantly increase our sales outside of the United States. We believe that Skechers lifestyle image and contemporary footwear collections both have universal appeal. We have begun to increase our international advertising campaign to support this growth initiative and expect to expand the number of stores where our product is sold. In 2001, we established wholly owned subsidiaries in France, Germany and the United Kingdom to support our wholesale accounts and our base of owned Skechers stores. Our approach in most other markets has been to work with third party distributors such as in Japan, where our partner recently opened our first Skechers flagship store in Asia.

Seek Opportunistic Licensing Deals

We recently entered into our first licensing partnership using the Skechers brand name for men s and women s sport, casual and fashion hosiery that will be available in the United States and Canada. We are continuously evaluating additional opportunities to license the Skechers brand name for other non-footwear related apparel and accessories. We believe that licensing activities could, in time, be an important source of sustainable revenue for us. Our foremost objective in any licensing partnership will be to ensure the integrity of the Skechers brand. We intend to retain a high degree of control over the design and distribution of licensed products and to only work with those partners who have a proven track record of brand sensitivity. We also own several brand names other than Skechers that we believe could provide attractive licensing opportunities.

2002 Operating Results

Our net sales for the quarter ended March 31, 2002 rose 7.7% to $244.9 million compared to $227.5 million in the first quarter of the prior year, and our net earnings for the quarter increased 18.6% to $20.3 million compared to net income of $17.1 million in the first quarter of 2001. Our gross profit for the quarter ended March 31, 2002 was $102.5 million compared to $99.3 million in the first quarter of the prior year, and our gross margin was 41.9% for the quarter compared to 43.7% in the first quarter of 2001. As a result of increased earnings, diluted earnings per share for the quarter ended March 31, 2002 rose to $0.53 on 38,172,000 diluted weighted average shares outstanding compared to $0.45 per diluted share on 38,127,000 diluted weighted average shares outstanding for the quarter ended March 31, 2001.

We strengthened our balance sheet at March 31, 2002. Specifically, cash rose to $62.9 million from $15.6 million at December 31, 2001. Inventory was $111.1 million at March 31, 2002 representing a reduction of $46.5 million from December 31, 2001 and a 6.7% increase over inventory of $104.1 million at March 31, 2001. Working capital rose to $163.3 million, which represents a $23.3 million improvement over working capital of $140.0 million at December 31, 2001.

Other Information

We were incorporated in California in May 1992 and reincorporated in Delaware in May 1998. Our executive offices are located at 228 Manhattan Beach Boulevard, Manhattan Beach, California 90266. Our telephone number is (310) 318-3100. Our website can be found at www.skechers.com. Our website does not constitute part of this prospectus. When used in this prospectus, the terms Skechers, we, our, or us refer to Skechers U.S.A., Inc. and its consolidated subsidiaries, as appropriate in the context.

Industry and Market Data

In this prospectus we rely on and refer to information and statistics regarding our markets and market share in the sectors in which we compete. We obtained this information and statistics from various third party sources, discussions with our customers and our own internal estimates. We believe that these sources and estimates are reliable, but have not independently verified them and cannot guarantee their accuracy or completeness.

Trademarks

We have registered the *Skechers, Skechers USA, S Design, Skechers Comfort, Skechers Kids, Somethin Else from Skechers, Skechers By Michelle K, 4 Wheelers* and *4 Wheelers by Skechers* trademarks. We also use the *Skechers Sport, Skechers Collection* and *Skechers Active* trademarks. This prospectus contains certain additional trade names, trademarks and service marks of other companies and ours. We do not intend our use or display of other parties trademarks, trade names or service marks to imply a relationship with, or endorsement or sponsorship of, us by these other parties.

The Offering

Securities Offered	$90,000,000 aggregate principal amount of 4.50% Convertible Subordinated Notes due April 15, 2007 and shares of Class A common stock issuable upon conversion of the notes.
Interest	We will pay interest on the notes semi-annually on April 15 and October 15 of each year, commencing October 15, 2002.
Conversion	The notes are convertible at the option of the holder into shares of Class A common stock at a conversion rate of 38.5089 shares of Class A common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $25.9680 per share. The conversion rate is subject to adjustment.
	You may convert the notes at any time on or before the close of business on the maturity date, unless we have previously redeemed or repurchased the notes; provided, however, that if a note is called for redemption or repurchase, you will be entitled to convert the note at any time before the close of business on the date immediately preceding the date fixed for redemption or repurchase, as the case may be.
Subordination	The notes are unsecured and subordinated to our present and future Senior Debt, as that term is defined in this prospectus. The notes are also structurally subordinated in right of payment to all indebtedness and other liabilities of our subsidiaries. As of March 31, 2002, we had $276.6 million of Senior Debt outstanding of which our subsidiaries had $12.9 million of indebtedness outstanding. The indenture under which the notes have been issued, or the Indenture, does not restrict our incurrence of indebtedness, including Senior Debt, or our subsidiaries incurrence of indebtedness.
Global Note; Book Entry System	The notes are issued only in fully registered form without interest coupons and in minimum denominations of $1,000. The notes are evidenced by one or more global notes deposited with the trustee for the notes, as custodian for The Depository Trust Company (DTC). Beneficial interest in the global notes are shown on, and

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	transfers of those beneficial interests can only be made through, records maintained by DTC and its participants.
Optional Redemption	We may redeem the notes, at our option, in whole or in part, on or after April 15, 2005, at the redemption prices set forth in this prospectus plus accrued and unpaid interest to, but excluding, the redemption date.
Provisional Redemption	We may redeem the notes, in whole or in part, at any time before April 15, 2005, at a redemption price equal to $1,000 per $1,000 principal amount of the notes to be redeemed plus accrued and unpaid interest, if any, to, but excluding, the date of redemption if (1) the closing price of our Class A common stock on the New York Stock Exchange has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day immediately before the date of mailing of the provisional redemption notice and (2) the registration statement of which this prospectus forms a part is effective and available for use and is expected to remain effective and available for use for 30 days following the provisional redemption date, unless registration is no longer required. Upon any provisional redemption, we will make an additional payment in cash or, at our option, shares of Class A common stock, or in a combination of cash and shares of Class A common stock, with respect to the notes called for redemption in an amount equal to $135.00 per $1,000 principal amount of the notes, less the amount of any interest actually paid on the note before the date of redemption. Any such payment in Class A common stock will be made valuing such Class A common stock at 95% of the average of the closing sales prices of the Class A common stock on the New York Stock Exchange for each of the five trading days ending with the third trading day immediately prior to the redemption date. We will be obligated to make this additional payment on all notes called for provisional redemption, including any notes converted after the notice date and before the redemption date.
Repurchase at Option of Holders Upon a Change in Control	Upon a Change in Control, as that term is defined in this prospectus, you will have the right, subject to certain conditions and restrictions, to require us to repurchase your notes, in whole or in part, at 100% of their principal amount, plus accrued and unpaid interest to the repurchase date. The repurchase price is payable in cash or, at our option, in shares of Class A common stock. However, we, or the successor entity in the Change in Control transaction, may pay the repurchase price in Class A common stock only if the conditions provided in the Indenture designed to ensure that such shares will be freely transferable are satisfied. If the repurchase price is paid in Class A common stock, the Class A common stock will be valued at 95% of the average of the high and low sales prices of the Class A common stock on the New York Stock Exchange for each of the five trading days ending with the third trading day prior to the repurchase date. A Change in Control could be an event of default under the Senior Debt. In those circumstances, the subordination provision of the Indenture would

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	likely prevent us from repurchasing the notes until the Senior Debt is paid in full.
Use of Proceeds	We will not receive any proceeds from the sale by any selling security holder of the notes or the shares offered by this prospectus.
Events of Default	The following will be events of default under the Indenture for the notes: we fail to pay the principal of or any premium, if any, on any note when due, whether or not the payment is prohibited by the Indenture s subordination provisions; we fail to pay any interest (including Liquidated Damages, if any, as that term is defined in this prospectus) on these notes when due and that default continues for 30 days, whether or not the payment is prohibited by the Indenture s subordination provisions; we fail to give the notice that we are required to give if there is a Change in Control, whether or not the notice is prohibited by the Indenture s subordination provisions; we fail to perform or observe any other term, covenant or agreement contained in the notes or the Indenture and that failure continues for 60 days after written notice to us by the trustee or the holders of at least 25% in aggregate principal amount of outstanding notes; we fail to pay by the end of any applicable grace period, if any, after the maturity of any indebtedness for money borrowed by us or any of our significant subsidiaries in excess of $10 million if the indebtedness is not discharged, or, if such indebtedness has been accelerated, such acceleration is not annulled, within 30 days after written notice to us by the trustee or the holders of at least 25% in aggregate principal amount of the outstanding notes; we fail to deliver shares of Class A common stock, together with cash instead of fractional shares, when those shares of Class A common stock or cash instead of fractional shares are required to be delivered upon conversion of a note, and such failure continues for 10 days after such delivery date; and certain events of bankruptcy, insolvency or reorganization with respect to us and our significant subsidiaries specified in the Indenture.
Registration Rights	If we fail to comply with certain of our obligations under the Registration Rights Agreement, Liquidated Damages will be payable on the notes.
PORTAL Trading of Notes	The notes are eligible for trading in The PORTAL Market of the National Association of Securities Dealers, Inc.
Risk Factors	You should read Risk Factors beginning on page 7 of this prospectus, so that you understand the risks associated with an investment in the notes.

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RISK FACTORS

You should carefully consider and evaluate all of the information contained or incorporated by reference in this prospectus, including the following risk factors, before deciding to invest in our notes. Any of these risks could materially and adversely affect our business, financial condition and results of operations, which in turn could adversely affect the price of the notes and our Class A common stock.

Risks Related to Our Business

Our future success depends on our ability to respond to changing consumer demands, identify and interpret fashion trends and successfully market new products.

The footwear industry is subject to rapidly changing consumer demands and fashion trends. Accordingly, we must identify and interpret fashion trends and respond in a timely manner. Demand for and market acceptance of new products are uncertain and achieving market acceptance for new products generally requires substantial product development and marketing efforts and expenditures. If we do not continue to meet changing consumer demands and develop successful styles in the future, our growth and profitability will be negatively impacted. We frequently make decisions about product designs and marketing expenditures several months in advance of the time when consumer acceptance can be determined. If we fail to anticipate, identify or react appropriately to changes in styles and trends or are not successful in marketing new products, we could experience excess inventories, higher than normal markdowns or an inability to profitably sell our products. Because of these risks, a number of companies in the footwear industry specifically, and the fashion and apparel industry in general, have experienced periods of rapid growth in revenues and earnings and thereafter periods of declining sales and losses, which in some cases have resulted in companies in these industries ceasing to do business. Similarly, these risks could have a severe negative effect on our results of operations or financial condition.

Our business and the success of our products could be harmed if we are unable to maintain our brand image.

Our success to date has been due in large part to the strength of our brand. If we are unable to timely and appropriately respond to changing consumer demand, our brand name and brand image may be impaired. Even if we react appropriately to changes in consumer preferences, consumers may consider our brand image to be outmoded or associate our brand with styles of footwear that are no longer popular. In the past, several footwear companies have experienced periods of rapid growth in revenues and earnings followed by periods of declining sales and losses. Our business may be similarly affected in the future.

Our business could be harmed if we fail to maintain proper inventory levels.

We place orders with our manufacturers for some of our products prior to the time we receive all of our customers orders. We do this to minimize purchasing costs, the time necessary to fill customer orders and the risk of non-delivery. We also maintain an inventory of certain products that we anticipate will be in greater demand. However, we may be unable to sell the products we have ordered in advance from manufacturers or that we have in our inventory. Inventory levels in excess of customer demand may result in inventory write-downs, and the sale of excess inventory at discounted prices could significantly impair our brand image and have a material adverse effect on our operating results and financial condition. Conversely, if we underestimate consumer demand for our products or if our manufacturers fail to supply the quality products that we require at the time we need them, we may experience inventory shortages. Inventory shortages might delay shipments to customers, negatively impact retailer and distributor relationships, and diminish brand loyalty.

We may be unable to successfully execute our growth strategy or manage or sustain our growth.

We have grown quickly since we started our business. Our ability to grow in the future depends upon, among other things, the continued success of our efforts to expand our footwear offerings and distribution channels. However, our rate of growth may decline or we may not be profitable in future quarters or fiscal years. Furthermore, as our business becomes larger, we may not be able to maintain our historical growth rate

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or effectively manage our growth. We anticipate that as our business grows, we will have to improve and enhance our overall financial and managerial controls, reporting systems and procedures. We may be unable to successfully implement our current growth strategy or other growth strategies or effectively manage our growth, any of which would negatively impair our net sales and earnings.

Our business may be negatively impacted as a result of changes in the economy.

Our business depends on the general economic environment and levels of consumer spending that affect not only the ultimate consumer, but also retailers, our primary direct customers. Purchases of footwear tend to decline in periods of recession or uncertainty regarding future economic prospects, when consumer spending, particularly on discretionary items, declines. During periods of recession or economic uncertainty, we may not be able to maintain or increase our sales to existing customers, make sales to new customers, open and operate new retail stores, maintain sales levels at our existing stores, maintain or increase our international operations on a profitable basis, or maintain or improve our earnings from operations as a percentage of net sales. As a result, our operating results may be adversely and materially affected by downward trends in the economy or the occurrence of events that adversely affect the economy in general. Furthermore, in anticipation of continued increases in net sales, we have significantly expanded our infrastructure and workforce to achieve economies of scale. Because these expenses are fixed in the short term, our operating results and margins will be adversely impacted if we do not continue to grow as anticipated. For example, due in large part to the slowdown in the global economy, our net sales for 2001 were lower than anticipated. This lower level of sales adversely affected our operating results for 2001 and could continue to do so in 2002 and beyond.

Economic, political, military or other events in a country where we make significant sales or have significant operations could interfere with our success or operations there and harm our business.

We market and sell our products and services throughout the world. The September 11, 2001 attacks disrupted commerce throughout the United States and other parts of the world. The continued threat of similar attacks throughout the world and the military action taken by the United States and other nations may cause significant disruption to commerce throughout the world. To the extent that such disruptions further slow the global economy or, more particularly, result in delays or cancellations of purchase orders for our products, our business and results of operations could be materially adversely affected. We are unable to predict whether the threat of new attacks or the responses thereto will result in any long-term commercial disruptions or if such activities or responses will have a long-term material adverse effect on our business, results of operations or financial condition.

We depend upon a relatively small group of customers for a large portion of our sales.

For the year ended December 31, 2001 and the three months ended March 31, 2002, our net sales to our five largest customers accounted for approximately 25.7% and 25.1% of total net sales, respectively. No one customer accounted for 10.0% or more of our net sales for either period. As of December 31, 2001, one customer accounted for 10.2% of our net trade accounts receivable, and as of March 31, 2002, no one customer accounted for 10.0% or more of our net trade accounts receivable. 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. If there are further consolidations, contractions or closings in the future, we may lose customers or be unable to collect accounts receivables of major customers in excess of amounts that we have insured. 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 in excess of amounts insured, our business could be harmed.

Our operating results could be negatively impacted if our sales are concentrated in any one style or group of styles.

If any one style or group of similar styles of our footwear were to represent a substantial portion of our net sales, we could be exposed to risk should consumer demand for such style or group of styles decrease in subsequent periods. We attempt to hedge this risk by offering a broad range of products, and no style comprised over 5.0% of our gross wholesale sales for the years ended either December 31, 2000 or 2001. However, this may change in the future and fluctuations in sales of any given style that represents a significant portion of our future net sales could have a negative impact on our operating results.

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. For the year ended December 31, 2001 and the three months ended March 31, 2002, the top four manufacturers of our manufactured products produced approximately 51.9% and 48.6% of our total purchases, respectively, but none individually accounted for more than 20.0% for either period. 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.

Our international sales and manufacturing operations are subject to the risks of doing business abroad, which could affect our ability to sell or manufacture our products in international markets, obtain products from foreign suppliers or control the costs of our products.

Substantially all of our net sales for the year ended December 31, 2001 and the three months ended March 31, 2002 were derived from sales of footwear manufactured in foreign countries, with most manufactured in China and, to a lesser extent, in Italy, the Philippines and Brazil. We also sell our footwear in several foreign countries and plan to increase our international sales efforts as part of our growth strategy. Foreign manufacturing and sales are subject to a number of risks, including:

political and social unrest;

changing economic conditions;

international political tension and terrorism;

work stoppages;

transportation delays;

loss or damage to products in transit;

expropriation;

nationalization;

the imposition of tariffs and trade duties both international and domestically;

import and export controls and other nontariff barriers;

exposure to different legal standards (particularly with respect to intellectual property);

compliance with foreign laws; and

changes in domestic and foreign governmental policies.

In particular, because substantially all of our products are manufactured in China, adverse change in trade or political relations with China or political instability in China would severely interfere with the manufacture of our products and would materially adversely affect our operations.

In addition, if we, or our foreign manufacturers, violate United States or foreign laws or regulations, we may be subjected to extra duties, significant monetary penalties, the seizure and the forfeiture of the products we are attempting to import or the loss of our import privileges. Possible violations of United States or foreign laws or regulations could include inadequate record keeping of our imported product, misstatements or errors as to the origin, quota category, classification, marketing or valuation of our imported products, fraudulent visas, or labor violations. The effects of these factors could render our conduct of business in a particular country undesirable or impractical and have a negative impact on our operating results.

Our business could be harmed if our contract manufacturers, suppliers or licensees violate labor or other laws.

We require our independent contract manufacturers, suppliers and licensees to operate in compliance with applicable United States and foreign laws and regulations. Manufacturers are required to certify that neither convicted, forced or indentured labor (as defined under United States law) nor child labor (as defined by the manufacturer s country) is used in the production process, that compensation is paid in accordance with local law and that their factories are in compliance with local safety regulations. Although we promote ethical business practices and our sourcing personnel periodically visit and monitor the operations of our independent contract manufacturers, suppliers and licensees, we do not control them or their labor practices. If one of our independent contract manufacturers, suppliers or licensees violates labor or other laws or diverges from those labor practices generally accepted as ethical in the United States, it could result in adverse publicity for us, damage our reputation in the United States, or render our conduct of business in a particular foreign country undesirable or impractical, any of which could harm our business.

Our planned expansion involves a number of risks that could prevent or delay the successful opening of new stores as well as impact the performance of our existing stores.

Our ability to open and operate new stores successfully depends on many factors, including, among others, our ability to:

- identify suitable store locations, the availability of which is outside of our control;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- source sufficient levels of inventory to meet the needs of new stores;
- hire, train and retain store personnel;
- successfully integrate new stores into our existing operations; and
- satisfy the fashion preferences in new geographic areas.

In addition, many of our new stores will be opened in regions of the United States in which we currently have few or no stores. The expansion into new markets may present competitive, merchandising and distribution challenges that are different from those currently encountered in our existing markets. Any of these challenges could adversely affect our business and results of operations. In addition, to the extent our new store openings are in existing markets, we may experience reduced net sales volumes in existing stores in those markets.

Many of our retail stores depend heavily on the customer traffic generated by shopping and factory outlet malls or by tourism.

Many of our concept stores are located in shopping malls and some of our factory outlet stores are located in manufacturers outlet malls where we depend on obtaining prominent locations in the malls and the overall success of the malls to generate customer traffic. We cannot control the development of new malls, the availability or cost of appropriate locations within existing or new malls or the success of individual malls. Some of our concept stores occupy street locations which are heavily dependent on customer traffic generated by tourism. Any substantial decrease in tourism resulting from the September 11, 2001 attacks, a downturn in the economy or otherwise, is likely to adversely affect sales in our existing stores, particularly those with street locations. The effects of these factors could hinder our ability to open retail stores in new markets or reduce sales of particular existing stores, which could negatively affect our operating results.

Our quarterly revenues and operating results fluctuate as a result of a variety of factors, including seasonal fluctuations in demand for footwear and delivery date delays, which may result in volatility of our stock price.

Our quarterly revenues and operating results have varied significantly in the past and can be expected to fluctuate in the future due to a number of factors, many of which are beyond our control. For example, sales of footwear products have historically been somewhat seasonal in nature with the strongest sales generally occurring in the third and fourth quarters. Also, delays in scheduling or pickup of purchased products by our domestic customers could negatively impact our net sales and results of operations for any given quarter. As a result of these specific and other general factors, our operating results will likely vary from quarter to quarter and the results for any particular quarter may not be necessarily indicative of results for the full year. Any shortfall in revenues or net income from levels expected by securities analysts and investors could cause a decrease in the trading price of our Class A common stock.

We face intense competition, including competition from companies with significantly greater resources than ours, and if we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.

We face intense competition in the footwear industry from other established companies. A number of our competitors have significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources than we do. Their greater capabilities in these areas may enable them to better withstand periodic downturns in the footwear industry, compete more effectively on the basis of price and production and more quickly develop new products. In addition, new companies may enter the markets in which we compete, further increasing competition in the footwear industry.

We believe that our ability to compete successfully depends on a number of factors, including the style and quality of our products and the strength of our brand name, as well as many factors beyond our control. We may not be able to compete successfully in the future, and increased competition may result in price reductions, reduced profit margins, loss of market share, and inability to generate cash flows that are sufficient to maintain or expand our development and marketing of new products, which would adversely impact the trading price of our Class A common stock.

Obtaining additional capital to fund our operations and finance our growth could make it difficult for us to service our debt obligations.

If our working capital needs exceed our current expectations, we may need to raise additional capital through public or private equity offerings or debt financings. If we cannot raise needed funds on acceptable terms, we may not be able to successfully execute our growth strategy, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. To the extent we raise additional capital by issuing debt, it may become difficult for us to meet debt service obligations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. Also, any new equity securities may have greater rights, preferences or privileges than our existing Class A common stock.

We depend on key personnel to manage our business effectively in a rapidly changing market, and if we are unable to retain existing personnel, our business could be harmed.

Our future success depends upon the continued services of Robert Greenberg, Chairman of the Board and Chief Executive Officer, Michael Greenberg, President, and David Weinberg, Executive Vice President and Chief Financial Officer. The loss of the services of any of these individuals or any other key employee could harm us. Our future success also depends on our ability to identify, attract and retain additional qualified personnel. Competition for employees in our industry is intense and we may not be successful in attracting and retaining such personnel.

Our trademarks, design patents and other intellectual property rights may not be adequately protected outside the United States.

We believe that our trademarks, design patents and other proprietary rights are important to our success and our competitive position. We devote substantial resources to the establishment and protection of our trademarks and design patents on a worldwide basis. In the course of our international expansion, we have, however, experienced conflicts with various third parties that have acquired or claimed ownership rights in certain trademarks similar to ours or have otherwise contested our rights to our trademarks. We have in the past successfully resolved these conflicts through both legal action and negotiated settlements, none of which we believe has had a material impact on our financial condition and results of operations. Nevertheless, we cannot assure you that the actions we have taken to establish and protect our trademarks and other proprietary rights outside the United States will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as a violation of the trademarks and proprietary rights of others. Also, we cannot assure you that others will not assert rights in, or ownership of, trademarks, designs and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States. We may face significant expenses and liability in connection with the protection of our intellectual property rights outside the United States and if we are unable to successfully protect our rights or resolve intellectual property conflicts with others, our business or financial condition may be adversely affected.

Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights or if we are sued for intellectual property infringement.

We use trademarks on nearly all of our products and believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our goods, in identifying us, and in distinguishing our goods from the goods of others. We consider our Skechers® and S Design® trademarks to be among our most valuable assets and we have registered these trademarks in many countries. In addition, we own many other trademarks, which we utilize in marketing our products. We continue to vigorously protect our trademarks against infringement. We also have a number of design patents covering components and features used in various shoes. We believe that our success depends primarily upon skills in design, research and development, production and marketing rather than upon our patent position. However, we have followed a policy of filing applications for United States and foreign patents on designs that we deem valuable.

We believe that our patents and trademarks are generally sufficient to permit us to carry on our business as presently conducted. We cannot, however, know whether we will be able to secure patents or trademark protection for our intellectual property in the future or that protection will be adequate for future products. Further, we face the risk of ineffective protection of intellectual property rights in the countries where we source and distribute our products. We have been sued for patent and trademark infringement and cannot be sure that our activities do not and will not infringe on the proprietary rights of others. If we are compelled to prosecute infringing parties, defend our intellectual property, or defend ourselves from intellectual property claims made by others, we may face significant expenses and liability which could negatively impact our business or financial condition.

Energy shortages, natural disasters or a decline in economic conditions in California could increase our operating expenses or adversely affect our sales revenue.

A substantial portion of our operations are located in California, including 39 of our retail stores, our headquarters in Manhattan Beach and our domestic distribution center in Ontario. Because California has and may in the future experience energy and electricity shortages, we may be subject to increased operating costs as a result of higher electricity and energy rates and may be subject to rolling blackouts which could interrupt our business. Any such impact could be material and adversely affect our profitability. In addition, because a significant portion of our net sales is derived from sales in California, a decline in the economic conditions in California, whether or not such decline spreads beyond California, could materially adversely affect our business. Furthermore, a natural disaster or other catastrophic event, such as an earthquake affecting California, could significantly disrupt our business. We may be more susceptible to these issues than our competitors whose operations are not as concentrated in California.

One principal stockholder is able to control substantially all matters requiring a vote of our stockholders and his interests may differ from the interests of our other stockholders.

As of May 31, 2002, Robert Greenberg, Chairman of the Board and Chief Executive Officer, beneficially owned 75.6% of the outstanding shares of our Class B common stock and members of Mr. Greenberg s immediate family beneficially owned the remainder of the outstanding shares of our Class B common stock. The holders of shares of our Class A common stock and Class B common stock have identical rights except that holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to ten votes per share on all matters submitted to a vote of our stockholders. As a result, as of May 31, 2002, Mr. Greenberg held approximately 69.5% of the aggregate number of votes eligible to be cast by our stockholders and together with shares held by other members of his immediate family held approximately 92.0% of the aggregate number of votes eligible to be cast by our stockholders. Therefore, Mr. Greenberg is able to control substantially 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 control over our management and affairs. As a result of such control, certain transactions are not possible without the approval of Mr. Greenberg, including, proxy contests, tender offers, open market purchase programs, or other transactions that can give our stockholders the opportunity to realize a premium over the then-prevailing market prices for their shares of our Class A common stock. The differential in the voting rights may adversely affect the value of our Class A common stock to the extent that investors or any potential future purchaser view the superior voting rights of our Class B common stock to have value.

Our charter documents and Delaware law may inhibit a takeover, which may cause a decline in the value of our stock.

Provisions of Delaware law, our certificate of incorporation, or our bylaws could make it more difficult for a third party to acquire us, even if closing such a transaction would be beneficial to our stockholders. Mr. Greenberg s substantial beneficial ownership position, together with the authorization of preferred stock, the disparate voting rights between Class A common stock and Class B common stock, the classification of the Board of Directors and the lack of cumulative voting in our certificate of incorporation and bylaws, may have the effect of delaying, deferring or preventing a change in control, may discourage bids for our Class A common stock at a premium over the market price of the Class A common stock and may adversely affect the market price of the Class A common stock.

Risks Related to this Offering

The notes are subordinated.

The notes are unsecured and subordinated in right of payment to all of our existing and future senior indebtedness, which includes all indebtedness not expressly subordinated to the notes. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of the notes due to an event of default under the Indenture and in certain other events, our assets will be available to pay obligations on the notes only after all senior indebtedness has been paid. As a result, there may not be sufficient assets remaining to pay amounts due on any or all of the outstanding notes. The notes also are structurally subordinated to the liabilities, including trade payables, of any of our subsidiaries. Neither we nor our subsidiaries are prohibited from incurring additional debt under the Indenture, including senior indebtedness. If we or our subsidiaries were to

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incur additional debt or liabilities, our ability to pay our obligations on the notes could be adversely affected. As of March 31, 2002, we had approximately $276.6 million of senior indebtedness outstanding of which our subsidiaries had approximately $12.9 million of indebtedness outstanding. We may from time to time incur additional debt, including senior indebtedness.

We may be unable to redeem the notes upon a Change in Control.

Upon a Change in Control, as described under Description of the Notes Repurchase at Option of Holders upon a Change in Control, you may require us to redeem all or a portion of your notes. Some of the events constituting a Change in Control in addition to the act of repurchasing the notes could cause an event of default or be prohibited or limited by the terms of our current credit facility or any other current or future credit agreements or other agreements relating to our indebtedness. As a result, any repurchase of the notes in cash could, absent a waiver from our lenders, be prohibited until such indebtedness is paid in full. Further, we may not have the financial resources, or be unable to arrange financing, to pay the repurchase price for all the notes that holders seeking to exercise their repurchase right deliver to us. Our failure to redeem tendered notes would constitute an event of default under the Indenture, which might constitute a default under the terms of our other indebtedness. In these circumstances, or if a Change in Control would constitute an event of default under our senior indebtedness, the subordination provisions of the Indenture would restrict our ability to make payments to the holders of the notes. The term Change in Control is limited to certain specified transactions and may not include other events that might adversely affect our financial condition. Our obligation to offer to redeem the notes upon a Change in Control would not necessarily afford you protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction.

There is no public market for the notes being offered and restrictions on transfer of the notes and the Class A common stock issuable upon conversion of the notes may significantly impair the liquidity of the notes.

The notes are being sold pursuant to an exemption from registration under the Securities Act and applicable state or foreign securities laws and neither the notes nor the Class A common stock issuable upon conversion of the notes may be resold by purchasers unless the notes and the Class A common stock issuable upon conversion of the notes are subsequently registered under the Securities Act or an exemption for the registration requirements of the Securities Act and applicable state or foreign securities laws is available for such resale. We have agreed to file with the SEC and to use our reasonable efforts to cause to become effective a registration statement for the resale of the notes and the Class A common stock issuable upon conversion of the notes.

While the outstanding notes are eligible for trading in The Portal Market, there is no public market for the notes, and we cannot assure you as to:

- the liquidity of any such market that may develop;
- your ability to sell the notes; or
- the price at which you would be able to sell the notes.

If such a market were to exist, the notes could trade at prices that may be higher or lower than the principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes, and our financial performance. We do not presently intend to apply for the listing of the notes on any securities exchange or for inclusion of the notes in the automated quotation system of the National Association of Securities Dealers, Inc.

CIBC World Markets Corp. (the Initial Purchaser) has advised us that it presently is making a market in the notes. The Initial Purchaser is not obligated, however, to make a market in the notes, and any such market-making may be discontinued at any time at the sole discretion of the Initial Purchaser. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

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Our share price has been and may continue to be volatile, which might adversely affect the trading price of the notes.

Fluctuations in the market price of our Class A common stock may affect the trading price of the notes. In addition, if you convert any notes, the value of the Class A common stock you receive may fluctuate significantly. The market price of our Class A common stock has fluctuated substantially in the past. The sales price of our Class A common stock has ranged from a low of $3.25 at January 18, 2000 to a high of $40.30 at May 21, 2001 and the closing price of our Class A common stock was $20.30 at July 9, 2002, as reported on the New York Stock Exchange. The market price of our Class A common stock will continue to be subject to significant fluctuations in the future in response to a variety of factors, including the risk factors discussed above and the following:

future announcements concerning our business or that of our competitors or customers;

the introduction of new products or changes in product pricing policies by us or our competitors;

litigation regarding proprietary rights or other matters;

changes in analysts earnings estimates;

developments in the financial markets;

quarterly fluctuations in operating results; and

general conditions in the footwear industry.

The sales of substantial amounts of shares of our Class A common stock in the public market or the prospect of such sales could materially and adversely affect the market price of the Class A common stock.

As of May 31, 2002, we had outstanding 17,317,145 shares of Class A common stock. In addition, we had outstanding 19,805,277 shares of Class B common stock, all of which are convertible into shares of Class A common stock on a share-for-share basis at the election of the holder or upon transfer or disposition to certain persons. The 17,317,145 shares of Class A common stock are eligible for sale in the public market without restriction. The 19,805,277 shares of Class B common stock are restricted in nature and are saleable pursuant to Rule 144 under the Securities Act.

As of May 31, 2002, Robert Greenberg, Chairman of the Board and Chief Executive Officer, and Michael Greenberg, President, beneficially owned an aggregate of 16,180,025 shares of Class B common stock. Robert and Michael Greenberg have also received certain registration rights to sell shares of Class A common stock which will be issuable upon conversion of their shares of Class B common stock in the public market. Shares of Class A common stock reserved for issuance pursuant to our Stock Option Plan and our 1998 Employee Stock Purchase Plan have also been registered under the Securities Act.

We may not be able to refinance the notes if required or if we so desire.

We may need or desire to refinance all or a portion of the notes at maturity. We cannot assure you that we will be able to refinance the notes on commercially reasonable terms, if at all. If we are not able to refinance the notes on terms favorable to us, we may not have sufficient funds to pay the principal amount or repurchase price due.

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USE OF PROCEEDS

We will not receive any proceeds from the sale by any selling security holder of the notes or the shares of Class A common stock issuable upon conversion of the notes.

RATIO OF EARNINGS TO FIXED CHARGES

The following table displays our ratio of earnings to fixed charges:[(1)]

	Year Ended December 31,					Three Months Ended
	1997	1998	1999	2000	2001	March 31, 2002
Ratio of earnings to fixed charges	3.73x	3.91x	5.70x	7.86x	6.35x	15.54x

(1) Earnings used in computing the ratio of earnings to fixed charges consist of net earnings before income taxes plus interest expense. Fixed charges include interest expensed or capitalized.

PRICE RANGE OF CLASS A COMMON STOCK

Our Class A common stock began trading on the New York Stock Exchange on June 9, 1999 after we completed the initial public offering of 7,000,000 shares of our Class A common stock at $11.00 per share. Our Class A common stock trades under the symbol SKX . The following table sets forth, for the periods indicated, the high and low sales prices of our Class A common stock.

The following table sets forth, for the periods indicated, the high and low sales prices of our Class A common stock since it began trading as reported on the New York Stock Exchange:

	High	Low
2000:		
First Quarter	$ 7.69	$ 3.25
Second Quarter	16.31	7.50
Third Quarter	19.94	12.50
Fourth Quarter	16.75	11.44
2001:		
First Quarter	$ 32.20	$ 14.50
Second Quarter	40.30	22.80
Third Quarter	29.40	11.33
Fourth Quarter	15.05	10.00
2002:		
First Quarter	$ 19.60	$ 12.80
Second Quarter	24.40	18.00
Third Quarter (through July 9, 2002)	21.61	18.50

As of May 31, 2002, there were 103 holders of record of our Class A common stock (including holders who are nominees for an undetermined number of beneficial owners) and 9 holders of record of our Class B common stock. These figures do not include beneficial owners who hold shares in nominee name. The Class B common stock is not publicly traded but each share is convertible upon request of the holder into one share of Class A common stock.

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DIVIDEND POLICY

In May 1992, we elected to be treated for federal and state income tax purposes as an S Corporation under Subchapter S of the Internal Revenue Code of 1986, as amended (the Code), and comparable state laws. As a result, our earnings, since such initial election, were included in the taxable income of our stockholders for federal and state income tax purposes, and we were not subject to income tax on such earnings, other than franchise and net worth taxes. Prior to the closing of our initial public offering of our Class A common stock on June 9, 1999, we terminated our S Corporation status, and since then we have been treated for federal and state income tax purposes as a corporation under Subchapter C of the Code and, as a result, are subject to state and federal income taxes. By reason of our treatment as an S Corporation for federal and state income tax purposes, we have since inception provided to our stockholders funds for the payment of income taxes on our earnings as well as the conversion from an S Corporation to a C Corporation during 1999. We declared distributions relating to our S Corporation status of $35.4 million and $7.9 million in 1999 and 1998, respectively. Purchasers of shares in the initial public offering of our Class A common stock on June 9, 1999 did not receive any portion of these S Corporation distributions. Since the termination of our S Corporation status, earnings have been and will be retained for the foreseeable future in the operations of the business. We have not declared or paid any cash dividends on our Class A common stock and do not anticipate paying any cash dividends in the foreseeable future. Our current policy is to retain all of our earnings to finance the growth and development of our business.

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SELECTED CONSOLIDATED FINANCIAL DATA

(in thousands, except per share and financial ratios)

The following table presents selected historical consolidated financial information for each of the five years in the period ended December 31, 2001, which has been derived from our consolidated financial statements audited by KPMG LLP, and for the three month periods ended March 31, 2001 and 2002, which has been derived from our unaudited condensed consolidated financial statements incorporated herein by reference. The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation for each of the periods presented. The selected historical consolidated financial information does not purport to indicate results of operations as of any future date or for any future period. The selected historical consolidated financial information has been derived from and should be read in conjunction with Management s Discussion and Analysis of Results of Operations and Financial Condition, our audited consolidated financial statements and notes thereto, which are incorporated by reference in this prospectus.

	Year Ended December 31,					Three Months Ended March 31,	
	1997	1998	1999	2000	2001	2001	2002
Statement of Earnings Data:							
Net sales	$183,827	$372,680	$424,601	$675,036	$960,385	$227,494	$244,949
Cost of sales	115,104	218,100	249,993	390,811	554,205	128,180	142,425
Gross profit	68,723	154,580	174,608	284,225	406,180	99,314	102,524
Royalty income, net	894	855	668	316	(303)	217	108
	69,617	155,435	175,276	284,541	405,877	99,531	102,632
Operating expenses:							
Selling	21,584	49,983	57,332	77,451	111,401	20,842	18,691
General and administrative	32,397	71,461	79,114	125,827	205,989	47,389	49,632
	53,981	121,444	136,446	203,278	317,390	68,231	68,323
Earnings from operations	15,636	33,991	38,830	81,263	88,487	31,300	34,309
Other income (expense):							
Interest, net	(4,186)	(8,631)	(6,554)	(9,230)	(13,852)	(3,758)	(2,063)
Other, net	(37)	(239)	415	318	1,320	491	43
	(4,223)	(8,870)	(6,139)	(8,912)	(12,532)	(3,267)	(2,020)
Earnings before income taxes	11,413	25,121	32,691	72,351	75,955	28,033	32,289
Income taxes	390	650	8,635	28,600	28,685	10,933	12,011
Net earnings	$ 11,023	$ 24,471	$ 24,056	$ 43,751	$ 47,270	$ 17,100	$ 20,278
Net earnings per share:(1)							
Basic	$ .40	$ .88	$ .76	$ 1.24	$ 1.30	$ 0.48	$ 0.55
Diluted	$ .37	$ .80	$ .73	$ 1.20	$ 1.24	$ 0.45	$ 0.53
Weighted average shares:(1)							
Basic	27,814	27,814	31,765	35,142	36,409	35,871	36,849
Diluted	29,614	30,610	33,018	36,563	38,059	38,127	38,172
Pro Forma Earnings Data:(2)							
Earnings before income taxes	$ 11,413	$ 25,121	$ 32,691				
Income taxes	4,565	10,048	12,880				

Net earnings	$ 6,848	$ 15,073	$ 19,811
Net earnings per share:[1]			
Basic	$ .25	$ .54	$ .62
Diluted	$ .23	$ .49	$ .60

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	Year Ended December 31,					Three Months Ended March 31,	
	1997	1998	1999	2000	2001	2001	2002
Consolidated Cash Flow Data:							
Net cash (used in) provided by operating activities	$ (2,132)	$ (4,251)	$ 13,105	$ (1,009)	$ (1,720)	$(13,238)	$37,034
Net cash used in investing activities	(6,751)	(9,448)	(10,846)	(21,846)	(31,518)	(9,416)	(1,798)
Net cash (used in) provided by financing activities	10,167	23,179	(2,365)	20,800	39,978	24,331	12,521
Selected Operating Data:							
Ratio of earnings to fixed charges(3)	3.73x	3.91x	5.70x	7.86x	6.35x	8.34x	15.54x
EBITDA(4)	$18,192	$36,743	$ 43,105	$ 87,579	$105,110	$ 34,571	$38,649

	As of December 31,					As of March 31,
	1997	1998	1999	2000	2001	2002
Balance Sheet Data:						
Cash and cash equivalents	$ 1,462	$ 10,942	$ 10,836	$ 8,781	$ 15,554	$ 62,876
Working capital	17,081	23,106	65,003	93,305	139,972	163,330
Total assets	90,881	146,284	177,914	303,400	407,486	422,631
Total debt	39,062	70,933	33,950	85,321	115,931	127,800
Stockholders equity	11,125	27,676	86,000	134,046	199,016	220,478

(1) Basic earnings per share represents net earnings divided by the weighted-average number of outstanding shares of our common stock for the period. Diluted earnings per share reflects the potential dilution that could occur if options to issue common stock were exercised or converted into common stock. The weighted average diluted shares outstanding gives effect to our sale by (i) stockholder distributions paid or declared from January 1, 1998 to June 7, 1999, the S Corporation termination date, in excess of (ii) the S Corporation earnings from January 1, 1998 to December 31, 1998 for 1997 through 1998, and January 1, 1999 to June 7, 1999 for 1999, based on an initial public offering price of $11 per share, net of underwriting discounts.

(2) Reflects adjustments for federal and state income taxes as if we had been taxed as a C corporation, at the assumed rate of 40%, rather than as an S corporation for periods prior to our initial public offering on June 7, 1999.

(3) Earnings used in computing the ratio of earnings to fixed charges consist of net earnings before income taxes plus interest expense. Fixed charges include interest expensed or capitalized.

(4) EBITDA is calculated as net earnings before net interest and income taxes, plus depreciation and amortization. EBITDA is presented because EBITDA is a widely accepted financial indicator of a company s ability to service and incur debt. EBITDA should not be construed as an alternative to earnings from operations (as determined in accordance with generally accepted accounting principles) as an indicator of our operating performance, or as an alternative to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) as a measure of liquidity, and this measure may not be comparable to similarly titled measures by other entities.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary should be read in conjunction with the financial statements and related notes incorporated by reference in this prospectus. Our discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives and intentions. Our actual results may differ materially from those indicated in such forward-looking statements. See Forward-Looking Statements.

Overview

We design, market and sell contemporary footwear for men, women and children under the Skechers brand. Our footwear is sold through a wide range of department stores and leading specialty retail stores, a growing network of our own retail stores and our e-commerce website. Our objective is to continue to profitably grow our domestic operations, while leveraging our brand name to expand internationally.

We generate revenues from three principal sources:

Wholesale. We sell footwear directly to department stores and specialty retail stores both domestically and internationally.

Retail. We own and operate our own retail stores both domestically and, on a smaller scale, internationally through three integrated retail formats. Our retail formats are as follows:

Concept Stores. Our concept stores are located in marquee street locations and high performing regional malls, while promoting awareness of the Skechers brand and showcasing a broad assortment of our in-season footwear styles.

Factory Outlet Stores. Our factory outlet stores are generally located in manufacturers outlet centers and provide opportunities to sell an assortment of in-season, discontinued and excess merchandise at lower price points.

Warehouse Outlet Stores. Our freestanding warehouse outlet stores appeal to our most value conscious customers and enable us to liquidate excess merchandise, discontinued lines and odd-size inventory in a cost-efficient manner.

Distributors. Internationally, we sell our footwear to our foreign distributors who distribute such footwear to department stores and specialty retail stores in Europe, Asia, Latin America, South America and numerous other countries and territories.

The substantial portion of our revenues are derived from domestic wholesale sales. Typically, retail sales achieve higher gross margins as a percentage of net sales than wholesale sales. Sales through foreign distributors result in lower gross margins as a percentage of net sales than retail or wholesale sales. None of our domestic retail sales formats, international wholesale sales, international retail sales, or international distributor sales comprised more than 10% of our consolidated net sales for either fiscal 1999, 2000 or 2001 or for either the three months ended March 31, 2001 or 2002.

We have implemented a strategy of controlling the growth of the distribution channels through which our products are sold