

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 99693 / March 7, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-21893

In the Matter of

SKECHERS U.S.A., INC.,

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Skechers U.S.A., Inc. (“Skechers” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. This matter concerns Skechers's failure to make required disclosures of related person transactions in its annual reports and definitive proxy statements for fiscal years 2018 through 2021.

Respondent

2. **Skechers U.S.A., Inc.** is a Delaware corporation with its principal place of business in Manhattan Beach, California. Skechers is a footwear company with common stock that is registered pursuant to Section 12(b) of the Exchange Act and trades on the New York Stock Exchange under the symbol "SKX." Skechers is required to file periodic reports, including annual reports on Form 10-K, with the Commission pursuant to Section 13(a) of the Exchange Act and rules thereunder.

Background Regarding Related Person Transaction Disclosure Rules

3. Exchange Act registrants filing Forms 10-K must furnish the information required by Item 404 of Regulation S-K. See Form 10-K, Item 13. Item 404(a) of Regulation S-K generally requires a description of transactions since the beginning of the registrant's last fiscal year in excess of \$120,000 in which the registrant was a participant and any "related person had or will have a direct or indirect material interest." For purposes of Item 404, a "related person" includes any director or executive officer of the registrant, and any immediate family members of the directors or executive officers of the registrant. "[I]mmediate family members" include, but are not limited to, siblings and siblings-in-law of directors or executive officers as well as any person (other than a tenant or employee) sharing the household of a director or executive officer. Disclosure of related person transactions "involving the employment of immediate family members" is required "when the threshold for disclosure has been met and the immediate family member has or will have a direct or indirect material interest." See *Executive Compensation and Related Person Disclosure*, Rel. No. 33-8732A, 71 Fed. Reg. 53,158, 53,201 n.449 (Sept. 8, 2006). Information required to be disclosed concerning any such related person transaction includes the name of the related person, the basis on which the person is a related person, the related person's interest in the transaction, and the approximate dollar amount of the related person's interest in the transaction. See Regulation S-K, Item 404(a)(1)-(4). With respect to related person transactions involving indebtedness, Item 404(a)(5) of Regulation S-K sets forth additional information required to be disclosed.

4. Section 14(a) of the Exchange Act makes it unlawful to solicit any proxy in respect of any security (other than an exempted security) registered pursuant to Section 12 of the Exchange Act in contravention of such rules and regulations as the Commission may prescribe. Exchange Act Rule 14a-3 prohibits the solicitation of a proxy without furnishing information specified by Schedule 14A, including, for proxies involving the election of directors, related person transactions pursuant to Item 404 of Regulation S-K. See Exchange Act Rule 14a-101, Item 7(b).

Facts

5. On March 1, 2019, Skechers filed a Form 10-K for its fiscal year ended December 31, 2018. The Form 10-K indicated that the related person transaction information required by Item 404 was incorporated by reference to Skechers's forthcoming proxy statement. On April 12, 2019, Skechers filed a definitive proxy statement, which included the election of directors and failed to disclose that a person sharing the same household as a director and executive officer of Skechers, in 2018, had received \$210,000 in compensation as an independent contractor of the company.

6. On February 28, 2020, Skechers filed a Form 10-K for its fiscal year ended December 31, 2019. The Form 10-K indicated that the related person transaction information required by Item 404 was incorporated by reference to Skechers's forthcoming proxy statement. On April 9, 2020, Skechers filed a definitive proxy statement, which included the election of directors and failed to disclose that a person sharing the same household as a director and executive officer of Skechers, in 2019, had received \$210,000 in compensation as an independent contractor of the company.

7. On February 26, 2021, Skechers filed a Form 10-K for its fiscal year ended December 31, 2020. The Form 10-K indicated that the related person transaction information required by Item 404 was incorporated by reference to Skechers's forthcoming proxy statement. On April 14, 2021, Skechers filed a definitive proxy statement, which included the election of directors and failed to disclose that a sibling-in-law of an executive officer and director of Skechers, in 2020, had received \$213,645 in compensation while serving as a non-executive employee of the company.

8. On February 25, 2022, Skechers filed a Form 10-K for its fiscal year ended December 31, 2021. The Form 10-K indicated that the related person transaction information required by Item 404 was incorporated by reference to Skechers's forthcoming proxy statement. On April 14, 2022, Skechers filed a definitive proxy statement that included the election of directors. The proxy statement failed to disclose that, in 2021, a sibling-in-law of an executive officer and director of Skechers had received \$155,419 in compensation and a sibling of a different executive officer and director of Skechers had received \$486,790 in compensation, while both served as non-executive employees of the company.

9. In addition, each of the proxy statements described above failed to disclose that one or more executive officers and directors of Skechers owed in excess of \$120,000 to Skechers with respect to personal expenses that had been paid for by Skechers but not yet reimbursed by the related person. In particular, one executive officer and director of Skechers owed in excess of \$120,000 to Skechers as of the years ended December 31, 2018, December 31, 2019, December 31, 2020, and December 31, 2021. Another executive officer and director of Skechers owed in excess of \$120,000 to Skechers as of the years ended December 31, 2019 and December 31, 2021.

Violations

10. As a result of the conduct described above, Skechers violated Section 13(a) of the Exchange Act and Rule 13a-1 thereunder, which, among other things, require every issuer of a security registered pursuant to Section 12 of the Exchange Act to file with the Commission information, documents, and annual reports as the Commission may require.

11. As a result of the conduct described above, Skechers violated Section 14(a) of the Exchange Act and Rule 14a-3 thereunder, which prohibit the solicitation of a proxy by an Exchange Act registrant without furnishing information specified by Schedule 14A.

Respondent's Remedial Efforts

12. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent, including training and improvements to policies and procedures concerning related person transactions, and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Sections 13(a) and 14(a) of the Exchange Act and Rules 13a-1 and 14a-3 thereunder.

B. Respondent shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$1.25 million to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Skechers U.S.A., Inc. as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Scott A. Thompson, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, 1617 JFK Blvd., Suite 520, Philadelphia, PA 19103.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary