UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended March 31, 2021

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number: 001-36436

DECKERS OUTDOOR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**95-3015862**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

250 Coromar Drive, Goleta, California 93117
(Address of principal executive offices)
(805) 967-7611
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	DECK	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes** ☒ **No** ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. **Yes** ☐ **No** ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes ☐ **No** ☒

At September 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting and non-voting stock held by the non-affiliates of the registrant was approximately $6,159,309,976, based on the number of shares held by non-affiliates of the

registrant as of that date, and the last reported sale price of the registrant's common stock on the New York Stock Exchange on that date, which was $220.01. This calculation does not reflect a determination that persons are affiliates for any other purposes.

As of the close of business on May 13, 2021, the number of outstanding shares of the registrant's common stock, par value $0.01 per share, was 27,813,023.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement on Schedule 14A relating to the registrant's 2021 annual meeting of stockholders, to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference in Part III within this Annual Report on Form 10-K. With the exception of the portions of the Proxy Statement specifically incorporated herein by reference, the Proxy Statement and related proxy solicitation materials are not deemed to be filed as part of this Annual Report on Form 10-K.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
For the Fiscal Year Ended March 31, 2021
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*Not applicable.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for our fiscal year ended March 31, 2021 (Annual Report), and the information and documents incorporated by reference within this Annual Report, contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), which statements are subject to considerable risks and uncertainties. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements other than statements of historical fact contained in, or incorporated by reference within, this Annual Report. We have attempted to identify forward-looking statements by using words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "should," "will," or "would," and similar expressions or the negative of these expressions. Specifically, this Annual Report, and the information and documents incorporated by reference within this Annual Report, contains forward-looking statements relating to, among other things:

- the impacts of the COVID-19 global pandemic on our business, financial condition, results of operations and liquidity, and the business, financial condition, results of operations and liquidity of our customers, suppliers, and business partners;
- changes to our business resulting from changes in discretionary spending, consumer confidence, unemployment rates, retail store activity, tourist activity, or governmental restrictions;
- the impact of government orders, local authority mandates and expert agency guidance on retail store closures and operating restrictions;
- our business, operating, investing, capital allocation, marketing, and financing plans and strategies;
- the expansion of our brands and product offerings;
- changes to the geographic and seasonal mix of our brands and products;
- changes to our product distribution strategies, including the implementation of our product allocation and segmentation strategies;
- changes in consumer preferences impacting our brands and products, and the footwear and fashion industries;
- trends impacting the purchasing behavior of wholesale customers and retail consumers, including those impacting retail and e-commerce businesses;
- bankruptcies or other financial difficulties impacting our wholesale customers or other business partners;
- the impact of seasonality and weather on consumer behavior, demand for our products, and our results of operations;
- the impact of our efforts to continue to advance sustainable and socially conscious business operations, and the expectations and standards that our investors and other stakeholders have with respect to our environmental, social and governance practices;
- expansion of and investments in our Direct-to-Consumer capabilities, including our distribution facilities and e-commerce platforms;
- the operational challenges faced by our warehouse and distribution center, our global third-party logistics providers, and third-party carriers, and the related impacts on our ability to deliver products;
- availability of raw materials and manufacturing capacity, and reliability of overseas production and storage;
- commitments and contingencies, including with respect to operating leases, purchase obligations for product and raw materials, and legal or regulatory proceedings;
- the impacts of new or proposed legislation, tariffs, regulatory enforcement actions, or legal proceedings;
- the value of goodwill and other intangible assets, and potential write-downs or impairment charges;
- changes impacting our tax liability and effective tax rates;
- repatriation of earnings of non-United States subsidiaries and any related tax impacts;
- the impact of the adoption of recent accounting pronouncements; and
- overall global economic, political, and social trends, including foreign currency exchange rate fluctuations, changes in interest rates, and changes in commodity pricing.

Forward-looking statements represent management's current expectations and predictions about trends affecting our business and industry and are based on information available at the time such statements are made. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy or completeness. Forward-looking statements involve numerous known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements predicted, assumed or implied by the forward-looking statements. Some of the risks and uncertainties that may cause our actual results to materially differ from those expressed or implied by these forward-looking statements are described in Part I, Item 1A, "Risk Factors," and Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," within this Annual Report, as well as in our other filings with the Securities and Exchange Commission (SEC). You should read this Annual Report, including the information and documents incorporated by reference herein, in its entirety and with the understanding that our actual future results may be materially different from the results expressed or implied by these forward-looking statements. Moreover, new risks and uncertainties emerge from time to time and it is not possible for management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual future results to be materially different from any results expressed or implied by any forward-looking statements. Except as required by applicable law or the listing rules of the New York Stock Exchange, we expressly disclaim any intent or obligation to update any forward-looking statements. We qualify all our forward-looking statements with these cautionary statements.

PART I

References within this Annual Report to "Deckers," "we," "our," "us," or the "Company" refer to Deckers Outdoor Corporation, together with its consolidated subsidiaries. UGG® (UGG), HOKA One One® (HOKA), Teva® (Teva), Sanuk® (Sanuk), Koolaburra® (Koolaburra), UGGpure® (UGGpure), and UGGplush™ (UGGplush) are some of our trademarks. Other trademarks or trade names appearing elsewhere within this Annual Report are the property of their respective owners. Solely for convenience, the trademarks and trade names within this Annual Report are referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Unless otherwise specifically indicated, all dollar amounts within this Annual Report are expressed in thousands, except for per share or share data. The defined periods for the fiscal years ended March 31, 2021, 2020, and 2019 are stated herein as "year ended" or "years ended." We also refer to these fiscal years as "fiscal year 2021," "fiscal year 2020," and "fiscal year 2019," respectively.

Item 1. Business

General

We are a global leader in designing, marketing, and distributing innovative footwear, apparel, and accessories developed for both everyday casual lifestyle use and high-performance activities. We market our products primarily under five proprietary brands: UGG, HOKA, Teva, Sanuk, and Koolaburra. We believe that our products are distinctive and appeal to a broad demographic. We sell our products through quality domestic and international retailers, international distributors, and directly to our global consumers through our Direct-to-Consumer (DTC) business, which is comprised of our e-commerce websites and retail stores. We seek to differentiate our brands and products by offering diverse lines that emphasize authenticity, functionality, quality, and comfort, and products tailored to a variety of activities, seasons, and demographic groups. All of our products are manufactured by independent manufacturers.

Recent Developments

***COVID-19 Global Pandemic*.** Throughout fiscal year 2021, the COVID-19 pandemic (referred to herein as the pandemic) spread globally, impacting regions in which we operate our business, and in which our wholesale customers, retail stores, manufacturers, and suppliers are located. As of the date of this Annual Report, there continue to be widespread concerns about the ongoing impacts and disruptions caused by the pandemic, including the potential for additional increases in the number of positive COVID-19 cases in various geographic regions, and governmental orders and restrictions implemented to control further spread of the disease.

We experienced a number of material impacts resulting from the pandemic during the year ended March 31, 2021, and the overall impact of the pandemic on our business continues to be uncertain and subject to change. However, we have taken certain precautionary measures intended to help minimize risk to our business, employees, customers, consumers, partners, suppliers, and the communities in which we operate, including the following:

- Many of our Company-owned-and-operated stores, and we believe that many of the retail stores of our wholesale customers and retail partners, were closed at various times throughout fiscal year 2021.
- Our global e-commerce business, including our Company-owned websites and the online presence of our wholesale customers, remained substantially operational throughout fiscal year 2021, and we observed strong demand for all of our brands within our e-commerce business. Our e-commerce business has been positively impacted by consumers migrating to online shopping. This trend, which has been exacerbated by the impacts of the pandemic, has mitigated the negative pressure we are experiencing within our wholesale and retail store businesses.
- Our warehouse and distribution center (DC), as well as our global third-party logistics providers (3PLs) and third-party carriers, are operating at reduced capacity. We are experiencing certain operational and logistical challenges as a result of these limited and modified operations, including challenges associated with shipping higher quantities of products through our e-commerce business compared to prior periods.

- We experienced certain capacity constraints within our sourcing network, which includes material vendors and third-party manufacturers during fiscal year 2021, primarily as a result of the pandemic. While we have mitigated the effects of these disruptions, it is possible we will experience additional disruptions to our supply chain.

Refer to Part I, Item 1A, “Risk Factors,” and Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” within this Annual Report for further information on the associated risks and impacts on our business and results of operations.

Products and Brands

We market our products primarily under five proprietary brands, which consist of our four primary brands and our other brands, which consist primarily of the Koolaburra by UGG brand. Our brands compete across the fashion and casual lifestyle, performance, running and outdoor markets.

UGG. The UGG brand is one of the most iconic and recognized brands in our industry, which highlights our successful track record of building niche brands into lifestyle and fashion market leaders. With loyal consumers around the world, the UGG brand has proven to be a highly resilient line of premium footwear, apparel, and accessories with expanded product offerings and a growing global audience that appeals to a broad demographic. We intend to continue diversifying the UGG brand to drive year-round product sales, including through expansion of Women’s spring and summer footwear, Men’s products, and apparel, home goods, and accessories. The UGG brand is sold globally, including in the United States (US), Canada, Europe, Asia-Pacific, and Latin America.

HOKA. The HOKA brand is an authentic, premium line of year-round performance footwear and apparel that offers enhanced cushioning and inherent stability with minimal weight. Originally designed for ultra-runners, the brand now appeals to world champions, taste makers, and everyday athletes. The HOKA brand is quickly becoming a leading brand within the run specialty wholesale accounts, with strong marketing fueling both domestic and international sales growth. We intend to leverage our domestic specialty strategy to expand and invest in international sales growth. We continue to build product extensions in trail, fitness, and lifestyle. The HOKA brand is sold globally, including in the US, Canada, Europe, Asia-Pacific, and Latin America.

Teva. The Teva brand was born in the Grand Canyon and for decades has served as a trusted companion for outdoor adventure seekers around the world. Today, Teva builds upon sport sandal leadership, authentic outdoor heritage, and a commitment to sustainability to drive growth through category expansion and a young, diverse, and adventurous consumer. The Teva brand’s product line includes sandals, shoes, and boots. The Teva brand is sold globally, including in the US, Canada, Europe, Asia-Pacific, and Latin America.

Sanuk. The Sanuk brand originated in Southern California surf culture and has manifested into a lifestyle brand with a presence in the relaxed casual shoe and sandal categories, focusing on innovations in comfort and sustainability. The Sanuk brand’s use of unexpected materials and unconventional constructions, combined with its fun and playful branding, are key elements of the brand’s identity. The Sanuk brand is primarily sold in the US.

Other Brands. Other brands consist primarily of the Koolaburra by UGG brand. The Koolaburra brand is a casual footwear fashion line using sheepskin and other plush materials and is intended to target the value-oriented consumer in order to complement the UGG brand offering. Our Other brands are primarily sold in North America.

Sales and Distribution

US Distribution. In our wholesale channel, we distribute our products in the US through sales representatives, who are organized by account type or geographically and by brand. In addition to our wholesale channel, we sell products directly to consumers through our DTC business and fulfill online orders through our retail stores.

Our sales force is separated by brand, as each brand generally has certain specialty customers that expect a dedicated sales team with specialized knowledge of the brand’s product offerings. However, there is some overlap between the sales teams and customers, and we have aligned our brands’ sales forces to position them for the future success of all of our brands.

We currently distribute products sold in the US through our DC in Moreno Valley, California, as well as through a 3PL in Pennsylvania. Our DC features a warehouse management system that enables us to efficiently pick and pack products for direct shipment to customers. Further, we intend to expand our distribution facilities, and we are in the early stages of opening a new US DC located in Mooresville, Indiana.

Refer to Part I, Item 2, “Properties,” and Note 7, “Leases and Other Commitments,” of our consolidated financial statements in Part IV within this Annual Report for further information on our properties and related minimum lease and other commitments.

International Distribution. Internationally, in our wholesale channel, we distribute our products through independent distributors and wholly owned subsidiaries in many regions and countries, including Canada, Europe, Asia-Pacific, and Latin America, among others. We also sell products internationally, particularly in China, through partner retail stores, which are branded stores that are wholly owned and operated by third parties. In addition, in certain countries we sell products through our DTC business. For our wholesale and DTC businesses, we distribute our products through a number of DCs managed by 3PLs in certain international locations.

UGG Wholesale. We sell our UGG brand products primarily through lifestyle and sport retailers such as Foot Locker and Journeys, fashion lifestyle retailers such as Urban Outfitters and ASOS, domestic higher-end department stores such as Nordstrom, Dillard’s, and Macy’s, as well as online retailers such as Amazon.com, Zappos.com, and Zalando.com. As the retail marketplace continues to evolve to reflect changing consumer preferences, we continually review and evaluate our UGG wholesale distribution and product segmentation approach. For example, as the UGG brand continues to amplify its audience with younger consumers, our distribution to these consumers is expanding faster through our lifestyle and sport retailers, which is reducing our dependence on department stores.

HOKA Wholesale. We sell select HOKA brand footwear primarily through full-service domestic specialty retailers and select online retailers, including Fleet Feet, Road Runner Sports, JackRabbit, REI, Zappos.com, DICK’s Sporting Goods, Running Warehouse, and Nordstrom. We continue to expand our HOKA brand wholesale distribution in international markets, including through strategic partners such as Intersport and Sport 2000 in Europe and Xebio Group and Himaraya in Japan.

Teva Wholesale. We sell our Teva brand footwear primarily through specialty outdoor retailers, sporting goods and department stores, including DSW, REI, Famous Footwear, Nordstrom, Urban Outfitters, DICK’s Sporting Goods, United Arrows, ABC Mart, Aeon Sports, and online retailers such as Amazon.com and Zappos.com.

Sanuk Wholesale. We sell our Sanuk brand footwear primarily through domestic independent action sports and outdoor specialty footwear retailers, larger national retail chains, including Journeys, Dillard’s, DSW, REI, and online retailers such as Amazon.com and Zappos.com.

Other Brands Wholesale. We sell our Other brands’ footwear primarily through department stores and online retailers. Key accounts of the Koolaburra brand include Kohl’s, DSW, QVC, and Rack Room Shoes.

Direct-to-Consumer. Our DTC business is comprised of our e-commerce business, which we operate through various websites and platforms, and retail stores. Our websites and retail stores are largely intertwined and interdependent. In an omni-channel marketplace, we believe many of our consumers interact with both our retail stores and our websites before making purchasing decisions. For example, consumers may feel or try on products in our retail stores and then place an order online later. Conversely, they may initially research products online, and then view inventory availability by store location and make a purchase in store. We have observed a meaningful shift in the way consumers shop for products and make purchasing decisions, evidenced by decreases in consumer retail store activity as consumers accelerate their migration to online shopping. We have optimized our digital marketing strategy to capitalize on these trends, which has accelerated global online consumer acquisition and retention rates. Although we continue to see consumers migrate to online shopping, our sales channels interact with each other and largely overlap to provide a fluid purchasing experience, which engenders brand loyalty while increasing product sales and improving our inventory productivity, Further, our domestic and international consumer loyalty programs allow our consumers to earn points and awards across the DTC business, which has contributed to higher brand demand.

Our retail stores enable us to expose consumers to a more curated selection of products, directly impact our consumers' experience with our brands, and sell our products at retail prices thereby generating larger gross margins. Our retail stores are predominantly UGG brand concept stores and UGG brand outlet stores. Through our outlet stores, we sell some of our discontinued styles from prior seasons, full price in-line products, as well as products made specifically for the outlet stores. We continue to open outlet stores in key markets to further grow our brand presence and appeal to a broader consumer base. We also have several UGG brand flagship stores, which are lead concept stores in key markets designed to showcase the UGG brand products, and we continue to launch flagship stores in prominent locations. For example, in November 2020 we opened a flagship store in New York City, which highlights the expansive collection of the brand's product offerings while showcasing the breadth and depth of UGG as a lifestyle brand. We anticipate opening a curated fleet of flagship stores in future periods to continue interacting with our consumers and enhancing brand loyalty.

As of March 31, 2021, we operated our e-commerce business through Company-owned websites and mobile platforms in 58 different countries, and had a total of 140 global retail stores, which includes 71 concept stores and 69 outlet stores.

Refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," within this Annual Report for further disclosure and discussion of our DTC business.

Product Design and Development

The design and development functions for all of our brands are performed by a combination of internal design and development staff and outside freelance designers. Our design and development staff work closely with brand management to develop new styles and product lines. Throughout the development process, we have multiple design and development reviews, which we then coordinate with our independent manufacturers. To ensure quality, consistency, and efficiency in our product design and development process, we continually evaluate the availability and cost of raw materials, the capabilities and capacity of our independent manufacturers, and the target retail price of new products.

Manufacturing and Supply Chain

We outsource the production of our products to independent manufacturers, which are primarily located in Asia. We generally purchase products from our manufacturers on the basis of individual purchase orders or short-term purchase commitments, rather than maintaining long-term purchase commitments, which provides us greater flexibility to adapt to changing consumer preferences, changes in international trade relations, and evolving inventory management requirements. Production by our independent manufacturers is performed in accordance with our detailed product specifications and rigorous quality control and operating compliance standards. We maintain a buying office in Hong Kong, as well as on-site supervisory offices in China and Vietnam, which collectively serve as a strong link to our independent manufacturers. We believe our strong regional presence enhances our manufacturing processes by providing predictability of material availability and ensuring compliance with laws and regulations, and adherence to quality control standards and final design specifications.

The majority of the materials and components used in the production of our products by these independent manufacturers are purchased from independent suppliers that we designate. At our direction, our manufacturers purchase the majority of the sheepskin used in our products from two tanneries in China, which source their sheepskin primarily from Australia and the United Kingdom (UK). We maintain routine communication with the tanneries to closely monitor the supply of high-quality sheepskin for our projected UGG brand production. To ensure an adequate supply of sheepskin, we forecast our expected usage in advance at a forward price. We also enter into purchasing contracts and other pricing arrangements with certain sheepskin and leather suppliers to manage the supply of sheepskin. We believe current supplies are sufficient to meet our current and anticipated demand, but we continually monitor our supply chain and investigate options to accommodate our expected growth, as well as unexpected supply chain issues. Refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note 7, "Leases and Other Commitments," of our consolidated financial statements in Part IV within this Annual Report for further information on our minimum purchase commitments.

We require our independent manufacturers and designated suppliers, including our partners and licensees, to adopt our Ethical Supply Chain Supplier Code of Conduct, which specifies that they comply with all local laws and regulations governing human rights, working conditions, anti-corruption laws, restricted substances, conflict minerals, animal welfare, and environmental compliance before we are willing to conduct business with them.

We use a proprietary raw material, UGGpure, which is repurposed wool woven into a durable backing, and UGGplush, which is repurposed wool and lyocell woven into a durable backing, in some of our UGG brand products. As part of an ongoing effort to eliminate waste as part of our corporate sustainability efforts, at this time, all of the wool in UGGpure and UGGplush is sheared from the skins we are already using in our products. In addition, we are continuing to drive our strategy of introducing counter-seasonal products through category expansion, including the UGG brand's spring and summer products, as well as the year-round performance footwear product offering of the HOKA brand, which we believe will help further reduce our dependency on sheepskin. Excluding sheepskin, UGGpure and UGGplush, we believe that substantially all raw materials and components used to manufacture our products, including wool, rubber, leather, and nylon webbing, are generally available from multiple sources at competitive prices.

Inventory Management and Product Returns

We have an extended design and manufacturing process, which involves the initial design of our products, the purchase of raw materials, the accumulation of inventories, the subsequent sale of the inventories, and the collection of the resulting accounts receivable. This production cycle results in significant liquidity requirements and working capital fluctuations throughout our fiscal year. Because our production cycle typically involves long lead times, which requires us to make manufacturing decisions several months in advance of an anticipated purchasing decision by the consumer, it is challenging for us to estimate and manage our inventory and working capital requirements.

We seek to manage our inventory levels by considering existing customer orders, forecasted sales and budgets for both our wholesale and DTC channels, and the delivery requirements of our customers. Our systems and processes are designed to improve our product forecasting, inventory control and supply chain management capabilities and we are making investments in a new end-to-end planning system to further support our scaling business, including our e-commerce business. In addition, added discipline around SKU productivity, product purchasing decisions, the reduction of production lead times, and the sale of excess inventory through our liquidation channels, are key areas of focus that we expect will further enhance inventory performance.

Our general practice, and the general practice in our industry, is to offer wholesale customers the right to return defective or improperly shipped merchandise, and to accept returns from our DTC consumers between 30 to 90 days from the point of sale for cash or credit.

We encourage our wholesale and distributor customers to place a significant portion of orders as pre-season orders, which are typically placed up to 12 months prior to the anticipated shipment date, as well as in-season fill-in orders that can be shipped immediately. We work with our customers through pre-season programs to enable us to better plan our production schedule, inventory, and shipping requirements.

Refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," within this Annual Report under the sections entitled "Liquidity" and "Contractual Obligations" for further information on our working capital and operating requirements as well as our purchase obligations for product.

Human Capital - Our People and Our Culture

Employees. As of March 31, 2021, we employed approximately 3,400 employees in North America, Europe, and Asia. This includes approximately 1,300 employees in our retail stores worldwide, which includes part-time and seasonal employees. For a variety of reasons, we believe that our relationship with our employees is generally favorable.

Culture. Our purpose is to positively impact the world by uniting purposeful brands with diverse people driven to succeed and create change. Our five key values, which guide our journey onward together, help hold us accountable to deliver on this purpose:

- *Come as you are.*
- *Better together.*
- *Commit to create.*
- *Own it.*
- *Do good and do great.*

Our values define our Company and serve as the driving force behind how we work together and with our customers, our consumers, our partners, our suppliers, and our communities. We also have detailed ethics and compliance policies that instill a commitment to ethical behavior and legal compliance across our Company. Through our open-door policy and culture, employees are encouraged to approach their managers if they believe violations of standards or policies have occurred, and are also able to make confidential and anonymous reports using an online or telephone hotline hosted by an independent third-party provider.

***Encouraging Diversity*.** We prioritize diversity, equity, and inclusion (DEI) and believe that it is critical to creating an organization where all employees can come as they are. We believe that the inclusion of underrepresented perspectives develops better outcomes and policies, and a diverse pool of leaders brings a unique set of experiences, opinions, and thoughts on critical issues that help enhance our business. To that end, we have added five new directors to our Board of Directors since 2018, two of whom are female, and four of whom are from underrepresented communities. Our Board of Directors is now comprised of a total of ten directors, four of whom are female, and six of whom are from underrepresented communities.

Our Code of Ethics, on which we train our employees bi-annually, as well as our annual Corporate Responsibility Report, codifies these values and our commitment to DEI. We have a robust collection of programs designed to support initiatives to create a more inclusive workplace, as well as policies and practices aimed at increasing diversity. We anticipate implementing a comprehensive, global strategy for DEI, and have deployed mandatory anti-racism and implicit bias training, as well as a suite of additional learning and development resources. We have also joined The Valuable 500, which is a business-to-business initiative comprised of companies committed to disability inclusion, and the Civic Alliance which is a nonpartisan business coalition that champions democracy and civic participation.

Charitable Giving and Volunteering. Our charitable contributions, product donations, and employee volunteer efforts are an essential part of our culture. During fiscal year 2021, we donated to various non-profit organizations, and continued to provide monetary support and product donations to address the impacts of the pandemic on the communities in which we operate. Further, during this period we dedicated our strategic giving and community-engagement efforts to categories aligned with our sustainable development goals (SDGs), including DEI, the environment, at-risk youth, education, and community support. We also encourage our employees to volunteer by compensating each employee for up to 24 hours of volunteer time each year.

Talent Development and Retention. The ability to attract, develop and retain employees is critical to our long-term success. We focus on our employees' growth, creating experiences that align with our strategic priorities and promote inclusion, performance, and opportunities for development. For example, our leadership team mentors rising talent on an informal basis, which we believe accelerates the development of our top performers, increases organizational learning, and improves employee performance and retention. Further, our executive team and Board of Directors commits substantial time to evaluating the bench strength of our leadership and supporting their career development while improving organizational performance.

We have demonstrated a history of investing in our workforce by offering competitive salaries and wages, as well as annual increases based on merit. Annual incentive compensation is based on Company and individual performance. Further, to foster a stronger sense of ownership and align the interests of management with stockholders, restricted stock units are granted to a substantial proportion of our executive employees under our broad-based stock incentive programs. In addition, we engage a nationally recognized outside compensation and benefits consulting firm to independently evaluate the effectiveness of our executive compensation and total rewards programs and to provide benchmarking against our peers within the industry.

***Employee Wellness*.** We strive to be one of the best places to work and recognize our employees are at different stages of life and have specific individual needs. We offer affordable, innovative, comprehensive and competitive benefits package that range from health insurance, retirement plan, life insurance, disability, accident coverage, paid time off, paid and unpaid leave, mental health benefits and other voluntary benefits.

***Employee Health and Safety*.** The health and safety of our employees is our highest priority. We have comprehensive safety training programs that ensure our employees know how to do their jobs safely and in compliance with laws and regulations. We operate in modern, efficient, and safe facilities, and have had minimal accident and injury rates Company-wide.

In an effort to protect the health and safety of our employees during the pandemic, we transitioned those employees who could perform their jobs remotely to a virtual work environment, and we are limiting the number of employees on-site relative to our typical personnel capacity. We have also implemented enhanced safety measures and protocols at our facilities.

Environmental, Social and Governance (ESG)

As a global leader in designing, marketing and distributing innovative footwear, apparel, and accessories, our worldwide reach and impact is significant. We believe consumers are increasingly buying brands that advance sustainable business practices and deliver quality products while striving for minimal environmental impact by employing socially conscious operations. Our sustainability policies and strategies are aligned with, and informed by, our ongoing efforts with multi-stakeholder initiatives, which involve our stockholders, employees, suppliers and our customers, as well as other brands and non-governmental organizations. Through our holistic Corporate Responsibility and Sustainability Program, which has been in existence since 2010, we are committed to advancing our sustainable business initiatives. As a result of our efforts, we have been recognized as one of America's Most Responsible Companies by Newsweek, and ranked 15th of Investor's Business Daily's top 50 ESG companies during fiscal year 2021.

ESG Oversight. Our Board of Directors, through its Corporate Governance Committee, which is comprised of three independent directors, oversees our corporate responsibility and sustainability efforts. The Corporate Governance Committee receives quarterly updates and the full Board regularly receives updates on the status of our sustainability program. Our Sustainability and Compliance Officer is responsible for the day-to-day management of our Corporate Responsibility and Sustainability Program.

Our Corporate Responsibility and Sustainability Program aligns our internal teams with our SDGs and establishes policies to encourage our partners and suppliers to employ sustainable business practices. We annually assess risks related to ESG issues as part of our overall enterprise risk management approach. In addition, our internal audit team provides periodic targeted reviews of our ESG-related policies and procedures to the Audit Committee.

Sustainable Development Goals. Achieving measurable sustainability success is critical to our future economic and business growth, and we work to establish SDGs that we believe will make the most significant impact for our business, our stockholders, and the communities in which we operate. We are a member of the United Nations Global Compact (UNGC), which is the world's largest voluntary corporate sustainability initiative. This membership requires an annual statement of progress, which is reflected in our Corporate Responsibility Report. Our Sustainability and Compliance Officer identifies specific SDGs established by the UNGC, which we adopt to guide our efforts to address environmental and social challenges. Our SDGs are currently focused on categories where we believe we can make substantial impacts.

The following is a brief overview of our current SDGs and related achievements during the year ended March 31, 2021:

- *Materials.* We strive to incorporate more certified responsible and sustainable materials in our products (including recycled, renewable, regenerated, and natural). During fiscal year 2021, we sourced the vast majority of our leather supplies from Leather Working Group-certified tanneries, which promote sustainable and environmentally friendly business practices within the leather industry. We finalized our raw material Lifecycle Assessment (LCA), which allowed us to seek sustainable alternatives for key product materials, including recycled polyester, repurposed wool, and plant-based materials.

- *Animal Welfare.* We do not believe in the exploitation or killing of animals solely for the purpose of their fur. We only use hides that are the byproduct of the meat industry and, with our innovative UGGpure and UGGplush technologies, the wool used in our UGG brand footwear is almost entirely repurposed from sheepskin we are already using. Any virgin market wool must be certified by the Responsible Wool Standard. We require our supply chain partners to annually certify compliance with our Ethical Sourcing and Animal Welfare Policy.

- *Waste*. We aim to sustainably reduce waste generated at our facilities and partner facilities through reduction, recycling, and reuse. Our DC in Moreno Valley, California is implementing efforts to become a zero-waste facility. We are taking steps towards removing single-use plastic in our packaging, at our corporate headquarters, retail stores and DC. We have also implemented tracking programs with the majority of our manufacturing partners to monitor waste generation and waste diversion methods and we have extended this monitoring program to some suppliers and tannery partners.

- *Water.* We strive to mitigate water scarcity in the countries we operate in by reducing water consumption and improving water quality throughout our operations. We have reduced water consumption among our manufacturing partners and have set reduction targets for our suppliers.

- *Chemistry.* We seek to achieve environmentally sound management of chemicals and reduce the discharge of hazardous substances among our key business partners.

- *Climate and Clean Energy.* We aim to reduce energy consumption and carbon emissions throughout our operations. We have finalized our raw materials LCA to guide our brands toward more preferred material selections and have engaged climate experts to measure our Scope 1, 2, and 3 carbon footprint with the goal of setting robust science-based targets in line with the Paris Agreement. We are founders of the Savory Institute's Land to Market program, working to protect and reverse environmental degradation through regenerative farming practices.

- *Gender Equality and Quality Education.* In the US we have obtained EDGE (Economic Dividends for Gender Equality) certification, the leading global assessment and business certification for gender equality. In addition to our own corporate DEI efforts, we promote gender equality and quality education at our supply chain partners through our partnership with the Business for Social Responsibility's HERproject, which positively impacts the well-being of women through workplace-based education and training to promote health, gender equality and financial inclusion. Further, our brands have all made a commitment to represent BIPOC, LGBTQ+, and diverse body types and abilities in their marketing campaigns.

- *Human Rights.* We are committed to positively impact the communities where we operate in, including assuring industry leading human rights practices within our supply chain. We have established robust criteria in our Ethical Supply Chain Supplier Code of Conduct which outlines our expectations of our partners on various topics including child labor, forced labor, slavery and human trafficking, harassment, discrimination, health and safety, compensation, working hours, freedom of association, and environment. Topics covered in our Supplier Code of Conduct, health and safety ratings, and environmental performance are included in our performance scorecards which are regularly reviewed by our executive management. Partners who underperform are placed on corrective action plans and monitored more frequently. We are members of the Apparel Transparency Pledge to promote a standard for supply chain disclosure in the garment and footwear industry. We publish a report that includes all of our Tier 1 and Tier 2 supply chain partners and ensure it is regularly updated to include key details like number of employees at each site, location, and types of products made. We are also members of The Social & Labor Convergence Program, a multi-stakeholder initiative whose goal is to increase the effectiveness of factory audits.

Our Corporate Responsibility Report for the year ended March 31, 2021, which will be published under the "Responsibility" tab of our website located at *www.deckers.com*, will provide more information regarding our fiscal year 2021 ESG achievements. We believe that the progress of our corporate responsibility efforts is served by disclosing goals and relevant metrics and, to that end, we have aligned the reporting standards included in our Corporate Responsibility Report with the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (commonly referred to as TCFD), Global Reporting Initiative's (commonly referred to as GRI) Core Standards, and Sustainability Accounting Standards Board's (commonly referred to as SASB) Consumer Goods Standards. The content of our Corporate Responsibility Reports is not incorporated by reference into this Annual Report or in any other report or document we file with the SEC.

Reportable Operating Segments and Geographic Areas

Our six reportable operating segments include the five strategic business units responsible for the worldwide operations of the wholesale divisions of our brands (UGG, HOKA, Teva, Sanuk, and Other brands), plus our DTC business. Refer to Note 12, “Reportable Operating Segments,” of our consolidated financial statements in Part IV within this Annual Report for further information regarding our reportable operating segments. Additionally, refer to Note 13, “Concentration of Business,” of our consolidated financial statements in Part IV within this Annual Report for financial information about geographic areas and concentration of related business risks.

Seasonality

Our business is seasonal, with the highest percentage of UGG and Koolaburra brand net sales occurring in the quarters ending September 30th and December 31st and the highest percentage of Teva and Sanuk brand net sales occurring in the quarters ending March 31st and June 30th. Net sales for the HOKA brand occur more evenly throughout the year reflecting the brand's year-round performance product offerings. Due to the magnitude of the UGG brand relative to our other brands, our aggregate net sales in the quarters ending September 30th and December 31st still significantly exceed our aggregate net sales in the quarters ending March 31st and June 30th. As we continue to take steps to diversify and expand our product offerings by creating more year-round styles, and as net sales of the HOKA brand continue to increase as a percentage of our aggregate net sales, we expect the impact from seasonality to continue to decrease over time. However, it is unclear whether seasonal impacts will be minimized or exaggerated in future periods as a result of the disruptions and uncertainties caused by the pandemic.

For further discussion of the factors that may cause our actual results to differ materially from our expectations, as well as factors that may impact our future results of operations, refer to Part I, Item 1A, “Risk Factors,” and Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” within this Annual Report.

Competition

The markets in which we operate are highly competitive. Our competitors include athletic and footwear companies, branded apparel companies and retailers with their own private labels. Although the industry is fragmented, many of our competitors are larger and have substantially greater resources, several of which compete directly with some of our products. In addition, access to offshore manufacturing and the growth of e-commerce has made it easier for new companies to enter the markets in which we compete, further increasing competition in the footwear, apparel, and accessories industry. In particular, and in part due to the popularity of our UGG brand and HOKA brand products, we face increasing competition from a significant number of domestic and international competitors selling products designed to compete directly or indirectly with our products. We believe that our ability to successfully compete depends on numerous factors, including our ability to predict, assess, and respond quickly to changing consumer tastes and preferences, produce appealing products that meet expectations for product quality and technical performance, maintain and enhance the image and strength of our brands, price our products competitively, and weather the impacts and disruptions caused by the pandemic, among others.

In addition, we believe that our key customers face intense competition from other department stores, sporting goods stores, retail specialty stores, and online retailers, among others, which could negatively impact the financial stability of their businesses and their ability to conduct business with us.

Refer to Part I, Item 1A, “Risk Factors,” within this Annual Report for further discussion of the potential impact of competition on our business and results of operations.

Patents and Trademarks

We utilize trademarks for virtually all of our products and believe that having distinctive marks that are readily identifiable is an important factor in creating a market for our products, promoting our brands, and distinguishing our products from the products of others. We currently hold trademark registrations for “UGG,” “Teva,” “Sanuk,” “HOKA,” “Koolaburra,” “UGGpure,” and other marks in the US, and for certain of the marks in many other countries, including Canada, China, the UK, various countries in the European Union (EU), Japan, and Korea. As of March 31, 2021, we hold 194 designs and inventions with corresponding design or utility patent registrations, plus 23 designs and inventions which are currently pending registration. These patents expire at various times. We regard our proprietary rights as valuable assets and vigorously protect such rights against infringement by third parties.

Government Regulation

Compliance with federal, state, and local environmental regulations has not had, and it is not expected to have, any material effect on our business, results of operations, financial condition, or competitive position based on information and circumstances known to us at this time.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and information statements (and any amendments or supplements to the foregoing) filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on our website at *www.deckers.com*. Such documents and information are available as soon as reasonably practicable after they are filed with or furnished to the SEC.

We also make the following corporate governance documents available through our website: Audit Committee Charter, Compensation Committee Charter, Corporate Governance Committee Charter, Corporate Disclosure Policy, Code of Ethics, Deckers 2020 Corporate Responsibility Report, Restricted Substance Packet, Ethical Supply Chain Supplier Code of Conduct, Accounting and Finance Code of Ethics, Corporate Governance Guidelines, Deckers Environmental Policy, Ethical Sourcing and Animal Welfare Policy, Paper and Forest Procurement Policy, and Conflict Minerals Policy.

The information contained on or accessed through our website does not constitute part of this Annual Report, and references to our website address within this Annual Report are inactive textual references only.

Item 1A. Risk Factors

Our short and long-term success is subject to numerous risks and uncertainties, many of which involve factors that are difficult to predict or beyond our control. As a result, investing in our common stock involves substantial risk. Before deciding to purchase, hold or sell our common stock, stockholders and potential stockholders should carefully consider the risks and uncertainties described below, in addition to the other information contained in or incorporated by reference into this Annual Report, as well as the other information we file with the SEC. If any of these risks are realized, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In that case, the value of our common stock could decline, and stockholders may lose all or part of their investment. Furthermore, additional risks and uncertainties of which we are currently unaware, or which we currently consider to be immaterial, could have a material adverse effect on our business.

Certain statements made in this section constitute "forward-looking statements," which are subject to numerous risks and uncertainties including those described in this section. Refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" within this Annual Report for additional information.

Risks Related to Our Business and Industry

Health epidemics, including the pandemic, have had, and could in the future have, a material adverse impact on our business, operations, liquidity, financial condition, results of operations, the operations of our customers and business partners, and the markets and communities in which we, our customers, and our partners operate.

The pandemic has had, and other public health crises or epidemics in the future could have, repercussions across local, regional, and global economies and financial markets. The pandemic resulted in a rapid rise in unemployment and a sudden decrease in global economic activity, and many businesses experienced, and may continue to experience, a significant negative impact on their results of operations. During portions of our year ended March 31, 2021, nearly all of our Company-operated stores, our partner retail stores, and we believe the retail stores of our wholesale customers were closed to comply with government orders or restrictions, and additional closures may occur in future periods. In response to restrictions resulting from the pandemic, we temporarily furloughed retail store employees and transitioned nearly all of our other employees to a remote work environment. Furthermore, in an effort to manage the financial uncertainty involved with the pandemic, we implemented certain cost-saving measures, such as delaying the hiring of certain non-essential employees, which has delayed the completion of certain strategic objectives.

In addition, the demand for our products, as well as our results of operations, could be adversely impacted due to a number of other factors in connection with this or other pandemics, including the following:

- reduced demand for certain products;
- decreased store traffic due to retail store closures, social distancing restrictions or changes in consumer behavior;
- a deterioration in our ability, or the ability of our wholesale customers, to operate in affected regions;
- reduced availability of our supply of raw materials;
- the failure of key business partners to provide services for our efficient operations, including the inability of our manufacturers or third-party distributors to timely fulfill their obligations to us;
- financial difficulties facing our wholesale customers, which could cause them to be unable to make or delay making payments to us, or result in order cancellations for our product offerings;
- seasonality impacts on the demand for certain products, and the ability of our DC and 3PLs to timely process orders during periods of heightened demand; and
- incremental costs resulting from adoption of health and safety preventative measures.

The full extent of the impact of the pandemic on our business and operations continues to be uncertain and subject to change, and will depend on a number of factors beyond our control. We expect any further spread of the pandemic or the threat or perception that this could occur, or any protracted duration of decreased economic activity, could have a material adverse effect on our business, operations and financial results. Further, we have experienced an increase in sales of certain of our products that are desirable to wear within the work-from-home environment, and there can be no assurance that consumers will continue purchasing such products as they transition back into the workplace and restrictions on travel or gatherings are relaxed.

Many of our products are inherently seasonal, and the sales of our products are highly sensitive to weather conditions, which makes it difficult to anticipate consumer demand for our products, manage our expenses, and forecast our financial results.

Due to the nature of our product offerings, sales of our products are inherently seasonal. Historically, the highest percentage of UGG brand net sales have occurred during the fall and winter (our second and third fiscal quarters), and the highest percentage of Teva and Sanuk brand net sales have occurred during the spring and summer (our first and fourth fiscal quarters). Due to the magnitude of the UGG brand relative to our other brands, seasonal trends have resulted in our net sales for the second and third fiscal quarters significantly exceeding that of the first and fourth fiscal quarters. Although our ongoing strategic efforts to diversify our offerings by creating additional year-round styles and expanding product offerings within our existing brands has had a meaningful positive impact on our seasonality trends, we expect our quarterly net sales to continue fluctuating for the foreseeable future. In particular, sales of our products are highly sensitive to weather conditions, which are difficult to predict and beyond our control. For example, extended periods of unseasonably warm weather during the fall or winter may significantly reduce demand for our UGG brand products. Unfavorable or unexpected weather patterns may have a material, negative impact on our business, financial condition, results of operations and prospects, and the effects of climate change may pronounce these conditions. In addition, the unpredictability of weather conditions makes it more difficult for us to accurately forecast our financial results and meet the expectations of analysts and investors.

Due to the relative concentration of our sales in certain months of the year, factors impacting consumer spending patterns in those months, such as unexpected weather patterns, declines in consumer confidence, changing consumer preferences, or uncertain economic conditions, will disproportionately impact our business and could result in our failure to achieve financial performance that is in line with our expectations or the expectations of market participants. In addition, significant fluctuations in our financial performance from period to period due to these or other factors could increase the volatility of our stock price, which could cause our stock price to decline.

The footwear, apparel, and accessories industry is subject to rapid changes in consumer preferences, and if we do not accurately anticipate and promptly respond to consumer demand and spending patterns, we could lose sales, our relationships with customers could be harmed, and our brand loyalty could be diminished.

The footwear, apparel, and accessories industry is subject to rapid changes in consumer preferences and tastes, which make it difficult to anticipate demand for our products and forecast our financial results. We believe there are many factors that may affect the demand for our products, including:

- seasonality, including the impact of anticipated and unanticipated weather conditions;
- consumer acceptance of our existing and new products, and our ability to develop new products that address the needs and preferences of consumers;
- consumer perceptions of and preferences for our products and brands, including as a result of evolving ethical, political or social standards;
- consumer demand for our competitors' products;
- whether consumers view certain of our products as substitutes for other products we manufacture;
- the implementation of our segmentation approach to the distribution of certain of our products;
- publicity, including social media, related to us, our products, our brands, our marketing campaigns and our celebrity endorsers;
- the life cycle of our products and consumer replenishment behavior;
- evolving fashion and lifestyle trends, and the extent to which our products reflect these trends;
- brand loyalty;
- legislation restricting our ability to use certain materials in our products; and
- changes in general economic, political, and market conditions.

Our success is driven to some extent by brand loyalty, and there can be no assurance that consumers will continue to prefer our brands. Consumer demand for our products depends in part on the continued strength of our brands, which in turn depends on our ability to anticipate, understand and promptly respond to the rapidly changing preferences and fashion tastes for footwear, apparel, and accessories, as well as consumer spending patterns. As our brands and product offerings continue to evolve, it is necessary for our products to appeal to an even broader range of consumers whose preferences cannot be predicted with certainty. Many of our products, particularly our UGG brand product offerings, include a fashion element and could go out of style at any time. Further, the value of

our brands is largely based on evolving consumer perceptions, and concerns with respect to factors such as product quality, product design, technical performance, product components or materials, including the sustainability of products or materials, or customer service, could result in negative perceptions and a corresponding loss of brand loyalty and value. In addition, negative claims or publicity regarding us, our products, our brands, our marketing campaigns, our partners or our celebrity endorsers, could adversely affect our reputation and sales regardless of whether such claims are accurate. Social media, which accelerates the dissemination of information, can increase the challenges of containing any such negative claims. If consumers begin to have negative perceptions of our brands, whether or not warranted, our brand image would become tarnished and our products would become less desirable, which could have a material adverse effect on our business.

Changes in economic conditions may adversely affect our financial condition and results of operations.

Volatile economic conditions and general changes in the market have affected, and will likely continue to affect, consumer spending generally and the buying habits and preferences of consumers. A significant portion of the products we sell, especially those sold under the UGG brand, are luxury retail products. The purchase of these products by consumers is largely discretionary and is therefore highly dependent upon the level of consumer confidence and discretionary spending, particularly among affluent consumers. Sales of these products may be adversely affected by factors such as worsening economic conditions, consumer confidence in future economic conditions, increases in consumer debt levels, and increases in unemployment rates. Uncertainty in global economic conditions continues, particularly in light of the impacts of the pandemic, and trends in consumer discretionary spending remain unpredictable. During an actual or perceived economic downturn, fewer consumers may shop for our products, and those who do shop may limit the amount of their purchases or substitute less costly products for our products. As a result, we could be required to reduce the price we can charge for our products or increase our marketing and promotional expenses to generate additional demand for our products. In either case, these changes could reduce our sales and profitability, which could have a material adverse effect on our financial condition and results of operations.

We sell a large portion of our products through higher-end specialty and department store retailers. The businesses of these retailer customers may be impacted by factors such as changes in economic conditions, reduced consumer demand for luxury products, decreases in available credit, and increased competition. If these or other factors result in financial difficulties or insolvency for our retail customers, such pressures would have an adverse impact on our estimated allowances and reserves, and potentially result in us losing key customers.

We face intense competition from both established companies and newer entrants into the market, and our failure to compete effectively could cause our market share to decline, which could harm our reputation and have a material adverse impact on our financial condition and results of operations.

The footwear, apparel, and accessories industry is highly competitive and subject to changing consumer preferences and tastes. We believe we compete on the basis of a number of factors, including our ability to:

- predict and respond to changing consumer preferences and tastes in a timely manner;
- produce products that meet our requirements and consumer expectations for quality and technical performance;
- accurately predict and forecast consumer demand;
- ensure product availability;
- manage the impact of seasonality, including unexpected changes in weather conditions;
- maintain and enhance brand loyalty;
- price our products in a competitive manner;
- ensure availability of raw materials and production capacity;
- implement our omni-channel strategy, including providing a unique customer service experience;
- respond to new or proposed legislation impacting our products; and
- manage the impact of the rapidly changing retail environment, including with respect to rising competition within the e-commerce business, especially from online retailers such as Amazon.com.

Our inability to compete effectively with respect to one or more of these factors could cause our market share to decline, which could harm our reputation and have a material adverse impact on our financial condition and results of operations. Furthermore, the disruptions caused by the pandemic may ultimately require us to reduce our opportunities in certain markets, which could negatively impact our prospects for long-term growth.

Our competitors include both established companies, as well as newer entrants into the market. In particular, we believe that, as a result of the growth of the UGG brand, certain competitors have entered the marketplace specifically in response to the success of our brands, and that other competitors may do so in the future. A number of our larger competitors have significantly greater financial, technological, engineering, manufacturing, marketing, and distribution resources than we do, as well as greater brand awareness in the footwear, apparel, and accessories markets among consumers. Further, these competitors may have relationships with our key retail customers that are potentially more important to those customers because of the significantly larger volume and product mix that our competitors sell to them. Our competitors' greater resources and capabilities in these areas may enable them to more effectively compete on the basis of price and production, develop new products more quickly or with superior technical capabilities, market their products and brands more successfully, identify or influence consumer preferences, increase their market share, withstand the impacts of seasonality, and manage periodic downturns in the footwear, apparel, and accessories industry or in economic conditions generally. With respect to newer entrants into the market, we believe that factors such as access to offshore manufacturing and changes in technology will make it easier and more cost effective for these companies to compete with us.

As a result of the competitive environment in which we operate, we have faced, and expect to continue to face, intense pricing pressure. Efforts by our competitors to dispose of their excess inventories may significantly reduce prices of competitive products, which may put pressure on us to reduce the pricing of our products to compete, or cause consumers to shift their purchasing decisions away from our products entirely. We have also faced, and expect to continue to face, intense pressure with respect to competition for key customer accounts and distribution channels. Further, we believe that our key customers face intense competition from their competitors, which could negatively impact the financial stability of their businesses and their ability to conduct business with us.

If we fail to compete effectively in the future, our sales could decline, and our margins could be impacted, either of which could have a negative impact on our financial condition and results of operations.

We use sheepskin to manufacture a significant portion of our products, and if we are unable to obtain a sufficient quantity of sheepskin at acceptable prices that meets our quality expectations, or if there are legal or social impediments to our ability to use sheepskin, it could have a material adverse impact on our business.

For the manufacturing of our products, we purchase certain raw materials that are affected by commodity prices, the most significant of which is sheepskin. The supply of sheepskin, which is used to manufacture a significant portion of our UGG brand products, is in high demand and there are a limited number of suppliers that are able to meet our expectations for the quantity and quality of sheepskin that we require. In addition, our unique product design and animal welfare standards require sheepskin that may be found only in certain geographies. We presently rely on only two tanneries to provide the majority of our sheepskin. If the sheepskin provided by these tanneries and the resulting products we produce do not conform to our quality or sustainability specifications or fail to meet consumer expectations, we could experience reduced demand for our products, a higher rate of customer returns and negative impacts on the image of our brands, any of which could have a material adverse impact on our business. Similarly, if these tanneries are not able to deliver sheepskin in the quantities required, or were to cease operations, we may not be able to obtain suitable substitute materials in time to avoid interruption of our production schedules, which would limit our ability to meet demand for our products, lead to inventory shortages, result in a loss of sales, strain our customer relationships, and harm our reputation. In addition, any factors that negatively impact the business of these tanneries, or the businesses of the suppliers that warehouse their inventories, such as loss of customers, financial instability, loss or destruction of property, work stoppages, political instability, or acts of terrorism or catastrophic events, could result in shortages in our supply of sheepskin.

While we have experienced fairly stable pricing in recent years, historically there have been significant fluctuations in the price of sheepskin as the demand for this commodity from our consumers and our competitors has changed. We believe the significant factors affecting the price of sheepskin include weather patterns, harvesting decisions, incidence of disease, the price of other commodities, such as wool and leather, the demand for our products and the products of our competitors, and global economic conditions. Any factors that increase the demand for, or decrease the supply of, sheepskin could cause significant increases in the price of sheepskin, which would increase our manufacturing costs and reduce our gross margins. In addition, we use purchasing contracts and other pricing arrangements to attempt to reduce the potential impact of fluctuations in sheepskin prices on our results of operations. However, in the event of a prolonged increase in sheepskin prices such as what we have experienced in the past, these strategies may not be sufficient to offset the negative impact on our results of

operations. In that event, it is unlikely we would be able to adjust our product prices sufficiently to eliminate the impact on our gross margins and our financial results may suffer. In an effort to reduce our dependency on sheepskin, we are seeking sustainable alternatives for key product materials.

Further, our industry is characterized by rapidly changing fashion trends and consumer preferences. We believe there is a growing trend within the fashion industry towards eliminating the use of certain animal products, most notably fur. For example, legislation has been passed in the US banning the sale of fur in certain cities, and similar legislation is being considered in other geographies. While the use of leather goods and sheepskin has typically not been subject to this type of legislation, it is possible that future legislation could restrict our ability to use sheepskin in the products we sell in certain geographies. In addition, notwithstanding whether specific legislation is passed, it is possible that consumer preferences may change based on evolving ethical or social standards, such that our products may potentially become less desirable to certain consumers. Because sheepskin is currently used to manufacture a significant portion of our UGG brand products, any legal or social impediments to the sale of products that include sheepskin, especially within our large target markets, could have a material adverse impact on our business, financial condition, and results of operations.

If we are unsuccessful at improving our operational systems and our efforts do not result in the anticipated benefits to us or result in unanticipated disruption to our business, our financial condition and results of operations could be adversely affected, and our business may become less competitive.

We continually strive to improve, automate and streamline our operational systems, processes and infrastructure as part of our ongoing effort to improve the overall efficiency and competitiveness of our business. While these efforts have resulted in some improvements to our operational systems, we expect to continue to incur expenses to implement additional improvements and upgrades to our systems. Many of these expenditures have been, and may continue to be, incurred in advance of the realization of any direct benefits to our business. We cannot guarantee that we will be successful at improving our operational systems, or that our efforts will result in the anticipated benefits to us. If our operational system upgrades and improvements are not successful, our financial condition and results of operations could be adversely affected, and our business may become less competitive.

Further, our future success and growth depend in part on the continued operation of our key business processes, including our information technology and global communications systems. Our operational system upgrades have the potential to be disruptive to our existing business operations as our managers and employees attempt to learn new software programs and control systems while continuing to manage and operate our business. In addition, as our business grows and we expand our brands and products into additional distribution channels and geographic regions, these systems may require expansion. If we are unable to modify our systems to respond to changes in our business needs, or if we experience a failure or interruption in these systems, our ability to accurately forecast sales, report our financial position and results of operations, or otherwise manage and operate our business could be adversely affected.

If we are unsuccessful at managing product manufacturing decisions, we may be unable to accurately forecast our inventory and working capital requirements, which may have a material adverse impact on our financial condition and results of operations.

Like other companies in the footwear, apparel and accessories industry, we have an extended design and manufacturing process, which involves the initial design of our products, the purchase of raw materials, the accumulation of inventories, the subsequent sale of the inventories, and the collection of the resulting accounts receivable. This production cycle requires us to incur significant expenses relating to the design, manufacturing and marketing of our products, including product development costs for new products, in advance of the realization of any revenue from the sale of our products, and results in significant liquidity requirements and working capital fluctuations throughout our fiscal year. Because the production cycle typically involves long lead times, which require us to make manufacturing decisions several months in advance of an anticipated purchasing decision by the consumer, it is challenging for us to estimate and manage our inventory and working capital requirements. Once manufacturing decisions are made, it is difficult for our management to predict and timely adjust expenses in reaction to various factors, including the following:

- unfavorable weather patterns and related impacts on consumer spending and demand for our products;
- changes in consumer preferences, tastes, discretionary spending, and prevailing fashion trends;
- market acceptance of our current products and new products, and of competitive products;

- future sales demand from our wholesale customers;
- the competitive environment, including pricing pressure resulting from reduced pricing of competitive products, which may cause consumers to shift their purchasing decisions away from our products;
- delays in resource or product availability due to impacts from widespread illness or disease; and
- uncertain macroeconomic and political conditions.

The evolution and expansion of our brands and product offerings has made our inventory management activities more challenging. For example, if we overestimate demand for any products or styles, we may be forced to incur significant markdowns or sell excess inventories at reduced prices, which would result in lower revenues and reduced gross margins. On the other hand, if we underestimate demand, or if our independent manufacturing facilities are unable to supply products in sufficient quantities, we may experience inventory shortages that may prevent us from fulfilling customer orders or result in us delaying shipments to customers. If that occurred, we could lose sales, our relationships with customers could be harmed, and our brand loyalty could be diminished. In either event, these factors could have a material adverse impact on our financial condition and results of operations.

It may be difficult to identify new retail store locations that meet our requirements, and any new retail stores may not realize returns on our investments.

While we expect to identify additional retail stores for closure as part of our ongoing optimization efforts, we may simultaneously identify opportunities to open new retail stores in the future. Global store openings involve substantial investments, including those relating to leasehold improvements, furniture and fixtures, equipment, information systems, inventory, and personnel. Since a certain amount of our retail store costs are fixed, if we have insufficient sales at a new store location, we may be unable to reduce expenses to avoid losses or negative cash flows. Due to the high fixed cost structure associated with the retail business, the closure of a retail store can result in a significant negative financial impact, including lost sales, write-offs of retail store assets and inventory, lease termination costs, and severance costs. In light of the significant costs and impairments that can be incurred upon the closure of a retail location, we expect to conduct a thorough diligence process and apply stringent financial parameters when assessing whether to open a new retail store location. However, there can be no assurance that any new retail location will generate a positive return on our investment or increase our sales. We will continue to evaluate our retail store fleet strategy in response to changes in consumer demand and retail store traffic patterns.

Furthermore, we license the right to operate retail stores for our brands to third parties through our partner retail program. We currently plan for most of the partner retail stores to be operated in international markets, with the largest number anticipated to be in China. We provide training to support these stores and set and monitor operational standards. However, the quality of these store operations may decline due to the failure of these third parties to operate the stores in a manner consistent with our standards or our failure to adequately monitor these third parties, which could result in reduced sales and cause our brand image to suffer. We will continue to evaluate our partner retail strategy and our retail approach in international markets in response to changes in consumer demand, retail store traffic patterns, and our brand and regional strategies.

Our financial success is influenced by the success of our customers, and the loss of a key customer could have a material adverse effect on our financial condition and results of operations.

Much of our financial success is directly related to the ability of our retailer and distributor partners to successfully market and sell our brands directly to consumers. If a partner fails to satisfy contractual obligations or to otherwise meet our expectations, or experiences complete or partial closure or other operational issues resulting from government restrictions, reduced consumer demand or other factors, it may be difficult to locate an acceptable substitute partner. If we determine that it is necessary to make a change, we may experience increased costs, loss of customers, or increased credit or inventory risk. In addition, there is no guarantee that any replacement partner will generate results that are more favorable than the terminated party.

We currently do not have long-term contracts with any of our retailers. We do have contracts with our distributors with terms ranging up to five years, however, while these contracts may have annual purchase minimums which must be met in order to retain the distribution rights, the distributors are not otherwise obligated to purchase our products. Sales to our retailers and distributors are generally on an order-by-order basis and are subject to rights of cancellation and rescheduling by our wholesale customers. We use the timing of delivery dates for our wholesale customer orders as a key factor in forecasting our sales and earnings for future periods. If any of our major customers experience a significant downturn in business or fail to remain committed to our products or

brands, these customers could postpone, reduce, or discontinue purchases from us, which could result in us failing to meet our forecasted results. These risks have been exacerbated recently as our key retail customers are operating within a retail industry that continues to undergo significant structural changes fueled by technology and the internet, changes in consumer purchasing behavior, and a shrinking retail footprint. These trends have been further impacted by the pandemic. We may lose key retail and wholesale customers if they fail to manage the impact of the rapidly changing retail environment. Any loss of one of these key customers, or a significant reduction in purchases from one of these customers could result in a significant decline in sales, write-downs of excess inventory, or increased discounts to our customers, any of which could have a material adverse effect on our financial condition or results of operations. Further, a key customer may dispose of their excess inventories to consumers or unauthorized sellers at significantly reduced prices, which may put pressure on us to reduce our prices to compete, or cause consumers to shift their purchasing decisions away from our authorized sellers entirely.

We depend on qualified personnel and, if we are unable to retain or hire executive officers, key employees and skilled personnel, we may not be able to achieve our strategic objectives and our results of operations may suffer.

To execute our growth plan, we must continue to attract and retain highly qualified personnel, including executive officers and key employees. Further, to continue to develop new products and successfully operate and grow our key business processes, it is important for us to continue hiring highly skilled footwear, apparel and accessories designers and information technology specialists. Competition for executive officers, key employees and skilled personnel is intense within our industry and there continues to be upward pressure on the compensation paid to these professionals. Many of the companies with which we compete for experienced personnel have greater name recognition and financial resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that we or these employees have breached legal obligations, resulting in a diversion of our time and resources. In addition, prospective and existing employees often consider the value of the stock-based compensation they receive in connection with their employment when deciding whether to take a job. If the perceived value of our stock-based compensation declines, or if the price of our stock experiences significant volatility, it may adversely affect our ability to recruit, retain and motivate qualified personnel.

Further, our domestic headquarters are located in Goleta, California, which is not generally recognized as a prominent commercial center, and it is difficult to attract qualified professionals due to our location. Our European headquarters are located in the UK, and there remains significant uncertainty regarding the impact of Brexit on the legal and commercial relationships between the UK and the EU, which could make it difficult for us to attract and retain key employees in the UK. If we are unable to attract and retain the personnel necessary to execute our growth plan, we may be unable to achieve our strategic objectives, our results of operations may suffer, and we may be unable to compete in the market.

The continued service of our executive officers and key employees is particularly important, and the hiring or departure of such personnel may disrupt our business or result in the depletion of significant institutional knowledge. Our executive officers and key employees are generally employed on an at-will basis, which means that they can terminate their employment with us at any time. The loss of one or more of our executive officers or other key employees or significant turnover in our senior management, and the often-extensive process of identifying and hiring other personnel to fill those key positions, could have a material adverse effect on our business.

We rely upon a number of warehouse and distribution facilities to operate our business, and any damage to one of these facilities, or any disruptions caused by incorporating new facilities into our operations, could have a material adverse impact on our business.

We rely upon a broad network of warehouse and distribution facilities to store, sort, package and distribute our products. In the US, we distribute products primarily through a self-managed DC in Moreno Valley, California. During fiscal year 2020, we transitioned all of our Camarillo, California distribution operations to Moreno Valley, which features a complex warehouse management system that enables us to efficiently pack products for direct shipment to customers. Further, during our fourth fiscal quarter ended March 31, 2021, we entered into a lease for a DC located in Mooresville, Indiana, to expand our distribution facilities. We could face a significant disruption in our domestic DC operations if our warehouse management system does not perform as anticipated or ceases to function for an extended period of time, which could occur due to damage to the facility, failure of software or equipment, cyber-security incidents, power outages or similar problems, or due to mandatory or elective closure in response to government orders addressing the pandemic. In addition, if our domestic DC operations and scaling efforts are impeded or delayed for any reason, it could result in shipment delays or the inability to deliver product at

all, which would result in lost sales, strain our relationships with customers, and cause harm to our reputation, any of which could have a material adverse impact on our business.

Internationally, we distribute our products through distribution centers managed by 3PLs in Canada, China, Japan, the Netherlands, and the UK. We also distribute our products through a domestic 3PL located in Pennsylvania. We depend on these 3PLs to manage the operation of their distribution centers as necessary to meet our business needs. If our 3PLs fail to manage these responsibilities, our distribution operations could face significant disruptions. The loss of or disruption to the operations of any one or more of these facilities could materially adversely impact our sales, business performance, and results of operations. Although we believe we possess adequate insurance to cover the potential impact of a disruption to the operations of these facilities, such insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

We rely upon independent manufacturers for most of our production needs, and the failure of these manufacturers to manage these responsibilities would prevent us filling customer orders, which would result in loss of sales and harm our relationships with customers.

We rely on independent manufacturers and their respective material suppliers for most of our production needs, and we do not have direct control over the manufacturers or their suppliers. We depend on these independent manufacturers for a number of functions that are critical to our operations, including financing the production of goods ordered, maintaining manufacturing capacity, complying with our policies, including our Supplier Code of Conduct and restricted substances policy, and storing finished goods in a safe location pending shipment. If the independent manufacturers fail to manage these responsibilities, or if they were to experience significant disruption to their business, we may be unable to ensure timely delivery of products, products may not be delivered in sufficient quantities, and products may fail to meet our quality standards. If any of these events were to occur, we may not be able to fill customer orders or product may be inadvertently delivered that does not meet our quality standards, which would result in lost sales and harm to our relationships with customers.

We do not currently have long-term contracts with these independent manufacturers, and so are not assured of a long-term, uninterrupted supply of products from them. While we do have long-standing relationships with most of these independent manufacturers, any of them may unilaterally terminate their relationship with us at any time, seek to increase the prices they charge, or extract other concessions from us. In the event of a termination of an existing relationship with a manufacturer, we may not be able to substitute alternative manufacturers that are capable of providing products of a comparable quality, in a sufficient quantity, at an acceptable price, or on a timely basis. If we are required to find alternative manufacturers, we could experience a delay in the manufacturing of our products, increased manufacturing costs, as well as substantial disruption to our business, any of which could negatively impact our results of operations.

Interruptions in the supply of our products can also result from adverse events that impair the operations of our manufacturers. For example, we keep proprietary materials that are required for the production of our products, such as shoe molds and raw materials, under the custody of our independent manufacturers. If these independent manufacturers were to experience loss or damage to these proprietary materials, we cannot be assured that the manufacturers would have adequate insurance to cover such loss or damage, and, in any event, the replacement of such materials would likely result in significant delays in the production of our products, which could result in a loss of sales and earnings.

Increasing scrutiny from investors and other key stakeholders with respect to our ESG practices may impose additional costs on us or expose us to new or additional risks.

Investor advocacy groups, certain institutional investors, investment funds, other market participants, stockholders, and customers are increasingly focused on corporate responsibility, specifically on the ESG practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. From time to time we communicate certain ESG initiatives and goals to market participants and our customers and business partners. Any corporate responsibility disclosure we make may include our policies, practices, initiatives and goals on a variety of social and ethical matters, corporate governance, environmental compliance, sustainability, employee health and safety practices, human capital management, product quality, supply chain management, and workforce inclusion and diversity. Although we have undertaken expansive efforts to improve and implement our ESG initiatives, it is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. If our ESG practices do not meet investor or other stakeholder expectations

and standards, which continue to evolve, or if we are perceived to have not appropriately responded to the growing concern for ESG issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage and our business and financial condition could be materially and adversely affected. Further, we could fail, or be perceived to fail, to achieve our ESG initiatives or goals, or we could fail to fully and accurately report our progress on such initiatives and goals, which could negatively impact our business.

Our corporate culture has contributed to our success and, if we cannot maintain this culture as we grow, we could lose the passion, creativity, teamwork, focus and innovation fostered by our culture.

We believe that our culture has been and will continue to be a key contributor to our success. If we do not maintain our culture and core values over time, we may be unable to foster the passion, creativity, teamwork, focus, and innovation that we believe have contributed to the growth and success of our business. Any failure to preserve our culture could negatively affect our ability to recruit and retain personnel and to effectively focus on and pursue our strategic objectives. As we continue to pursue our goals and implement new strategies, we may find it difficult to maintain our corporate culture, which may be exacerbated by restrictions adopted in response to the pandemic, which may make it difficult for employees to interact, communicate and innovate.

Labor disruptions could negatively impact our results of operations and financial position.

Our business depends on our ability to source and distribute products in a timely manner. Labor disputes, shortages, and stoppages that affect the operations of our independent manufacturers, tanneries, transportation carriers, retail stores, or distribution centers create significant risks for our business, particularly if these disputes result in work slowdowns, strikes, or similar disruptions. For example, labor disputes at US shipping ports have impacted the delivery of our products. In addition, there is the potential for labor disruptions in the UK as a result of ongoing uncertainty around the future trade relationship between the EU and UK. Furthermore, we have experienced challenges attracting and retaining employees to staff our DC operations as we increasingly compete with companies with e-commerce businesses. Any such challenges or disruptions may potentially result in cancelled orders by customers, unanticipated inventory accumulation, and increased transportation and labor costs, each of which may negatively impact our results of operations and financial position.

We face risks associated with pursuing strategic acquisitions, and our failure to successfully integrate any acquired business or product could have a material adverse effect on our results of operations and financial position.

As part of our overall strategy, we may periodically consider strategic acquisitions to expand our brands into complementary product categories and markets, or to acquire new brands, technologies, intellectual property, or other assets. Our ability to do so depends on our ability to identify and successfully pursue suitable acquisition opportunities. Such acquisitions involve numerous risks, challenges and uncertainties, including the potential to:

- expose us to risks inherent in entering into a new market or geographic region;
- lose significant customers or key personnel of the acquired business;
- encounter difficulties managing and implementing acquired assets;
- encounter difficulties marketing to new consumers or managing geographically remote operations;
- divert management's time and attention away from other aspects of our business operations; and
- incur costs relating to a potential acquisition that we fail to consummate, which we may not recover.

Additionally, we may not be able to successfully integrate the assets or operations of any acquired businesses into our operations, or to achieve the expected benefits of any acquisitions. Following an acquisition, we may also face cannibalization of existing product sales by our newly acquired products, unless we adequately integrate new products with our existing products, aggressively target different consumers for our newly acquired products and increase our overall market share. The failure to successfully integrate any acquired business or products in the future could have a material adverse effect on our results of operations and financial position.

Further, we may be required to issue equity securities to finance an acquisition, which would be dilutive to our stockholders, and the equity securities may have rights or preferences senior to those of our existing stockholders. If we incur indebtedness to finance an acquisition, it would result in debt service costs, and we may be subject to covenants restricting our operations or liens encumbering our assets.

Risks Related to Our Global Business Strategy and International Commerce

We may not succeed in implementing our growth strategies, in which case we may not be able to take advantage of certain market opportunities and may become less competitive.

As part of our overall growth strategy, we are continually seeking out opportunities to enhance the positioning of our brands, diversify our product offerings, extend our brands into complementary product categories and markets, expand geographically, optimize our retail presence both in stores and online, and improve our financial performance and operational efficiency. In addition, as part of our international growth strategy, we may continue to transition from a third-party distribution model to a direct distribution model for certain brands. Conversely, we may shift from a direct distribution model to a third-party distribution model for certain other brands. Further, we are exploring relationships with third parties for the expansion of the UGG brand into different product categories, including licensee and sourcing agent arrangements. Such efforts may be mitigated or suspended as we navigate the impacts of the pandemic and implement prudent cost-saving measures. We anticipate that substantial further expansion will be required to realize our growth potential and take advantage of new market opportunities. Failure to effectively implement our growth strategy could negatively impact our revenues and rate of growth and result in our business becoming less competitive. In addition, taking steps to implement our growth initiatives could have a number of negative effects, including increasing our working capital needs, causing us to incur costs without any corresponding benefits, and diverting management time and resources away from our existing business.

Most of our independent manufacturers are located outside of the US, where we are subject to the risks associated with international commerce.

Most of our independent manufacturers are located in Asia. Foreign manufacturing is subject to numerous risks and uncertainties, including the following:

- tariffs, import and export controls, and other non-tariff barriers;
- increasing transportation costs, delays during shipping at the port of entry or port of departure, and a limited supply of international shipping capacity;
- increasing labor costs and labor disruptions;
- poor infrastructure and shortages of equipment, which can disrupt transportation and utilities;
- restrictions on the transfer of funds from foreign jurisdictions;
- changing economic and market conditions;
- changes in governmental regulations, including with respect to intellectual property, labor, safety, and the environment;
- refusal to adopt or comply with our manufacturing policies;
- customary business traditions in certain countries such as local holidays, which are traditionally accompanied by high levels of turnover in the factories;
- decreased scrutiny by custom officials for counterfeit products;
- practices involving corruption, extortion, bribery, pay-offs, theft, and other fraudulent activity;
- social unrest and political instability, including acts of war and other external factors;
- use of unauthorized or prohibited materials or reclassification of materials;
- health-related concerns that could result in a reduced workforce or scarcity of raw materials;
- disruptions caused by natural or other disasters; and
- adverse changes in consumer perception of goods sourced from certain countries.

These risks and uncertainties, or others of which we are currently unaware, could interfere with the manufacture or shipment of our products by our independent manufacturers. This could make it more difficult to obtain adequate supplies of quality products, which could negatively impact our sales and earnings.

While we require our independent manufacturers and their suppliers to adhere to environmental, labor, ethical, health, safety, and other standard business practices and applicable local laws, and while we periodically visit and audit their operations, we do not control their business practices. If we discover non-compliant manufacturers or suppliers that cannot or will not become compliant, we would cease conducting business with them, which could increase our costs and interrupt our product supply chain. Our manufacturers' violations of applicable laws and business standards could also result in negative publicity, which could damage our reputation and the value of our brands. Further, if our manufacturers or suppliers violate US or foreign trade laws or regulations, we may be subject to extra duties, significant monetary penalties, the seizure and forfeiture of products we are attempting to import, or the loss of our import privileges, which could have a negative impact on our results of operations.

Our sales in international markets are subject to a variety of legal, regulatory, political, cultural and economic risks that may adversely impact our results of operations in certain regions.

Our ability to capitalize on growth in new international markets and to maintain the current level of operation in our existing international markets is subject to risks associated with international operations that could adversely affect our sales and results of operations. These risks include:

- foreign currency exchange rates fluctuations, which impact the prices at which products are sold to international consumers;
- limitations on our ability to move currency out of international markets;
- burdens of complying with a variety of foreign laws and regulations, which may change unexpectedly, and the interpretation and application of such laws and regulations;
- legal costs related to defending allegations of non-compliance with foreign laws;
- inability to import products into a foreign country;
- difficulties associated with promoting and marketing products in unfamiliar cultures;
- political or economic uncertainty or instability;
- changes in unemployment rates and consumer spending;
- anti-American sentiment in international markets in which we operate;
- changes in diplomatic and trade relationships between the US and other countries; and
- general economic fluctuations in specific countries or markets.

We conduct business outside the US, which exposes us to foreign currency exchange rate risk, and could have a negative impact on our financial results.

We operate on a global basis, with 30.8% of our net sales for the year ended March 31, 2021 from operations outside the US. As we continue to increase our international operations, our sales and expenditures in foreign currencies are expected to become more material and subject to foreign currency exchange rate fluctuations. A significant portion of our international operating expenses are paid in local currencies and our foreign distributors typically sell our products in local currency, which impacts the price to foreign consumers. Many of our subsidiaries operate with their local currency as their functional currency. Future foreign currency exchange rate fluctuations and global credit markets may cause changes in the US dollar value of our purchases or sales and materially affect our sales, profit margins, and results of operations, when converted to US dollars. Changes in the value of the US dollar relative to other currencies could result in material foreign currency exchange rate fluctuations and, as a result, our net earnings could be materially adversely affected.We routinely utilize foreign currency exchange rate forward contracts or other derivative instruments for the amounts we expect to purchase and sell in foreign currencies to mitigate exposure to foreign currency exchange rate fluctuations. As we continue to expand international operations and increase purchases and sales in foreign currencies, we may utilize additional derivative instruments to hedge our foreign currency exchange rate risk. Our hedging strategies depend on our forecasts of sales, expenses, and cash flows, which are inherently subject to inaccuracies. Foreign currency exchange rate hedges, transactions, remeasurements, or translations could materially impact our consolidated financial statements.

International trade and import regulations may impose unexpected duty costs, the revision of current trade agreements may require us to alter current practices, changes in trade relations may result in tariffs, and transportation challenges and security procedures may cause significant delays and additional costs. Products manufactured overseas and imported into the US and other countries are subject to import duties. While we have implemented internal measures to comply with applicable customs regulations and to properly calculate the import duties applicable to imported products, customs authorities may disagree with our claimed tariff treatment for certain products, resulting in unexpected costs that may not have been factored into the sales price of such products and our forecasted gross margins. In addition, we cannot predict whether future domestic and foreign laws, regulations, or specific or broad trade remedy actions, or international agreements may impose additional duties or other restrictions on the importation of products from one or more of our sourcing venues.

International trade policy is undergoing review and revision, introducing significant uncertainty with respect to future trade regulations and existing international trade agreements. Changes in tax policy or trade regulations could cause us to encounter new customs duties, which in turn may require us to implement new supply chains, withdraw from certain markets or change our business methods, which could make it difficult to obtain products of our customary quality at a competitive price and could lead to an increase in the cost of our products. The continued negotiation of free trade agreements with countries other than our principal sourcing venues may stimulate

competition for manufacturers. Manufacturers in these locations may seek to export footwear, apparel, and accessories to our target markets at preferred rates of duty which may negatively impact our sales and operations.

Trade relations between our sourcing venues, particularly those in China, and the US have created uncertainty for all US businesses that source or market in China. In January 2020, the US and China reached a trade deal which, among other things, limits import duties and tariffs. Although the trade deal currently remains in effect, there is no guarantee that the agreement will be honored by either party. Further, the potential for additional import duties or other restrictions on imports from China remains, which could increase the cost of sourcing in China, our own margins, and possibly the price of our products to consumers. We have transitioned most of our footwear sourcing from China to Vietnam as part of our supplier optimization strategy. If we are unable to source our products from the countries where we wish to purchase them, or if the cost of doing so increases, it could have a material adverse effect on our business, financial condition, and results of operations.

Transportation and distribution costs may be adversely impacted by new regulations, increased demand, increased fuel and labor costs, and political and economic instability. Due to the pandemic, reductions in the number of ocean carrier voyages and capacity may delay the arrival of imports. After the pandemic, we anticipate cost increases in ocean transports globally. Ongoing ocean carrier consolidation, reduced capacity, congestion at major international gateways and other economic factors are challenging ocean transportation. Further, in the US, trucking costs have risen dramatically due to driver shortages, increased labor costs, and safety, environmental, and labor regulations. These changes, as well as pandemic-related restrictions on trucking and our DC operations, may disrupt our supply chain and delay the shipment of our products, causing us to incur significant additional costs. Additionally, the increased threat of terrorist activity, and law enforcement responses to this threat, have required greater levels of inspection of imported goods and caused delays in bringing imported goods to market. Any tightening of security procedures could worsen these delays and increase our costs.

Risks Related to Our Legal, Compliance, and Regulatory Environment

Failure to adequately protect our intellectual property rights to prevent counterfeiting of our products, or to defend claims against us related to our intellectual property rights, could reduce sales and adversely affect the value of our brands.

Our business could be significantly harmed if we are not able to protect our intellectual property rights. We believe our competitive position is largely attributable to the value of our trademarks, patents, trade dress, trade names, trade secrets, copyrights, and other intellectual property rights. An unfortunate reaction to the success of our brands is that we have become a target of counterfeiting and product imitation strategies. Although we are aggressive in legal and other actions in pursuing those who infringe on our intellectual property rights, we cannot guarantee that the actions we have taken will be adequate to protect our brands in the future, especially because some countries' laws do not protect intellectual property rights to the same extent as US laws. If we fail to adequately protect our intellectual property rights, it would allow our competitors to sell products that are similar to and directly competitive with our products, or we could otherwise lose opportunities to sell our products to consumers who may instead purchase a counterfeit or imitation product, which could reduce sales of our products and adversely affect the value of our brands. In addition, any intellectual property lawsuits in which we are involved could cost a significant amount of time and money and distract management's attention from operating our business, which may negatively impact our business and results of operations. In addition to fighting intellectual property infringement, we may need to defend claims against us related to our intellectual property rights. For example, we have faced claims that the word "ugg" is a generic term. Such a claim was successful in Australia, but similar claims have been rejected by courts in the US, China, Turkey, and the Netherlands. Any court decision or settlement that invalidates or limits trademark protection of our brands, that allows a third-party to continue to sell products similar to our products, or that allows a manufacturer or distributor to continue to sell counterfeit products, could lead to intensified competition and a material reduction in our sales, and could have a material adverse effect on the value of our brands.

A security breach or other disruption to our information technology systems could result in the loss, theft, misuse, unauthorized disclosure, or unauthorized access of customer, supplier, or sensitive company information or could disrupt our operations, which could damage our relationships with customers, suppliers or employees, expose us to litigation or regulatory proceedings, or harm our reputation, any of which could materially adversely affect our business, financial condition, or results of operations.

Our business involves the storage and transmission of a significant amount of personal, confidential, or sensitive information, including the personal information of our customers and employees, credit card information, and our proprietary financial, operational, and strategic information. The protection of this information is vitally important to us as the loss, theft, misuse, unauthorized disclosure, or unauthorized access of such information could lead to significant reputation or competitive harm, result in litigation involving us or our business partners, expose us to regulatory proceedings, and cause us to incur substantial losses. As a result, we believe our future success and growth depends, in part, on the ability of our key business processes and systems, including our information technology and global communication systems, to prevent the theft, loss, misuse, unauthorized disclosure, or unauthorized access of this personal, confidential, and sensitive information, and to respond quickly and effectively if data security incidents do occur. We are subject to numerous data privacy and security risks, which may prevent us from maintaining the privacy of this information, result in the disruption of our business, and require us to expend significant resources attempting to secure and protect such information and respond to incidents, any of which could materially adversely affect our business, financial condition, or results of operations.

The frequency, intensity, and sophistication of cyber-attacks, ransom-ware attacks, and other data security incidents have significantly increased in recent years. Like other businesses, we have experienced, and are continually at risk of, attacks and incidents. Due to the increased risk of such attacks and incidents, we expend significant resources on information technology and data security tools, measures, and processes designed to protect our information technology systems, as well as the personal, confidential, or sensitive information stored on or transmitted through those systems, and to ensure an effective response to any attack or incident. Whether these measures are ultimately successful, these expenditures could have an adverse impact on our financial condition and results of operations and divert management's attention from pursuing our strategic objectives.

Although we take the security of our information technology systems seriously, there can be no assurance that the measures we employ will prevent unauthorized persons from obtaining access to our systems and information. Despite our implementation of reasonable security measures, our systems and information may be susceptible to cyber-attacks or data security incidents. These risks may be exacerbated in a remote work environment. Because the techniques used to obtain unauthorized access to information technology systems are constantly evolving, we may be unable to anticipate these techniques or implement adequate protective measures in response. Cyber-attacks or data incidents could remain undetected for some period, which could result in significant harm to our systems, as well as unauthorized access to the information stored on and transmitted by our systems. Further, despite our security efforts and training, our employees may purposefully or inadvertently cause security breaches. A cyber-attack or other data security incident could result in significant disruption of our business such that:

- critical business systems become inoperable or require significant time or cost to restore;
- key personnel are unable to perform their duties or communicate with employees or third-party partners;
- it results in the loss, theft, misuse, or unauthorized disclosure of confidential information;
- we are prevented from accessing information necessary to conduct our business;
- we are required to make unanticipated investments in equipment, technology or security measures;
- customers cannot place or receive orders, and we are unable to timely ship orders or at all; or
- we become subject to other unanticipated liabilities, costs, or claims.

If any of these events were to occur, it could have a material adverse effect on our financial condition and results of operations and result in harm to our reputation. In addition, if a cyber-attack or other data incident results in the loss, theft, misuse, unauthorized disclosure, or unauthorized access of personal, confidential, or sensitive information belonging to our customers, suppliers, or employees, it could put us at a competitive disadvantage, result in the deterioration of our customers' confidence in our brands, cause our suppliers to reconsider their relationship with our company or impose more onerous contractual provisions, and subject us to potential litigation, liability, fines, and penalties. For example, we could be subject to regulatory or other actions pursuant to domestic and international privacy laws, which could result in costly investigations and litigation, civil or criminal penalties, operational changes, and negative publicity that could adversely affect our reputation, as well as our results of operations and financial condition.

If we are found to have violated laws concerning the privacy and security of consumers' or other individuals' personal information, we could be subject to civil or criminal penalties, which could increase our liabilities and harm our reputation or our business.

There are a number of domestic and international laws protecting the privacy and security of personal information. These laws include US state laws such as the California Consumer Privacy Act, as well as the General Data Protection Regulation in the EU, EU member state directives, or similar applicable laws. These laws place limits on how we may collect, use, share and store personal information, and they impose obligations to protect that information. Further, we may be subject to new data privacy and security laws and regulations. If we, or any of our service providers who have access to the personal data for which we are responsible, are found to be in violation of the privacy or security requirements of applicable data protection laws, we could be subject to civil or criminal penalties, which could increase our liabilities, harm our reputation, and have a material adverse effect on our business, financial condition, and results of operations. Although we utilize a variety of measures to secure the data that we control, even compliant entities can experience security breaches or have inadvertent failures despite employing reasonable practices and safeguards.

Our revolving credit facility agreements expose us to certain risks.

From time to time, we have financed our liquidity needs in part from borrowings made under our revolving credit facilities. Our ability to borrow under our revolving credit facilities may be limited if the lenders believe there has been a material adverse change to our business. In addition, our revolving credit facility agreements contain a number of customary financial covenants and restrictions, which may limit our ability to engage in transactions that would otherwise be in our best interests, or otherwise respond to changing business and economic conditions, and may therefore have a material impact on our business. Failure to comply with any of the covenants could result in a default, allowing our lenders to accelerate the timing of payments, which could have a material adverse effect on our business, operations, financial condition, and liquidity. In addition, in some cases, a default under one revolving credit facility could result in a cross-default under other revolving credit facilities. Certain of our revolving credit facility agreements bear interest at a rate that varies depending on the London Interbank Offered Rate. Any increases in interest rates applicable to borrowings under our credit facilities would increase our cost of borrowing, which would result in a decline in our net income and liquidity.

The tax laws applicable to our business are very complex and changes in tax laws could increase our worldwide tax rate, or audits by various taxing authorities may subject us to additional tax liabilities, and materially affect our financial position and results of operations.

We are subject to changes in tax laws, regulations and treaties in and between the jurisdictions in which we operate. These tax laws are highly complex, and significant judgment and specialized expertise is required in evaluating and estimating our worldwide provision for income taxes. Our tax expense is based on our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, or in their interpretation, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings. For example, the enactment of the Tax Cuts and Jobs Act (Tax Reform Act) resulted in changes to the existing US tax laws that have and will continue to affect us, and could impact our effective tax rate. In addition, in response to the pandemic, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and American Rescue Plan Act were signed into law, both of which contain numerous income tax provisions. This legislation made broad changes to the US tax code and we expect to see future regulatory or legislative guidance issued. If the guidance differs from our preliminary interpretation of the law, it could have a material effect on our financial position and results of operations. Additional changes in tax laws or proposed regulations, interpretations and other changes to the Tax Reform Act may ultimately be enacted in a future period, which could increase our income tax liability or adversely affect our long-term effective tax rates and net income, and we are continually monitoring and assessing proposed changes in tax laws and regulations. One example is the recently announced American Families Plan, which, if enacted into law, would increase the corporate tax rate and would implement other changes to existing tax law that may result in a higher effective tax rate on our worldwide results of operations.

Many countries in the EU and around the globe have adopted or proposed changes to current tax laws. Further, organizations such as the Organization for Economic Cooperation and Development have published action plans that, if adopted by countries where we do business, could increase our tax obligations in these countries. Due to the large scale of our US and international business activities, many of these enacted and proposed changes could increase our worldwide effective tax rate and harm our financial position and results of operations. Further, we are subject to tax audits in each of the various jurisdictions where we conduct business, and any of these jurisdictions may assess additional taxes against us as a result of these audits. Although we believe our tax estimates are reasonable, and we undertake to prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits, and any related litigation, could be materially different from our estimates or from our historical tax provisions and accruals. The results of a tax audit or other tax proceeding could

have a material adverse effect on our results of operations or cash flows in the periods for which that determination is made and may require a restatement of prior financial reports.

Risks Related to Our Common Stock

Our common stock price has been volatile, which could result in substantial losses for stockholders.

The trading price of our common stock has been and may continue to be volatile. The trading price of our common stock could be affected by a number of factors, including, but not limited to the following:

- changes in expectations of our future financial performance and results of operations;
- changes in estimates of our performance by securities analysts and other market participants, or our failure to meet such estimates;
- changes in our stockholder base or public actions taken by investors;
- market research and opinions published by securities analysts and other market participants, and the response to such publications;
- quarterly fluctuations in our sales, margins, expenses, financial position, and results of operations;
- the financial stability of our customers, manufacturers, and suppliers;
- legal proceedings, regulatory actions, and legislative changes;
- announcements regarding the potential repurchase of our common stock, and our actual stock repurchase activity;
- the declaration of stock or cash dividends;
- consumer confidence and discretionary spending levels;
- broad market fluctuations in volume and price;
- general market, political, and economic conditions, including recessionary conditions; and
- a variety of risk factors, including the ones described herein and in our other SEC filings.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of individual companies. Accordingly, the price of our common stock is volatile and any investment in our stock is subject to risk of loss. These broad market and industry factors and other general macroeconomic conditions unrelated to our financial performance may also affect our common stock price.

Anti-takeover provisions contained in our Amended and Restated Certificate of Incorporation (Certificate) and Amended and Restated Bylaws (Bylaws), as well as provisions of Delaware law, could impair a takeover attempt.

Our Certificate and Bylaws contain provisions that could have the effect of rendering more difficult hostile takeovers, change-in-control transactions, or changes in our Board of Directors or management. Among other things, these provisions:

- authorize the issuance of preferred stock with powers, preferences and rights that may be senior to our common stock, which can be created and issued by our Board of Directors without prior stockholder approval;
- provide that the number of directors will be fixed by the affirmative vote of a majority of the whole Board of Directors;
- provide that board vacancies can only be filled by directors;
- prohibit stockholders from acting by written consent without holding a meeting of stockholders;
- require the vote of holders of not less than 66 2/3% of the voting stock then-outstanding to approve amendments to our Certificate and Bylaws; and
- require advance written notice of stockholder proposals and director nominations.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which may delay, deter, or prevent a change-in-control transaction. Any provision of Delaware law, our Certificate, or our Bylaws, that has the effect of rendering more difficult, delaying, deterring, or preventing a change-in-control transaction could limit the opportunity for stockholders to receive a premium for their shares of our common stock, and could affect the price that investors are willing to pay for our common stock.

Item 2. Properties

Our corporate headquarters is located in Goleta, California. The construction of our 14-acre corporate headquarters in Goleta, California was substantially completed in January 2014.

We currently have one primary warehouse and DC located in Moreno Valley, California, which we began operations during the fourth quarter of fiscal year 2015 and have since continued optimizing and expanding our operations at this location. Further, we are in the early stages of opening a new US DC located in Mooresville, Indiana.

We also have offices in China, Hong Kong, Vietnam, Japan, France, Germany, the Netherlands, and the UK to oversee the quality and manufacturing standards of our products, and for regional sales, operations, marketing, and administration, as well as offices in Macau and Hong Kong to coordinate logistics.

As of March 31, 2021, we had 49 retail stores in the US ranging from approximately 1,000 to 13,000 square feet. Internationally, we had 91 retail stores in Austria, Belgium, Canada, China, France, Germany, Japan, the Netherlands, Switzerland, and the UK.

Other than our corporate headquarters, we lease our facilities, retail stores and other office spaces from unrelated parties. With the exception of our DTC business facilities, our facilities are attributable to multiple reportable operating segments and are not allocated to our reportable operating segments.

We believe our space is adequate for our current needs and that suitable additional or substitute space will be available to accommodate the foreseeable expansion of our business and operations.

The following table provides details regarding our significant physical properties that are operational as of March 31, 2021:

Facility Location	Description	Lease or Own	Facility Size (Square Footage)
Moreno Valley, California	Warehouse and Distribution Center	Lease	1,530,944
Goleta, California	Corporate Headquarters	Own	185,094

Item 3. Legal Proceedings

As part of our global policing program to protect our intellectual property rights, from time to time, we file lawsuits in various jurisdictions asserting claims for alleged acts of trademark counterfeiting, trademark infringement, patent infringement, trade dress infringement, and trademark dilution. We generally have multiple actions such as these pending at any given point in time. These actions may result in seizure of counterfeit merchandise, out of court settlements with defendants, or other outcomes. In addition, from time to time, we are subject to claims in which opposing parties will raise, either as affirmative defenses or as counterclaims, the invalidity or unenforceability of certain of our intellectual property rights, including allegations that the UGG brand trademark registrations and design patents are invalid or unenforceable. Furthermore, we are aware of many instances throughout the world in which a third-party is using our UGG brand trademarks within its internet domain name, and we have discovered and are investigating several manufacturers and distributors of counterfeit UGG brand products.

On March 28, 2016, we filed a lawsuit alleging trademark infringement, patent infringement, unfair competition and deceptive trade practices in the US District Court for the Northern District of Illinois Eastern Division (District Court) against Australian Leather. In response, Australian Leather raised a number of affirmative defenses and counterclaims, including seeking declaratory judgment that the UGG brand trademark is invalid and unenforceable in the US, cancellation of certain of our US UGG brand trademark registrations, false designation of origin and declaratory judgment that certain of our US design patents are invalid and unenforceable. On September 13, 2018, the District Court granted summary judgment that dismissed most of Australian Leather's defenses and counterclaims. The remaining claims and defenses went to trial in May 2019. On May 10, 2019, a jury returned a ruling in our favor in our lawsuit against Australian Leather. The District Court entered judgments upholding the UGG trademark on February 6 and June 8, 2020. On August 12, 2020, Australian Leather filed an appeal to the US Court of Appeals for the Federal Circuit challenging the District Court's dismissal of its affirmative defenses and counterclaims that the UGG brand trademark is invalid and unenforceable. The Court of Appeals heard oral arguments from the parties on May 5, 2021 and, on May 7, 2021, affirmed the District Court's ruling dismissing Australian Leather's affirmative defenses and counterclaims and upholding the UGG brand trademark. It is unknown whether Australian Leather will challenge the decision of the Court of Appeals. While we believe that any potential challenge would have no merit, a judgment invalidating the UGG brand trademark would have a material adverse effect on our business.

Although we are subject to legal proceedings and other disputes from time to time in the ordinary course of business, including employment, intellectual property, and product liability claims, we believe the outcome of all pending legal proceedings and other disputes in the aggregate will not have a material adverse effect on our business, results of operations, financial condition, or liquidity. However, regardless of the outcome, resolving legal proceedings and other disputes can have an adverse impact on us because of legal costs, diversion of management's time and resources, and other factors.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

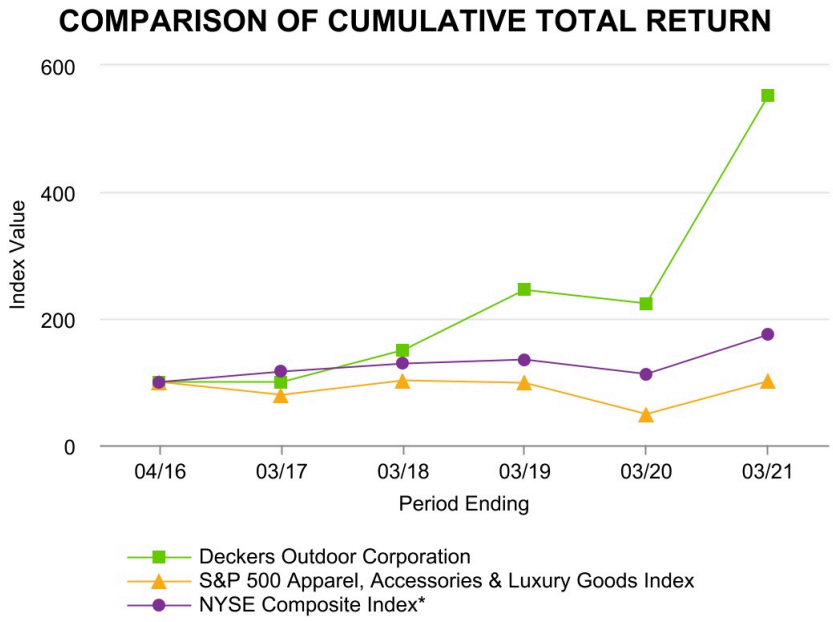
Our common stock has traded under the symbol DECK on the New York Stock Exchange (NYSE) since May 2014 and was previously traded on the Nasdaq Global Select Market.

As of May 13, 2021, we had 39 stockholders of record based on the records of our transfer agent, which does not include beneficial owners of our common stock whose shares are held in the names of various securities brokers, dealers and registered clearing agencies.

We did not sell any equity securities during the year ended March 31, 2021 that were not registered under the Securities Act.

Stock Performance Graph

Below is a graph comparing the percentage change in the cumulative total return on our common stock against the cumulative total return of the S&P 500 Apparel, Accessories & Luxury Goods Index and the NYSE Composite Index for the five fiscal-year periods commencing April 1, 2016 and ended March 31, 2021. Total return assumes reinvestment of dividends, though we have not declared or paid any cash dividends on our common stock since our inception. The data represented in the graph below assumes one hundred dollars invested in our common stock, the S&P 500 Apparel, Accessories & Luxury Goods Index and the NYSE Composite Index on April 1, 2016.



	April 1, 2016	Years Ended March 31, 2017	2018	2019	2020	2021
Deckers Outdoor Corporation	$ 100.0	$ 99.7	$ 150.3	$ 245.4	$ 223.7	$ 551.5
S&P 500 Apparel, Accessories & Luxury Goods Index	100.0	79.5	101.9	98.7	49.1	100.2
The NYSE Composite Index	100.0	115.6	128.6	134.8	112.4	174.2

The stock performance graph and related information shall not be deemed incorporated by reference by any general statement incorporating by reference into this Annual Report into any filing under the Securities Act, or under the Exchange Act, except to the extent that we specifically incorporate this information by reference and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

Dividend Policy

We have not declared or paid any cash dividends on our common stock since our inception. We currently do not anticipate declaring or paying any cash dividends. Our current revolving credit agreements allow us to declare and pay cash dividends, as long as we do not exceed certain leverage ratios and no event of default has occurred.

Stock Repurchase Programs

In January 2019, our Board of Directors approved an additional authorization to its stock repurchase program to repurchase $261,000 of our common stock in the open market or in privately negotiated transactions, subject to market conditions, applicable legal requirements, and other factors (our stock repurchase program). As of March 31, 2021, the aggregate remaining approved amount under our stock repurchase program was $60,660.

Below is a summary of stock repurchase activity under our stock repurchase program during the fourth fiscal quarter ended March 31, 2021:

	Total number of shares repurchased*	Average price paid per share	Dollar value of shares repurchased	Dollar value of shares remaining for repurchase
January 1 - January 31, 2021	—	$ —	$ —	$ 159,807
February 1 - February 28, 2021	192,361	323.33	62,196	97,611
March 1 - March 31, 2021	114,719	322.10	36,951	60,660

*Any share repurchases are made as part of publicly announced programs in open-market transactions.

Our Board of Directors approved an additional authorization of $750,000 during April 2021 to repurchase our common stock under the same conditions as the prior stock repurchase program. Subsequent to March 31, 2021 through May 13, 2021, we repurchased 70,881 shares for $23,466 at an average price of $331.06 per share, and had $787,194 remaining authorized under the stock repurchase program.

Our stock repurchase program does not obligate us to acquire any amount of common stock and may be suspended at any time at our discretion.

Refer to Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” under the heading “Liquidity and Capital Resources” and Note 10, “Stockholders' Equity,” of our consolidated financial statements and accompanying notes thereto (referred to herein as the consolidated financial statements) in Part IV within this Annual Report for further information on repurchases of our common stock.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements in Part IV within this Annual Report. This discussion includes an analysis of our financial condition and results of operations for the years ended March 31, 2021 and 2020 and year-over-year comparisons between those periods. For year-over-year comparisons between the years ended March 31, 2020 and 2019, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the fiscal year ended March 31, 2020 filed with the SEC on June 1, 2020.

Certain statements made in this section constitute "forward-looking statements," which are subject to numerous risks and uncertainties including those described in this section. Refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" within this Annual Report for additional information.

Overview

We are a global leader in designing, marketing, and distributing innovative footwear, apparel, and accessories developed for both everyday casual lifestyle use and high-performance activities. We market our products primarily under five proprietary brands: UGG, HOKA, Teva, Sanuk and Koolaburra. We believe that our products are distinctive and appeal to a broad demographic. We sell our products through quality domestic and international retailers, international distributors, and directly to our global consumers through our Direct-to-Consumer (DTC) business, which is comprised of our e-commerce websites and retail stores. We seek to differentiate our brands and products by offering diverse lines that emphasize authenticity, functionality, quality, and comfort, and products tailored to a variety of activities, seasons, and demographic groups. All of our products are currently manufactured by independent third-party manufacturers.

Trends and Uncertainties Impacting Our Business and Industry

We expect our business and the industry in which we operate will continue to be impacted by several important trends and uncertainties, as follows:

COVID-19 Pandemic

- Throughout fiscal year 2021, the COVID-19 pandemic (referred to herein as the pandemic) spread globally, including throughout the geographic regions in which we operate our business, and in which our wholesale customers, retail stores, manufacturers, and suppliers are located.

- The overall impacts of the pandemic on our business, and the businesses of our wholesale customers and partners, continue to be highly uncertain and subject to change, especially in light of the significant recent increases in the number of positive COVID-19 cases in certain geographic regions. However, we believe that the actions we have taken to respond to the pandemic, combined with our strong brands, diversified product portfolio, and favorable liquidity position, have resulted in strong operational performance throughout the pandemic, and position us to emerge from the pandemic poised for continued long-term growth.

Retail Environment

- As a result of various government orders and restrictions imposed in connection with the pandemic, as well as changes in consumer behavior in response, we closed many of our Company-owned-and-operated stores at various times during fiscal year 2021. The largest impact on our retail business was from disruption at tourism-dependent locations, including both limited capacity and closure requirements that impacted store traffic. However, approximately 77% of our global retail stores were open for our entire fourth fiscal quarter, although in most cases with limited capacity. We expect temporary retail store closures in certain geographies to continue for at least a portion of our first fiscal quarter ending June 30, 2021, and that there is risk of ongoing or additional retail stores closures and operating limitations based on expert agency guidance and local authority mandates.

- We expect the scope of allowable retail activities and retail consumer traffic patterns to vary by geographic region due to the continued impact of the pandemic, including those associated with governmental restrictions and consumer responses. In an attempt to mitigate the impact of operating our retail stores at limited capacity, we have continued expanding the use of technology at these locations. However, we could continue to experience decreased demand or capacity threshold constraints at our retail stores.

- We believe that many of our wholesale customers and retail partners have experienced temporary retail store closures similar to those impacting our Company-owned retail stores. Although many of our customers have reopened their retail stores, we believe that many of these stores continue to operate at limited capacity.

E-Commerce Environment

- We have observed a prolonged and meaningful shift in the way consumers shop for products and make purchasing decisions, evidenced by decreases in consumer retail store activity as consumers accelerated their migration to online shopping. These trends, which have been exacerbated by the impacts of the pandemic, have been positively impacting the performance of our e-commerce business, while creating headwinds for our traditional retail business, as well as the retail businesses of our wholesale customers and retail partners.

- We operate our e-commerce business through various websites and platforms, which have remained operational and experienced increased consumer traffic throughout the pandemic. We continue to look for ways to expand consumer access to and improve ease of use of our e-commerce platforms, which has contributed to increased consumer traffic.

- During fiscal year 2021, we observed strong demand for all of our brands within our e-commerce business. Many of our wholesale customers also experienced strong demand trends for our brands, which have consistently experienced strong sell-through on our wholesale partners' e-commerce platforms. However, we do not expect that the growth rate that our e-commerce business experienced during fiscal year 2021 will continue in future periods.

Brand Strategy

- Within the UGG brand, we have experienced strong sell-through in all channels of certain product lines, such as the slipper category, as consumers seek out luxurious comfort in the current work-from-home environment. In addition, the UGG brand continues to experience success with counter-seasonal products, such as spring and summer collections for Women's, Men's, and Kids' categories. The brand is attracting new and younger, more diverse consumers, including through strategic fashion collaborations and design innovation. However, the brand continues to experience softness internationally within the wholesale channel. We expect to see continued UGG brand progress during fiscal year ending March 31, 2022 in Europe due to our marketplace reset strategy, as well as in Asia due to our localized marketing activations.

- As the UGG brand continues to amplify its audience with younger, more diverse consumers, it has been critical to continue our development of the brand's e-commerce channel and expanding its digital marketing presence. The UGG brand's e-commerce platform has continued to evolve as part of our overall digital transformation and has become a strategic driver of our product development process through the launch of exclusive products.

- Within the HOKA brand, we continue to see strong demand across our product offerings through both wholesale and DTC channels, which we believe is being fueled by an emphasis on running and outdoor exercise and introducing innovative products that resonate globally with younger, more diverse consumers. Further, the HOKA brand's performance was driven by balanced growth across the brand's ecosystem of access points. For example, the HOKA brand's optimized digital marketing increased online consumer acquisition and retention rates, which we believe will collectively continue to drive DTC channel revenues as a percentage of total brand revenue.

Supply Chain

- We maintain a network of strategic sourcing partners which includes material vendors and third-party manufacturers. We experienced certain capacity constraints within our sourcing network during fiscal year 2021. While we have mitigated the effects of these disruptions, it is possible that we will experience additional disruptions to our supply chain, including from shipping delays and container shortages from congestion at port facilities, which has been exacerbated by the pandemic. Congestion at United States (US) and international ports could affect the capacity at ports to receive deliveries of products or the loading of shipments on to vessels. In anticipation of this, we are evaluating mitigation strategies.

- Our warehouse and DC in Moreno Valley, California, as well as our global third-party logistics providers (3PLs) and third-party carriers, remain open although they continue to operate at reduced capacity. We are experiencing certain operational and logistical challenges as a result of limited and modified operations. This includes challenges associated with shipping higher quantities of product through our e-commerce channel compared to prior periods in parallel with increased nationwide demand placed on delivery companies, which has been exacerbated by the pandemic. These impacts may continue to have an adverse effect on our ability to fulfill orders through our e-commerce platform.

- We continue to recognize the need for additional infrastructure investments to support our scaling business, including investments in and upgrades to our end-to-end planning systems as well as our global distribution and logistics capabilities. For example, we are currently in the early stages of opening a new US DC located in Mooresville, Indiana that is intended to expand our logistical capabilities. At the same time, we are encountering challenges in attracting and retaining quality candidates to staff our DC operations in the US as we increasingly compete with other companies with growing e-commerce operations.

Omni-Channel Strategy

- We have implemented a channel and product segmentation strategy, as well as franchise management for key product allocation strategies for the UGG brand's core Classics franchise, in the US wholesale marketplace. These strategies are designed to assist us in controlling product inventory, reducing the impact of discounts and closeouts on our sales and gross margins, and increasing full-priced selling across our product offerings. Similarly, we have implemented a multi-year marketplace reset strategy in Europe and Asia to drive UGG brand demand and build a foundation of diversified product acceptance, which is driving a healthier product mix and reducing the need for promotional activity.

- As a result of changes in consumer purchasing behavior, we continue to enhance our omni-channel strategy to bolster our e-commerce capabilities and enable us to better engage with consumers and expose them to our brands. Our strategy is transforming the way we approach marketing, including through a sustained focus on digital marketing efforts, as well as localized marketing activations and authentic collaborations to drive global brand demand. We have also enhanced our focus on adaptive digital marketing as we seek to target consumers within the work-from-home environment and promote products that are desirable based on current consumer preferences, working conditions, and lifestyle choices.

Operating Expenses

- To mitigate the adverse impacts the pandemic has had on our business and operations, we implemented a number of temporary measures to reduce our operating expenses. As we return to a more normal business environment, we expect to make significant investments related to our infrastructure and other strategic initiatives to support opportunities to further scale our business.

Reportable Operating Segment Overview

Our six reportable operating segments include the worldwide wholesale operations of the UGG brand, HOKA brand, Teva brand, Sanuk brand, and Other brands, as well as DTC (collectively, our reportable operating segments). Information reported to the Chief Operating Decision Maker (CODM), who is our Chief Executive Officer, President, and Principal Executive Officer, is organized into these reportable operating segments and is consistent with how the CODM evaluates our performance and allocates resources.

UGG Brand. The UGG brand is one of the most iconic and recognized brands in our industry, which highlights our successful track record of building niche brands into lifestyle and fashion market leaders. With loyal consumers around the world, the UGG brand has proven to be a highly resilient line of premium footwear, apparel, and accessories with expanded product offerings and a growing global audience that appeals to a broad demographic.

We believe demand for UGG brand products will continue to be driven by the following:

- High consumer brand loyalty due to consistent delivery of quality and luxuriously comfortable footwear, apparel, and accessories.
- Diversification of our footwear product offerings, such as Women's spring and summer lines, as well as expanded category offerings for Men's products.
- Expanding apparel, home goods, and accessories business.

HOKA Brand. The HOKA brand is an authentic premium line of year-round performance footwear and apparel that offers enhanced cushioning and inherent stability with minimal weight. Originally designed for ultra-runners, the brand now appeals to world champions, taste makers, and everyday athletes. The HOKA brand is quickly becoming a leading brand within run specialty wholesale accounts, with strong marketing fueling both domestic and international sales growth, driving the brand’s net sales to continue to increase as a percentage of our aggregate net sales. We continue to build product extensions in trail and fitness.

We believe demand for HOKA brand products will continue to be driven by the following:

- Leading product innovation and key franchise management.
- Increased brand awareness and adoption through enhanced global marketing activations and online customer acquisition, including building a more diverse outdoor community.
- Category extensions in authentic performance footwear offerings such as lifestyle acceleration through the trail and hiking categories.

Teva Brand. The Teva brand created the very first sport sandal when it was founded in the Grand Canyon in 1984. Since then the Teva brand has grown into a multi-category modern outdoor lifestyle brand offering a range of performance, casual, and trail lifestyle products, and has emerged as a leader in footwear sustainability observed through recent growth fueled by young and diverse consumers passionate for the outdoors and the planet. We believe demand for Teva brand products will continue to be driven by the following:

- Authentic outdoor heritage and a reputation for quality, comfort, sustainability, and performance in any terrain.
- Increasing brand awareness due to outdoor lifestyle participation amongst younger consumers.
- Category extensions in performance hike footwear.

Sanuk Brand. The Sanuk brand originated in Southern California surf culture and has emerged into a lifestyle brand with a presence in the relaxed casual shoe and sandal categories with a focus on innovation in comfort and sustainability. The Sanuk brand’s use of unexpected materials and unconventional constructions, combined with its fun and playful branding, are key elements of the brand's identity.

Other Brands. Other brands consist primarily of the Koolaburra by UGG brand. The Koolaburra brand is a casual footwear fashion line using sheepskin and other plush materials and is intended to target the value-oriented consumer in order to complement the UGG brand offering.

Direct-to-Consumer. Our DTC business for all our brands is comprised of our retail stores and e-commerce websites which, in an omni-channel marketplace, are intertwined and interdependent. We believe many of our consumers interact with both our retail stores and websites before making purchasing decisions.

E-Commerce Business. Our e-commerce business provides us with an opportunity to communicate a consistent brand message to consumers that is in line with our brands' promises, drives awareness of key brand initiatives, offers targeted information to specific consumer demographics, and drives consumers to our retail stores. As of March 31, 2021, we operated our e-commerce business through Company-owned websites and mobile platforms in 58 different countries, for which the net sales are recorded in our DTC reportable operating segment.

Retail Business. Our retail stores are predominantly UGG brand concept stores and UGG brand outlet stores. Through our outlet stores, we sell some of our discontinued styles from prior seasons, full price in-line products, as well as products made specifically for the outlet stores.

As of March 31, 2021, we had a total of 140 global retail stores, which includes 71 concept stores and 69 outlet stores. Generally, we open retail store locations during our second or third fiscal quarters and consider closures of retail stores during our fourth fiscal quarter; however, the timing of such openings and closures may vary. We evaluate potential retail store closures based on historic and anticipated store performance and timing of lease expirations and options. While we expect to identify additional stores for closure, we may simultaneously identify opportunities to open new stores in the future to further enhance our overall DTC business. We currently do not anticipate incurring material incremental retail store closure costs, primarily because any store closures we may pursue are expected to occur as, or near to when, retail store leases expire to avoid incurring potentially significant lease termination costs, as well as through conversions to partner retail stores, further discussed below. We will continue to evaluate our retail store fleet strategy in response to changes in consumer demand and retail store traffic patterns.

Flagship Stores. Included in the total count of global concept stores are seven UGG brand flagship stores, which are lead concept stores in certain key markets and prominent locations designed to showcase the UGG brand products. Primarily located in major tourist locations, these stores are typically larger with broader product offerings and greater traffic than our general concept stores. We anticipate operating a curated fleet of flagship stores to enhance the interaction with our consumers and increase brand loyalty. For example, in November 2020 we opened a flagship store in New York City, which highlights the expansive collection of the brand's product offerings while showcasing the breadth and depth of UGG as a lifestyle brand. The net sales for these stores are recorded in our DTC reportable operating segment.

Shop-in-Shop Stores. Included in the total count of global concept stores are 26 shop-in-shop (SIS) stores, defined as concept stores for which we own the inventory and that are operated by us or non-employees within a department store, which we lease from the store owner by paying a percentage of SIS store sales. The net sales for these stores are recorded in our DTC reportable operating segment.

Partner Retail Stores. We rely on partner retail stores for the UGG brand and HOKA brand. Partner retail stores are branded stores that are wholly owned and operated by third-parties and not included in the total count of global retail stores. When a partner retail store is opened, or a store is converted into a partner retail store, the related net sales are recorded in each respective brand wholesale reportable operating segments, as applicable.

Use of Non-GAAP Financial Measures

Throughout this Annual Report we provide certain financial information on a constant currency basis, excluding the effect of foreign currency exchange rate fluctuations, which we disclose in addition to the financial measures calculated and presented in accordance with generally accepted accounting principles in the United States (US GAAP). We provide these non-GAAP financial measures to provide information that may assist investors in understanding our financial results and assessing our prospects for future performance. However, the information included within this Annual Report that is presented on a constant currency basis, as we present such information, may not necessarily be comparable to similarly titled information presented by other companies, and may not be appropriate measures for comparing the performance of other companies relative to us. For example, in order to calculate our constant currency information, we calculate the current period financial information using the foreign currency exchange rates that were in effect during the previous comparable period, excluding the effects of foreign currency exchange rate hedges and remeasurements in the consolidated financial statements.

Further, we report comparable DTC sales on a constant currency basis for DTC operations that were open throughout the current and prior reporting periods, and we may adjust prior reporting periods to conform to current year accounting policies.

These non-GAAP financial measures are not intended to represent and should not be considered to be more meaningful measures than, or alternatives to, measures of operating performance as determined in accordance with US GAAP. Constant currency measures should not be considered in isolation as an alternative to US dollar measures that reflect current period foreign currency exchange rates or to other financial measures presented in accordance with US GAAP. We believe evaluating certain financial and operating measures on a constant currency basis is important as it excludes the impact of foreign currency exchange rate fluctuations that are not indicative of our core results of operations and are largely outside of our control.

Seasonality

Our business is seasonal, with the highest percentage of UGG and Koolaburra brand net sales occurring in the quarters ending September 30th and December 31st and the highest percentage of Teva and Sanuk brand net sales occurring in the quarters ending March 31st and June 30th. Net sales for the HOKA brand occur more evenly throughout the year reflecting the brand's year-round performance product offerings. Due to the magnitude of the UGG brand relative to our other brands, our aggregate net sales in the quarters ending September 30th and December 31st still significantly exceed our aggregate net sales in the quarters ending March 31st and June 30th. As we continue to take steps to diversify and expand our product offerings by creating more year-round styles, and as net sales of the HOKA brand continue to increase as a percentage of our aggregate net sales, we expect the impact from seasonality to continue to decrease over time. However, it is unclear whether seasonal impacts will be minimized or exaggerated in future periods as a result of the disruptions and uncertainties caused by the pandemic. Refer to Note 14, “Quarterly Summary of Information (Unaudited),” of our consolidated financial statements in Part IV within this Annual Report for further information on our results of operations by quarterly period.

Result of Operations

Year Ended March 31, 2021 Compared to Year Ended March 31, 2020. The following table summarizes our results of operations:

	Years Ended March 31,					
	2021		2020		Change	
	Amount	%	Amount	%	Amount	%
Net sales	**$ 2,545,641**	**100.0 %**	**$ 2,132,689**	**100.0 %**	**$ 412,952**	**19.4 %**
Cost of sales	1,171,551	46.0	1,029,016	48.2	(142,535)	(13.9)
Gross profit	**1,374,090**	**54.0**	**1,103,673**	**51.8**	**270,417**	**24.5**
Selling, general, and administrative expenses	869,885	34.2	765,538	35.9	(104,347)	(13.6)
Income from operations	**504,205**	**19.8**	**338,135**	**15.9**	**166,070**	**49.1**
Other expense (income), net	2,691	0.1	(2,731)	(0.1)	(5,422)	(198.5)
Income before income taxes	**501,514**	**19.7**	**340,866**	**16.0**	**160,648**	**47.1**
Income tax expense	118,939	4.7	64,724	3.1	(54,215)	(83.8)
Net income	**382,575**	**15.0**	**276,142**	**12.9**	**106,433**	**38.5**
Total other comprehensive income (loss), net of tax	8,816	0.3	(2,905)	(0.1)	11,721	403.5
Comprehensive income	**$ 391,391**	**15.3 %**	**$ 273,237**	**12.8 %**	**$ 118,154**	**43.2 %**
Net income per share						
Basic	$ 13.64		$ 9.73		$ 3.91	
Diluted	$ 13.47		$ 9.62		$ 3.85	

Net Sales. The following table summarizes our net sales by location, and by brand and channel:

	Years Ended March 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Net sales by location				
US	$ 1,761,477	$ 1,401,692	$ 359,785	25.7 %
International	784,164	730,997	53,167	7.3
Total	**$ 2,545,641**	**$ 2,132,689**	**$ 412,952**	**19.4 %**
Net sales by brand and channel				
UGG brand				
Wholesale	$ 871,799	$ 892,990	$ (21,191)	(2.4)%
Direct-to-Consumer	845,283	627,817	217,466	34.6
Total	1,717,082	1,520,807	196,275	12.9
HOKA brand				
Wholesale	405,243	277,097	128,146	46.2
Direct-to-Consumer	165,997	75,527	90,470	119.8
Total	571,240	352,624	218,616	62.0
Teva brand				
Wholesale	105,928	119,108	(13,180)	(11.1)
Direct-to-Consumer	32,860	18,897	13,963	73.9
Total	138,788	138,005	783	0.6
Sanuk brand				
Wholesale	26,566	39,463	(12,897)	(32.7)
Direct-to-Consumer	15,274	11,696	3,578	30.6
Total	41,840	51,159	(9,319)	(18.2)
Other brands				
Wholesale	69,375	67,175	2,200	3.3
Direct-to-Consumer	7,316	2,919	4,397	150.6
Total	76,691	70,094	6,597	9.4
Total	**$ 2,545,641**	**$ 2,132,689**	**$ 412,952**	**19.4 %**
Total Wholesale	$ 1,478,911	$ 1,395,833	$ 83,078	6.0 %
Total Direct-to-Consumer	1,066,730	736,856	329,874	44.8
Total	**$ 2,545,641**	**$ 2,132,689**	**$ 412,952**	**19.4 %**

Total net sales increased primarily due to higher DTC sales as well as higher HOKA brand wholesale sales, partially offset by lower UGG brand, Teva brand, and Sanuk brand wholesale sales. Further, we experienced an increase of 13.9% in total volume of pairs sold to 41,900 from 36,800 compared to the prior period. On a constant currency basis, net sales increased by 18.4%, compared to the prior period. Drivers of significant changes in net sales, compared to the prior period, were as follows:

- DTC net sales increased due to higher e-commerce net sales across all brands, partially offset by lower retail sales attributed to lower tourism traffic and store closures related to the pandemic. Due to the meaningful disruption of our retail store base for closures, we are not reporting a comparable DTC net sales metric for the year ended March 31, 2021.

- Wholesale net sales of the HOKA brand increased primarily due to global expansion of market share, including reaching new customers, driven by increased brand awareness combined with key franchise updates.

- Wholesale net sales of the UGG brand decreased primarily due to lower international sales, partially offset by strong domestic sales. The global wholesale channel was impacted by lower global sell-in of product, driven by pandemic related sales losses resulting from decreased store traffic and more conservative purchasing from our global wholesale partners. International wholesale sales were also lower due to the near-term impact of the marketplace reset strategies in Europe and Asia.

- Wholesale net sales of the Teva brand and Sanuk brand decreased primarily due to the pandemic related sales losses during our first fiscal quarter caused by decreased store traffic for our wholesale customers during the respective brands' peak sell-in period.

- International net sales, which are included in the reportable operating segment net sales presented above, represented 30.8% and 34.3% of total net sales for the years ended March 31, 2021 and 2020, respectively. International net sales increased by 7.3%, compared to the prior period, primarily due to higher net sales for the HOKA brand across all channels in Europe and Asia, partially offset by lower net sales in both these regions in the wholesale and retail channels for the UGG brand. The decrease in international net sales as a percentage of total sales was driven by higher domestic sales growth, primarily due to higher e-commerce sales.

Gross Profit. Gross profit as a percentage of net sales, or gross margin, increased to 54.0% from 51.8%, compared to the prior period, primarily due to favorable channel mix resulting from increased penetration of DTC, higher full-priced selling, favorable brand mix, and favorable changes in foreign currency exchange rates, partially offset by higher freight costs.

Selling, General, and Administrative Expenses. The net increase in selling, general, and administrative (SG&A) expenses, compared to the prior period, was primarily the result of the following:

- Increased payroll costs of approximately $50,700, primarily due to higher performance-based compensation, including long-term incentive plan performance-based restricted stock units, as well as warehousing costs for higher headcount and wages.

- Increased variable advertising and promotion expenses of approximately $44,000, primarily due to higher digital marketing and advertising for the UGG brand and HOKA brand to drive brand demand and awareness.

- Increased other variable net selling expenses of approximately $21,500, including information technology, as well as transaction and warehousing fees and shipping supplies, primarily due to higher DTC sales and commissions, partially offset by insurance recovery proceeds.

- Increased impairments of operating lease and long-lived assets of approximately $16,300 due to flagship retail store impairments driven by lower traffic and strategic changes in the fleet, as well as lower retail sales and early store closures, and an impairment loss for international intangible assets for the Sanuk brand.

- Increased depreciation expense of approximately $2,600 due to an increase in capital projects.

- Increased bank fees of approximately $1,200 due to the mortgage payoff on our corporate headquarters during the fourth fiscal quarter.

- Decreased variable operating expenses of approximately $18,000, primarily due to lower travel related expenses, as well as lower sales meeting expenses related to the impacts of the pandemic.

- Decreased rent and occupancy expenses of approximately $8,500, primarily due to lower retail store operating costs, including due to Company-owned retail store closures related to the pandemic and lower Company-owned retail store count.

- Decreased foreign currency-related losses of $5,400, primarily driven by favorable changes in Canadian, European, and Chinese foreign currency exchange rates.

Income from Operations. Income from operations by reportable operating segment was as follows:

	Years Ended March 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Income (loss) from operations				
UGG brand wholesale	$ 292,718	$ 303,908	$ (11,190)	(3.7)%
HOKA brand wholesale	111,208	61,860	49,348	79.8
Teva brand wholesale	27,120	30,736	(3,616)	(11.8)
Sanuk brand wholesale	(162)	3,212	(3,374)	(105.0)
Other brands wholesale	21,573	16,087	5,486	34.1
Direct-to-Consumer	349,465	182,548	166,917	91.4
Unallocated overhead costs	(297,717)	(260,216)	(37,501)	(14.4)
Total	**$ 504,205**	**$ 338,135**	**$ 166,070**	**49.1 %**

The increase in total income from operations, compared to the prior period, was primarily due to higher net sales at higher gross margins, primarily driven by DTC and HOKA brand wholesale, partially offset by higher SG&A expenses. Drivers of significant net changes in total income from operations, compared to the prior period, were as follows:

- The increase in income from operations of DTC was due to higher net sales at higher gross margins, as well as lower Company-owned retail store operating costs, partially offset by higher variable marketing and selling expenses, as well as higher e-commerce expenses.
- The increase in income from operations of HOKA brand wholesale was primarily due to higher net sales, partially offset by higher variable marketing expenses.
- The decrease in income from operations of UGG brand wholesale was due to lower net sales at lower gross margins as well as higher marketing expenses, partially offset by lower variable selling expenses.
- The increase in income from operations of Other brands wholesale was due to higher net sales at higher gross margins, partially offset by higher variable marketing expenses.
- The decrease in income from operations of Teva brand wholesale was due to lower net sales at lower gross margins, partially offset by lower variable selling expenses.
- The increase in loss from operations of Sanuk brand wholesale was primarily due the impairment of a definite-lived international trademark, as well as lower net sales at lower gross margins, partially offset by lower variable selling and marketing expenses.
- The increase in unallocated overhead costs was primarily due to higher performance-based compensation, as well as warehousing expenses, including for payroll and outside services, in addition to higher information technology expenses, and higher depreciation expenses, partially offset by lower foreign currency-related losses driven by favorable changes in foreign currency exchange rates, insurance recovery proceeds, and lower travel related expenses.

Other Expense (Income), Net. The increase in total other expense, net, compared to the prior period, was primarily due to a decrease in interest income driven by lower average interest rates, partially offset by higher average invested cash balances.

Income Tax Expense. Income tax expense and our effective income tax rate were as follows:

	Years Ended March 31,	
	2021	2020
Income tax expense	$ 118,939	$ 64,724
Effective income tax rate	23.7 %	19.0 %

The increase in our effective income tax rate, compared to the prior period, was primarily due to changes in the geographic mix of worldwide income before income taxes for the year ended March 31, 2021 in jurisdictions with higher effective tax rates, higher non-deductible executive compensation, as well as less favorable settlement of tax audits, partially offset by higher employee share based compensation excess tax benefits.

Foreign income before income taxes was $133,186 and $134,755 and worldwide income before income taxes was $501,514 and $340,866 during the years ended March 31, 2021 and 2020, respectively. The decrease in foreign income before income taxes as a percentage of worldwide income before income taxes, compared to the prior period, was primarily due to higher domestic sales and higher foreign operating expenses as a percentage of worldwide sales.

For the years ended March 31, 2021 and 2020, we did not generate significant pre-tax earnings from any countries which do not impose a corporate income tax. A small portion of our unremitted accumulated earnings of non-US subsidiaries, for which no US federal or state income tax have been provided, are currently expected to be reinvested outside of the US indefinitely. Such earnings would become taxable upon the sale or liquidation of these subsidiaries. Refer to the section titled “Liquidity” below for further information.

We expect our foreign income or loss before income taxes, as well as our effective income tax rate, will continue to fluctuate from period to period based on several factors, including the impact of our global product sourcing organization, our actual results of operations from sales generated in domestic and foreign markets, and changes in domestic and foreign tax laws (or in the application or interpretation of those laws). Foreign income before income taxes will continue to grow in the long-term, in both absolute terms and as a percentage of worldwide income before income taxes, as we focus on the global composition of our business, localized strategies for international markets, and investments in international regions. In addition, we believe our effective income tax rate will be impacted by our actual foreign income or loss before income taxes relative to our actual worldwide income or loss before income taxes. For further information on the impacts of the Tax Cuts and Jobs Act (Tax Reform Act), refer to Note 5, “Income Taxes,” of our consolidated financial statements in Part IV within this Annual Report.

Net Income. The increase in net income, compared to the prior period, was due to higher net sales at higher gross margins, partially offset by higher SG&A expenses. Net income per share increased, compared to the prior period, due to higher net income, combined with lower weighted-average common shares outstanding, driven by stock repurchases in prior periods.

Total Other Comprehensive Income, Net of Tax. The increase in total other comprehensive income, net of tax, compared to the prior period, was due to higher foreign currency translation gains relating to changes to our net asset position for favorable Asian and European foreign currency exchange rates.

Liquidity

We finance our working capital and operating requirements using a combination of our cash and cash equivalents balances, cash provided from ongoing operating activities and, to a lesser extent, available borrowings under our revolving credit facilities. Our working capital requirements begin when we purchase raw materials and inventories and continue until we ultimately collect the resulting trade accounts receivable. Given the historical seasonality of our business, our working capital requirements fluctuate significantly throughout the fiscal year, and we are required to utilize available cash to build inventory levels during certain quarters in our fiscal year to support higher selling seasons.

While we are subject to uncertainty surrounding the pandemic, we believe our cash and cash equivalents balances, cash provided from ongoing operating activities, and available borrowings under our revolving credit facilities, will provide sufficient liquidity to enable us to meet our working capital requirements and timely service our debt obligations for at least the next 12 months.

We repatriated $175,000 and $150,000 of cash and cash equivalents during the years ended March 31, 2021 and 2020, respectively. As of March 31, 2021, we had $180,951 of cash and cash equivalents outside the US and held by all foreign subsidiaries, a portion of which may be subject to additional foreign withholding taxes if it were to be repatriated. At March 31, 2019, we completed the calculation of the one-time transition tax on the deemed repatriation of foreign subsidiaries' earnings pursuant to the Tax Reform Act and previously recorded a net cumulative tax expense of $57,895, net of foreign tax credits. Beginning with the tax year ended March 31, 2018, an installment election was made to pay these taxes over eight years with 40% paid in equal installments over the first five years and the remaining 60% to be paid in installments of 15%, 20% and 25% in years six, seven and eight, respectively. The cumulative remaining balance as of March 31, 2021 is $41,452. We continue to evaluate our cash repatriation strategy and we currently anticipate repatriating current and future unremitted earnings of non-US subsidiaries, to the extent they have been and will be subject to US tax, if such cash is not required to fund ongoing foreign operations. Our cash repatriation strategy, and by extension, our liquidity, may be impacted by several additional considerations, which include clarifications of or changes to the Tax Reform Act and our actual earnings for current and future periods. For further information on the impacts of the Tax Reform Act, refer to Note 5, "Income Taxes," of our consolidated financial statements in Part IV within this Annual Report.

We continue to evaluate our capital allocation strategy, and to consider further opportunities to utilize our global cash resources in a way that will profitably grow our business, meet our strategic objectives and drive stockholder value, including by potentially repurchasing additional shares of our common stock. As of March 31, 2021, the aggregate remaining approved amount under our stock repurchase program was $60,660. Our Board of Directors approved an additional authorization of $750,000 during April 2021 to repurchase our common stock under the same conditions as the prior stock repurchase program. Subsequent to March 31, 2021 through May 13, 2021, we repurchased 70,881 shares for $23,466 at an average price of $331.06 per share, and had $787,194 remaining authorized under the stock repurchase program. Our stock repurchase program does not obligate us to acquire any amount of common stock and may be suspended at any time at our discretion.

Our liquidity may be further impacted by additional factors, including our results of operations, the strength of our brands, impacts of seasonality and weather conditions, our ability to respond to changes in consumer preferences and tastes, the timing of capital expenditures and lease payments, our ability to collect our trade accounts receivables in a timely manner and effectively manage our inventories, our ability to respond to the impacts and disruptions caused by the pandemic, and our ability to respond to economic, political and legislative developments. Furthermore, we may require additional cash resources due to changes in business conditions, strategic initiatives, or stock repurchase strategy, a national or global economic recession, or other future developments, including any investments or acquisitions we may decide to pursue, although we do not have any present commitments with respect to any such investments or acquisitions.

If our existing sources of liquidity are insufficient to satisfy our working capital requirements, we may seek to borrow under our revolving credit facilities, seek new or modified borrowing arrangements, or sell additional debt or equity securities. The sale of convertible debt or equity securities could result in additional dilution to our stockholders, and equity securities may have rights or preferences that are superior to those of our existing stockholders. The incurrence of additional indebtedness would result in additional debt service obligations, as well as covenants that would restrict our operations and further encumber our assets. In addition, there can be no assurance that any additional financing will be available on acceptable terms, if at all.

Capital Resources

Primary Credit Facility. In September 2018, we refinanced in full and terminated our Second Amended and Restated Credit Agreement dated as of November 13, 2014, as amended. The refinanced revolving credit facility agreement (Credit Agreement) is with JPMorgan Chase Bank, N.A. (JPMorgan), as the administrative agent, Citibank, N.A., Comerica Bank (Comerica) and HSBC Bank USA, N.A., as co-syndication agents, MUFG Bank, Ltd. and US Bank National Association as co-documentation agents, and the lenders party thereto, with JPMorgan and Comerica acting as joint lead arrangers and joint bookrunners. The Credit Agreement provides for a five-year, $400,000 unsecured revolving credit facility (Primary Credit Facility), contains a $25,000 sublimit for the issuance of letters of credit, and matures on September 20, 2023.

As of March 31, 2021, we had no outstanding balance, outstanding letters of credit of $549, and available borrowings of $399,451 under our Primary Credit Facility.

China Credit Facility. Our revolving credit facility in China (China Credit Facility) is an uncommitted revolving line of credit of up to CNY 300,000, or $45,736.

As of March 31, 2021, we had no outstanding balance, outstanding bank guarantees of $30, and available borrowings of $45,706 under our China Credit Facility.

Japan Credit Facility. Our revolving credit facility in Japan (Japan Credit Facility) is an uncommitted revolving line of credit of up to JPY 3,000,000, or $27,099. We renewed the Japan Credit Facility through January 31, 2022 substantially under the terms of the original credit agreement.

As of March 31, 2021, we had no outstanding balance and had available borrowings of $27,099 under our Japan Credit Facility.

Mortgage. As of March 31, 2021, there is no outstanding balance under the mortgage, previously secured by the property on which our corporate headquarters is located. During the year ended March 31, 2021, we repaid in full the outstanding principal balance, accrued interest, as well as prepayment penalties under the mortgage totaling $31,578.

Debt Covenants. As of March 31, 2021, we were in compliance with all financial covenants under our revolving credit facilities.

Refer to Note 6, “Revolving Credit Facilities and Mortgage Payable,” of our consolidated financial statements in Part IV within this Annual Report for further information on our capital resources.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Years Ended March 31,			
	2021	2020	Change	
	Amount	Amount	Amount	%
Net cash provided by operating activities	$ 596,217	$ 286,334	$ 309,883	108.2 %
Net cash used in investing activities	(32,169)	(31,964)	(205)	(0.6)
Net cash used in financing activities	(129,581)	(192,114)	62,533	32.5

Operating Activities. Our primary source of liquidity is net cash provided by operating activities, which is primarily driven by our net income, other cash receipts and expenditure adjustments, and changes in working capital.

The increase in net cash provided by operating activities during the year ended March 31, 2021, compared to the prior period, was primarily due to a net positive change in operating assets and liabilities of $185,994 and net income after non-cash adjustments of $123,889. The changes in operating assets and liabilities were primarily due to net positive changes in inventories, net, accrued expenses, trade accounts payable, income taxes payable, and income tax receivable, partially offset by net negative changes in prepaid expenses and other current assets, and trade accounts receivable, net. The positive change in inventories, net, made up a majority of the net positive change in operating assets and liabilities, which was driven by higher net sales and lower inventory on-hand due to more disciplined purchasing that focused on key products in response to the pandemic, as well as the positive change in accrued expenses, primarily driven by higher payroll related accruals.

Investing Activities. The net cash used in investing activities during the year ended March 31, 2021, was consistent with the prior period, and was primarily comprised of capital expenditures for improvements to our warehouse and DC, the build-out or refreshes made to our retail store locations, as well as information technology.

Financing Activities. The decrease in net cash used in financing activities during the year ended March 31, 2021, compared to the prior period, was primarily due to lower stock repurchases occurring in the current period, partially offset by repayment of the mortgage in full on our corporate headquarters.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Contractual Obligations

The following table summarizes our contractual obligations as of March 31, 2021 and the effects of such obligations in future periods:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease obligations (1)	$ 245,418	$ 49,528	$ 82,233	$ 56,707	$ 56,950
Purchase obligations for product (2)	566,820	566,820	—	—	—
Purchase obligations for commodities (3)	150,594	114,342	36,252	—	—
Other purchase obligations (4)	102,317	30,630	45,300	26,387	—
Net unrecognized tax benefits (5)	6,359	1,038	5,321	—	—
Total	**$ 1,071,508**	**$ 762,358**	**$ 169,106**	**$ 83,094**	**$ 56,950**

(1) Our operating lease commitments consist primarily of building leases for our retail locations, our warehouse and DC, and regional offices, and include the undiscounted cash lease payments owed under the terms of our operating lease agreements. In addition to the above operating lease commitments outstanding, there is $20,284 of legally binding minimum lease payments due pursuant to a lease signed but not yet commenced, nor recorded in our consolidated financial statements, as of March 31, 2021 for a new US distribution center. Refer to Note 7, “Leases and Other Commitments,” of our consolidated financial statements in Part IV within this Annual Report for further information on our operating lease assets and liabilities.

(2) Our purchase obligations for product consist mostly of open purchase orders issued in the ordinary course of business. Outstanding purchase orders are primarily issued to our third-party manufacturers and are expected to be paid within one year. We can cancel a significant portion of the purchase obligations under certain circumstances; however, the occurrence of such circumstances is generally limited. As a result, the amount does not necessarily reflect the dollar amount of our binding commitments or minimum purchase obligations, and instead reflects an estimate of our future payment obligations based on information currently available. Due to increased demand for certain products combined with the impacts of the pandemic that may result in supply chain disruptions, we are currently expecting that our inventory purchases with our third-party manufacturers will be significantly higher for the fiscal year ending March 31, 2022 compared to prior fiscal years.

(3) Our purchase obligations for commodities include sheepskin and leather, and represent remaining commitments under existing supply agreements, which are subject to minimum volume commitments. We expect that purchases made by us under these agreements in the ordinary course of business will eventually exceed the minimum commitment levels.

During the year ended March 31, 2021, we experienced a shift in product mix that used less of a certain sheepskin grade. As a result, we negotiated a deferral of additional deposit payments, which represent remaining minimum commitments under certain expired sheepskin supply agreements. As of March 31, 2021, the remaining minimum purchase commitment under these expired agreements was approximately $28,000. Subsequent to March 31, 2021 through May 13, 2021, this deposit was paid.

(4) Our other purchase obligations consist of non-cancellable minimum commitments for logistics arrangements, an IT agreement for a new inventory planning system, requirements to pay promotional expenses, and other commitments under service contracts, which are due during fiscal years 2022 through 2026. Amounts excluded from other purchase obligations above include any capital expenditures that will be purchased before the end of the fiscal year ending March 31, 2022, which we estimate will range from approximately $65,000 to $70,000. We anticipate these expenditures will primarily relate to the build-out of our new US DC, IT infrastructure and system

upgrades, and refreshes to our global retail store fleet including new retail stores. Other anticipated expenditures include upgrades to our existing warehouse and DC as well as our global office facilities. However, the actual amount of our future capital expenditures may differ significantly from this estimate depending on numerous factors, including the timing of facility openings, as well as unforeseen needs to replace existing assets, and the timing of other expenditures.

(5) Net unrecognized tax benefits are defined as gross unrecognized tax benefits, less federal benefit for state income taxes, related to uncertain tax positions taken in our income tax return that would impact our effective tax rate, if recognized. As of March 31, 2021, the timing of future cash outflows is highly uncertain related to statute of limitations liabilities of $17,524, therefore we are unable to make a reasonable estimate of the period of cash settlement. Refer to Note 5, “Income Taxes,” of our consolidated financial statements in Part IV within this Annual Report for further information on our uncertain tax positions.

Refer to Note 7, “Leases and Other Commitments,” of our consolidated financial statements in Part IV within this Annual Report for further information on our operating leases, purchase obligations, capital expenditures, and other contractual obligations and commitments.

Impact of Foreign Currency Exchange Rate Fluctuations

Foreign currency exchange rate fluctuations had an incremental positive impact on the year ended March 31, 2021 when compared to the year ended March 31, 2020.

Refer to “Results of Operations,” above within this Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the consolidated statements of comprehensive income, and Note 9, “Derivative Instruments,” of our consolidated financial statements in Part IV within this Annual Report for further information on the impact of foreign currency exchange rate fluctuations on our results of operations.

Critical Accounting Policies and Estimates

Management must make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements, based on historical experience, existing and known circumstances, authoritative accounting pronouncements and other factors that management believes to be reasonable, but actual results could differ materially from these estimates. Management believes the following critical accounting estimates are most significantly affected by judgments and estimates used in the preparation of our consolidated financial statements: allowances for doubtful accounts; estimated returns liability; sales discounts and customer chargebacks; inventory valuations; valuation of goodwill, intangible and other long-lived assets; and performance-based stock compensation. The full impact of the ongoing pandemic is unknown and cannot be reasonably estimated for these key estimates. However, we made appropriate accounting estimates based on the facts and circumstances available as of the reporting date. To the extent there are differences between these estimates and actual results, our consolidated financial statements may be materially affected.

Refer to Note 1, “General,” of our consolidated financial statements in Part IV within this Annual Report for a discussion of our significant accounting policies and use of estimates, as well as the impact of recent accounting pronouncements.

Revenue Recognition. Revenue is recognized when a performance obligation is completed at a point in time and when the customer has obtained control. Control passes to the customer when they have the ability to direct the use of, and obtain substantially all the remaining benefits from, the goods transferred. The amount of revenue recognized is based on the transaction price, which represents the invoiced amount less known actual amounts or estimates of variable consideration. We recognize revenue and measure the transaction price net of taxes, including sales taxes, use taxes, value-added taxes, and some types of excise taxes, collected from customers and remitted to governmental authorities. We present revenue gross of fees and sales commissions. Sales commissions are expensed as incurred and are recorded in SG&A expenses in the consolidated statements of comprehensive income.

Wholesale and international distributor revenue are each recognized either when products are shipped or when delivered, depending on the applicable contract terms. Retail store and e-commerce revenue are recognized at the point of sale and upon shipment, respectively. Shipping and handling costs paid to third-party shipping companies are recorded as cost of sales in the consolidated statements of comprehensive income. Shipping and handling costs are a fulfillment service, and, for certain wholesale and all e-commerce transactions, revenue is recognized when the customer is deemed to obtain control upon the date of shipment.

Refer to Note 2, “Revenue Recognition,” of our consolidated financial statements in Part IV within this Annual Report for further information regarding the components of variable consideration, including allowances for sales discounts, chargebacks, and our sales return liability.

Accounts Receivable Allowances. The following table summarizes critical accounting estimates for accounts receivable allowances and reserves:

	As of March 31,			
	2021		2020	
	Amount	% of Gross Trade Accounts Receivable	Amount	% of Gross Trade Accounts Receivable
Gross trade accounts receivable	$ 242,234	100.0 %	$ 206,742	100.0 %
Allowance for doubtful accounts	(9,730)	(4.0)	(6,989)	(3.4)
Allowance for sales discounts	(3,016)	(1.2)	(1,030)	(0.5)
Allowance for chargebacks	(13,770)	(5.8)	(13,127)	(6.3)
Trade accounts receivable, net	**$ 215,718**	**89.1 %**	**$ 185,596**	**89.8 %**

Allowance for Doubtful Accounts. We provide an allowance against trade accounts receivable for estimated losses that may result from customers’ inability to pay. We determine the amount of the allowance by analyzing known uncollectible accounts, aged trade accounts receivable, economic conditions and forecasts, historical experience, and the customers’ creditworthiness. Trade accounts receivable that are subsequently determined to be uncollectible are charged or written off against this allowance. The allowance includes specific allowances for trade accounts, of which all or a portion are identified as potentially uncollectible based on known or anticipated losses. Our use of different estimates and assumptions could produce different financial results. For example, a 1.0% change in the rate used to estimate the reserve for accounts which we consider having credit risk and are not specifically identified as uncollectible would change the allowance for doubtful accounts as of March 31, 2021 by approximately $1,800.

Allowance for Sales Discounts. We provide a trade accounts receivable allowance for sales discounts for our wholesale channel sales, which reflects a discount that our customers may take, generally based on meeting certain order, shipment or prompt payment terms. We use the amount of the discounts that are available to be taken against the period end trade accounts receivable to estimate and record a corresponding reserve for sales discounts.

Allowance for Chargebacks. We provide a trade accounts receivable allowance for chargebacks and markdowns from wholesale customers. When customers pay their invoices, they may take deductions against their invoices that can include chargebacks for price differences, markdowns, short shipments, and other reasons. Therefore, we record an allowance for known or unknown circumstances based on historical trends related to the timing and amount of chargebacks taken against wholesale channel customer invoices.

Sales Return Liability. The following tables summarize estimates for our sales return liability as a percentage of the most recent quarterly net sales by channel:

	Three Months Ended March 31,			
	2021		2020	
	Amount	% of Net Sales	Amount	% of Net Sales
Net Sales				
Wholesale	$ 326,106	58.1 %	$ 230,677	61.5 %
Direct-to-Consumer	235,082	41.9	144,233	38.5
Total	**$ 561,188**	**100.0 %**	**$ 374,910**	**100.0 %**

	As of March 31,			
	2021		2020	
	Amount	% of Net Sales	Amount	% of Net Sales
Sales Return Liability				
Wholesale	$ (23,987)	(7.4)%	$ (21,846)	(9.5)%
Direct-to-Consumer	(13,730)	(5.8)	(3,821)	(2.6)
Total	**$ (37,717)**	**(6.7)%**	**$ (25,667)**	**(6.8)%**

Reserves are recorded for anticipated future returns of goods shipped prior to the end of the reporting period. In general, we accept returns for damaged or defective products for up to one year. We also have a policy whereby returns are generally accepted from customers between 30 to 90 days from the point of sale for cash or credit. Amounts of these reserves are based on known and actual returns, historical returns, and any recent events that could result in a change from historical return rates. Sales returns are an asset for the right to recover the inventory and a refund liability for the stand-ready right of return. Changes to the refund liability are recorded against gross sales and changes to the asset for the right to recover the inventory are recorded against cost of sales. For our wholesale channel, we base our estimate of sales returns on any approved customer requests for returns, historical returns experience, and any recent events that could result in a change from historical returns rates, among other factors. For our DTC channel and reportable operating segment, we estimate sales returns using a lag compared to the same prior period and consider historical returns experience and any recent events that could result in a change from historical returns, among other factors. Our use of different estimates and assumptions could produce different financial results. For example, a 1.0% change in the rate used to estimate the percentage of sales expected to ultimately be returned would change the sales return liability as of March 31, 2021 by approximately $5,000.

Inventory Reserves. The following tables summarize estimates for our inventory reserves:

	As of March 31,			
	2021		2020	
	Amount	% of Gross Inventory	Amount	% of Gross Inventory
Gross Inventories	$ 297,874	100.0 %	$ 323,847	100.0 %
Write-down of inventories	(19,632)	(6.6)	(12,227)	(3.8)
Inventories, net	**$ 278,242**	**93.4 %**	**$ 311,620**	**96.2 %**

We review inventory on a regular basis for excess, obsolete, and impaired inventory to evaluate write-downs to the lower of cost or net realizable value. Our use of different estimates and assumptions could produce different financial results. For example, a 10.0% change in the estimated selling prices of our potentially obsolete inventory would change the inventory write-down reserve as of March 31, 2021 by approximately $1,600.

Operating Lease Assets and Lease Liabilities. Key accounting policy elections for the new lease standard applied to our consolidated financial statements are as follows:

- We recognize operating lease assets and lease liabilities in the consolidated balance sheets on the lease commencement date, based on the present value of the outstanding lease payments over the reasonably certain lease term. The lease term includes the non-cancelable period at the lease commencement date, plus any additional periods covered by our options to extend (or not to terminate) the lease that are reasonably certain to be exercised, or an option to extend (or not to terminate) a lease that is controlled by the lessor.

- We discount unpaid lease payments using the interest rate implicit in the lease or, if the rate cannot be readily determined, its incremental borrowing rate (IBR). Generally, we cannot determine the interest rate implicit in the lease because we do not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, we generally derive a discount rate at the lease commencement date by utilizing our IBR, which is based on what we would have to pay on a collateralized basis to borrow an amount equal to our lease payments under similar terms. Because we do not currently borrow on a collateralized basis under our revolving credit facilities, we use the interest rate we pay on our non-collateralized borrowings

under our Primary Credit Facility as an input for deriving an appropriate IBR, adjusted for the amount of the lease payments, the lease term, and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

Refer to Note 7, “Leases and Other Commitments,” of our consolidated financial statements in Part IV within this Annual Report for further information, including more details of our accounting policy elections and disclosures.

Goodwill and Indefinite-Lived Intangible Assets. We do not amortize goodwill and indefinite-lived intangible assets but instead test for impairment annually, or when an event occurs or changes in circumstances indicate the carrying value may not be recoverable at the reporting unit level. First, we determine if, based on qualitative factors, it is more likely than not that an impairment exists. Qualitative factors considered include significant or adverse changes in customer demand, historical financial performance, changes in management or key personnel, macroeconomic and industry conditions, and the legal and regulatory environment. If the qualitative assessment indicates that it is more likely than not that an impairment exists, then a quantitative assessment is performed. The quantitative assessment requires an analysis of several best estimates and assumptions, including future sales and results of operations, discount rates, and other factors that could affect fair value or otherwise indicate potential impairment. We also consider the reporting units’ projected ability to generate income from operations and positive cash flow in future periods, as well as perceived changes in customer demand and acceptance of products, or factors impacting the industry generally. The fair value assessment could change materially if different estimates and assumptions were used.

During the years ended March 31, 2021 and 2020, we performed our annual impairment assessment and evaluated the UGG and HOKA brands’ wholesale reportable operating segment goodwill as of December 31st and evaluated our Teva indefinite-lived trademarks as of October 31st. Based on the carrying amounts of the UGG and HOKA brands’ goodwill and Teva brand indefinite-lived trademarks, each of the brands’ actual fiscal year sales and results of operations, and the brands’ long-term forecasts of sales and results of operations as of their evaluation dates, we concluded that these assets were not impaired.

Refer to Note 1, “General,” and Note 3, “Goodwill and Other Intangible Assets,” of our consolidated financial statements in Part IV within this Annual Report for further information on our goodwill and indefinite-lived intangible assets and annual impairment assessment results.

Definite-Lived Intangible and Other Long-Lived Assets. Definite-lived intangible and other long-lived assets, including definite-lived trademarks, machinery and equipment, internal-use software, operating lease assets, and leasehold improvements, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. At least quarterly, we evaluate factors that would necessitate an impairment assessment, which include a significant adverse change in the extent or manner in which an asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset or a significant decline in the observable market value of an asset, among others.

When an impairment-triggering event has occurred, we test for recoverability of the asset group’s carrying value using estimates of undiscounted future cash flows based on the existing service potential of the applicable asset group. In determining the service potential of a long-lived asset group, we consider the remaining useful life, cash-flow generating capacity, and physical output capacity. These estimates include the undiscounted future cash flows associated with future expenditures necessary to maintain the existing service potential. These assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If impaired, the asset or asset group is written down to fair value based on either discounted future cash flows or appraised values. An impairment loss, if any, would only reduce the carrying amount of long-lived assets in the group based on the fair value of the asset group.

During the year ended March 31, 2021, we recorded an impairment loss of $3,522 for the Sanuk brand definite-lived international trademark, driven by the strategic decision to focus primarily on future domestic growth, within our Sanuk brand wholesale reportable operating segment in SG&A expenses in the consolidated statements of comprehensive income. We did not identify any definite-lived intangible asset impairments during the year ended March 31, 2020.

During the years ended March 31, 2021 and 2020, we recorded impairment losses for other long-lived assets, primarily for certain retail store operating lease assets and related leasehold improvements due to performance or store closures, of $14,084 and $1,365, respectively, within our DTC reportable operating segment in SG&A expenses in the consolidated statements of comprehensive income.

Refer to Note 1, “General,” and Note 3, “Goodwill and Other Intangible Assets,” of our consolidated financial statements in Part IV within this Annual Report for further information on our definite-lived intangible and other long-lived assets.

Performance-Based Compensation. In accordance with applicable accounting guidance, we recognize performance-based compensation expense, including performance-based stock compensation and annual cash bonus compensation, when it is deemed probable that the applicable performance criteria will be met. Performance-based compensation does not include time-based awards subject only to service-based conditions. We evaluate the probability of achieving the applicable performance criteria on a quarterly basis. Our probability assessment can fluctuate from quarter to quarter as we assess our projected results against performance criteria. As a result, the related performance-based compensation expense we recognize may also fluctuate from period to period.

At the beginning of each fiscal year, our Compensation Committee reviews our results of operations from the prior fiscal year, as well as the financial and strategic plan for future fiscal years. Our Compensation Committee then establishes specific annual financial and strategic goals for each executive. Vesting of performance-based stock compensation or recognition of cash bonus compensation is based on our achievement of certain targets for annual revenue, operating income, pre-tax income, and earnings per share, as well as achievement of predetermined individual financial performance criteria that is tailored to individual employees based on their roles and responsibilities with us. The performance criteria, as well as our annual targets, differ each fiscal year and are based on many factors, including our current business stage and strategies, our recent financial and operating performance, expected growth rates over the prior fiscal year’s performance, business and general economic conditions and market and peer group analysis.

Performance-based compensation expense increased approximately $28,300 during the year ended March 31, 2021 compared to the year ended March 31, 2020. The primary reason for this increase was the achievement of the maximum performance criteria for the 2020 and 2019 long-term incentive plan restricted stock units as well as the over achievement of the performance criteria governing our cash bonuses compared to the prior period. Performance-based compensation expense is primarily recorded in SG&A expenses, with cash bonuses for certain employees recorded in cost of goods sold in the consolidated statements of comprehensive income.

Refer to Note 8, “Stock-Based Compensation,” of our consolidated financial statements in Part IV within this Annual Report for further information on our performance-based stock compensation.

Income Taxes. Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates that will be in effect for the years in which those tax assets and liabilities are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. We believe it is more likely than not that forecasted income, together with future reversals of existing taxable temporary differences, will be sufficient to recover our deferred tax assets. In the event that we determine all or part of our net deferred tax assets are not realizable in the future, we will record an adjustment to the valuation allowance and a corresponding charge to earnings in the period such determination is made.

The calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of US GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with our expectations could have a material impact on our financial condition and results of operations. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recorded in the consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

We determine on a regular basis the amount of undistributed earnings that will be indefinitely reinvested in our non-US operations. This assessment is based on the cash flow projections and operational and fiscal objectives of each of our US and foreign subsidiaries. A cash distribution of income from foreign subsidiaries that was previously taxed earnings and profits (PTEP) by the US Internal Revenue Service does not require recognition of a deferred tax liability as the liability has already been recognized under the Tax Reform Act. We have not changed our indefinite reinvestment assertion of foreign earnings other than PTEP.

Refer to Note 5, “Income Taxes,” of our consolidated financial statements in Part IV within this Annual Report for further information on our income taxes and tax strategy.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Commodity Price Risk

For the manufacturing of our products, we purchase certain raw materials that are affected by commodity prices, which include sheepskin, leather, and wool. The supply of sheepskin, which is used to manufacture a significant portion of the UGG brand products, is in high demand and there are a limited number of suppliers that can meet our expectations for the quantity and quality of sheepskin that we require. Most of our sheepskin is purchased from two tanneries in China, which is sourced primarily from Australia and the United Kingdom. While we have experienced fairly stable pricing in recent years, historically there have been significant fluctuations in the price of sheepskin as the demand for this commodity from our consumers and our competitors has changed. We believe significant factors affecting the price of sheepskin include weather patterns, harvesting decisions, incidence of disease, the price of other commodities such as wool and leather, the demand for our products and the products of our competitors, use of substitute products or components, and global economic conditions. Any factors that increase the demand for, or decrease the supply of, sheepskin could cause significant increases in the price of sheepskin.

We typically fix prices for all of our raw materials with firm pricing agreements on a seasonal basis. For sheepskin and leather, we use purchasing contracts and refundable deposits to attempt to manage price volatility as an alternative to hedging commodity prices. The purchasing contracts and other pricing arrangements we use for sheepskin and leather typically result in purchase obligations which are not recorded in our consolidated balance sheets. With respect to sheepskin and leather, in the event of significant price increases for these commodities, we will likely not be able to adjust our selling prices sufficiently to eliminate the impact of such increases on our profitability. Refer to the section titled “Contractual Obligations” above within Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations,” and Note 7, “Leases and Other Commitments,” of our consolidated financial statements in Part IV within this Annual Report for further information on our minimum commodity purchase commitments.

Foreign Currency Exchange Rate Risk

Fluctuations in currency exchange rates, primarily between the US dollar and the currencies of Europe, Asia, Canada, and Latin America where we operate, may affect our results of operations, financial position, and cash flows. We face market risk to the extent that foreign currency exchange rate fluctuations affect our foreign assets, liabilities, revenues, and expenses. Although most of our sales and inventory purchases are denominated in US dollars, these sales and inventory purchases may be impacted by fluctuations in the exchange rates between the US dollar and local currencies in the international markets where our products are sold and manufactured. We are exposed to financial statement transaction gains and losses as a result of remeasuring our monetary assets and liabilities that are denominated in currencies other than the subsidiaries’ functional currencies. We translate all assets and liabilities denominated in foreign currencies into US dollars using the exchange rate as of the end of the reporting period. Gains and losses resulting from translating assets and liabilities from our subsidiaries' functional currencies to US dollars are recorded in other comprehensive income. Foreign currency exchange rate fluctuations affect our reported profits and can make comparisons from year to year more difficult.

We hedge certain foreign currency exchange rate risk from existing assets and liabilities, as well as forecasted sales. As our international operations grow and we increase purchases and sales in foreign currencies, we will continue to evaluate our hedging strategy and may utilize additional derivative instruments, as needed, to hedge our foreign currency exchange rate risk. We do not use foreign currency exchange rate forward contracts for trading purposes.

As of March 31, 2021, a hypothetical 10.0% foreign currency exchange rate fluctuation would have had no impact on the fair value of our financial instruments as there were none outstanding. Refer to Note 9, “Derivative Instruments,” of our consolidated financial statements in Part IV within this Annual Report for further information on our use of derivative contracts. As of March 31, 2021, there were no known factors that we would expect to result in a material change in the general nature of our foreign currency exchange rate risk exposure.

Interest Rate Risk

Our market risk exposure with respect to our revolving credit facilities is tied to changes in applicable interest rates, including the Alternate Base Rate, the federal funds effective rate, currency-specific London Interbank Offered Rate and Canadian deposit offering rate for our Primary Credit Facility, People’s Bank of China market rate for our China Credit Facility, and Tokyo interbank offered rate for our Japan Credit Facility.

A hypothetical 1.0% increase in interest rates for borrowings made under our revolving credit facilities would have resulted in an immaterial aggregate change to interest expense recorded in our consolidated statements of comprehensive income during the year ended March 31, 2021 due to no outstanding balances under our revolving credit facilities. Refer to Note 6, “Revolving Credit Facilities and Mortgage Payable,” of our consolidated financial statements in Part IV within this Annual Report for further information on our revolving credit facilities.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements, the Financial Statement Schedule, and the Reports of Independent Registered Public Accounting Firm, are filed in a separate section following Part IV, as shown on the index under Item 15, “Exhibits and Financial Statement Schedule,” within this Annual Report.

Item 9A. Controls and Procedures

a) Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, which are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. In designing and evaluating our disclosure controls and procedures, our management recognized that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours is designed to do, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. In addition, the design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Under the supervision and with the participation of management, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2021. Based on that evaluation, our Principal Executive Officer (PEO) and Principal Financial and Accounting Officer (PFAO) concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2021.

b) Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed under the supervision of our PEO and PFAO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with US GAAP. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of March 31, 2021, our management, including our PEO and PFAO, assessed the effectiveness of our internal control over financial reporting using the criteria set forth in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (commonly referred to as COSO). Based on this assessment, our management concluded that our internal control over financial reporting was effective based on those criteria. The registered public accounting firm that audited our consolidated financial statements in Part IV within this Annual Report has issued an attestation report on our internal control over financial reporting. Refer to Part IV, "Report of Independent Registered Public Accounting Firm - Internal Control Over Financial Reporting," on page F-4 within this Annual Report.

c) Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rule 13a-15(d) of the Exchange Act during the year ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Although we have modified our workplace practices globally due to the pandemic, resulting in most of our employees working remotely, this has not materially affected our internal control over financial reporting. We are continually monitoring and assessing the impacts and disruptions caused by the pandemic to ensure there are no material effects on our internal control over financial reporting and to minimize such impacts on their design and operating effectiveness.

d) Principal Executive Officer and Principal Financial and Accounting Officer Certifications

The certifications of our PEO and PFAO required by Rule 13a-14(a) of the Exchange Act are filed herewith as Exhibit 31.1 and Exhibit 31.2, and furnished as Exhibit 32, within this Annual Report. This Part II, Item 9A, should be read in conjunction with such certifications for a more complete understanding of the topics presented.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be disclosed in our definitive proxy statement on Schedule 14A (Proxy Statement) for our 2021 annual meeting of stockholders and is incorporated herein by reference. Our Proxy Statement will be filed with the SEC within 120 days after the end of the year ended March 31, 2021 pursuant to Regulation 14A under the Exchange Act.

Item 11. Executive Compensation

The information required by this item will be disclosed in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be disclosed in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be disclosed in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be disclosed in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedule

Refer to Part IV, "Index to Consolidated Financial Statements and Financial Statement Schedule," on page F-1 within this Annual Report for our Consolidated Financial Statements and the Reports of Independent Registered Public Accounting Firm.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Certificate of Incorporation of Deckers Outdoor Corporation, as amended through May 27, 2010 (Exhibit 3.1 to the Registrant's Form 10-Q filed on August 9, 2010 and incorporated by reference herein)
3.2	Amended and Restated Bylaws of Deckers Outdoor Corporation, as updated through June 5, 2018 (Exhibit 3.1 to the Registrant's Form 8-K filed on June 5, 2018 and incorporated by reference herein)
4.1	Description of Deckers Outdoor Corporation's Capital Stock (Exhibit 4.1 to the Registrant's Form 10-K filed on May 30, 2019 and incorporated by reference herein)
10.1	Lease Agreement, dated December 5, 2013, by and between Moreno Knox, LLC and Deckers Outdoor Corporation for distribution center at 17791 Perris Blvd., Moreno Valley, CA 92551 (Exhibit 10.6 to the Registrant's Form 10-K filed on March 3, 2014 and incorporated by reference herein)
10.2	First Amendment to Lease Agreement, dated June 6, 2017, by and between Moreno Knox, LLC and Deckers Outdoor Corporation for distribution center at 17791 Perris Blvd., Moreno Valley, CA 92551 (Exhibit 10.6 to the Registrant's Form 10-K filed on May 30, 2018 and incorporated by reference herein)
10.3	Second Amendment to Lease Agreement, dated July 17, 2017, by and between Moreno Knox, LLC and Deckers Outdoor Corporation for distribution center at 17791 Perris Blvd., Moreno Valley, CA 92551 (Exhibit 10.7 to the Registrant's Form 10-K filed on May 30, 2018 and incorporated by reference herein)
*10.4	Lease Agreement, dated February 10, 2021, by and between Westpoint Building II, LLC and Deckers Outdoor Corporation for distribution center at 2633 Westpoint Blvd., Mooresville, IN 46158
10.5	Credit Agreement, dated as of September 20, 2018, by and among Deckers Outdoor Corporation, Deckers Europe Limited, Deckers UK Ltd., Deckers Benelux B.V., Deckers Outdoor Canada ULC and Deckers Outdoor International Limited, as borrowers, JP Morgan Chase Bank, N.A. as Administrative Agent, Citibank, N.A., Comerica Bank and HSBC Bank USA, National Association, as Co-Syndication Agents, MUFG Bank, Ltd. and U.S. Bank National Association, as Co-Documentation Agents, and the lenders party thereto (Exhibit 10.1 to the Registrant's Form 8-K filed on September 25, 2018 and incorporated by reference herein)
#10.6	Form of Indemnification Agreement (Exhibit 10.1 to the Registrant's Form 8-K filed on June 2, 2008 and incorporated by reference herein)
#10.7	Form of Change in Control and Severance Agreement (Exhibit 10.2 to the Registrant's Form 10-Q filed on August 6, 2020 and incorporated by reference herein)
#10.8	Deckers Outdoor Corporation 2006 Equity Incentive Plan (Appendix A to the Registrant's Definitive Proxy Statement filed on April 21, 2006 and incorporated by reference herein)
#10.9	First Amendment to Deckers Outdoor Corporation 2006 Equity Incentive Plan (Appendix A to the Registrant's Definitive Proxy Statement filed on April 9, 2007 and incorporated by reference herein)
#10.10	Deckers Outdoor Corporation Second Amended and Restated Deferred Stock Unit Compensation Plan, effective as of December 16, 2015 (Exhibit 10.1 to the Registrant's Form 10-Q filed on November 9, 2017 and incorporated by reference herein)
#10.11	Deckers Outdoor Corporation Amended and Restated Deferred Compensation Plan, effective July 1, 2016 (Exhibit 10.2 to the Registrant's Form 10-Q filed on November 9, 2017 and incorporated by reference herein)
#10.12	Deckers Outdoor Corporation 2015 Employee Stock Purchase Plan (Appendix A to the Registrant's Definitive Proxy Statement filed on July 29, 2015 and incorporated by reference herein)
#10.13	Deckers Outdoor Corporation 2015 Stock Incentive Plan (Appendix B to the Registrant's Definitive Proxy Statement filed on July 29, 2015 and incorporated by reference herein)
#10.14	Deckers Outdoor Corporation Management Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 10, 2015 and incorporated by reference herein)

#10.16	Form of Stock Unit Award Agreement (2018 Time-Based RSU) under the 2015 Stock Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 9, 2017 and incorporated by reference herein)
#10.17	Form of Stock Unit Award Agreement (2018 Performance-Based PSU) under the 2015 Stock Incentive Plan (Exhibit 10.2 to the Registrant's Form 10-Q filed on August 9, 2017 and incorporated by reference herein)
#10.18	Form of Performance Stock Option Agreement under 2015 Stock Incentive Plan (Exhibit 10.3 to the Registrant's Form 10-Q filed on August 9, 2017 and incorporated by reference herein)
#10.19	Form of Stock Unit Award Agreement (2019 Performance-Based PSU) under the 2015 Stock Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 9, 2018 and incorporated by reference herein)
#10.20	Form of Stock Unit Award Agreement (2019 Time-Based RSU) under the 2015 Stock Incentive Plan (Exhibit 10.2 to the Registrant's Form 10-Q filed on August 9, 2018 and incorporated by reference herein)
#10.21	Form of Restricted Stock Unit Award Agreement under 2015 Stock Incentive Plan (FY 2019) LTIP Agreement (Exhibit 10.2 to the Registrant's Form 8-K filed on September 25, 2018 and incorporated by reference herein)
#10.22	Form of Stock Unit Award Agreement (2020 Time-Based RSU) under the 2015 Stock Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 8, 2019 and incorporated by referenced herein)
#10.23	Form of Stock Unit Award Agreement (2020 Performance-Based PSU) under the 2015 Stock Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 8, 2019 and incorporated by reference herein)
#10.24	Form of Restricted Stock Unit Award Agreement under the 2015 Stock Incentive Plan (FY 2020) LTIP Agreement (Exhibit 10.1 to the Registrant's Form 8-K filed on September 25, 2019 and incorporated by reference herein)
#10.25	Form of Restricted Stock Unit Award Agreement (2021 Time-Based RSU) under the 2015 Stock Incentive Plan (Exhibit 10.1 to the Registrant's Form 10-Q filed on August 6, 2020 and incorporated by reference herein)
*#10.26	Form of Restricted Stock Unit Award Agreement (FY 2021) LTIP Agreement
*21.1	Subsidiaries of Registrant
*23.1	Consent of Independent Registered Public Accounting Firm
*31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
*31.2	Certification of the Principal Financial and Accounting Officer pursuant to Rule 13a-14(a) under the Exchange Act, adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, as amended
**32	Certification pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended
*101.INS	XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
*101.SCH	XBRL Taxonomy Extension Schema Document
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
*101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*101.LAB	XBRL Taxonomy Extension Label Linkbase Document
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.
# Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DECKERS OUTDOOR CORPORATION
(Registrant)
/s/ STEVEN J. FASCHING

Steven J. Fasching
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 28, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ DAVE POWERS Dave Powers	Chief Executive Officer, President and Director (Principal Executive Officer)	May 28, 2021
/s/ STEVEN J. FASCHING Steven J. Fasching	Chief Financial Officer (Principal Financial and Accounting Officer)	May 28, 2021
/s/ MICHAEL F. DEVINE, III Michael F. Devine, III	Chairman of the Board	May 28, 2021
/s/ NELSON C. CHAN Nelson C. Chan	Director	May 28, 2021
/s/ CYNTHIA (CINDY) L. DAVIS Cynthia (Cindy) L. Davis	Director	May 28, 2021
/s/ JUAN R. FIGUEREO Juan R. Figuereo	Director	May 28, 2021
/s/ MAHA S. IBRAHIM Maha S. Ibrahim	Director	May 28, 2021
/s/ VICTOR LUIS Victor Luis	Director	May 28, 2021
/s/ LAURI M. SHANAHAN Lauri M. Shanahan	Director	May 28, 2021
/s/ BRIAN A. SPALY Brian A. Spaly	Director	May 28, 2021
/s/ BONITA C. STEWART Bonita C. Stewart	Director	May 28, 2021

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULE

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All other schedules are omitted because they are not applicable, or the required information is shown in the consolidated financial statements or accompanying notes thereto.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Deckers Outdoor Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Deckers Outdoor Corporation and subsidiaries (the Company) as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three year period ended March 31, 2021, and the related notes and financial statement schedule (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three year period ended March 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 28, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 7 to the consolidated financial statements, the Company changed its method of accounting for leases as of April 1, 2019 due to the adoption of Accounting Standard Update (ASU) 2016-02 and all related amendments.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Wholesale sales return liability

As discussed in Note 1 and Note 2 to the consolidated financial statements, the Company has recorded a sales return liability as of March 31, 2021 of $37,717, of which $23,987 is related to the wholesale channel. The Company records an allowance for anticipated future returns of goods shipped prior to the end of the reporting period. Amounts of these reserves are based on known and actual returns, historical returns, and any recent events that could result in a change from historical return rates.

We identified the evaluation of the wholesale sales return liability as a critical audit matter. There was a high degree of auditor judgment required to evaluate recent events that could result in a change from historical return rates used to estimate the wholesale sales return liability.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's process for estimating the

Report of Independent Registered Public Accounting Firm

wholesale sales return liability, including controls related to the development of estimated return rates. We evaluated the wholesale sales return liability using a combination of Company internal data, known recent trends, and actual and historical known information. We analyzed the Company's internal data and external correspondence to assess adjustments made by management, if any, to historical return rates based on consideration of recent events. We assessed the Company's ability to accurately estimate the wholesale sales return liability by comparing the historically recorded sales return liability to actual subsequent product returns. We also analyzed actual product returns received after year-end but prior to the issuance of the consolidated financial statements.

/s/ KPMG LLP

We have served as the Company's auditor since 1992.

Los Angeles, California
May 28, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Deckers Outdoor Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Deckers Outdoor Corporation and subsidiaries' (the Company) internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2021, and the related notes and financial statement schedule (collectively, the consolidated financial statements), and our report dated May 28, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Los Angeles, California
May 28, 2021

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(dollar and share data amounts in thousands, except par value)

	As of March 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	$ 1,089,361	$ 649,436
Trade accounts receivable, net of allowances ($26,516 and $21,146 as of March 31, 2021 and March 31, 2020, respectively)	215,718	185,596
Inventories, net of reserves ($19,632 and $12,227 as of March 31, 2021 and March 31, 2020, respectively)	278,242	311,620
Prepaid expenses	16,924	17,760
Other current assets	44,244	21,548
Income tax receivable	6,310	8,151
Total current assets	1,650,799	1,194,111
Property and equipment, net of accumulated depreciation ($266,905 and $242,138 as of March 31, 2021 and March 31, 2020, respectively)	206,210	209,037
Operating lease assets	186,991	243,522
Goodwill	13,990	13,990
Other intangible assets, net of accumulated amortization ($77,473 and $74,421 as of March 31, 2021 and March 31, 2020, respectively)	41,945	48,016
Deferred tax assets, net	37,194	28,233
Other assets	30,576	28,209
Total assets	**$ 2,167,705**	**$ 1,765,118**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term borrowings	$ —	$ 638
Trade accounts payable	231,632	147,892
Accrued payroll	79,152	42,309
Operating lease liabilities	46,768	49,091
Other accrued expenses	68,995	46,281
Income taxes payable	36,920	11,104
Value added tax payable	4,901	3,631
Total current liabilities	468,368	300,946
Mortgage payable	—	30,263
Long-term operating lease liabilities	176,274	215,724
Income tax liability	60,094	63,547
Other long-term liabilities	18,744	14,518
Total long-term liabilities	255,112	324,052
Commitments and contingencies		
Stockholders' equity		
Common stock ($0.01 par value; 125,000 shares authorized; shares issued and outstanding of 27,910 and 27,999 as of March 31, 2021 and March 31, 2020, respectively)	279	280
Additional paid-in capital	203,310	191,451
Retained earnings	1,257,379	973,948
Accumulated other comprehensive loss	(16,743)	(25,559)
Total stockholders' equity	1,444,225	1,140,120
Total liabilities and stockholders' equity	**$ 2,167,705**	**$ 1,765,118**

See accompanying notes to the consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(dollar and share data amounts in thousands, except per share data)

	Years Ended March 31,		
	2021	2020	2019
Net sales	**$ 2,545,641**	**$ 2,132,689**	**$ 2,020,437**
Cost of sales	1,171,551	1,029,016	980,187
Gross profit	**1,374,090**	**1,103,673**	**1,040,250**
Selling, general, and administrative expenses	869,885	765,538	712,930
Income from operations	**504,205**	**338,135**	**327,320**
Interest income	(2,637)	(7,261)	(6,028)
Interest expense	6,028	5,046	4,661
Other income, net	(700)	(516)	(247)
Total other expense (income), net	2,691	(2,731)	(1,614)
Income before income taxes	**501,514**	**340,866**	**328,934**
Income tax expense	118,939	64,724	64,626
Net income	**382,575**	**276,142**	**264,308**
Other comprehensive income (loss)			
Unrealized loss on cash flow hedges, net of tax	—	—	(243)
Foreign currency translation gain (loss)	8,816	(2,905)	(9,428)
Total other comprehensive income (loss)	**8,816**	**(2,905)**	**(9,671)**
Comprehensive income	**$ 391,391**	**$ 273,237**	**$ 254,637**
Net income per share			
Basic	$ 13.64	$ 9.73	$ 8.92
Diluted	$ 13.47	$ 9.62	$ 8.84
Weighted-average common shares outstanding			
Basic	28,055	28,385	29,641
Diluted	28,406	28,694	29,903

See accompanying notes to the consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(amounts in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance, March 31, 2018	**30,447**	**$ 304**	**$ 167,587**	**$ 785,871**	**$ (12,983)**	**$ 940,779**
Stock-based compensation expense	10	—	14,773	—	—	14,773
Shares issued upon vesting	85	1	1,024	—	—	1,025
Cumulative adjustment from adoption of recent accounting pronouncements	—	—	—	468	—	468
Shares withheld for taxes	—	—	(5,157)	—	—	(5,157)
Repurchases of common stock	(1,401)	(14)	—	(161,381)	—	(161,395)
Net income	—	—	—	264,308	—	264,308
Total other comprehensive loss	—	—	—	—	(9,671)	(9,671)
Balance, March 31, 2019	**29,141**	**291**	**178,227**	**889,266**	**(22,654)**	**1,045,130**
Stock-based compensation expense	10	—	14,471	—	—	14,471
Shares issued upon vesting	86	1	1,287	—	—	1,288
Exercise of stock options	58	1	3,614	—	—	3,615
Cumulative adjustment from adoption of recent accounting pronouncements	—	—	—	(1,068)	—	(1,068)
Shares withheld for taxes	—	—	(6,148)	—	—	(6,148)
Repurchases of common stock	(1,296)	(13)	—	(190,392)	—	(190,405)
Net income	—	—	—	276,142	—	276,142
Total other comprehensive loss	—	—	—	—	(2,905)	(2,905)
Balance, March 31, 2020	**27,999**	**280**	**191,451**	**973,948**	**(25,559)**	**1,140,120**
Stock-based compensation expense	4	—	22,695	—	—	22,695
Shares issued upon vesting	107	1	1,501	—	—	1,502
Exercise of stock options	107	1	6,774	—	—	6,775
Shares withheld for taxes	—	—	(19,111)	—	—	(19,111)
Repurchases of common stock	(307)	(3)	—	(99,144)	—	(99,147)
Net income	—	—	—	382,575	—	382,575
Total other comprehensive income	—	—	—		8,816	8,816
Balance, March 31, 2021	**27,910**	**$ 279**	**$ 203,310**	**$ 1,257,379**	**$ (16,743)**	**$ 1,444,225**

See accompanying notes to the consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Years Ended March 31,		
	2021	2020	2019
OPERATING ACTIVITIES			
Net income	$ 382,575	$ 276,142	$ 264,308
Reconciliation of net income to net cash used in operating activities:			
Depreciation, amortization, and accretion	40,530	38,912	44,941
Amortization on cloud computing arrangements	737	—	—
Loss on extinguishment of debt	—	—	447
Bad debt expense	3,053	3,498	2,849
Deferred tax (benefit) expense	(8,171)	2,934	6,939
Stock-based compensation	22,701	14,477	14,774
Excess tax benefit from stock-based compensation	(586)	(1,953)	(546)
Loss on disposal of long lived assets	1,019	698	277
Impairment of intangible assets	3,522	—	—
Impairment of operating lease assets and other long-lived assets	14,084	1,365	180
Restructuring charges	—	—	295
Gain on settlement of asset retirement obligations	(207)	(705)	—
Changes in operating assets and liabilities:			
Trade accounts receivable, net	(33,173)	(10,493)	(16,157)
Inventories, net	33,378	(32,777)	8,827
Prepaid expenses and other current assets	(22,128)	2,477	(515)
Income tax receivable	1,842	(5,811)	(165)
Net operating lease assets and liabilities	250	(3,264)	—
Other assets	(3,103)	(6,558)	2,630
Trade accounts payable	79,176	23,312	26,667
Other accrued expenses	53,785	(11,112)	(2,792)
Income taxes payable	26,403	(6,226)	4,355
Other long-term liabilities	530	1,418	2,191
Net cash provided by operating activities	**596,217**	**286,334**	**359,505**
INVESTING ACTIVITIES			
Purchases of property and equipment	(32,218)	(32,455)	(29,086)
Proceeds from sales of property and equipment	49	491	68
Net cash used in investing activities	**(32,169)**	**(31,964)**	**(29,018)**
FINANCING ACTIVITIES			
Proceeds from short-term borrowings	9,100	69,336	162,001
Repayments of short-term borrowings	(9,478)	(69,197)	(161,621)
Debt issuance costs on short-term borrowings	—	—	(1,297)
Proceeds from issuance of stock	1,502	1,288	1,025
Proceeds from exercise of stock options	6,775	3,615	—
Repurchases of common stock	(99,147)	(190,405)	(161,395)
Cash paid for shares withheld for taxes	(7,432)	(6,148)	(5,328)
Repayments of mortgage principal	(30,901)	(603)	(578)
Net cash used in financing activities	**(129,581)**	**(192,114)**	**(167,193)**
Effect of foreign currency exchange rates on cash and cash equivalents	5,458	(2,512)	(3,572)
Net change in cash and cash equivalents	**439,925**	**59,744**	**159,722**
Cash and cash equivalents at beginning of period	**649,436**	**589,692**	**429,970**
Cash and cash equivalents at end of period	**$ 1,089,361**	**$ 649,436**	**$ 589,692**

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(continued)

	Years Ended March 31,		
	2021	2020	2019
SUPPLEMENTAL CASH FLOW DISCLOSURE			
Cash paid during the period			
Income taxes, net of refunds of $1,564, $5,389, and $3,824, as of March 31, 2021, 2020, and 2019, respectively	$ 104,068	$ 74,573	$ 53,657
Interest	2,931	2,466	3,811
Operating leases	57,376	61,120	—
Non-cash investing activities			
Accrued for purchases of property and equipment	2,721	1,171	1,789
Accrued for asset retirement obligations	1,842	224	4,706
Non-cash financing activities			
Accrued for shares withheld for taxes	11,679	—	—

See accompanying notes to the consolidated financial statements.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2021, 2020, and 2019
(dollar amounts in thousands, except per share or share data)

Note 1. General

The Company. Deckers Outdoor Corporation and its wholly owned subsidiaries (collectively, the Company) is a global leader in designing, marketing, and distributing innovative footwear, apparel, and accessories developed for both everyday casual lifestyles use and high-performance activities. As part of its omni-channel platform, the Company's proprietary brands are aligned across its Fashion Lifestyle group, including the UGG and Koolaburra brands, and Performance Lifestyle group, including the HOKA, Teva, and Sanuk brands.

The Company sells its products through domestic and international retailers, international distributors, and directly to its global consumers through its Direct-to-Consumer (DTC) business, which is comprised of its retail stores and e-commerce websites. Independent third-party contractors manufacture all of the Company's products. A significant part of the Company's business is seasonal, requiring it to build inventory levels during certain quarters in its fiscal year to support higher selling seasons, which contributes to the variation in its results from quarter to quarter.

Basis of Presentation. The consolidated financial statements and accompanying notes thereto (referred to herein as consolidated financial statements) as of March 31, 2021 and 2020 and or the years ended March 31, 2021, 2020, and 2019 were prepared in accordance with generally accepted accounting principles in the United States (US GAAP).

Consolidation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates. The preparation of the Company's consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the amounts reported. Management bases these estimates and assumptions upon historical experience, existing and known circumstances, authoritative accounting pronouncements and other factors that management believes to be reasonable. In addition, the Company has considered the potential impact of the COVID-19 global pandemic (pandemic) on its business and operations. Although the full impact of the pandemic is unknown and cannot be reasonably estimated, the Company believes it has made appropriate accounting estimates and assumptions based on the facts and circumstances available as of the reporting date. However, actual results could differ materially from these estimates and assumptions, which may result in material effects on the Company's financial condition, results of operations, and liquidity. To the extent there are differences between these estimates and actual results, the Company's consolidated financial statements may be materially affected.

Significant areas requiring the use of management estimates and assumptions relate to inventory write-downs; trade accounts receivable allowances, including variable consideration for net sales provided to customers; contract assets and liabilities; stock-based compensation; impairment assessments, including for goodwill, other intangible assets, and long-lived assets; depreciation and amortization; income tax receivables and liabilities; uncertain tax positions; the fair value of financial instruments; the reasonably certain lease term; lease classification; and the Company's incremental borrowing rate utilized to discount its unpaid lease payments to measure its operating lease assets and liabilities.

Foreign Currency Translation. The Company considers the United States (US) dollar as its functional currency. The Company's wholly owned foreign subsidiaries have various assets and liabilities, primarily cash, receivables, and payables, which are denominated in currencies other than their functional currency. The Company remeasures these monetary assets and liabilities using the exchange rate at the end of the reporting period, which results in gains and losses that are recorded in selling, general, and administrative (SG&A) expenses in the consolidated statements of comprehensive income as incurred. In addition, the Company translates assets and liabilities of subsidiaries with reporting currencies other than US dollars into US dollars using the exchange rates at the end of the reporting period, which results in financial statement translation gains and losses recorded in other comprehensive income or loss (OCI).

Reportable Operating Segments. The Company's six reportable operating segments include the worldwide wholesale operations of the UGG brand, HOKA brand, Teva brand, Sanuk brand, and Other brands, as well as DTC (collectively, the Company's reportable operating segments). Refer to Note 12, "Reportable Operating Segments," for further information on the Company's reportable operating segments.

Recent Accounting Pronouncements. The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (ASUs) that have been adopted and not yet adopted by the Company for its annual and interim reporting periods as stated below.

Recently Adopted. Adopted ASUs during the year ended March 31, 2021 and the impact on the Company, were as follows:

Standard	Description	Impact on Adoption
ASU No. 2017-04, *Goodwill and Other: Simplifying the Test for Goodwill Impairment* (as amended by ASU 2019-06)	Requires annual and interim goodwill impairment tests be performed by comparing the fair value of a reporting unit with its carrying amount, effectively eliminating step two of the goodwill impairment test under legacy US GAAP. The amount by which the carrying amount exceeds the reporting unit's fair value will continue to be recognized as an impairment charge.	The Company adopted this ASU beginning April 1, 2020 on a prospective basis, which did not have a material impact on its consolidated financial statements.
ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments* (as amended by ASUs 2018-19, 2019-04, 2019-05, 2019-11, 2020-02, and 2020-03)	Replaces the incurred loss impairment methodology in legacy US GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	The Company adopted this ASU beginning April 1, 2020 on a prospective basis, which did not have a material impact on its consolidated financial statements.

Not Yet Adopted. Applicable ASUs issued that have not yet been adopted by the Company, the planned period of adoption, and the expected impact on the Company on adoption, are as follows:

Standard	Description	Planned Period of Adoption	Expected Impact on Adoption
ASU No. 2019-12, *Income Taxes: Simplifying the Accounting for Income Taxes*	Removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation, and calculating income taxes in interim periods, as well as reduces complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group.	Q1 FY 2022	The Company is currently evaluating the impact of the adoption of this ASU; however, the Company does not expect that the adoption will have a material impact on its consolidated financial statements.
ASU No. 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (as amended by ASU 2021-01)	London Interbank Offered Rate (LIBOR) is a benchmark interest rate referenced in a variety of agreements that are used by all types of entities. At the end of 2021, banks will no longer be required to report information that is used to determine LIBOR. As a result, LIBOR could be discontinued. Other interest rates used globally could also be discontinued for similar reasons. This ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. Guidance is limited for adoption through December 31, 2022.	Q3 FY 2023	The Company is currently evaluating the impact of the adoption of this ASU; however, the Company does not expect that the adoption will have a material impact on its consolidated financial statements.

Summary of Significant Accounting Policies. The following are a summary of the Company's significant accounting policies applied to its consolidated financial statements:

Cash Equivalents. The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents included $773,092 and $436,241 of money market funds as of March 31, 2021 and 2020, respectively.

Allowances for Doubtful Accounts. The Company provides an allowance against trade accounts receivable for estimated losses that may result from customers' inability to pay. The Company determines the amount of the allowance by analyzing known uncollectible accounts, aged trade accounts receivable, economic conditions and forecasts, historical experience and the customers' creditworthiness. Trade accounts receivable that are subsequently determined to be uncollectible are charged or written off against this allowance. Additions to the allowance represent bad debt expense estimates which are recorded in SG&A expenses in the consolidated statements of comprehensive income. The allowance includes specific allowances for trade accounts, for which all or a portion are identified as potentially uncollectible based on known or anticipated losses.

Inventories. Inventories, principally finished goods on hand and in transit, are stated at the lower of cost (weighted average) or net realizable value at each financial statement date. Cost includes shipping, duty, and handling fees which are subsequently expensed to cost of sales. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Cloud Computing Arrangements. The Company enters into various cloud computing arrangements (CCAs) that are governed by service contracts (hosting arrangements) to support operations. Application development stage implementation costs (implementation costs) of a hosting arrangement are deferred and recorded to prepaid expenses and other assets in the consolidated balance sheets. Implementation costs are expensed on a straight-line basis and recorded in SG&A expenses in the consolidated statements of comprehensive income over the term of the hosting arrangement, including reasonably certain renewals, which are generally one to three years.

As of March 31, 2021, net capitalized costs for CCAs was $2,983, with $1,308 recorded in prepaid expenses and $1,675 in other assets in the consolidated balance sheets. As of March 31, 2020, net capitalized costs for CCAs was $626, with $278 recorded in prepaid expenses and $348 in other assets in the consolidated balance sheets. The increase in net capitalized costs for CCAs during the year ended March 31, 2021 was primarily due to gross additions of $3,097.

Property and Equipment, Depreciation and Amortization. Property and equipment are stated at cost less accumulated depreciation and amortization, and generally have a useful life of at least one year. Property and equipment include tangible, non-consumable items owned by the Company. Software implementation costs are capitalized if they are incurred during the application development stage and relate to costs to obtain computer software from third parties, including related consulting expenses, or costs incurred to modify existing software that results in additional upgrades or enhancements that provide additional functionality.

Depreciation of property and equipment is calculated using the straight-line method based on the estimated useful life. Leasehold improvements are amortized to their residual value, if any, on the straight-line basis over their estimated economic useful lives or the lease term, whichever is shorter. Changes in the estimate of the useful life of an asset may occur after an asset is placed in service. For example, this may occur as a result of the Company incurring costs that prolong the useful life of an asset and are recorded as an adjustment to depreciation over the revised remaining useful life. Depreciation and amortization are recorded in SG&A expenses in the consolidated statements of comprehensive income.

Property and equipment, net, are summarized as follows:

	Useful life (years)	As of March 31, 2021	As of March 31, 2020
Land	Indefinite	$ 32,865	$ 32,864
Building	39.5	35,094	35,093
Machinery and equipment	2-10	149,494	145,423
Furniture and fixtures	3-7	36,497	35,024
Computer software	3-10	94,365	80,718
Leasehold improvements	Useful life or remaining lease term, whichever is shorter	110,538	104,497
Construction in progress		14,262	17,556
Gross property and equipment		473,115	451,175
Less accumulated depreciation and amortization		(266,905)	(242,138)
Total		**$ 206,210**	**$ 209,037**

Operating Lease Assets and Lease Liabilities. The Company determines if an arrangement contains a lease at inception of a contract. The Company recognizes operating lease assets and lease liabilities in the consolidated balance sheets on the lease commencement date, based on the present value of the outstanding lease payments over the reasonably certain lease term. The lease term includes the non-cancelable period at the lease commencement date, plus any additional periods covered by the Company's options to extend (or not to terminate) the lease that are reasonably certain to be exercised, or an option to extend (or not to terminate) a lease that is controlled by the lessor.

Operating lease assets are initially measured at cost, which comprises the initial amount of the associated lease liabilities, adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred, less any lease incentives, such as tenant allowances. Operating lease assets are subsequently measured throughout the lease term at the carrying amount of the associated lease liabilities, plus initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of lease incentives received. Operating lease assets and lease liabilities are presented separately in the consolidated balance sheets on a discounted basis. The current portion of operating lease liabilities is presented within current liabilities, while the long-term portion is presented separately as long-term operating lease liabilities. Refer to Note 7, “Leases and Other Commitments,” for further information on discount rate methodology used to measure operating lease assets and lease liabilities.

Rent expense for operating lease payments is recognized on a straight-line basis over the lease term and recorded in SG&A expenses in the consolidated statements of comprehensive income. Lease payments recorded in the operating lease liability are (1) fixed payments, including in-substance fixed payments and fixed rate increases, owed over the lease term and (2) exclude any lease prepayments as of the periods presented. Refer to Note 7, “Leases and Other Commitments,” for further information on the nature of variable lease payments and timing of recognition in rent expense.

The Company has elected not to recognize operating lease assets and lease liabilities for short-term leases, which are defined as those operating leases with a term of 12 months or less. Instead, lease payments for short-term leases are recognized on a straight-line basis over the lease term in rent expense and recorded as a component of SG&A expenses in the consolidated statements of comprehensive income.

The Company monitors for events that require a change in estimates for its operating lease assets and lease liabilities, such as modifications to the terms of the contract, including the lease term, economic events that may trigger a contractual term contingency, such as minimum lease payments or termination rights, and related changes in discount rates used to measure the operating lease assets and liabilities, as well as events or circumstances that result in lease abandonment or operating lease asset impairments. When a change in estimates results in the remeasurement of the operating lease liability, a corresponding adjustment is made to the carrying amount of the operating lease asset. The operating lease assets are remeasured and amortized on a straight-line basis over the remaining lease term, with no impact on the related operating lease liabilities. Refer to the paragraph titled “Definite-Lived Intangible and Other Long-Lived Assets” below for further information on the Company’s accounting policy for evaluating the carrying amount of its operating lease assets and related leasehold improvements (asset group) for indicators of impairment.

Asset Retirement Obligations. The Company is contractually obligated under certain of its lease agreements to restore certain retail, office, and warehouse facilities back to their original conditions. At lease inception, the present value of the estimated fair value of these liabilities is recorded along with the related asset. The liability is estimated based on assumptions requiring management’s judgment, including facility closing costs and discount rates, and is accreted to its projected future value over the life of the asset. The Company’s asset retirement obligations (AROs) are recorded in other long-term liabilities in the consolidated balance sheets, and activity was as follows:

	As of March 31,	
	2021	2020
Balance, March 31, 2020	**$ 11,505**	**$ 12,667**
Additions and changes in estimate	3,571	263
Liabilities settled during the period	(3,495)	(1,828)
Accretion expenses	1,458	499
Foreign currency translation gains	(56)	(96)
Balance, March 31, 2021	**$ 12,983**	**$ 11,505**

Goodwill and Indefinite-Lived Intangible Assets. Goodwill is initially recorded as the excess of the purchase price over the fair value of the net assets acquired in a business combination. Indefinite-lived intangible assets consist primarily of trademarks, wholesale customer and distributor relationships, patents, lease rights and non-compete agreements arising from the application of purchase accounting.

Goodwill and indefinite-lived intangible assets are not amortized but are instead tested for impairment annually, or when an event occurs or changes in circumstances indicate the carrying value may not be recoverable. The Company evaluates the goodwill for impairment at the reporting unit level for the UGG and HOKA brands wholesale reportable operating segments annually as of December 31st of each year and evaluates the Teva brand indefinite-lived trademarks for impairment annually as of October 31st of each year.

The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative assessment of goodwill or indefinite-lived intangible assets. In general, conditions that may indicate impairment include, but are not limited to the following: (1) a significant adverse change in customer demand or business climate that could affect the value of an asset; (2) change in market share, budget-to-actual performance, and consistency of operating margins and capital expenditures; (3) changes in management or key personnel; or (4) changes in general economic conditions. The Company does not calculate the fair value of the assets unless the Company determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. If the Company concludes that it is more likely than not that its fair value is less than its carrying amount, then the Company prepares a quantitative assessment.

The quantitative assessment requires an analysis of several best estimates and assumptions, including future sales and results of operations, discount rates, and other factors that could affect fair value or otherwise indicate potential impairment. The goodwill impairment assessment involves valuing the Company's various reporting units that carry goodwill, which are currently the same as the Company's reportable operating segments. This includes considering the reporting units' projected ability to generate income from operations and positive cash flow in future periods, as well as perceived changes in customer demand and acceptance of products, or factors impacting the industry generally. Upon completion of the quantitative assessment, the Company compares the fair value of the asset to its carrying amount, and if the fair value exceeds its carrying amount, no impairment charge is recognized. If the fair value is less than its carrying amount, the Company will record an impairment charge to write down the asset to its fair value. Refer to Note 3, "Goodwill and Other Intangible Assets," for further information on the Company's goodwill and indefinite-lived intangible assets and annual impairment assessment results.

Definite-Lived Intangible and Other Long-Lived Assets. Definite-lived intangible and other long-lived assets, which include definite-lived trademarks, machinery and equipment, internal-use software, operating lease assets, and leasehold improvements are amortized to their estimated residual values, if any, on a straight-line basis over the estimated useful life and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. Amortization or depreciation are recorded in SG&A expenses in the consolidated statements of comprehensive income.

At least quarterly, the Company evaluates factors that would necessitate an impairment assessment, which include a significant adverse change in the extent or manner in which an asset group is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset group or a significant decline in the observable market value of the asset group, among others. When an impairment-triggering event has occurred, the Company tests for recoverability of the asset group's carrying value using estimates of undiscounted future cash flows based on the existing service potential of the applicable asset group. In determining the service potential of a long-lived asset group, the Company considers its remaining useful life, cash-flow generating capacity, and physical output capacity. These estimates include the undiscounted future cash flows associated with future expenditures necessary to maintain the existing service potential. These assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Recoverability of definite-lived intangible and other long-lived assets is measured by a comparison of the carrying amount to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of the asset group exceeds the estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the estimated fair value of the asset group, which is based on either discounted future cash flows or appraised values. An impairment loss, if any, would only reduce the carrying amount of the long-lived assets in the asset group based on its fair value limitation and is allocated to individual assets in the asset group, unless doing so would reduce the carrying amount of a long-lived asset in the asset group to an amount less than zero. Impairment charges are recorded in SG&A expenses in the consolidated statements of comprehensive income.

During the years ended March 31, 2021, 2020, and 2019, the Company recorded impairment losses for other long-lived assets, primarily for retail store operating lease assets and related leasehold improvements due to performance or store closures, as well as computer software, of $14,084, $1,365, and $180, respectively, within its DTC reportable operating segment and unallocated overhead costs in SG&A expenses in the consolidated statements of comprehensive income. Refer to Note 3, "Goodwill and Other Intangible Assets," for further information on the Company's definite-lived intangible asset impairment assessment results.

Derivative Instruments and Hedging Activities. The Company may use derivative instruments to partially offset its business exposure to foreign currency risk on expected cash flows and certain existing assets and liabilities, primarily intercompany balances. To reduce the volatility in earnings from fluctuations in foreign currency exchange rates, the Company may hedge a portion of forecasted sales denominated in foreign currencies. The Company may enter into foreign currency forward or option contracts (derivative contracts), generally with maturities of 15 months or less, to manage this risk and certain of these derivative contracts are designated as cash flow hedges of

forecasted sales (Designated Derivative Contracts). The Company may also enter into derivative contracts that are not designated as cash flow hedges (Non-Designated Derivative Contracts), to offset a portion of anticipated gains and losses on certain intercompany balances until the expected time of repayment. The Company does not use derivative contracts for trading purposes.

The notional amounts of outstanding Designated and Non-Designated Derivative Contracts are recorded at fair value measured using Level 2 fair value inputs, consisting of forward spot rates at the end of the applicable periods, recorded in other current assets or other accrued expenses in the consolidated balance sheets. The after-tax unrealized gains or losses from changes in fair value of Designated Derivative Contracts are recorded as a component of AOCL and are reclassified to net sales in the consolidated statements of comprehensive income in the same period or periods as the related sales are recognized. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and the accumulated gains or losses in accumulated other comprehensive loss (AOCL) related to the hedging relationship are immediately recorded in OCI in the consolidated statements of comprehensive income. The Company includes all hedge components in its assessment of effectiveness for its derivative contracts.

Changes in the fair value of Non-Designated Derivative Contracts are recorded in SG&A expenses in the consolidated statements of comprehensive income. The changes in fair value for these contracts are generally offset by the remeasurement gains or losses associated with the underlying foreign currency-denominated intercompany balances, which are recorded in SG&A expenses in the consolidated statements of comprehensive income.

The Company generally enters into over-the-counter derivative contracts with high-credit-quality counterparties, and therefore, considers the risk that counterparties fail to perform according to the terms of the contract as low. The Company factors the nonperformance risk of the counterparties into the fair value measurements of its derivative contracts. Refer to Note 9, “Derivative Instruments,” for further information on the impact of derivative instruments and hedging activities.

Revenue Recognition. Revenue is recognized when a performance obligation is completed at a point in time and when the customer has obtained control. Control passes to the customer when they have the ability to direct the use of, and obtain substantially all the remaining benefits from, the goods transferred. The amount of revenue recognized is based on the transaction price, which represents the invoiced amount less known actual amounts or estimates of variable consideration. The Company recognizes revenue and measures the transaction price net of taxes, including sales taxes, use taxes, value-added taxes, and some types of excise taxes, collected from customers and remitted to governmental authorities. The Company presents revenue gross of fees and sales commissions. Sales commissions are expensed as incurred and are recorded in SG&A expenses in the consolidated statements of comprehensive income. The Company's customer contracts do not have a significant financing component due to their short durations, which are typically effective for one year or less and have payment terms that are generally 30-60 days.

Wholesale and international distributor revenue are recognized either when products are shipped or when delivered, depending on the applicable contract terms. Retail store and e-commerce revenue transactions are recognized at the point of sale and upon shipment, respectively. Shipping and handling costs paid to third-party shipping companies are recorded as cost of sales in the consolidated statements of comprehensive income. Shipping and handling costs are a fulfillment service, and, for certain wholesale and all e-commerce transactions, revenue is recognized when the customer is deemed to obtain control upon the date of shipment. Refer to Note 2, “Revenue Recognition,” for further information regarding the Company’s components of variable consideration, including allowances for sales discounts, chargebacks and sales return contract assets and liabilities.

Cost of Sales. Cost of sales for the Company’s goods are for finished goods, which includes the purchase costs and related overhead. Overhead includes all costs for planning, purchasing, quality control, freight, duties, royalties paid to third parties and shrinkage. Cost includes allocation of initial molds and tooling cost that are amortized based on minimum contractual quantities of related product and recorded in cost of sales when the product is sold in the consolidated statements of comprehensive income.

Research and Development Costs. All research and development costs are expensed as incurred. Such costs amounted to $28,626, $27,555, and $23,187 for the years ended March 31, 2021, 2020, and 2019, respectively, and are recorded in SG&A expenses in the consolidated statements of comprehensive income.

Advertising, Marketing, and Promotion Expenses. Advertising, marketing and promotion expenses include media advertising (television, radio, print, social, digital), tactical advertising (signs, banners, point-of-sale materials) and other promotional costs, with $188,345, $144,948, and $118,291 for the years ended March 31, 2021, 2020. and 2019, respectively, recorded in SG&A expenses in the consolidated statements of comprehensive income. Advertising costs are expensed the first time the advertisement is run or communicated. All other costs of advertising, marketing, and promotion are expensed as incurred. Included in prepaid expenses as of March 31, 2021 and 2020 were $1,762 and $2,664, respectively, related to prepaid advertising, marketing, and promotion expenses for programs expected to take place after such dates.

Stock-Based Compensation. All of the Company's stock-based compensation is classified within stockholders' equity. Stock-based compensation expense is measured at the grant date based on the value of the award and is expensed ratably over the service period. The Company recognizes expense only for those awards that management deems probable of achieving the performance criteria and service conditions. Determining the fair value and related expense of stock-based compensation requires judgment, including estimating the percentage of awards that will be forfeited and probabilities of meeting the awards' performance criteria. If actual forfeitures differ significantly from the estimates or if probabilities change during a period, stock-based compensation expense and the Company's results of operations could be materially impacted. Stock-based compensation expense is recorded in SG&A expenses in the consolidated statements of comprehensive income. Refer to Note 8, "Stock-Based Compensation," for further information on grant activity and additional disclosure for stock-based compensation.

Retirement Plan. The Company provides a 401(k) defined contribution plan that eligible US employees may elect to participate in through tax-deferred contributions or other deferrals. The Company matches 50% of each eligible participant's deferrals on up to 6% of eligible compensation. Internationally, the Company has various defined contribution plans. Certain international locations require mandatory contributions under social programs, and the Company contributes at least the statutory minimums. US 401(k) matching contributions totaled $3,339, $3,251, and $3,060 during the years ended March 31, 2021, 2020, and 2019, respectively, and were recorded in SG&A expenses in the consolidated statements of comprehensive income. In addition, the Company may also make discretionary profit-sharing contributions to the plan. However, the Company did not make any profit-sharing contributions for the years ended March 31, 2021, 2020, and 2019.

Non-qualified Deferred Compensation. In 2010, the Company began sponsoring a non-qualified deferred compensation plan that permits a select group of management employees to defer earnings to a future date on a non-qualified basis. For each plan year, the Company's Board of Directors may, but is not required to, contribute any amount it desires to any participant. The Company's contribution guidelines are determined by the Board of Directors annually. In March 2015, the Board of Directors approved a Company contribution feature for future plan years beginning in calendar year 2016 and gave management the authority to approve actual contributions. As of March 31, 2021 and 2020, no material payments were made or pending under the plan. Deferred compensation is recognized based on the fair value of the participants' accounts. A rabbi trust was established as a reserve for benefits payable under this plan, with the assets invested in Company-owned life insurance policies. Refer to Note 4, "Fair Value Measurements," for further information on the fair value of deferred compensation assets and liabilities.

Self-Insurance. The Company is self-insured for a significant portion of its employee medical, including pharmacy, and dental liability exposures. Liabilities for self-insured exposures are accrued for the amounts expected to be paid based on historical claims experience and actuarial data for forecasted settlements of claims filed and for incurred but not yet reported claims. Accruals for self-insured exposures are included in current liabilities in the consolidated balance sheets. Excess liability insurance has been purchased to limit the amount of self-insured risk on claims.

Income Taxes. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income during the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recorded in the consolidated statements of comprehensive income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions in the consolidated financial statements only if those positions are more likely than not to be sustained upon examination. Recognized income tax positions are measured at the largest amount of tax benefit that is more than 50% likely to be realized upon settlement. Changes in recognition or measurement are recorded in the period in which the change in judgment occurs. The Company records interest and penalties accrued for income tax contingencies as interest expense in the consolidated statements of comprehensive income. Refer to Note 5, “Income Taxes,” for further information on tax impacts and components of tax balances in the consolidated financial statements.

Comprehensive Income. Comprehensive income or loss is the total of net earnings and all other non-owner changes in equity. Comprehensive income or loss includes net income or loss, foreign currency translation adjustments, and unrealized gains and losses on cash flow hedges. Refer to Note 10, “Stockholders' Equity,” for further information on components of OCI.

Net Income per Share. Basic net income or loss per share represents net income or loss divided by the weighted-average number of common shares outstanding for the period. Diluted net income or loss per share represents net income or loss divided by the weighted-average number of shares outstanding, including the dilutive impact of potential issuances of common stock. Refer to Note 11, “Basic and Diluted Shares,” for a reconciliation of basic to diluted weighted-average common shares outstanding.

Note 2. Revenue Recognition

Variable Consideration. Components of variable consideration include estimated discounts, markdowns or chargebacks, and sales returns. Estimates for variable consideration are based on the amounts earned or estimates to be claimed as an adjustment to sales. Estimated variable consideration is included in the transaction price to the extent that it is probable that a significant reversal of the cumulative revenue recognized will not occur in a future period.

Allowance for Sales Discounts. The Company provides a trade accounts receivable allowance for sales discounts for wholesale channel sales, which reflects a discount that customers may take, generally based on meeting certain order, shipment or prompt payment terms. The Company uses the amount of the discounts that are available to be taken against the period-end trade accounts receivable to estimate and record a corresponding reserve for sales discounts. Additions to the allowance are recorded against gross sales in the consolidated statements of comprehensive income and write-offs are recorded against the allowance for trade accounts receivable in the consolidated balance sheets. This is consistent with the presentation of such amounts during the prior period. Refer to Schedule II, “Total Valuation and Qualifying Accounts,” for further information regarding the Company’s allowance for sales discounts.

Allowance for Chargebacks. The Company provides a trade accounts receivable allowance for chargebacks from wholesale customers. When customers pay their invoices, they may take deductions against their invoices that can include chargebacks for price differences, markdowns, short shipments and other reasons. Therefore, the Company records an allowance for known or unknown circumstances based on historical trends related to the timing and amount of chargebacks taken against wholesale channel customer invoices. Additions to the allowance are recorded against gross sales or SG&A expenses in the consolidated statements of comprehensive income and write-offs are recorded against the allowance for trade accounts receivable in the consolidated balance sheets. This is consistent with the presentation of such amounts during the prior period. Refer to Schedule II, “Total Valuation and Qualifying Accounts,” for further information regarding the Company’s allowance for chargebacks.

Sales Return Liability. Reserves are recorded for anticipated future returns of goods shipped prior to the end of the reporting period. In general, the Company accepts returns for damaged or defective products for up to one year. The Company also has a policy whereby returns are generally accepted from customers between 30 to 90 days from the point of sale for cash or credit. Amounts of these reserves are based on known and actual returns, historical returns, and any recent events that could result in a change from historical return rates. Sales returns are an asset for the right to recover the inventory and a refund liability for the stand-ready right of return. Changes to the refund liability are recorded against gross sales and changes to the asset for the right to recover the inventory are recorded against cost of sales in the consolidated statements of comprehensive income. The refund liability is recorded in other accrued expenses and the related asset for the right to recover the inventory is recorded in other current assets in the consolidated balance sheets.

Activity during the years ended March 31, 2021 and 2020 related to estimated sales returns were as follows:

	Recovery Asset	Refund Liability
Balance, March 31, 2019	**$ 10,441**	**$ (24,787)**
Net additions to sales return liability*	36,028	(117,969)
Actual returns	(36,806)	117,089
Balance, March 31, 2020	**9,663**	**(25,667)**
Net additions to sales return liability*	39,939	(153,742)
Actual returns	(38,898)	141,692
Balance, March 31, 2021	**$ 10,704**	**$ (37,717)**

*Net additions to sales return liability include a provision for anticipated sales returns which consists of both contractual return rights and discretionary authorized returns.

Contract Assets and Liabilities. Contract assets represent the Company's right to consideration subject to conditions other than the passage of time, such as additional performance obligations to be satisfied. Contract liabilities are performance obligations that the Company expects to satisfy or relieve within the next 12 months, advance consideration obtained prior to satisfying a performance obligation, or unconditional obligations to provide goods or services under non-cancelable contracts before the transfer of goods or services to the customer has occurred. Contract assets and liabilities are recorded in other current assets and other accrued expenses, respectively, in the consolidated balance sheets.

Loyalty Programs. The Company has a consumer loyalty program for the UGG brand in its DTC channel where consumers can earn rewards from qualifying purchases or activities. The Company defers recognition of revenue for unredeemed awards until the following occurs: (1) rewards are redeemed by the consumer, (2) points or certificates expire, or (3) an estimate of the expected unused portion of points or certificates is applied, which is based on historical redemption patterns. As of March 31, 2021 and 2020, the Company's contract liability for loyalty programs was $12,231 and $6,950, respectively, and is recorded in other accrued expenses in the consolidated balance sheets.

Refer to Note 12, "Reportable Operating Segments," for further information on the Company's disaggregation of revenue by reportable operating segment.

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended March 31, 2021, 2020, and 2019
(dollar amounts in thousands, except per share or share data)

Note 3. Goodwill and Other Intangible Assets

The Company's goodwill and other intangible assets are recorded in the consolidated balance sheets, as follows:

	As of March 31,	
	2021	2020
Goodwill		
UGG brand	$ 6,101	$ 6,101
HOKA brand	7,889	7,889
Total goodwill	13,990	13,990
Other intangible assets		
Indefinite-lived intangible assets		
Trademarks	15,454	15,454
Definite-lived intangible assets		
Trademarks	51,723	55,245
Other	52,241	51,738
Total gross carrying amount	103,964	106,983
Accumulated amortization	(77,473)	(74,421)
Net definite-lived intangible assets	26,491	32,562
Total other intangible assets, net	41,945	48,016
Total	**$ 55,935**	**$ 62,006**

The weighted-average amortization period for definite-lived intangible assets was 15 and 16 years for the years ended March 31, 2021 and 2020, respectively. Intangible assets consist primarily of indefinite-lived trademarks and definite-lived trademarks, wholesale customer and distributor relationships, patents, lease rights, and non-compete agreements arising from the application of purchase accounting. Goodwill is allocated to the wholesale reportable operating segments of the brands described above.

Annual Impairment Assessment. During the years ended March 31, 2021, 2020, and 2019, the Company evaluated the goodwill for impairment at the reporting unit level for the UGG and HOKA brands wholesale reportable operating segment as of December 31st and evaluated its Teva indefinite-lived trademarks as of October 31st, and based on the evaluation performed, no impairment loss was recorded for the goodwill and indefinite-lived intangible assets. As of March 31, 2021 and 2020, the gross carrying amount of goodwill was $143,765 and the accumulated impairment losses were $129,775.

During the year ended March 31, 2021, the Company recorded an impairment loss of $3,522 for the Sanuk brand definite-lived international trademark, driven by the strategic decision to focus primarily on future domestic growth, within our Sanuk brand wholesale reportable operating segment in SG&A expenses in the consolidated statements of comprehensive income. The Company did not identify any definite-lived intangible asset impairments during the years ended March 31, 2020 and 2019.

Amortization Expense. A reconciliation of the changes in total other intangible assets in the consolidated balance sheets, are as follows:

	Amounts
Balance, March 31, 2018	**$ 57,850**
Amortization expense	(6,235)
Foreign currency translation net loss	(121)
Balance, March 31, 2019	**51,494**
Amortization expense	(3,470)
Foreign currency translation net loss	(8)
Balance, March 31, 2020	**48,016**
Impairment charges	(3,522)
Amortization expense	(2,565)
Foreign currency translation net gain	16
Balance, March 31, 2021	**$ 41,945**

Expected amortization expense for amortizable intangible assets subsequent to March 31, 2021 is as follows:

Years Ending March 31,	Amounts
2022	$ 2,244
2023	2,228
2024	2,208
2025	2,053
2026	1,899
Thereafter	15,859
Total	**$ 26,491**

Note 4. Fair Value Measurements

The accounting standard for fair value measurements provides a framework for measuring fair value, which is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The fair value hierarchy under this accounting standard requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities.
- Level 3: Unobservable inputs in which little or no market activity exists, therefore requiring the Company to develop its own assumptions.

The carrying amount of the Company's financial instruments, which principally include cash and cash equivalents, trade accounts receivable, net, trade accounts payable, accrued payroll, and other accrued expenses, approximates fair value due to their short-term nature. The carrying amount of the Company's short-term borrowings, which are considered Level 2 liabilities, approximates fair value based upon current rates and terms available to the Company for similar debt.

Assets and liabilities that are measured on a recurring basis at fair value in the consolidated balance sheets, are as follows:

	As of March 31, 2021	Measured Using Level 1	Level 2	Level 3
Non-qualified deferred compensation asset	$ 9,107	$ 9,107	$ —	$ —
Non-qualified deferred compensation liability	(6,692)	(6,692)	—	—

	As of March 31, 2020	Measured Using Level 1	Level 2	Level 3
Non-qualified deferred compensation asset	$ 6,164	$ 6,164	$ —	$ —
Non-qualified deferred compensation liability	(3,756)	(3,756)	—	—

As of March 31, 2021, the non-qualified deferred compensation asset of $9,107 was recorded in other assets in the consolidated balance sheets. As of March 31, 2021, the non-qualified deferred compensation liability of $6,692 was recorded in the consolidated balance sheets, with $906 in other accrued expenses and $5,786 in other long-term liabilities.

Note 5. Income Taxes

Income Before Income Taxes. Components of income before income taxes recorded in the consolidated statements of comprehensive income, were as follows:

	Years Ended March 31, 2021	2020	2019
Domestic*	$ 368,328	$ 206,111	$ 181,730
Foreign	133,186	134,755	147,204
Total	**$ 501,514**	**$ 340,866**	**$ 328,934**

*Domestic income before income taxes for the years ended March 31, 2021, 2020, and 2019 is presented net of intercompany dividends of $175,000, $150,000, and $130,000, respectively.

Income Tax Expense. Components of income tax expense (benefit) recorded in the consolidated statements of comprehensive income, were as follows:

	Years Ended March 31, 2021	2020	2019
Current			
Federal	$ 93,562	$ 47,087	$ 33,334
State	15,595	635	9,084
Foreign	17,953	14,068	15,269
Total	127,110	61,790	57,687
Deferred			
Federal	(6,717)	4,626	6,612
State	(633)	(462)	2,236
Foreign	(821)	(1,230)	(1,909)
Total	(8,171)	2,934	6,939
Total	**$ 118,939**	**$ 64,724**	**$ 64,626**

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Income Tax Expense Reconciliation. Income tax expense (benefit) differed from that obtained by applying the statutory federal income tax rate to income before income taxes, as follows:

	Years Ended March 31,		
	2021	2020	2019
Computed expected income taxes	$ 105,318	$ 71,582	$ 69,076
State income taxes, net of federal income tax benefit	16,479	11,042	9,329
Foreign rate differential	(15,507)	(17,966)	(20,105)
Unrecognized tax benefits	7,632	6,695	786
Dividends from previously taxed earnings	(5,313)	(4,584)	(4,257)
Nondeductible executive compensation	11,070	4,162	7,742
US tax on foreign earnings*	4,252	2,343	5,848
Re-measurement of deferred taxes	—	—	(983)
Tax audit settlements	1,147	(3,956)	—
Employee share based compensation excess tax benefits	(6,846)	(2,477)	(1,445)
Other	707	(2,117)	(1,365)
Total	**$ 118,939**	**$ 64,724**	**$ 64,626**

*These amounts represent global intangible low-taxed income (commonly referred to as GILTI) under the territorial tax system pursuant to the Tax Reform Act, net of foreign derived intangible income tax benefit.

Due to the enactment of Tax Reform Act, the Company is subject to US taxation of its foreign subsidiary earnings considered global intangible low-taxed income, as well as limitations on the deductions of executive compensation, which are included in income tax expense in the consolidated statements of comprehensive income for the periods presented above. In accordance with the Securities Exchange Commission Staff Accounting Bulletin No. 118 (SAB 118), issued December 22, 2017, the Company completed its accounting for the material effects of the Tax Reform Act during the quarter ended December 31, 2018. In connection with finalizing the tax effects of the Tax Reform Act, the Company recorded immaterial measurement period adjustments during the year ended March 31, 2019 including a reduction from $59,114 to $57,895 related to the one-time mandatory deemed repatriation tax on accumulated foreign earnings. Refer to section below entitled “US Taxation of Foreign Earnings” for further information. The Company continues to evaluate new guidance and legislation as it is issued.

In response to the pandemic, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27th, 2020 and the American Rescue Plan Act (ARP Act) was signed into law on March 10, 2021. This legislation made broad changes to the US tax code and the Company expects to see future regulatory and legislative guidance issued. The Company reviewed the provisions of the CARES Act and the ARP Act and considers the effect to be immaterial to its consolidated financial statements for the years ended March 31, 2021 and 2020.

Deferred Taxes. The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities, are as follows:

	As of March 31,	
	2021	2020
Deferred tax assets		
Amortization and impairment of intangible assets	$ 7,302	$ 11,471
Nonvested stock-based compensation	7,138	5,194
Operating lease liability	37,707	45,600
Uniform capitalization adjustment to inventory	5,256	4,322
Bad debt allowance and other reserves	19,321	14,243

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	As of March 31,	
	2021	2020
Accrued bonuses	8,491	6,187
Foreign currency translation	646	645
Net operating loss carry-forwards, net of valuation allowances	1,663	2,071
Other	3,048	1,372
Gross deferred tax assets	90,572	91,105
Valuation allowances	(1,197)	(1,519)
Total	89,375	89,586
Deferred tax liabilities		
Prepaid expenses	(3,829)	(4,252)
Operating lease asset	(30,754)	(41,276)
Depreciation of property and equipment	(17,598)	(15,825)
Total	(52,181)	(61,353)
Deferred tax assets, net	**$ 37,194**	**$ 28,233**

In order to fully realize the deferred tax assets, the Company will need to generate future taxable income of $154,715. The deferred tax assets are primarily related to the Company's domestic operations and are currently expected to be realized between fiscal years 2022 and 2031.

Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets. The Company's deferred tax valuation allowances are primarily the result of foreign losses in jurisdictions with limited future profitability.

US Taxation of Foreign Earnings. At March 31, 2019, the Company completed the calculation of the one-time transition tax on the deemed repatriation of foreign subsidiaries' earnings pursuant to the Tax Reform Act and previously recorded a net cumulative tax expense of $57,895, net of foreign tax credits. Beginning with tax year ended March 31, 2018, an installment election was made to pay these taxes over eight years with 40% paid in equal installments over the first five years and the remaining 60% to be paid in installments of 15%, 20% and 25% in years six, seven and eight, respectively. The cumulative remaining balance as of March 31, 2021 was $41,452, with $2,586 recorded in income taxes payable and $38,866 in long-term income tax liability in the consolidated balance sheets.

As of March 31, 2021, the Company reported $303,171 of undistributed earnings from its non-US subsidiaries, of which $180,951 relates to cash and cash equivalents, a portion of which may be subject to additional foreign withholding taxes if it were to be repatriated. As of March 31, 2021, the Company reported $13,019 of accumulated earnings from its non-US subsidiaries for which no US federal or state income taxes have been provided. The Company currently anticipates repatriating current and future unremitted earnings of non-US subsidiaries, to the extent they have been and will be subject to US income tax, as long as such cash is not required to fund ongoing foreign operations. Due to the complexities in the laws of foreign jurisdictions and assumptions that would have to be made, it is not practicable to estimate the amount of foreign withholding taxes associated with such unremitted earnings. During the year ended March 31, 2021, the Company declared a dividend of $175,000 from a foreign subsidiary, for which no foreign withholding taxes were required.

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Unrecognized Tax Benefits. When tax returns are filed, some positions taken are subject to uncertainty about the merits of the position taken or the amount that would be ultimately sustained upon examination. The benefit of a tax position is recorded in the consolidated financial statements in the period during which the Company believes it is more likely than not that the position will be sustained upon examination by taxing authorities. The recognition threshold is measured as the largest amount of tax benefit that is more than 50% likely to be realized upon settlement. The portion of the benefit that exceeds the amount measured, as described above, is recorded as a liability for unrecognized tax benefits, along with any associated interest and penalties, in the consolidated balance sheets. A reconciliation of the beginning and ending amounts of total gross unrecognized tax benefits, are as follows:

Balance, March 31, 2018	**$ 9,594**
Gross increase related to current fiscal year tax positions	1,027
Gross increase related to prior fiscal year tax positions	3,282
Settlements	(1,157)
Lapse of statute of limitations	(1,804)
Balance, March 31, 2019	**10,942**
Gross increase related to current fiscal year tax positions	1,153
Gross increase related to prior fiscal year tax positions	8,152
Settlements	(246)
Lapse of statute of limitations	(2,363)
Balance, March 31, 2020	**17,638**
Gross increase related to current fiscal year tax positions	2,242
Gross increase related to prior fiscal year tax positions	8,566
Gross decrease related to prior fiscal year tax positions	(1,215)
Lapse of statute of limitations	(1,961)
Balance, March 31, 2021	**$ 25,270**

Total gross unrecognized tax benefits recorded in the consolidated balance sheets, are as follows:

	As of March 31,	
	2021	2020
Long-term asset		
Deferred tax assets, net	$ —	$ 486
Current liability		
Income taxes payable	1,038	—
Long-term liability		
Income tax liability	24,232	17,152
Total	**$ 25,270**	**$ 17,638**

As of March 31, 2021 and 2020, the Company had $4,782 and $3,631 accrued for the payment of interest and penalties, respectively, in income tax liability in the consolidated balance sheets. During the years ended March 31, 2021, 2020, and 2019, the Company recorded $1,151, $1,176, and $(110), respectively, of interest and penalties as an increase or (decrease) to interest expense in the consolidated statements of comprehensive income.

Management believes it is reasonably possible that the amount of unrecognized tax benefits, as well as associated interest and penalties, may decrease during the next 12 months by $4,544 related primarily to the expiration of statute of limitations, partially offset by additional unrecognized tax benefits relating to current fiscal

year tax return positions. Of this amount, $4,268 would result in an income tax benefit for the Company and $1,153 would result in a decrease to interest expense in the consolidated statements of comprehensive income.

Net unrecognized tax benefits are defined as gross unrecognized tax benefits, less federal benefit for state income taxes, related to uncertain tax positions taken in the Company's income tax return that would impact the Company's effective tax rate, if recognized. Net unrecognized tax benefits of $23,883, $16,685, and $10,344 for the years ended March 31, 2021, 2020, and 2019, respectively, would reduce the annual effective tax rate recorded in the consolidated statements of comprehensive income.

The Company has on-going income tax examinations in various state and foreign tax jurisdictions and regularly assesses tax positions taken in years open to examination. The Company files income tax returns in the US federal jurisdiction and various state, local, and foreign jurisdictions. With few exceptions, the Company is no longer subject to US federal, state, local, or foreign income tax examinations by tax authorities before fiscal year 2017.

Although the Company believes its tax estimates are reasonable and prepares its tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits, and any related litigation, could be materially different from the Company's estimates or from its historical income tax provisions and accruals. The results of an audit or litigation could have a material impact on results of operations or cash flows in the periods for which that determination is made. In addition, future period earnings may be adversely impacted by litigation costs, settlements, penalties, or interest assessments. However, it is the opinion of management that the Company does not currently expect these audits and inquiries to have a material impact on the Company's consolidated financial statements.

Note 6. Revolving Credit Facilities and Mortgage Payable

Primary Credit Facility. In September 2018, the Company entered into a credit agreement (Credit Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan), as the administrative agent, Citibank, N.A., Comerica Bank (Comerica) and HSBC Bank USA, N.A., as co-syndication agents, MUFG Bank, Ltd. and US Bank National Association as co-documentation agents, and the lenders party thereto, with JPMorgan and Comerica acting as joint lead arrangers and joint book runners. The Credit Agreement provides for a five-year, $400,000 unsecured revolving credit facility (Primary Credit Facility), contains a $25,000 sublimit for the issuance of letters of credit, and matures on September 20, 2023.

In addition to allowing borrowings in US dollars, the Credit Agreement provides a $175,000 sublimit for borrowings in Euros, Sterling, Canadian dollars and any other foreign currency that is subsequently approved by JPMorgan, each lender and each bank issuing letters of credit. Subject to customary conditions and the approval of any lender whose commitment would be increased, the Company has the option to increase the maximum principal amount available under the Credit Agreement by up to an additional $200,000, resulting in a maximum available principal amount of $600,000. However, none of the lenders has committed at this time to provide any such increase in the commitments.

The obligations of the Company and each other borrower under the Primary Credit Facility are guaranteed by the Company's existing and future wholly owned domestic subsidiaries (other than certain immaterial subsidiaries, foreign subsidiaries, foreign subsidiary holding companies and specified excluded subsidiaries). All obligations under the Primary Credit Facility and the foregoing guaranty are unsecured. Amounts borrowed under the Primary Credit Facility may be prepaid at any time. In addition, the Company has the right to permanently reduce or terminate the lenders' commitments provided under the Credit Agreement, subject to customary conditions.

Certain of the Company's foreign subsidiaries may also borrow under the Primary Credit Facility, which permits the Company, subject to customary conditions and notice periods, to designate one or more additional subsidiaries organized in foreign jurisdictions to borrow under the Primary Credit Facility, subject to the foreign currency sublimit noted above. The Company is liable for the obligations of each foreign borrower, but the obligations of the foreign borrowers are several (not joint) in nature.

Interest Rate Terms. At the Company's election, interest under the Credit Agreement is tied to the adjusted LIBOR or the alternate base rate (ABR). Initial interest for the revolving loans is variable and fluctuates between adjusted LIBOR plus 1.125% per annum and adjusted LIBOR plus 1.625% per annum (or between ABR plus 0.125% per annum and ABR plus 0.625% per annum), based on the Company's total adjusted leverage ratio. Interest for borrowings made in foreign currencies is based on currency-specific LIBOR or the Canadian deposit offered rate if made in Canadian dollars. As of March 31, 2021, the effective interest rates for US dollar LIBOR and ABR rates, with relevant spreads for borrowings made during the reporting period, were 1.24% and 3.38%, respectively.

Commitment Fees. The Company is required to pay a fee rate that fluctuates between 0.125% and 0.20% per annum, based upon the Company's total adjusted leverage ratio.

Borrowing Activity. During the year ended March 31, 2021, the Company made no borrowings or repayments under the Primary Credit Facility. As of March 31, 2021, the Company had no outstanding balance under the Primary Credit Facility and had outstanding letters of credit of $549. As of March 31, 2021, available borrowings under the Primary Credit Facility were $399,451.

Debt Issuance Costs. In connection with entering into the Primary Credit Facility, the Company paid certain commitment, arrangement and other fees to JPMorgan, Comerica and other parties to the Primary Credit Facility, and reimbursed certain of the parties' expenses, which totaled $1,297, and were recorded in prepaid expenses and other assets. These costs are amortized on a straight-line basis over the term of the Credit Agreement.

China Credit Facility. In August 2013, Deckers (Beijing) Trading Co., LTD (DBTC), a wholly owned subsidiary of the Company, entered into a credit agreement in China (as amended, the China Credit Facility) that provides for an uncommitted revolving line of credit of up to CNY 300,000, or $45,736, with an overdraft facility sublimit of CNY 100,000, or $15,245.

The China Credit Facility is payable on demand and subject to annual review with a defined aggregate period of borrowing of up to 12 months. The obligations under the China Credit Facility are guaranteed by the Company for 108.5% of the facility amount in US dollars. Interest is based on the People's Bank of China market rate multiplied by a variable liquidity factor. As of March 31, 2021, the effective interest rate was 4.15%.

During the year ended March 31, 2021, the Company borrowed and made repayments of $9,659 under the China Credit Facility. As of March 31, 2021, the Company had no outstanding balance, outstanding bank guarantees of $30, and available borrowings of $45,706 under the China Credit Facility.

Japan Credit Facility. In March 2016, Deckers Japan, G.K., a wholly owned subsidiary of the Company, entered into a credit agreement in Japan (as amended, the Japan Credit Facility) that provides for an uncommitted revolving line of credit of up to JPY 3,000,000, or $27,099, for a maximum term of six months for each draw on the facility. The Japan Credit Facility can be renewed annually and is guaranteed by the Company. The Company has renewed the Japan Credit Facility through January 31, 2022 substantially under the terms of the original credit agreement. Interest is based on the Tokyo Interbank Offered Rate plus 0.40%. As of March 31, 2021, the effective interest rate was 0.48%.

During the year ended March 31, 2021, the Company made no borrowings or repayments under the Japan Credit Facility. As of March 31, 2021, the Company had no outstanding balance under the Japan Credit Facility and available borrowings of $27,099.

Mortgage. In July 2014, the Company obtained a mortgage secured by the property on which its corporate headquarters is located for $33,931. The mortgage had a fixed interest rate of 4.928% and the loan was set to mature on July 1, 2029. During the year ended March 31, 2021, the Company repaid in full the outstanding principal balance, accrued interest, as well as prepayment penalties under the mortgage totaling $31,578, and as of March 31, 2021 had no outstanding balance on its consolidated balance sheets.

Debt Covenants. As of March 31, 2021, the Company was in compliance with all financial covenants under the revolving credit facilities.

Primary Credit Facility. Under the Primary Credit Facility, the Company is subject to usual and customary representations and warranties, and usual and customary affirmative and negative covenants, which include limitations on liens, additional indebtedness, investments, restricted payments and transactions with affiliates. Financial covenants (as defined in the Credit Agreement), include the following:

- The total adjusted leverage ratio must not be greater than 3.75 to 1.00.
- The sum of the consolidated annual earnings before interest, taxes, depreciation, and amortization and annual rental expense, divided by the sum of the annual interest expense and the annual rental expense must be greater than 2.25 to 1.00.
- No limits on shares repurchases if the total adjusted leverage ratio does not exceed 3.50 to 1.00.

Under the Primary Credit Facility, the Company is also subject to other customary limitations, as well as usual and customary events of default, which include: non-payment of principal, interest, fees and other amounts; breach of a representation or warranty; non-performance of covenants and obligations; default on other material debt; bankruptcy or insolvency; material judgments; incurrence of certain material ERISA liabilities; and a change of control of the Company (as defined in the Credit Agreement).

China Credit Facility. Under the China Credit Facility, DBTC is subject to usual and customary representations and warranties, and usual and customary affirmative and negative covenants, which include limitations on liens and additional indebtedness.

Japan Credit Facility. Under the Japan Credit Facility, Deckers Japan, G.K., is subject to usual and customary provisions including a restriction against having losses for two years consecutively, maintaining an interest coverage ratio greater than 1.00, and maintaining higher assets than liabilities.

Foreign Currency Exchange Rates. The amounts disclosed above for the China Credit Facility have been translated into US dollars using applicable foreign currency exchange spot rates in effect as of March 31, 2021. As a result, there are differences between the net amount within this footnote disclosure and those same amounts recorded in the consolidated statements of cash flows. Any amounts outstanding, including any amounts disclosed above, are recorded in short-term borrowings in the consolidated balance sheets.

Note 7. Leases and Other Commitments

Leases. The Company primarily leases retail stores, showrooms, offices, and distribution facilities under operating lease agreements which continue in effect through calendar year 2031. Some of the Company's operating leases contain extension options of anywhere from one to 15 years. Historically, the Company has not entered into finance leases and its lease agreements generally do not contain residual value guarantees, options to purchase underlying assets, or material restrictive covenants.

Variable Lease Payments. Certain leases require additional payments based on (1) actual or forecasted sales volume (either monthly or annually), (2) reimbursement for real estate taxes (tax), (3) common area maintenance (CAM), and (4) insurance (collectively, variable lease payments). Variable lease payments are generally excluded from operating lease assets and liabilities and are recorded in rent expense as a component of SG&A expenses in the consolidated statements of comprehensive income. Some leases are dependent upon forecasted annual sales volume, and lease payments are recognized on a straight-line basis as rent expense over each annual period when the achievement of the related sales target is reasonably likely to occur. Other variable lease payments, such as tax, CAM and insurance, are recognized in rent expense as incurred. Some leases contain one fixed lease payment that include variable lease payments, which are considered non-lease components. The Company has elected to account for these instances as a single lease component and the total of these fixed payments is used to measure the operating lease assets and lease liabilities.

Discount Rate. The Company discounts its unpaid lease payments using the interest rate implicit in the lease or, if the rate cannot be readily determined, its incremental borrowing rate (IBR). Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Company generally derives a discount rate at the lease commencement date by utilizing its IBR, which is based on what the Company would have to pay on a collateralized basis to borrow an amount equal to its lease payments under similar terms. Because the Company does not currently borrow on a collateralized basis under its revolving credit facilities, it uses the interest rate it pays on its non-collateralized borrowings under its Primary Credit Facility as an input for deriving an appropriate IBR, adjusted for the amount of the lease payments, the lease term, and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

Rent Expense. The components of rent expense for operating leases recorded in the consolidated statements of comprehensive income under the new lease standard, were as follows:

	Years Ended March 31,	
	2021	2020
Operating	$ 52,849	$ 57,966
Variable	24,033	26,996
Short-term	3,015	3,332
Total	**$ 79,897**	**$ 88,294**

The components of rent expense for operating leases recorded in the consolidated statements of comprehensive income under legacy US GAAP, prior to the adoption of ASU 2016-02 as of April 1, 2019, were as follows:

	Year Ended March 31, 2019
Minimum rentals	$ 60,859
Contingent rentals	13,226
Total	**$ 74,085**

Operating Lease Liabilities. Maturities of undiscounted operating lease liabilities remaining as of March 31, 2021 under the new lease standard, with a reconciliation to the present value of operating lease liabilities recorded in the consolidated balance sheets, are as follows:

Years Ending March 31,	Amount*
2022	$ 49,528
2023	44,165
2024	38,068
2025	30,307
2026	26,400
Thereafter	56,950
Total undiscounted future lease payments	245,418
Less: Imputed interest	(22,376)
Total	**$ 223,042**

*Operating lease liabilities recorded in the consolidated balance sheets exclude $20,284 of legally binding undiscounted minimum lease payments due pursuant to a lease signed but not yet commenced for a new US distribution center.

Supplemental Disclosure. Key estimates and judgments related to operating lease assets and liabilities that are outstanding and presented in the consolidated balance sheets, are as follows:

	As of March 31,	
	2021	2020
Weighted-average remaining lease term in years	6.0	6.6
Weighted-average discount rate	3.1 %	3.3 %

Supplemental information for amounts presented in the consolidated statements of cash flows related to operating leases, were as follows:

	Years Ended March 31,	
	2021	2020
Non-cash operating activities		
Operating lease assets obtained in exchange for lease liabilities*	$ 9,861	$ 71,097
Reductions to operating lease assets for reductions to lease liabilities*	(12,051)	(7,055)

*Amounts disclosed include non-cash additions or reductions resulting from lease remeasurements.

Purchase Obligations. The Company has various types of purchase obligations, as follows:

Product. The Company had $566,820 of outstanding purchase orders or other obligations with its manufacturers as of March 31, 2021. The Company has an extended design and manufacturing process, which requires it to forecast production volumes and estimate inventory requirements many months before consumers decide to purchase its products. The Company generally orders product two to nine months in advance of the anticipated shipment dates based primarily on a combination of product lead time and orders received from wholesale customers and through the DTC reportable operating segment. Accordingly, the aggregate amount reflects purchase commitments for products that the Company reasonably expects to fulfill in the ordinary course of business. However, a significant portion of the purchase commitments can be cancelled by the Company under certain circumstances. As a result, the amount does not necessarily reflect the dollar amount of the Company's binding commitments or minimum purchase commitments, and instead reflects an estimate of its future payment commitments based on information currently available.

Commodities. The Company had an aggregate of $150,594 remaining purchase commitments, primarily for sheepskin, as well as leather, as of March 31, 2021. These commitments generally arise under two-year supply agreements. The aggregate amount reflects the remaining commitments under these purchase orders. The Company enters into contracts requiring purchase commitments of sheepskin and leather that its affiliates, manufacturers, factories, and other agents (each or collectively, a Buyer) must make on or before a specified target date. These agreements may result in unconditional purchase commitments if a Buyer does not meet the minimum purchase requirements. In the event that a Buyer does not purchase such minimum commitments by the target dates, the Company would be responsible for compliance with any and all minimum purchase commitments under these contracts, and the Company would make additional deposit payments towards the purchase of the remaining minimum commitments and such additional deposits would be returned as the Buyer purchases the remaining minimum commitments. The contracts do not permit net settlement. There were $8,322 of deposits on expired sheepskin contracts that have not been fully consumed as of March 31, 2021 which is recorded in other assets in the consolidated balance sheets.

During the year ended March 31, 2021, the Company experienced a shift in product mix that used less of a certain sheepskin grade. As a result, the Company negotiated a deferral of additional deposit payments, which represent remaining minimum commitments under expired sheepskin supply agreements. As of March 31, 2021, the remaining minimum purchase commitment under these expired agreements was approximately $28,000. Subsequent to March 31, 2021 through May 13, 2021, this deposit was paid.

Total future minimum commitments for commodities contracts as of March 31, 2021 were as follows:

Contract Effective Date	Final Target Date	Contract Value	Remaining Commitment
July 2017	September 2019	$ 7,200	$ 5,223
April 2018	September 2020	45,600	6,443
October 2018	September 2020	27,350	25,336
October 2018	September 2021	41,210	41,210
April 2019	September 2020	8,906	8,906
October 2019	June 2020	28,800	10,580
October 2019	June 2021	16,644	16,644
March 2021	June 2022	21,878	21,878
March 2021	September 2022	22,200	14,374
		$ 219,788	**$ 150,594**

The Company expects that purchases made under these agreements in the ordinary course of business will eventually exceed the minimum commitment levels, and that any deposits will become fully refundable or will be reflected as a credit against purchases. The amounts above do not necessarily reflect the dollar amount of the Company's binding commitments or minimum purchase obligations, and instead reflect an estimate of its future payment obligations based on information currently available.

Other. The Company had an aggregate of $102,317 of other purchase commitments as of March 31, 2021, which consisted of minimum commitments for logistics arrangements, an IT agreement for a new inventory planning system, requirements to pay promotional expenses, and other commitments under service contracts.

Litigation. From time to time, the Company is involved in various legal proceedings and claims arising in the ordinary course of business. Although the results of legal proceedings and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not, individually or in the aggregate, have a material adverse effect on its business, results of operations, financial condition or cash flows. However, regardless of the outcome, litigation can have an adverse impact on the Company because of legal costs, diversion of management time and resources, and other factors.

On March 28, 2016, the Company filed a lawsuit alleging trademark infringement, patent infringement, unfair competition and violation of deceptive trade practices in the US District Court for the Northern District of Illinois Eastern Division (District Court) against Australian Leather. Australian Leather counterclaimed alleging that the UGG brand trademark is invalid. On May 10, 2019, a jury returned a verdict in the Company's favor in its lawsuit against Australian Leather. The District Court entered judgments upholding the UGG brand trademark on February 6 and June 8, 2020. On August 12, 2020, Australian Leather filed an appeal to the US Court of Appeals for the Federal Circuit. On May 7, 2021, the US Court of Appeals affirmed the District Court's ruling dismissing Australian Leather's affirmative defenses and counterclaims and upholding the UGG brand trademark. It is unknown whether Australian Leather will challenge the decision of the Court of Appeals.

Indemnification. The Company has agreed to indemnify certain of its licensees, distributors, and promotional partners in connection with claims related to the use of the Company's intellectual property. The terms of such agreements range up to five years initially and generally do not provide for a limitation on the maximum potential future payments. From time to time, the Company also agrees to indemnify its licensees, distributors, and promotional partners in connection with claims that the Company's products infringe on the intellectual property rights of third parties. These agreements may or may not be made pursuant to a written contract. In addition, from time to time, the Company also agrees to standard indemnification provisions in commercial agreements in the ordinary course of business. Management believes the likelihood of any payments under any of these arrangements is remote and would be immaterial. This determination is made based on a prior history of insignificant claims and related payments. There are currently no pending claims relating to indemnification matters involving the Company's intellectual property.

Note 8. Stock-Based Compensation

In September 2015, the Company's stockholders approved the 2015 Stock Incentive Plan (2015 SIP), for which the primary purpose is to encourage ownership in the Company by key personnel, whose long-term service is considered essential to the Company's continued success. The 2015 SIP reserves 1,275,000 shares of the Company's common stock for issuance to employees, directors, consultants, independent contractors and advisors. The maximum aggregate number of shares that may be issued to employees under the 2015 SIP through the exercise of incentive stock options is 750,000. The Company may grant various types of stock-based compensation under the 2015 SIP, including time-based restricted stock units (RSUs), performance-based restricted stock units (PSUs), stock appreciation rights, and non-qualified stock options (NQSOs). The Company typically makes annual grants of RSUs (Annual RSUs) and PSUs (Annual PSUs) to key employees and certain executive officers, and long-term incentive plan (LTIP) awards to certain officers, including named executive officers.

Annual Awards. The Company has granted Annual RSUs and Annual PSUs under the 2015 SIP, which entitle the recipients to receive shares of the Company's common stock upon vesting. The Annual RSUs are subject to time-based vesting criteria and vest in equal annual installments over three years following the date of grant. The vesting of Annual PSUs are subject to the achievement of pre-established Company performance criteria measured over the fiscal year during which they are granted, and to the extent the performance criteria has been met, vest in equal annual installments over three years thereafter.

The Company granted annual awards under the 2015 SIP, as recorded in the consolidated statements of comprehensive income, as summarized below:

	Years Ended March 31,					
	2021		2020		2019	
	Shares Granted	Weighted-average grant date fair value per share	Shares Granted	Weighted-average grant date fair value per share	Shares Granted	Weighted-average grant date fair value per share
Annual RSUs	47,015	$ 220.31	47,577	$ 171.50	62,743	$ 116.85
Annual PSUs	—	—	19,938	174.36	31,320	116.34
Total	**47,015**	**$ 220.31**	**67,515**	**$ 172.34**	**94,063**	**$ 116.68**

Annual award activity recorded in the consolidated statements of comprehensive income, were as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested, March 31, 2018	**289,297**	**$ 65.18**
Granted	94,063	116.68
Vested	(118,903)	(64.39)
Forfeited	(33,058)	(77.60)
Nonvested, March 31, 2019	**231,399**	**84.75**
Granted	67,515	172.34
Vested	(121,572)	(76.81)
Forfeited	(14,993)	(113.49)
Nonvested, March 31, 2020	**162,349**	**124.47**
Granted	47,015	220.31
Vested	(92,614)	(104.92)
Forfeited	(3,664)	(147.34)
Nonvested, March 31, 2021	**113,086**	**$ 179.58**

Long-Term Incentive Plan Awards. The Company evaluates at least quarterly the probability of achieving performance criteria included in its LTIP PSUs against its most current forecast. LTIP awards recorded in the consolidated statements of comprehensive income, were as follows:

2021 LTIP PSUs. In March 2021, the Company approved LTIP awards under the 2015 SIP for the issuance of PSUs (2021 LTIP PSUs), which were awarded to certain members of the Company's management team, including the Company's named executive officers and vice presidents. The 2021 LTIP PSUs are subject to vesting based on service conditions over either two or three years. The Company must meet certain revenue and pre-tax income performance targets individually over three reporting periods for the year ended March 31, 2021, and for the fiscal years ending March 31, 2022 and 2023 (collectively, the Measurement Periods) and incorporates a relative total stockholder return (TSR) modifier for both the 24-month performance period (commencing on April 1, 2021) and 36-month performance period (commencing on April 1, 2020) ending March 31, 2023 (collectively, the Performance Periods). To the extent financial performance is achieved above the threshold levels for each of these performance criteria, the number of 2021 LTIP PSUs that will vest will increase up to a maximum of 200% of the targeted amount for that award. No vesting of any portion of the 2021 LTIP PSUs will occur if the Company fails to achieve the minimum revenue and pre-tax income amounts for each reporting period equal to at least 100% of the threshold amounts for these criteria. Following the determination of the Company’s achievement with respect to the revenue and pre-tax income criteria for the Measurement Periods, the vesting of each 2021 LTIP PSU will be subject to

adjustment based on the application of a relative TSR modifier. The amount of the adjustment will be determined based on a comparison of the Company's TSR relative to the TSR of a pre-determined set of peer group companies for the Performance Period. A Monte-Carlo simulation model was used to determine the grant date fair value by simulating a range of possible future stock prices for the Company and each member of the peer group over the Performance Periods.

The Company granted awards at the target performance level of 19,890 2021 LTIP PSUs during the year ended March 31, 2021. The grant date fair value of these 2021 LTIP PSUs was $376.45 per share. Based on the Company's current long-range forecast, the Company determined that the achievement of at least the target performance criteria for each of the Measurement Periods for these awards was probable as of the grant date.

2020 LTIP PSUs. In September 2019, the Company approved LTIP awards under the 2015 SIP for the issuance of PSUs (2020 LTIP PSUs), which were awarded to certain members of the Company's senior management team, including the Company's named executive officers. The 2020 LTIP PSUs are subject to vesting based on service conditions over three years, as well as the Company meeting certain revenue and pre-tax income performance targets for the fiscal year ending March 31, 2022 (2022 Measurement Period) and incorporates a relative TSR modifier for the 36-month performance period commencing on April 1, 2019 and ending March 31, 2022 (2022 Performance Period). To the extent financial performance is achieved above the threshold levels for each of these performance criteria, the number of 2020 LTIP PSUs that will vest will increase up to a maximum of 200% of the targeted amount for that award. No vesting of any portion of the 2020 LTIP PSUs will occur if the Company fails to achieve revenue and pre-tax income amounts equal to at least 90% of the threshold amounts for these criteria. Following the determination of the Company's achievement with respect to the revenue and pre-tax income criteria for the 2022 Measurement Period, the vesting of each 2020 LTIP PSU will be subject to adjustment based on the application of a relative TSR modifier. The amount of the adjustment will be determined based on a comparison of the Company's TSR relative to the TSR of a pre-determined set of peer group companies for the 2022 Performance Period. A Monte-Carlo simulation model was used to determine the grant date fair value by simulating a range of possible future stock prices for the Company and each member of the peer group over the 2022 Performance Period.

The Company granted awards at the target performance level of 38,174 2020 LTIP PSUs during the year ended March 31, 2020. The grant date fair value of these 2020 LTIP PSUs was $146.96 per share. The Company currently expects to exceed the financial performance threshold levels as defined above for each of the performance criteria, and, therefore the maximum number of 2020 LTIP PSUs that is expected to vest is 200% of the targeted amount for that award.

2019 LTIP PSUs. In September 2018, the Company approved LTIP awards under the 2015 SIP for the issuance of PSUs (2019 LTIP PSUs), which were awarded to certain members of the Company's senior management team, including the Company's named executive officers. The 2019 LTIP PSUs are subject to vesting based on service conditions over three years, as well as the Company meeting certain revenue and pre-tax income performance targets for the fiscal year ended March 31, 2021 (2021 Measurement Period) and incorporates a relative TSR modifier for the 36-month performance period commencing on April 1, 2018 and ended March 31, 2021 (2021 Performance Period). To the extent financial performance is achieved above the threshold levels for each of these performance criteria, the number of 2019 LTIP PSUs that will vest will increase up to a maximum of 200% of the targeted amount for that award. No vesting of any portion of the 2019 LTIP PSUs will occur if the Company fails to achieve revenue and pre-tax income amounts equal to at least 90% of the threshold amounts for these criteria. Following the determination of the Company's achievement with respect to the revenue and pre-tax income criteria for the 2021 Measurement Period, the vesting of each 2019 LTIP PSUs will be subject to adjustment based on the application of a TSR modifier. The amount of the adjustment will be determined based on a comparison of the Company's TSR relative to the TSR of a pre-determined set of peer group companies for 2021 Performance Period. A Monte Carlo simulation model was used to determine the grant date fair value by simulating a range of possible future stock prices for the Company and each member of the peer group over the 2022 Performance Period.

The Company granted awards at the target performance level of 41,793 2019 LTIP PSUs during the year ended March 31, 2019. The grant date fair value of these 2019 LTIP PSUs was $120.24 per share. The Company exceeded the financial performance threshold levels as defined above for each of the performance criteria, and, therefore the maximum number of 2019 LTIP PSUs that vested as of March 31, 2021 was 200% of the targeted amount for that award.

LTIP award activity recorded in the consolidated statements of comprehensive income, were as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value
Nonvested, March 31, 2018	**—**	**$ —**
Granted*	83,586	120.24
Forfeited	(6,488)	(120.24)
Nonvested, March 31, 2019	**77,098**	**120.24**
Granted*	76,348	146.96
Nonvested, March 31, 2020	**153,446**	**133.53**
Granted*	39,780	376.45
Vested	(77,098)	(106.37)
Nonvested, March 31, 2021	**116,128**	**$ 215.30**

*The amounts granted are the maximum amounts under the terms of the applicable LTIP PSUs.

Long-Term Incentive Plan Options. During the years ended March 31, 2021, 2020, and 2019, no LTIP NQSOs were granted. Previously, the Company approved the issuance of LTIP NQSOs under the 2015 SIP, including in June 2017 (2018 LTIP NQSOs), which were awarded to certain members of the Company's management team, with a maximum contractual term of seven years from the grant date. If the recipient provided continuous service, the LTIP NQSOs would vest after the Company had determined it achieved the target performance criteria by the date specified in the award.

As of March 31, 2020, the Company determined that the target performance criteria related to the LTIP NQSOs for the year ended March 31, 2020 were achieved. Each vested LTIP NQSO provides the recipient the right to purchase a specified number of shares of the Company's common stock at a fixed exercise price per share based on the closing price of the common stock on the date of grant.

LTIP option activity recorded in the consolidated statements of comprehensive income, were as follows:

	Number of Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Nonvested, March 31, 2018	**397,340**	**$ 65.70**	**7.1**	**$ 9,666**
Forfeited	(35,957)	(69.29)		
Nonvested, March 31, 2019	**361,383**	**65.35**	**6.2**	**29,504**
Exercised	(58,444)	(61.86)		
Nonvested, March 31, 2020	**302,939**	**66.02**	**5.0**	**20,594**
Exercised	(107,197)	(63.20)		
Nonvested, March 31, 2021	**195,742**	**$ 67.56**	**3.6**	**$ 51,452**

The Company measured stock-based compensation expense for the 2018 LTIP NQSOs at the date of grant using the Black-Scholes option pricing model, with the following weighted-average valuation assumptions:

	2018 LTIP NQSOs
Expected life (in years)	4.90
Expected volatility	38.73 %
Risk free interest rate	1.78 %
Dividend yield	— %
Weighted-average exercise price	$ 69.29
Weighted-average option value	$ 25.03

Grants to Directors. Each of the Company's nonemployee directors is entitled to receive common stock with a total value of $125 for annual service on the Board of Directors. The shares are issued in equal quarterly installments with the number of shares being determined using the rolling average of the closing price of the Company's common stock during the last ten trading days leading up to, and including, the 15th day of the last month of each quarterly period. Each of these shares is fully vested on the date of issuance.

Stock-Based Compensation Expense. Components of stock-based compensation expense recorded in the consolidated statements of comprehensive income, were as follows:

	Years Ended March 31,		
	2021	2020	2019
Annual RSUs	$ 7,820	$ 6,509	$ 6,588
Annual PSUs	1,900	2,851	2,373
LTIP PSUs	11,555	2,203	885
LTIP NQSOs	—	1,641	3,516
Grants to Directors	1,195	1,045	1,223
Employee Stock Purchase Plan	231	228	189
Total stock-based compensation expense, pre-tax	22,701	14,477	14,774
Income tax benefit	(5,441)	(3,308)	(3,546)
Total stock-based compensation expense, net of tax	**$ 17,260**	**$ 11,169**	**$ 11,228**

Employee Stock Purchase Plan. The 2015 Employee Stock Purchase Plan (ESPP) authorizes 1,000,000 shares of the Company's common stock for sale to eligible employees using their after-tax payroll deductions, which are refundable until purchases are made, and are liability-classified. ESPP shares are excluded from basic earnings per share until purchases are made, while included in diluted earnings per share computations as after-tax payroll deductions are made. Each consecutive purchase period is six months (purchase period) in duration and shares are purchased on the last trading day of the purchase period (no look-back provision) for a fixed amount at a 15% discount to the closing price on that date. Purchase windows take place in February and August of each fiscal year. The net difference between the timing of compensation expense incurred and remeasured during the purchase period and purchase windows are recorded in other accrued expenses in the consolidated balance sheets.

Unrecognized Stock-Based Compensation Expense. Total remaining unrecognized stock-based compensation expense as of March 31, 2021 related to non-vested awards that the Company considers probable to vest and the weighted-average period over which the cost is expected to be recognized in future periods, are as follows:

	Unrecognized Stock-based Compensation Expense	Weighted-Average Remaining Vesting Period (Years)
Annual RSUs	$ 8,911	1.1
Annual PSUs	842	0.7
LTIP PSUs	14,645	1.4
Total	**$ 24,398**	

Note 9. Derivative Instruments

As of March 31, 2021 and 2020, the Company had no outstanding derivative contracts, however, settled derivative contracts with notional values were as follows:

	Years Ended March 31,	
	2021	2020
Designated Derivative Contracts	$ 68,241	$ 65,569
Non-Designated Derivative Contracts	18,909	49,251
Total	**$ 87,150**	**$ 114,820**

The following table summarizes the effect of Designated Derivative Contracts and the related income tax effects of unrealized gains or losses recorded in the consolidated statements of comprehensive income for changes in AOCL:

	Years Ended March 31,		
	2021	2020	2019
(Loss) gain recorded in Other comprehensive income	$ (1,223)	$ 1,516	$ 8,355
Reclassifications from AOCL into net sales	1,223	(1,516)	(8,675)
Income tax benefit in Other comprehensive income*	—	—	77
Total	$ —	$ —	$ (243)

*The amount for the year ended March 31, 2019 is inclusive of the income tax effects from the Tax Reform Act reclassified from AOCL to retained earnings in the consolidated balance sheets in connection with the previous adoption of a new accounting standard.

The Company had settled all its outstanding Designated Derivative Contracts as of March 31, 2021 and 2020, and therefore the amounts are zero for each respective year.

Amounts excluded from effectiveness testing recorded in SG&A expenses for Designated Derivative Contracts were as follows:

	Years Ended March 31,		
	2021	2020	2019
Gain excluded from effectiveness testing recorded in SG&A expenses*	$ —	$ —	$ 1,918

*The amount for the year ended March 31, 2019 was recognized under legacy US GAAP. Beginning April 1, 2019, under the new hedging standard, these amounts are now recorded as a component of AOCL and were classified in net sales during the years ended March 31, 2021 and 2020.

The following table summarizes the effect of Non-Designated Derivative Contracts:

	Years Ended March 31,		
	2021	2020	2019
Gain recorded in SG&A expenses	$ 267	$ 328	$ 1,393

The non-performance risk of the Company and the counterparties did not have a material impact on the fair value of its derivative contracts.

Note 10. Stockholders' Equity

Stock Repurchase Programs. In January 2019, the Company's Board of Directors approved a stock repurchase program that authorized the Company to repurchase a total of up to $261,000 of its common stock in the open market or in privately negotiated transactions, subject to market conditions, applicable legal requirements, and other factors (the stock repurchase program).

As of March 31, 2021, the aggregate remaining approved amount under the Company's stock repurchase program was $60,660. The Company's current revolving credit agreements allow it to make stock repurchases under this program, as long as the Company does not exceed certain leverage ratios and no event of default has occurred under this arrangement.

Stock repurchase activity under the Company's stock repurchase program, was as follows:

	Years Ended March 31,		
	2021	2020	2019
Total number of shares repurchased*	307,080	1,296,201	1,400,699
Average price paid per share	$ 322.87	$ 146.89	$ 115.22
Dollar value of shares repurchased	$ 99,147	$ 190,405	$ 161,395

*Any stock repurchases are made as part of publicly announced programs in open-market transactions.

The Company's Board of Directors approved an additional authorization of $750,000 during April 2021 for the Company to repurchase its common stock under the same conditions as the prior stock repurchase program. Subsequent to March 31, 2021 through May 13, 2021, the Company repurchased 70,881 shares for $23,466 at an average price of $331.06 per share, and had $787,194 remaining authorized under the stock repurchase program. The Company's stock repurchase program does not obligate it to acquire any particular amount of common stock and may be suspended at any time at the Company's discretion.

Accumulated Other Comprehensive Loss. The components within AOCL recorded in the consolidated balance sheets, were as follows:

	As of March 31,	
	2021	2020
Cumulative foreign currency translation loss	$ (16,743)	$ (25,559)
Total	**$ (16,743)**	**$ (25,559)**

Note 11. Basic and Diluted Shares

The reconciliation of basic to diluted weighted-average common shares outstanding, are as follows:

	Years Ended March 31,		
	2021	2020	2019
Basic	28,055,000	28,385,000	29,641,000
Dilutive effect of equity awards	351,000	309,000	262,000
Diluted	**28,406,000**	**28,694,000**	**29,903,000**
Excluded			
Annual RSUs and Annual PSUs	4,000	3,000	3,000
LTIP PSUs	116,000	153,000	77,000
LTIP NQSOs	—	—	170,000
Deferred Non-Employee Director Equity Awards	1,000	—	2,000

Excluded Awards. The equity awards excluded from the calculation of the dilutive effect have been excluded due to one of the following: (1) the shares were anti-dilutive; (2) the necessary conditions had not been satisfied for the shares to be deemed issuable based on the Company's performance for the relevant performance period; or (3) the Company recorded a net loss during the period presented (such that inclusion of these equity awards in the calculation would have been antidilutive). The number of shares stated for each of these excluded awards is the maximum number of shares issuable pursuant to these awards. For those awards subject to the achievement of performance criteria, the actual number of shares to be issued pursuant to such awards will be based on Company performance in future periods, net of forfeitures, and may be materially lower or higher than the number of shares presented, which could result in a lesser or more dilutive effect, respectively. Refer to Note 8, “Stock-Based Compensation,” for further information on the Company's equity incentive plans.

Note 12. Reportable Operating Segments

Information reported to the Chief Operating Decision Maker (CODM), who is the Company’s Principal Executive Officer, is organized into the Company’s six reportable operating segments and is consistent with how the CODM evaluates performance and allocates resources. The Company does not consider international operations to be a separate reportable operating segment, and the CODM reviews such operations in the aggregate with the reportable operating segments. Inter-segment sales from the Company’s wholesale reportable operating segments to the DTC reportable operating segment are at the Company’s cost, and there is no inter-segment profit on these inter-segment sales, nor are they reflected in income (loss) from operations of the wholesale reportable operating segments.

The Company evaluates reportable operating segment performance primarily based on net sales and income (loss) from operations. The wholesale operations of each brand are generally managed separately because each requires different marketing, research and development, design, sourcing, and sales strategies. The income (loss) from operations of each of the reportable operating segments includes only those costs which are specifically related to each reportable operating segment, which consist primarily of cost of sales, research and development, design, sales and marketing, depreciation, amortization, and the direct costs of employees within those reportable operating segments. The Company does not allocate corporate overhead costs or non-operating income and expenses to reportable operating segments, which include unallocable overhead costs associated with the Company’s warehouse and distribution center (DC), certain executive and stock-based compensation, accounting, finance, legal, information technology, human resources, and facilities, among others.

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Reportable operating segment information, with a reconciliation to the consolidated statements of comprehensive income, was as follows:

	Years Ended March 31,		
	2021	2020	2019
Net sales			
UGG brand wholesale	$ 871,799	$ 892,990	$ 888,347
HOKA brand wholesale	405,243	277,097	185,057
Teva brand wholesale	105,928	119,108	119,390
Sanuk brand wholesale	26,566	39,463	69,791
Other brands wholesale	69,375	67,175	42,818
Direct-to-Consumer	1,066,730	736,856	715,034
Total	**$ 2,545,641**	**$ 2,132,689**	**$ 2,020,437**
Income (loss) from operations			
UGG brand wholesale	$ 292,718	$ 303,908	$ 300,761
HOKA brand wholesale	111,208	61,860	35,717
Teva brand wholesale	27,120	30,736	27,939
Sanuk brand wholesale	(162)	3,212	12,781
Other brands wholesale	21,573	16,087	10,411
Direct-to-Consumer	349,465	182,548	185,449
Unallocated overhead costs	(297,717)	(260,216)	(245,738)
Total	**$ 504,205**	**$ 338,135**	**$ 327,320**
Depreciation, amortization, and accretion			
UGG brand wholesale	$ 532	$ 611	$ 1,254
HOKA brand wholesale	611	612	456
Teva brand wholesale	—	1	10
Sanuk brand wholesale	1,727	2,361	4,171
Other brands wholesale	382	382	382
Direct-to-Consumer	11,121	10,586	12,195
Unallocated overhead costs	26,157	24,359	26,473
Total	**$ 40,530**	**$ 38,912**	**$ 44,941**
Capital expenditures			
UGG brand wholesale	$ (31)	$ 404	$ 205
HOKA brand wholesale	56	434	285
Sanuk brand wholesale	8	—	—
Other brands wholesale	40	64	11
Direct-to-Consumer	10,434	7,753	5,739
Unallocated overhead costs	21,711	23,800	22,846
Total	**$ 32,218**	**$ 32,455**	**$ 29,086**

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Assets allocated to each reportable operating segment include trade accounts receivable, net, inventories, net, property and equipment, net, operating lease assets, goodwill, other intangible assets, net, and certain other assets that are specifically identifiable for one of the Company's reportable operating segments. Unallocated assets are those assets not directly related to a specific reportable operating segment and generally include cash and cash equivalents, deferred tax assets, net, and various other corporate assets shared by the Company's reportable operating segments.

Assets allocated to each reportable operating segment, with a reconciliation to the consolidated balance sheets, were as follows:

	As of March 31,	
	2021	2020
Assets		
UGG brand wholesale	$ 212,277	$ 245,239
HOKA brand wholesale	168,365	124,958
Teva brand wholesale	87,284	90,305
Sanuk brand wholesale	38,311	50,314
Other brands wholesale	18,732	21,535
Direct-to-Consumer	196,091	243,489
Total assets from reportable operating segments	721,060	775,840
Unallocated cash and cash equivalents	1,089,361	649,436
Unallocated deferred tax assets, net	37,194	28,233
Unallocated other corporate assets	320,090	311,609
Total	**$ 2,167,705**	**$ 1,765,118**

Note 13. Concentration of Business

Regions and Customers. The Company sells its products to customers throughout the US and to foreign customers in various countries, with concentrations that were as follows:

	Years Ended March 31,		
	2021	2020	2019
International net sales	**$ 784,164**	**$ 730,997**	**$ 742,079**
% of net sales	30.8 %	34.3 %	36.7 %
Net sales in foreign currencies	**$ 611,897**	**$ 587,233**	**$ 605,725**
% of net sales	24.0 %	27.5 %	30.0 %
Ten largest customers as % of net sales	**27.8 %**	**28.0 %**	**27.7 %**

For the years ended March 31, 2021, 2020, and 2019, no single foreign country comprised 10.0% or more of the Company’s total net sales. No single customer accounted for 10.0% or more of the Company’s net sales during the years ended March 31, 2021, 2020, and 2019.

The Company sells its products to customers for trade accounts receivables and, as of March 31, 2021, had one customer that made up 12.8% of the net trade accounts receivables. As of March 31, 2020, no individual customers exceeded 10% of trade accounts receivable, net. Management performs regular evaluations concerning the ability of the Company’s customers to satisfy their obligations to the Company and recognizes an allowance for doubtful accounts based on these evaluations.

Suppliers. The Company's production is concentrated at a limited number of independent manufacturing factories, primarily in Asia. Sheepskin is the principal raw material for certain UGG brand products and most of the Company's sheepskin is purchased from two tanneries in China, which is sourced primarily from Australia and the United Kingdom. The Company believes significant factors affecting the price of sheepskin include weather patterns, harvesting decisions, incidence of disease, the price of other commodities such as wool and leather, the demand for the Company's products and the products of its competitors, the use of substitute products or components, and global economic conditions.

Long-Lived Assets. Long-lived assets, which consist of property and equipment, net, recorded in the consolidated balance sheets, are as follows:

	As of March 31,	
	2021	2020
US	$ 194,833	$ 194,679
Foreign*	11,377	14,358
Total	**$ 206,210**	**$ 209,037**

*No single foreign country’s property and equipment, net, represented 10.0% or more of the Company’s total property and equipment, net, as of March 31, 2021 and 2020.

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Note 14. Quarterly Summary of Information (Unaudited)

The Company's business is seasonal, with the highest percentage of UGG and Koolaburra brand net sales occurring in the quarters ending September 30th and December 31st and the highest percentage of Teva and Sanuk brand net sales occurring in the quarters ending March 31st and June 30th. Net sales for the HOKA brand occur more evenly throughout the year reflecting the brand's year-round performance product offerings. Due to the magnitude of the UGG brand relative to the Company's other brands, the Company's aggregate net sales in the quarters ending September 30th and December 31st still significantly exceed the Company's aggregate net sales in the quarter ending March 31st. While the Company continues to take steps to diversify and expand its product offerings by creating more year-round styles and growing the year-round net sales of the HOKA brand as a percentage of the Company's aggregate net sales, the Company expects the impact from seasonality to continue to decrease over time. However, it is unclear whether seasonal impacts will be minimized or exaggerated in future periods as a result of the disruptions and uncertainties caused by the pandemic.

Summarized unaudited quarterly financial data, were as follows:

	Fiscal Year 2021			
	Quarter Ended			
	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Net sales	$ 283,169	$ 623,525	$ 1,077,759	$ 561,188
Gross profit	142,566	318,977	613,897	298,650
(Loss) income from operations	(7,699)	128,604	328,655	54,645
Net (loss) income	(7,973)	101,554	255,536	33,458
Net (loss) income per share				
Basic	$ (0.28)	$ 3.62	$ 9.09	$ 1.19
Diluted	$ (0.28)	$ 3.58	$ 8.99	$ 1.18

	Fiscal Year 2020			
	Quarter Ended			
	6/30/2019	9/30/2019	12/31/2019	3/31/2020
Net sales	$ 276,839	$ 542,205	$ 938,735	$ 374,910
Gross profit	130,019	273,024	507,632	192,998
(Loss) income from operations	(31,417)	97,131	255,766	16,655
Net (loss) income	(19,351)	77,810	201,593	16,090
Net (loss) income per share				
Basic	$ (0.67)	$ 2.73	$ 7.21	$ 0.57
Diluted	$ (0.67)	$ 2.71	$ 7.14	$ 0.57

Schedule II

DECKERS OUTDOOR CORPORATION AND SUBSIDIARIES
TOTAL VALUATION AND QUALIFYING ACCOUNTS
(amounts in thousands)

Allowances for doubtful accounts, sales discounts, chargebacks, and sales returns against trade accounts receivable recorded in the consolidated balance sheets, are as follows:

	As of March 31,		
	2021	2020	2019
Allowance for doubtful accounts (1)			
Balance at Beginning of Year	$ (6,989)	$ (5,073)	$ (3,487)
Additions	(3,052)	(3,498)	(2,849)
Deductions	311	1,582	1,263
Balance at End of Year	$ (9,730)	$ (6,989)	$ (5,073)
Allowance for sales discounts (2)			
Balance at Beginning of Year	$ (1,030)	$ (710)	$ (1,400)
Additions	(16,414)	(14,845)	(11,712)
Deductions	14,428	14,525	12,402
Balance at End of Year	$ (3,016)	$ (1,030)	$ (710)
Allowance for chargebacks (3)			
Balance at Beginning of Year	$ (13,127)	$ (13,041)	$ (7,727)
Additions	(23,214)	(13,399)	(23,369)
Deductions	22,571	13,313	18,055
Balance at End of Year	$ (13,770)	$ (13,127)	$ (13,041)
Allowance for sales returns (4)			
Balance at Beginning of Year	$ —	$ —	$ (20,848)
Deductions	—	—	20,848
Balance at End of Year	$ —	$ —	$ —
Total	**$ (26,516)**	**$ (21,146)**	**$ (18,824)**

(1) The additions to the allowance for doubtful accounts represent estimates of the Company's bad debt expense based on the factors on which the Company evaluates the collectability of its accounts receivable, with actual recoveries netted into additions. Deductions are for the actual write-off of the related trade accounts receivables.

(2) The additions to the allowance for sales discounts represent estimates of discounts to be taken by the Company's customers based on the amount of outstanding discounts for meeting certain order, shipment, and prompt payments terms. Deductions are for the actual discounts taken by the Company's wholesale channel customers. Discounts for DTC consumers are taken at the point of sale and are not reflected in the allowance for sales discounts.

(3) The additions to the allowance for chargebacks represent chargebacks and markdowns taken in the respective year, as well as an estimate of amounts that will be taken in the future related to sales in the current reporting period. Deductions are for the actual amounts written off against outstanding trade accounts receivables.

(4) Amounts presented as of March 31, 2019 reflect the wholesale channel sales returns reserve on a net basis after the adoption of ASU 2014-09, *Revenue from Contracts with Customers,* which resulted in gross basis presentation in the consolidated balance sheets beginning April 1, 2018. Returns for DTC consumer products were previously excluded as they were separately recorded in other accrued expenses in the consolidated balance sheets. In prior periods presented, the additions to the allowance for sales returns represented estimates of returns based on the Company's historical wholesale channel customer returns experience. Deductions were for the actual return of product.

EXHIBIT 10.4

STANDARD INDUSTRIAL LEASE
(NET)

1. BASIC LEASE TERMS.

(a) DATE OF LEASE EXECUTION: February 10, 2021

(b) TENANT: DECKERS OUTDOOR CORPORATION, a Delaware corporation

Trade Name: Deckers Brands

Address (Premises): 2633 Westpoint Blvd., Mooresville, IN 46158

Address for Notices: Deckers Outdoor Corporation
250 Coromar Drive
Goleta, CA 93117
Attn: Facilities Department

with a copy to:

Deckers Outdoor Corporation
250 Coromar Drive
Goleta, CA 93117
Attn: Legal Department

(c) LANDLORD: WESTPOINT BUILDING II, LLC, an Indiana limited liability company

Address for Rent: Westpoint Building II, LLC
8888 Keystone Crossing, Suite 1150
Indianapolis, IN 46240

Address for Notices: Westpoint Building II, LLC
8888 Keystone Crossing, Suite 1150
Indianapolis, IN 46240
Attn: Aasif Bade

with a copy to:

Barnes & Thornburg LLP
11 South Meridian Street
Indianapolis, IN 46204
Attn: David Durm

(d) TENANT'S PERMITTED USE OF PREMISES: General administrative, office, warehouse, storage, distribution and sales uses (other than retail) of Tenant's products, and for other lawful uses directly incidental and ancillary thereto, subject to the provisions set forth in this Lease and as permitted by law.

(e) LAND; BUILDING; IMPROVEMENTS; PROJECT:

(i) LAND: The parcel(s) of real property located in the City of Mooresville (the "City"), County of Hendricks (the "County"), State of Indiana ("State"), as described on **Exhibit B** attached hereto, containing approximately 2,442,844.8 square feet of land (the "Land") as of the Commencement Date (as defined below). Landlord and Tenant acknowledge that the Land is not a separate legal parcel as of the date of this Lease and that Landlord may separate the Land from the remainder of such legal parcel following the date of this Lease (i.e., by recording a lot split, lot-line adjustment, parcel map or similar documentation).

(ii) BUILDING: The building to be built by Landlord on the Land, which building will initially contain approximately 507,600 square feet (the "Building"), subject to adjustment pursuant to Paragraph 2(c) below. The Building is more particularly depicted on the site plan ("Site Plan") attached hereto as **Exhibit A**.

(iii) IMPROVEMENTS: The Building and the other improvements to be built by Landlord on the Land pursuant to the Work Letter Agreement attached hereto as **Exhibit C** (the "Work Letter").

(iv) PROJECT: The Building is part of the project commonly known as Westpoint Business Park, consisting of approximately 555 acres

(f) PREMISES: The Land and the Improvements (excluding any work done by or through Tenant), subject to expansion pursuant to **Rider 2**.

(g) TERM; COMMENCEMENT DATE; RENT COMMENCEMENT DATE; EXPIRATION DATE:

Term: Approximately one hundred twenty (120) months following the Rent Commencement Date, subject to extension as set forth in **Rider 1** and **Rider 2** attached hereto.

Commencement Date: Upon mutual execution and delivery of this Lease (notwithstanding that certain of Tenant's obligations do not commence pursuant to the terms of this Lease until Tenant is permitted early entry upon the Premises pursuant to the terms of Paragraph 3 below, the Delivery Date or the Rent Commencement Date, as applicable).

Beneficial Occupancy: Landlord shall provide Tenant with access and beneficial occupancy of the Premises for Tenant's storage of Tenant's equipment and/or Tenant's use of the existing office area on or before April 1, 2021.

Delivery Date: Landlord shall deliver the Premises on or before July 1, 2021, for the installation of Tenant furniture, fixtures and equipment ("FF&E"). There shall be no charge to Tenant (a) during the Beneficial Occupancy period, and (b) from the Delivery Date through the Rent Commencement Date.

Rent Commencement Date: The earlier to occur of (a) October 1, 2021, or (b) the later of (i) the date on which Tenant begins its business operations in the Premises, or (ii) September 1, 2021. (See Paragraph 3(c) below)

Expiration Date: The last day of the one hundred twentieth (120^{th}) full calendar month immediately following the Rent Commencement Date (subject to extension pursuant to the terms of **Rider 2** attached hereto).

(h) BASIC RENT FOR THE PREMISES:

Months Following the Rent Commencement Date	Basic Rent Per Month (Per Square Foot)
1 – 12	$3.69
13 – 24	$3.75
25 – 36	$3.82
37 – 48	$3.89
49 – 60	$3.96
61 – 72	$4.03
73 – 84	$4.10
85 – 96	$4.17
97 – 108	$4.24
109 – 120	$4.31

(i) PREPAID RENT: Tenant shall pay to Landlord on or before three (3) business days after the Commencement Date, the Basic Rent for the first month of the Term in the amount equal to One Hundred Fifty-Six Thousand Eighty-Seven and No/100 Dollars ($156,087.00), based upon the initial Premises containing 507,600 square feet of space, subject to adjustment pursuant to Paragraph 2(c) below.

(j) TENANT'S SHARE: 100%

(k) SECURITY DEPOSIT: an amount equal to One Hundred Fifty-Six Thousand Eighty-Seven and No/100 Dollars ($156,087.00).

(l) BROKER(S): JLL, representing Landlord; CRESA Los Angeles, representing Tenant.

(m) GUARANTOR(S): None.

(n) RIDERS: **Rider 1** and **Rider 2** attached hereto and made a part hereof.

(o) EXHIBITS: Exhibits lettered "A" through "M", inclusive, and Exhibits "X" and "X-1" are attached hereto and made a part hereof.

This Paragraph 1 represents a summary of the basic terms of this Lease. In the event of any inconsistency between the terms contained in this Paragraph 1 and any specific provision of this Lease, the terms of the more specific provision shall prevail.

2. PREMISES.

(a) Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, the Premises, as the same may be expanded pursuant to the terms set forth in this Lease.

(b) The parties agree that the letting and hiring of the Premises is upon and subject to the terms, covenants and conditions herein set forth and Tenant and Landlord each covenant as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions by it to be kept and performed and that this Lease is made upon the condition of such performance by the parties.

(c) Within forty-five (45) days following the completion of the Shell Improvements (as defined in Section 9.1 of the Work Letter), the Premises shall be measured by Landlord's architect in accordance with be AIA D-101 standard ("AIA") using the "drip line" methodology which includes measuring to the exterior face of the perimeter walls of the Building. Landlord shall deliver the results of such measurement to Tenant within fifteen (15) days following Landlord's receipt of measurements from Tenant's architect. In the event Landlord disagrees with the square footage as stated by Landlord's architect, then Tenant shall have the right, exercisable within thirty (30) days after the date Landlord provides the square footage pursuant to the measurement, to object to the square footage and to cause the Premises to be measured by Tenant's architect. If Landlord disagrees with Tenant's remeasurement and if a dispute occurs and continues for thirty (30) days following Landlord's receipt of Tenant's architect measurement regarding the final accuracy of such measurements, Landlord and Tenant shall agree and select within ten (10) days following said 30-days upon a mutually acceptable architect with at least 10 years of experience in designing and measuring similar buildings in the greater Indianapolis, Indiana area to remeasure the Premises within fifteen (15) days from the time such architect was selected in accordance with AIA and the determination of such architect shall be binding upon Landlord and Tenant. Landlord and Tenant shall each be responsible for the cost of their chosen architect and the cost of the mutually selected architect, if applicable, shall be borne by Landlord and Tenant equally. In the event that the foregoing measurement determines that the square footage of the Building is different by at least 1,000 square feet from the square footage set forth in this Lease, then all amounts, percentages and figures appearing or referred to in this Lease based upon such incorrect amount (including, without limitation, the amount of the "rent" and the abated amounts set forth in Subparagraph 5(b) below) shall be modified in accordance with such determination. If such determination is made, it will be confirmed in writing by Landlord to Tenant within thirty (30) days following such determination.

(d) Landlord hereby represents and warrants to Tenant that, (i) except as set forth on the Title Policy (defined in Paragraph 36(a) below), there is no existing declaration of covenants, conditions and restrictions ("CC&Rs") encumbering the Premises or the Project as of the date of this Lease, and (ii) Landlord has provided to Tenant, prior to execution of this Lease, copies of the following reports/documents/agreements in Landlord's possession in connection with the Project: (A) Phase I environmental report; (B) soil report; and (C) property survey. Landlord further agrees not to record any new CC&R's against the Premises or Project after the date of this Lease unless such new CC&R's or a modification of any existing CC&R's are necessary, in Landlord's commercially reasonable discretion, in connection with the development or operation of the Premises or Project and provided such new CC&R's or a modification of any existing CC&R's do not materially and adversely affect Tenant's rights or obligations under this Lease.

3. LEASE TERM.

(a) The Term of this Lease shall be for the period designated in Subparagraph 1(g) commencing on the Rent Commencement Date, and ending on the Expiration Date, unless the term hereby demised shall be sooner terminated as herein provided (the "Term"). Notwithstanding the foregoing, if the Rent Commencement Date falls on any day other than the first day of a calendar month then the Basic Rent and NNN Charges shall be prorated based on the number of days for the applicable month using the Basic Rent and NNN Charges for the first month of the Term as set forth herein, and the Term of this Lease shall be measured from the first day of the month following the month in which the Rent Commencement Date occurs. Landlord and Tenant shall promptly execute **Exhibit D** to confirm the Commencement Date, the Delivery Date, the Rent Commencement Date and the Expiration Date and other matters.

(b) Notwithstanding the fact that the Rent Commencement Date has yet to occur, Landlord agrees to permit Tenant to enter the Premises during the construction of the same from and after April 1, 2021, (i) for the Advance Handling Systems Access pursuant to Paragraph 6 of the Work Letter, and (ii) upon the Delivery Date in order for Tenant to commence the installation of its equipment, trade fixtures and personal property. Such entry shall be subject to all of the conditions set forth in this paragraph below. Such early entry is conditioned upon Tenant and its contractors, employees, agents and invitees (collectively, "Tenant Construction Parties") working in harmony and not materially interfering with Landlord and its contractors. In the event Landlord provides Tenant with notice (written or verbal) that Tenant Construction Parties are materially interfering with Landlord and its contractors, and Tenant fails to cease such material interference within two (2) days following receipt of such notice from Landlord (such two (2) days of interference being deemed a Tenant Delay for all purposes of this Lease), then Landlord may terminate such early entry. Tenant agrees that any such early entry is subject to all of the terms and conditions of this Lease, except for those relating to the payment of Basic Rent, NNN Charges and any additional rent and other recurring monetary obligations which have a specific commencement time, which provisions will become applicable in accordance with the terms of this Lease; provided, however, Tenant shall pay for utilities and janitorial/trash services provided to the Premises from and after the Delivery Date.

(c) Additionally, prior to the Rent Commencement Date, Tenant may commence business operations in the Premise following receipt a certificate of occupancy, temporary certificate of occupancy or a reasonable equivalent that allows Tenant to commence business operations in the Premises. In the event such business operations commence prior to September 1, 2021, the Rent Commencement Date shall be deemed to occur on September 1, 2021. In the event such business operations commence occur after September 1, 2021 but prior to October 1, 2021, the Rent Commencement Date shall be deemed to occur on the date such business operations commence. If no business operations commence prior to October 1, 2021, such date shall be deemed the Rent

Commencement Date, subject to any Milestone Penalties (as defined in the Work Letter attached hereto as **Exhibit C**).

4. POSSESSION.

(a) Delivery of Possession. Landlord agrees to deliver exclusive possession of the Premises to Tenant upon the "Substantial Completion" of the Improvements in accordance with the terms of the Work Letter attached hereto as **Exhibit C**. Notwithstanding the foregoing, Landlord shall not be obligated to deliver possession of any portion of the Premises to Tenant (including, without limitation, for purposes of the Advance Handling Systems Access) until Landlord has received from Tenant all of the following: (i) the Prepaid Rent; (ii) the Security Deposit (iii) executed copies of policies of insurance or certificates thereof as required under Paragraph 16 of this Lease; (iv) copies of all governmental permits and authorizations required in connection with Tenant's operation of its business upon the Premises, if any; and (v) an executed original of the Hazardous Materials Questionnaire in the form attached hereto as **Exhibit I**. Following delivery of exclusive possession, Tenant shall have access to the Premises 24 hours per day, 7 days per week and 365 days per year.

(b) Condition of Premises. Subject to (i) construction of the Improvements in accordance with the terms of the Work Letter attached hereto as **Exhibit C**, (ii) any warranties from contractors and/or manufacturers (which shall be assigned to Tenant on a nonexclusive basis), and (iii) any obligations of Landlord to maintain, replace or repair the Premises as expressly set forth in this Lease, by taking possession of any portion of the Premises, Tenant will be deemed to have accepted the Premises in its "AS-IS," "WHERE-IS," with all faults condition on the date of delivery of possession and to have acknowledged that there are no items needing work or repair. Tenant acknowledges that, except as expressly set forth in this Lease, neither Landlord nor any agent of Landlord has made any representation or warranty with respect to the Premises or any portions thereof or with respect to the suitability of same for the conduct of Tenant's business or any other business.

(c) Incentives. Tenant, at Tenant's sole cost, shall, at its option, attempt to secure certain incentives from the City of Mooresville and other governmental agencies. Landlord, at no additional charge to Landlord, shall use its commercially reasonable efforts to cooperate with Tenant while Tenant is securing any such incentives, provided such incentives do not impose any additional requirements, costs (unless such costs are paid by Tenant) or obligations on Landlord or any portion of the Project. Tenant shall reimburse Landlord, as additional rent, for any and all actual costs incurred by Landlord at Tenant's request in connection with Landlord's above described cooperation.

5. RENT.

(a) Basic Rent; NNN Charges. Tenant agrees to pay Landlord Basic Rent for the Premises on a monthly basis at the Basic Rent rate designated in Subparagraph 1(h) above, each in advance of the first day of each and every calendar month during the Term, except that the Prepaid Rent set forth in Subparagraph 1(i) shall be paid on or before three (3) business days following the Commencement Date, and applied to the first full calendar month occurring during the Term. If the Term of this Lease commences on a day other than the first day of a calendar month or ends on a day other than the last day of a calendar month, then the rent (as defined below) for such periods shall be prorated in the proportion that the number of days this Lease is in effect during such periods bears to thirty (30), and such rent shall be paid at the commencement of such period. In addition to the Basic Rent, Tenant agrees to pay Tenant's Share of additional rent as provided in Paragraph 11 (Taxes), Paragraph 13 (Maintenance Expenses), and Paragraph 16 (Insurance Costs), and the Management Fee defined in Paragraph 5(d) below (collectively, the "NNN Charges"). The Basic Rent, NNN Charges, any additional rent payable pursuant to the provisions of this Lease, and any rental adjustments shall be paid to Landlord, without any prior demand therefor, and, except as expressly provided in this Lease, without any deduction or offset whatsoever, in lawful money of the United States of America, which shall be legal tender at the time of payment, at the address of Landlord designated in Subparagraph 1(c) or to such other person or at such other place as Landlord may from time to time designate in writing. Further, all charges to be paid by Tenant hereunder, including, without limitation, payments for NNN Charges, shall be considered "additional rent" for the purposes of this Lease, and the word "rent" in this Lease shall include such additional rent unless the context specifically or clearly implies that only the Basic Rent is referenced. Basic Rent shall be adjusted as provided in Subparagraph 1(h) above. The NNN Charges for the Premises during the first year of the initial Term of this Lease are estimated to be as follows (the "Estimated NNN Charges"):

Category of NNN Charges	Estimate Per Yr./SF	Estimate Per Month/SF
Property Taxes[1]	$0.05	$0.004167
Insurance (inclusive of earthquake coverage)	$0.05	$0.004167
Common Area Maintenance	$0.25	$0.02083

(b) Intentionally Deleted.

(c) Late Payment. Tenant acknowledges that late payment by Tenant to Landlord of any rent or other sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of

[1] The Property Taxes are subject to the existing tax abatement on the Property pursuant to the Resolution and Tax Abatement Schedule, as illustrated on the Tax Abatement Estimate table, each of which are attached hereto as Exhibit X.

such costs being extremely difficult and impracticable to ascertain. Such costs include, without limitation, processing and accounting charges and late charges that may be imposed on Landlord by the terms of any encumbrance or note secured by the Premises. Therefore, if any rent or other sum due from Tenant is not received within ten (10) calendar days from when due, Tenant shall pay to Landlord an additional sum equal to five percent (5%) of such overdue payment for each month such payment remains overdue. Landlord and Tenant hereby agree that such late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of any such late payment. Additionally, all such delinquent rents or other sums, shall bear interest at the lesser of (i) eight percent (8%) per annum or (ii) the maximum legal interest rate (as applicable, the "Interest Rate"). Any payments of any kind returned for insufficient funds will be subject to an additional handling charge of $25.00.

(d) Triple Net Lease. Landlord and Tenant acknowledge that, except as otherwise expressly provided to the contrary in this Lease, it is their intent and agreement that this Lease be a "TRIPLE NET" lease and that as such, the provisions contained in this Lease are intended to pass on to Tenant or reimburse Landlord for the costs and expenses reasonably associated with this Lease, the Building and the Project (as applicable), and Tenant's operation therefrom. To the extent such costs and expenses payable by Tenant cannot be charged directly to, and paid by, Tenant, such costs and expenses shall be paid by Landlord but reimbursed by Tenant as additional rent hereunder, subject to the exclusions set forth in Exhibit M attached hereto. The NNN Charges shall include a property management fee in the amount of two percent (2%) of the then-current Base Rent and NNN Charges (the "Management Fee") and Tenant's Share of expenses incurred and passed through under the CC&Rs.

(e) Controllable Expenses. Notwithstanding anything to the contrary contained herein, following the first full calendar year of the initial Term of this Lease (i.e., whereby the Estimated NNN Charges are currently anticipated to be incurred), Tenant's Percentage of "controllable expenses" shall not increase by an average of more than five percent (5%) of such first full calendar year of the initial Term's NNN Charges per calendar year on a cumulative, compounded basis. As used herein, the term "controllable expenses" means all NNN Charges other than (i) the cost of utilities; (ii) Real Property Taxes; (iii) Insurance Costs; (iv) snow and ice removal; (v) capital repairs and replacements; and (v) repair costs incurred by Landlord pursuant to the first sentence of Paragraph 13(b) below.

(f) Audit Rights. Notwithstanding anything to the contrary contained in this Subparagraph 5(f) or elsewhere in this Lease, if Tenant disputes the amount of NNN Charges or Tenant's Share of same set forth in any annual reconciliation statement of a prior calendar year's NNN Charges delivered by Landlord to Tenant (the "Actual Statement"), Tenant or an accounting firm selected by Tenant and reasonably satisfactory to Landlord (billing hourly and not on a contingency fee basis) will have the right not later than two hundred seventy (270) days following receipt of an Actual Statement and upon no less than ten (10) days' notice to Landlord, to cause Landlord's general ledger of accounts, invoices and other items and records related thereto with respect to the calendar year(s) covered by such Actual Statement(s) to be audited, at no material cost or expense to Landlord except as otherwise set forth in this Lease; provided, however, Tenant shall not have the right to perform any such audit more than one (1) time for each Actual Statement provided by Landlord during the Term. Any audit conducted by or on behalf of Tenant shall be performed at Landlord's office and/or Landlord's property manager's office (at Tenant's sole election, it being the intent of the parties that Tenant shall have access to all records related to the Premises whether located at Landlord's office or Landlord's property manager's office) during Landlord's normal business hours and in a manner so as to minimize interference with Landlord's business operations. Landlord shall use commercially reasonable efforts to cooperate with Tenant's audit, and shall allow Tenant or Tenant's auditing team to make photocopies of any of Landlord's ledgers, invoices or other items and records pertaining to such audit; provided, however, Landlord shall not be obligated to make such photocopies on Tenant's behalf. Pending completion of any such audit, Tenant agrees to pay Landlord any such disputed amount of NNN Charges. If such audit discloses an overpayment by Tenant, Tenant shall receive a credit against Tenant's future NNN Charges in the amount of such overpayment until exhausted, or in the event such overpayment is determined following the expiration or earlier termination of this Lease, such overpayment shall be paid by Landlord to Tenant within thirty (30) days after such determination is made. If such audit discloses an underpayment by Tenant, Tenant shall pay to Landlord the amount of such underpayment within thirty (30) days after such determination is made. The amounts subsequently payable under this Subparagraph 5(f) by Landlord to Tenant or Tenant to Landlord, as the case may be, will be appropriately adjusted on the basis of such audit. Additionally, if such audit discloses a liability for further refund by Landlord to Tenant in excess of three percent (3%) of the NNN Charges previously made by Tenant for such calendar year, Tenant will receive a credit against Tenant's future NNN Charges for the reasonable cost of an audit performed by a third party; otherwise the cost of such audit including Landlord's costs incurred in complying with such audit will be borne by Tenant. To the extent Landlord must pay the cost of such third party audit, such cost shall not exceed a reasonable hourly charge for a reasonable amount of hours spent by such third-party in connection with the audit. Tenant agrees to keep, and to use commercially reasonable efforts to cause its accountant and employees to keep, all information revealed by any audit of Landlord's books and records strictly confidential and not to disclose any such information or permit any such information to be disclosed to anyone other than Landlord, unless compelled to do so by a court of law in connection with the resolution of any dispute related to such audit. In the event of any dispute Landlord and Tenant over the amount of NNN Charges or the results of any audit pertaining thereto, such dispute shall be dispute resolved and determined by binding arbitration pursuant to the terms of Paragraph 34(n)(ii) below.

6. PREPAID RENT.

On or before three (3) business days following the Commencement Date, Tenant shall pay to Landlord the Prepaid Rent set forth in Subparagraph 1(i), and if Tenant is not in default of any provisions of this Lease beyond all applicable notice and cure periods, such Prepaid Rent shall be applied during the first (1st) full calendar month Basic Rent is due during the Term with respect to Tenant's leasing of the Premises. Landlord's obligations with respect to

the Prepaid Rent are those of a debtor and not of a trustee, and Landlord can commingle the Prepaid Rent with Landlord's general funds. Landlord shall not be required to pay Tenant interest on the Prepaid Rent. Landlord shall be entitled to immediately endorse and cash Tenant's Prepaid Rent; however, such endorsement and cashing shall not constitute Landlord's acceptance of this Lease. In the event Landlord does not accept this Lease, Landlord shall return said Prepaid Rent. If Landlord sells the Premises and deposits with the purchaser the Prepaid Rent, Landlord shall be discharged from any further liability with respect to the Prepaid Rent.

7. SECURITY DEPOSIT.

On or before three (3) business days following the Commencement Date, Tenant shall pay to Landlord the Security Deposit. The Security Deposit shall be held by Landlord as security for the full and faithful performance of each provision of this Lease to be performed by Tenant. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of an event of default (as described in Section 20), Landlord may use all or part of the Security Deposit to pay delinquent payments due under this Lease, and the cost of any damage, injury, expense or liability caused by such event of default, without prejudice to any other remedy provided herein or provided by law. If any portion is so used, Tenant shall pay Landlord within ten (10) business days following demand the amount that will restore the Security Deposit to its original amount. Except as required by law, Tenant shall not be entitled to any interest on the Security Deposit and Landlord is not required to keep the Security Deposit separate from Landlord's own funds. The Security Deposit shall be the property of Landlord, but any remaining balance thereof shall be paid to Tenant within thirty (30) days after the expiration of this Lease. Landlord shall be released from any obligation with respect to the Security Deposit upon transfer of this Lease and the Premises to a person or entity assuming Landlord's obligations under this Section 7. Tenant hereby agrees not to look to any mortgagee for accountability for the Security Deposit, unless said sums have actually been received by such mortgagee as security for Tenant's performance of this Lease.

8. USE OF PREMISES AND PROJECT FACILITIES.

(a) Tenant's Use of the Premises. Tenant shall use the Premises for the use or uses set forth in Subparagraph 1(d) above, and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Landlord, which consent Landlord may withhold in its sole and absolute discretion. Except as expressly set forth in this Lease, Landlord makes no representations or warranties that said use of the Premises or any other use of the Premises is permitted by any duly constituted public authority having jurisdiction over the Premises or the conduct of Tenant's business.

(b) Compliance. At Tenant's sole cost and expense, Tenant shall procure, maintain and hold available for Landlord's inspection, all governmental licenses and permits required for Tenant's use of the Premises and the proper and lawful conduct of Tenant's business from the Premises. Tenant shall at all times during the Term of this Lease, at its sole cost and expense, observe and comply with the certificate of occupancy issued for the Building and all laws, statutes, zoning restrictions, ordinances, rules, regulations and requirements of any duly constituted public authority having jurisdiction over the Premises now or hereafter in force relating to or affecting the use, occupancy, alteration or improvement of the Premises including, without limitation, the provisions of Title III of the Americans with Disabilities Act of 1990, as amended (the "ADA"). Tenant shall not use or occupy the Premises in violation of any of the foregoing. Tenant shall, upon written notice from Landlord, discontinue any use of the Premises which is declared by any governmental and/or quasi-governmental authority having jurisdiction over the Premises to be a violation of law or of said certificate of occupancy. Tenant shall comply with all rules, orders, regulations and requirements of the Board of Fire Underwriters or any other insurance authority having jurisdiction over the Premises or any present or future insurer relating to the Premises. Provided that Landlord has provided Tenant with written notice identifying Tenant's use or action that is causing such non-compliance, if Tenant has not thereafter cured such non-compliance within ten (10) business days, Tenant shall, within thirty (30) days following demand, reimburse Landlord for any additional premium charged for any existing insurance policy or endorsement required by reason of Tenant's failure to comply with the provisions of this Paragraph 8. Tenant shall not use or knowingly allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or knowingly permit any nuisance in, on or about the Premises. Tenant shall comply with all restrictive covenants and obligations created by recorded agreements which affect the use and operation of the Premises, including, without limitation, the Rules and Regulations referred to in Paragraph 32 and attached hereto as **Exhibit F**. Tenant shall not commit or suffer to be committed any waste in or upon the Premises and shall keep the Premises in first-class repair and appearance, ordinary wear and tear excepted. Further, Tenant's business machines and mechanical equipment which cause vibration or noise that may be transmitted to the Building structure or to any other space in the Building shall be so installed, maintained and used by Tenant as to eliminate or minimize such vibration or noise. Tenant shall be responsible for all structural engineering required to determine structural load, as well as the expense thereof.

Notwithstanding the foregoing, Landlord agrees, as and when required by applicable law, to be responsible at its sole cost and expense for causing the Building, the Premises and the common areas of the Project to comply with the terms of the ADA existing as of the Commencement Date; provided, however, to the extent Landlord is required to incur any such costs as a result of Tenant's unique use of the Premises which is other than Tenant's Permitted Use of Premises, or as a result of any Alterations to the Premises made by or on behalf of Tenant after the Delivery Date, Tenant agrees to promptly reimburse Landlord for the same as additional rent hereunder within thirty (30) days following receipt of an invoice therefor.

(c) Hazardous Materials. Tenant shall not cause or permit any Hazardous Materials to be brought upon, stored, used, generated, released into the environment or disposed of in, on, under or about the Premises by Tenant, its agents, employees, contractors or invitees, in violation of the terms of **Exhibit H** attached hereto.

(d) Parking. Landlord grants to Tenant and Tenant's customers, suppliers, employees and invitees, a non-exclusive license to use all of the vehicle parking spaces within the designated parking areas at the Premises as shown on **Exhibit K** attached hereto. Landlord reserves the right at any time to promulgate commercially reasonable rules and regulations relating to the use of such parking areas.

(e) Survival. The provisions of this Paragraph 8 shall survive any termination of this Lease.

9. SURRENDER OF PREMISES; HOLDING OVER.

(a) Upon the expiration of the Term of this Lease including any extension periods, Tenant shall surrender to Landlord the Premises and all Improvements and/or Alterations (as defined in Paragraph 14 below) in reasonable condition, except for ordinary wear and tear, and Alterations Tenant has the right or is obligated to remove, if any, under the provisions of Paragraph 14 herein. Tenant shall not be required to remove or restore at the expiration or earlier termination of this Lease (i) any improvements existing in the Premises as of the Delivery Date, (ii) any of the initial Tenant Improvements constructed prior to the Rent Commencement Date, Tenant's cabling of the Premises, or (iii) any Alterations which are typical office or warehouse improvements. Subject to Paragraph 14, before the expiration of the Term, Tenant shall remove all personal property, and shall perform all restoration made necessary by the removal of any Alterations or Tenant's personal property before the expiration of the Term, including, for example, restoring all damaged wall surfaces and the floor slab to their condition prior to the removal of such Alterations or personal property. Landlord may elect to retain or dispose of in any manner Tenant's personal property not removed from the Premises by Tenant prior to the expiration of the Term. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of Tenant's personal property that has not been removed by Tenant prior to the expiration of the Term. Tenant shall be liable to Landlord for Landlord's actual and reasonable costs for storage, removal or disposal of Tenant's personal property.

(b) Subject to the provisions of this Paragraph 9, including, but not limited to, Paragraph 9(e) below, if Tenant holds over after the expiration of the Term of this Lease (as may extended by virtue of Tenant exercising its Expansion Option) with or without the express written consent of Landlord, such tenancy shall be a tenancy at sufferance, and shall not constitute a renewal hereof or an extension for any further term, and in such case Basic Rent shall be payable at a monthly rate of one hundred fifty percent (150%) of the Basic Rent applicable during the last rental period of the Term under this Lease. Such tenancy shall be subject to every other applicable term, covenant and agreement contained herein.

(c) Except as provided in Paragraph 9(e) below, nothing contained in this Paragraph 9 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to vacate and deliver possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Paragraph 9 shall not be deemed to limit or constitute a waiver of any other rights or remedies of Landlord provided herein or at law. If Tenant holds over without Landlord's express written consent, and tenders payment of rent for any period beyond the expiration of the Term of this Lease by way of check (whether directly to Landlord, its agents, or to a lock box) or wire transfer, Tenant acknowledges and agrees that the cashing of such check or acceptance of such wire shall be considered inadvertent and not be construed as creating a month-to-month tenancy, provided Landlord refunds such payment to Tenant promptly upon learning that such check has been cashed or wire transfer received.

(d) Tenant acknowledges that any holding over without Landlord's express written consent may compromise or otherwise affect Landlord's ability to enter into new leases with prospective tenants regarding the Premises. Therefore, if Tenant fails to vacate and deliver the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from and against all claims resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to vacate and deliver, and any losses suffered by Landlord, including lost profits, resulting from such failure to vacate and deliver; provided, however, Tenant shall not be liable for damages resulting from a holdover until the later of (i) the date that is 90 days after the expiration of the Term of this Lease (as may extended by virtue of Tenant exercising its Expansion Option), or (ii) thirty (30) days after Landlord notifies Tenant that Landlord has entered into a new lease or sale agreement regarding the Premises. Tenant agrees that any proceedings necessary to recover possession of the Premises, whether before or after expiration of the Term of this Lease, shall be considered an action to enforce the terms of this Lease for purposes of the awarding of any attorney's fees in connection therewith.

(e) Notwithstanding the foregoing, in the event Tenant provides written notice to Landlord no less than seven (7) months prior to the expiration of the Term of this Lease (as may extended by virtue of Tenant exercising its Expansion Option) indicating Tenant's intention to holdover beyond such expiration of the Term, Tenant shall be permitted to retain occupancy of the Premises at the end of the Term for a period of up to ninety (90) days by paying to Landlord on a monthly basis the then current Basic Rent and additional rent (including NNN Charges, the cost of utilities and janitorial services). After such 90-day period (if applicable), the terms of this Paragraph 9 above shall apply to such holdover.

10. SIGNAGE.

Tenant shall, at its sole cost and expense (subject to application of the Allowance, as provided in the Work Letter), be entitled to install the following signage: (i) Tenant's name/logo on Building top back-lit signs located in two (2) of the three (3) proposed locations shown on **Exhibit G** attached hereto (subject to governmental approval), (ii) Tenant's name/logo back-lit, at, near or above the main entrance to the Premises, (iii) Tenant's name back-lit on the top-billing panel of the existing monument sign, and (iv) appropriate directional signage around the Building and

Project, including, but not limited to, directional signs to Tenant's loading areas, Tenant's parking and Tenant's entrance (collectively "Tenant's Signage"), the details and/or approximate locations of which are depicted on **Exhibit G** attached hereto. Notwithstanding the foregoing, Tenant may elect, in Tenant's sole discretion, to install such signage using the names and/or logos of one or more of brands or marks controlled by Tenant, in addition to or in lieu of Tenant's name/logo. Tenant's Signage shall be subject to all applicable laws and Landlord's prior reasonable approval, which shall not be unreasonably withheld, conditioned or delayed. Except as set forth above, Tenant shall have no right to install or maintain Tenant identification signs in any other location in, on or about the Premises and shall not display or erect any other signs, displays or other advertising materials that are visible from the exterior of the Building. The size, design, color and other physical aspects of permitted sign(s) shall be subject to: (i) Landlord's written approval prior to installation, which approval shall not be unreasonably withheld, conditioned or delayed so long as the proposed signage is in compliance with all applicable laws, and (ii) any applicable municipal or governmental permits and approvals. The cost of the sign(s), including the installation, maintenance and removal thereof, shall be at Tenant's sole cost and expense (subject to application of the Allowance, as provided in the Work Letter). Upon the expiration or earlier termination of this Lease, Landlord shall, at Tenant's sole cost and expense, (i) cause all of Tenant's Signage to be removed from the exterior and interior of the Building and the common areas of the Project, (ii) repair any damage caused by the removal of Tenant's Signage, and (iii) restore the underlying surfaces to the condition existing prior to the installation of Tenant's Signage, reasonable wear and tear excepted; provided, however, in no event shall Tenant be required to remove any monument sign (i.e., Tenant shall only be required to remove Tenant's sign panel(s) located thereon). Tenant shall reimburse Landlord for all costs incurred by Landlord, if any, within thirty (30) days following Tenant's receipt of Landlord's invoice, to effect such installation, maintenance or removal, which amount shall be deemed additional rent, and shall include, without limitation, all sums disbursed, incurred or deposited by Landlord, including Landlord's costs, expenses and actual reasonable attorneys' fees. Any sign rights granted to Tenant under this Lease are personal to Tenant and successors to Tenant pursuant to any Permitted Transfer, but otherwise may not be assigned, transferred or otherwise conveyed to any other assignee or subtenant of Tenant without Landlord's prior written consent, which consent Landlord may withhold in its sole and absolute discretion.

11. TAXES.

(a) Personal Property Taxes. Tenant shall pay before delinquency all taxes, assessments, license fees and public charges levied, assessed or imposed upon its business operations as well as upon all trade fixtures, leasehold improvements, merchandise and other personal property in or about the Premises.

(b) Real Property Taxes. On and after the Rent Commencement Date and throughout the Term of this Lease (as the same may be extended), Tenant shall pay, as additional rent, Tenant's Share of all Real Property Taxes, including all taxes, assessments (general and special) and other impositions or charges which may be taxed, charged, levied, assessed or imposed with respect to any calendar year or part thereof included within the Term upon all or any portion of or in relation to the Premises or any portion thereof, any leasehold estate in the Premises or measured by rent from the Premises, including any increase caused by the transfer, sale or encumbrance of the Premises or any portion thereof, but excluding any taxes, assessments (general and special) and other impositions or charges that relate to any portion of the Project that is not included in the Premises. "Real Property Taxes" (sometimes referred to herein as "Taxes" and "Tax Expenses") shall also include any form of assessment, levy, penalty, charge or tax (other than estate, inheritance, net income or franchise taxes or as otherwise in **Exhibit M** attached hereto) imposed by any authority having a direct or indirect power to tax or charge, including, without limitation, any city, county, state, federal or any improvement or other district, whether such tax is: (1) determined by the area of the Premises or the rent or other sums payable under this Lease; (2) upon or with respect to any legal or equitable interest of Landlord in the Premises or any part thereof; (3) upon this transaction or any document to which Tenant is a party creating a transfer in any interest in the Premises; (4) in lieu of or as a direct substitute in whole or in part of or in addition to any Real Property Taxes on the Premises; (5) based on any parking spaces or parking facilities provided at the Premises; or (6) in consideration for services, such as police protection, fire protection, street, sidewalk and roadway maintenance, refuse removal or other services that may be provided by any governmental or quasi-governmental agency from time to time which were formerly provided without charge or with less charge to property owners or occupants. Tenant shall pay Real Property Taxes on or before the date any taxes or installments of taxes would become delinquent as determined by the taxing authority, evidenced by the tax bill, and subject to Landlord providing thirty (30) days advanced notice as stated below. Landlord shall determine and notify Tenant of the amount of Real Property Taxes not less than thirty (30) days in advance of the date such tax or installment of taxes is due and payable. In the event Landlord fails to deliver such timely determination and notice to Tenant, then Tenant shall have thirty (30) days from receipt of such notice to remit payment of Real Property Taxes to Landlord. The foregoing notwithstanding, upon notice from Landlord, Tenant shall pay, as additional rent, Real Property Taxes to Landlord in advance monthly installments equal to one twelfth (1/12) of Landlord's reasonable estimate of the Real Property Taxes payable under this Lease, together with monthly installments of Basic Rent, and Landlord shall hold such payments in a non-interest bearing account. Landlord shall determine and notify Tenant of any deficiency in the impound account Tenant shall pay any deficiency of funds in the impound account on or before the date such taxes or installments of taxes would become delinquent as determined by the taxing authority. In the event Landlord fails to deliver such timely deficiency determination and notice to Tenant, then Tenant shall have thirty (30) days from receipt of such notice to remit payment of such deficiency to Landlord. If Landlord determines that Tenant's impound account has accrued an amount in excess of the Real Property Taxes due and payable, then such excess shall be credited to Tenant within thirty (30) days from receipt of said notice from Landlord.

(c) Intentionally Deleted.

(d) Contests. Tenant shall have such rights, at any time during the Term hereof as may be extended, and Tenant's sole cost and expense, to contest the validity or amount of Real Property Taxes for the tax parcel(s) on which the Premises is located as are permitted by law, either in its own name or in the name of the Landlord, in either case with Landlord's reasonable cooperation, at no cost to Landlord. In conjunction with any such contest, Landlord shall make reasonably available to Tenant such information in Landlord's files as Tenant may reasonably request with respect to Real Property Taxes. Tenant shall indemnify and hold Landlord harmless from all cost, loss, damage and expense incurred in the prosecution of any such contest by Tenant. Notwithstanding the foregoing, Tenant shall continue to pay, prior to the date such taxes or installments of taxes would become delinquent as determined by the taxing authority, any and all Real Property Taxes during the period in which such Real Property Taxes is being contested.

12. UTILITIES; INTERRUPTIONS.

(a) On and after the Rent Commencement Date and throughout the Term of this Lease, Tenant shall pay directly to the utility companies providing such services, the cost of all water, gas, heat, light, power, sewer, electricity, telephone or other service metered, chargeable or provided to the Premises. Tenant shall have the option of selecting the utility provider if alternate service providers are available and/or secured by Tenant at Tenant's cost and only so long as such selection does not delay Landlord's construction of the Improvements. Tenant shall have the ability to use and control all utilities servicing the Premises, 24 hours per day, 7 days per week, and 365 days a year. Except as expressly set forth in Paragraph 12(b) below, Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility or other service furnished to the Premises. No such failure or interruption shall entitle Tenant to terminate this Lease or, except as otherwise expressly provided below in this Paragraph 12, abate rent in any manner and Tenant hereby waives the provisions of any applicable existing or future law, ordinance or regulation permitting the termination of this Lease due to an interruption, failure or inability to provide any services.

(b) Notwithstanding anything to the contrary contained in this Lease, if Tenant's use of or access to all or any material portion of the Premises is impaired due to Landlord's negligence or willful misconduct (including, but not limited to, (i) an interruption of utility or mechanical services or any other essential services provided to the Premises, (ii) existence of hazardous materials, or (iii) damage or destruction), and such interruption materially interferes with the conduct of Tenant's business in the Premises for three (3) consecutive business days (including Saturdays and Sundays if Tenant is then operating its business in the Premises 7 days per week) or ten (10) non-consecutive business days in any twelve (12) month period (such 3 consecutive business day period or 10 day period, as applicable, is referred to herein as the "Eligibility Period"), then Tenant shall be entitled to an equitable abatement of monthly Basic Rent and additional rent under this Lease based upon the portion of the Premises affected thereby (provided that if the operation of Tenant's business from the remainder of the Premises not affected thereby is not reasonably practicable under the circumstances and Tenant in fact does not operate for business from the remainder of the Premises, all monthly Basic Rent and additional rent under this Lease shall be subject to such abatement) from the commencement of the Eligibility Period until the applicable material impairment is cured; provided, however, that if Landlord is diligently pursuing the repair of such impairment and, if applicable to the nature of such impairment, Landlord provides substitute services reasonably suitable for Tenant's purposes and Tenant is thereafter able to conduct its business in the Premises, such as for example, bringing in portable air-conditioning equipment, then there shall not be any abatement of Rent. The provisions of this Paragraph 12 shall not, however, apply in the event of a damage or casualty or in the event of a taking (except where the same is caused by Landlord's negligence or willful misconduct) or condemnation.

(c) Utility Companies servicing the Premises as of the Commencement Date are:

(i) Electrical – Hendricks Power Cooperative

(ii) Water – Citizens Water

(iii) Gas – Vectren

(iv) Phone – TDS Telecom

(v) Sewer – Hendricks County Sewer

(d) Tenant, at Tenant's sole option and cost, shall have the right to select its telecommunications vendor / provider. As part of the Landlord's Work, Landlord shall bring conduit to the Premises. Subject to application of the Allowance, as provided in the Work Letter, Tenant shall be solely responsible for any costs incurred in connection with bringing the fiber into the above described conduit. Tenant, at no additional charge to Tenant, shall have (i) the right use the existing Building's conduits/risers and/or install additional conduits/risers for Tenant's cabling, and (ii) reasonable access to all areas within the Premises and Building, including the Building's MPOE (main point of entry), to install the required infrastructure to service Tenant's IT and telecommunications requirements

13. MAINTENANCE AND REPAIR.

(a) Performed by Tenant.

(i) Except as provided below, Tenant shall maintain, repair and replace the Premises in good condition, including, without limitation, maintaining, repairing and replacing (as necessary) of all of the

following: exterior and interior walls, including painting (provided under no circumstances shall Tenant be required to repaint the entire Building during the first 10-years of the Lease Term), but excluding the Building's external façade; floors; ceilings; telephone equipment and wiring; doors; interior windows and fixtures (excluding skylights, if any), as well as damage caused by Tenant, its agents, contractors, employees or invitees. Upon expiration or termination of this Lease, Tenant shall surrender the Premises to Landlord in the same condition as existed at the commencement of the Term, except for reasonable wear and tear or damage caused by fire or other casualty. Tenant shall, at its own expense, provide, install and maintain in good condition all of its personal property required in the conduct of its business on the Premises. If Tenant refuses or neglects to repair, replace and maintain the Premises as required hereunder and to the reasonable satisfaction of Landlord, Landlord may at any time following thirty (30) days from the date on which Landlord shall make a written demand on Tenant to effect such repair, replacement and maintenance for which Tenant is responsible for pursuant to this Lease (emergencies excepted, in which case no such demand shall be less than five (5) days or otherwise commensurate with the urgency of the pending emergency), enter upon the Premises and make such repairs, replacements and/or maintenance, without liability to Tenant for any loss or damage which might occur to Tenant's merchandise, fixtures or other property or to Tenant's business by reason thereof so long as Landlord uses commercially reasonable efforts to coordinate such access with Tenant to not materially and adversely interfere with Tenant's business and not cause any unreasonable loss or damage to Tenant. Upon completion thereof, Tenant shall pay to Landlord, Landlord's costs for making such repairs plus interest equal to five percent (5%) for overhead, within thirty (30) days from delivery to Tenant of a bill therefor.

(ii) Tenant shall, at its sole cost and expense (subject to Landlord's obligations with respect to capital replacements pursuant to the terms of Paragraph 13(b) below), also maintain and repair, and enter into a regularly scheduled and commercially reasonable preventive maintenance/service contract with a maintenance contractor to service, all hot water, heating and air conditioning systems and equipment ("HVAC") within the Premises, or which serve the Premises exclusively, including, without limitation, any rooftop package HVAC units, distribution lines and internal venting systems; provided, however, during the Term, Landlord, at Landlord's sole cost and expense and not part of the NNN Charges, shall be responsible for any and all capital repairs or replacements of the HVAC (except to the extent such capital repairs or replacements are required as a result of negligence or willful misconduct of Tenant or any of Tenant's Parties, in which case Tenant shall pay to Landlord, as additional rent, the costs of such capital repairs or replacements). All cleaning and janitorial services, including regular removal of trash and debris, for the Premises shall be performed and obtained, at Tenant's sole cost and expense, exclusively by or through Tenant, Tenant's employees or Tenant's janitorial contractors. All applicable maintenance/service contracts shall include all services recommended by the equipment manufacturer within the operation/maintenance manual, shall become effective following the date Tenant takes possession of the Premises, and a copy thereof shall be delivered to Landlord within thirty (30) days following Tenant's receipt of written request therefor. If Tenant fails to maintain any or all of such service contracts, Landlord may provide written notice to Tenant that, if such failure continues for thirty (30) days following such notice, Landlord shall procure and maintain any or all of such lacking service contracts. If Tenant fails to timely procure such missing service contracts, and if Landlord thereafter elects to procure same, Tenant shall reimburse Landlord for the actual cost with five percent (5%) for overhead, as additional rent, within thirty (30) days following demand and copies of the invoices for same.

(b) Performed by Landlord. Subject to reimbursement by Tenant as hereinafter provided, Landlord shall be responsible to repair and maintain, in good condition, and replace, if necessary; the Building's external façade, external windows (including being weather-tight), skylights (if any), the Building electrical systems (e.g., main electrical system, electrical transformers and panels), plumbing and sewerage systems, including without limitation, those portions of the systems lying outside the Premises; the paved and hardscaped parking and driveway areas (including resurfacing and restriping); gutters and downspouts on the Building; the outside areas of the Premises and every part thereof, including, without limitation, the soil, landscaping (including replacement thereof), sprinkler system, walkways, parking areas (including periodic sweeping), Project or Building signs (but excluding Tenant's signs), site lighting and pest control and any common areas of the Project; provided, however, any costs incurred by Landlord for items which are covered under any contractor, manufacturer or supplier warranty or any maintenance or service contract, shall not be reimbursable by Tenant. Tenant acknowledges that none of the foregoing repair costs incurred by Landlord shall be deemed part of "controllable expenses" for purposes of Paragraph 5(e) above. Notwithstanding the foregoing, and in addition to the obligations of Landlord set forth above, Landlord, at Landlord's sole cost and not subject to reimbursement by Tenant, nor part of as NNN Charges or Maintenance Expenses, shall be responsible for (A) maintenance, structural repairs and replacements in connection with (i) the roof structure, the roof membrane and surface; (ii) the foundation, exterior, structural and load bearing walls, and the structural integrity of the Building (including skylights, if any), and (iii) structural plumbing (i.e., within or below the slab of the Building), (B) latent defects during the of the Lease Term, (C) any and all capital repairs or replacements of the HVAC (except to the extent such capital repairs or replacements are required as a result of negligence or willful misconduct of Tenant or any of Tenant's Parties, in which case Tenant shall pay to Landlord, as additional rent, the costs of such capital repairs or replacements), and (D) non-HVAC capital replacements (unless required in connection with a new code or law enacted after the Commencement Date, in which case Tenant shall be responsible for such annual amortization costs so long as the same are amortized over the useful life of the applicable capital replacement (but in no event less than ten (10) years at 2% over the then published Prime Rate) to the extent made and chargeable during the first ten (10) years of the Lease Term (i.e., after the first ten (10) years of the Lease Term Tenant shall be responsible for such annual amortization costs so long as the same are amortized over the useful life of the applicable capital replacement (but in no event less than ten (10) years at 2% over the then published Prime Rate)); provided, however, to the extent such repairs or replacements are required as a result of the negligence or willful misconduct of Tenant or any of Tenant's Parties, Tenant shall pay to

Landlord, as additional rent, the costs of such repairs and/or replacements within thirty (30) days following Tenant's receipt of Landlord's invoice for same. For purposes of this Lease, the term "Prime Rate" shall be deemed to mean the prime rate quoted by Wells Fargo Bank on the date such Prime Rate is to be determined pursuant to the terms hereof.

(c) Reimbursement by Tenant. Prior to the commencement of each calendar year, Landlord shall give Tenant a written estimate of the expenses Landlord anticipates will be incurred for the ensuing calendar year with respect to the maintenance, repair and replacement to be performed by Landlord as herein described (the "Maintenance Expenses"). Tenant shall pay, as additional rent, such estimated expenses as part of the NNN Charges concurrent with its payment of Basic Rent. Within ninety (90) days after the end of each calendar year, Landlord shall furnish Tenant with the Actual Statement for the prior calendar year's NNN Charges pursuant to Subparagraph 5(f) above, showing in reasonable detail, among other items, the actual expenses incurred for the previous calendar year (or portion thereof, as applicable), and the parties shall within forty-five (45) days thereafter make payment or allowance as necessary to adjust Tenant's estimated payments to the actual expenses as shown by the Actual Statement submitted by Landlord. If Landlord shall determine at any time that the estimate of expenses for the current calendar year is or will become inadequate to meet all such expenses for any reason, Landlord shall immediately determine the appropriate amount of such inadequacy and issue a supplemental estimate as to such expenses, and Tenant shall pay a prorata increase in the estimated expenses as reflected by such supplemental estimate within thirty (30) days following receipt of written request from Landlord; provided, however, Landlord shall be limited to making any such increase to the estimated expenses one (1) time per calendar year, other than the routine annual adjustment when the Actual Statement is delivered to Tenant. Tenant's failure to timely pay any of the charges in connection with the performance of its maintenance and repair obligations to be paid under this Paragraph 13 shall, subject to all applicable notice and cure periods, constitute a material default under this Lease.

Landlord shall keep or cause to be kept separate and complete books of account covering costs and expenses incurred in connection with its maintenance and repair of the Building and outside areas and Project common areas (and such records and books shall be made reasonably available to Tenant if requested by Tenant for Tenant's review in the event of an audit pursuant to Subparagraph 5(f)), which costs and expenses shall include, without limitation but subject to the exclusions set forth in **Exhibit M** attached hereto, the actual costs and expenses incurred in connection with labor and material utilized in performance of the maintenance and repair obligations hereinafter described, public liability, property damage and other forms of insurance which Landlord may, or is required to, maintain, employment of such personnel as Landlord may deem reasonably necessary, payment or provision for unemployment insurance, worker's compensation insurance and other employee costs, depreciation of machinery and equipment used in connection with the maintenance of the outside areas, the cost of bookkeeping and accounting services, assessments which may be levied against the Premises under any recorded covenants, conditions and restrictions, and any other items reasonable necessary from time to time to properly repair, replace and maintain the outside areas and any interest paid in connection therewith. Landlord may elect to delegate its duties hereunder to a professional property manager subject to the costs set forth herein for said property management services.

Except as provided in Paragraphs 12(b) and 17 hereof, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, Alterations or improvements in or to any portion of the Building or the Premises or in or to fixtures, appurtenances and equipment therein.

(d) Tenant's Right to Make Certain Repairs. Notwithstanding the provisions of Paragraph 13(b), above, if Tenant provides written notice to Landlord of an event or circumstance which requires the action of Landlord (i.e., which is Landlord's responsibility under this Lease), and Landlord fails to take such action within a reasonable period of time given the circumstances (i.e., no more than five (5) business days if Landlord's failure to act has a material adverse effect on Tenant's access to or use of the Premises; otherwise 30 days), after the receipt of such written notice, then Tenant may proceed to take the required action upon delivery of an additional two (2) business days' prior written notice to Landlord specifying that Tenant is taking such required action, and if such action was required under the terms of this Lease to be taken by Landlord and was not commenced within such two (2) business day period and thereafter diligently pursued to completion, then Tenant shall be entitled to prompt reimbursement by Landlord of Tenant's actual and reasonable costs and expenses in taking such action, plus interest equal to eight percent (8%) per annum. In the event Tenant takes such action, Tenant shall use only qualified contractors which normally and regularly perform similar work in comparable buildings. Promptly following completion of any work taken by Tenant pursuant to the terms of this Paragraph 13(d), Tenant shall deliver a detailed invoice of the work completed, the materials used and the costs relating thereto. If Landlord does not deliver a detailed written objection to Tenant within thirty (30) days after receipt of an invoice from Tenant, then Tenant shall have the right to deduct the amount set forth in such invoice from Basic Rent payable by Tenant under this Lease (not to exceed one-half of the Basic Rent due Landlord in any applicable month, but to be deducted each month until the amount in the invoice from Tenant is fully reimbursed to Tenant), which right shall be Tenant's sole remedy in such instance. If, however, Landlord delivers to Tenant, within thirty (30) days after receipt of Tenant's invoice, a written objection to the payment of such invoice, setting forth with reasonable particularity Landlord's reasons for its claim that such action did not have to be taken by Landlord pursuant to the terms of this Lease or that the charges are excessive (in which case Landlord shall pay the amount it contends would not have been excessive), then Tenant shall not then be entitled to such deduction from Basic Rent, but rather, as Tenant's sole remedy, Tenant may proceed to claim a default by Landlord under this Lease; provided, however, under no circumstances shall Tenant be allowed to terminate this Lease based upon such default by Landlord. For purposes of the immediately preceding sentence only, Landlord shall not be entitled to claim that Tenant's incurred charges are excessive if Tenant (i) competitively bid such applicable work to two (2) qualified licensed contractors, and (ii) selects the lowest qualified bidder to perform such applicable work.

14. ALTERATIONS.

(a) Alterations. Except as set forth below, Tenant shall not make any alterations to the Premises ("Alterations"), including any changes to the existing landscaping, without Landlord's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, Landlord acknowledges and agrees that the defined term Alterations shall expressly exclude any of the initial Improvements to the Premises performed by Landlord pursuant to the Work Letter. For requested Alterations which do not adversely affect the structure of the Building, the exterior appearance, or the Building's base systems and equipment, Landlord shall grant or deny its consent thereto within ten (10) business days following Tenant's notice, and Landlord shall not unreasonably withhold, condition or delay its consent thereto. For other requested Alterations by Tenant or on behalf of Tenant after the Commencement Date, Landlord shall grant or deny its consent to the proposed Alterations in its sole and absolute discretion. Any Alterations made shall remain on and be surrendered with the Premises upon expiration of the Term, except that Landlord may, at the time it provides its consent to any Alterations which are not Pre-Approved Alterations (defined below) and which are not typical office or warehouse improvements (provided the parties hereto agree that any office improvements constituting greater than 3.75% of the total square footage of the Premises shall not be deemed typical), elect to require Tenant to remove any Alterations which Tenant may have made to the Premises. If Landlord so elects in a written notice to Tenant to require such removal, Tenant shall, at its own cost, restore the Premises to the condition designated by Landlord in its election prior to Tenant vacating the Premises. Notwithstanding the foregoing, Landlord's prior approval shall not be required for any alteration to the interior of the Premises that is of a cosmetic nature that satisfies all of the following conditions (hereinafter a "Pre-Approved Alteration"): (i) to the extent reasonably required by Landlord or by law due to the nature of the work being performed, Tenant delivers to Landlord final plans, specifications, working drawings, permits and approvals for such Alterations at least ten (10) days prior to commencement of the work thereof; (ii) Tenant and such Alterations otherwise satisfy all other conditions set forth in this Paragraph 14; (iii) the making of such Alterations will not otherwise cause a default by Tenant under any provision of this Lease; and (iv) the making of such Alterations will not affect the Building structure or systems. Tenant shall pay to Landlord, within thirty (30) days after written demand, the costs of any increased insurance premiums incurred by Landlord to include such Alterations in the causes of loss – special form property insurance obtained by Landlord pursuant to this Lease, if Landlord elects in writing to insure such Alterations; provided, however, Landlord shall not be required to include the Alterations under such insurance. If the Alterations are not included in Landlord's insurance, Tenant shall insure the Alterations under its causes of loss-special form property insurance pursuant to this Lease.

If Landlord should fail to notify Tenant in writing of its decision regarding the proposed Alteration(s) within the ten (10) business day period described above, Landlord shall be deemed to have refused consent to such applicable Alteration(s); provided, however, if Landlord shall be deemed to have refused to consent to such Alteration(s) as stated in this sentence above, Tenant may deliver to Landlord an additional request for Landlord's consent ("Tenant's Additional Alteration Notice"). In the event Landlord fails to either approve or disapprove such applicable Alteration(s) in accordance with the terms of this Lease within five (5) business days following Landlord's receipt of Tenant's Additional Alteration Notice, Landlord shall be deemed to have granted its consent to such applicable Alteration(s). Tenant acknowledges that the Tenant's Additional Alteration Notice will not be deemed given to Landlord unless the same contains the following language (in at least 12 point, bold face and all capital letters): "**LANDLORD'S FAILURE TO EITHER APPROVE OR DISAPPROVE SUCH ALTERATION(S) IN ACCORDANCE WITH THE TERMS OF THE LEASE WITHIN FIVE (5) BUSINESS DAYS FOLLOWING RECEIPT OF THIS NOTICE MAY RESULT IN LANDLORD BEING DEEMED TO HAVE CONSENTED TO SUCH ALTERATION(S) PURSUANT TO PARAGRAPH 14(a) OF THE LEASE**".

(b) Standard of Work. Prior to Tenant's alteration of the Premises, Tenant shall contract with a contractor approved by Landlord (with such approval not to be unreasonably withheld, conditioned or delayed) for the construction of such Alterations, shall secure all appropriate governmental approvals and permits, if any, and shall complete such Alterations with due diligence, in a first-class manner, in compliance with plans and specifications approved by Landlord (with such approval not to be unreasonably withheld, conditioned or delayed), and in compliance with all applicable laws, statutes and regulations; provided, however, Landlord shall not be required to approve of any contractor selected by Tenant to perform a Pre-Approved Alteration so long as such contractor is licensed. Landlord shall not impose any construction standards which are in excess of applicable building codes or laws or charge any fees or construction management or supervision fee in connection with Tenant's Alterations. Tenant shall pay all costs for such construction (including any actual out-of-pocket costs incurred by Landlord with a third party in connection with Landlord's supervision of such construction and/or review of plans and specifications, etc.) and shall keep the Premises free and clear of all mechanics' liens which may result from construction by Tenant. Landlord shall have the right, but not the obligation, to inspect periodically the work on the Premises and Landlord may require changes in the method or quality of the work if such work is substandard in nature or not being performed in a commercially reasonable manner as reasonably determined by a third party qualified contractor mutually selected by Landlord and Tenant in good faith.

(c) Liens. Tenant shall pay all costs for such construction and shall keep the Premises free and clear of all mechanics' and materialmens' liens which may result from construction by Tenant. Tenant shall provide at least ten (10) days prior written notice to Landlord before any labor is performed, supplies furnished or services rendered on or at the Premises and Landlord shall have the right to post on the Premises notices of non-responsibility provided, however, Tenant shall not be required to provide such ten (10) days prior written notice to Landlord in connection with any Alteration that Tenant previously requested Landlord's consent and previously notified Landlord of the construction start date applicable thereto.

15. RELEASE AND INDEMNITY.

As material consideration to Landlord, Tenant agrees that, except to the extent resulting from the gross negligence or willful misconduct of any of the Landlord Indemnified Parties (as hereinafter defined) and not covered by the insurance carried by Tenant or otherwise required to be carried by Tenant pursuant to the terms of this Lease, Landlord, its agents, successors-in-interest with respect to the Premises and their respective directors, officers, partners, members, employees, shareholders, agents and representatives and the directors, officers, partners, members, employees, shareholders, agents and representatives of the partners or members of Landlord (collectively, the "Landlord Indemnified Parties") shall not be liable to Tenant, its agents, employees, invitees, licensees and other persons claiming under Tenant for: (i) any damage to any property entrusted to employees of the Premises, Landlord or the Landlord Indemnified Parties, (ii) loss or damage to any property by theft or otherwise, (iii) consequential damages arising out of any loss of the use of the Premises or any equipment or facilities therein, or (iv) any injury or damage to person or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak from any part of the Premises or from pipes, appliances or plumbing work therein or from the roof, street, sub-surface or from any other place or resulting from dampness or any other causes whatsoever. Landlord and/or the Landlord Indemnified Parties shall not be liable for interference with light or other incorporeal hereditaments, nor shall Landlord or the Landlord Indemnified Parties be liable for any latent defects in the Premises (except during the first two (2) years of the Lease Term as expressly provided in this Lease). Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises and of defects therein or in the fixtures or equipment located therein.

To the fullest extent permitted by law, Tenant agrees to indemnify, defend (with counsel reasonably satisfactory to Landlord) and hold harmless Landlord and the Landlord Indemnified Parties from (i) all claims, actions, liabilities, and proceedings arising from Tenant's use of the Premises or the conduct of its business or from any activity, work or thing done, permitted or suffered by Tenant, its agents, contractors, sublessees, employees or invitees, in or about the Premises and any breach or default in the performance of any obligation to be performed by Tenant under the terms of this Lease, or arising from any act, neglect, fault or omission of Tenant, or of its agents, contractors, employees or invitees, and (ii) any and all reasonable costs, attorneys' fees, expenses and liabilities incurred with respect to any such claims, actions, liabilities, or proceedings, and in the event any actions or proceedings shall be brought against Landlord by reason of such claims, Tenant, upon written notice from Landlord, shall defend the same at Tenant's expense by counsel reasonably approved in writing by Landlord. Except as to damage or injury resulting from the gross negligence or willful misconduct of any of the Landlord Indemnified Parties and not covered by the insurance carried by Tenant or otherwise required to be carried by Tenant pursuant to the terms of this Lease, Tenant hereby assumes all risk of damage to property or injury to person in, upon or about the Premises from any cause whatsoever, and Tenant hereby waives all its claims in respect thereof against Landlord except where caused by the gross negligence or willful misconduct of any of the Landlord Indemnified Parties and not covered by the insurance carried by Tenant or otherwise required to be carried by Tenant pursuant to the terms of this Lease.

To the fullest extent permitted by law, Landlord agrees to indemnify, defend (with counsel reasonably satisfactory to Tenant) and hold harmless Tenant and the Tenant Parties from (i) all claims, actions, liabilities, and proceedings arising from any breach or default in the performance of any obligation to be performed by Landlord under the terms of this Lease, or arising from any gross negligence or willful misconduct of any of the Landlord Indemnified Parties, and (ii) any and all reasonable costs, attorneys' fees, expenses and liabilities incurred with respect to any such claims, actions, liabilities, or proceedings, and in the event any actions or proceedings shall be brought against Tenant by reason of such claims, Landlord, upon written notice from Tenant, shall defend the same at Landlord's expense by counsel reasonably approved in writing by Tenant.

As used herein, the term "liabilities" shall include all suits, actions, claims and demands and all expenses (including reasonable attorneys' fees and costs of defense) incurred in or about any such liability and any action or proceeding brought thereon. If any claim shall be made or any action or proceeding brought against the indemnified party on the basis of any liability described in this Paragraph 15, the indemnifying party shall, upon notice from the indemnified party, defend the same at the indemnifying party's expense by counsel reasonably satisfactory to the indemnified party. It is understood that payment shall not be a condition precedent to recovery upon the foregoing indemnity.

16. INSURANCE.

Tenant, at its cost, shall pay for and keep in full force and effect throughout the Term of this Lease:

(a) COMMERCIAL GENERAL LIABILITY insurance with respect to the Premises and the operations by or on behalf of Tenant in, on or about the Premises, including, but not limited to, personal injury, product liability (if applicable), blanket contractual, owner's protective, broad form property damage liability, liquor liability (if applicable) and owned and non-owned automobile liability in an amount not less than $5,000,000 per occurrence. The insurance policy or policies shall contain the following provisions: (1) severability of interest, (2) cross-liability, (3) an endorsement naming Landlord, Landlord's Mortgagees and Ground Lessors (as defined in Subparagraph 34(m) below) if any, and any other parties-in-interest designated by Landlord as additional insureds, (4) an endorsement stating "such insurance as is afforded by this policy for the benefit of Landlord and any other additional insured shall be primary as respects any liability or claims arising out of the occupancy of the Premises by the Tenant, or Tenant's operations and any insurance carried by Landlord, or any other additional insured shall be non-contributory," (5) with respect to improvements or Alterations permitted under this Lease, contingent liability and builder's risk insurance, (6) an endorsement allocating to the Premises the full amount of liability limits required by this Lease, and (7) coverage must be on an "occurrence basis." "Claims-Made" forms are not acceptable.

(b) WORKERS COMPENSATION COVERAGE as required by law, and Employers Liability coverage with a limit of not less than $2,000,000.

(c) TENANT'S PROPERTY INSURANCE: Tenant shall at all times during the Term hereof and at its cost and expense, maintain in effect policies of insurance covering (1) all tenant improvements and/or other Alterations on the Premises installed by or on behalf of Tenant, (2) all personal property of Tenant located in or at the Premises, including, but not limited to, fixtures, furnishings, equipment and furniture, in an amount not less than their full replacement value, and (3) loss of income or business interruption insurance. These policies shall provide protection against any peril included normally covered under ISO Special Forms coverage (comparable to former "All Risk" coverage), including, but not limited to, insurance against sprinkler leakage, vandalism and malicious mischief. The proceeds of such insurance shall be used to repair or replace the tenant improvements, Alterations and personal property so insured. Tenant shall, at its cost, maintain rental abatement insurance assuring that insurance proceeds will be available to Tenant so that the rent payable hereunder will be paid to Landlord for a period of not less than twelve (12) months if rent is to abate under any provision of this Lease or applicable law. Property coverage shall include Tenant's leasehold interest. Such coverage shall include a sixty (60) day extended period of indemnity endorsement.

All policies of insurance required hereunder (other than commercial general liability) shall include a clause or endorsement denying the insurer any rights of subrogation against the other party to the extent rights have been waived by the insured before the occurrence of injury or loss, if same are obtainable without unreasonable cost. Landlord and Tenant each hereby waive any rights of recovery against the other for injury or loss to such waiving party or to its property or the property of others under its control, arising from any cause insured against under any policy of insurance required to be carried by such waiving party under this Lease (other than commercial general liability). The foregoing waiver shall be effective whether or not the waiving party shall actually obtain and maintain the insurance which such waiving party is obligated to obtain and maintain under this Lease.

All insurance required to be provided by Tenant under this Lease: (a) shall be issued by insurance companies authorized to do business in the state in which the Premises are located and holding a General Policyholders Rating of "A" and a Financial Rating of "X" or better, as set forth in the most recent edition of Best's Insurance Reports; and (b) Tenant shall provide at least thirty (30) days prior notice to Landlord and Landlord's lender, before cancellation or change in coverage, scope or amount of any policy. Tenant shall deliver a certificate or copy of such policy together with evidence of payment of all current premiums to Landlord within thirty (30) days of execution of this Lease and within fifteen (15) days of expiration of each policy. Tenant's failure to provide evidence of such coverage to Landlord may, in Landlord's sole discretion, constitute a default under this Lease.

Subject to being reimbursed by Tenant, Landlord shall insure the Building and the Premises Land (excluding all property which Tenant is obligated to insure) by obtaining and maintaining property insurance for any and all reasonable risks (including earthquake and flood insurance) and public liability insurance, all in such amounts and with such deductibles as Landlord considers appropriate. Tenant shall pay, as additional rent, the cost of any insurance maintained by Landlord hereunder and any other insurance Landlord may elect to obtain for the Building and/or the Premises Land from time to time during the Term (including, without limitation, earthquake and/or flood insurance) ("Insurance Costs"). Tenant shall pay the Insurance Costs to Landlord at least five (5) days prior to the date any premiums or installments of premiums are due and payable. Landlord shall determine and notify Tenant of the amount of insurance premiums not less than fifteen (15) days in advance of the date such premium or installment of premiums is due and payable. In the event Landlord fails to deliver such timely determination and notice to Tenant, then Tenant shall have five (5) days from receipt of such notice to remit payment of the Insurance Costs to Landlord. The foregoing notwithstanding, upon notice from Landlord, Tenant shall pay, as additional rent, the Insurance Costs to Landlord in advance monthly installments equal to one twelfth (1/12) of Landlord's reasonable estimate of the Insurance Costs, together with monthly installments of Basic Rent, and Landlord shall hold such payments in a non-interest bearing account. Upon determination of the actual Insurance Costs due and payable, Landlord shall determine and notify Tenant of any deficiency in the impound account Tenant shall pay any deficiency of funds in the impound account not less than fifteen (15) days in advance of the date such Insurance Costs or installment of Insurance Costs is due and payable. In the event Landlord fails to deliver such timely deficiency determination and notice to Tenant, then Tenant shall have five (5) days from receipt of such notice to remit payment of such deficiency to Landlord. If Landlord determines that Tenant's impound account has accrued an amount in excess of the Insurance Costs due and payable, then such excess shall be credited to Tenant within 30-days following the date of said notice from Landlord.

Notwithstanding any contribution by Tenant to the Insurance Costs as provided herein, Tenant acknowledges that it has no right to receive any proceeds from any insurance policies carried by Landlord.

17. DESTRUCTION.

(a) Casualty. If during the Term of this Lease, as may be extended by an Option Term or otherwise, any portion of the Premises, access to the Premises or any part of the Building is damaged or destroyed and such damage or destruction can, in Landlord's reasonable estimation, be repaired within 270 days following such damage or destruction, and Landlord receives insurance proceeds sufficient to restore such damage, this Lease shall remain in full force and effect and Landlord shall promptly commence to repair and restore the damage or destruction to substantially the same condition as existed prior to such damage, and shall complete such repair and restoration with due diligence in compliance with all then existing laws. Notwithstanding the foregoing, if (1) such damage or destruction cannot, in Landlord's reasonable estimate, be repaired within 270 days following such damage or destruction; or (2) more than seventy percent (70%) of the Building is damaged or destroyed; or (3) any Mortgagee of the Building will not allow the application of insurance proceeds for repair and restoration; or (4) the damage or

destruction is not covered in full by Landlord's Insurance required by Paragraph 16, subject to the deductible, or (5) the damage or destruction occurs within the last twelve (12) months of the Term of this Lease or any extension hereof, then Landlord may, in its sole discretion, terminate this Lease by delivery of notice to Tenant within thirty (30) days of the date Landlord learns of the damage; provided, however, that if such fire or other casualty shall have damaged the Premises or a portion thereof or Common Areas necessary to Tenant's occupancy and as a result of such damage the Premises are unfit for occupancy, and provided that Landlord does not elect to terminate this Lease pursuant to Landlord's termination right as provided above, and either (i) the repairs cannot, in the reasonable opinion of Landlord's contractor, be completed within nine (9) months after the date of such damage or destruction, or (ii) the repairs are not completed and the Premises delivered to Tenant ready for occupancy within nine (9) months after the date of such damage or destruction, Tenant may elect, in Tenant's sole discretion, to terminate this Lease by written notice to Landlord effective as of the date specified in the notice, which date shall not be less than thirty (30) days nor more than ninety (90) days after the date such notice is given by Tenant; provided, however, if Tenant elects to terminate this Lease pursuant to clause (ii) above and Landlord completes such repairs and delivers the Premises to Tenant ready for occupancy within thirty (30) days following receipt of Tenant's written election to terminate, then this Lease shall, at Landlord's sole option, remain in full force and effect and Tenant's previous election to terminate shall be deemed void and of no further force or effect.

(b) Rent Abatement. In the event of repair, reconstruction and restoration by Landlord as herein provided, the rent payable under this Lease shall be abated proportionately to the extent to which there is material interference with Tenant's access to or use of the Premises during the period of such repair, reconstruction or restoration; provided that there shall be no abatement of rent if such damage is the result of Tenant's negligence or intentional wrongdoing. Tenant shall not be entitled to any compensation or damages for loss in the use of the whole or any part of the Premises, damage to Tenant's personal property and/or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration, except in the event such damage is the result of Landlord's gross negligence or willful misconduct and not covered by the insurance carried by Tenant or otherwise required to be carried by Tenant pursuant to the terms of this Lease.

(c) Repair or Restoration. If Landlord is obligated to or elects to repair or restore as herein provided, Landlord shall be obligated to make repair or restoration only to those portions of the Building and the Premises which were originally provided at Landlord's expense, and the repair and restoration of items not provided at Landlord's expense shall be the obligation of Tenant. Tenant agrees to coordinate the restoration and repair of those items it is required to restore or repair with Landlord's repair and restoration work and in accordance with a work schedule prepared by Landlord, or Landlord's contractor, and reasonably agreed upon in good faith by Landlord and Tenant. Further, Tenant's work shall be performed in accordance with the terms, standards and conditions contained in Paragraph 14 above.

18. CONDEMNATION.

(a) Definitions. The following definitions shall apply: (1) "Condemnation" and/or "Taking" means (a) the exercise of any governmental power of eminent domain, whether by legal proceedings or otherwise by condemnor, or (b) the voluntary sale or transfer by Landlord to any condemnor either under threat of condemnation or while legal proceedings for condemnation are proceeding; (2) "Date of Taking" means the date the condemnor has the right to possession of the property being condemned; (3) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation; and (4) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having a power of condemnation.

(b) Obligations to be Governed by Lease. If there is any Taking of all or any part of the Premises, the rights and obligations of the parties shall be determined pursuant to this Lease.

(c) Total or Partial Taking. If between ninety percent (90%) and one hundred percent (100%) of the Premises is taken in its entirety by condemnation, this Lease shall terminate on the date of Taking. If a portion of the Premises comprised of less than ninety percent (90%) is taken by condemnation, this Lease shall remain in effect, except that Tenant may elect to terminate this Lease if the remaining portion of the Premises is rendered by Tenant, in Tenant's reasonable discretion, unsuitable for Tenant's continued use of the Premises. If Tenant elects to terminate this Lease, Tenant must exercise its right to terminate by giving notice to Landlord within thirty (30) days after receipt of notice of the Taking from Landlord. If Tenant elects to terminate this Lease, Tenant shall also notify Landlord of the date of termination, which date shall not be earlier than thirty (30) days after Tenant has notified Landlord of its election to terminate no later than the date of Taking; except that this Lease shall terminate on the date of Taking if the date of Taking falls on a date before the date of termination as designated by Tenant. If any portion of the Premises is taken by condemnation and this Lease remains in full force and effect, on the date of taking the rent shall be reduced by an amount in the same ratio as the total number of square feet in the portion of the Premises taken bears to the total number of square feet in the Premises immediately before the Date of Taking. In the case where a portion of the Premises is taken and the Lease remains in full force and effect, Landlord shall, at its own cost and expense, to the extent of condemnation proceeds, make all alterations or repairs to the Building so as to make the portion of the Building not taken a complete architectural unit. Such work shall not, however, exceed the scope of work done by Landlord in originally constructing the Building. If severance damages from the condemnor are not available to Landlord in sufficient amounts to permit such restoration, Landlord may terminate this Lease upon written notice to Tenant. Rent due and payable hereunder shall be temporarily abated during such restoration period in proportion to the extent to which there is material interference with Tenant's use of the Premises, as reasonably determined by Landlord or Landlord's architect.

If the Premises are totally or partially taken by condemnation, Tenant shall not assert any claim against Landlord or the condemnor for any compensation because of such Taking, and Landlord shall be entitled to receive

the entire amount of the award without any deduction for any estate or interest of Tenant; provided, however, Tenant shall have the right to remove all of its personal property located in or at the Premises, including, but not limited to, fixtures, furnishings, equipment and furniture, or file a separate claim with the Condemnor to receive compensation for any such items not available for removal due to the Taking (but only so long as Landlord's award is not materially reduced as a result thereof).

19. ASSIGNMENT OR SUBLEASE.

(a) Except for a Permitted Transfer (as defined in Subparagraph 19(f) below), Tenant shall not assign or encumber its interest in this Lease or any portion of the Premises or sublease all or any part of the Premises or allow any other person or entity (except Tenant's authorized representatives, employees, invitees, or guests) to occupy or use all or any part of the Premises without first obtaining Landlord's consent, which consent shall not be unreasonably withheld, conditioned or delayed. In addition to any other commercially reasonable grounds upon which Landlord may withhold its consent, Landlord shall be deemed reasonable in withholding its consent if it determines in its sole discretion that: (i) the intended use of the Premises by the proposed assignee or sublessee will be inconsistent with the typical office or warehouse improvements existing within the Premises or permitted to be constructed within the Premises pursuant to the terms of this Lease; or (ii) the intended uses of the Premises by the proposed assignee or sublessee will constitute a violation of this Lease or any governmental law, rule, ordinance or regulation governing the Premises in violation of the terms of this Lease. Any assignment, encumbrance or sublease without Landlord's written consent shall be voidable and at Landlord's election, shall constitute a default hereunder. Landlord's waiver or consent to any assignment or subletting shall not relieve Tenant or any assignee or sublessee from any obligation under this Lease whether or not accrued.

(b) Except as expressly permitted pursuant to the terms of Paragraph 19(f) below, if Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law of any partner, or the dissolution of the partnership, shall be deemed a voluntary assignment. If Tenant is a corporation, any dissolution, merger, consolidation or other reorganization of Tenant, or sale or other transfer of a controlling percentage of the capital stock of Tenant, or the sale of at least 50% of the value of the assets of Tenant shall be deemed a voluntary assignment. The phrase "controlling percentage" means ownership of and right to vote stock possessing at least 50% of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for election of directors. The preceding two sentences of this paragraphs shall not apply to corporations the stock of which is traded through a public exchange. If Landlord shall consent to any assignment or sublease of this Lease, 50% of all sums and other consideration payable to or for the benefit of the Tenant from its assignees or subtenants in excess of the rent payable by Tenant to Landlord under this Lease, and after deducting Tenant's commercially reasonable cost to sublet or assign, including, but not limited to, brokerage fees, marketing fees, tenant improvements costs and legal fees (collectively, the "Tenant Transfer Costs") shall be paid to Landlord (the "Excess"), within thirty (30) days following Tenant's receipt of such sums; provided, however, this provision shall not apply to any Permitted Transfer.

(c) If Tenant requests Landlord's consent to an assignment or sublease that is not a Permitted Transfer, Tenant shall submit to Landlord, in writing, the name of the proposed assignee or subtenant and the nature and character of the business of the proposed assignee or subtenant, the term, use, rental rate and all other material terms and conditions of the proposed assignment or sublease, including, without limitation, evidence reasonably satisfactory to Landlord that the proposed assignee or subtenant satisfies the financial criteria set forth in the first paragraph of this Paragraph 19, thirty (30) days prior to the proposed effective date of such assignment or sublease. Tenant shall also submit to Landlord a processing fee of One Thousand Dollars ($1,000.00) as a condition to Landlord reviewing Tenant's proposed assignment or subletting materials. Landlord shall within fifteen (15) business days after Landlord's receipt of such written request and information either consent to or refuse to consent to such assignment or sublease in writing (which consent shall not be unreasonably withheld, conditioned or delayed, and no such consent to an assignment or sublease shall relieve Tenant or any guarantor of Tenant's obligations under this Lease of any liability hereunder). If Landlord should fail to notify Tenant in writing of its decision within such fifteen (15) business-day period after the later of the date Landlord is notified in writing of the proposed assignment or sublease or the date Landlord has received all required information concerning the proposed assignee or subtenant and the proposed assignment or sublease, Landlord shall be deemed to have granted its consent to such assignment or sublease. If Tenant requests Landlord's consent to any such assignment or sublease, the assignment shall be on a form reasonably approved by Landlord, and Tenant shall pay Landlord, whether or not consent is ultimately given, any attorneys' fees and other costs actually incurred by Landlord with third parties in connection with the preparation, review and/or approval of such documentation, not to exceed $2,000.00 per event.

(d) No interest of Tenant in this Lease shall be assignable by involuntary assignment through operation of law (including, without limitation, the transfer of this Lease by testacy or intestacy). Each of the following acts shall be considered an involuntary assignment: (a) If Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors, or institutes proceedings under the Bankruptcy Act in which Tenant is the bankrupt; or if Tenant is a partnership or consists of more than one person or entity, if any partner of the partnership or other person or entity is or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors; or (b) If a writ of attachment or execution is levied on this Lease; or (c) If in any proceeding or action to which Tenant is a party, a receiver is appointed with authority to take possession of the Premises. An involuntary assignment shall constitute a default by Tenant and Landlord shall have the right to elect to terminate this Lease, in which case this Lease shall not be treated as an asset of Tenant.

(e) No assignment or subletting, occupancy or collection of rent from any proposed assignee or sublessee shall be deemed a waiver on the part of Landlord, or the acceptance of the applicable assignee or sublessee, as applicable, as Tenant, and no such assignment or subletting shall release Tenant of Tenant's obligations

under this Lease or alter the primary liability of Tenant to pay rent and to perform all other obligations to be performed by Tenant hereunder. Landlord may require that any assignee or sublessee remit directly to Landlord on a monthly basis, all monies due Tenant by said assignee or sublessee, and each sublease shall provide that if Landlord gives said sublessee written notice that Tenant is in default under this Lease, said sublessee will thereafter make all payments due under the sublease directly to or as directed by Landlord, which payments will be credited against any payments due under this Lease. Tenant hereby irrevocably and unconditionally assigns to Landlord all rents and other sums payable under any sublease of the Premises; provided, however, that Landlord hereby grants Tenant a license to collect all such rents and other sums so long as Tenant is not in default under this Lease. Consent by Landlord to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee or sublessee of Tenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee or sublessee or successor. Landlord may consent to subsequent assignments of the Lease or sublettings or amendments or modifications to the Lease with assignees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereto and any such actions shall not relieve Tenant of liability under this Lease.

(f) Notwithstanding any provisions of Paragraph 19 above to the contrary, Tenant may assign this Lease or sublet the Premises or any portion thereof (herein, a "Permitted Transfer"), without Landlord's consent and without payment of any Excess to any entity which controls, is controlled by or is under common control with Tenant, or to any entity resulting from a merger or consolidation with Tenant, to any person or entity which acquires all or substantially all of the assets of Tenant's business as a going concern, or to any person or entity which acquires all or substantially all of the equity ownership interests of Tenant (each, a "Permitted Transferee"), provided that: (i) at least seven (7) days prior to such assignment or sublease, Tenant delivers to Landlord notice of such contemplated Permitted Transfer and the identity of the Permitted Transferee; (ii) if an assignment, the Permitted Transferee assumes, in full, the obligations of Tenant under this Lease (or if a sublease, the Permitted Transferee executes a sublease agreement acknowledging that such subletting is subject to this Lease); (iii) Tenant remains fully liable under this Lease; (iv) the use of the Premises under Subparagraph 1(d) above remains substantially similar following the Permitted Transfer; and (v) the Permitted Transfer is not entered into as a subterfuge to avoid the restrictions and provisions of this Paragraph 19.

20. DEFAULT.

The occurrence of any of the following shall constitute a default by Tenant under this Lease: (a) the failure to pay rent or any other charge within five (5) business days after Tenant's receipt of written notice from Landlord that such payment is due and has not been received by Landlord (provided, in no event will Landlord be obligated to provide more than two (2) of such written notices in any given calendar year of the Term); (b) the failure to occupy and operate the Premises for in excess of sixty (60) consecutive days while also failing to pay rent during such same 60-day period); (c) the making by Tenant of any general assignment for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within ninety (90) days; the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, or of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease where such seizure is not discharged within (30) days; or if this Lease shall, by operation of law or otherwise, pass to any person or persons other than Tenant except as provided in Paragraph 19 herein; (d) The failure of Tenant to timely comply with the provisions of Paragraph 24 or Paragraph 31 of this Lease regarding, respectively, Subordination and Estoppel Certificates; or (e) the failure of Tenant to perform any other provision of this Lease within thirty (30) days following receipt of written request from Landlord, except in the case of an emergency, when the cure period shall be commensurate with the urgency of the emergency.

21. LANDLORD'S REMEDIES.

Landlord shall have the remedies described in this Paragraph 21 if Tenant is in default hereunder. These remedies are not exclusive; they are cumulative and in addition to any remedies now or later allowed by law.

Upon any default by Tenant, Landlord may:

(a) Maintain this Lease in full force and effect and recover the rent and other monetary charges as they become due, without terminating Tenant's right to possession irrespective of whether Tenant shall have abandoned the Premises. If Landlord elects not to terminate this Lease, Landlord shall have the right to attempt to relet the Premises at such rent and upon conditions, and for such a term, and to do all acts necessary to maintain or preserve the Premises, as Landlord deems reasonable and necessary, without being deemed to have elected to terminate this Lease, including re-entering the Premises to make repairs or to maintain or modify the Premises, and removing all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. Reletting may be for a period shorter or longer than the remaining Term of this Lease, and for more or less rent, but Landlord shall have no obligation to relet at less than prevailing market rental rates. If reletting occurs, this Lease shall terminate automatically when the new tenant takes possession of the Premises. Notwithstanding that Landlord fails to elect to terminate the Lease initially, Landlord at any time thereafter may elect to terminate the Lease by virtue of any previous uncured default by Tenant. In the event of any such termination, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, as well as all costs of reletting, including, without limitation, brokerage commissions and/or finder's fees, attorneys' fees, and restoration or remodeling costs.

(b) Terminate Tenant's right to possession by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In such event Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, without limitation thereto, the following: (i) the worth, at the time of award, of any unpaid rent which had been earned at the time of such termination; plus (ii) the worth, at the time of award, of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iii) the worth, at the time of award, of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus (iv) any other amount, and court costs, necessary to compensate Landlord for all the detriment proximately caused by Tenant's default or which in the ordinary course of things would be likely to result there from (including, without limiting the generality of the foregoing, the amount of any brokerage commissions and/or finder's fees for a replacement tenant, maintaining the Premises after such default, and preparing the Premises for reletting); plus (v) at Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law. As used in (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest at the Interest Rate. As used in (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one percent (1%).

(c) Collect sublease rents (or appoint a receiver to collect such rents) and otherwise perform Tenant's obligations at the Premises, it being agreed, however, that neither the filing of a petition for the appointment of a receiver for Tenant nor the appointment itself shall constitute an election by Landlord to terminate this Lease.

(d) Proceed to cure the default at Tenant's sole cost and expense. If at any time Landlord pays any sum or incurs any expense as a result of or in connection with curing any default of Tenant, the amount thereof shall be deemed additional rent hereunder and shall be immediately due and payable by Tenant to Landlord upon demand.

(e) Intentionally Omitted.

(f) Pursue any and all other legal or equitable remedies as may be available to Landlord by reason of such default by Tenant.

The remedies of Landlord, as hereinabove provided, are cumulative and in addition to and not exclusive of any other remedy of Landlord herein given or which may be permitted by law. The remedies of Landlord, as hereinabove provided, are subject to the other provisions herein. Nothing contained in this Paragraph 21 shall constitute a waiver of Landlord's right to recover damages by reason of Landlord's efforts to mitigate the damage to it caused by Tenant's default; nor shall anything herein adversely affect Landlord's right, as in this Lease elsewhere provided, to indemnification against liability for injury or damage to persons or property occurring prior to the termination of this Lease.

22. DEFAULT BY LANDLORD.

Landlord shall not be in default hereunder unless Landlord fails to perform the obligations required of Landlord within thirty (30) days after written notice by Tenant to Landlord and to any Mortgagee or Ground Lessor (as defined in Subparagraph 34(m) below) in writing specifying wherein Landlord has failed to perform such obligation, except in the case of an emergency, when the cure period shall be commensurate with the urgency of the emergency; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days is required for performance, then Landlord shall not be in default if Landlord commences performance within such thirty (30)-day period and thereafter diligently prosecutes the same to completion. In no event shall Tenant have the right to terminate this Lease as a result of Landlord's default. Tenant's remedies shall be limited to any other remedy available at law or in equity; provided, however, notwithstanding anything herein to the contrary, under no circumstances shall Landlord be liable hereunder to Tenant for any consequential damages or for loss of business, revenue, income or profits and Tenant hereby waives any and all claims for any such damages. Nothing herein contained shall be interpreted to mean that Tenant is excused from paying rent due hereunder as a result of any default by Landlord except as may be permitted under Subparagraph 13(d).

23. ENTRY OF PREMISES AND PERFORMANCE BY TENANT.

Landlord and its authorized representatives shall have the right to enter the Premises following no less than 48 hours advanced notice to Tenant (written or telephonic) during business hours or at such other reasonable times mutually acceptable to Landlord and Tenant (emergencies excepted, in which case such advanced notice shall be commensurate with the urgency of the emergency), for any of the following purposes without abatement of rent or liability to Tenant: (a) To determine whether the Premises is in good condition and whether Tenant is complying with its obligations under this Lease; (b) To do any necessary maintenance and to make any restoration to the Premises or the Building that Landlord has the right or obligation to perform, in which case Landlord shall provide no less than thirty (30) days prior written notice to Tenant (emergencies excepted, in which case no such prior notice shall be required); (c) To post "for sale" signs at any time during the Term, to post "for rent" or "for lease" signs during the last nine (9) months of the Term, or during any period while Tenant is in default beyond all applicable notice and cure periods; (d) To show the Premises to prospective tenants at any time during the last nine (9) months of the Term and to prospective brokers, lenders, agents, buyers or persons interested in an exchange, at any time during the Term; (e) To repair, maintain or improve the Premises and to erect scaffolding and protective barricades around and about the Premises but not so as to prevent the use of all access and entry points to the Premises and to do any other act or thing necessary for the safety or preservation of the Premises, in which case Landlord shall provide no less than thirty (30) days prior written notice to Tenant (emergencies excepted, in which case no such

prior notice shall be required), and provided that such acts or things do not materially interfere with Tenant's use of or access to the Premises; or (f) To discharge Tenant's obligations hereunder when Tenant has failed to do so in accordance with the terms of this Lease beyond all applicable notice and cure periods. Landlord shall not be liable in any manner for any inconvenience, disturbance, loss of business, nuisance or other damage arising of out Landlord's entry onto the Premises as provided in this Paragraph 23. Tenant shall not be entitled to an abatement or reduction of rent if Landlord exercises any rights reserved in this Paragraph 23, except as expressly set forth in this Lease. Landlord shall reasonably attempt to conduct its activities on the Premises as provided herein in a manner that will reasonably minimize the inconvenience, annoyance or disturbance to Tenant.

All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense without any abatement of rent except as expressly set forth in this Lease. If Tenant shall fail to pay any sum of money to any third party which Tenant is obligated to pay under this Lease or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for thirty (30) days after notice thereof by Landlord (or such other period as specifically provided herein), Landlord may, without waiving or releasing Tenant from any obligations of Tenant, but shall not be obligated to, make any such payment or perform any such other act on Tenant's part to be made or performed in this Lease, without liability to Tenant for any loss or damage which might occur to Tenant's merchandise, fixtures or other property or to Tenant's business by reason thereof, and upon completion thereof, Tenant shall pay to Landlord all sums so paid by Landlord and all necessary incidental costs for making such repairs plus five percent (5%) for overhead, upon presentation of a bill therefor. Tenant covenants to pay any such sums to Landlord within thirty (30) days following demand from Landlord, and Landlord shall have (in addition to all other rights or remedies of Landlord) the same rights and remedies in the event of the nonpayment thereof by Tenant as in the case of default by Tenant in the payment of rent.

24. SUBORDINATION.

Without the necessity of any additional document being executed by Tenant for the purpose of effecting a subordination, and unless otherwise elected by Landlord or any Mortgagee (defined below) with a lien on the Premises or any Ground Lessor (defined below) with respect to the Premises (or any part thereof), this Lease shall be subject and subordinate at all times to (a) all ground leases or underlying leases which may now exist or hereafter be executed affecting the Premises, or the land upon which the Premises is situated, or both, and (b) the lien of any mortgage or deed of trust which may now exist or hereafter be executed in any amount for which the Premises, ground leases or underlying leases, or Landlord's interest or estate in any of said items is specified as security. Notwithstanding the foregoing, (i) Tenant acknowledges that Landlord shall have the right to subordinate or cause to be subordinated this Lease to any such ground leases or underlying leases or any such liens, and (ii) Landlord acknowledges and agrees that Tenant's obligation to subordinate as described herein is expressly subject to Tenant obtaining a commercially reasonable nondisturbance agreement on Landlord's lender's form, as may be reasonably negotiated between such lender and Tenant (an "**SNDA**"). Landlord and Tenant agree to use commercially reasonable efforts to negotiate and cause the parties thereto to mutually approve and execute any such SNDA within thirty (30) days following the request for same by either party; provided, however, Landlord hereby agrees to use commercially reasonably efforts to cause First Internet Bank (the "**Current Lender**") to enter into an SNDA with Tenant in substantially the form attached hereto as **Exhibit N** (the "**Current SNDA**") within fifteen (15) days following mutual execution of this Lease by Landlord and Tenant. In the event that any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Tenant shall, notwithstanding any subordination, attorn to and become the tenant of the successor in interest to Landlord, at the option to such successor in interest. Tenant covenants and agrees to execute and deliver, upon demand by Landlord and in the form requested by Landlord and reasonable acceptable to Tenant any additional documents evidencing the priority or subordination of this Lease with respect to any such ground lease or underlying leases or the lien of any such mortgage or deed of trust. Tenant shall pay within thirty (30) days following demand Landlord's actual reasonable attorneys' fees and costs incurred in connection with any negotiation or modification of Landlord's lender's standard subordination agreement form, if any.

25. NOTICE.

Any notice, demand, request, consent, approval or communication desired by either party or required to be given, shall be in writing and served personally or sent prepaid by commercial overnight courier or prepaid certified first class mail (return receipt requested), addressed as set forth in Subparagraphs 1(b) and 1(c). Either party may change its address by notification to the other party. Notice shall be deemed to be communicated seventy-two (72) hours from the time of mailing (if sent via first class mail), or at the time of service if sent by other than first class mail as provided in this Paragraph 25.

26. WAIVER.

No delay or omission in the exercise of any right or remedy by Landlord shall impair such right or remedy or be construed as a waiver. No act or conduct of Landlord, including, without limitation, acceptance of the keys to the Premises, shall constitute acceptance of the surrender of the Premises by Tenant before the expiration of the Term. Only written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish termination of this Lease. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant. Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Lease.

27. LIMITATION OF LIABILITY.

In consideration of the benefits accruing hereunder, Tenant and all successors and assigns of Tenant covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord or otherwise pertaining to any obligation of Landlord with respect to the Building:

(a) The liability of Landlord and/or any Landlord Indemnified Parties shall be limited solely and exclusively to an amount which is equal to the interest of Landlord in the Building, provided that in no event shall such liability extend to any sales or insurance proceeds received by Landlord and/or any Landlord Indemnified Parties in connection with the Building or the Premises Land;

(b) No member, partner, officer, director, owner, shareholder or advisor of Landlord shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the entity in question);

(c) No service of process shall be made against any member, partner, officer, director, owner, shareholder or advisor of Landlord (except as may be necessary to secure jurisdiction of the entity in question);

(d) No member, partner, officer, director, owner, shareholder or advisor of Landlord shall be required to answer or otherwise plead to any service of process;

(e) No judgment may be taken against any member, partner, officer, director, owner, shareholder or advisor of Landlord;

(f) Any judgment taken against any member, partner, officer, director, owner, shareholder or advisor of Landlord may be vacated and set aside at any time after the fact;

(g) No writ of execution will ever be levied against the assets of any member, partner, officer, director, owner, shareholder or advisor of Landlord;

(h) The obligations under this Lease do not constitute personal obligations of any individual member, partner, officer, director, owner, shareholder or advisor of Landlord, and Tenant shall not seek recourse against any such persons or entities of Landlord or any of their personal assets for satisfaction of any liability in respect to this Lease; and

(i) These covenants and agreements are enforceable both by Landlord and also by any member, partner, officer, director, owner, shareholder or advisor of Landlord.

Tenant agrees that each of the foregoing provisions shall be applicable to any covenant or agreement either expressly contained in this Lease or imposed by statute or at common law.

28. FORCE MAJEURE.

Neither Landlord nor Tenant shall have liability whatsoever to the other on account of the inability or delay of a party in fulfilling any of such party's non-monetary obligations under this Lease by reason of strike, other labor trouble, terrorism, weather, acts of god, governmental controls in connection with a national or other public emergency, or shortages of fuel, supplies or labor resulting there from or any other cause, whether similar or dissimilar to the above, beyond such party's reasonable control. If this Lease specifies a time period for performance of a non-monetary obligation by a party, that time period shall be extended by the period of any delay in such party's performance caused by any of the events of force majeure described above.

29. PROFESSIONAL FEES.

If Landlord or Tenant should engage any professional including, without limitation, attorneys, appraisers, accountants or environmental or other consultants for the purpose of bringing suit related to this Lease or possession of the Premises, for the recovery of any sum due under this Lease, or because of the breach of any provisions of this Lease, or for any other relief against a party hereunder, or in the event of any other litigation between the parties with respect to this Lease, then all reasonable costs and expenses including, without limitation, actual professional fees such as appraisers', accountants', attorneys' and other consultants' fee, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

30. EXAMINATION OF LEASE.

Submission of this instrument for examination or signature by Tenant shall not create a binding agreement between Landlord and Tenant nor shall it constitute a reservation or option to lease on the part of Tenant and this instrument shall not be effective as a lease and shall not create any obligations on the part of Landlord or Tenant until this Lease has been validly executed first by Tenant and second by Landlord, and delivered Tenant.

31. ESTOPPEL CERTIFICATE.

(a) Within ten (10) business days following any written request which Landlord may make from time to time, Tenant shall execute and deliver to Landlord a statement (“Estoppel Certificate”), in a form substantially

similar to the form of **Exhibit E** attached hereto or in such other form as Landlord's lender or purchaser may reasonably require, certifying: (i) the date of commencement of this Lease; (ii) the fact that this Lease is unmodified and in full force and effect (or, if there have been modifications, stating the nature and date of such modifications), (iii) the date to which the rent and other sums payable under this Lease have been paid; (iv) that there are no current defaults under this Lease by either Landlord or Tenant except as specified in Tenant's statement; and (v) such other matters reasonably requested by Landlord which in no way alter or modify the terms of this Lease. Landlord and Tenant intend that any statement delivered pursuant to this Paragraph 31 may be relied upon by any Mortgagee, beneficiary, purchaser or prospective purchaser of the Premises or any interest therein.

(b) Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant (i) that this Lease is in full force and effect, without modification except as may have been previously evidenced in writing and executed by Landlord and Tenant, and (ii) that there are no uncured defaults in Landlord's performance (unless Tenant has previously provided notice to Landlord of any such default pursuant to this Lease, and (iii) that not more than one (1) month's rent has been paid in advance. Tenant's failure to deliver said statement to Landlord within ten (10) business days of receipt shall constitute a default under this Lease and Landlord shall have the remedies provided in Paragraph 21.

32. RULES AND REGULATIONS.

Tenant shall faithfully observe and comply with the "Rules and Regulations", a copy of which is attached hereto and marked **Exhibit F**, and all commercially reasonable and nondiscriminatory modifications thereof and additions thereto from time to time put into effect by Landlord. Landlord shall not be responsible to Tenant for the violations or nonperformance by any other tenant or occupant of the project of any of said Rules and Regulations. Notwithstanding the foregoing, Landlord shall use its commercially reasonable efforts to enforce said Rules and Regulations in a non-discriminatory manner.

33. LIENS.

Tenant shall, within thirty (30) days after receiving written notice of the filing of any mechanic's lien for material or work claimed to have been furnished to the Premises on Tenant's behalf or at Tenant's request, discharge the lien or post a bond equal to the amount of the disputed claim with a bonding company reasonably satisfactory to Landlord. If Tenant posts a bond, it shall contest the validity of the lien with all due diligence. Tenant shall indemnify, defend and hold Landlord harmless from any and all losses and costs incurred by Landlord as a result of any such liens attributable to Tenant. If Tenant does not discharge any lien or post a bond for such lien within such thirty (30) day period, Landlord may discharge such lien at Tenant's expense and Tenant shall promptly reimburse Landlord for all costs incurred by Landlord in discharging such lien including, without limitation, reasonable attorneys' fees and costs and interest on all sums expended at the Interest Rate. Subject to the terms of Paragraph 14(c) above, Tenant shall provide Landlord with not less than ten (10) days written notice of its intention to have work performed at or materials furnished to the Premises so that Landlord may post appropriate notices of non-responsibility. Tenant shall pay upon demand Landlord's reasonable attorneys' fees and other actual costs incurred by Landlord with third parties in connection with any request by Tenant for any subordination or clarification of any Landlord lien right arising under this Lease or at law.

34. MISCELLANEOUS PROVISIONS.

(a) Time of Essence. Time is of the essence of each provision of this Lease.

(b) Successors. This Lease shall be binding on and inure to the benefit of the parties and their successors, except as provided in Paragraph 19 herein.

(c) Consent. Except as otherwise provided in this Lease (and except for matters which (1) could have an adverse effect on the structural integrity of the Building, (2) could have an adverse effect on the Building systems, or (3) could have an effect on the exterior appearance of the Building, whereupon in each such case Landlord's duty is to act in good faith and in compliance with this Lease), any time the consent of Landlord or Tenant is required, such consent shall not be unreasonably withheld, conditioned or delayed. Whenever this Lease grants Landlord or Tenant the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations (other than decisions to exercise expansion, contraction, cancellation, termination or renewal options), Landlord and Tenant shall act reasonably and in good faith and take no action which might result in the frustration of the reasonable expectations of a sophisticated tenant or landlord concerning the benefits to be enjoyed under this Lease.

(d) Commissions. Each party represents that it has not had dealings with any real estate broker, finder or other person with respect to this Lease in any manner, except for the broker(s) identified in Subparagraph 1(k) above. If Tenant has dealt with any other person or real estate broker with respect to leasing or renting the Premises, Tenant shall be solely responsible for the payment of any fees due said person or firm and Tenant shall hold Landlord free and harmless and indemnify and defend Landlord from any liabilities, damages or claims with respect thereto, including attorney's fees and costs. If Landlord has dealt with any other person or real estate broker with respect to leasing or renting the Premises, Landlord shall be solely responsible for the payment of any fees due said person or firm and Landlord shall hold Tenant free and harmless and indemnify and defend Tenant from any liabilities, damages or claims with respect thereto, including attorney's fees and costs. Landlord shall be responsible for paying all fees and commissions in connection with this Lease to the broker(s) identified in Subparagraph 1(k) above pursuant to a separate agreement between Landlord and said brokers.

(e) Landlord's Successors. In the event of a sale or conveyance by Landlord of the Premises, the same shall operate to release Landlord from any liability under this Lease first accruing on or following the effective date of such sale or conveyance, and in such event Landlord's successor-in-interest shall be solely responsible for all obligations of Landlord under this Lease.

(f) Prior Agreement or Amendments. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended except by an agreement in writing signed by the parties hereto or their respective successors-in-interest.

(g) Recording. Within fifteen (15) days after the Commencement Date, Landlord and Tenant shall execute and cause to be recorded against the Land and the land upon which the Expansion Space is contemplated to be located, at Tenant's sole cost, a Memorandum of Lease in the form attached hereto as **Exhibit L**. Following the date this Lease expires or is earlier terminated, Tenant agrees, within thirty (30) days after receipt of written request from Landlord, to execute, acknowledge and deliver any instruments reasonably required by Landlord or any title company to remove the cloud of the Memorandum of Lease from title to the Premises and/or Project. Tenant's obligations under this clause (g) shall survive the expiration or earlier termination of this Lease.

(h) Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof, and all other provisions of this Lease shall remain in full force and effect.

(i) No Partnership or Joint Venture. Nothing in this Lease shall be deemed to constitute Landlord and Tenant as partners or joint venturers. It is the express intent of the parties hereto that their relationship with regard to this Lease and the Premises be and remain that of lessor and lessee.

(j) Interpretation. When required by the context of this Lease, the singular shall include the plural, and the masculine shall include the feminine and/or neuter. “Party” shall mean Landlord or Tenant.

(k) No Light, Air or View Easement. Any diminution or blocking of light, air or view by any structure which may be erected on lands adjacent to the Building shall in no way affect this Lease or impose any liability on Landlord.

(l) Governing Law. This Lease shall be governed by and construed pursuant to the laws of the State of Indiana.

(m) Mortgagee Protection. In the event of any default on the part of Landlord, so long as Landlord has provided Tenant with the contact information for such parties, Tenant will give simultaneous notice consistent with Paragraph 25 to any beneficiary of a deed of trust, mortgagee, or ground lessor of the Premises (“Mortgagee” or Ground Lessor”), and shall offer such Mortgagee or Ground Lessor, a reasonable opportunity to cure the default, including time to obtain possession of the Premises by power of sale or a judicial foreclosure, or in the event of a Ground Lessor, by appropriate judicial action, if such should prove necessary to effect a cure.

(n) WAIVER OF JURY TRIAL; ARBITRATION.

(i) Jury Trial Waiver. EACH PARTY HEREBY IRREVOCABLY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH PARTY RECOGNIZES AND AGREES THAT THE FOREGOING WAIVER CONSTITUTES A MATERIAL INDUCEMENT FOR IT TO ENTER INTO THIS AGREEMENT. EACH PARTY REPRESENTS AND WARRANTS THAT IT HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS PARAGRAPH 34(n)(i) IS SUBJECT IN ITS ENTIRETY TO PARAGRAPH 34(n)(ii) HEREOF.

(ii) Arbitration. All disputes arising between the parties hereto (except for those related to any Tenant default) with respect to the subject matter of this Lease shall be settled exclusively by final, binding arbitration. The judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The arbitration will proceed in the county where the Property is located and be conducted by the American Arbitration Association (“AAA”), or such other administrator as the parties shall mutually agree upon, in accordance with the AAA’s then-applicable Commercial Arbitration Rules (the “Rules”). Any party who fails or refuses to submit to arbitration following a demand by the other party shall bear all costs and expenses, including attorneys’ fees, incurred by such other party in compelling arbitration. The arbitration will be decided by a single arbitrator selected according to the Rules. The arbitrator will decide any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication and may grant any remedy or relief that a court could order or grant on similar motions. The arbitrator shall apply the provisions of this Lease without varying therefrom, and shall not have the power to add to, modify, or change any of the provisions hereof. In any arbitration proceeding discovery will be permitted only in accordance with the terms of this paragraph. Discovery by each party shall be limited to: (i) a maximum number of five (5) depositions limited to four hours each; (ii) requests for production of documents; (iii) two interrogatories: one inquiring into the amount of damages sought by the other party and another into the calculation of those damages; and (iv) subpoenas upon third

parties for production of documents, depositions, and to appear at a hearing. The scope of discovery may be expanded only upon the mutual consent of the parties. Discovery not set forth in this paragraph shall not be permitted.

The Parties understand and agree that they are entering into this arbitration agreement voluntarily, and that by doing so they are waiving their rights to a jury trial or to have their claims otherwise litigated in court. In any litigation, arbitration or other legal proceeding which may arise between the parties hereto, the prevailing party shall be entitled to recover its costs, including costs of arbitration, and reasonable attorneys' fees in addition to any other relief to which the party may be entitled.

(o) Counterparts; Electronic Signatures. This Lease may be executed in one or more counterparts, each of which shall constitute an original and all of which shall be one and the same agreement. This Lease may be executed and/or delivered by facsimile, Portable Document Format ("PDF"), or electronic signature (e.g., DocuSign, Adobe Sign, etc.). Signatures and/or copies of this Lease executed and/or delivered by facsimile, PDF, or other electronic signature shall be deemed to be originals

(p) Financial Statements. Upon ten (10) business days prior written request from Landlord (which Landlord may make at any time during the Term including in connection with Tenant's exercise of any option to extend or other option granted to Tenant in this Lease, but no more often than one (1) time in any calendar year, other than in the event of a default by Tenant beyond all applicable notice and cure periods set forth in this Lease during such calendar year, the exercise of any option in such calendar year or in connection with Landlord's prospective sale or refinancing of the Building, when such limitation shall be not more often than two (2) times in such calendar year), Tenant shall deliver to Landlord (i) a current financial statement of Tenant, and (ii) financial statements of Tenant for the two (2) years prior to the current financial statement year. Such statements shall be prepared in the ordinary course of business and in accordance with generally acceptable accounting principles and certified as true in all material respects by Tenant (if Tenant is an individual) or by an authorized officer, member/manager or general partner of Tenant (if Tenant is a corporation, limited liability company or partnership, respectively). Notwithstanding the foregoing, the foregoing obligation to provide financial statements to Landlord is hereby waived so long as Tenant (or its Permitted Transferee) is a publicly traded company or subsidiary thereof, where such financial information is readily available in Tenant's public securities filings.

(q) Laws. For purposes of this Lease, the term "law(s)" shall mean any and all laws, ordinances, rules, regulations, requirements, covenants, conditions and restrictions affecting the Premises.

35. LEASE EXECUTION.

(a) Tenant's Authority. If Tenant executes this Lease as a partnership or corporation, then Tenant and the persons and/or entities executing this Lease on behalf of Tenant represent and warrant that: (a) Tenant is a duly authorized and existing partnership or corporation, as the case may be, and is qualified to do business in the state in which the Building is located; (b) such persons and/or entities executing this Lease are duly authorized to execute and deliver this Lease on Tenant's behalf in accordance with the Tenant's partnership agreement (if Tenant is a partnership), or a duly adopted resolution of Tenant's board of directors and the Tenant's by-laws (if Tenant is a corporation); and (c) this Lease is binding upon Tenant in accordance with its terms.

(b) Joint and Several Liability. If more than one person or entity executes this Lease as Tenant: (a) each of them is and shall be jointly and severally liable for the covenants, conditions, provisions and agreements of this Lease to be kept, observed and performed by Tenant; and (b) the act or signature of, or notice from or to, any one or more of them with respect to this Lease shall be binding upon each and all of the persons and entities executing this Lease as Tenant with the same force and effect as if each and all of them had so acted or signed, or given or received such notice.

36. ADDITIONAL PROVISIONS.

(a) Leasehold Title Insurance. To be issued concurrently with the recordation of the Memorandum of Lease, Landlord shall obtain a leasehold policy of title insurance (the "Title Policy") with a title company selected by Landlord. The cost of the premium for the Title Policy will be divided equally between Landlord and Tenant.

(b) Rooftop Equipment. Tenant shall have the non-exclusive right, at Tenant's sole cost and expense (subject to application of the Allowance, with respect to the installation costs only), to install satellite and communication equipment and supplemental heating, ventilation and air-conditioning systems upon the roof of the Building (collectively, the "Rooftop Equipment") under the following conditions: (i) all plans and specifications for the Rooftop Equipment, including but not limited to, weight, configuration, location, means of installation, cabling and screening of the Rooftop Equipment are subject to the prior reasonable approval of Landlord; (ii) Tenant shall provide evidence to Landlord that Tenant has obtained all governmental approvals and permits required for the installation and operation of the Rooftop Equipment; (iii) Tenant shall provide evidence to Landlord of commercially reasonable insurance coverage for the installation, location, repair, removal, and operation of the Rooftop Equipment, with Landlord as an additional insured, all in form and substance reasonably approved by Landlord and such insurance shall be maintained during the Term of this Lease; (iv) Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all loss, liability, cost and expense incurred by Landlord as a result of the installation, location, repair, removal, or operation of the Rooftop Equipment on the Building; (v) Tenant shall be responsible for the installation, engineering, maintenance, repair and removal of the Rooftop Equipment and appurtenant equipment in accordance with all federal, state and local laws, and ordinances; (vi) no roof penetrations shall be made without obtaining Landlord's consent, which consent shall not be unreasonably

withheld, conditioned or delayed; (vii) Tenant shall be responsible for any impairment of Landlord's roof warranty as a result of installation of the Rooftop Equipment except in the event that Tenant engages Landlord's preferred general contractor or roofing contractor for such installation, in which case such contractor shall take full responsibility for any such impairment; (viii) Tenant shall, at its own expense, promptly repair any damage or wear to the roof resulting from the installation and use of the Rooftop Equipment and appurtenant equipment; and (ix) the operation of the Rooftop Equipment shall be for Tenant's internal use only. Landlord shall grant Tenant access to the roof for such installation, maintenance, repair, and removal of the Rooftop Equipment. Tenant shall not be obligated to pay any rental or other recurring charges with respect to the use of the roof as contemplated under this clause (b). Upon the expiration of this Lease, Tenant shall promptly remove the Rooftop Equipment (excluding any supplemental heating, ventilation and air-conditioning systems) and repair any damage caused by such removal.

(c) Truck Courts/Outside Storage. Tenant may use truck court area or other areas upon the Land for outside storage (the "Outside Storage") subject to Tenant's compliance with all applicable laws and prior written approval by the City of Mooresville or the County of Morgan, as applicable. Tenant, at Tenant's sole cost, shall have the right, subject to Laws and Landlord's prior approval (which approval shall not be unreasonably withheld, conditioned or delayed), to install additional fencing and/or gates or screening around any Outside Storage. Tenant shall have no obligation to remove any such additional fencing and/or gates (and other related improvements) from the Premises on or before the expiration or earlier termination of the Term of this Lease.

(d) Additional Equipment. Landlord, at Tenant's sole option and as part of Landlord's Work, shall provide Tenant with an exterior area(s) located near the Building for the installation of Tenant's other non-hazardous equipment, e.g., air compressor equipment, etc. (collectively, the "Additional Equipment"); provided, however, Tenant shall be responsible for the costs associated with any screening, and wall enclosures and gates in connection with the Additional Equipment. The installation of any Additional Equipment shall be subject to Landlord's reasonable approval and in accordance with all applicable laws. The installation, repair, maintenance and removal of Tenant's Additional Equipment, and any such screening and/or wall enclosure and gates, during the Term shall be at Tenant's sole cost (subject to application of the Allowance with respect to installation only).

(e) Building Security. Subject to Landlord's prior written approval of the plans and specifications therefor and subject to Paragraph 13, Tenant shall have the right, at Tenant's sole cost and expense to install and maintain a security system within the Premises, including, but not limited to, access panels and cameras. Tenant shall not be required to remove the security system upon expiration or earlier termination of the Lease. Tenant, at Tenant's sole cost and expense, shall further be permitted to administer its own security services throughout the Premises. Tenant's security system and security services shall be subject to Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed. Tenant shall indemnify, defend, protect and hold Landlord harmless from and against any claims, damages, judgments, suits, causes of action, losses, liabilities and expenses, including attorneys' fees and court costs arising out of any such security system and/or services installed, maintained and/or implemented by Tenant.

(f) Use of Premises' Exterior Areas. Tenant shall have the right to use the exterior portions of the Premises, including the parking area and open space, for temporary events, meetings and functions in connection with Tenant's business. Such use by Tenant shall be subject to: (a) Tenant's obtaining any approval required by a governmental agency and compliance with any requirements imposed by such approval; (b) Landlord's prior written approval, which shall not be unreasonably withheld, conditioned or delayed; and (c) compliance with the terms of the Lease. Tenant shall comply with any and all conditions required by Landlord in connection with such use, including obtaining additional required insurance.

(g) Emergency Power Generator.

(i) Subject to the terms and conditions set forth in this Paragraph 36(g) and Paragraph 14, and to Tenant obtaining all necessary governmental permits and approvals, and so long as Tenant shall not adversely impact any Building systems, Tenant shall have the right to install, operate and maintain, at Tenant's sole cost and expense (subject to application of the Allowance, with respect to installation only), a maximum 1,000 kilowatt back-up generator ("Tenant's Generator") on the Land near the Building within the area specified on **Exhibit J** hereto which shall not exceed one hundred forty (140) square feet (i.e., a 10' x 14' pad). Tenant shall not be obligated to pay any rental or other recurring charges with respect to the area designated for Tenant's Generator. Landlord shall have the right to review and approve, such review and approval not to be unreasonably withheld, conditioned or delayed, Tenant's plans and specifications for the proposed equipment, including, without limitation, the size, method of installation and visibility of such equipment. The location of Tenant's Generator shall be limited to the area specified on **Exhibit J**.

(ii) Notwithstanding the foregoing, in no event may the installation of Tenant's Generator involve the installation of an underground storage tank. The above-ground storage tank associated with Tenant's Generator (the "AST") shall not exceed five hundred (500) gallons in capacity, shall be double walled in thickness, shall contain diesel fuel or liquid propane only (to power Tenant's Generator only), and shall employ at a minimum for a diesel powered generator, a double containment system whereby if the first containment system fails, a second containment system shall be present to prevent releases of Hazardous Materials, all in accordance with applicable laws and environmental regulations. For these purposes, a sealed, uncracked concrete slab containment area without drains shall be sufficient (but shall not be the exclusive method) to constitute the second containment system, provided it is large enough to completely contain a release of the maximum volume of Hazardous Materials which could be present in the first containment system. All handling, use, storage and disposal of Hazardous Materials relating to the

AST or Tenant's Generator shall be accomplished by Tenant at its sole cost and expense in accordance with this Paragraph 36(g) and the terms and conditions of **Exhibit H** of this Lease.

(iii) In conjunction with the installation of Tenant's Generator, subject to Landlord's prior approval of Tenant's plans and specifications, Tenant shall have the right to install an emergency generator connection on the outside of the Building for the purpose of connecting Tenant's Generator to the Premises and an appurtenant electrical grounding system. Furthermore, Tenant shall have the right to install conduits from Tenant's Generator to the Premises, provided, however, that such conduits are installed below grade to Landlord's reasonable satisfaction in accordance with the design and architectural standards for the Building.

(iv) So long as Tenant complies with the terms of this Paragraph 36(g) with respect to the installation and operation of the AST, Tenant shall not be required to remove the AST upon the expiration or earlier termination of this Lease. If Tenant fails to so comply with the terms of this Paragraph 36(g) after receipt of written notice from Landlord and thirty (30) days to cure such failure, prior to or within sixty (60) days following the expiration or earlier termination of the Term of this Lease, Tenant agrees upon Landlord's request to (i) promptly remove from the Project, at its sole cost and expense, the AST (including, at Landlord's request, the slab), if any, and all Hazardous Materials which are brought upon, stored, used, generated or released upon, in, under or about the Premises, the Project or any portion thereof by Tenant or any Tenant Parties in connection with Tenant's Generator or AST, and (ii) return the Premises and the balance of the Building and Project to substantially the condition existing prior to Tenant's installation of Tenant's Generator and AST. Tenant shall be solely responsible for complying with any and all laws relating to the AST, Tenant's Generator and all Hazardous Materials associated with either of the same, including, without limitation, all permitting and tank installations, monitoring and removal/closure obligations. For purposes of all laws, Tenant shall be the owner and operator of the AST. Tenant shall be responsible for ensuring compliance by all Tenant Parties with all laws relating to the AST and Tenant's Generator. Any acknowledgment, consent or approval by Landlord of Tenant's use or handling of Hazardous Materials shall not constitute an assumption of risk respecting the same nor a warranty or certification by Landlord that Tenant's proposed use and handling of Hazardous Materials is safe or reasonable or in compliance with all applicable laws.

(v) From time to time during the Term and for up to one hundred eighty (180) days thereafter, if required by any government agency, or in the event Landlord has actual knowledge of a Hazardous Materials release at the Premises which resulted from a fuel leak relating to the AST, Landlord may, and upon Landlord's request, Tenant shall, retain a registered environmental consultant ("Consultant") reasonably acceptable to Landlord to conduct an environmental investigation of the Project ("Environmental Assessment") (i) for Hazardous Materials contamination in, about or beneath the Project relative to the AST or Tenant's Generator, and (ii) to assess the activities of Tenant and all Tenant Parties with respect to Tenant's Generator and the AST for compliance with all applicable laws and to recommend the use of procedures intended to reasonably reduce the risk of a release of Hazardous Materials. If the Environmental Assessment discloses any material breach of any applicable laws by Tenant or any Tenant Parties, then the cost thereof shall be the sole responsibility of Tenant, payable as additional rent under this Lease. Otherwise, the costs of the Environmental Assessment shall be the responsibility of Landlord. If Landlord so requires, Tenant shall comply, at its sole cost and expense, with all reasonable recommendations contained in the Environmental Assessment, including any reasonable recommendations with respect to precautions which should be taken with respect to Tenant's or Tenant Parties' activities at the Project relative to the AST or Tenant's Generator or any recommendations for additional testing and studies to detect the presence of Hazardous Materials relative to the AST or Tenant's Generator. Tenant covenants to reasonably cooperate with the Consultant and to allow entry and reasonable access to the AST and Tenant's Generator for the purpose of the Consultant's investigations.

(vi) If any cleanup or monitoring procedure is required by any applicable governmental authorities in or about the Project as a consequence of any Hazardous Materials contamination by Tenant or any of Tenant's Parties arising out of Tenant's Generator or AST use, and the procedure for cleanup is not completed (to the satisfaction of all applicable governmental authorities) prior to the expiration or earlier termination of the Term of this Lease (referred to herein as "Tenant's Failure to Clean-Up"), then, without limiting any of Landlord's other rights and remedies contained in this Lease (including, without limitation, any indemnity and restoration obligations of Tenant contained in this Lease), Tenant will additionally be liable for any revenue of Landlord lost to the extent Landlord is precluded from re-leasing the Premises or any other portion of the Project as a result of such contamination.

(vii) Subject to Tenant obtaining all necessary governmental permits and approvals, Tenant shall have the right, at Tenant's sole cost and expense, to test Tenant's Generator pursuant to the manufacturer's recommendations, but in no event more than once a week during the Term at a time after normal business hours mutually agreed upon by Landlord and Tenant. Tenant's intended use of Tenant's Generator shall be to provide back-up power should there be for any reason, any interruption in electrical service to the Project, the Building and/or the Premises.

(viii) Tenant shall indemnify, defend (with counsel reasonably acceptable to Landlord), protect and hold Landlord harmless from any and all liability, losses, damages, actions or causes of action, judgments, costs and expenses arising in any way from Tenant's installation, operation, maintenance and removal of Tenant's Generator and the AST, or any breach of Tenant's obligations under this Lease with respect to Tenant's Generator and the AST. The representations, warranties and agreements of the Tenant

set forth in this Paragraph 36(g) shall survive the expiration of the Term or the earlier termination of the Lease for any reason.

(ix) Tenant's Generator shall be installed in a weatherproof, walk-around type, reasonable sound attenuating enclosure. Tenant shall be responsible for all insulation for magnetic or electrical interference from operation of Tenant's Generator as necessary to prevent interference of any kind with equipment or systems operated by other occupants of the Project.

(x) If Tenant's Generator is visible from outside of the Building (including from any areas adjacent to the Building (or from other buildings now or hereafter constructed within the Project), Tenant shall cause Tenant's Generator to be screened from view in a manner reasonably acceptable to Landlord and comparable and compatible with the improvements and/or landscaping contiguous to such improvements (such as by way of example only with appropriate metal and/or fabric screening, concrete masonry unit block wall fencing or landscaping screening to match adjacent landscaping). All such screening and visible improvements shall be of first class quality and shall be consistent in quality and design with similar improvements and screening in comparable quality office/warehouse projects in the vicinity of the Project. Tenant may elect to have such improvements included in the scope of the Tenant Improvements. If the use of any parking spaces is lost as a result of the placement of Tenant's Generator in the Common Areas, Tenant's allocation of parking spaces shall be deemed reduced by the number of parking spaces lost as a result of the location of Tenant's Generator and Landlord shall have no liability to Tenant whatsoever for such reduction.

(xi) To the extent that the installation of Tenant's Generator requires modifications to the shell, foundation, or other structural portions of the Building (including, without limitation, the installation of Tenant's Generator upon the roof of the Building), such modifications shall be subject to Landlord's reasonable approval and Tenant shall pay to Landlord within thirty (30) days after demand therefor, all costs and expenses incurred by Landlord in conjunction with such structural modifications.

(h) Tenant Competitor. So long as Tenant is not in default under this Lease beyond any applicable cure period, then, subject to the limitations and exceptions set forth in this Subparagraph 36(h), Landlord shall not, after the date of this Lease, lease space within the Building, as the same may be expanded, to any of the following shoe companies and/or their respective shoe subsidiaries or shoe brands: (i) Sketchers; (ii) Nike; (iii) Wolverine Worldwide (i.e., Crocs); (iv) VF Corp. (i.e., Vans); and (v) Adidas (each, a "Tenant Competitor"); provided, however, Tenant acknowledges and agrees that the foregoing restriction shall not apply to any of the above described Tenant Competitors operating in a non-footwear capacity (e.g., Nike Golf and/or Nike Apparel). Tenant acknowledges and agrees that Landlord's covenant not to lease space within the Building, as the same may be expanded, to a Tenant Competitor is personal to the specific Tenant identified in Subparagraph 1(b) of this Lease and a Permitted Transferee (hereafter defined), and shall no longer apply once this Lease has been assigned or the Premises have been sublet except to a Permitted Transferee.

(i) Confidentiality. Landlord and Tenant (and their agents, brokers, vendors, consultants, etc.) agree to keep all information with respect to the transaction contemplated herein strictly confidential between Landlord and Tenant; provided, however, (A) Landlord shall be allowed to disclose the terms of the Lease to its existing and/or prospective lenders, potential buyers, partners, attorneys, consultants, accountants, agents, employees, real estate and loan brokers and as it might be required by law to disclose, and (B) Tenant shall be allowed to disclose the terms of the Lease to Tenant's attorneys, accountants, consultants, agents and as it might be required by law or the SEC to disclose. Landlord and tenant further expressly agree that there shall be no press releases or other publicity originated by the parties hereto, or any representatives thereof, concerning the subject Lease transaction, without the prior written consent of both parties, not to be unreasonably withheld, conditioned or delayed.

(j) Name and Image. Tenant shall have the right to use the name and image of the Building in Tenant's advertising, website and other Tenant's business related publications. Subject to Tenant's prior written approval, which may be granted or withheld in Tenant's sole discretion, Landlord shall have the right to use Tenant’s name and images of the building in Landlord’s advertising, website and other Landlord’s business related publications.

(k) Limited Binding Obligations. Landlord and Tenant hereby acknowledge and agree that the limited confidentiality obligations (as referenced in that certain Request for Proposal from Tenant dated December 29, 2021 and pertaining to the transaction contemplated by this Lease) are hereby deemed cancelled and no longer valid as of the mutual execution and delivery of this Lease.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

TENANT:

DECKERS OUTDOOR CORPORATION,

a Delaware corporation
By: /s/ Dave Powers

Name: Dave Powers

Its: President and Chief Executive Officer

LANDLORD:

WESTPOINT BUILDING II, LLC, an Indiana limited liability company

By: Ambrose Property Group, LLC, an Indiana limited liability company, its Manager

By: /s/ Aasif M. Bade
Aasif M. Bade, Manager

RIDER 1

OPTION TO EXTEND

This **Rider 1** is attached to, made a part of, incorporated into, and amends and supplements, that certain Standard Industrial Lease dated February 10, 2021 (the "Lease"), by and between WESTPOINT BUILDING II, LLC, an Indiana limited liability company ("Landlord"), and DECKERS OUTDOOR CORPORATION, a Delaware corporation ("Tenant"). Landlord and Tenant agree that, notwithstanding anything contained in the Lease to the contrary, the provisions set forth in this **Rider 1** will be deemed to be a part of the Lease and will supersede any contrary provisions in the Lease and shall prevail and control for all purposes. All references in the Lease and in this **Rider 1** to the defined term "Lease" are to be construed to mean the Lease as amended and supplemented by this **Rider 1**. Capitalized terms which are not defined in this **Rider 1** have the meanings given to them in the Lease.

1. OPTION TO EXTEND.

(a) Subject to the terms of this Paragraph 1 and Paragraph 2, entitled "Option," Landlord hereby grants to Tenant the option (the "Extension Option") to extend the Term of the Lease with respect to the entire Premises (including the Expansion Space, if applicable) for two (2) additional periods of five (5) consecutive years each (individually, an "Option Term" and collectively, the "Option Terms"), on the same terms, covenants and conditions as provided for in the Lease during the initial Term, except that (i) Tenant shall have no further extension rights, other than the Option Terms, including the remaining applicable Option Terms, following the preceding exercised Option Term, and (ii) all economic terms such as, without limitation, Basic Rent (including market escalations thereto, if any), NNN Charges, concessions, etc., shall be established based on the "fair market rental rate" for the Premises for the applicable Option Term as defined and determined in accordance with the provisions of this Paragraph 1 below.

(b) Each Extension Option must be exercised, if at all, by written notice ("Extension Notice") delivered by Tenant to Landlord no earlier than the date which is twelve (12) months, and no later than the date which is nine (9) months, prior to the expiration of the then applicable Term of the Lease.

(c) The term "fair market rental rate" as used in this **Rider 1** shall mean the annual amount per square foot, projected during the relevant period, that a willing, comparable, non-equity, nonrenewal or renewal tenant (excluding sublease and assignment transactions) would pay, and a willing, comparable, landlord of a comparable Class "A" quality industrial building located in the greater Metropolitan Indianapolis area, including, but not limited to, Plainfield, Mooresville and Mooresville (collectively, the "Comparison Area") would accept, at arm's length (what Landlord is then accepting in current transactions in the Project may be considered), for space of at least 500,000 square feet in size and comparable in quality and floor height as the leased area at issue taking into account the age, quality and layout of the existing improvements in the leased area at issue and taking into account items that professional real estate brokers customarily consider, including, but not limited to, rental rates (including market escalations thereto), industrial space availability, tenant size, tenant improvement allowances, free rent or rent abatement, operating expenses and allowance, including any abatement thereof, and any other economic matters or concessions then being charged and/or provided by Landlord or the lessors of such similar industrial buildings (i.e., at least 500,000 square feet in size) located within the Comparison Area.

(d) Landlord's determination of fair market rental rate shall be delivered to Tenant in writing not later than thirty (30) days following Landlord's receipt of Tenant's Extension Notice. Tenant will have thirty (30) days ("Tenant's Review Period") after receipt of Landlord's notice of the fair market rental rate within which to accept such fair market rental rate or to object thereto in writing. Tenant's failure to object to the fair market rental rate submitted by Landlord in writing within Tenant's Review Period will conclusively be deemed Tenant's disapproval and rejection thereof. If Tenant objects to the fair market rental rate submitted by Landlord within Tenant's Review Period, then Landlord and Tenant will attempt in good faith to agree upon such fair market rental rate using all commercially reasonable efforts. If Landlord and Tenant fail to reach agreement on such fair market rental rate within fifteen (15) days following the expiration of Tenant's Review Period (the "Outside Agreement Date"), then each party's determination will be submitted to appraisal in accordance with the provisions below.

(e) (i) Landlord and Tenant shall each appoint one independent, unaffiliated real estate broker (referred to herein as an "appraiser" even though only a broker) who has been active over the five (5) year period ending on the date of such appointment in the leasing of comparable industrial properties in the Comparison Area. Each such appraiser will be appointed within twenty-one (21) days after the Outside Agreement Date.

(ii) The two (2) appraisers so appointed will within fifteen (15) days of the date of the appointment of the last appointed appraiser agree upon and appoint a third appraiser who shall be qualified under the same criteria set forth herein above for qualification of the initial two (2) appraisers.

(iii) The determination of the appraisers shall be limited solely to the issue of whether Landlord's or Tenant's last proposed (as of the Outside Agreement Date) new Basic Rent for the Premises is the closest to the actual new Basic Rent for the Premises as determined by the appraisers, taking into account the requirements of Subparagraph 1(c) and this Subparagraph 1(e) regarding same.

(iv) The three (3) appraisers shall within twenty-one (21) days of the appointment of the third appraiser reach a decision as to whether the parties shall use Landlord's or Tenant's submitted fair market rental rate including the Basic Rent, and shall notify Landlord and Tenant thereof.

(v) The decision of the majority of the three (3) appraisers shall be binding upon Landlord and Tenant and neither party will have the right to reject the determination or undo the exercise of the Extension Option. The cost of each party's appraiser shall be the responsibility of the party selecting such appraiser, and the cost of the third appraiser (or arbitration, if necessary) shall be shared equally by Landlord and Tenant.

(vi) If either Landlord or Tenant fails to appoint an appraiser within the time period in Subparagraph 1(e)(i) herein above, the appraiser appointed by one of them shall reach a decision, notify Landlord and Tenant thereof and such appraiser's decision shall be binding upon Landlord and Tenant and neither party will have the right to reject the determination or undo the exercise of the Extension Option.

(vii) If the two (2) appraisers fail to agree upon and appoint a third appraiser, both appraisers shall be dismissed and the matter to be decided shall be forthwith submitted to binding arbitration under the provisions of the American Arbitration Association.

(viii) In the event that the fair market rental rate including the Basic Rent is not established prior to end of the initial Term of the Lease, the Basic Rent shall be the Basic Rent paid by Tenant during the month prior to the commencement date of the applicable Option Term. Notwithstanding the above, once the fair market rental is determined in accordance with this section, the parties shall settle any overpayment or underpayment and make the appropriate adjustments on the next Basic Rent payment date falling not less than thirty (30) days after such determination.

2. OPTIONS.

(a) As used in this Paragraph, the word “Options” collectively means, and the word “Option” individually means, the Extension Option pursuant to Paragraph 1 herein, and the Expansion Option pursuant to **Rider 2**.

(b) Each Option is personal to the original Tenant executing the Lease, and any Permitted Transferee, and may be exercised only by the original Tenant executing the Lease, or any Permitted Transferee, while occupying at least 80% of the Premises, and may not be exercised or be assigned, voluntarily or involuntarily, by any person or entity other than the original Tenant executing the Lease and/or a Permitted Transferee. The Options are not assignable separate and apart from this Lease, nor may any Option be separated from the Lease in any manner, either by reservation or otherwise.

(c) Tenant shall have no right to exercise any Option, notwithstanding any provision of the grant of such Option to the contrary, and Tenant's exercise of any Option may be nullified by Landlord and deemed of no further force or effect, if (i) Tenant shall be in default of any monetary obligation or material non-monetary obligation under the terms of the Lease as of Tenant's exercise of any Option or at any time after the exercise of such Option and prior to the commencement of the Option event, or (ii) Landlord has given Tenant three (3) or more notices of default, whether or not such defaults are subsequently cured, during any twelve (12) consecutive month period. If Tenant cures any such default within the time period set forth in subparagraph (i) above Tenant's Option shall be reinstated and of full force and effect.

RIDER 2

EXPANSION OPTION

This **Rider 2** is attached to, made a part of, incorporated into, and amends and supplements, that certain Standard Industrial Lease (Net) dated February 10, 2021 (the "Lease"), by and between WESTPOINT BUILDING II, LLC, an Indiana limited liability company ("Landlord"), and DECKERS OUTDOOR CORPORATION, a Delaware corporation ("Tenant"). Landlord and Tenant agree that, notwithstanding anything contained in the Lease to the contrary, the provisions set forth in this **Rider 2** will be deemed to be a part of the Lease and will supersede any contrary provisions in the Lease and shall prevail and control for all purposes. All references in the Lease and in this **Rider 2** to the defined term "Lease" are to be construed to mean the Lease as amended and supplemented by this **Rider 2**. Capitalized terms which are not defined in this **Rider 2** have the meanings given to them in the Lease.

1. Landlord hereby grants to Tenant a one-time option to expand ("Expansion Option") the Building by 177,660 square feet (the "Expansion Space"). The approximate location of the Expansion Space is more particularly depicted on Exhibit A attached to the Lease. Tenant must exercise its Expansion Option by providing Landlord with written notice of its election to exercise the Expansion Option ("Expansion Notice"), at any time within the initial thirty-six (36) months following the Rent Commencement Date of the Lease (the "Option Exercise Period"); provided, Tenant has not been in default under the Lease beyond any applicable notice and/or cure period and provided Tenant's creditworthiness has not materially deteriorated from the Effective Date of the Lease. For the purpose of this provision, Tenant's creditworthiness will be deemed to not have materially deteriorated from the Effective Date of the Lease in the event that Tenant's most recent quarterly financials show (a) total stockholders equity of $1 billion or greater (subject to reasonable adjustment downward in the event equity is reduced as a result of positive circumstances, i.e., as a result of payment of stockholder dividends), and (b) net income of $50 million or greater in the aggregate for the combined prior four quarters as consolidated at the end of the quarter closing immediately prior to the delivery of the Expansion Notice by Tenant. The Term as to the Expansion Space (the "Expansion Space Term") shall be for ten (10) years following that date (the "Expansion Space Commencement Date") which is sixty (60) days following the Expansion Space Delivery Date (defined below). The "Expansion Space Delivery Date" shall be deemed to mean the date the Expansion Space Improvements (defined below) achieve Substantial Completion (as defined in the Work Letter Agreement), coupled with delivery of possession of the Expansion Space to Tenant. The Term for the existing Premises shall be automatically extended to be coterminous with the Expansion Space Term.

2. Rent for the Expansion Space shall be as follows:

Base Rent for the Expansion Premises shall be determined by multiplying the Total Project Costs (as defined below) by the Rent Constant (as defined below). Total Project Costs shall include all reasonable and actual construction costs, design costs, and soft costs in connection with the Expansion Premises, $2.639916 per square foot of land which land shall total 522,720 square feet for the purposes of this calculation, and a 3% development fee calculated as a percentage of Total Project Costs. The Rent Constant shall be equal to the 10-year US Treasury Rate on the date of the Expansion Notice plus 500 bps, with a minimum Rent Constant of 7.75%.

*Subject to adjustment pursuant to Paragraph 3 below and subject to the property tax abatement pursuant to Paragraph 4(d) in the Lease.

3. The Base Rent for the original Premises shall continue to increase by 1.75% annually during the extended term, and the Base Rent for the Expansion Premises shall increase by 1.75% per annum. Landlord shall provide (i) a tenant improvement allowance in connection with the Expansion Premises which shall be equal to $4.00 per square foot, and (ii) zero (0) months of free Base Rent but will include 4 months of early access at no charge to Tenant for installation of FF&E. The shell and site improvements of the Expansion Premises shall be constructed with the same workmanship, materials, specifications, design, and quality as the original Premises. The Expansion Premises will include an estimated 134 parking spaces (which shall be confirmed and mutually agreed to during the Lease review) under the same parking terms as in the Lease. All other terms and conditions in connection with the leasing of the Expansion Premises by Tenant shall be pursuant to the original Lease.

4. In addition, following the expiration of the Option Exercise Period (the "Option Expiration Date"), in the event Landlord constructs the Expansion Premises, Tenant shall have a right of first offer during the Lease Term to lease said space (the "Right of First Offer Space"). The Right of First Offer shall be triggered upon the earlier of (a) Landlord's receipt of a bonafide written proposal, or (b) substantial completion of the Expansion Premises but in no event earlier than Option Expiration Date. Landlord shall provide written notice to Tenant with the terms that Landlord is willing to lease the Expansion Premises (the "Landlord's Offer"). Tenant shall have the right within thirty (30) calendar days after its receipt of a copy of the Landlord's Offer to elect in writing whether or not Tenant intends to accept or reject the terms of the Landlord's Offer. If Tenant elects to accept the Landlord's Offer, or if Landlord and Tenant mutually agree to other lease terms in connection with the Expansion Premises, Landlord and Tenant shall work in good faith and execute an amendment to this Lease in a timely manner including the Landlord's Offer or the mutually agreed terms, as applicable. If Tenant shall not elect within such thirty (30) calendar days to lease the Expansion Premises pursuant to the terms in the Landlord's Offer, Landlord may then lease the Expansion Premises thereafter to a third party, pursuant to the Landlord's Offer provided the lease is substantially in conformity with all terms and conditions (economics to be within 5%) set forth in the Landlord's Offer sent to Tenant. If the ultimate economic terms for the Expansion Premises lease with said third party are lower and/or better for such third party by at least 5% of the economic terms in Landlord's Offer, Landlord shall re-offer the Expansion Premises to Tenant pursuant to the terms set forth in this Section 4. In the event the Expansion

Premises is leased to a third party, Landlord and Tenant shall promptly, in connection therewith, enter into an amendment to the Lease to reflect the reduction in Tenant's Share to be the percentage that the Premises square feet bears to the square feet of the Building, as expanded, thereby reflecting Tenant's reduced obligations related to NNN Charges, Real Property Taxes and any other economic obligations that will be shared on a prorata basis between Tenant and the third party occupant(s) of the Expansion Space.

5. Subject to the foregoing provisions of this Rider 2, Landlord's construction and Tenant's lease of the Expansion Space will be on the same terms and conditions as affect the original Premises; provided, however, effective upon the Expansion Space Commencement Date: (i) all figures in this Lease affected by the addition of the square footage of the Expansion Space to the Premises will be adjusted accordingly; (ii) Tenant will not be entitled to any economic concessions applicable to the original Premises pursuant to the provisions of this Lease unless otherwise provided herein or expressly referenced in the Lease as being applicable to the Expansion Space; (iii) the improvement of the Expansion Space will be subject to the provisions of Paragraph 5 below.

6. Promptly following Tenant's delivery of the Expansion Notice, the parties will execute an amendment to the Lease (the "Expansion Amendment") in order to include the Expansion Space as part of the Premises, document the terms of Tenant's lease thereof, and document the terms of the extended Term applicable to the original Premises. Except as otherwise set forth herein, the Expansion Space will be delivered to Tenant and Tenant shall accept the Expansion Space from Landlord improved in a manner consistent with the construction of the original Improvements and as shown in Schedule 1 attached to this Rider 2 (collectively, the "Expansion Space Improvements"), including, without limitation, the following: (a) the Expansion Space clear height and column spacing shall be substantially the same as existing within the original Premises; and (b) the width of the Expansion Space shall be substantially the same as the width of the original Premises (i.e., 470 feet wide), and with these additional specifications: (1) proportionate lighting in the warehouse area of similar density, type and average lighting level of as in the original Premises; (2) electrical power to provide approximately 1,000 amps service; and (3) proportionate electrical outlets in columns and perimeter walls as in the original Premises; and provided further, the Expansion Space shall not include any items defined as "Tenant's Alternates" in the Lease. Landlord shall provide a tenant improvement allowance in the amount of $4.00 per square foot of the Expansion Space (the "Expansion Space Allowance") for Tenant's construction of certain tenant improvements within the Expansion Space (the "Expansion Space Tenant Improvements"), and/or for the items that are included in the Applied Allowance set forth in Paragraph 3.1 of the Work Letter Agreement which are applicable to the Expansion Space. All other terms and conditions set forth in the Work Letter Agreement and applicable to the Tenant Improvements constructed in the original Premises shall also apply to the construction of the Expansion Space Tenant Improvements, except for the following: (i) the Schedule in Paragraph 7 of the Work Letter Agreement shall be adjusted as needed based on mutual and reasonable agreement by Landlord and Tenant in order to achieve substantial completion and delivery of possession of the Expansion Space to Tenant on or before the Expansion Space Completion Date; (ii) Landlord shall be entitled to select a contractor other than Compass Commercial Construction Group; and (iii) Landlord shall not be required to provide a space planning allowance as described in Paragraph 3.6 of the Work Letter Agreement.

7. The Expansion Space Delivery Date shall occur within fifteen (15) months following Landlord's receipt of the Expansion Notice and the Expansion Amendment subject to force majeure and/or Tenant Delay(s) (the "Expansion Space Completion Date"). The delivery of the Expansion Space by Landlord shall be subject to the same penalties, self-help and offset rights applicable to the Premises in the Work Letter Agreement with the following exceptions: The dates set forth in the Lease and/or the Work Letter Agreement in connection with the Milestones dates, target dates, early access dates, outside dates, delivery date, penalties, self-help, off-rights, etc., shall be reasonably adjusted and updated by Landlord and Tenant accordingly in order to achieve substantial completion and delivery of possession of the Expansion Space to Tenant on or before the Expansion Space Completion Date.

8. Landlord and Tenant shall develop a mutually agreed upon schedule for the construction of the Expansion Space which shall be included in the Expansion Amendment as an exhibit (the "Expansion Space Schedule") in order to achieve substantial completion and delivery of possession of the Expansion Space to Tenant on or before the Expansion Space Completion Date.

9. Tenant shall not pay any Basic Rent or NNN Charges from the Expansion Space Delivery Date through the Expansion Space Commencement Date; provided, however, Tenant shall be responsible for paying for all utilities and janitorial/trash services provided to the Expansion Space from the Expansion Space Delivery Date.

10. Any termination of the Lease shall terminate all rights of Tenant with respect to the Expansion Space. The rights of Tenant with respect to the Expansion Space shall not be severable from the Lease, nor may such rights be assigned or otherwise conveyed in connection with any permitted assignment of the Lease other than to a Permitted Transferee. Except with respect to a Permitted Transfer, in which event an assignment of the Lease shall be construed as an assignment or conveyance of such rights to the Permitted Transferee, Landlord's consent to any other assignment of the Lease shall not be construed as allowing an assignment or a conveyance of such rights to any assignee.

11. The Expansion Option is subject to the provisions of Paragraph 2 of **Rider 1** with respect to Options. (h)

12. Tenant Competitor Restriction. So long as Tenant is not in default under this Lease beyond any applicable cure period, then, subject to the limitations and exceptions set forth in this paragraph, Landlord shall not,

after the date of this Lease, lease space within the Expansion Space to any of the following shoe companies and/or their respective shoe subsidiaries or shoe brands: (i) Sketchers; (ii) Nike; (iii) Wolverine Worldwide (i.e., Crocs); (iv) VF Corp. (i.e., Vans); and (v) Adidas (each, a "Tenant Competitor"); provided, however, Tenant acknowledges and agrees that the foregoing restriction shall not apply to any of the above described Tenant Competitors operating in a non-footwear capacity (e.g., Nike Golf and/or Nike Apparel). Tenant acknowledges and agrees that Landlord's covenant not to lease to a Tenant Competitor is personal to the specific Tenant identified in Subparagraph 1(b) of this Lease and a Permitted Transferee (hereafter defined), and shall no longer apply once this Lease has been assigned or the Premises have been sublet except to a Permitted Transferee.

STANDARD INDUSTRIAL LEASE

(NET)

LANDLORD:	WESTPOINT BUILDING II, LLC, an Indiana limited liability company
TENANT:	DECKERS OUTDOOR CORPORATION, a Delaware corporation
PROJECT:	Westpoint Business Park
CITY, STATE:	Mooresville, Indiana
DATE:	February 10, 2021

EXHIBIT 10.26

DECKERS OUTDOOR CORPORATION
RESTRICTED STOCK UNIT AWARD AGREEMENT
UNDER
2015 STOCK INCENTIVE PLAN

FY 2021 LTIP FINANCIAL PERFORMANCE AWARD

Name of Grantee:	
Grant Date:	[_____], 2021
Measurement Period:	April 1, 2020 to March 31, 2023
TSR Modifier Period:	April 1, 2020 – March 31, 2023
Threshold Number of Units:	
Target Number of Units:	
Maximum Number of Units (which shall be equal to 200% of the Target Number of Units):	

In order to promote Grantee's long-term commitment to Deckers Outdoor Corporation (the "**Company**"), to compensate Grantee for the Company's performance measured on a long-term basis and to provide an incentive for Grantee to remain a Service Provider (as defined below) of the Company and to exert added effort towards its growth and success, the Company hereby grants an award (the "**Award**") of restricted stock units (the "**Restricted Stock Units**") set forth above, together with the Additional Restricted Stock Units (as defined in Section 1(b) below).

Each Restricted Stock Unit represents the right to receive one share of the Company's common stock, $0.01 par value per share (the "**Common Stock**"), subject to certain restrictions and on the terms and conditions contained in this Award and the Deckers Outdoor Corporation 2015 Stock Incentive Plan (the "**Plan**"). Any terms not defined herein shall have the meaning set forth in the Plan. The Threshold Number of Units (as listed above) is the minimum number of Restricted Stock Units to be settled in the event that the Company meets the threshold Performance Criteria (as defined in Section 2 below). The Maximum Number of Units (as listed above) is the total number of Restricted Stock Units that may be settled as described in this Award.

1. Rights of the Grantee with Respect to the Restricted Stock Units.

(a) No Stockholder Rights. The Grantee shall have no rights as a stockholder of the Company until shares of Common Stock are actually issued to and held of record by the Grantee. The rights of Grantee with respect to the Restricted Stock Units shall remain forfeitable at all times prior to the date on which such rights become vested, and the restrictions with respect to the Restricted Stock Units lapse, in accordance with Sections 2, 3 or 4 below.

(b) Additional Restricted Stock Units. As long as Grantee holds Restricted Stock Units granted pursuant to this Award, the Company shall credit to Grantee, on each date that the Company pays a cash dividend to holders of Common Stock generally, an additional number of Restricted Stock Units ("**Additional Restricted Stock Units**") equal to the Target Number of Units and Additional Restricted Stock Units previously credited to Grantee under this Award multiplied by the dollar amount of the cash dividend paid per share of Common Stock by the Company on such date, divided by the Fair Market Value of a share of Common Stock on such date. Any fractional Restricted Stock Unit resulting from such calculation shall be included in the Additional Restricted Stock Units. A report showing the number of Additional Restricted Stock Units so credited shall be sent to Grantee periodically, as determined by the Company. The Additional Restricted Stock Units so credited shall be subject to the same terms and conditions as the Restricted Stock Units to which such Additional Restricted Stock Units relate and the Additional Restricted Stock Units shall be forfeited in the event that the Restricted Stock Units with respect to which such Additional Restricted Stock Units were credited are forfeited.

(c) Conversion of Restricted Stock Units; Issuance of Common Stock. No shares of Common Stock shall be issued to Grantee prior to the date on which the Restricted Stock Units have become earned and vested. Neither this Section 1(c) nor any action taken pursuant to or in accordance with this Section 1(c) shall be construed to create a trust of any kind. As soon as practical after any Restricted Stock Units have become earned and vested as described herein, the Company shall promptly cause to be issued an equivalent number of shares of Common Stock, registered in Grantee's name or in the name of Grantee's legal representatives, beneficiaries or heirs, as the case may be, in payment of such vested whole Restricted Stock Units and any Additional Restricted Stock Units. Such payment shall be subject to the tax withholding provisions of Section 8, and shall be in complete satisfaction of such vested Restricted Stock Units. The value of any fractional Restricted Stock Unit shall be paid in cash at the time certificates are delivered to Grantee in payment of the Restricted Stock Units and any Additional Restricted Stock Units.

2. Vesting.

(a) The Restricted Stock Units shall vest, and the right to receive shares of Common Stock pursuant to the Restricted Stock Units shall be based upon the achievement by the Company of the performance criteria as set forth on **Exhibit A** ("**Performance Criteria**") over the Measurement Period (as defined above), provided that the Grantee shall have provided Continuous Service to the Company through the last day of the Measurement Period (the "**Vesting Date**"). Within 30 business days following the Vesting Date and subject to the Committee's final determination of the achievement of the Performance Criteria, the Company shall deliver to the Grantee one share for each Restricted Stock Unit in which Grantee becomes entitled as described herein and such Restricted Stock Unit shall terminate. Except as expressly set forth herein, no additional Restricted Stock Units shall vest after the date of termination of Grantee's "Continuous Service" (as defined below).

(b) As used herein, the term "Continuous Service" means (i) employment by either the Company or any Parent or Subsidiary of the Company, or by any successor entity following a Corporate Transaction, which is uninterrupted except for vacations, illness, or leaves of absence which are approved in writing by the Company or any of such other employer corporations, if applicable, or (ii) service as a member of the Board of Directors of the Company until Grantee resigns, is removed from office, or Grantee's term of office expires and he or she is not reelected, (iii) or so long as engaged as a Consultant or other Service Provider. The Grantee's Continuous Service shall not terminate merely because of a change in the capacity in which the Grantee renders service to the Company or a corporation

or subsidiary corporation described in clause (i) above. For example, a change in the Grantee's status from an employee to a Non-Employee Director or Consultant will not constitute an interruption of the Grantee's Continuous Service, provided there is no interruption in the Grantee's performance of such services. Notwithstanding the foregoing, for any employee of a subsidiary of the Company located outside the United States, such employee's Continuous Service shall be deemed terminated upon the commencement of such employee's "garden leave period," "notice period," or other similar period where such employee is being compensated by such subsidiary but not actively providing service to such subsidiary.

3. Forfeiture or Early Vesting Upon Termination of Employment.

(a) Termination of Employment Generally. If, prior to vesting of the Restricted Stock Units pursuant to Section 2 or 4, Grantee ceases to provide Continuous Service to the Company, then, except as otherwise provided in Section 3(b) or (c) below, or Section 4 below, Grantee's rights to any of the Restricted Stock Units shall be immediately and irrevocably forfeited, including the right to receive any Additional Restricted Stock Units.

(b) Vesting Upon Death or Disability. Notwithstanding Section 3(a) above, if Grantee's Continuous Service ceases due to Grantee's death or disability (as defined in the Plan), then a Pro-Rata Portion (as defined in Section 4(c)(iii) below) of the Restricted Stock Units shall become vested effective the last day of the Measurement Period, subject to and based upon achievement of the Performance Criteria as set forth in **Exhibit A**. Promptly following the date of the Committee's final determination of the achievement of the Performance Criteria, the Company shall deliver to the Grantee (or his/her estate in the event of death) one share for each Restricted Stock Unit in which Grantee becomes entitled as described herein and such Restricted Stock Unit shall terminate. No transfer by will or the applicable laws of descent and distribution nor any Restricted Stock Units that vest by reason of Grantee's death shall be effective to bind the Company unless the Committee shall have been furnished with written notice of such transfer and a copy of the will or such evidence as the Committee may deem necessary to establish the validity of the transfer.

(c) Vesting Upon Retirement. Notwithstanding Section 3(a) above, if Grantee's Continuous Service ceases due to Grantee's Retirement (as defined in Section 4(c)(iv) below), then a Pro-Rata Portion (as defined in Section 4(c)(iii) below) of the Restricted Stock Units shall become vested effective as of the last day of the Measurement Period, subject to and based upon achievement of the Performance Criteria as set forth in **Exhibit A;** provided, however, that no vesting shall occur hereunder unless the Grantee complies with the provisions of Section 7 below throughout the remaining period until the Vesting Date. Promptly following the date of the Committee's final determination of the achievement of the Performance Criteria, the Company shall deliver to the Grantee one share for each Restricted Stock Unit in which Grantee becomes entitled as described herein and such Restricted Stock Unit shall terminate.

4. Vesting Upon Corporate Transaction.

(a) Notwithstanding Section 2 above, if prior to completion of the Measurement Period, Grantee holds Restrictive Stock Units at the time a Corporate Transaction occurs, and the acquiring or successor entity (or parent thereof) does not agree to provide for the continuance or assumption of this Agreement or the substitution for this Agreement of a new agreement of comparable value covering shares of a successor corporation ("**New Incentives**"), then the Target Number of Units shall become immediately and unconditionally vested effective immediately prior to and conditioned

upon the consummation of such Corporate Transaction, regardless of the Performance Criteria, and the Company shall deliver to Grantee one share of Common Stock for each of the Target Number of Units and the Restricted Stock Units shall terminate.

(b) Notwithstanding Section 4(a) above, if the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of this Agreement or the substitution for this Agreement of a new agreement of comparable value covering New Incentives, then vesting of the Restricted Stock Units shall not accelerate in connection with such Corporate Transaction to the extent this Agreement is continued, assumed or substituted for New Incentives; provided, however:

(i)if Grantee's Continuous Service is terminated without Cause or pursuant to a Constructive Termination (as defined below) within 24 months following such Corporate Transaction, the Target Number of Units or New Incentives shall vest effective upon such termination, regardless of the Performance Criteria; or

(ii)if, following a Corporate Transaction, Grantee shall have provided Continuous Service through the end of the Measurement Period, then the Target Number of Units or New Incentives shall vest effective as of the last day of the Measurement Period, regardless of the Performance Criteria.

(c) For purposes of this Agreement, the following terms shall have the meanings set forth below:

(i)"**Cause**" means, with respect to a Grantee's Continuous Service, the termination by the Company of such Continuous Service for any of the following reasons: (a) The continued, unreasonable refusal or omission by the Grantee to perform any material duties required of him by the Company if such duties are consistent with duties customary for the position held with the Company; (b) any material act or omission by the Grantee involving malfeasance or gross negligence in the performance of Grantee's duties to, or material deviation from any of the policies or directives of, the Company; (c) conduct on the part of Grantee which constitutes the breach of any statutory or common law duty of loyalty to the Company, including the unauthorized disclosure of material confidential information or trade secrets of the Company; or (d) any illegal act by Grantee which materially and adversely affects the business of the Company or any felony committed by Grantee, as evidenced by conviction thereof, provided that the Company may suspend Grantee with pay while any allegation of such illegal or felonious act is investigated. In the event that the Grantee is a party to an employment agreement or other similar agreement with the Company or any Affiliate that defines a termination on account of "Cause" (or a term having similar meaning), such definition shall apply as the definition of a termination on account of "Cause" for purposes hereof, but only to the extent that such definition provides the Grantee with greater rights. A termination on account of Cause shall be communicated by written notice to the Grantee, and shall be deemed to occur on the date such notice is delivered to the Grantee.

(ii)"**Constructive Termination**" shall mean a termination of employment by Grantee within sixty (60) days following the occurrence of any one or more of the following events without the Grantee's written consent (i) any material reduction in overall responsibilities, base compensation, annual incentive compensation opportunity, aggregate employee benefits or (ii) a request that Grantee's location of employment be relocated by more than fifty (50) miles. In the event that the Grantee is a party to an employment agreement or other similar agreement with the Company or any Affiliate (or a successor entity) that defines a termination on account of "Constructive Termination," "Good Reason" or "Breach of Agreement" (or a term having a similar meaning), such definition shall

apply as the definition of "Constructive Termination" for purposes hereof in lieu of the foregoing, but only to the extent that such definition provides the Grantee with greater rights. A Constructive Termination shall be communicated by written notice to the Committee, and shall be deemed to occur on the date such notice is delivered to the Committee, unless the circumstances giving rise to the Constructive Termination are cured within five (5) days of such notice.

(iii)"**Pro-Rata Portion**" shall be determined by (A) multiplying the number of Restricted Stock Units earned under this Agreement at the conclusion of the Measurement Period by (B) a fraction, the numerator of which is the number of full months of Grantee's Continuous Service from the first day of the Measurement Period until the date of termination of Continuous Service, and the denominator of which is 36.

(iv) "**Retirement**" means both (i) attains age sixty-two (62) and (ii) completes ten (10) years of Continuous Service.

5. Restriction on Transfer. The Restricted Stock Units and any rights under this Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by Grantee otherwise than by will or by the laws of descent and distribution, and any such purported sale, assignment, transfer, pledge, hypothecation or other disposition shall be void and unenforceable against the Company. Notwithstanding the foregoing, Grantee may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of Grantee and receive any property distributable with respect to the Restricted Stock Units upon the death of Grantee.

6. Adjustments to Restricted Stock Units. Upon or in contemplation of any reclassification, recapitalization, stock split, reverse stock split or stock dividend; any merger, combination, consolidation or other reorganization; any split-up, spin-off, or similar extraordinary dividend distribution in respect of the Common Stock (whether in the form of securities or property); any exchange of Common Stock or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of the Common Stock; or a sale of substantially all the assets of the Company as an entirety; then the Company shall, in such manner, make appropriate adjustments in the number of Restricted Stock Units subject to this Agreement and the number and kind of securities that may be issued in respect of such Respected Stock Units, as provided in Section 3.5 of the Plan.

7. Restrictive Covenants. This Section shall apply if Grantee's employment is terminated pursuant to Section 3(c) during any period in which any Restricted Stock Units of the Grantee continue to vest in accordance with Section 3(c):

(a) Non-Competition. The Grantee shall not, without the Board's prior written consent, directly or indirectly engage in, have any equity interest in, or assist, manage or participate in (whether as a director, officer, employee, agent, representative, security holder, consultant or otherwise) any Competitive Business; provided, however, that: (i) the Grantee shall be permitted to acquire a passive stock or equity interest in such a Competitive Business provided the stock or other equity interest acquired is not more than 5% of the outstanding interest in such a Competitive Business; and (ii) the Grantee shall be permitted to acquire any investment through a mutual fund, private equity fund or other pooled account that is not controlled by the Grantee and in which he has less than a 5% interest. For purposes of this provision, the term "Competitive Business" means a business or businesses activity which is the same as, substantially similar to, or in competition with, business of the Company.

(b) Non-Solicitation. The Grantee will not, directly or indirectly, recruit or otherwise solicit or induce any non-clerical employee, director, consultant, customer, vendor or supplier of the Company to terminate his, her or its employment or arrangement with the Company or otherwise change his, her or its relationship with the Company.

(c) Confidentiality. The Grantee shall maintain in confidence and shall not directly, indirectly or otherwise, use, disseminate, disclose or publish, or use for his or her benefit or the benefit of any person, firm, corporation or other entity, any confidential or proprietary information or trade secrets of or relating to the Company, including, without limitation, information with respect to the Company's operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, business plans, designs, marketing or other business strategies, compensation paid to employees or other terms of employment, or deliver to any person, firm, corporation or other entity any document, record, notebook, computer program or similar repository of or containing any such confidential or proprietary information or trade secrets. Notwithstanding anything herein to the contrary, nothing shall prohibit the Grantee from disclosing any information that is generally known by the public.

(d) Non-Disparagement. The Grantee will not criticize, defame, be derogatory toward or otherwise disparage the Company (or the Company's past, present and future officers, directors, stockholders, attorneys, agents, representatives, employees or affiliates), or its or their business plans or actions, to any third party, either orally or in writing; provided, however, that this provision will not preclude the Grantee from giving testimony in response to a lawful subpoena or preclude any conduct protected under 18 U.S.C. Section 1514A(a) or any similar state or federal law providing "whistleblower" protection to the Grantee.

8. Income Tax Matters.

(a) In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of Grantee, are withheld or collected from Grantee.

(b) The Company shall reasonably determine the amount of any federal, state, local or other income, employment, or other taxes which the Company or any of its affiliates may reasonably be obligated to withhold with respect to the grant, vesting, or other event with respect to the Restricted Stock Units. The Company may, in its sole discretion, withhold a sufficient number of shares of Common Stock in connection with the vesting of the Restricted Stock Units at the Fair Market Value of the Common Stock (determined as of the date of measurement of the amount of income subject to such withholding) to satisfy the minimum amount of any such withholding obligations that arise with respect to the vesting of such Restricted Stock Units. The Company may take such action(s) without notice to the Grantee, and the Grantee shall have no discretion as to the satisfaction of tax withholding obligations in such manner. If, however, any withholding event occurs with respect to the Restricted Stock Units other than upon the vesting of such Restricted Stock Units, or if the Company for any reason does not satisfy the withholding obligations with respect to the vesting of the Restricted Stock Units as provided above in this Section 8(b), the Company shall be entitled to require a cash payment by or on behalf of the Grantee and/or to deduct from other compensation payable to the Grantee the minimum amount of any such withholding obligations.

(c) The Restricted Stock Unit Award evidenced by this Agreement, and the issuance of shares of Common Stock to the Grantee in settlement of vested Restricted Stock Units, is intended to be taxed under the provisions of Section 83 of the Code, and is not intended to provide and does not provide for the deferral of compensation within the meaning of Section 409A(d) of the Code. Therefore, the Company intends to report as includible in the Grantee's gross income for any taxable year an amount equal to the Fair Market Value of the shares of Common Stock covered by the Restricted Stock Units that vest (if any) during such taxable year, determined as of the date such Restricted Stock Units vest. In furtherance of this intended tax treatment, all vested Restricted Stock Units shall be automatically settled and payment to the Grantee shall be made as provided in Section 1(c) hereof, but in no event later than March 15th of the year following the calendar year in which such Restricted Stock Units vest. The Grantee shall have no power to affect the timing of such settlement or payment. The Company reserves the right to amend this Agreement, without the Grantee's consent, to the extent it reasonably determines from time to time that such amendment is necessary in order to achieve the purposes of this Section.

9. Company "Clawback Policy." The Company has developed a policy providing that, in the event the Company is required to prepare an accounting restatement due to noncompliance with any financial reporting requirements under the securities laws based upon and to the extent of such noncompliance or otherwise erroneous data or the Company determines there has been a significant misconduct that causes financial or reputational harm, the Company shall recover a portion or all of any incentive compensation (including stock grants) (the "**Clawback Policy**"). Awardee agrees and acknowledges that the provision of the Company's Clawback Policy, as the same may be amended from time to time, shall apply to Awardee. The Stock Units granted under this Agreement shall be subject to the Company's Clawback Policy, including, without limitation, the rights of the Company to enforce Awardee's repayment obligation.

10. Compliance with Laws. The Award and the offer, issuance and delivery of securities under this Agreement are subject to compliance with all applicable federal and state laws, rules and regulations (including but not limited to state and federal securities laws) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. The Grantee will, if requested by the Company, provide such assurances and representations to the Company as the Company may deem necessary or desirable to assure compliance with all applicable legal requirements. The Company will cause such action to be taken, and such filings to be made, so that the grant hereunder shall comply with the rules of the New York Stock Exchange or the principal stock exchange on which shares of the Company's Common Stock are then listed for trading.

11. No Agreement to Employ. Nothing in this Agreement shall affect any right with respect to continuance of employment by the Company or any of its subsidiaries. The right of the Company or any of its subsidiaries to terminate at will the Grantee's employment at any time (whether by dismissal, discharge or otherwise), with or without cause, is specifically reserved, subject to any other written employment agreement to which the Company and Grantee may be a party.

12. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior or contemporaneous written or oral agreements and understandings of the parties, either express or implied.

13. Conflict of Provisions. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the

Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

14. Assignment. Grantee shall have no right, without the prior written consent of the Company, to (i) sell, assign, mortgage, pledge or otherwise transfer any interest or right created hereby, or (ii) delegate his or her duties or obligations under this Agreement. This Agreement is made solely for the benefit of the parties hereto, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement.

15. "Market Stand-Off" Agreement. Grantee agrees that, if requested by the Company or the managing underwriter of any proposed public offering of the Company's securities (including any acquisition transaction where Company securities will be used as all or part of the purchase price), Grantee will not sell or otherwise transfer or dispose of any shares of Common Stock held by Grantee without the prior written consent of the Company or such underwriter, as the case may be, during such period of time, not to exceed 180 days following the effective date of the registration statement filed by the Company with respect to such offering, as the Company or the underwriter may specify.

16. Severability. Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

17. Notices. All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and effective (i) when delivered by hand, (ii) when otherwise delivered against receipt therefor, or (iii) three (3) business days after being mailed if sent by registered or certified mail, postage prepaid, return receipt requested. Any notice shall be addressed to the parties as follows or at such other address as a party may designate by notice given to the other party in the manner set forth herein:

(a) if to the Company:

Deckers Outdoor Corporation
250 Coromar Drive
Goleta, California 93117
Attention: Chief Financial Officer

(b) if to the Grantee, at the address shown on the signature page of this Agreement or at his most recent address as shown in the employment or stock records of the Company.

18. Applicable Law. This Agreement shall be construed in accordance with the laws of the State of California without reference to choice of law principles, as to all matters, including, but not limited to, matters of validity, construction, effect or performance.

19. Number and Gender. Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

20. Section Headings. The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof.

21. Modifications. This Agreement may not be amended, modified or changed (in whole or in part), except by a written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto. Notwithstanding the foregoing, amendments made pursuant to Section 8(b) hereof may be effectuated solely by the Company.

22. Waiver. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

23. Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one agreement and any party hereto may execute this Agreement by signing any such counterpart. This Agreement shall be binding upon Grantee and the Company at such time as the Agreement, in counterpart or otherwise, is executed by Grantee and the Company.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Unit Award Agreement as of the date first above written.

GRANTEE:

_____

Address:

_____

_____

EXHIBIT 21.1

Subsidiaries of Registrant

Name of Entity	State or Other Jurisdiction of Incorporation or Organization
Domestic	
Deckers Consumer Direct Corporation	USA (Arizona)
International	
Deckers Outdoor International Limited	Hong Kong
Deckers International HK Limited	Hong Kong

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Deckers Outdoor Corporation:

We consent to the incorporation by reference in the registration statements on Form S-3 (Nos. 333-113237 and 333-120717) and Form S-8 (Nos. 333-139874 and 333-207894) of Deckers Outdoor Corporation of our reports dated May 28, 2021, with respect to the consolidated balance sheets of Deckers Outdoor Corporation and subsidiaries as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three year period ended March 31, 2021, and the related notes and financial statement schedule, and the effectiveness of internal control over financial reporting as of March 31, 2021, which reports appear in the March 31, 2021 annual report on Form 10-K of Deckers Outdoor Corporation.

Our report dated May 28, 2021, on the consolidated financial statements, includes an explanatory paragraph related to Deckers Outdoor Corporation and subsidiaries' change in the method of accounting for leases as of April 1, 2019 due to the adoption of Accounting Standards Update (ASU) 2016-02 and all related amendments.

/s/ KPMG LLP

Los Angeles, California
May 28, 2021

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dave Powers, certify that:

1. I have reviewed this Annual Report on Form 10-K of Deckers Outdoor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 28, 2021

/s/ DAVE POWERS

Dave Powers
Chief Executive Officer, President and Director
Deckers Outdoor Corporation
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven J. Fasching, certify that:

1. I have reviewed this Annual Report on Form 10-K of Deckers Outdoor Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 28, 2021

/s/ STEVEN J. FASCHING

Steven J. Fasching
Chief Financial Officer
Deckers Outdoor Corporation
(Principal Financial and Accounting Officer)

EXHIBIT 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, that, to their knowledge, the Annual Report on Form 10-K of Deckers Outdoor Corporation (the "Company") for the fiscal year ended March 31, 2021 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Report.

/s/ DAVE POWERS

Dave Powers
Chief Executive Officer, President and Director
Deckers Outdoor Corporation
(Principal Executive Officer)

/s/ STEVEN J. FASCHING

Steven J. Fasching
Chief Financial Officer
Deckers Outdoor Corporation
(Principal Financial and Accounting Officer)

Date: May 28, 2021

This certification is being furnished solely to accompany the Report pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference. A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request.