

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-3/A  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

STEVEN MADDEN, LTD.  
(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

NEW YORK 3140 13-3588231

(STATE OR OTHER JURIS- (PRIMARY STANDARD INDUSTRIAL (I.R.S. EMPLOYER  
DICTION OF ORGANIZATION) CLASSIFICATION CODE NO.) IDENTIFICATION NO.)

(ADDRESS AND TELEPHONE NUMBER OF PRINCIPAL EXECUTIVE OFFICES)

52-16 BARNETT AVENUE  
LONG ISLAND CITY, NY 11104

(ADDRESS OF PRINCIPAL PLACE OF BUSINESS OR  
INTENDED PRINCIPAL PLACE OF BUSINESS)

STEVE MADDEN  
PRESIDENT  
52-16 BARNETT AVENUE  
LONG ISLAND CITY, NY 11104  
(718) 446-1800

(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)

STEVEN F. WASSERMAN, ESQ.  
ALAN N. FORMAN, ESQ.  
BERLACK, ISRAELS & LIBERMAN LLP  
120 WEST 45TH STREET  
NEW YORK, NY 10036  
(212) 704-0100  
(212) 704-0196 (FAX)

APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC: AS SOON AS REASONABLY  
PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE  
OFFERED ON A DELAYED OR CONTINUOUS BASIS, PURSUANT TO RULE 415 UNDER THE  
SECURITIES ACT OF 1933, CHECK THE FOLLOWING BOX:  X

IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING  
PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, PLEASE CHECK THE FOLLOWING BOX  
AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER  
EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING.  ]

IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE  
462(C) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES  
ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION  
STATEMENT FOR THE SAME OFFERING.

IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE  
434, PLEASE CHECK THE FOLLOWING BOX.  ]

CONTINUED OVERLEAF

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SECURITIES(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, par value \$.0001 per share, held by Selling Securityholder	64,520	\$11.00	\$709,720.00	\$209.37
Amount Previously Paid				\$209.37
Total Amount Due				\$ 0

- -----  
(1) Established solely for purposes of calculating registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended (the "Act").

-----  
THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

STEVEN MADDEN, LTD.

64,520 Shares of Common Stock

-----  
This Prospectus relates to an aggregate offering of up to 64,520 shares (the "Shares") of Common Stock, par value \$.0001 per share (the "Common Stock"), of Steven Madden, Ltd., a New York corporation (the "Company"), which may be offered and sold from time to time by Robert Schmertz and Deborah Schmertz, or their transferees (the "Selling Securityholder"). In connection with the execution of an Employment Agreement between Shoe Biz, Inc., a wholly owned subsidiary of the Company ("Shoe Biz"), and Mr. Schmertz, Shoe Biz loaned Mr. Schmertz \$300,000. The promissory note issued by Mr. Schmertz to Shoe Biz in exchange for the loan is secured by the pledge of 36,232 Shares. Any brokerage commissions or other similar expenses incurred pursuant to the sale of the Shares will be borne by the Selling Securityholder. Sales of such securities or the potential of such sales at any time may have an adverse effect on the market prices of the securities offered hereby. See "Selling Securityholder" and "The Offering".

The securities offered by this Prospectus may be sold from time to time by the Selling Securityholder, or its transferees. No underwriting arrangements have been entered into by the Selling Securityholder. The distribution of the securities by the Selling Securityholder or its transferees may be effected in one or more transactions that may take place on the over-the-counter market including ordinary broker's transactions, privately negotiated transactions or through sales to one or more market makers or dealers for resale of such securities as principals at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Securityholder or its transferees in connection with sales of the Company's securities.

The Selling Securityholder or its transferees, brokers, dealers or underwriters and intermediaries that participate with the Selling Securityholder in the distribution of the Company's securities may be deemed "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Act"), with respect to the securities offered and any profits realized or commissions received may be deemed underwriting compensation.

The Company's shares of Common Stock, Class A Warrants and Class B Warrants were quoted since December 10, 1993 on The Nasdaq SmallCap Market under the symbols SH00, SH00W and SH00Z, respectively. In January 1996, the Class A Warrants ceased trading as a result of the Company's call for redemption of such securities. In January 1997, the Company's shares of Common Stock and Class B Warrants commenced trading on The Nasdaq National Market. In December 1998, the Class B Warrants will expire, and as a result, such securities will no longer trade on the Nasdaq National Market. On June 26, 1998, the closing price of the Common Stock and Class B Warrants were \$11.25, and \$5.69, respectively.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DATE OF THIS PROSPECTUS IS JULY \_\_, 1998.

#### AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and in accordance therewith files reports, proxy statements and other information including annual and quarterly reports on Form 10-KSB and 10-QSB (the "1934 Act Filings") with the Securities and Exchange Commission (the "Commission"). The statements contained in this Prospectus with respect to the contents of any agreement or other document referred to herein are not necessarily complete and, in each instance, reference is made to a copy of such agreement or document as filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by reference to the provisions of the relevant documents. Reports and other information filed by the Company can be inspected and copied at the public reference facilities maintained at the Commission at Room 1024, 450 Fifth Street, N.W., Washington, DC 20549. Copies of such material can be obtained upon written request addressed to the Commission, Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission maintains a web site on the Internet (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission through the Electronic Data Gathering, Analysis and Retrieval System ("EDGAR"). This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which have been omitted in accordance with the rules and regulations of the Commission. For further information reference is made to the Registration Statement.

INCORPORATION OF DOCUMENTS BY REFERENCE

The following documents or portions thereof, as filed with the Securities and Exchange Commission by the Company, are incorporated herein by reference into this Prospectus:

- (1) Current Report on Form 8-K filed on July 14, 1998.
- (2) Proxy Statement on Schedule 14A dated April 22, 1998.
- (3) Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.
- (4) Current Report on Form 8-K filed on February 13, 1998.
- (5) Current Report on Form 8-K filed on January 20, 1998.
- (6) Annual Report on Form 10-KSB for the year ended December 31, 1997.
- (7) The description of the Common Stock, par value \$.0001 per share ("Common Stock"), the Class A Redeemable Common Stock Purchase Warrants ("Class A Warrants"), and the Class B Redeemable Common Stock Purchase Warrants ("Class B Warrants"), of the Company contained in the Company's registration statement filed under Section 12 of the Exchange Act, including any amendment or report filed for the purpose of updating such description.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, subsequent to the effective date of this Prospectus and prior to the filing of a post-effective amendment which indicate that all securities offered have been sold or which registers all securities then remaining unsold, shall be deemed to be incorporated by reference in this Prospectus and to be part thereof from the date of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

## RISK FACTORS

AN INVESTMENT IN THE SECURITIES OFFERED HEREBY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AND SUBSTANTIAL DILUTION AND SHOULD ONLY BE PURCHASED BY INVESTORS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. PROSPECTIVE PURCHASERS, PRIOR TO MAKING AN INVESTMENT, SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS AND SPECULATIVE FACTORS, AS WELL AS OTHER INFORMATION SET FORTH ELSEWHERE IN THIS PROSPECTUS, ASSOCIATED WITH THIS OFFERING, INCLUDING THE INFORMATION CONTAINED IN THE FINANCIAL STATEMENTS INCORPORATED BY REFERENCE HEREIN.

STATEMENTS IN THIS PROSPECTUS THAT ARE NOT STATEMENTS OF HISTORICAL OR CURRENT FACT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER UNKNOWN FACTORS THAT COULD CAUSE THE ACTUAL RESULTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM THE HISTORICAL RESULTS OR FROM ANY FUTURE RESULTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. IN ADDITION TO STATEMENTS THAT EXPLICITLY DESCRIBE SUCH RISKS AND UNCERTAINTIES, READERS ARE URGED TO CONSIDER STATEMENTS LABELED WITH THE TERMS "BELIEVES," "BELIEF," "EXPECTS," "INTENDS," "ANTICIPATES" OR "PLANS" TO BE UNCERTAIN AND FORWARD-LOOKING. THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE ALSO SUBJECT GENERALLY TO OTHER RISKS AND UNCERTAINTIES THAT ARE DESCRIBED FROM TIME TO TIME IN THE COMPANY'S REPORTS AND REGISTRATION STATEMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AND CERTAIN OF THESE RISKS ARE SUMMARIZED BELOW.

1. DEPENDENCE ON KEY PERSONNEL. The Company is dependent, in particular, upon the services of Steven Madden, its Chief Executive Officer, President, Chairman of the Board and chief designer and Rhonda Brown, its Chief Operating Officer. If Mr. Madden or Ms. Brown are unable to provide services to the Company for whatever reason, the business would be adversely affected. The Company therefore maintains a key person life insurance policy on Mr. Madden with coverage in the amount of \$10,000,000; however, the Company does not maintain a policy on Ms. Brown. The Company has an employment contract with Mr. Madden that expires on December 31, 2007, and an employment contract with Ms. Brown that expires on June 30, 2001. In the event Mr. Madden is terminated for other than cause or total disability, the Company will be required to pay Mr. Madden's remaining salary under his 10-year contract (up to approximately \$2,000,000 depending on the timing of such termination), half of which must be paid upon termination. Mr. Madden is also entitled during the term of the contract to an annual \$50,000 non-accountable expense account. In the event of a change in control, Mr. Madden and Ms. Brown may choose to continue their employment with the Company or terminate employment and receive the remaining salary under their respective contracts.

Since Mr. Madden and Ms. Brown are involved in all aspects of the Company's business, there can be no assurance that a suitable replacement for either could be found if either were unable to perform services for the Company. As a consequence, a loss of Mr. Madden, Ms. Brown or other key management personnel could have a material adverse effect upon the Company's business, results of operations and financial condition. In addition, the Company's ability to market its products and to achieve profitability will depend, in large part, on its ability to attract and retain qualified personnel. Competition for such personnel is intense and there can be no assurance that the Company will be able to attract and retain such personnel. The inability of the Company to attract and retain such qualified personnel would have a material adverse effect on the Company's business, financial condition and results of operations.

2. FASHION INDUSTRY RISKS. The success of the Company will depend in significant part upon its ability to anticipate and respond to women's product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. There can be no assurance that the Company's products will correspond to the changes in taste and demand or that the Company will be able to successfully market products which respond to such trends. If the Company misjudges the market for its products, it may be faced with significant excess inventories for some products and missed opportunities with others. In addition, misjudgments in merchandise selection could adversely affect the Company's image with its customers and weak sales and resulting markdown requests from customers could have a material adverse effect on the Company's business, results of operations and financial condition.

The industries in which the Company operates are cyclical, with purchases tending to decline during recessionary periods when disposable income is low. Purchases of contemporary shoes and accessories tend to decline during recessionary periods and also may decline at other times. While the Company has fared well in recent years in a difficult retail environment, there can be no assurance that the Company will be able to maintain its historical rate of growth in revenues and earnings, or remain profitable in the future. A recession in the national or regional economies or uncertainties regarding future economic prospects, among other things, could affect consumer spending habits and have a material adverse effect on the Company's business results of operations and financial condition.

In recent years, the retail industry has experienced consolidation and other ownership changes. In addition, some of the Company's customers have operated under the protection of the federal bankruptcy laws. In the future, retailers in the United States and in foreign markets may consolidate, undergo restructurings or reorganizations, or realign their affiliations, any of which could decrease the number of stores that carry the Company's products or increase the ownership concentration within the retail industry. While such changes in the retail industry to date have not had a material adverse effect on the Company's business or financial condition, there can be no assurance as to the future effect of any such changes.

3. INVENTORY MANAGEMENT. The Company's ability to manage its inventories properly is an important factor in its operations. Inventory shortages can adversely affect the timing of shipments to customers and diminish brand loyalty. Conversely, excess inventories can result in increased interest costs as well as lower gross margins due to the necessity of providing discounts to retailers. The inability of the Company to effectively manage its inventory would have a material adverse effect on the Company's business, financial condition and results of operations.

4. DEPENDENCE UPON CUSTOMERS AND RISKS RELATED TO EXTENDING CREDIT TO CUSTOMERS. The Company's customers purchasing shoes consist principally of department stores and specialty stores, including shoe boutiques. Certain of the Company's department store customers, including some under common ownership, account for significant portions of the Company's wholesale net sales. Presently, the Company sells approximately fifty percent (50%) of its products to department stores, including Federated Stores (Bloomingdales, Burdines, Macy's and Bullocks), Dillard's and Dayton Hudson and approximately fifty (50%) percent to specialty stores, including shoe boutiques. As a result of the merger between Federated Stores and R.H. Macy and Company, Federated Stores, the Company's largest customer, accounts for approximately seventeen percent (17%) of the Company's sales.

The Company believes that a substantial portion of sales of the Company's licensed products by its domestic licensing partners are also made to the Company's largest department store customers. The

Company generally enters into a number of purchase order commitments with its customers for each of its lines every season and does not enter into long-term agreements with any of its customers. Therefore, a decision by Federated Stores or any other significant customer, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease the amount of merchandise purchased from the Company or its licensing partners, or to change its manner of doing business could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company sells its products primarily to retail stores across the United States and extends credit based on an evaluation of each customer's financial condition, usually without requiring collateral. While various retailers, including some of the Company's customers, have experienced financial difficulties in the past few years which increased the risk of extending credit to such retailers, the Company's losses due to bad debts have been limited. However, financial difficulties of a customer could cause the Company to curtail business with such customer or require the Company to assume more credit risk relating to such customer's receivables.

5. IMPACT OF FOREIGN MANUFACTURERS. A significant portion of the Company's products are currently sourced outside the United States through arrangements with a number of foreign manufacturers in four different countries. During fiscal 1997, approximately 95% of the Company's products were purchased from sources outside the United States, including Mexico, China, Brazil and Spain.

Risks inherent in foreign operations include work stoppages, transportation delays and interruptions, changes in social, political and economic conditions which could result in the disruption of trade from the countries in which the Company's manufacturers or suppliers are located, the imposition of additional regulations relating to imports, the imposition of additional duties, taxes and other charges on imports, significant fluctuations of the value of the dollar against foreign currencies, or restrictions on the transfer of funds, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company does not believe that any such economic or political conditions will materially affect the Company's ability to purchase products, since a variety of materials and alternative sources exist. The Company cannot be certain, however, that it will be able to identify such alternative sources without delay or without greater cost to the Company, if ever. The Company's inability to identify and secure alternative sources of supply in this situation would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's imported products are also subject to United States customs duties which comprise a material portion of the cost of the merchandise. The United States and the countries in which the Company's products are produced or sold may, from time to time, impose new quotas, duties, tariffs, or other restrictions, or may adversely adjust prevailing quota, duty or tariff levels, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

6. POSSIBLE ADVERSE IMPACT OF UNAFFILIATED MANUFACTURERS' INABILITY TO MANUFACTURE IN A TIMELY MANNER, TO MEET QUALITY STANDARDS OR TO USE ACCEPTABLE LABOR PRACTICES. As is common in the footwear industry, the Company contracts for the manufacture of a majority of its products to its specifications through foreign manufacturers. The Company does not own or operate any manufacturing facilities and is therefore dependent upon independent third parties for the manufacture of all of its products. The Company's products are manufactured to its specifications by both domestic and international manufacturers. The inability of a manufacturer to ship orders of the Company's products in a timely manner or to meet the Company's quality standards could cause the Company to miss the



delivery date requirements of its customers for those items, which could result in cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Although the Company enters into a number of purchase order commitments each season specifying a time frame for delivery, method of payment, design and quality specifications and other standard industry provisions, the Company does not have long-term contracts with any manufacturer. As a consequence, any of these manufacturing relationships may be terminated, by either party, at any time. Although the Company believes that other facilities are available for the manufacture of the Company's products, both within and outside of the United States, there can be no assurance that such facilities would be available to the Company on an immediate basis, if at all, or that the costs charged to the Company by such manufacturers will not be greater than those presently paid.

The Company requires its licensing partners and independent manufacturers to operate in compliance with applicable laws and regulations. While the Company promotes ethical business practices and the Company's staff periodically visits and monitors the operations of its independent manufacturers, the Company does not control such manufacturers or their labor practices. The violation of labor or other laws by an independent manufacturer of the Company or by one of the Company's licensing partners, or the divergence of an independent manufacturer's or licensing partner's labor practices from those generally accepted as ethical in the United States, could have a material adverse effect on the Company's business, financial condition and results of operations.

7. INTENSE INDUSTRY COMPETITION. The fashionable footwear industry is highly competitive and barriers to entry are low. The Company's competitors include specialty companies as well as companies with diversified product lines. The recent substantial growth in the sales of fashionable footwear has encouraged the entry of many new competitors and increased competition from established companies. Most of these competitors, including Kenneth Cole, Nine West, Esprit, Reebok, Nike, Zodiac and Guess, have significantly greater financial and other resources than the Company and there can be no assurance that the Company will be able to compete successfully with other fashion footwear companies. Increased competition could result in pricing pressures, increased marketing expenditures and loss of market share, and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company believes effective advertising and marketing, fashionable styling, high quality and value are the most important competitive factors and plans to employ these elements as it develops its products. The Company's inability to effectively advertise and market its products could have a material adverse effect on the Company's business, financial condition and results of operations.

8. EXPANSION OF RETAIL BUSINESS. The Company's continued growth depends to a significant degree on further developing the Steve Madden and David Aaron brands, creating new product categories and businesses and operating Company-owned stores on a profitable basis. The Company plans to open 10 stores through June 1999, representing a significant increase in the number of stores opened and operated in one fiscal year. The Company's recent and planned expansion includes the opening of stores in new geographic markets. New markets have in the past presented, and will continue to present, competitive and merchandising challenges that are different from those faced by the Company in its existing markets. There can be no assurance that the Company will be able to open new stores, and if opened, that such new stores will be able to achieve sales and profitability levels consistent with existing stores.

The Company's retail expansion is dependent on a number of factors, including the Company's ability to locate and obtain favorable store sites, the performance of the Company's wholesale and retail operations, and the ability of the Company to manage such expansion and hire and train personnel. Past comparable store sales results may not be indicative of future results, and there can be no assurance that the Company's comparable store sales results will increase or not decrease in the future. In addition, there can be no assurance that the Company's strategies to increase other sources of revenue, which may include expansion of its licensing activities, will be successful or that the Company's overall sales or profitability will increase or not be adversely affected as a result of the implementation of such retail strategies.

The Company's growth has increased and will continue to increase demand on the Company's managerial, operational and administrative resources. The Company has recently invested significant resources in, among other things, its management information systems and hiring and training new personnel. However, in order to manage currently anticipated levels of future demand, the Company may be required to, among other things, expand its distribution facilities, establish relationships with new manufacturers to produce its products, and continue to expand and improve its financial, management and operating systems. There can be no assurance that the Company will be able to manage future growth effectively and a failure to do so could have a material adverse effect on the Company's business, financial condition and results of operation.

9. SEASONAL AND QUARTERLY FLUCTUATIONS. The Company's quarterly results may fluctuate quarter to quarter as a result of the timing of holidays, weather, the timing of larger shipments of footwear, market acceptance of the Company's products, the mix, pricing and presentation of the products offered and sold, the hiring and training of additional personnel, the timing of inventory write downs, the cost of materials, the mix between wholesale and licensing businesses, the incurrence of other operating costs and factors beyond the Company's control, such as general economic conditions and actions of competitors. In addition, the Company expects its sales and operating results may fluctuate significantly with the opening of new retail stores, the amount of revenue contributed by new stores, changes in comparable store sales and the introduction of new products. Accordingly, the results of operations in any quarter will not necessarily be indicative of the results that may be achieved for a full fiscal year or any future quarter.

10. TRADEMARK AND SERVICEMARK PROTECTION. The Steve Madden trademark has been registered in one International Class (Int'l Cl. 18 - leather goods, hand bags, wallets) in the United States Patent and Trademark Office and the Company has numerous applications for registration in other International Classes (such as clothing, sunglasses, jewelry, cosmetics, and fragrances) pending in the United States Patent and Trademark Office, the Company also has a service mark registration in the United States Patent and Trademark Office for the Steve Madden service mark in Int'l Cl. 35 for retail store services. Through the Company's seven year long use of the Steve Madden trademark in the United States in connection with shoes, the Company has also acquired common law trademark right in the Steve Madden trademark. The Company also has pending trademark applications for the Steve Madden trademark in numerous countries around the world. There can be no assurance, however, that the Company will be able to effectively obtain rights in the Steve Madden mark throughout the world. The failure of the Company to protect such right from unlawful and improper appropriation may have a material adverse effect on the Company's business, financial condition and results of operation.

The Company also owns a federal trademark registration in the United States Patent and Trademark Office for the David Aaron trademark in Int'l Classes 18 and 25 (leather goods and clothing, shoes) and has numerous applications pending in the United States and around the world for the David Aaron trademark and service mark. The Company believes that the David Aaron trademark has a significant value and is important to the marketing of the Company's products. The Company believes that its trademarks and other proprietary rights are important to its success and its competitive position. Accordingly, the Company devotes substantial resources to the establishment and protection of its trademarks on a worldwide basis. Nevertheless, there can be no assurance that the actions taken by the Company to establish and protect its trademarks and other proprietary rights will be adequate to prevent imitation of its products by others or to prevent others from seeking to block sales of the Company's products as violative of the trademarks and proprietary rights of others. Moreover, no assurance can be given that others will not assert rights in, or ownership of, trademarks and other proprietary rights of the Company or that the Company will be able to successfully resolve such conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States. The failure of the Company to establish and then protect such proprietary rights from unlawful and improper appropriation could have a material adverse impact on the Company's business, financial condition and results of operations.

11. FOREIGN CURRENCY FLUCTUATIONS. The Company generally purchases its products in U.S. dollars. However, the Company sources substantially all of its products overseas and, as such, the cost of these products may be affected by changes in the value of the relevant currencies. Changes in currency exchange rates may also affect the relative prices at which the Company and foreign competitors sell their products in the same market. There can be no assurance that foreign currency fluctuations will not have a material adverse impact on the Company's business, financial condition and results of operations.

12. ABSENCE OF DIVIDENDS. The Company anticipates that all of its earnings in the foreseeable future will be retained to finance the continued growth and expansion of its business and has no current intention to pay cash dividends.

13. OUTSTANDING WARRANTS AND OPTIONS. The Company currently has outstanding approximately 1,854,943 Class B Warrants exercisable at \$5.50 per share and 150,000 Class C Warrants exercisable at \$15.00 per share. The Class B Warrants have been called for redemption by the Company and will expire at the close of business on August 13, 1998. Class B Warrant holders will receive a redemption price of \$.05 per Class B Warrants in the event that they don't exercise the Class B Warrants held thereby by such date. The Class C Warrants will expire in December 1998. As of July 23, 1998, the Company had outstanding options to purchase an aggregate of approximately 2,200,000 shares of Common Stock. Holders of such options and warrants are likely to exercise them when, in all likelihood, the Company could obtain additional capital on terms more favorable than those provided by the options. Further, while its options and warrants are outstanding, they may adversely affect the terms in which the Company could obtain additional capital.

USE OF PROCEEDS

The Company will not receive any of the proceeds from the sale of the shares by the Selling Securityholder.

SELLING SECURITYHOLDER

The Registration Statement of which this Prospectus is a part relates to the offer and sale of 64,520 shares of Common Stock (the "Shares") by the Selling Securityholder or its transferees. All of such shares of Common Stock are expected to become tradable on or about the date of this Prospectus.

The following table sets forth the beneficial ownership of the securities of the Company held by each person who is a Selling Securityholder prior to this Offering and after this Offering, assuming all of the shares of Common Stock owned by the Selling Securityholder are sold.

NAME	SHARES OF COMMON STOCK BENEFICIALLY OWNED BEFORE OFFERING	PERCENTAGE OF COMMON STOCK BENEFICIALLY OWNED BEFORE OFFERING	SHARES OF COMMON STOCK OFFERED HEREBY	SHARES OF COMMON STOCK BENEFICIALLY OWNED AFTER OFFERING(1)	PERCENTAGE OF COMMON STOCK BENEFICIALLY OWNED AFTER OFFERING(1)
Robert Schmertz (2)(3)	32,260(4)	.35%	32,260	0	0
Deborah Schmertz(2)	32,260(5)	.35%	32,260	0	0
Total	64,520	.7%	64,520	0	0

- (1) Assumes the sale of all of the Shares.
- (2) Robert and Deborah Schmertz acquired the shares from Daniel Scott, Inc., a New York corporation which was dissolved on June 29, 1998. Robert and Deborah Schmertz are married and were the sole shareholders of Daniel Scott, Inc. prior to its dissolution.
- (3) Robert Schmertz is an employee of Shoe Biz, Inc., a wholly owned subsidiary of the Company.
- (4) Disclaims beneficial ownership of shares of Common Stock held by Deborah Schmertz.
- (5) Disclaims beneficial ownership of shares of Common Stock held by Robert Schmertz.

PLAN OF DISTRIBUTION

The Company will not receive any of the proceeds from the sale of the Shares by the Selling Securityholder or its transferees.

The securities offered by this Prospectus may be sold from time to time directly by the Selling Securityholder or its transferees, or to their transferees. Alternatively, the Selling Securityholders or its transferees may from time to time offer such securities through underwriters, brokers or agents. No underwriting arrangements have been entered into by the Selling Securityholder or its transferees. The distribution of the securities by the Selling Securityholder or its transferees may be effected in one or

more transactions that may take place on the over-the-counter market including ordinary broker's transactions, privately negotiated transactions or through sales to one or more market makers or dealers for resale of such securities as principals at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. Usual and customary or specifically negotiated brokerage fees or commissions may be paid by the Selling Securityholder or its transferees in connection with sales of the securities.

This offering is currently not being underwritten. However, the Selling Securityholder or its transferees, brokers, dealers or underwriters and intermediaries that participate with the Selling Securityholder or its transferees may be deemed "underwriters" within the meaning of the Securities Act of 1933, as amended (the "Act"), with respect to the securities offered and any profits realized or commissions received may be deemed underwriting compensation. It is anticipated that all the securities being offered hereby, when sales thereof are made, will be made in one or more transaction (which may involve one or more block transaction) through customary brokerage channels, either through brokers acting as brokers or agents for the sellers, or through market makers, dealers or underwriters acting as principals who may resell the Common Stock on The Nasdaq National Market or the securities in privately negotiated sales, or otherwise, or by a combination of such methods of offering. Sales may be made at market prices prevailing at the time of the sales or at negotiated prices.

At the time a particular offer of securities is made by or on behalf of a Selling Securityholder or its transferees, to the extent required, a prospectus will be distributed which will set forth the number of securities being offered and the terms of the offering, including the name or names of any underwriters, dealers or agents, if any, the purchase price paid by any underwriter for securities purchased from the Selling Securityholder or its transferees and any discounts, commissions or concessions allowed or reallocated or paid to dealers, and the proposed selling price to the public.

Under applicable rules and regulations under the Exchange Act, any person engaged in a distribution of the shares of Common Stock may not simultaneously engage in market making activities with respect to the Common Stock for a period of up to five days preceding such distribution. The Selling Securityholder or its transferees will be subject to the applicable provisions of the Exchange Act and the rules and regulations promulgated thereunder, including without limitation Regulation M, which provisions may limit the timing of purchases and sales by the Selling Securityholder or its transferees.

In order to comply with certain state securities laws, if applicable, the Common Stock will be sold in such jurisdictions only through registered or licensed brokers or dealers. In certain states, the Common Stock may not be sold unless the Common Stock has been registered and qualified for sale in such state, or unless an exemption from registration or qualification is available and is obtained.

#### LEGAL MATTERS

The validity of the securities offered hereby have been passed upon for the Company by Berlack, Israels & Liberman LLP.

#### EXPERTS

The consolidated financial statements of Steven Madden, Ltd. and subsidiaries included in the Company's annual report on Form 10-KSB for the year ended December 31, 1997, incorporated by reference in this Prospectus and the Registration Statement have been audited by Richard A. Eisner & Company, LLP, independent auditors, as indicated in their report with respect thereto, and are incorporated herein by reference in reliance upon the report of said firm given upon their authority as experts in accounting and auditing.

No dealer, salesman or other person has been authorized to give any information or to make any representations not contained in this Prospectus and if given or made, such information or representations must not be relied upon as having been authorized by the Company or any Underwriter. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof. This Prospectus does not constitute an offer of any securities other than the securities to which it relates or an offer to any person in any jurisdiction in which such an offer would be unlawful.

-----  
TABLE OF CONTENTS

	Page
	----
Available Information.....	2
Risk Factors.....	3
Use of Proceeds.....	9
Selling Securityholder.....	9
Plan of Distribution.....	9
Legal Matters.....	10
Experts.....	11

=====  
-----  
STEVEN MADDEN, LTD.

64,520 SHARES OF COMMON STOCK

-----  
PROSPECTUS  
-----

JULY \_\_, 1998

PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The estimated expenses in connection with this offering are as

follows:

SEC filing fee.....	\$ 202.23
Legal fees and expenses*.....	\$ 12,500.00
Accounting fees and expenses*.....	\$ 5,000.00
Blue Sky fees and expenses*.....	\$ --
Printing and engraving*.....	\$ 500.00
Transfer Agent's and Registrar fees*.....	\$ --
Miscellaneous expenses*.....	\$ 797.77
	-----
Total.....	\$ 19,000.00
	=====

\* Estimated

Item 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article IV of the By-Laws of the Company ("By-Laws"), which is set forth below in its entirety, provides for indemnification of officers, directors, employees and agents substantially to the extent permitted under the New York Business Corporation Law.

Article IV of the By-Laws provides as follows:

"ARTICLE IV"

INDEMNIFICATION

INDEMNIFICATION. The Corporation shall (a) indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense of settlement of such action or suit, (b) indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he is or was a director or officer of the Corporation, or served at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, for expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any such action, suit or proceeding, in each case to the fullest extent permissible under the indemnification provisions of Section 722 of the New York Business Corporation Law or any successor



statute and (c) advance reasonable and necessary expenses in connection with such actions or suits, and not seek reimbursement of such expenses unless there is a specific determination that the officer or director is not entitled to such indemnification. The foregoing right of indemnification shall in no way be exclusive of any other rights of indemnification to which any such persons may be entitled, under any by-law, agreement, vote of shareholders or disinterested directors or otherwise, and shall inure to the benefit of the heirs, executors and administrators of such a person.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or controlling persons of the Registrant pursuant to the provisions referred to in Item 15 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 16. EXHIBITS.

Exhibits

-----

- 3.01\* Certificate of Incorporation of the Company.
- 3.02\* By-Laws of the Company. (Incorporated by reference to the Company's Registration Statement on Form S-8, File No. 33-8810)
- 4.01\* Specimen Certificate for shares of Common Stock.
- 5.01 Legal Opinion of Berlack, Israels & Liberman LLP.
- 10.25 Asset Purchase Agreement by and among Daniel Scott, Inc., Steven Madden Outlets, Inc., Steven Madden, Ltd. and Robert Schmertz.
- 23.01 Consent of Richard A. Eisner & Company, LLP
- 23.02 Consent of Berlack, Israels & Liberman LLP (included in Exhibit 5.01).

\* Previously filed with and incorporated hereby with reference to the Company's Registration Statement on Form SB-2 (No.33-67162-NY, as amended, declared effective on December 10, 1994.)

ITEM 17. UNDERTAKINGS.

(a) RULE 415 OFFERING

The undersigned registrant will:

1. File, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to:

(i) Include any prospectus required by Section 10(a)(3) of the Act;

(ii) Reflect in the prospectus any facts or events which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) Include any additional or changed material information on the plan of distribution;

2. For determining liability under the Securities Act, treat each such post-effective amendment as a new registration statement of the securities offered, and the offering of such securities at that time shall be deemed to be the initial bona fide offering.

3. File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

(c) INDEMNIFICATION

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or controlling persons of the Registrant pursuant to the provisions referred to in Item 15 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(d) RULE 430A

The undersigned Registrant will:

(1) For determining any liability under the Securities Act, treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of a prospectus filed by the Company under Rule 424(b)(1) or (4) or 497(h) under the Securities Act as part of this Registration Statement as of the time the Commission declared it effective.

(2) For determining any liability under the Securities Act, treat each post-effective amendment that contains a form of prospectus as a new Registration Statement for the securities offered in the Registration Statement, and the offering of the securities at that time shall be deemed as the initial bona fide offering of those securities.

SIGNATURES

Pursuant to the requirement of the Securities Act of 1933, as amended, the Registrant, certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Long Island City, New York, on the 20th day of July, 1998.

STEVEN MADDEN, LTD

By: /s/ STEVEN MADDEN

-----  
Steven Madden  
Chairman of the Board, President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement or Amendments thereto has been signed below by the following persons in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ STEVEN MADDEN ----- Steven Madden	Chairman of the Board, President and Chief Executive Officer	July 20, 1998
/s/ RHONDA BROWN ----- Rhonda Brown	Chief Operating Officer and Director	July 20, 1998
/s/ ARVIND DHARIA ----- Arvind Dharia	Chief Financial Officer and Director	July 20, 1998
/s/ JOHN BASILE ----- John Basile	Director of Operations and Director	July 20, 1998
/s/ JOHN L. MADDEN ----- John L. Madden	Director	July 20, 1998
/s/ LES WAGNER ----- Les Wagner	Director	July 20, 1998
/s/ PETER MIGLIORINI ----- Peter Migliorini	Director	July 20, 1998
/s/ CHARLES KOPPELMAN ----- Charles Koppelman	Director	July 20, 1998

[LETTERHEAD OF BERLACK, ISRAELS & LIBERMAN LLP]

July 10, 1998

Steven Madden, Ltd.  
52-16 Barnett Avenue  
Long Island City, NY 11105

Ladies and Gentlemen:

We have acted as counsel for Steven Madden, Ltd., a New York corporation ("Company"), in connection with a Registration Statement on Form S-3 ("Registration Statement") being filed contemporaneously herewith by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), covering 64,520 shares (the "Shares") of the Company's common stock, par value \$.0001 per share, on behalf of certain selling securityholders.

In that connection, we have examined the Certificate of Incorporation, as amended, and the By-Laws of the Company, the Registration Statement, corporate proceedings of the Company relating to the issuance of the Common Stock and such other instruments and documents as we have deemed relevant under the circumstances.

In making the aforesaid examinations, we have assumed the genuineness of all signatures and the conformity to original documents of all copies furnished to us as original or photostat copies. We have also assumed that the corporate records of the Company include all corporate proceedings taken by the Company to date.

Based upon and subject to the foregoing, we are of the opinion that the Shares have been duly authorized, validly issued and are fully paid and nonassessable.

We hereby consent to the use of this opinion as herein set forth as an exhibit to the Registration Statement.

Very truly yours,

/s/ BERLACK, ISRAELS & LIBERMAN LLP

-----  
Berlack, Israels & Liberman Llp

ASSET PURCHASE AGREEMENT

BY AND AMONG

DANIEL SCOTT, INC.,

ROBERT SCHMERTZ,

STEVEN MADDEN, LTD.

AND

STEVEN MADDEN OUTLETS, INC.

DATED AS OF MAY 1, 1998

TABLE OF CONTENTS

PAGE

ARTICLE I.....	1
1.1 CERTAIN DEFINITIONS.....	1
1.2 TRANSFER OF THE ASSETS.....	4
1.3 ASSUMPTION BY THE BUYER OF CERTAIN LIABILITIES.....	4
1.4 NON-ASSUMED LIABILITIES.....	4
1.5 PURCHASE PRICE FOR THE ASSETS; RESTRICTIONS ON TRANSFER.....	5
1.6 CLOSING ADJUSTMENTS.....	5
ARTICLE II.....	5
2.1 THE CLOSING.....	5
2.2 ADDITIONAL ACTIONS TO BE TAKEN ON THE CLOSING DATE.....	6
ARTICLE III.....	7
3.1 ORGANIZATION AND QUALIFICATION.....	7
3.2 SUBSIDIARIES.....	7
3.3 VALIDITY AND EXECUTION OF AGREEMENT.....	7
3.4 NO CONFLICT.....	7
3.5 LITIGATION.....	8
3.6 THE ASSETS.....	8
3.7 INTANGIBLE PROPERTY.....	8
3.8 NO MATERIAL ADVERSE CHANGE.....	8
3.9 CONTRACTS AND OTHER AGREEMENTS.....	8
3.10 REAL ESTATE.....	8
3.11 ERISA.....	8
3.12 ENVIRONMENTAL MATTERS.....	9
3.13 LICENSES AND PERMITS.....	9
3.14 INVESTMENT REPRESENTATIONS.....	9
ARTICLE IV.....	10
4.1 ORGANIZATION AND QUALIFICATION.....	10
4.2 VALIDITY AND EXECUTION OF AGREEMENT.....	10
4.3 NO CONFLICT.....	10
4.4 THE SHARES.....	11
4.5 SEC REPORTS; DISCLOSURE.....	11

ARTICLE V.....11

5.1 SURVIVAL.....11

5.2 INDEMNIFICATION AND OTHER COVENANTS.....12

5.3 METHOD OF ASSERTING CLAIMS.....12

5.4 SUBROGATION; EXCLUSIVITY OF REMEDY.....14

5.5 NON-COMPETITION.....15

ARTICLE VI.....15

6.1 SALES AND TRANSFER TAXES.....15

6.2 POST-CLOSING FURTHER ASSURANCES.....15

6.3 NOTICES.....16

6.4 PUBLICITY.....17

6.5 ENTIRE AGREEMENT.....17

6.6 WAIVERS AND AMENDMENTS.....17

6.7 GOVERNING LAW.....17

6.8 BINDING EFFECT; NO ASSIGNMENT.....17

6.9 VARIATIONS IN PRONOUNS.....17

6.10 COUNTERPARTS.....17

6.11 EXHIBITS AND SCHEDULES.....17

6.12 EFFECT OF DISCLOSURE ON SCHEDULES.....18

6.13 HEADINGS.....18

6.14 SEVERABILITY OF PROVISIONS.....18

6.15 BROKERS.....18

6.16 CHANGE AND USE OF NAME.....18

EXHIBITS

- EXHIBIT A - Assignment & Assumption Agreement
- EXHIBIT B - Bill of Sale
- EXHIBIT C - Assignment of Lease and Landlord's Consent
- EXHIBIT D - Registration Rights Agreement
- EXHIBIT E - Employment Agreement

SCHEDULES

- 1.1(a) - Excluded Assets
- 1.2 - Assets
- 1.3(b) - Assumed Liabilities
- 3.9 - Material Agreements
- 3.10 - Real Estate

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT, dated as of May 1, 1998 by and between Daniel Scott, Inc., a New York corporation ("Seller), Steven Madden Outlets, Inc., a Delaware corporation (the "Buyer"), Steven Madden, Ltd., a New York corporation ("Buyer Parent"), and Robert Schmertz ("Schmertz").

W I T N E S S E T H :

WHEREAS, the Seller is engaged in the business of operating a retail shoe store under the name Shoe Biz located at 86 Main Street, Mineola, NY 11501 (the "Business"); and

WHEREAS, the Seller owns certain assets comprising the Assets (as hereinafter defined) which are related to the conduct of the Business; and

WHEREAS, the Seller wishes to transfer, and the Buyer wishes to purchase, the Assets, subject to the assumption by the Buyer of certain liabilities of the Seller comprising the Assumed Liabilities (as hereinafter defined) in exchange for the Shares (as hereinafter defined); and

WHEREAS, Seller and Buyer have adopted a plan of reorganization and intend that the sale of the Assets qualify as a reorganization within the meaning of Section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended (the "Code").

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements set forth herein, the Seller, Schmertz, Buyer Parent and the Buyer hereby agree as follows:

ARTICLE I

DEFINITIONS; PURCHASE OF THE ASSETS;  
ASSUMPTION OF ASSUMED LIABILITIES; PURCHASE PRICE;  
CLOSING ADJUSTMENTS; CONDITION OF ASSETS; ADDITIONAL SHARES

1.1 CERTAIN DEFINITIONS. As used in this Agreement, the following terms have the following meanings unless the context otherwise requires:

"AFFILIATE" means, with respect to any Person, any other Person controlling, controlled by or under common control with such Person.

"ASSETS" has the meaning specified in Section 1.2.

"ASSIGNED CONTRACTS AND LEASES" means the unexpired lease(s) set forth in Schedule 3.10 and executory contracts set forth on Schedule 3.9.

"ASSIGNMENT AND ASSUMPTION AGREEMENT" means an instrument substantially in the form of Exhibit A attached hereto.

"ASSIGNMENT OF LEASE AND LANDLORD'S CONSENT" means an instrument substantially in the form of Exhibit C attached hereto.

"BILL OF SALE" means an instrument substantially in the form of Exhibit B attached hereto.

"BUSINESS" has the meaning specified in the Recitals.

"BUSINESS DAY" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required by law to close in New York City.

"BUYER" has the meaning specified in the introductory paragraph of this Agreement.

"CLAIM NOTICE" has the meaning specified in Section 5.3(a).

"CLOSING" has the meaning specified in Section 2.1(a).

"EFFECTIVE DATE" means 12:01 a.m. on May 1, 1998.

"EMPLOYMENT AGREEMENT" means an instrument substantially in the form of Exhibit E attached hereto.

"ENVIRONMENTAL LAW" means any and all present and future federal, state, local and statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, grants, franchises, licenses or agreements relating to (a) the protection of the environment, health or workers safety; (b) pollution or environmental contamination; or (c) the use, processing, distribution, generation, treatment, storage, recycling, transportation, disposal, handling, Release or threatened or potential Release of any Material of Environmental Concern.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"EXCLUDED ASSETS" means those assets of the Seller or an Affiliate of Seller set forth on Schedule 1.1(a).

"GOVERNMENTAL OR REGULATORY BODY" means any government or political subdivision thereof, whether federal, state, county, local or foreign, or any agency, authority or instrumentality of any such government or political subdivision.

"INDEMNIFIED PARTY" has the meaning specified in Section 5.3.

"INDEMNIFYING PARTY" has the meaning specified in Section 5.3.



"LANDLORD" means Barnet Michelman, the landlord of the Seller's retail store location at 86 Main street, Mineola, New York 11501.

"LEASES" has the meaning specified in Section 3.10.

"LIEN" means any lien, pledge, hypothecation, mortgage, security interest, claim, lease, charge, option, right of first refusal, easement, servitude, transfer restriction under any stockholder or similar agreement, encumbrance or any other restriction or limitation whatsoever.

"LOSSES" has the meaning specified in Section 5.2.

"MATERIAL ADVERSE EFFECT" means any change or changes or effect or effects that individually or in the aggregate are or is reasonably expected to be materially adverse to (a) the Assets, operations, income or conditions (financial or otherwise) of the Business or the transactions contemplated by this Agreement or (b) the ability of the Seller to perform its obligations under this Agreement.

"MATERIAL AGREEMENTS" has the meaning specified in Section 3.9.

"NON-ASSUMED LIABILITIES" has the meaning specified in Section 1.4.

"PERMITTED LIENS" means Liens for taxes not yet due.

"PERSON" means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental or Regulatory Body or other entity.

"PLAN" means any plan, fund, program, understanding, policy, arrangement, contract or commitment, whether qualified or not qualified for federal income tax purposes, whether formal or informal, whether for the benefit of a single individual or more than one individual, which is in the nature of (a) an employee pension benefit plan (as defined in ERISA Section 3(2)) (b) an employee welfare benefit plan (as defined in ERISA Section 3(1)) or (c) an incentive, deferred compensation, or other benefit arrangement for employees, former employees, their dependents or their beneficiaries.

"PURCHASE PRICE" has the meaning specified in Section 1.5.

"RECORDS" shall mean files and records, including correspondence, books of account, employment records, customer files, purchase and sales records and correspondence, advertising records, files and literature, and other written materials of Seller to the extent relating to the Assets or the Business; PROVIDED, HOWEVER, that Records shall not mean or include the corporate minute books and stock records of Seller and any shares of capital stock of Seller, nor shall they include any communications that do not relate to the Assets or the Business that are currently protected from disclosure by Seller by virtue of the attorney-client privilege.

"REGISTRATION RIGHTS AGREEMENT" means an instrument substantially in the form of Exhibit D attached hereto.

"RELEASE" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment.

"SCHMERTZ" has the meaning specified in the introductory paragraph of this Agreement.

"SHARES" has the meaning specified in Section 1.5.

"SELLER" has the meaning specified in the introductory paragraph of this Agreement.

"TAX" or "TAXES" mean all taxes, charges, fees, levies or other assessments imposed by any federal, state, local or foreign Taxing Authority, including, without limitation, gross income, gross receipts, income, capital, excise, property (tangible and intangible), sales, transfer, value added, employment, payroll and franchise taxes and such terms shall include any interest, penalties or additions attributable to or imposed on or with respect to such assessments.

1.2 TRANSFER OF THE ASSETS. Subject to the terms and conditions set forth in this Agreement, the Seller agrees that, on the date hereof (the "Closing Date"), the Seller shall sell, transfer, assign, convey and deliver to the Buyer, without recourse, representation or warranty except as otherwise expressly provided herein and Buyer shall purchase from the Seller, all of the assets owned, used or held by the Seller to conduct the Business, including without limitation the assets set forth on Schedule 1.2, other than the Excluded Assets (the "Assets"), free and clear of all Liens, other than Permitted Liens.

1.3 ASSUMPTION BY THE BUYER OF CERTAIN LIABILITIES. Subject to the terms and conditions set forth in this Agreement, Buyer agrees that, on the Closing Date but effective as of the Effective Date, Buyer shall assume and thereafter pay, perform or discharge, as the case may be, the following obligations and liabilities of the Seller (the "Assumed Liabilities"):

(a) all obligations and liabilities of the Seller arising out of, or in connection with, the Assigned Contracts and Leases;

(b) all liabilities of the Seller outstanding as of the Effective Date reflected on Schedule 1.3 (b) attached hereto not to exceed \$150,000 in the aggregate; and

(c) all liabilities and obligations of Seller incurred in the ordinary course of business during the period commencing on the Effective Date and ending on the Closing Date.

1.4 NON-ASSUMED LIABILITIES. The Buyer shall not assume nor be responsible for any liabilities or obligations of the Seller or any of its Affiliates other than the Assumed Liabilities (the "Non-Assumed Liabilities").

1.5 PURCHASE PRICE FOR THE ASSETS; RESTRICTIONS ON TRANSFER. The consideration for the Assets shall be the (i) assumption by the Buyer of the Assumed Liabilities; and (ii) the delivery on the Closing Date of 64,520 shares of common stock of Buyer Parent (the "Shares") (collectively, the "Purchase Price"). Except as contemplated by the Note (as hereinafter defined), Seller and Schmertz agree (and, if necessary, cause his wife to agree) not to sell, transfer, pledge, hypothecate or otherwise encumber more than 32,260 shares during the eighteen (18) month period (the "Restricted Period") following the date hereof without the prior written consent of the Buyer; provided, however, that (i) Seller may transfer the Shares to Schmertz and his wife upon liquidation of Seller and (ii) Seller or Schmertz, as the case may be, may sell such additional shares in order to repay the outstanding principal amount and accrued and unpaid interest on that certain promissory note dated May 1, 1998 issued by Schmertz to Buyer (the "Note"). At the conclusion of the Restricted Period and upon the request of Seller or Schmertz, Buyer Parent shall cause its transfer agent to remove any restrictive legend contemplated by the preceding sentence.

1.6 CLOSING ADJUSTMENTS. (a) Adjustments shall be made between the Seller and the Buyer as of the Effective Date with respect to the rent and additional rent or charges (including, but not limited to, additional rent or charges for real estate taxes, water charges, insurance and common area maintenance) payable by or to the Seller pursuant to the Lease with the Landlord.

(b) The net amount of any closing adjustments in favor of the Seller shall be paid to the Seller on the Closing Date in immediately available funds, and the net amount of any closing adjustments in favor of the Buyer shall be paid to the Buyer on the Closing Date in shares of common stock of Buyer Parent valued as specified in Section 5.3(d).

(c) Any errors or omissions in computing closing adjustments discovered after Closing Date shall be corrected promptly upon discovery. The obligation of the parties under this Section shall survive the Closing.

## ARTICLE II

### CLOSING

2.1 THE CLOSING. (a) The consummation of the transactions contemplated by this Agreement (the "Closing") shall be held simultaneous with the execution of this Agreement at the offices of Berlack, Israels & Liberman LLP, 120 West 45th Street, New York, New York 10036.

(b) At the Closing, the Seller shall execute and deliver or cause to be executed and delivered to the Buyer, all documents and instruments necessary to transfer to the Buyer, all of the right, title and interest of the Seller in and to the Assets, including, without limitation:

(i) the Assignment and Assumption Agreement, signed by the Seller;

(ii) the Bill of Sale, as applicable, signed by the Seller; and

(iii) the Assignment of Lease and Landlord's Consent, signed by the Seller and the Landlord.

(c) At the Closing, the Buyer shall:

(i) execute and deliver to the Seller the Assignment and Assumption Agreement;

(ii) assume the Assumed Liabilities effective as of the Effective Date; and

(iii) deliver the Shares to the Seller.

(d) At the Closing, the Buyer and Schmertz shall execute and deliver the Employment Agreement.

(e) At the Closing, the Buyer Parent and Seller shall execute and deliver the Registration Rights Agreement.

## 2.2 ADDITIONAL ACTIONS TO BE TAKEN ON THE CLOSING DATE.

(a) LIENS/CONSENTS. The Seller shall have satisfied and discharged all Liens on the Assets, except for Permitted Liens and provided the Buyer with evidence of such satisfaction and discharge as well as all necessary consents to transfer or assign the Assets to Buyer, in form and substance satisfactory to the Buyer.

(b) SHAREHOLDER CONSENT. The Buyer shall have received a consent to the transactions contemplated by this agreement signed by all of the shareholders of Seller.

(c) BULK SALES ACT. Other than with respect to the Assumed Liabilities, Schmertz agrees to indemnify Buyer and Buyer Parent from any Losses incurred by Buyer and Buyer Parent arising out of or resulting from the failure of the Seller to comply with Article 6 of the Uniform Commercial Code of the State of New York. Buyer and Buyer Parent hereby waive compliance with the provisions of any applicable bulk sales law of any jurisdiction in connection with the transactions contemplated hereby and no representation, warranty or covenant contained in this Agreement shall be deemed to have been breached as a result of such non-compliance.

ARTICLE III

REPRESENTATIONS AND WARRANTIES  
OF THE SELLER AND SCHMERTZ

The Seller and Schmertz jointly and severally represent and warrant to the Buyer as follows:

3.1 ORGANIZATION AND QUALIFICATION. Seller is a corporation validly existing and in good standing under the laws of the State of New York doing business as "Shoe Biz", and has all requisite corporate power and authority to (a) own, lease and operate its properties and assets as they are now owned, leased and operated and (b) carry on its business as now presently conducted and as proposed to be conducted. Seller is duly qualified to do business in each jurisdiction in which the nature of its business or properties makes such qualification necessary, except where the failure to do so would not have a Material Adverse Effect.

3.2 SUBSIDIARIES. Seller has no subsidiaries.

3.3. VALIDITY AND EXECUTION OF AGREEMENT. Seller has the full legal right, capacity and power and all requisite corporate authority and approval required to enter into, execute and deliver this Agreement and any other agreement or instrument contemplated hereby, and to perform fully its obligations hereunder and thereunder. The shareholders and the board of directors of Seller have each approved the transactions contemplated pursuant to this Agreement and each of the other agreements required to be entered into pursuant hereto by Seller. This Agreement and such other agreements and instruments have been duly executed and delivered by Seller and each constitutes the valid and binding obligation of Seller enforceable against it in accordance with its terms, except as may be limited by any bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other laws (whether statutory, regulatory or decisional), now or hereafter in effect, relating to or affecting the rights of creditors generally or by equitable principles (regardless of whether considered in a proceeding at law or in equity).

3.4 NO CONFLICT. Neither the execution and delivery of this Agreement nor the performance by the Seller or Schmertz of the transactions contemplated hereby will violate or conflict with (a) any of the provisions of the Certificate of Incorporation or By-Laws or other organizational documents of the Seller; (b) result in the acceleration of, or entitle any party to accelerate the maturity or the cancellation of the performance of any obligation under, or result in the creation or imposition of any Lien in or upon the Assets or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under any material contract to which Seller is a party other than (1) as specifically set forth on Schedule 3.9, (2) any contract or instrument evidencing any of the Non-Assumed Liabilities, and (3) such contract violations, accelerations, cancellations, defaults or Liens as do not individually or in the aggregate have a Material Adverse Effect; and, (c) any order, judgment, regulation or ruling of any Governmental or Regulatory Body to which the Seller and Schmertz is a party or by which any of its property or assets may be bound or affected or with any provision of any law, rule, regulation, order, judgment, or ruling of any Governmental or Regulatory Body applicable to the Seller other than such violations or conflicts as do not or will not individually or in the aggregate have a Material Adverse Effect.

3.5 LITIGATION. There are no outstanding orders, judgments, injunctions, investigations, awards or decrees of any court, Governmental or Regulatory Body or arbitration tribunal by which the Seller, or any of its securities, assets, properties or business is bound. There are no actions, suits, claims, investigations, legal, administrative or arbitral proceedings pending or, to the best knowledge of the Seller, threatened (whether or not the defense thereof or liabilities in respect thereof are covered by insurance) against or affecting the Seller, or any of its assets or properties, that, individually or in the aggregate, are reasonably expected to have a Material Adverse Effect.

3.6 THE ASSETS. The Seller owns outright and has good title to all of the owned Assets free and clear of any Lien, other than Permitted Liens. The Assignment and Assumption Agreement and such other conveyancing documents as shall have been executed and delivered to the Buyer will convey good title to the Assets, free and clear of any Liens, except for Permitted Liens. Except for the assets described on Schedule 1.1(a), the Assets transferred pursuant hereto constitute all of the assets necessary and appropriate for the conduct of the Business as of the date hereof in substantially the same manner as the Business has heretofore been conducted.

3.7 INTANGIBLE PROPERTY. To the best knowledge of the Seller without having conducted any investigation, (i) no patent, invention, trademark, service mark or trade name of any other Person infringes upon, or is infringed upon by any of the trademarks, service marks, logos or tradenames of the Seller and (ii) the operation of the Business has not infringed on the intellectual property rights of others.

3.8 NO MATERIAL ADVERSE CHANGE. Since January 1, 1998, there has been no material adverse change in the Business, operations or financial condition of the Seller, or in the assets, liabilities, net worth or properties of the Seller, and the Seller knows of no such change that is threatened, nor has there been any damage, destruction or loss which could have a Material Adverse Effect, whether or not covered by insurance.

3.9 CONTRACTS AND OTHER AGREEMENTS. Schedule 3.9 sets forth all written agreements (and, to the best knowledge of the Seller, any oral agreement) and arrangements that materially affect the operations of the Business or to which Seller is a party (collectively, the "Material Agreements").

3.10 REAL ESTATE. Schedule 3.10 sets forth a list and supplies descriptions of all leases or subleases (the "Leases") under which the Seller is lessor or lessee of any real property. A true, correct and complete copy of all Leases have been delivered or made available to the Buyer. To Seller's knowledge, the Lease is in full force and effect and the Seller has not received any notice of any default thereunder.

3.11 ERISA. The Seller does not sponsor, maintain, have any obligation to contribute to, have any liability under, and is not otherwise a party to, any Plan.

3.12 ENVIRONMENTAL MATTERS. The Seller is not in violation of, or delinquent in respect to, any Environmental Law which violation or delinquency would have a Material Adverse Effect.

3.13 LICENSES AND PERMITS. Any permits, licenses, registrations and consents which are necessary in connection with the Seller's operations and properties, are in full force and effect and in good standing, except for permits, licenses, registrations or consents which the failure to obtain would not have a Material Adverse Effect.

3.14 INVESTMENT REPRESENTATIVES. The issuance of the Shares in this transaction is intended to be a private transaction exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), and is made in reliance upon the representations set forth below.

(a) Seller is acquiring the Shares for its own account for investment only and not with a view to, or for sale in connection with, a distribution of the Shares in violation of the Securities Act and any applicable state securities or blue-sky laws;

(b) Seller acknowledges to the Buyer that:

(i) the Buyer has advised Seller that the Shares have not been registered under the Securities Act or under the laws of any state on the basis that the issuance thereof contemplated by this Agreement is exempt from such registration and the certificate representing the Shares shall contain a restrictive legend reflecting the fact that the Shares have not been registered;

(ii) the Buyer's reliance on the availability of such exemption is, in part, based upon the accuracy and truthfulness of Seller's representations contained herein;

(iii) the Shares cannot be resold without registration or an exemption under the Securities Act and such state securities laws, and that certificates representing the Shares will bear a restrictive legend to such effect as well as a restrictive legend in accordance with the restrictions on transfer contained in Section 1.5;

(iv) Seller has evaluated the merits and risks of acquiring the Shares and has such knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of such acquisition, is aware of and has considered the financial risks and financial hazards of acquiring the Shares, and is able to bear the economic risk of acquiring the Shares, including the possibility of a complete loss with respect thereto.

3.15 EXCLUSIVITY OF REPRESENTATIONS; RELIANCE ON REPRESENTATIONS. The representations and warranties made by Seller and Schmertz in this Agreement are in lieu of and are exclusive of all other representations and warranties, including, without limitation, any implied warranty of merchantability or of fitness for a particular purpose and any other implied warranties of Seller and Schmertz. Seller and Schmertz each hereby disclaims any such other or implied representations or warranties, notwithstanding the delivery or disclosure by Seller and Schmertz or any other person to Buyer or Buyer Parent or any of their directors, officers, employees, agents or representatives, of any documentation or other information in connection with this Agreement or the transactions contemplated hereby.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BUYER AND BUYER PARENT

The Buyer and Buyer Parent, jointly and severally, represent and warrant to the Seller and Schmertz as follows:

4.1 ORGANIZATION AND QUALIFICATION. The Buyer is a corporation validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to (a) own, lease and operate its properties and assets as they are now owned, leased and operated and (b) carry on its business as now presently conducted and is duly qualified to do business in each jurisdiction in which the nature of its business or properties makes such qualification necessary. Buyer will as soon as practicable after the Closing be duly qualified to do business in the State of New York. Buyer Parent is a corporation validly existing and in good standing under the laws of the State of New York.

4.2 VALIDITY AND EXECUTION OF AGREEMENT. The Buyer and Buyer Parent each has the full legal right, capacity and power and all requisite corporate authority and approval required to enter into, execute and deliver this Agreement and any other agreement or instrument contemplated hereby, and to perform fully its respective obligations hereunder and thereunder. The respective board of directors of the Buyer and Buyer Parent each has approved to the extent required by law the transactions contemplated by this Agreement and each of the other agreements required to be entered into pursuant hereto by the Buyer and Buyer Parent and no other corporate or shareholder approvals are required. This Agreement and such other agreements and instruments have been duly executed and delivered by the Buyer and Buyer Parent and each constitutes the valid and binding obligation of the Buyer and Buyer Parent enforceable against them in accordance with their respective terms, except as may be limited by any bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other laws (whether statutory, regulatory or decisional), now or hereafter in effect, relating to or affecting the rights of creditors generally or by equitable principles (regardless of whether considered in a proceeding at law or in equity).

4.3 NO CONFLICT. Neither the execution and delivery of this Agreement nor the performance by the Buyer of the transactions contemplated herein will violate or conflict with (a) any of the provisions of their respective Certificates of Incorporation or By-Laws or other organizational documents of Buyer and Buyer Parent; or (b) result in the acceleration of, or entitle any party to accelerate the maturity or the cancellation of the performance of any obligation under, or result in the creation or imposition of any Lien or constitute a default (or an event which might, with the passage of time or the giving of notice, or both, constitute a default) under any material contract to which Buyer or Buyer Parent is a party, other than (1) such contract violations, accelerations, cancellations, defaults or Liens as do not individually or in the aggregate have a material adverse effect on Buyer or Buyer Parent or their ability to perform their obligations hereunder or under the other agreements



contemplated hereby, (2) any order, judgment, regulation or ruling of any Governmental or Regulatory Body to which the Buyer or Buyer Parent is a party or by which any of its respective property or assets may be bound or affected or with any provision of any law, rule, regulation, order, judgment, or ruling of any Governmental or Regulatory Body applicable to the Buyer or Buyer Parent, other than such violations or conflicts as do not individually or in the aggregate have a material adverse effect on Buyer or Buyer Parent or their ability to perform their obligations hereunder or under the other agreements contemplated hereby.

4.4 THE SHARES. The Shares have been duly and validly authorized and issued by Buyer Parent and are fully paid and non-assessable.

4.5 SEC REPORTS; DISCLOSURE. .

(a) Buyer has delivered to Seller a true and complete copy of the Annual Report on Form 10-K for Buyer Parent for the year ended December 31, 1997 and all 10-Q and 8-K reports for Buyer Parent filed since the filing of such 10-K by Buyer Parent with the Securities and Exchange Commission (the "SEC")(collectively, the "Buyer Reports"). As of their respective dates, Buyer Reports complied in all material respects with the applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC, and, as of their respective dates, no Buyer Report contained any untrue statement of material fact or omits to state a material fact required to be stated or incorporated by reference therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The financial statements contained in the Buyer Reports are in accordance with the books and records regularly maintained with respect to Buyer Parent and present fairly the financial conditions as of and the results of operations and cash flow for the dates and periods so indicated, in accordance with Generally Accepted Accounting Principles ("GAAP").

4.6 NO MATERIAL ADVERSE CHANGE. Since December 31, 1997, there has been no material adverse change in the business of the Buyer or Buyer Parent, the liabilities, net worth or properties of the Buyer or Buyer Parent.

ARTICLE V

INDEMNIFICATION AND OTHER COVENANTS

5.1 SURVIVAL. Subject to this Section 5.1, all representations, warranties, covenants and agreements contained in this Agreement, the Registration Rights Agreement or in any exhibit, certificate, agreement, document or statement delivered pursuant hereto (an "Ancillary Instrument") shall survive (and not be affected in any respect by) the Closing and any investigation conducted by any party hereto. Notwithstanding the foregoing, the representations and warranties contained in or made pursuant to this Agreement or any Ancillary Instrument and the related indemnity obligations set forth in Article V, shall terminate on, and no claim or action with respect thereto may be brought after, the date that is two years after the Effective Date, except that the representations and warranties contained in Sections 3.6 and 4.4 shall survive in perpetuity.

5.2 INDEMNIFICATION. (a) The Seller and Schmertz jointly and severally agree to indemnify, defend and hold harmless the Buyer and Buyer Parent and their respective directors, officers, employees, shareholders and any Affiliates of the foregoing, and their successors and assigns (collectively, the "Buyer Group") from and against any and all losses, liabilities (including to the extent arising from third-party claims, punitive or exemplary damages and fines or penalties and any interest thereon), expenses (including reasonable fees and disbursements of counsel and expenses of investigation and defense), claims, Liens or other obligations of any nature whatsoever (hereinafter individually, a "Loss" and collectively, "Losses") suffered or incurred by the Buyer Group which, directly or indirectly, arise out of, result from or relate to, (i) any inaccuracy in or any breach (as of the Effective Date) of any representation or warranty of the Seller contained in Article III, (ii) any breach of any covenant or agreement of the Seller, in each case contained in this Agreement or in any other document contemplated by this Agreement, (iii) any Taxes of the Seller or Schmertz attributable to the period prior to the Effective Date, other than any Taxes included within the Assumed Liabilities (a "Tax Loss") or (iv) any liability or obligation arising out of the operation of the Business before the Effective Date, except for the Assumed Liabilities. Notwithstanding anything provided in this Agreement, Seller and Schmertz shall not be responsible for any Losses (other than Tax Losses), until the cumulative aggregate amount of such Losses exceeds \$15,000 (the "Minimum Amount"), in which case Seller and Schmertz shall then be liable only for such Losses in excess of the Minimum Amount, and the cumulative aggregate indemnity obligation of Seller and Schmertz shall in no event exceed \$500,000 (the "Maximum Amount"). With respect to a Tax Loss, Seller and Schmertz's liability shall not be limited in any manner by the Minimum Amount or the Maximum Amount.

(b) The Buyer and Buyer Parent jointly and severally agree to indemnify, defend and hold harmless Schmertz, the Seller and its respective directors, officers, employees, and shareholders, and any Affiliates of the foregoing, and their successors and assigns from and against any and all Losses suffered or incurred by them which, directly or indirectly, arise out of, result from or relate to (i) any inaccuracy in or any breach (as of the Effective Date) of any representation or warranty of the Buyer or Buyer Parent contained in Article IV, (ii) any breach of any covenant or agreement of the Buyer or Buyer Parent contained in this Agreement or in any other document contemplated by this Agreement, (iii) the Assumed Liabilities, or (iv) any liability or obligation arising out of the operation of the Business after the Effective Date.

5.3 METHOD OF ASSERTING CLAIMS. The party making a claim under this Article V is referred to as the "Indemnified Party" and the party against whom such claims are asserted under this Article V is referred to as the "Indemnifying Party". All claims by any Indemnified Party under this Article V shall be asserted and resolved as follows:

(a) In the event that any claim or demand for which an Indemnifying Party would be liable to an Indemnified Party hereunder is asserted against or sought to be collected from such Indemnified Party by a third party, said Indemnified Party shall with reasonable promptness notify in writing the Indemnifying Party of such claim or demand, specifying the nature of the specific basis for such claim or demand, and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim and demand; any such notice, together with any notice given pursuant to Section 5.3(b) hereof, collectively being the "Claim Notice"); PROVIDED, HOWEVER, that any failure to give such Claim Notice will not be deemed a waiver of any rights of the Indemnified Party except to the extent the rights of the Indemnifying Party are actually prejudiced or harmed. The Indemnifying Party, upon request of the Indemnified Party, shall retain counsel (who shall be reasonably acceptable to the Indemnified Party) to represent the Indemnified Party, and shall pay the fees and disbursements of such counsel with regard thereto, PROVIDED, FURTHER, that any Indemnified Party is hereby authorized prior to the date on which it receives written notice from the Indemnifying Party designating such counsel, to retain counsel, whose reasonable fees and expenses shall be at the expense of the Indemnifying Party, to file any motion, answer or other pleading and take such other action which it reasonably shall deem necessary to protect its interests or those of the Indemnifying Party until the date on which the Indemnified Party receives such notice from the Indemnifying Party. After the Indemnifying Party shall retain such counsel, the Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties of any such proceeding (including any impleaded parties) include both the Indemnifying Party and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Indemnifying Party shall not, in connection with any proceedings or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one such firm for the Indemnified Party (except to the extent the Indemnified Party retained counsel to protect its (or the Indemnifying Party's) rights prior to the selection of counsel by the Indemnifying Party). The Indemnified Party agrees to cooperate with the Indemnifying Party and its counsel in contesting any claim or demand which the Indemnifying Party defends. No claim or demand may be settled by an Indemnifying Party or, where permitted pursuant to this Agreement, by an Indemnified Party without the consent of the Indemnified Party in the first case or the consent of the Indemnifying Party in the second case, which consent shall not be unreasonably withheld, unless such settlement shall be accompanied by a complete release of the Indemnified Party in the first case or the Indemnifying Party in the second case.

(b) In the event any Indemnified Party shall have a claim against any Indemnifying Party hereunder which does not involve a claim or demand being asserted against or sought to be collected from it by a third party, the Indemnified Party shall send a Claim Notice with respect to such claim to the Indemnifying Party. If the Indemnifying Party does not dispute such claim, the amount of such claim shall be paid to the Indemnified Party within thirty (30) days of receipt of the Claim Notice.

(c) So long as any right to indemnification exists pursuant to this Article V, the affected parties each agree to retain all books, records, accounts, instruments and documents reasonably related to the Claim Notice. In each instance, the Indemnified Party shall have the right to be kept informed by the Indemnifying Party and its legal counsel with respect to all significant matters relating to any legal proceedings. Any information or documents made available to any party hereunder, which information is designated as confidential by the party providing such information and which is not otherwise generally available to the public, or which information is not otherwise lawfully obtained from third parties or not already within the knowledge of the party to whom the information is provided (unless otherwise covered by the confidentiality provisions of any other agreement among the parties hereto, or any of them), and except as may be required by applicable law or requested by third party lenders to such party, shall not be disclosed to any third Person (except for the representatives of the party being provided with the information, in which event the party being provided with the information shall request its representatives not to disclose any such information which it otherwise required hereunder to be kept confidential).

(d) To the extent a Loss occurs under Section 5.2(a)(i) or (ii), for so long as Seller, Schmertz, an affiliate thereof or any family member of Schmertz owns any Shares Buyer shall be indemnified by Seller's surrender for cancellation of Shares having a fair market value equal to such Loss. For purposes of this paragraph, fair market value of the Shares shall mean the average market price of the Shares for five trading days before an indemnification claim is paid. Notwithstanding the foregoing, to the extent a Tax Loss occurs, Buyer shall be indemnified by Buyer's payment to Seller of immediately available funds. Any indemnification pursuant to Section 5.2 shall be treated as an adjustment to the Purchase Price.

#### 5.4 SUBROGATION; EXCLUSIVITY OF REMEDY.

(a) Notwithstanding anything contained in this Agreement, upon payment of any amount pursuant to any indemnification claim, the Indemnifying Party shall be subrogated, to the extent of such payment, to all of the Indemnified Party's rights of recovery against any third party with respect to the matters to which such indemnification claim relates.

(b) Notwithstanding anything contained in this Agreement, the rights and remedies of Seller, Schmertz, Buyer and Buyer Parent under this Article V are exclusive and in lieu of any and all other rights and remedies which Seller and Schmertz or Buyer and Buyer Parent, as the case may be, may have against the other, under this Agreement or otherwise, (i) with respect to (x) the inaccuracy of any representation, warranty, certification or other statement made (or deemed made) by Seller and Schmertz or Buyer and Buyer Parent in or pursuant to this Agreement or any Ancillary Instrument or (y) any breach of, or failure to perform or comply with, any covenant or agreement set forth in this Agreement or in any Ancillary Instrument or (ii) with respect to the transactions contemplated by this Agreement. All claims for indemnification must be asserted, if at all, in good faith and in accordance with the provisions of this Article V and, to the extent applicable to such claims, within the relevant time period set forth in this Article V.

## 5.5 NON-COMPETITION.

(a) Seller and Schmertz acknowledge that (i) Seller's operation of the Business has brought it in close contact with certain confidential affairs of the Business not readily available to the public; and (ii) Buyer would not purchase the Assets and assume the Assumed Liabilities but for the agreements and covenants of Seller contained in this Section 5.5.

(b) Seller shall not in the New York City metropolitan area, directly or indirectly, for a period consisting of one year following the Effective Date (the "Restricted Period"), (i) engage in the Restricted Activities or (ii) become affiliated with any person engaged in the Restricted Activities (other than Buyer and Buyer Parent) as a partner, shareholder, principal, agent, trustee, consultant or lender; provided however, that this Section 5.5 shall not be construed to prohibit the ownership of not more than 2% of the issued and outstanding voting securities of any class of any company whose voting capital stock is traded on a national securities exchange or the over-the-counter market. "Restricted Activities" means the sale, marketing, design or distribution of footwear products, or provide technical assistance, advice or counseling regarding the footwear industry. If any of the restrictions contained in this Section 5.5 shall be deemed to be unenforceable by reason of the extent, duration or geographical scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, geographical scope, or other provisions hereof, and in its reduced form this Section shall then be enforceable in the manner contemplated hereby.

## ARTICLE VI

### MISCELLANEOUS

6.1 SALES AND TRANSFER TAXES. All required filings under any applicable Federal, state, foreign or local sales tax, stamp tax or similar laws or regulations shall be made in a timely manner by the party responsible therefor under such laws and regulations, and, within ten (10) days following the Closing, such party shall deliver to the other parties either (a) proof of the payment of any sales tax assessed pursuant to such filings or (b) statements of no sales tax due, as the case may be. Buyer shall pay any and all transfer, sales or stamp taxes and any similar taxes or assessments imposed on the transfer of the Assets and the Assumed Liabilities in accordance with the terms of this Agreement, including but not limited to any New York state real property transfer tax.

6.2 POST-CLOSING FURTHER ASSURANCES. (a) At any time and from time to time after the Closing Date at the request of either party, and without further consideration, the other party will execute and deliver, or cause the execution and delivery of, such other instruments of sale, transfer, conveyance, assignment and confirmation and take or cause to be taken such other action as the party requesting the same may reasonably deem necessary or desirable in order to transfer, convey and assign more effectively to the requesting party all of the property and rights intended to be conveyed to such party pursuant to the provisions of this Agreement.

(b) Seller, Schmertz, Buyer and Buyer Parent agree to report the sale of Assets for income Tax purposes as a tax-free reorganization under Section 368(a)(1)(C) of the Code (and any corresponding provision of state or local income tax law).

6.3 NOTICES. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be given personally, sent by facsimile transmission or sent by prepaid air courier or certified, registered or express mail, postage prepaid. Any such notice shall be deemed to have been given (a) when received, if delivered in person, sent by facsimile transmission and confirmed in writing within three (3) Business Days thereafter or sent by prepaid air courier or (b) two (2) Business Days following the mailing thereof, if mailed by certified first class mail, postage prepaid, return receipt requested, in any such case as follows (or to such other address or addresses as a party may have advised the other in the manner provided in this Section 6.4):

If to Seller and Schmertz, to:

Robert Schmertz  
Daniel Scott, Inc.  
86 Main Street  
Mineola, NY 11501

with a copy to:

Hughes Hubbard & Reed, LLP  
One Battery Park Plaza  
New York, New York 10004  
Attn: Kenneth A. Lefkowitz, Esq.  
Telephone Number (212) 837-6000  
Telecopier Number (212) 422-4726

If to Buyer or to Buyer Parent to:

Steven Madden Retail, Inc.  
52-16 Barnett Avenue  
Long Island City, New York 11104  
Attn: Steven Madden  
Telephone Number (718) 446-1800  
Telecopier Number (718) 446-5599

with a copy to:

Berlack, Israels & Liberman LLP  
120 West 45th Street  
New York, New York 10036  
Attn: Alan N. Forman, Esq.  
Telephone Number (212) 704-0100  
Telecopier Number (212) 704-0196

6.4 PUBLICITY. No publicity release or announcement concerning this Agreement or the transactions contemplated hereby shall be made without advance approval thereof by the Buyer and the Seller.

6.5 ENTIRE AGREEMENT. This Agreement (including the Exhibits and Schedules) and the agreements, certificates and other documents delivered pursuant to this Agreement contain the entire agreement among the parties with respect to the transactions described herein, and supersede all prior agreements, written or oral, with respect thereto.

6.6 WAIVERS AND AMENDMENTS. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the parties hereto or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

6.7 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

6.8 BINDING EFFECT; NO ASSIGNMENT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns and legal representatives. This Agreement is not assignable except by operation of law and any other purported assignment shall be null and void.

6.9 VARIATIONS IN PRONOUNS. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require.

6.10 COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto.

6.11 EXHIBITS AND SCHEDULES. The Exhibits and Schedules are a part of this Agreement as if fully set forth herein. All references herein to Sections, subsections, clauses, Exhibits and Schedules shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

6.12 EFFECT OF DISCLOSURE ON SCHEDULES. Any item disclosed on any Schedule shall be deemed to be disclosed in connection with (a) the specific representation and warranty to which such Schedule is expressly referenced, (b) any specific representation and warranty which expressly cross-references such Schedule and (c) any specific representation and warranty to which any other Schedule to this Agreement is expressly referenced if such other Schedule expressly cross-references such Schedule.

6.13 HEADINGS. The headings in this agreement are for reference only, and shall not affect the interpretation of this Agreement.

6.14 SEVERABILITY OF PROVISIONS. If any provision or any portion of any provision of this Agreement or the application of such provision or any portion thereof to any Person or circumstance, shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Agreement, or the application of such provision or portion of such provision as is held invalid or unenforceable to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby.

6.15 BROKERS. Each party hereto represents and warrants that no broker or finder is entitled to any brokerage or finder's fee or other commission from such party, based on agreements, arrangements or undertakings made by such party, in connection with the transactions contemplated hereby.

6.16 CHANGE AND USE OF NAME. The Seller, within ten (10) days from the date hereof, shall deliver to the Buyer evidence that it has changed its assumed name "Shoe Biz", in those jurisdictions in which the Seller is licensed or qualified to do business and, thereafter shall refrain from directly or indirectly using any name or names, corporate or otherwise, which could be confusingly similar to the name, "Shoe Biz". Seller covenants that it shall cause its affiliate Shoe Biz, Inc., a New York corporation, to change its name within ten days from the date hereof.



IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

DANIEL SCOTT, INC.

By: /s/ ROBERT SCHMERTZ

-----  
Name: Robert Schmertz  
Title: President

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

-----  
Name: Steven Madden  
Title: Chief Executive Officer

STEVEN MADDEN OUTLETS, INC.

By: /s/ STEVEN MADDEN

-----  
Name: Steven Madden  
Title: Chief Executive Officer

/s/ ROBERT SCHMERTZ

-----  
Robert Schmertz

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement on Form S-3 of our report dated February 6, 1998 on the financial statements of Steven Madden, Ltd. included in the 1997 Annual Report on Form 10-KSB. We also consent to the reference to our firm under the caption "Experts" in the prospectus.

Richard A. Eisner & Company, LLP

New York, New York  
July 15, 1998