

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

FORM 10-Q

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

For the quarterly period ended June 30, 2017

or

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

For the transition period from _____ to _____

Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

52-16 Barnett Avenue, Long Island City, New York

(Address of principal executive offices)

13-3588231

(I.R.S. Employer Identification No.)

11104

(Zip Code)

(718) 446-1800

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Non-accelerated filer (do not check if smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

Yes No

As of August 3, 2017, the latest practicable date, there were 59,158,395 shares of the registrant's common stock, \$0.0001 par value, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
STEVEN MADDEN, LTD. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(in thousands)

	June 30, 2017	December 31, 2016	June 30, 2016
	(unaudited)		(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 99,411	\$ 126,115	\$ 76,271
Accounts receivable, net of allowances of \$1,814, \$1,622 and \$2,107	41,477	56,790	27,820
Factor accounts receivable, net of allowances of \$16,695, \$20,209 and \$14,249	213,783	144,168	188,744
Inventories	121,213	119,824	116,369
Marketable securities – available for sale	57,324	39,495	32,546
Prepaid expenses and other current assets	28,597	26,351	26,258
Prepaid taxes	20,613	15,928	14,997
Total current assets	582,418	528,671	483,005
Note receivable – related party	2,466	2,644	2,817
Property and equipment, net	74,129	72,381	73,485
Deposits and other	4,812	4,710	4,955
Marketable securities – available for sale	41,871	70,559	90,144
Deferred taxes	1,813	1,813	594
Goodwill – net	153,651	135,711	137,222
Intangibles – net	151,504	144,386	148,965
Total Assets	\$ 1,012,664	\$ 960,875	\$ 941,187
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 101,447	\$ 80,584	\$ 101,473
Accrued expenses	94,027	86,635	76,147
Contingent payment liability – current portion	3,762	7,948	20,012
Accrued incentive compensation	5,346	7,960	3,052
Total current liabilities	204,582	183,127	200,684
Contingent payment liability	21,161	—	—
Deferred rent	15,247	14,578	12,949
Deferred taxes	19,487	19,466	26,268
Other liabilities	2,457	2,632	508
Total Liabilities	262,934	219,803	240,409
Commitments, contingencies and other			
STOCKHOLDERS' EQUITY			
Preferred stock – \$.0001 par value, 5,000 shares authorized; none issued; Series A Junior Participating preferred stock – \$.0001 par value, 60 shares authorized; none issued	—	—	—
Common stock – \$.0001 par value, 135,000 shares authorized, 86,870, 86,417 and 86,021 shares issued, 59,130, 60,410 and 61,267 shares outstanding	6	6	6
Additional paid-in capital	369,865	353,443	338,989
Retained earnings	1,066,875	1,017,753	941,473
Accumulated other comprehensive loss	(26,185)	(31,751)	(26,382)
Treasury stock – 27,740, 26,007 and 24,754 shares at cost	(662,525)	(598,584)	(553,649)
Total Steven Madden, Ltd. stockholders' equity	748,036	740,867	700,437
Noncontrolling interest	1,694	205	341
Total stockholders' equity	749,730	741,072	700,778
Total Liabilities and Stockholders' Equity	\$ 1,012,664	\$ 960,875	\$ 941,187

See accompanying notes to condensed consolidated financial statements - unaudited.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Income

(unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales	\$ 374,148	\$ 325,402	\$ 740,535	\$ 654,759
Cost of sales	234,751	204,357	468,420	417,512
Gross profit	139,397	121,045	272,115	237,247
Commission and licensing fee income – net	2,166	2,784	6,092	4,955
Operating expenses	(99,666)	(87,939)	(205,531)	(176,432)
Income from operations	41,897	35,890	72,676	65,770
Interest and other income – net	708	546	1,392	370
Income before provision for income taxes	42,605	36,436	74,068	66,140
Provision for income taxes	13,582	11,594	24,523	17,402
Net income	29,023	24,842	49,545	48,738
Net income attributable to noncontrolling interest	59	105	423	342
Net income attributable to Steven Madden, Ltd.	\$ 28,964	\$ 24,737	\$ 49,122	\$ 48,396
Basic net income per share	\$ 0.53	\$ 0.43	\$ 0.89	\$ 0.84
Diluted net income per share	\$ 0.50	\$ 0.41	\$ 0.85	\$ 0.81
Basic weighted average common shares outstanding	55,161	57,430	55,487	57,572
Effect of dilutive securities – options/restricted stock	2,589	2,309	2,482	2,426
Diluted weighted average common shares outstanding	57,750	59,739	57,969	59,998

See accompanying notes to condensed consolidated financial statements - unaudited.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(in thousands)

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts
Net income			\$ 29,023			\$ 49,545
Other comprehensive income (loss):						
Foreign currency translation adjustment	\$ 3,426	\$ —	3,426	\$ 5,837	\$ —	5,837
(Loss) on cash flow hedging derivatives	(357)	132	(225)	(740)	274	(466)
Unrealized gain on marketable securities	49	(18)	31	311	(115)	196
Total other comprehensive income	\$ 3,118	\$ 114	3,232	\$ 5,408	\$ 159	5,567
Comprehensive income			32,255			55,112
Comprehensive income attributable to noncontrolling interests			59			423
Comprehensive income attributable to Steven Madden, Ltd.			\$ 32,196			\$ 54,689

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts
Net income			\$ 24,842			\$ 48,738
Other comprehensive income (loss):						
Foreign currency translation adjustment	\$ (1,890)	\$ —	(1,890)	\$ 3,263	\$ —	3,263
(Loss) or gain on cash flow hedging derivatives	(422)	154	(268)	241	(88)	153
Unrealized gain on marketable securities	789	(288)	501	2,543	(928)	1,615
Total other comprehensive (loss) income	\$ (1,523)	\$ (134)	(1,657)	\$ 6,047	\$ (1,016)	5,031
Comprehensive income			23,185			53,769
Comprehensive income attributable to noncontrolling interests			105			342
Comprehensive income attributable to Steven Madden, Ltd.			\$ 23,080			\$ 53,427

See accompanying notes to condensed consolidated financial statements - unaudited.

STEVEN MADDEN, LTD. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 49,545	\$ 48,738
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	10,773	9,636
Depreciation and amortization	10,402	10,675
Loss on disposal of fixed assets	902	—
Deferred taxes	1,005	(1,130)
Accrued interest on note receivable - related party	(27)	(32)
Deferred rent expense	669	936
Realized (gain) loss on sale of marketable securities	(29)	779
Changes in fair value on contingent liability	(754)	1,518
Bad debt expense from bankruptcy	8,032	—
Changes, net of acquisitions, in:		
Accounts receivable	18,546	15,353
Factor accounts receivable	(69,615)	(33,533)
Notes receivable - related party	205	205
Inventories	11,309	(14,289)
Prepaid expenses, prepaid taxes, deposits and other	(4,005)	(2,021)
Accounts payable and accrued expenses	15,305	25,725
Accrued incentive compensation	(2,614)	(3,089)
Other liabilities	(175)	(980)
Net cash provided by operating activities	<u>49,474</u>	<u>58,491</u>
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(17,396)	—
Capital expenditures	(7,672)	(8,402)
Purchases of marketable securities	(32,508)	(13,210)
Repayment of notes receivable	221	—
Maturity/sale of marketable securities	44,149	14,052
Net cash used in investing activities	<u>(13,206)</u>	<u>(7,560)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	5,649	3,708
Purchase of noncontrolling interest	—	(3,759)
Payment of contingent liability	(5,321)	(6,281)
Common stock purchased for treasury	(63,941)	(41,070)
Net cash used in financing activities	<u>(63,613)</u>	<u>(47,402)</u>
Effect of exchange rate changes on cash and cash equivalents	641	328
Net (decrease) increase in cash and cash equivalents	(26,704)	3,857
Cash and cash equivalents – beginning of period	126,115	72,414
Cash and cash equivalents – end of period	\$ 99,411	\$ 76,271

See accompanying notes to condensed consolidated financial statements - unaudited.

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note A – Basis of Reporting

The accompanying unaudited condensed consolidated financial statements of Steven Madden, Ltd. and subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the financial position of the Company and the results of its operations and cash flows for the periods presented. Certain adjustments were made to prior years' amounts to conform to the 2017 presentation. The results of operations for the three and six month periods ended June 30, 2017 are not necessarily indicative of the operating results for the full year. These financial statements should be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2016 included in the Annual Report of Steven Madden, Ltd. on Form 10-K filed with the SEC on February 28, 2017.

Note B – Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas involving management estimates include allowances for bad debts, returns and customer chargebacks, inventory valuation, valuation of intangible assets, litigation reserves and contingent payment liabilities. The Company provides reserves on trade accounts receivables and factor receivables for future customer chargebacks and markdown allowances, discounts, returns and other miscellaneous compliance-related deductions that relate to the current period sales. The Company evaluates anticipated chargebacks by reviewing several performance indicators of its major customers. These performance indicators, which include retailers' inventory levels, sell-through rates and gross margin levels, are analyzed by management to estimate the amount of the anticipated customer allowance.

Note C – Factor Receivable

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. ("Rosenthal"). The agreement can be terminated by the Company or Rosenthal at any time upon 60 days' prior written notice. Under the agreement, the Company can request advances from Rosenthal of up to 85% of aggregate receivables submitted to Rosenthal. The agreement provides the Company with a \$30,000 credit facility with a \$15,000 sub-limit for letters of credit at an interest rate based, at the Company's election, upon a calculation that utilizes either the prime rate minus 0.5% or LIBOR plus 2.5%. As of June 30, 2017 and 2016, no borrowings were outstanding. As of June 30, 2017 and 2016, there were open letters of credit of \$524 and \$656, respectively. The Company also pays Rosenthal a fee based on a percentage of the gross invoice amount submitted to Rosenthal. With respect to receivables related to our private label business, the fee is 0.14% of the gross invoice amount. With respect to all other receivables, the fee is 0.20% of the gross invoice amount. Rosenthal assumes the credit risk on a substantial portion of the receivables that the Company submits to it and, to the extent of any loans made to the Company, Rosenthal maintains a lien on the Company's receivables to secure the Company's obligations.

Note D – Marketable Securities

Marketable securities consist primarily of certificates of deposit and corporate bonds with maturities greater than three months and up to four years at the time of purchase as well as marketable equity securities. These securities, which are classified as available-for-sale, are carried at fair value, with unrealized gains and losses, net of any tax effect, reported in stockholders' equity as accumulated other comprehensive income (loss). These securities are classified as current and non-current marketable securities based upon their maturities. Amortization of premiums and discounts is included in interest income. For the three and six months ended June 30, 2017, the amortization of bond premiums totaled \$245 and \$553 compared to \$309 and \$617 for the comparable period in 2016. The values of these securities may fluctuate as a result of changes in equity values, market interest rates and credit risk. The schedule of maturities at June 30, 2017 and December 31, 2016 are as follows:

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note D – Marketable Securities (continued)

	Maturities as of June 30, 2017		Maturities as of December 31, 2016	
	1 Year or Less	1 to 4 Years	1 Year or Less	1 to 4 Years
Corporate bonds	\$ 14,371	\$ 41,871	\$ 11,527	\$ 70,559
Certificates of deposit	42,953	—	27,968	—
Total	\$ 57,324	\$ 41,871	\$ 39,495	\$ 70,559

For the three and six months ended June 30, 2017, gains of \$9 and \$29 were reclassified from accumulated other comprehensive income and recognized in the income statement in interest and other income compared to losses of \$0 and \$779 for the comparable periods in 2016. For the six month period ended June 30, 2017, current marketable securities included unrealized gains of \$1 and unrealized losses of \$118 and long-term marketable securities included unrealized gains of \$53 and unrealized losses of \$48. For the comparable period in 2016, current marketable securities included unrealized losses of \$388 while long-term marketable securities included unrealized gains of \$550 and unrealized losses of \$155.

Note E – Fair Value Measurement

The accounting guidance under Accounting Standards Codification 820-10, “Fair Value Measurements and Disclosures” (“ASC 820-10”) requires the Company to make disclosures about the fair value of certain of its assets and liabilities. ASC 820-10 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. ASC 820-10 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. A brief description of those three levels is as follows:

- Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3: Significant unobservable inputs.

The Company’s financial assets and liabilities subject to fair value measurements as of June 30, 2017 and December 31, 2016 are as follows:

	Fair value	June 30, 2017		
		Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 13,324	\$ 13,324	\$ —	\$ —
Current marketable securities – available for sale	57,324	57,324	—	—
Long-term marketable securities – available for sale	41,871	41,871	—	—
Total assets	\$ 112,519	\$ 112,519	\$ —	\$ —
Liabilities:				
Forward contracts	\$ 414	\$ —	\$ 414	\$ —
Contingent consideration	24,923	—	—	24,923
Total liabilities	\$ 25,337	\$ —	\$ 414	\$ 24,923

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note E – Fair Value Measurement (continued)

	Fair value	December 31, 2016		
		Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 3,309	\$ 3,309	\$ —	\$ —
Current marketable securities – available for sale	39,495	39,495	—	—
Long-term marketable securities – available for sale	70,559	70,559	—	—
Forward contracts	191	—	191	—
Total assets	\$ 113,554	\$ 113,363	\$ 191	\$ —
Liabilities:				
Contingent consideration	\$ 7,948	\$ —	\$ —	\$ 7,948
Total liabilities	\$ 7,948	\$ —	\$ —	\$ 7,948

Our level 3 balances consist of contingent consideration related to acquisitions. The changes in our level 3 assets and liabilities for the periods ended June 30, 2017 and December 31, 2016 are as follows:

	Balance at January 1,	Payments	Acquisitions	Change in estimate	Balance at June 30,
2017					
Liabilities:					
Contingent consideration	\$ 7,948	\$ (5,321)	\$ 23,050	\$ (754)	\$ 24,923
2016					
Liabilities:					
Contingent consideration	\$ 24,775	\$ (16,402)	\$ —	\$ (425)	\$ 7,948

Forward contracts are entered into to manage the risk associated with the volatility of future cash flows (see Note M). Fair value of these instruments is based on observable market transactions of spot and forward rates.

The Company has recorded a liability for potential contingent consideration in connection with the January 30, 2017 acquisition of all of the outstanding capital stock of each of Schwartz & Benjamin, Inc., B.D.S., Inc., Quinby Ridge Enterprises LLC and DANIELBARBARA Enterprises LLC (collectively, "Schwartz & Benjamin"). Pursuant to the terms of an earn-out agreement between the Company and the sellers of Schwartz & Benjamin, earn-out payments, if achieved, are due annually to the sellers of Schwartz & Benjamin based on the financial performance of Schwartz & Benjamin for each of the twelve-month periods ending on January 31, 2018 through 2023, inclusive. The fair value of the contingent payments was estimated using the present value of the payments based on management's projections of the financial results of Schwartz & Benjamin during the earn-out period.

The Company has recorded a liability for potential contingent consideration in connection with the December 30, 2014 acquisition of all of the outstanding capital stock of Trendy Imports S.A. de C.V., Comercial Diecisiete S.A. de C.V. and Maximus Designer Shoes S.A. de C.V. (together, "SM Mexico"). Pursuant to the terms of an earn-out agreement between the Company and the seller of SM Mexico, earn-out payments, if achieved, are due annually to the seller of SM Mexico based on the financial performance

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note E – Fair Value Measurement (continued)

of SM Mexico for each of the twelve-month periods ending on December 31, 2015 and 2016, inclusive. The fair value of the contingent payments was estimated using the present value of payments based on management's projections of the financial results of SM Mexico during the earn-out period. The first earn-out payment of \$3,482 for the period ended December 31, 2015 was paid to the seller of SM Mexico in the first quarter of 2016. A partial earn-out payment of \$2,580 for the period ended December 31, 2016 was paid to the seller of SM Mexico in the second quarter of this year. The remaining portion of the final earn-out payment will be paid to the seller of SM Mexico in the third quarter of 2017.

The Company has recorded a liability for potential contingent consideration in connection with the February 21, 2012 acquisition of SM Canada. Pursuant to the terms of an earn-out agreement between the Company and the seller of SM Canada, earn-out payments, if achieved, are due annually to the seller of SM Canada based on the financial performance of SM Canada for each of the 12-month periods ending on March 31, 2013 through 2017, inclusive. The fair value of the contingent payments was estimated using the present value of payments based on management's projections of the financial results of SM Canada during the earn-out period. A final earn-out payment of \$2,741 for the period ended March 31, 2017 was paid to the seller of SM Canada in the second quarter of this year.

The carrying value of certain financial instruments such as accounts receivable, factor accounts receivable and accounts payable approximates their fair values due to the short-term nature of their underlying terms. Fair value of the notes receivable held by the Company approximates their carrying value based upon their imputed or actual interest rate, which approximates applicable current market interest rates.

Note F – Revenue Recognition

The Company recognizes revenue on wholesale sales when (i) products are shipped pursuant to its standard terms, which are freight on board Company warehouse, or when products are delivered to the consolidators, or any other destination, as per the terms of the customers' purchase order, (ii) persuasive evidence of an arrangement exists, (iii) the price is fixed and determinable and (iv) collection is reasonably assured. Sales reductions on wholesale sales for anticipated discounts, allowances and other deductions are recognized during the period when sales are recorded. With the exception of our cold weather accessories and Blondo businesses, normally we do not accept returns from our wholesale customers unless there are product quality issues, which we charge back to the vendors at cost. Sales of cold weather accessories and Blondo products to wholesale customers are recorded net of returns, which are estimated based on historical experience. Such amounts have historically not been material.

Retail sales are recognized when the payment is received from customers and are recorded net of returns. The Company generates commission income acting as a buying agent by arranging to manufacture private label shoes to the specifications of its customers. The Company's commission revenue also includes fees charged for its design, product and development services provided to certain suppliers in connection with the Company's private label business. Commission revenue and product and development fees are recognized as earned when title to the product transfers from the manufacturer to the customer and collections are reasonably assured and are reported on a net basis after deducting related operating expenses.

The Company licenses its Steve Madden®, Steven by Steve Madden® and Madden Girl® trademarks for use in connection with the manufacture, marketing and sale of eyewear, outerwear, hosiery, activewear, sleepwear, jewelry, watches, hair accessories, umbrellas, bedding, luggage, and men's leather accessories. The Company also licenses the Stevies® trademark for use in connection with the manufacture, marketing and sale of outerwear exclusively to Target. In addition, the Company licenses the Betsey Johnson® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel, hosiery, swimwear, outerwear, sleepwear, activewear, jewelry, watches, bedding, luggage, stationery, umbrellas, and household goods. The Company licenses the Dolce Vita® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel. The license agreements require the licensee to pay the Company a royalty and, in substantially all of the agreements, an advertising fee, both of which are based on the higher of a minimum or a net sales percentage as defined in the various agreements. In addition, under the terms of retail selling agreements, most of the Company's international distributors are required to pay the Company a royalty based on a percentage of net sales, in addition to a commission and a design fee on the purchases of the Company's products. Licensing revenue is recognized on the basis of net sales reported by the licensees, or the minimum guaranteed royalties, if higher. In substantially all of the Company's license agreements, the minimum guaranteed royalty is earned and receivable on a quarterly basis.

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note G – Sales Deductions

The Company supports retailers' initiatives to maximize sales of the Company's products on the retail floor by subsidizing the co-op advertising programs of such retailers, providing them with inventory markdown allowances and participating in various other marketing initiatives of its major customers. In addition, the Company accepts returns for damaged products for which the Company's costs are normally charged back to the responsible third-party factory. Such expenses are reflected in the condensed consolidated financial statements as deductions from gross sales to arrive at net sales.

Note H – Share Repurchase Program

The Company's Board of Directors authorized a share repurchase program (the "Share Repurchase Program"), effective as of January 1, 2004. The Share Repurchase Program does not have a fixed expiration or termination date and may be modified or terminated by the Board of Directors at any time. On several occasions the Board of Directors has increased the amount authorized for repurchase. The Share Repurchase Program permits the Company to effect repurchases from time to time through a combination of open market repurchases or in privately negotiated transactions at such prices and times as are determined to be in the best interest of the Company. On February 22, 2016, the Board of Directors approved the extension of the Share Repurchase Program for an additional \$136,000 in repurchases of the Company's common stock. During the six months ended June 30, 2017, an aggregate of 1,677,813 shares of the Company's common stock were repurchased under the Share Repurchase Program, at an average price per share of \$36.88, for an aggregate purchase price of approximately \$61,884. As of June 30, 2017, approximately \$55,490 remained available for future repurchases under the Share Repurchase Program. Subsequent to the end of the quarter, on July 28, 2017, the Board of Directors approved the extension of the Company's Share Repurchase Program for up to \$200,000 in repurchases of the Company's common stock which includes amounts remaining under the prior authorization.

The Steven Madden, Ltd. 2006 Stock Incentive Plan provides the Company with the right to deduct or withhold, or require employees to remit to the Company, an amount sufficient to satisfy any applicable tax withholding obligations applicable to stock-based compensation awards. To the extent permitted, employees may elect to satisfy all or part of such withholding obligations by tendering to the Company previously owned shares or by having the Company withhold shares having a fair market value equal to the minimum statutory tax withholding rate that could be imposed on the transaction. During the six months ended June 30, 2017, an aggregate of 55,085 shares were withheld in connection with the settlement of vested restricted stock to satisfy tax withholding requirements, at an average price per share of \$37.34, for an aggregate purchase price of approximately \$2,057.

Note I – Net Income Per Share of Common Stock

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the period, which does not include unvested restricted common stock subject to forfeiture of 4,247,000 and 4,236,000 shares for the three and six months ended June 30, 2017, respectively, compared to 4,210,000 and 4,162,000 shares for the three and six months ended June 30, 2016. Diluted net income per share reflects: (a) the potential dilution assuming shares of common stock were issued upon the exercise of outstanding in-the-money options and the proceeds thereof were used to purchase shares of the Company's common stock at the average market price during the period, and (b) the vesting of granted non-vested restricted stock awards for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost not yet recognized attributable to future services using the treasury stock method, to the extent dilutive. During the third quarter of 2016, the Company adopted Accounting Standards Update 2016-09, "Improvements to Employee Share-Based Payment Accounting," which provides updated guidance relating to the treasury stock calculation of diluted shares. (See Note P for further details.) For the three and six months ended June 30, 2017, options to purchase approximately 9,000 and 25,000 shares of common stock, respectively, have been excluded from the calculation of diluted net income per share as compared to 382,000 and 372,000 shares that were excluded for the three and six months ended June 30, 2016, as the result would have been antidilutive. For the three and six months ended June 30, 2017 and 2016, all unvested restricted stock awards were dilutive.

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note J – Equity-Based Compensation

In March 2006, the Company's Board of Directors approved the Steven Madden, Ltd. 2006 Stock Incentive Plan, as amended (the "Plan"), under which nonqualified stock options, stock appreciation rights, performance shares, restricted stock, other stock-based awards, and performance-based cash awards may be granted to employees, consultants and non-employee directors. The following table summarizes the number of shares of common stock authorized for issuance under the Plan, the number of stock-based awards granted (net of expired or cancelled awards) under the Plan and the number of shares of common stock available for the grant of stock-based awards under the Plan:

Common stock authorized	23,466,000
Stock-based awards, including restricted stock and stock options granted, net of expired or cancelled	(21,629,000)
Common stock available for grant of stock-based awards as of June 30, 2017	1,837,000

Total equity-based compensation for the three and six months ended June 30, 2017 and 2016 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Restricted stock	\$ 4,424	\$ 4,097	\$ 8,638	\$ 8,240
Stock options	1,173	612	2,135	1,396
Total	\$ 5,597	\$ 4,709	\$ 10,773	\$ 9,636

Equity-based compensation is included in operating expenses on the Company's Condensed Consolidated Statements of Income.

Stock Options

Cash proceeds and intrinsic values related to total stock options exercised during the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Proceeds from stock options exercised	\$ 3,837	\$ 30	\$ 5,649	\$ 3,708
Intrinsic value of stock options exercised	\$ 2,499	\$ 20	\$ 3,510	\$ 11,050

During the three and six months ended June 30, 2017, options to purchase approximately 60,838 shares of common stock with a weighted average exercise price of \$34.73 and options to purchase approximately 292,675 shares of common stock with a weighted average exercise price of \$33.08 vested, respectively. During the three and six months ended June 30, 2016, options to purchase approximately 26,381 shares of common stock with a weighted average exercise price of \$33.60 and options to purchase approximately 240,709 shares of common stock with a weighted average exercise price of \$31.85 vested, respectively. As of June 30, 2017, there were unvested options relating to 1,201,535 shares of common stock outstanding with a total of \$9,314 of unrecognized compensation cost and an average vesting period of 3.7 years.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options granted, which requires several assumptions. The expected term of the options represents the estimated period of time until exercise and is based on the historical experience of similar awards. Expected volatility is based on the historical volatility of the Company's common stock. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The Company historically has not paid regular cash dividends and thus the expected dividend rate is assumed to be zero. The following weighted average assumptions were used for stock options granted during the six months ended June 30, 2017 and 2016:

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note J – Equity-Based Compensation (continued)

	2017	2016
Volatility	23.2% to 26.4%	22.2% to 26.2%
Risk free interest rate	1.48% to 1.99%	1.07% to 1.73%
Expected life in years	3.4 to 5.0	3.8 to 5.0
Dividend yield	0.00%	0.00%
Weighted average fair value	\$8.96	\$7.38

Activity relating to stock options granted under the Company's plans and outside the plans during the six months ended June 30, 2017 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2017	1,499,000	\$ 29.72		
Granted	900,000	37.08		
Exercised	(236,000)	23.90		
Forfeited	(4,000)	36.54		
Outstanding at June 30, 2017	2,159,000	\$ 33.41	4.5 years	\$ 14,116
Exercisable at June 30, 2017	958,000	\$ 29.64	2.6 years	\$ 9,875

Restricted Stock

The following table summarizes restricted stock activity during the six months ended June 30, 2017 and 2016:

	2017		2016	
	Number of Shares	Weighted Average Fair Value at Grant Date	Number of Shares	Weighted Average Fair Value at Grant Date
Non-vested at January 1,	4,191,000	\$ 25.93	4,055,000	\$ 25.32
Granted	219,000	36.89	339,000	34.24
Vested	(202,000)	32.93	(187,000)	30.30
Forfeited	(3,000)	35.00	—	—
Non-vested at June 30,	4,205,000	\$ 26.16	4,207,000	\$ 25.87

As of June 30, 2017, the Company had \$68,866 of total unrecognized compensation cost related to restricted stock awards granted under the Plan. This cost is expected to be recognized over a weighted average of 5.8 years. The Company determines the fair value of its restricted stock awards based on the market price of its common stock on the date of grant.

On January 3, 2012, the Company and its Creative and Design Chief, Steven Madden, entered into an amendment of Mr. Madden's existing employment agreement, pursuant to which, on February 8, 2012, Mr. Madden was granted 1,463,057 restricted shares of the Company's common stock at the then market price of \$27.34, which will vest in equal annual installments over a seven-year period commencing on December 31, 2017 and, thereafter, on each December 31 through December 31, 2023, subject to Mr.

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note J – Equity-Based Compensation (continued)

Madden's continued employment on each such vesting date. On June 30, 2012, Mr. Madden exercised his right under his employment agreement to receive an additional restricted stock award, and, on July 3, 2012, he was granted 1,893,342 restricted shares of the Company's common stock at the then market price of \$21.13, which will vest in the same manner as the aforementioned grant. On August 8, 2016, pursuant to the employment agreement, Mr. Madden was granted an option to purchase 150,000 shares of the Company's common stock at an exercise price of \$34.42 per share, which option is exercisable in equal quarterly installments commencing on November 8, 2016. On July 20, 2017, pursuant to his employment agreement, Mr. Madden was granted an option to purchase 150,000 shares of the Company's common stock at an exercise price of \$40.15 per share, which option is exercisable in equal quarterly installments commencing on October 20, 2017.

Note K – Acquisitions

Schwartz & Benjamin

In January 2017, the Company acquired all of the outstanding capital stock of each of Schwartz & Benjamin, Inc., B.D.S., Inc., Quinby Ridge Enterprises LLC and DANIELBARBARA Enterprises LLC (collectively, "Schwartz & Benjamin"). Founded in 1923, Schwartz & Benjamin specializes in the design, sourcing and sale of licensed and private label footwear and distributes its fashion footwear to wholesale customers, including department stores and specialty boutiques, as well as the retail stores of its brand partners. The total purchase price for the acquisition was approximately \$40,446, which is subject to a working capital adjustment. The total purchase price includes a cash payment at closing of \$17,396, plus potential earn-out payments based on the achievement of certain earnings targets for each of the twelve month periods ending on January 31, 2018 through 2023, inclusive. The fair value of the contingent payments was estimated using the present value of the payments based on management's projections of the financial results of Schwartz & Benjamin during the earn-out period. At June 30, 2017, the Company estimated the fair value of the contingent consideration to be \$23,050.

The transaction was accounted for using the acquisition method required by GAAP. Accordingly, the assets and liabilities of Schwartz & Benjamin were recorded at their fair values, and the excess of the purchase price over the fair value of the assets acquired and liabilities assumed, including identified intangible assets, was recorded as goodwill. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions, which are subject to change. The purchase price has been preliminarily allocated as follows:

Inventory	\$	12,698
Accounts receivable		10,733
Trademarks		4,000
Customer relations		3,900
Fixed assets		3,281
Prepays and other assets		2,694
Accounts payable		(8,281)
Accrued expenses		(4,669)
Total fair value excluding goodwill		24,356
Goodwill		16,090
Net assets acquired	\$	40,446

The allocation of the purchase price is based on certain preliminary valuations and analyses that have not been completed as of the date of this filing. Any changes in the estimated fair values of the assets acquired, including identifiable intangible assets, and liabilities assumed upon the finalization of more detailed analysis, within the measurement period, will change the allocation of the purchase price. Contingent consideration classified as a liability will be remeasured at fair value at each reporting date, until

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note K – Acquisitions (continued)

the contingency is resolved, with changes recognized in earnings. The goodwill related to this transaction is expected to be deductible for tax purposes over 15 years.

Madlove, LLC

In June 2016, the Company paid \$3,759 to acquire the remaining minority interest in Madlove, LLC ("Mad Love") thereby making Mad Love a wholly-owned subsidiary. Mad Love was formed as a joint venture in April 2011, in which the Company was the majority interest holder, had financial control and consolidated the financial statements of the joint venture. Mad Love designs and markets women's footwear under the Mad Love label. The Company has accounted for the acquisition of the minority interest as an equity transaction.

Note L – Goodwill and Intangible Assets

The following is a summary of the carrying amount of goodwill by segment as of June 30, 2017:

	Wholesale		Retail	Net Carrying Amount
	Footwear	Accessories		
Balance at January 1, 2017	\$ 72,261	\$ 49,324	\$ 14,126	\$ 135,711
Acquisitions	16,090	—	—	16,090
Translation and other	1,312	—	538	1,850
Balance at June 30, 2017	\$ 89,663	\$ 49,324	\$ 14,664	\$ 153,651

The following table details identifiable intangible assets as of June 30, 2017:

	Estimated Lives	Cost Basis (1)	Accumulated Amortization (2)	Net Carrying Amount
Trade names	6–10 years	\$ 8,590	\$ 4,234	\$ 4,356
Customer relationships	10 years	45,409	22,436	22,973
License agreements	3–6 years	5,600	5,600	—
Non-compete agreement	5 years	2,440	2,350	90
Re-acquired right	2 years	4,200	4,200	—
Other	3 years	14	14	—
		66,253	38,834	27,419
Re-acquired right	indefinite	35,200	8,403	26,797
Trademarks	indefinite	97,288	—	97,288
		\$ 198,741	\$ 47,237	\$ 151,504

(1) An impairment charge of \$3,045 was recorded in the first quarter of 2015 related to the Company's Wild Pair trademark. The impairment was triggered by a loss of future anticipated cash flows from a significant customer.

(2) Includes the effect of foreign currency translation related primarily to the movements of the Canadian dollar and Mexican peso in relation to the U.S. dollar.

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note L – Goodwill and Intangible Assets (continued)

The estimated future amortization expense of purchased intangibles as of June 30, 2017 is as follows:

2017 (remaining six months)	\$	2,202
2018		4,405
2019		4,332
2020		3,521
2021		1,863
Thereafter		11,096
	\$	<u>27,419</u>

Note M – Derivative Instruments

The Company uses derivative instruments, specifically, forward foreign exchange contracts, to manage the risk associated with the volatility of future cash flows. The foreign exchange contracts are used to mitigate the impact of exchange rate fluctuations on certain forecasted purchases of inventory and are designated as cash flow hedging instruments. As of June 30, 2017, the fair value of the Company's foreign currency derivatives, which is included on the Condensed Consolidated Balance Sheets in accrued expenses, is \$414. As of June 30, 2017, \$276 of losses related to cash flow hedges are recorded in accumulated other comprehensive loss, net of taxes and are expected to be recognized in earnings at the same time the hedged items affect earnings. As of June 30, 2016, \$161 of losses related to cash flow hedges were recorded in accumulated other comprehensive loss, net of taxes. As of June 30, 2017, the Company's hedging activities were considered effective and, thus, no ineffectiveness from hedging activities were recognized in the Condensed Consolidated Statements of Income. For the three and six months ended June 30, 2017, losses of \$6 and \$43 were reclassified from accumulated other comprehensive income and recognized in the income statement in cost of sales, as compared to gains of \$3 and losses of \$359 for the three and six months ended June 30, 2016.

Note N – Commitments, Contingencies and Other

Legal proceedings:

On August 10, 2005, following the conclusion of an audit of the Company conducted by auditors for U.S. Customs and Border Protection ("U.S. Customs") during 2004 and 2005, U.S. Customs issued a report that asserts that certain commissions that the Company treated as "buying agents' commissions" (which are non-dutiable) should be treated as "selling agents' commissions" and, hence, are dutiable. Subsequently, U.S. Immigration and Customs Enforcement commenced a formal investigation of the Company's importing practices as a result of the audit. In September 2007, U.S. Customs notified the Company that it had finalized its assessment of the underpaid duties at \$1,400. The Company, with the advice of legal counsel, evaluated the liability in the case, including additional duties, interest and penalties, and believed that it was not likely to exceed \$3,050 and, accordingly, recorded a liability for this amount as of December 31, 2009. The Company contested the conclusions of the U.S. Customs audit and filed a request for review and issuance of rulings thereon by U.S. Customs Headquarters, of Regulations and Rulings, under internal advice procedures. On September 20, 2010, U.S. Customs issued a ruling in the matter, concluding that the commissions paid by the Company pursuant to buying agreements entered into by the Company and one of its two buying agents under review were bona fide buying-agent commissions and, therefore, were non-dutiable. With respect to the second buying agent, U.S. Customs ruled that beginning in February 2002, commissions paid by the Company were bona fide buying agent commissions and, therefore, were non-dutiable. However, U.S. Customs found that the Company's pre-2002 buying agreements with the second agent were legally insufficient to substantiate a buyer-buyer's agent relationship between the Company and the agent and that commissions paid to the second agent under such buying agreements, in fact, were dutiable. On the basis of the U.S. Customs ruling, the Company reevaluated and reduced its potential liability in the case from \$3,050 to \$1,248 as of September 30, 2010.

On November 21, 2011, U.S. Customs issued a pre-penalty notice to the Company in which it alleged that gross negligence by the Company resulted in an underpayment of duties with respect to certain pre-2002 buying agreements and claimed that the Company owed \$342 as an additional duty and \$1,367 in monetary penalties. In its February 16, 2012 response to the pre-penalty

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note N – Commitments, Contingencies and Other (continued)

notice, the Company submitted that it owed no additional duty and, further, did not through negligence or gross negligence fail to pay any duty or engage in conduct amounting to either gross negligence or negligence. The Company requested that U.S. Customs withdraw its proposal to issue a notice of penalty and take no further adverse action against the Company. On June 26, 2014, the Company's counsel met with U.S. Customs officials and, following the meeting, counsel submitted to U.S. Customs a letter and the Company's check in the amount of \$342, representing the Company's Offer in Compromise of the proposed government claim, which was filed without any admission or acceptance by the Company with respect to the proposed claim. On June 9, 2017, U.S. Customs issued its decision indicating that the Company's Offer in Compromise in the amount of \$342 was accepted by U.S. Customs in full and complete settlement of all U.S. Customs civil claims and potential civil claims against the Company for unpaid duties and proposed monetary penalties assessed against the Company. As a result, excess reserve of \$906 was reversed in the second quarter of 2017.

The Company has been named as a defendant in certain other lawsuits in the normal course of business. In the opinion of management, after consulting with legal counsel, the liabilities, if any, resulting from these matters should not have a material effect on the Company's financial position or results of operations. It is the policy of management to disclose the amount or range of reasonably possible losses in excess of recorded amounts.

Note O – Operating Segment Information

The Company operates the following business segments: Wholesale Footwear, Wholesale Accessories, Retail, First Cost and Licensing. The Wholesale Footwear segment, through sales to department stores, mid-tier retailers, mass market merchants, online retailers and specialty stores, derives revenue, both domestically and internationally (via our International business), from sales of branded and private label women's, men's, girls' and children's footwear. The Wholesale Accessories segment, which includes branded and private label handbags, belts and small leather goods as well as cold weather and selected other fashion accessories, derives revenue, both domestically and worldwide (via our International business), from sales to department stores, mid-tier retailers, mass market merchants, online retailers and specialty stores. Our Wholesale Footwear and Wholesale Accessories segments, through our International business, derive revenue from territories within Asia, Albania, Austria, Belgium, Bulgaria, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Kosovo, Lithuania, Latvia, Luxembourg, Mexico, the Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Sweden, Switzerland, and Tunisia and, under special distribution arrangements in various other territories within Australia, the Middle East, India, South and Central America and New Zealand. The Retail segment, through the operation of Company-owned retail stores in the United States, Canada, Mexico and South Africa and the Company's websites, derives revenue from sales of branded women's, men's and children's footwear, accessories and licensed products to consumers. The First Cost segment represents activities of a subsidiary that earns commissions and design fees for serving as a buying agent of footwear products to mass-market merchandisers, mid-tier department stores and other retailers with respect to their purchase of footwear. In the Licensing segment, the Company generates revenue by licensing its Steve Madden®, Steven by Steve Madden® and Madden Girl® trademarks and other trademark rights for use in connection with the manufacture, marketing and sale of eyewear, outerwear, hosiery, activewear, sleepwear, jewelry, watches, hair accessories, umbrellas, bedding, luggage, and men's leather accessories. The Company licenses its Stevies® trademark for use in connection with the manufacture, marketing and sale of outerwear exclusively to Target. In addition, this segment licenses the Betsey Johnson® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel, hosiery, swimwear, outerwear, sleepwear, activewear, jewelry, watches, bedding, luggage, stationery, umbrellas, and household goods; and furthermore, licenses the Dolce Vita® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel.

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note O – Operating Segment Information (continued)

As of and for the three months ended,	Wholesale Footwear	Wholesale Accessories	Total Wholesale	Retail	First Cost	Licensing	Consolidated
June 30, 2017							
Net sales to external customers	\$ 238,123	\$ 67,487	\$ 305,610	\$ 68,538	\$ —	\$ —	\$ 374,148
Gross profit	75,160	21,359	96,519	42,878	—	—	139,397
Commissions and licensing fees – net	—	—	—	—	1,303	863	2,166
Income from operations	27,701	6,932	34,633	5,098	1,303	863	41,897
Segment assets	\$ 782,775	\$ 106,484	\$ 889,259	\$ 107,244	\$ 16,161	\$ —	\$ 1,012,664
Capital expenditures			\$ 2,963	\$ 1,416	\$ —	\$ —	\$ 4,379
June 30, 2016							
Net sales to external customers	\$ 195,424	\$ 67,442	\$ 262,866	\$ 62,536	\$ —	\$ —	\$ 325,402
Gross profit	59,856	21,922	81,778	39,267	—	—	121,045
Commissions and licensing fees – net	—	—	—	—	877	1,907	2,784
Income from operations	20,229	8,347	28,576	4,530	877	1,907	35,890
Segment assets	\$ 620,550	\$ 190,752	\$ 811,302	\$ 109,022	\$ 20,863	\$ —	\$ 941,187
Capital expenditures			\$ 1,173	\$ 2,845	\$ —	\$ —	\$ 4,018
As of and for the six months ended,							
	Wholesale Footwear	Wholesale Accessories	Total Wholesale	Retail	First Cost	Licensing	Consolidated
June 30, 2017							
Net sales to external customers	\$ 499,272	\$ 119,439	\$ 618,711	\$ 121,824	\$ —	\$ —	\$ 740,535
Gross profit	160,478	37,472	197,950	74,165	—	—	272,115
Commissions and licensing fees – net	—	—	—	—	2,836	3,256	6,092
Income (loss) from operations	58,426	9,302	67,728	(1,144)	2,836	3,256	72,676
Segment assets	\$ 782,775	\$ 106,484	\$ 889,259	\$ 107,244	\$ 16,161	\$ —	\$ 1,012,664
Capital expenditures			\$ 4,865	\$ 2,807	\$ —	\$ —	\$ 7,672
June 30, 2016							
Net sales to external customers	\$ 424,344	\$ 114,321	\$ 538,665	\$ 116,094	\$ —	\$ —	\$ 654,759
Gross profit	130,778	37,127	167,905	69,342	—	—	237,247
Commissions and licensing fees – net	—	—	—	—	1,462	3,493	4,955
Income from operations	49,159	10,261	59,420	1,395	1,462	3,493	65,770
Segment assets	\$ 620,550	\$ 190,752	\$ 811,302	\$ 109,022	\$ 20,863	\$ —	\$ 941,187
Capital expenditures			\$ 2,590	\$ 5,812	\$ —	\$ —	\$ 8,402

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note O – Operating Segment Information (continued)

Revenues by geographic area for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Domestic (a)	\$ 342,473	\$ 297,279	\$ 673,869	\$ 596,567
International	31,675	28,123	66,666	58,192
Total	\$ 374,148	\$ 325,402	\$ 740,535	\$ 654,759

(a) Includes revenues of \$86,891 and \$170,941 for the three and six months ended June 30, 2017, respectively, and \$74,379 and \$166,015 for the comparable periods in 2016 related to sales to U.S. customers where the title is transferred outside the U.S. and the sale is recorded by our international business.

Note P – Recent Accounting Pronouncements

Recently Adopted

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2017-04 ("ASU 2017-04"), "Simplifying the Test for Goodwill Impairment." ASU 2017-04 changes the methodology of applying the quantitative approach during interim or annual impairment testing. The guidance is effective in fiscal years beginning after December 15, 2020. The Company adopted the provisions of ASU 2017-04 in the second quarter of 2017; the adoption did not have a material impact on the Company's financial statements.

In July 2015, the FASB issued Accounting Standards Update 2015-11 ("ASU 2015-11"), "Inventory (Topic 330): Simplifying the Measurement of Inventory", which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company adopted the provisions of ASU 2015-11 in the first quarter of 2017; the adoption did not have a material impact on the Company's financial statements.

In November 2015, the FASB issued Accounting Standards Update 2015-17 ("ASU 2015-17"), "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." ASU 2015-17 simplifies current guidance and requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. The Company adopted the provisions of ASU 2015-17 in the first quarter of 2017 under the retrospective approach and, as such, the Company reclassified \$13,985 and \$14,312 of deferred taxes from current to non-current on our balance sheets as of December 31, 2016 and June 30, 2016, respectively.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09 ("ASU 2016-09"), "Improvements to Employee Share-Based Payment Accounting," which changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition in the income statement of the income tax effects of vested or settled awards. Further, the guidance requires that the recognition of anticipated tax windfalls/shortfalls be excluded in the calculation of assumed proceeds when applying the treasury stock method. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes and not classify the award as a liability that requires valuation on a mark-to-market basis. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. The guidance is effective in 2017 with early adoption permitted. The Company elected to adopt the provisions of ASU 2016-09 in the third quarter of 2016. According to the provisions of ASU 2016-09, if an entity adopts the provisions early, all adjustments should be reflected as of the beginning of the fiscal year of adoption. As a result of the adoption of this guidance in 2016, the Company recognized a tax benefit in the Consolidated Statements of Income of \$65 and \$3,762 for the three and six months ended June 30, 2016, respectively. These tax benefits represented a \$0.01 decrease and \$0.06 increase to diluted net income attributable to Steven Madden Ltd. per common share for the three and six months ended June 30, 2016, respectively. Lastly, the Company elected to not change its accounting policy to account for forfeitures as they occur and, as a result, the Company will continue to estimate forfeitures.

Notes to Condensed Consolidated Financial Statements – Unaudited

June 30, 2017

(\$ in thousands except share and per share data)

Note P - Recent Accounting Pronouncements (continued)

Not Yet Adopted

In March 2017, the FASB issued Accounting Standards Update 2017-08 ("ASU 2017-08"), "Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities." ASU 2017-08 will amend the amortization period for certain purchased callable debt securities held at a premium. Under current GAAP, entities generally amortize the premium as an adjustment of yield over the contractual life of the instrument. ASU 2017-08 will shorten the amortization period for the premium to the earliest call date. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the effect, if any, that the new guidance will have on its financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update 2016-15 ("ASU 2016-15"), "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 clarifies how certain cash receipts and payments should be presented in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years with early adoption permitted. We are currently evaluating the timing of adoption of this guidance, however, the guidance is not expected to have a material impact on our financial statements.

In June 2016, the FASB issued Accounting Standards Update 2016-13 ("ASU 2016-13"), "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 ("ASU 2016-02"), "Leases," which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 with early adoption permitted. Under ASU 2016-02, lessees will be required to recognize for all leases with terms longer than 12 months, at the commencement date of the lease, a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures and, while we have not completed the analysis, we expect it will have a material impact on our financial statements.

In January 2016, the FASB issued Accounting Standards Update 2016-01 ("ASU 2016-01"), "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 generally requires companies to measure investments in equity securities, except those accounted for under the equity method, at fair value and recognize any changes in fair value in net income. The new guidance must be applied using a modified-retrospective approach and is effective for periods beginning after December 15, 2017 and early adoption is not permitted. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In May 2014, the FASB issued new accounting guidance, Accounting Standards Update No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers," on revenue recognition. The new standard provides for a single five-step model to be applied to all revenue contracts with customers as well as requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017, and the Company plans to adopt the provisions of the new standard in the first quarter of 2018. The Company has not yet determined which approach will be implemented and is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures; however, at the current time the Company does not expect the adoption to have a material impact on its consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q.

All references in this Quarterly Report to "we," "our," "us" and the "Company," refer to Steven Madden, Ltd. and its subsidiaries unless the context indicates otherwise.

This Quarterly Report contains certain "forward-looking statements" as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally, forward-looking statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words "may", "will", "expect", "believe", "anticipate", "project", "plan", "intend", "estimate", and "continue", and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risks and uncertainties discussed in our Annual Report on Form 10-K for the year ended December 31, 2016. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

Overview:**(\$ in thousands, except retail sales data per square foot, earnings per share and per share data)**

Steven Madden, Ltd. and its subsidiaries (collectively, the "Company") design, source, market and sell fashion-forward name brand and private label footwear for women, men and children and name brand and private label fashion handbags and accessories. We also license our trademarks for use in connection with the manufacture, marketing and sale of various products to our licensees. Our products are marketed through our retail stores and our e-commerce websites, as well as better department stores, major department stores, mid-tier department stores, specialty stores, luxury retailers, value priced retailers, national chains, mass market merchants and catalog retailers throughout the United States, Canada, Mexico and Asia, as well as Albania, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Kosovo, Lithuania, Latvia, Luxembourg, the Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, South Africa, Sweden, Switzerland, and Tunisia. In addition, we have special distribution arrangements for the marketing and sale of our products in various other territories within Australia, India, the Middle East, South and Central America and New Zealand. We offer a broad range of updated styles designed to establish or complement and capitalize on market trends. We have established a reputation for design creativity and our ability to offer quality products in popular styles at affordable prices, delivered in an efficient manner and time frame.

On January 30, 2017, the Company acquired all of the outstanding capital stock of each of Schwartz & Benjamin, Inc., B.D.S., Inc., Quinby Ridge Enterprises LLC and DANIELBARBARA Enterprises LLC (collectively, "Schwartz & Benjamin"). Founded in 1923, Schwartz & Benjamin specializes in the design, sourcing and sale of licensed and private label footwear and distributes its fashion footwear to wholesale customers, including better department stores and specialty boutiques, as well as the retail stores of its brand partners. The total purchase price for the acquisition was approximately \$40,446, which is subject to a working capital adjustment. The total purchase price includes a cash payment at closing of \$17,396, plus potential earn-out payments based on the achievement of certain earnings targets for each of the twelve month periods ending on January 31, 2018 through 2023, inclusive. The fair value of the contingent payments was estimated using the present value of management's projections of the financial results of Schwartz & Benjamin during the earn-out period. At June 30, 2017, the Company estimated the fair value of the contingent consideration to be \$23,050.

Key Performance Indicators and Statistics

The following measurements are among the key business indicators reviewed by various members of management to measure consolidated and segment results of the Company:

- net sales
- gross profit margin
- operating expenses
- income from operations
- adjusted EBITDA
- adjusted EBIT
- same store sales
- inventory turnover
- accounts receivable average collection days
- cash flow and liquidity determined by the Company's working capital and free cash flow
- store metrics such as sales per square foot, average unit retail, conversion, average units per transaction, and contribution margin.

While not all of these metrics are disclosed due to the proprietary nature of the information, many of these metrics are disclosed and discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Non-GAAP Measures

The Company's reported results are presented in accordance with GAAP. The Company uses adjusted earnings before interest and taxes ("Adjusted EBIT") and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), as calculated in the table below, as non-GAAP measures, in internal management reporting and planning processes as well as in evaluating the performance of the Company. Management believes these measures are useful to investors in evaluating the Company's ongoing operating and financial results. By providing these non-GAAP measures, as a supplement to GAAP information, we believe we are enhancing investors' understanding of our business and our results of operations. The non-GAAP financial measures are limited in their usefulness and should be considered in addition to, and not in lieu of, U.S. GAAP financial measures. Further, these non-GAAP measures may be unique to the Company, as they may be different from non-GAAP measures used by other companies.

The table below reconciles these metrics to net income as presented in the condensed consolidated statements of income.

	Year-To-Date Period Ended (\$ in thousands)		
	June 30, 2017	December 31, 2016	June 30, 2016
Net Income	\$ 49,545	\$ 121,274	\$ 48,738
Add back:			
Provision for income taxes	24,523	49,726	17,402
Bad debt expense from bankruptcy	7,500	—	—
Schwartz & Benjamin inventory fair value adjustment	1,653	—	—
Schwartz & Benjamin one-time integration costs	767	—	—
Deduct:			
Other Income (Loss)*	28	(664)	(1,098)
Interest, net	1,364	2,488	1,468
Adjusted EBIT	82,596	169,176	65,770
Add back:			
Depreciation and amortization	9,850	19,868	10,059
Loss on disposal of fixed assets	902	652	—
Adjusted EBITDA	\$ 93,348	\$ 189,696	\$ 75,829

(*) Consists of realized (losses) gains on marketable securities and foreign exchange (losses) gains.

Executive Summary

Net sales for the quarter ended June 30, 2017 increased 15.0% to \$374,148 from \$325,402 in the same period of last year. Net income attributable to Steven Madden, Ltd. increased 17.1% to \$28,964 in the second quarter of 2017 compared to \$24,737 in the same period of last year. The effective tax rate for the second quarter of 2017 slightly increased to 31.9% compared to 31.8% in the second quarter of last year. Diluted earnings per share increased to \$0.50 per share on 57,750 diluted weighted average shares outstanding compared to \$0.41 per share on 59,739 diluted weighted average shares outstanding in the second quarter of last year.

Our inventory turnover (calculated on a trailing twelve-month average) for the quarter ended June 30, 2017 and 2016 was 8.3 times and 8.5 times, respectively. Our total company accounts receivable average collection decreased to 61 days in the second quarter of 2017 compared to 63 days in the second quarter of 2016. As of June 30, 2017, we had \$198,606 in cash, cash equivalents and marketable securities, no long-term debt and total stockholders' equity of \$749,730. Working capital increased to \$377,836 as of June 30, 2017, compared to \$282,321 on June 30, 2016.

The following tables set forth information on operations for the periods indicated:

Selected Financial Information
Three Months Ended June 30,
(\$ in thousands)

	2017		2016			
CONSOLIDATED:						
Net sales	\$	374,148	100.0%	\$	325,402	100.0%
Cost of sales		234,751	62.7%		204,357	62.8%
Gross profit		139,397	37.3%		121,045	37.2%
Commission and licensing fee income – net of expenses		2,166	0.6%		2,784	0.9%
Operating expenses		99,666	26.6%		87,939	27.0%
Income from operations		41,897	11.2%		35,890	11.0%
Interest and other income – net		708	0.2%		546	0.2%
Income before income taxes		42,605	11.4%		36,436	11.2%
Net income attributable to Steven Madden, Ltd.		28,964	7.7%		24,737	7.6%
By Segment:						
WHOLESALE FOOTWEAR SEGMENT:						
Net sales	\$	238,123	100.0%	\$	195,424	100.0%
Cost of sales		162,963	68.4%		135,568	69.4%
Gross profit		75,160	31.6%		59,856	30.6%
Operating expenses		47,459	19.9%		39,627	20.3%
Income from operations		27,701	11.6%		20,229	10.4%
WHOLESALE ACCESSORIES SEGMENT:						
Net sales	\$	67,487	100.0%	\$	67,442	100.0%
Cost of sales		46,128	68.4%		45,520	67.5%
Gross profit		21,359	31.6%		21,922	32.5%
Operating expenses		14,427	21.4%		13,575	20.1%
Income from operations		6,932	10.3%		8,347	12.4%
RETAIL SEGMENT:						
Net sales	\$	68,538	100.0%	\$	62,536	100.0%
Cost of sales		25,660	37.4%		23,269	37.2%
Gross profit		42,878	62.6%		39,267	62.8%
Operating expenses		37,780	55.1%		34,737	55.5%
Loss from operations		5,098	7.4%		4,530	7.2%
Number of stores		193			180	
FIRST COST SEGMENT:						
Other commission income – net of expenses	\$	1,303	100.0%	\$	877	100.0%
LICENSING SEGMENT:						
Licensing income – net of expenses	\$	863	100.0%	\$	1,907	100.0%

Selected Financial Information
Six Months Ended June 30,
(\$ in thousands)

	2017		2016		
<u>CONSOLIDATED:</u>					
Net sales	\$	740,535	100.0 %	\$ 654,759	100.0%
Cost of sales		468,420	63.3 %	417,512	63.8%
Gross profit		272,115	36.7 %	237,247	36.2%
Commission and licensing fee income – net of expenses		6,092	0.8 %	4,955	0.8%
Operating expenses		205,531	27.8 %	176,432	26.9%
Income from operations		72,676	9.8 %	65,770	10.0%
Interest and other income – net		1,392	0.2 %	370	0.1%
Income before income taxes		74,068	10.0 %	66,140	10.1%
Net income attributable to Steven Madden, Ltd.		49,122	6.6 %	48,396	7.4%
By Segment:					
<u>WHOLESALE FOOTWEAR SEGMENT:</u>					
Net sales	\$	499,272	100.0 %	\$ 424,344	100.0%
Cost of sales		338,794	67.9 %	293,566	69.2%
Gross profit		160,478	32.1 %	130,778	30.8%
Operating expenses		102,052	20.4 %	81,619	19.2%
Income from operations		58,426	11.7 %	49,159	11.6%
<u>WHOLESALE ACCESSORIES SEGMENT:</u>					
Net sales	\$	119,439	100.0 %	\$ 114,321	100.0%
Cost of sales		81,967	68.6 %	77,194	67.5%
Gross profit		37,472	31.4 %	37,127	32.5%
Operating expenses		28,170	23.6 %	26,866	23.5%
Income from operations		9,302	7.8 %	10,261	9.0%
<u>RETAIL SEGMENT:</u>					
Net sales	\$	121,824	100.0 %	\$ 116,094	100.0%
Cost of sales		47,659	39.1 %	46,752	40.3%
Gross profit		74,165	60.9 %	69,342	59.7%
Operating expenses		75,309	61.8 %	67,947	58.5%
(Loss) income from operations		(1,144)	(0.9)%	1,395	1.2%
Number of stores		193		180	
<u>FIRST COST SEGMENT:</u>					
Other commission income – net of expenses	\$	2,836	100.0 %	\$ 1,462	100.0%
<u>LICENSING SEGMENT:</u>					
Licensing income – net of expenses	\$	3,256	100.0 %	\$ 3,493	100.0%

RESULTS OF OPERATIONS
(\$ in thousands)

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Consolidated:

Net sales for the three months ended June 30, 2017 increased 15.0% to \$374,148 compared to \$325,402 in the same period of last year. Gross margin slightly increased to 37.3% from 37.2% in the prior year period. Excluding the impact of a non-cash expense of \$413 associated with the purchase accounting fair value adjustment of inventory acquired in connection with the Schwartz & Benjamin acquisition, gross margin increased to 37.4% in the current year period due to improvement in the Wholesale Footwear segment. Operating expenses increased in the second quarter of this year to \$99,666 from \$87,939 in the second quarter of last year primarily due to the impact of our Schwartz & Benjamin acquisition and the net addition of 13 new retail locations. Excluding the impact of expenses incurred in connection with the integration of the Schwartz & Benjamin acquisition of \$767, operating expenses as a percentage of sales decreased to 26.4% for the second quarter of 2017 compared to 27.0% in the second quarter of 2016. Commission and licensing fee income for the second quarter of 2017 decreased to \$2,166 compared to \$2,784 achieved in the second quarter of 2016. The effective tax rate for the second quarter of 2017 slightly increased to 31.9% compared to 31.8% in the second quarter of last year. Net income attributable to Steven Madden, Ltd. for the second quarter of 2017 increased to \$28,964 compared to net income for the second quarter of 2016 of \$24,737. Excluding one-time expenses related to the Schwartz & Benjamin acquisition, net income attributable to Steven Madden, Ltd. for the three months ended June 30, 2017 increased to \$29,707.

Wholesale Footwear Segment:

Net sales from the Wholesale Footwear segment accounted for \$238,123, or 63.6%, and \$195,424, or 60.1%, of our total net sales for the second quarter of 2017 and 2016, respectively. Excluding net sales of \$20,716 related to the Schwartz & Benjamin acquisition, net sales increased 11.2%. The increase in net sales is primarily driven by strong growth in our core Steve Madden Women's brand, as well as growth in our private label business, Steve Madden Men's brand and Steve Madden Kids' brand.

Gross profit margin in the Wholesale Footwear segment was 31.6% for the second quarter of 2017 compared to 30.6% for the second quarter of 2016. Excluding the impact from the Schwartz & Benjamin acquisition, gross profit margin was 32.6%. The increase in gross profit margin was driven by strong margin improvement in the Steve Madden Women's brand resulting from higher initial margins and reduced markdown allowances. Operating expenses increased to \$47,459 in the second quarter of 2017 from \$39,627 in the same period of last year primarily due to the impact of the Schwartz & Benjamin acquisition. Excluding the impact of the one-time expenses related to the integration of the Schwartz & Benjamin acquisition, operating expenses as a percentage of net sales decreased to 19.6% in the second quarter of 2017 compared to 20.3% in the same period of 2016.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for \$67,487, or 18.0%, and \$67,442, or 20.7%, of total net sales for the Company in the second quarter of 2017 and 2016, respectively, reflecting growth in our branded handbag business offset by declines in private label handbags and fashion accessories.

Gross profit margin in the Wholesale Accessories segment decreased to 31.6% in the second quarter of this year from 32.5% in the same period in 2016, primarily due to lower margins in our fashion accessories business driven by sales mix to lower margin customers and increased closeouts. In the second quarter of 2017, operating expenses increased to \$14,427 compared to \$13,575 in the same period of last year. As a percentage of net sales, operating expenses increased to 21.4% in the second quarter of 2017 compared to 20.1% in the same period of 2016, primarily due to certain employee related costs. Income from operations for the Wholesale Accessories segment decreased 17.0% to \$6,932 for the second quarter of 2017 compared to \$8,347 for the same period of last year.

Retail Segment:

In the second quarter of 2017, net sales from the Retail segment accounted for \$68,538, or 18.3%, of our total net sales compared to \$62,536, or 19.2%, of our total net sales in the same period last year, which represents a \$6,002, or 9.6%, increase. The increase in net sales reflects a 2.2% increase in comparable store sales due to increased traffic and improved conversion rate, as well as the net addition of 13 new stores from the prior year period. We added 15 new stores and closed two stores during the twelve

months ended June 30, 2017. As a result, we had 193 retail stores as of June 30, 2017 compared to 180 stores as of June 30, 2016. The 193 stores currently in operation include 130 Steve Madden® stores, 55 Steve Madden® outlet stores, three Steven® stores, one Superga® store and four e-commerce websites. Comparable store sales (sales of those stores, including the e-commerce websites, that were open throughout the second quarter of 2017 and 2016) increased 2.2% on a constant currency basis when compared to the prior year period. The Company excludes new locations from the comparable store base for the first twelve months of operations. Stores that are closed for renovations are removed from the comparable store base. In the second quarter of 2017, gross margin slightly decreased to 62.6% from 62.8% in the same period of 2016. In the second quarter of 2017, operating expenses increased to \$37,780, or 55.1% of net sales, compared to \$34,737, or 55.5% of net sales, in the second quarter of last year primarily due to the new store openings. The decrease as a percentage of net sales was primarily caused by the increase in comparable store sales coupled with leverage on new store sales. Income from operations for the Retail segment were \$5,098 in the second quarter of this year compared to \$4,530 in the same period of last year.

First Cost Segment:

The First Cost segment, which includes net commission income and fees, increased to \$1,303 for the second quarter of 2017 compared to \$877 for the comparable period of 2016 due to increases in business with certain private label footwear customers.

Licensing Segment:

Net licensing income decreased to \$863 for the second quarter of 2017 compared to \$1,907 for the comparable period of 2016 primarily due to decreases in royalties in connection with the licensing of our Betsey Johnson trademark.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Consolidated:

Net sales for the six months ended June 30, 2017 increased 13.1% to \$740,535 compared to \$654,759 in the same period of last year. Gross margin increased to 36.7% from 36.2% in the prior year period due to improvements in the Wholesale Footwear and Retail segments. Excluding the impact of a non-cash expense of \$1,653 associated with the purchase accounting fair value adjustment of inventory acquired in connection with the Schwartz & Benjamin acquisition, gross margin increased to 37.0% in the current year period. Operating expenses for the six months ended June 30, 2017 increased to \$205,531 from \$176,432 in the same period last year primarily due to the impact of our Schwartz & Benjamin acquisition, a one-time charge related to bad debt expense in connection with the Payless ShoeSource bankruptcy filing in April 2017, as well as operating expenses associated with new stores. Excluding the impact of one-time expenses related to the Payless ShoeSource bankruptcy of \$7,500 and the integration of the Schwartz & Benjamin acquisition of \$767, operating expenses as a percentage of sales were 26.6% for the six months ended June 30, 2017 compared to 26.9% in the same period of 2016. Commission and licensing fee income for the six months ended June 30, 2017 increased to \$6,092 compared to \$4,955 achieved in the same period of 2016. The effective tax rate for the first six months of 2017 increased to 33.1% compared to 26.3% in the same period last year. The increase is primarily due to a benefit in the prior year resulting from the exercising and vesting of share based awards and a shift in profitability to jurisdictions with higher tax rates in the current year. Net income attributable to Steven Madden, Ltd. for the six months ended June 30, 2017 increased to \$49,122 compared to \$48,396 in the same period last year. Excluding one-time expenses related to the Payless ShoeSource bankruptcy and the Schwartz & Benjamin acquisition, net income attributable to Steven Madden, Ltd. for the six months ended June 30, 2017 increased to \$57,216.

Wholesale Footwear Segment:

Net sales from the Wholesale Footwear segment accounted for \$499,272, or 67.4%, and \$424,344, or 64.8%, of our total net sales for the six months ended June 30, 2017 and 2016, respectively. Included in the first six months of 2017 are net sales of \$34,835 related to our Schwartz & Benjamin acquisition. Excluding net sales related to the Schwartz & Benjamin acquisition, net sales increased 9.4%. The increase in net sales is primarily related to strong growth in our branded business primarily driven by our core Steve Madden Women's brand, as well as our Steve Madden Kid's, Madden Girl and Report brands.

Gross profit margin in the Wholesale Footwear segment was 32.1% for the six months ended June 30, 2017 compared to 30.8% for the comparable period in 2016. Excluding the impact from the Schwartz & Benjamin acquisition, gross profit margin was 33.0%. The increase in gross profit margin primarily resulted from strong margin improvement in the Steve Madden Women's brand due to on-trend product assortment, as well as a sales mix shift between our branded and private label businesses. Operating expenses increased to \$102,052 in the first six months of 2017 from \$81,619 in the same period of last year primarily due to the

impact of the Schwartz & Benjamin acquisition as well as a one-time charge related to bad debt expense in connection with the Payless ShoeSource bankruptcy filing. Excluding the impact of one-time expenses related to the Payless ShoeSource bankruptcy of \$7,500 and the integration of the Schwartz & Benjamin acquisition of \$767, operating expenses as a percentage of net sales decreased to 18.8% in the six months ended June 30, 2017 compared to 19.2% in the same period of 2016.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for \$119,439, or 16.1%, and \$114,321, or 17.5%, of total net sales for the Company in the six months ended June 30, 2017 and 2016, respectively. The increase in net sales is attributable to growth in our handbag business.

Gross profit margin in the Wholesale Accessories segment decreased to 31.4% in the first six months of this year from 32.5% in the same period in 2016, primarily due to lower margins in our fashion accessories business driven by increased closeouts. In the six months ended June 30, 2017, operating expenses increased to \$28,170 compared to \$26,866 in the same period of last year. As a percentage of net sales, operating expenses slightly increased to 23.6% in the first six months of 2017 compared to 23.5% in the same period of 2016. Income from operations for the Wholesale Accessories segment decreased 9.3% to \$9,302 for the six months ended June 30, 2017 compared to \$10,261 for the same period of last year.

Retail Segment:

In the six months ended June 30, 2017, net sales from the Retail segment accounted for \$121,824, or 16.5%, of our total net sales compared to \$116,094, or 17.7%, of our total net sales in the same period last year, which represents a \$5,730, or 4.9%, increase. The increase in net sales reflects the net addition of 13 new stores from the prior year period partially offset by a 1.5% decrease in comparable store sales. We added 15 new stores and closed two stores during the twelve months ended June 30, 2017. As a result, we had 193 retail stores as of June 30, 2017 compared to 180 stores as of June 30, 2016. The 193 stores currently in operation include 130 Steve Madden® stores, 55 Steve Madden® outlet stores, three Steven® stores, one Superga® store and four e-commerce websites. Comparable store sales (sales of those stores, including the e-commerce websites, that were open throughout the first six months of 2017 and 2016) decreased 1.5% on a constant currency basis when compared to the prior year period. The Company excludes new locations from the comparable store base for the first twelve months of operations. Stores that are closed for renovations are removed from the comparable store base. In the first six months of 2017, gross margin increased to 60.9% from 59.7% in the same period of 2016 primarily due to lower promotional activity in the first quarter of 2017. In the six months ended June 30, 2017, operating expenses increased to \$75,309, or 61.8% of net sales, compared to \$67,947, or 58.5% of net sales, in the same period of last year primarily due to the new store openings as well as costs related to our new point of sale system. The increase as a percentage of net sales was primarily caused by the decrease in comparable store sales. Losses from operations for the Retail segment were \$1,144 in the first six months of this year compared to income of \$1,395 in the same period of last year.

First Cost Segment:

The First Cost segment, which includes net commission income and fees, increased to \$2,836 for the six months ended June 30, 2017 compared to \$1,462 for the comparable period of 2016 due to increases in business with certain private label footwear customers.

Licensing Segment:

Net licensing income slightly decreased to \$3,256 for the first six months of 2017 compared to \$3,493 for the comparable period of 2016.

LIQUIDITY AND CAPITAL RESOURCES
(\$ in thousands)

Our primary source of liquidity is cash flows generated from our operations. Our primary use of this liquidity is to fund our ongoing cash requirements, including working capital requirements, share repurchases, acquisitions, system enhancements and retail store expansion and remodeling.

Cash, cash equivalents and short-term investments totaled \$156,735 and \$165,610 at June 30, 2017 and December 31, 2016, respectively. Of the total cash, cash equivalents and short-term investments at June 30, 2017, \$86,277, or approximately 55%, was held in our foreign subsidiaries and of the total cash, cash equivalents and short-term investments at December 31, 2016, \$70,450, or approximately 43%, was held in our foreign subsidiaries. To date, deferred taxes have been estimated and accrued for foreign subsidiary earnings that have not been determined to be indefinitely reinvested. As of June 30, 2017, the cumulative total amount of earnings considered to be indefinitely reinvested of our foreign subsidiaries was \$134,249. If such amounts were not indefinitely reinvested, the Company would incur approximately \$26,615 in cumulative taxes that were not previously provided for. Management believes that our existing domestic and international cash, cash equivalents, short-term investments and cash flows from operations, which are not considered to be indefinitely reinvested, continue to be sufficient to fund our operating activities. Therefore, we do not intend, nor do we foresee a need, to repatriate foreign earnings of \$134,249 as of June 30, 2017, that were considered to be indefinitely reinvested and we do not believe there are any material implications or restrictions on our liquidity as a result of having a significant portion of our cash, cash equivalents and short-term investments held by our foreign subsidiaries.

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. ("Rosenthal"). The agreement can be terminated by the Company or Rosenthal at any time upon 60 days' prior written notice. Under the agreement, the Company can request advances from Rosenthal of up to 85% of the aggregate receivables submitted to Rosenthal. The agreement provides the Company with a \$30,000 credit facility with a \$15,000 sub-limit for letters of credit at an interest rate based, at the Company's election, upon a calculation that utilizes either the prime rate or LIBOR. The Company also pays Rosenthal a fee based on a percentage of the gross invoice amount submitted to Rosenthal. With respect to receivables related to our First Cost segment and private label business, the fee is 0.14% of the gross invoice amount. For all other receivables, the fee is 0.20% of the gross invoice amount. Rosenthal assumes the credit risk on a substantial portion of the receivables that the Company submits to it. To the extent of any loans made to the Company, Rosenthal maintains a lien on the Company's receivables to secure the Company's obligations.

On May 18, 2017, Steve Madden Europe B.V., a joint venture entity which is consolidated by the Company, entered into a 2,500,000 EUR credit facility agreement with Cooperatieve Rabobank U.A. The facility allows Steve Madden Europe B.V. to request short-term borrowings to finance its seasonal working capital requirements based on 1 month EURIBOR or 1 month LIBOR + 2.95%. The facility expires on February 28, 2018, at which time it may be extended for one year. Any borrowings under the facility are secured by the Inventory and Receivables of Steve Madden Europe B.V. At June 30, 2017 there were no borrowings outstanding under the facility.

As of June 30, 2017, we had working capital of \$377,836, cash and cash equivalents of \$99,411 and investments in marketable securities of \$99,195.

We believe that based upon our current financial position and available cash, cash equivalents and marketable securities, the Company will meet all of its financial commitments and operating needs for at least the next twelve months.

OPERATING ACTIVITIES
(\$ in thousands)

Cash provided by operations was \$49,474 for the six months of 2017 compared to cash provided by operations of \$58,491 in the same period of last year. The primary sources of cash were net income of \$49,545 and a decrease in accounts receivable along with increases in accounts payable and accrued expenses. These cash sources were partially offset by uses of cash related to increases in factor accounts receivable and inventory.

INVESTING ACTIVITIES
(\$ in thousands)

During the six months ended June 30, 2017, we invested \$32,508 in marketable securities and received \$44,149 from the maturities and sales of marketable securities. We also made capital expenditures of \$7,672, principally for improvements to existing stores, systems enhancements, new stores and leasehold improvements to office space. Lastly, we made a payment in the amount of \$17,396 for the acquisition of Schwartz & Benjamin.

FINANCING ACTIVITIES
(\$ in thousands)

During the six months ended June 30, 2017, net cash used for financing activities was \$63,613, which consisted of the repurchase of shares of common stock for an aggregate purchase price of approximately \$63,941 (see Note H to the Condensed Consolidated Financial Statements contained in this Quarterly Report) coupled with payments of contingent liabilities which total \$5,321 partially offset by proceeds from the exercise of stock options of \$5,649.

CONTRACTUAL OBLIGATIONS
(\$ in thousands)

Our contractual obligations as of June 30, 2017 were as follows:

Contractual Obligations	Total	Payment due by period			
		Remainder of 2017	2018-2019	2020-2021	2022 and after
Operating lease obligations	\$ 264,468	\$ 22,848	\$ 82,466	\$ 68,566	\$ 90,588
Purchase obligations	161,560	161,560	—	—	—
Contingent payment liabilities	24,923	1,873	4,266	6,118	12,666
Other long-term liabilities (future minimum royalty payments)	6,135	1,135	2,000	2,000	1,000
Total	\$ 457,086	\$ 187,416	\$ 88,732	\$ 76,684	\$ 104,254

At June 30, 2017, we had open letters of credit for the purchase of inventory of approximately \$524.

On January 3, 2012, the Company and its Creative and Design Chief, Steven Madden, entered into an amendment, dated as of December 31, 2011, to Mr. Madden's then existing employment agreement with the Company. The amended agreement, which extends the term of Mr. Madden's employment through December 31, 2023, provides to Mr. Madden a base salary of approximately \$7,026 per annum for the period between January 1, 2016 through the expiration of the employment agreement on December 31, 2023.

The Company has employment agreements with certain executive officers, which provide for the payment of compensation aggregating approximately \$1,847 in the remainder of 2017, \$3,217 in 2018, \$1,978 in 2019 and \$148 in 2020. In addition, some of these employment agreements provide for discretionary bonuses and some provide for incentive compensation based on various performance criteria as well as other benefits including stock options.

In connection with our acquisition of Steve Madden Canada Inc., Steve Madden Retail Canada Inc., Pasa Agency Inc. and Gelati Imports Inc. (collectively, "SM Canada") on February 21, 2012, the Company has made earn-out payments to the seller of SM Canada based on the annual performance of SM Canada for each of the twelve-month periods ending on March 31, 2013 through 2017, inclusive. A final earn-out payment of \$2,741 for the period ended March 31, 2017 was paid to the seller of SM Canada in the second quarter of this year.

In connection with our acquisition of all of the outstanding capital stock of Trendy Imports S.A. de C.V., Comercial Diecisiete S.A. de C.V. and Maximus Designer Shoes S.A. de C.V. (together, "SM Mexico") on December 30, 2014, we are subject to potential earn-out payments to the seller of SM Mexico based on the annual performance of SM Mexico for each of the twelve-month periods ending on December 31, 2015 and 2016. The first earn-out payment of \$3,482 was made in the first quarter of 2016. A partial earn-out payment in the amount of \$2,580 was paid to the seller of SM Mexico in the second quarter of this year and the remaining portion of the final earn-out payment will be payable in the third quarter of 2017.

In connection with our acquisition of Schwartz & Benjamin on January 30, 2017, we are subject to potential earn-out payments to the sellers of Schwartz & Benjamin based on the annual performance of Schwartz & Benjamin for each of the twelve-month periods ending on January 31, 2018 through 2023.

Virtually all of our products are manufactured at overseas locations, the majority of which are located in China, with a small but growing percentage located in Mexico in addition to smaller amounts produced in Brazil, Italy and India. We have not entered into any long-term manufacturing or supply contracts with any of these foreign manufacturers. We believe that a sufficient number

of alternative sources exist outside of the United States for the manufacture of our products. Purchases are made primarily in United States dollars.

INFLATION

We do not believe that inflation had a significant effect on our sales or profitability in the three months ended June 30, 2017. Historically, we have minimized the impact of product cost increases by increasing prices, changing suppliers and by improving operating efficiencies. However, no assurance can be given that we will be able to offset any such inflationary cost increases in the future.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

There have been no material changes to our critical accounting policies and the use of estimates from the disclosures for the year ended December 31, 2016 included in our Annual Report on Form 10-K filed with the SEC on February 28, 2017.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (\$ in thousands)

We do not engage in the trading of market risk sensitive instruments in the normal course of business. Our financing arrangements are subject to variable interest rates, primarily based on the prime rate and LIBOR. The terms of our collection agency agreements with Rosenthal & Rosenthal, Inc. can be found in the Liquidity and Capital Resources section of Item 2 and in Note C to the Condensed Consolidated Financial Statements included in this Quarterly Report.

As of June 30, 2017, we held marketable securities valued at \$99,195, which consist primarily of certificates of deposit and corporate bonds. The values of these securities may fluctuate as a result of changes in equity values, market interest rates and credit risk. We have the ability to hold these investments until maturity. In addition, any decline in interest rates would be expected to reduce our interest income.

We face market risk to the extent that our U.S. or foreign operations involve the transaction of business in foreign currencies. Also, our inventory purchases are primarily done in foreign jurisdictions and inventory purchases may be impacted by fluctuations in the exchange rates between the U.S. dollar and the local currencies of our contract manufacturers, which could have the effect of increasing the cost of goods sold in the future. We manage these risks primarily by denominating these purchases in U.S. dollars. To mitigate the risk of purchases that are denominated in foreign currencies we may enter into forward foreign exchange contracts for terms of no more than two years. A description of our accounting policies for derivative financial instruments is included in Note M to the Condensed Consolidated Financial Statements.

In the second quarter of 2017, the Company entered into forward foreign exchange contracts. We performed a sensitivity analysis based on a model that measures the impact of a hypothetical change in foreign currency exchange rate to determine the effects that market risk exposures may have on the fair values of our forward foreign exchange contracts that were outstanding as of the quarter ended June 30, 2017. As of June 30, 2017, a 10% appreciation or depreciation of the U.S. dollar against the exchange rates for foreign currencies under forward foreign exchange contracts would result in a net increase or decrease, respectively, in the fair value of our derivatives portfolio of approximately \$41.

In addition, we are exposed to translation risk in connection with our foreign operations in Canada, Mexico, Europe and South Africa because our subsidiaries and joint ventures in these countries utilize the local currency as their functional currency and those financial results must be translated into U.S. dollars. As currency exchange rates fluctuate, foreign currency exchange rate translation adjustments reflected in our financial statements with respect to our foreign operations affects the comparability of financial results between years.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter covered by this Quarterly Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were, as of the end of the fiscal quarter covered by this Quarterly Report, effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated our internal controls over financial reporting to determine whether any changes occurred during the quarter covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this Quarterly Report.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS (\$ in thousands)

On August 10, 2005, following the conclusion of an audit of the Company conducted by auditors for U.S. Customs and Border Protection ("U.S. Customs") during 2004 and 2005, U.S. Customs issued a report that asserts that certain commissions that the Company treated as "buying agents' commissions" (which are non-dutiable) should be treated as "selling agents' commissions" and, hence, are dutiable. Subsequently, U.S. Immigration and Customs Enforcement commenced a formal investigation of the Company's importing practices as a result of the audit. In September 2007, U.S. Customs notified the Company that it had finalized its assessment of the underpaid duties at \$1,400. The Company, with the advice of legal counsel, evaluated the liability in the case, including additional duties, interest and penalties, and believed that it was not likely to exceed \$3,050 and, accordingly, recorded a liability for this amount as of December 31, 2009. The Company contested the conclusions of the U.S. Customs audit and filed a request for review and issuance of rulings thereon by U.S. Customs Headquarters, of Regulations and Rulings, under internal advice procedures. On September 20, 2010, U.S. Customs issued a ruling in the matter, concluding that the commissions paid by the Company pursuant to buying agreements entered into by the Company and one of its two buying agents under review were bona fide buying-agent commissions and, therefore, were non-dutiable. With respect to the second buying agent, U.S. Customs ruled that beginning in February 2002, commissions paid by the Company were bona fide buying agent commissions and, therefore, were non-dutiable. However, U.S. Customs found that the Company's pre-2002 buying agreements with the second agent were legally insufficient to substantiate a buyer-buyer's agent relationship between the Company and the agent and that commissions paid to the second agent under such buying agreements, in fact, were dutiable. On the basis of the U.S. Customs ruling, the Company reevaluated and reduced its potential liability in the case from \$3,050 to \$1,248 as of September 30, 2010.

On November 21, 2011, U.S. Customs issued a pre-penalty notice to the Company in which it alleged that gross negligence by the Company resulted in an underpayment of duties with respect to certain pre-2002 buying agreements and claimed that the Company owed \$342 as an additional duty and \$1,367 in monetary penalties. In its February 16, 2012 response to the pre-penalty notice, the Company submitted that it owed no additional duty and, further, did not through negligence or gross negligence fail to pay any duty or engage in conduct amounting to either gross negligence or negligence. The Company requested that U.S. Customs withdraw its proposal to issue a notice of penalty and take no further adverse action against the Company. On June 26, 2014, the Company's counsel met with U.S. Customs officials and, following the meeting, counsel submitted to U.S. Customs a letter and the Company's check in the amount of \$342, representing the Company's Offer in Compromise of the proposed government claim, which was filed without any admission or acceptance by the Company with respect to the proposed claim. On June 9, 2017, U.S. Customs issued its decision indicating that the Company's Offer in Compromise in the amount of \$342 was accepted by U.S. Customs in full and complete settlement of all U.S. Customs civil claims and potential civil claims against the Company for unpaid duties and proposed monetary penalties assessed against the Company. As a result, excess reserve of \$906 was reversed in the second quarter of 2017.

The Company has been named as a defendant in certain other lawsuits in the normal course of business. In the opinion of management, after consulting with legal counsel, the liabilities, if any, resulting from these matters should not have a material

effect on the Company's financial position or results of operations. It is the policy of management to disclose the amount or range of reasonably possible losses in excess of recorded amounts.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents the total number of shares of the Company's common stock, \$.0001 par value, purchased by the Company in the three months ended June 30, 2017, the average price paid per share and the approximate dollar value of shares that still could have been purchased at the end of the fiscal period, pursuant to the Company's Share Repurchase Program. See also Note H to the Condensed Consolidated Financial Statements. During the three months ended June 30, 2017, there were no sales by the Company of unregistered shares of the Company's common stock.

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Amount of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)
4/1/2017 - 4/30/2017	335,201	\$ 36.88	333,269	\$ 73,594
5/1/2017 - 5/31/2017	270,656	\$ 37.58	267,924	\$ 63,525
6/1/2017 - 6/30/2017	214,991	\$ 38.35	209,525	\$ 55,490
Total	820,848	\$ 37.50	810,718	\$ 55,490

(a) The Steven Madden, Ltd. 2006 Stock Incentive Plan provides the Company with the right to deduct or withhold, or require employees to remit to the Company, an amount sufficient to satisfy all or part of such withholding obligations applicable to stock-based compensation awards. To the extent permitted, employees may elect to satisfy all or part of such withholding obligations by tendering to the Company previously owned shares or by having the Company withhold shares having a fair market value equal to the minimum statutory tax withholding rate that could be imposed on the transaction. Included in this table are shares withheld during the second quarter ended June 30, 2017 in connection with the settlement of vested restricted stock to satisfy tax withholding requirements.

ITEM 5. OTHER INFORMATION

(a)

(1) On July 31, 2017, the board of directors of the Company approved an amendment of the Company's Amended and Restated By-laws (as amended and restated, the "Amended By-laws"), effective immediately. The principal amendments and clarifications contained in the Amended By-laws include the following:

- in subparagraph (c) of Section 7 of Article I, the clarification of the process for the adjournment of stockholders' meetings, including to provide the board of directors with explicit authority to postpone or reschedule a stockholders' meeting;
- in subparagraph (e) of Section 7 of Article I, the clarification of the power of the chairman of a stockholders' meeting over the conduct of such meeting;
- in subparagraph (f) of Section 7 of Article I, the requirement that a stockholder desiring to bring business before a meeting of the Company's stockholders include additional disclosures in the stockholder's notice to the Company;
- in Section 8 of Article I, the clarification of the requirements for stockholder action by written consent;
- in subparagraph (c) of Section 5 of Article II, the requirement that a stockholder desiring to nominate a person for election as a director of the Company include additional disclosures in the stockholder's notice to the Company; and
- in a new Article VII, the designation of the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of litigation.

The Amended By-laws also include clarifications, updates and other non-substantive changes to other provisions thereof.

The foregoing description of the Amended By-laws is not complete and is qualified in its entirety by reference to the complete text of the Amended By-laws, a copy of which is filed as Exhibit 3.1 to this Quarterly Report on Form 10-Q and incorporated by reference herein.

(2) On August 1, 2017, the Company issued a press release reporting its financial results for the fiscal quarter ended June 30, 2017, a copy of which is furnished as Exhibit 99.1 to this Quarterly Report on Form 10-Q.

ITEM 6. EXHIBITS

3.1	Amended and Restated By-laws of the Company, as further amended on July 31, 2017 †
10.1	Employment Agreement dated April 11, 2017 between the Company and Karla Frieders (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 2017 filed with the SEC on May 9, 2017) #
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
99.1	Press Release of the Company, dated August 1, 2017, issued by Steven Madden, Ltd †*
101	The following materials from Steven Madden, Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text*

† Filed herewith.

Indicates management contract or compensatory plan or arrangement required to be identified pursuant to Item 6 of this Quarterly Report on Form 10-Q.

* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filing, except to the extent the Company specifically incorporates it by reference.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: August 4, 2017

STEVEN MADDEN, LTD.

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld
Chairman and Chief Executive Officer

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer

Exhibit Index

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AMENDED AND RESTATED
BY-LAWS
OF
STEVEN MADDEN, LTD.
(A DELAWARE CORPORATION)
AS FURTHER AMENDED ON JULY 31, 2017

ARTICLE I

STOCKHOLDERS

Section 1. **Certificates Representing Stock.** Certificates representing stock in the corporation shall be signed by, or in the name of, the corporation by the Chairman or Vice-Chairman of the Board of Directors, if any, or by the Chief Executive Officer, the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the corporation. Any or all the signatures on any such certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Whenever the corporation shall be authorized to issue more than one class of stock or more than one series of any class of stock, and whenever the corporation shall issue any shares of its stock as partly paid stock, the certificates representing shares of any such class or series or of any such partly paid stock shall set forth thereon the statements prescribed by the General Corporation Law. Any restrictions on the transfer or registration of transfer of any shares of stock of any class or series shall be noted conspicuously on the certificate representing such shares.

The corporation may issue a new certificate of stock or uncertificated shares in place of any certificate theretofore issued by it, alleged to have been lost, stolen, or destroyed, and the Board of Directors may require the owner of the lost, stolen, or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify the corporation against any claim that may be made against it on account of the alleged loss, theft, or destruction of any such certificate or the issuance of any such new certificate or uncertificated shares.

Section 2. **Uncertificated Shares.** Subject to any conditions imposed by the General Corporation Law, the Board of Directors of the corporation may provide by resolution or resolutions that some or all of any or all classes or series of the stock of the corporation shall be uncertificated shares. Within a reasonable time after the issuance or transfer of any uncertificated shares, the corporation shall send to the registered owner thereof any written notice prescribed by the General Corporation Law.

Section 3. **Fractional Share Interests.** The corporation may, but shall not be required to, issue fractions of a share. If the corporation does not issue fractions of a share, it shall (1) arrange for the disposition of fractional interests by those entitled thereto, (2) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (3) issue scrip or warrants in registered form (either represented by a certificate or uncertificated) or bearer form (represented by a certificate) which shall entitle the holder to receive a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share or an uncertificated fractional share shall, but scrip or warrants shall

not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the corporation in the event of liquidation.

The Board of Directors may cause scrip or warrants to be issued subject to the conditions that they shall become void if not exchanged for certificates representing the full shares or uncertificated full shares before a specified date, or subject to the conditions that the shares for which scrip or warrants are exchangeable may be sold by the corporation and the proceeds thereof distributed to the holders of scrip or warrants, or subject to any other conditions which the Board of Directors may impose.

Section 4. **Stock Transfers.** Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registration of transfers of shares of stock of the corporation shall be made only on the stock ledger of the corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation or with a transfer agent or a registrar, if any, and, in the case of shares represented by certificates, on surrender of the certificate or certificates for such shares of stock properly endorsed and the payment of all taxes due thereon.

Section 5. **Record Date for Stockholders.** In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any postponement, adjournment or recess thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any postponement, adjournment or recess of the meeting; provided, however, that the Board of Directors may fix a new record date for the postponed, adjourned or recessed meeting. In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion, or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6. **Meaning of Certain Terms.** As used herein in respect of the right to notice of a meeting of stockholders or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term "**share**" or "**shares**" or "**share of stock**" or "**shares of stock**" or "**stockholder**" or "**stockholders**" refers to an outstanding share or shares of stock and to a holder or holders of record of outstanding shares of stock when the corporation is authorized to issue only one class of shares of stock, and said reference is also intended to include any outstanding share or shares of stock and any holder or holders of record of outstanding shares of stock of any class upon which or upon whom the certificate of incorporation confers such rights where there are two or more classes or series of shares of stock or upon which or upon whom the General Corporation Law confers such rights notwithstanding that the certificate of incorporation may provide for more than one class or series of shares of stock, one or more of which are limited or denied such rights thereunder; provided, however, that no such right shall vest in the event of an increase or a decrease in the authorized number of shares of stock of any class or series which is otherwise denied voting rights under the provisions of the certificate of incorporation, except as any provision of law may otherwise require.

Section 7. **Stockholder Meetings.**

(a) **Time.**

(i) **Annual Meetings.** The annual meeting shall be held on the date and at the time fixed, from time to time, by the Board of Directors.

(ii) **Special Meetings.** Except as otherwise required by applicable law or the corporation's certificate of incorporation, special meetings of the stockholders for any purpose or purposes may be called only by the directors pursuant to a resolution adopted by a majority of the members of the Board of Directors then in office. Only such business as is specified in the notice of any special meeting of the stockholders shall come before such meeting.

(b) **Place.** Annual meetings and special meetings shall be held at such place, within or without the State of Delaware, as the directors may, from time to time, fix. Whenever the directors shall fail to fix such place, the meeting shall be held at the registered office of the corporation in the State of Delaware.

(c) **Notice or Waiver of Notice; Adjournment.** Written notice of all stockholder meetings shall be given, stating the place, date, and hour of the meeting and stating the place within the city or other municipality or community at which the list of stockholders of the corporation may be examined. The notice of an annual meeting shall state that the meeting is called for the election of directors and for the transaction of other business which may properly come before the meeting, and shall (if any other action which could be taken at a special meeting is to be taken at such annual meeting) state the purpose or purposes. The notice of a special meeting shall in all instances state the purpose or purposes for which the meeting is called. The notice of any meeting shall also include, or be accompanied by, any additional statements, information, or documents prescribed by the General Corporation Law. Except as otherwise provided by the General Corporation Law, a copy of the notice of any meeting shall be given, personally or by mail, not less than ten days nor more than sixty days before the date of the meeting, unless the lapse of the prescribed period of time shall have been waived, and directed to each stockholder at his record address or at such other address which he may have furnished by request in writing to the Secretary of the corporation. Notice by mail shall be deemed to be given when deposited, with postage thereon prepaid, in the United States mail. The chairman of the meeting (as determined in paragraph (e) below), or the holders of a majority of the votes entitled to be cast by the stockholders who are present in person or by proxy, may adjourn or recess the meeting without notice other than announcement at the meeting and for any reason, whether or not a quorum is present. If a meeting is postponed, adjourned or recessed to another time, not more than thirty days hence, and/or to another place, and if an announcement of the postponed, adjourned or recessed time and/or place is made at the meeting, it shall not be necessary to give notice of the postponed, adjourned or recessed meeting unless the directors, after postponement, adjournment or recess, fix a new record date for the postponed, adjourned or recessed meeting. If a quorum is present at the original duly organized meeting, it shall also be deemed present at a postponed, adjourned or recessed session of such meeting. Notice need not be given to any stockholder who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of a stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any annual or special meeting of the stockholders need be specified in any written waiver of notice. The Board of Directors may, at any time prior to the holding of an annual or special meeting, and for any reason, postpone, reschedule or cancel any previously scheduled annual or special meeting. The meeting may be postponed or rescheduled to such time and place as specified in the notice of postponement or rescheduling of such meeting.

(d) **Stockholder List.** The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city or other municipality or community where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this section or the books of the corporation, or to vote at any meeting of stockholders.

(e) **Conduct of Meeting.** At each meeting of the stockholders, the Chairman of the Board of Directors, if any, shall serve as chairman of the meeting, or in the absence of the Chairman of the Board of Directors, one of the following officers in the order of seniority shall serve as chairman of the meeting: the Vice-Chairman of the Board of Directors, if any, the Chief Executive Officer, the President or a Vice-President. If none of the foregoing is in office and present and acting, a person chosen by the stockholders shall serve as chairman of the meeting. The order of business at each such meeting shall be as determined by the chairman of the meeting. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the following: (i) the establishment of procedures for the maintenance of order and safety, (ii) limitations on the time allotted to questions or comments on the affairs of the corporation, (iii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine, (iv) restrictions on entry to such meeting after the time prescribed for the commencement thereof, (v) the opening and closing of the voting polls and (vi) restrictions on the use of audio or video recording devices at the meeting. The Secretary of the corporation, or in his absence, an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present the chairman of the meeting shall appoint a secretary of the meeting. The chairman of the meeting at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business, including, for the avoidance of doubt, nominations for the election of directors and stockholder proposals, was not properly brought before the meeting, and if the chairman of the meeting should so determine, the chairman of the meeting shall so declare to the meeting, and any such matter or business not properly brought before the meeting shall not be transacted or considered.

(f) **Business to be Brought Before an Annual Meeting of Stockholders.**

(i) To be properly brought before the annual meeting of stockholders, business, excluding director nominations, which shall be made exclusively pursuant to Section 5 of Article II, must be either (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (B) otherwise properly brought before the meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (C) otherwise properly brought before the meeting by any stockholder of the corporation (1) who is a stockholder of record on the date of the giving of the notice provided for in this Section 7(f) of Article I and on the record date for the determination of stockholders entitled to vote at such meeting and (2) who complies with the notice procedures set forth in Section 7(f) of this Article I and applicable law. In addition to any other applicable requirements, for business to be

properly brought before an annual meeting by a stockholder pursuant to clause (C) of this Section 7(f)(i) of Article I, such stockholder must have given timely notice thereof in proper written form to the Secretary of the corporation.

(ii) To be timely, a stockholder's notice to the Secretary pursuant to clause (C) of Section 7(f)(i) of this Article I must be delivered to or mailed and received at the principal executive offices of the corporation, not less than 120 days nor more than 150 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received no later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting is mailed or such public disclosure of the date of the annual meeting is made, whichever first occurs.

(iii) For purposes of this Section 7(f) of Article I and Section 5 of Article II, "**affiliate**" and "**associate**" each have the respective meanings set forth in Rule 12b-2 under the Exchange Act. A "**Proposing Person**" includes each of the stockholders giving the notice, the beneficial owner or beneficial owners, if different, on whose behalf the nomination or proposal for other business subject to Section 7(f) of Article I or Section 5 of Article II, as applicable, is made, any of their respective affiliates or associates (including, if such stockholder or beneficial owner is an entity, each director, executive, managing member or control person of such entity), and any others acting in concert.

(iv) A stockholder's notice to the Secretary pursuant to clause (C) of Section 7(f)(i) of this Article I, must set forth, as to each matter such stockholder proposes to bring before the annual meeting:

- (A) a reasonably brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting;
- (B) the text of the proposal (including the complete text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend any corporation document, including, but not limited to, the corporation's certificate of incorporation or these By-Laws, the language of the proposed amendment);
- (C) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the corporation's books and records);
- (D) the class or series, if any, and number of shares of capital stock of the corporation that are, directly or indirectly, owned beneficially or of record by such Proposing Person, together with evidence reasonably satisfactory to the Secretary of such beneficial ownership;
- (E) a complete and accurate description of all agreements, arrangements or understandings (whether written or oral) between or among any of the Proposing Persons and any other person or persons (including their names) acting in concert with any of the foregoing, pursuant to which the proposal(s) are to be made by such Proposing Person;

(F) a complete and accurate description of all agreements, arrangements or understandings (whether written or oral) (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of capital stock of the corporation or with a value derived in whole or in part from the value of any class or series of capital stock of the corporation, hedging transactions, and borrowed or loaned shares) that have been entered into as of the date of the stockholder's notice or any supplement thereto by, or on behalf of, such Proposing Person, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the corporation (a "**Derivative Instrument**");

(G) a description of any proxy, contract, arrangement, understanding or relationship pursuant to which such Proposing Person has the right to vote any shares of any security of the corporation;

(H) a summary of any material discussion regarding the business proposed to be brought before the meeting between such Proposing Person, on the one hand, and any other record or beneficial owners of the shares of common stock of the corporation or any other class or series of capital stock of the corporation (including their names), on the other hand;

(I) any short interest of such Proposing Person in any security of the corporation (for purposes of these By-laws, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security);

(J) any rights to dividends on the shares of the corporation owned beneficially by such Proposing Person;

(K) any proportionate interest in shares of capital stock of the corporation or Derivative Instruments, held, directly or indirectly, by a general or limited partnership or similar entity in which such Proposing Person (x) is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, or (y) is the manager, managing member or directly or indirectly beneficially owns an interest in the manager or managing member of a limited liability company or similar entity;

(L) any performance related fees (other than an asset-based fee) to which such Proposing Person is entitled based on any increase or decrease in the value of shares of capital stock of the corporation or Derivative Instruments, if any, including any such interests held by members of such Proposing Person's immediate family sharing the same household;

(M) a representation that the stockholder making the proposal is a holder of record of stock of the corporation entitled to vote at such annual meeting and will continue to be a holder of record of stock of the corporation entitled to vote at such meeting through the date of the meeting;

(N) a representation whether such Proposing Person intends or is part of a group that intends (i) to deliver a proxy statement and/or form of proxy to holders of at least

the percentage of the corporation's outstanding capital stock required to approve or adopt the proposal and/or (ii) otherwise to solicit proxies or votes from stockholders in support of such proposal;

(O) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting and an acknowledgment that if such stockholder does not appear to present such proposal at such annual meeting, the corporation need not present such proposal for a vote at such meeting, notwithstanding that proxies in respect of such vote may have been received by the corporation;

(v) Notwithstanding anything in these By-laws to the contrary, no business shall be conducted or considered at a meeting of stockholders except business brought before such meeting in accordance with the procedures set forth in this Section 7(f) of Article I or director nominations made in accordance with the procedures set forth in Section 5 of Article II; provided, however, that, once business has been properly brought before such meeting in accordance with such procedures, nothing in this Section 7(f) of Article I shall be deemed to preclude discussion by any stockholder of any such business;

(vi) A stockholder providing notice under this Section 7(f) of Article I shall supplement and update such notice, if necessary, so that the information provided or required to be provided in such notice shall be true and correct (i) as of the record date for the meeting and (ii) as of the date that is ten business days prior to the meeting or any adjournment, recess, cancellation, rescheduling or postponement thereof, and such supplement and update shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the corporation not later than five business days after the record date for the meeting (in the case of the supplement and update required to be made as of the record date) and not later than seven business days prior to the date for the meeting, if practicable (or, if not practicable, on the first practicable date prior to any adjournment, recess or postponement thereof (in the case of the supplement and update required to be made as of ten business days prior to the meeting or any adjournment, recess or postponement thereof)); and

(vii) Nothing in these By-laws shall be deemed to affect any rights of shareholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(g) **Proxy Representation.** Every stockholder may authorize another person or persons to act for him by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, voting or participating at a meeting, or expressing consent or dissent without a meeting.

Every proxy must be signed by the stockholder or by his attorney-in-fact. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally.

(h) **Inspectors.** The directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any postponement, adjournment or recess thereof. If an inspector or inspectors are not appointed, the chairman of the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy

may be filled by appointment made by the directors in advance of the meeting or at the meeting by the chairman of the meeting. Each inspector, if any, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspectors at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots, or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots, or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting, the inspector or inspectors, if any, shall make a report in writing of any challenge, question, or matter determined by him or them and execute a certificate of any fact found by him or them.

(i) **Quorum.** The holders of a majority of the votes entitled to be cast by the stockholders entitled to vote generally, present in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of the stockholders; provided, however, that in the case of any vote to be taken by classes, the holders of a majority of the votes entitled to be cast by the stockholders of a particular class shall constitute a quorum for the transaction of business by such class.

(j) **Voting.**

(i) Except as otherwise provided by General Corporation Law or by the corporation's certificate of incorporation, each stockholder of record of any class or series of capital stock of the corporation shall be entitled at each meeting of stockholders to such number of votes for each share of such stock as may be fixed in the corporation's certificate of incorporation or in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such stock, registered in such stockholder's name on the books of the corporation on the record date (as determined in accordance with Section 5 of Article I).

(ii) At each meeting of the stockholders, all corporate actions to be taken by vote of the stockholders (except as otherwise required by applicable law and except as otherwise provided in the corporation's certificate of incorporation or these By-laws) shall be authorized by a majority of the votes cast by the stockholders entitled to vote thereon who are present in person or represented by proxy, and where a separate vote by class is required, a majority of the votes cast by the stockholders of such class who are present in person or represented by proxy shall be the act of such class.

(iii) Directors shall be elected by a plurality of the votes cast by the stockholders entitled to vote thereon who are present in person or represented by proxy.

(iv) Unless required by applicable law or determined by the chairman of the meeting to be advisable, the vote on any matter, including the election of directors, need not be by written ballot. In the case of a vote by written ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy.

Section 8. **Action by Written Consent of Stockholders.**

(a) Anything in these By-laws to the contrary notwithstanding, any action required by the General Corporation Law to be, or which may be, taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed in person or by proxy by the holders of outstanding stock

having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and if the procedures in this Section 8 of Article I shall be complied with.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date (the "**Consent Record Date**"), which date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten days after the date upon which the resolution fixing the Consent Record Date is adopted by the Board of Directors. Any stockholder seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary at the principal executive offices of the corporation, first request the Board of Directors to fix a Consent Record Date for such purpose, which request shall be in proper form as provided in Section 8(c) of Article I. The Board of Directors shall promptly, but in all events within ten days after the date on which such a request is received or five days after delivery of any information requested by the corporation to determine the validity of any such request or whether the action to which such request relates is an action that may be taken by written consent of stockholders in lieu of a meeting, determine the validity of such request and whether such request relates to an action that may be taken by written consent of the stockholders in lieu of a meeting under this Section 8(b) of Article I and applicable law. If such request is valid, the Board of Directors may adopt a resolution fixing the record date (unless a record date has previously been fixed by the Board of Directors pursuant to the first sentence of this Section 8(b) of Article I). If (x) the request required by this Section 8(b) of Article I has been determined by the Board of Directors to be valid and to relate to an action that may be effected by written consent in accordance with this Section 8(b) of Article I and applicable law or (y) no such determination shall have been made by the date required by this Section 8(b) of Article I, and in either event no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to take corporate action by written consent without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation in accordance with Section 8(d) of Article I. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

(c) To be in proper form for purposes of Section 8(b) of Article I, a request by a stockholder for the Board of Directors to fix a record date shall set forth the action proposed to be taken by written consent of stockholders in lieu of a meeting and must contain such information and representations, to the extent applicable, required by the certificate of incorporation and these By-laws as though such stockholder were intending to make a nomination or to bring a business proposal before a meeting of stockholders (including the notice and other procedures set forth in Section 7(f) of Article I and Section 5 of Article II). Notwithstanding anything to the contrary contained in this Section 8(c) of Article I, upon receipt of a request by a stockholder to set a record date in order to have stockholders authorize or take corporate action by written consent, the Board of Directors may require the stockholder(s) submitting such request to furnish such other information as may be requested by the Board of Directors to determine the validity of the request required by this Section 8(c) of Article I and to determine whether such request relates to an action that may be effected by written consent of stockholders in lieu of a meeting under this Section 8(c) of Article I and applicable law.

(d) Every written consent pursuant to this Section 8 of Article I shall bear the date of signature of each stockholder who shall sign such consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the date of the earliest dated consent delivered to the corporation in the manner required by this Section 8 of Article I, written consents signed by a sufficient

number of stockholders to take action shall be delivered to the corporation by delivery to its registered office in the State of Delaware, to its principal place of business or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of the stockholders are recorded. Delivery of written consents under this Section 8 of Article I shall be by hand or by certified or registered mail, return receipt requested.

(e) In the event of the delivery to the corporation of a written consent or consents purporting to represent the requisite voting power to authorize or take corporate action and/or related revocations, the Secretary of the corporation shall provide for the safekeeping of such consents and revocations and shall promptly engage nationally recognized independent inspectors of election for the purpose of promptly performing a ministerial review of the validity of the consents and revocations. No action by written consent without a meeting shall be effective until such inspectors of election have completed their review, determined that the requisite number of valid and unrevoked consents has been obtained to authorize or take the action specified in the consents and certified such determination for entry in the records of the corporation kept for the purpose of recording the proceedings of meetings of stockholders.

(f) The stockholder(s) seeking an action proposed to be taken by written consent shall further update and supplement the information previously provided to the corporation in connection therewith, if necessary, so that the information provided or required to be provided pursuant to this Section 8 of Article I shall be true and correct as of the record date for determining the stockholders eligible to take such action and as of the date that is five business days prior to the date the consent solicitation is commenced, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the corporation not later than five business days after the Consent Record Date (in the case of the update and supplement required to be made as of the record date), and not later than three business days prior to the date that the consent solicitation is commenced (in the case of the update and supplement required to be made as of five business days prior to the commencement of the consent solicitation).

(g) Any stockholder giving a written consent, or the stockholder's proxy holder, may revoke the consent in any manner permitted by applicable law.

(h) Notwithstanding anything to the contrary set forth above, (i) none of the provisions of Section 8 of Article I or the foregoing provisions of this Section 8 of Article I shall apply to any solicitation of stockholder action by written consent in lieu of a meeting by or at the direction of the Board of Directors and (ii) the Board of Directors shall be entitled to solicit stockholder action by written consent in accordance with applicable law.

(i) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who shall not have consented in writing.

ARTICLE II

DIRECTORS

Section 1. **Functions and Definition.** The business and affairs of the corporation shall be managed by or under the direction of the Board of Directors of the corporation. The Board of Directors shall have the authority to fix the compensation of the members thereof. The use of the phrase "whole board" herein refers to the total number of directors which the corporation would have if there were no vacancies.

Section 2. **Qualifications and Number.** A director need not be a stockholder, a citizen of the United States, or a resident of the State of Delaware. The initial Board of Directors shall consist of two persons.

Thereafter the number of directors constituting the whole board shall be at least one. Subject to the foregoing limitation and except for the first Board of Directors, such number may be fixed from time to time by action of the directors, or, if the number is not fixed, the number shall be two. The number of directors may be increased or decreased by action of the directors.

Section 3. **Election and Term.** Any director may resign at any time upon written notice to the corporation.

Directors who are elected at an annual meeting of stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors are elected and qualified or until their earlier resignation or removal.

Section 4. **Vacancies.** Subject to the rights of the holders of any class or series of stock having a preference over the common stock of the corporation as to dividends or upon liquidation, any vacancies on the Board of Directors resulting from death, resignation, removal or other cause, and newly created directorships resulting from any increase in the number of directors shall be filled exclusively by the Board of Directors (and not by the stockholders), acting by a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, and any directors so appointed shall hold office until the next annual meeting and until his or her successor shall be duly elected and shall have qualified, unless sooner displaced as provided by the General Corporation Law.

Section 5. **Notification of Nomination.**

(a) Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the corporation, except as may be otherwise provided in the certificate of incorporation with respect to the right of holders of preferred stock of the corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (i) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (ii) by any stockholder of the corporation (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 5 of Article II and on the record date for the determination of stockholders entitled to vote at such meeting and (B) who complies with the notice procedures set forth in this Section 5 of Article II and applicable law. In addition to any other applicable requirements, for a nomination to be made by a stockholder pursuant to clause (ii) of this Section 5(a) of Article II, such stockholder must have given timely notice thereof in proper written form to the Secretary of the corporation.

(b) To be timely, a stockholder's notice to the Secretary pursuant to clause (ii) of Section 5(a) of this Article II must be delivered to or mailed and received at the principal executive offices of the corporation (i) in the case of an annual meeting, not less than 120 days nor more than 150 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting is mailed or such public disclosure of the date of the annual meeting is made, whichever first occurs, or (ii) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business

on the tenth day following the day on which notice of the date of the special meeting is mailed or public disclosure of the date of the special meeting is made, whichever first occurs.

(c) To be in proper written form, a stockholder's notice to the Secretary pursuant to clause (ii) of Section 5(a) of this Article II must set forth:

(i) as to each person whom the stockholder proposes to nominate for election as a director:

(A) such person's written consent to being named in the proxy statement as a nominee;

(B) a written questionnaire with respect to the background and qualification of such person and the background of any Proposing Person (which questionnaire the Proposing Person shall request in writing from the Secretary of the corporation with at least ten days' prior notice);

(C) such person's written representation and agreement (in the form provided by the Secretary of the corporation upon written request) that: (1) such person is not and will not become party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a director of the corporation, will act or vote on any issue or question (a "**Voting Commitment**") that has not been disclosed to the corporation or any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the corporation, with such person's fiduciary duties under applicable law; (2) such person is not and will not become a party to any agreement, arrangement, or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement, or indemnification in connection with service or action as a director that has not been disclosed to the corporation; (3) in such person's individual capacity and on behalf of any Proposing Person, such person would, if elected as a director, comply with applicable law of the U.S. exchanges upon which the corporation's shares of common stock trade, all of the corporation's corporate governance, ethics, conflict of interest, confidentiality and stock ownership and trading policies and guidelines applicable generally to the corporation's directors, and, if elected as a director of the corporation, such person currently would be in compliance with any such policies and guidelines that have been publicly disclosed; (4) such person, in his or her individual capacity and on behalf of any Proposing Person, intends to serve a full term if elected as a director of the corporation; and (5) such person will provide facts, statements and other information in all communications with the corporation and its stockholders that are or will be true and correct in all material respects, and that do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;

(D) any material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among any of the Proposing Persons, on the one hand, and each proposed nominee, and his or her respective affiliates or associates, or any other person or persons (including their names) acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K under the Exchange Act as if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in

concert therewith, were the “registrant” for purposes of such regulation and the nominee were a director or executive officer of such registrant;

(E) a written statement executed by the nominee acknowledging that as a director of the corporation, the nominee will owe a fiduciary duty under Delaware law with respect to the corporation and its stockholders;

(F) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and

(G) an undertaking to notify the corporation in writing of any change in the information called for by the above paragraphs (A) through (F) in accordance with and pursuant to Section 5(e) of Article II;

(ii) as to a Proposing Person:

(A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the corporation’s books and records);

(B) the class or series, if any, and number of shares of capital stock of the corporation which are, directly or indirectly, owned beneficially or of record by such Proposing Person, together with evidence reasonably satisfactory to the Secretary of such beneficial ownership;

(C) a complete and accurate description of all agreements, arrangements or understandings (whether written or oral) between or among any of the Proposing Persons and any other person or persons (including their names) acting in concert with any of the foregoing pursuant to which the nomination(s) are to be made by such Proposing Person;

(D) a complete and accurate description of all Derivative Instruments;

(E) a description of any proxy, contract, arrangement, understanding or relationship pursuant to which such Proposing Person has the right to vote any shares of any security of the corporation;

(F) any short interest of such Proposing Person in any security of the corporation (for purposes of these By-laws, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security);

(G) any rights to dividends on the shares of the corporation owned beneficially by such Proposing Person;

(H) any proportionate interest in shares of capital stock of the corporation or Derivative Instruments, held, directly or indirectly, by a general or limited partnership or similar entity in which such Proposing Person is a general partner or, directly or indirectly,

beneficially owns an interest in a general partner, is the manager, managing member or directly or indirectly beneficially owns an interest in the manager or managing member of a limited liability company or similar entity;

(I) any performance related fees (other than an asset-based fee) to which such Proposing Person is entitled based on any increase or decrease in the value of shares of capital stock of the corporation or Derivative Instruments, if any, including any such interests held by members of such Proposing Person's immediate family sharing the same household;

(J) a representation that the stockholder making the nomination is a holder of record of stock of the corporation entitled to vote at such stockholders' meeting and will continue to be a holder of record of stock of the corporation entitled to vote at such meeting through the date of the meeting;

(K) a representation whether such Proposing Person intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to elect the nominee and/or (b) otherwise to solicit proxies or votes from stockholders in support of such nomination;

(L) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice. If such stockholder does not appear to present such nomination at such meeting, the corporation need not present such nomination for a vote at such meeting, notwithstanding that proxies in respect of such vote may have been received by the corporation;

(M) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder; and

(N) an undertaking to notify the corporation in writing of any change in the information called for by the above paragraphs (A) through (M) in accordance with and pursuant to Section 5(e) of Article II.

(d) No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 5 of Article II. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman of the meeting shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

(e) To be in proper form, a stockholder providing notice pursuant to paragraph (d) of this Section 5 of Article II shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice shall be true and correct (i) as of the record date for the meeting and (ii) as of the date that is ten business days prior to the meeting or any adjournment, recess, cancellation, rescheduling or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the corporation not later than five business days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date) and not later than seven business days prior to the date for the meeting, if

practicable (or, if not practicable, on the first practicable day prior to any adjournment, recess or postponement thereof (in the case of the update and supplement required to be made as of ten business days prior to the meeting or any adjournment, recess or postponement thereof)).

Section 6. **Meetings.**

- (a) **Time.** Meetings shall be held at such time as the Board of Directors shall fix, except that the first meeting of a newly elected Board of Directors shall be held as soon after its election as the directors may conveniently assemble.
- (b) **Place.** Meetings shall be held at such place within or without the State of Delaware as shall be fixed by the Board of Directors.
- (c) **Call.** No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the direction of the Chairman of the Board of Directors, if any, the Vice-Chairman of the Board of Directors, if any, the Chief Executive Officer or the President, or of a majority of the directors in office.
- (d) **Notice or Actual or Constructive Waiver.** No notice shall be required for regular meetings for which the time and place have been fixed.

Written, oral, or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. Notice need not be given to any director or to any member of a committee of directors who submits a written waiver of notice signed by him before or after the time stated therein. Attendance of any such person at a meeting shall constitute a waiver of notice of such meeting, except when he attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors need be specified in any written waiver of notice.

(e) **Quorum and Action.** A majority of the whole board shall constitute a quorum except when a vacancy or vacancies prevents such majority, whereupon a majority of the directors in office shall constitute a quorum, provided, that such majority shall constitute at least one-third of the whole board. A majority of the directors present, whether or not a quorum is present, may adjourn or recess a meeting to another time and place. The directors present at a duly organized meeting may continue to transact business until adjournment or recess, notwithstanding the withdrawal of enough directors to leave less than a quorum. Except as herein otherwise provided, and except as otherwise provided by the General Corporation Law, the vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. The quorum and voting provisions herein stated shall not be construed as conflicting with any provisions of the General Corporation Law and these By-laws which govern a meeting of directors held to fill vacancies and newly created directorships in the Board of Directors or action of disinterested directors.

Any member or members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors, or any such committee, as the case may be, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

(f) **Chairman of Meetings of Board of Directors.** The Chairman of the Board of Directors, if any and if present and acting, shall preside at all meetings.

Otherwise, the Vice-Chairman of the Board of Directors, if any and if present and acting, the Chief Executive Officer, if present and acting, or the President, if present and acting, or any other director chosen by the Board of Directors, shall preside.

Section 7. **Removal of Directors.** Except as may otherwise be provided by the General Corporation Law, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors.

Section 8. **Committees.** The Board of Directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of any member of any such committee or committees, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the corporation with the exception of any authority the delegation of which is prohibited by Section 141 of the General Corporation Law, and may authorize the seal of the corporation to be affixed to all papers which may require it.

Section 9. **Written Action.** Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

ARTICLE III

OFFICERS

The officers of the corporation shall consist of a Chief Executive Officer, a President, a Chief Financial Officer, a Secretary, and, if deemed necessary, expedient, or desirable by the Board of Directors, a Chairman of the Board of Directors, a Vice-Chairman of the Board of Directors, an Executive Vice-President, one or more other Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers with such titles as the resolution of the Board of Directors choosing them shall designate; provided, however, that the Board of Directors may also appoint from its members (who are not officers or employees of the corporation) a non-executive Chairman of the Board of Directors and a non-executive Vice-Chairman of the Board of Directors, and that any such non-executive Chairman or non-executive Vice Chairman so appointed shall not be deemed to be an officer of the corporation. Except as may otherwise be provided in the resolution of the Board of Directors choosing him, no officer other than the Chairman, non-executive Chairman, Vice-Chairman and non-executive Vice-Chairman of the Board of Directors, if any, need be a director. Any number of offices may be held by the same person, as the directors may determine.

Unless otherwise provided in the resolution choosing him, each officer shall hold his office for such term as may be prescribed by the Board of Directors and until such person's successor shall have been chosen

and shall qualify, or until such person's death or resignation, or until such person's removal in the manner hereinafter provided.

All officers of the corporation shall have such authority and perform such duties in the management and operation of the corporation as shall be prescribed in the resolutions of the Board of Directors designating and choosing such officers and prescribing their authority and duties, and shall have such additional authority and duties as are incident to their office except to the extent that such resolutions may be inconsistent therewith. The Secretary or an Assistant Secretary of the corporation shall record all of the proceedings of all meetings and actions in writing of stockholders, directors, and committees of directors, and shall exercise such additional authority and perform such additional duties as the Board of Directors shall assign to him.

Any officer may be removed, with or without cause, by the Board of Directors.

Any vacancy in any office may be filled by the Board of Directors.

ARTICLE IV

CORPORATE SEAL

The corporate seal shall be in such form as the Board of Directors shall prescribe.

ARTICLE V

FISCAL YEAR

The fiscal year of the corporation shall be fixed, and shall be subject to change, by the Board of Directors.

ARTICLE VI

CONTROL OVER BY-LAWS

Subject to the provisions of the certificate of incorporation and the provisions of the General Corporation Law, these By-laws may be altered, amended or repealed in whole or in part, and new By-laws may be adopted, by the Board of Directors at any regular or special meeting of the Board of Directors.

ARTICLE VII

EXCLUSIVE FORUM

To the fullest extent permitted by law, and unless the corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (1) any derivative action or proceeding brought in the name or right of the corporation or on its behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the corporation to the corporation or the corporation's stockholders, (3) any action asserting a claim against the corporation or any director or officer or other

employee of the corporation arising pursuant to any provision of the Delaware General Corporation Law or any provision of the corporation's certificate of incorporation or By-laws (as either may be amended from time to time) or as to which the General Corporation Law of Delaware confers jurisdiction on the Court of Chancery of the State of Delaware, or (4) any action asserting a claim against the corporation or any director or officer or other employee of the corporation governed by the internal affairs doctrine, including, without limitation, any action to interpret, apply, enforce or determine the validity of the certificate of incorporation or these By-laws, shall be the Court of Chancery of the State of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the corporation shall be deemed to have notice of and consented to the provision of this Article VII.

ARTICLE VIII

SEVERABILITY

Whenever possible, each provision or portion of any provision of these By-laws will be interpreted in such manner as to be effective and valid under applicable law, but if any provision or portion of any provision of these By-laws is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such provision or portion of any provision shall be severable and the invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and these By-laws will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Edward R. Rosenfeld, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Steven Madden, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld

Chairman and Chief Executive Officer

August 4, 2017

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Arvind Dharia, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Steven Madden, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer
August 4, 2017

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Steven Madden, Ltd. (the "Company") on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward R. Rosenfeld, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld
Chairman and Chief Executive Officer
August 4, 2017

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Steven Madden, Ltd. (the "Company") on Form 10-Q for the quarter ended June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arvind Dharia, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer
August 4, 2017

Steve Madden Announces Second Quarter 2017 Results

LONG ISLAND CITY, N.Y., August 1, 2017 - Steve Madden (Nasdaq: SHOO), a leading designer and marketer of fashion footwear and accessories for women, men and children, today announced financial results for the second quarter ended June 30, 2017.

Amounts referred to as "Adjusted" exclude the items that are described under the heading "Non-GAAP Adjustments."

For the Second Quarter 2017:

- Net sales increased 15.0% to \$374.1 million compared to \$325.4 million in the same period of 2016.
- Gross margin was 37.3%. Adjusted gross margin was 37.4% as compared to 37.2% in the same period last year, an increase of 20 basis points.
- Operating expenses as a percentage of sales were 26.6%. Adjusted operating expenses as a percentage of sales were 26.4% as compared to 27.0% of sales in the same period of 2016.
- Operating income totaled \$41.9 million, or 11.2% of net sales. Adjusted operating income was \$43.1 million, or 11.5% of net sales, compared with operating income of \$35.9 million, or 11.0% of net sales, in the same period of 2016.
- Net income was \$29.0 million, or \$0.50 per diluted share. Adjusted net income was \$29.7 million, or \$0.51 per diluted share, compared to \$24.7 million, or \$0.41 per diluted share, in the prior year's second quarter.

Edward Rosenfeld, Chairman and Chief Executive Officer, commented, "The strong momentum in our business continued into the second quarter, as we delivered another quarter of robust sales and earnings growth despite the challenging retail environment. Once again, we saw outstanding performance in our core Steve Madden Women's wholesale footwear division, where our trend-right product assortment continues to resonate with consumers and drive market share gains. As we look ahead to the balance of the year, we are taking a prudent approach to planning our business in light of industry headwinds. That said, the strength of our brands and our business model gives us confidence that we are well-positioned to navigate the uncertain environment."

Second Quarter 2017 Segment Results

Net sales for the wholesale business increased 16.3% to \$305.6 million in the second quarter of 2017. Excluding the results of the recently acquired Schwartz & Benjamin, wholesale net sales increased 8.4% to \$284.9 million from \$262.9 million in the second quarter of 2016, driven by a strong increase in the wholesale footwear business. Gross margin in the wholesale business was 31.6%. Excluding the non-cash expense associated with the purchase accounting fair value adjustment of inventory acquired in the Schwartz & Benjamin acquisition, Adjusted gross margin in the wholesale business was 31.7% compared to 31.1% in last year's second quarter, driven by strong margin improvement in the Steve Madden Women's wholesale footwear division.

Retail net sales in the second quarter increased 9.6% to \$68.5 million compared to \$62.5 million in the second quarter of the prior year. Same store sales increased 2.2% in the quarter compared to a 5.4% same store sales

increase in the second quarter of 2016. Retail gross margin decreased slightly to 62.6% in the second quarter of 2017 as compared to 62.8% in the second quarter of the prior year.

During the second quarter, the Company opened one full price store and one outlet store in the U.S. as well as one full price store in Canada, and converted one U.S. full price store to an outlet location. The Company ended the quarter with 193 company-operated retail locations, including four Internet stores.

The Company's effective tax rate for the second quarter of 2017 was 31.9%. Excluding the tax impact of the non-cash expense associated with the purchase accounting fair value adjustment of inventory acquired in the Schwartz & Benjamin acquisition and the expense in connection with the integration of the Schwartz & Benjamin acquisition and the related restructuring, the Adjusted effective tax rate was 32.0% compared to 31.8% in the second quarter of the prior year.

Balance Sheet and Cash Flow

During the second quarter of 2017, the Company repurchased 820,848 shares of the Company's common stock for approximately \$30.8 million, which includes shares acquired through the net settlement of employee stock awards.

As of June 30, 2017, cash, cash equivalents, and current and non-current marketable securities totaled \$198.6 million.

Company Outlook

The Company now expects that net sales in fiscal year 2017 will increase 9% to 11% over net sales in 2016. The Company now expects that diluted EPS on a GAAP basis for fiscal year 2017 will be in the range of \$2.03 to \$2.09. The Company now expects that Adjusted diluted EPS for fiscal year 2017 will be in the range of \$2.18 to \$2.24.

Non-GAAP Adjustments

Amounts referred to as "Adjusted" exclude the items below.

For the second quarter 2017:

- \$0.4 million pre-tax (\$0.3 million after-tax) in non-cash expense associated with the purchase accounting fair value adjustment of inventory acquired in the Schwartz & Benjamin acquisition, included in cost of sales.
- \$0.8 million pre-tax (\$0.5 million after-tax) in expense in connection with the integration of the Schwartz & Benjamin acquisition and the related restructuring, included in operating expenses.

For the fiscal year 2017:

- \$1.7 million pre-tax (\$1.1 million after-tax) in non-cash expense associated with the purchase accounting fair value adjustment of inventory acquired in the Schwartz & Benjamin acquisition, included in cost of sales.
- \$1.5 million pre-tax (\$1.0 million after-tax) in expense incurred in connection with the integration of the Schwartz & Benjamin acquisition and the related restructuring, included in operating expenses.
- \$7.5 million pre-tax (\$6.5 million after-tax) in estimated bad debt expense associated with the Payless ShoeSource bankruptcy, included in operating expenses.

Reconciliations of amounts on a GAAP basis to Adjusted amounts are presented in the Non-GAAP Reconciliation tables at the end of this release and identify and quantify all excluded items.

Conference Call Information

Interested stockholders are invited to listen to the second quarter earnings conference call scheduled for today, August 1, 2017, at 8:30 a.m. Eastern Time. The call will be broadcast live over the Internet and can be accessed by logging onto <http://www.stevemadden.com>. An online archive of the broadcast will be available within one hour of the conclusion of the call and will be accessible for a period of 30 days following the call. Additionally, a replay of the call can be accessed by dialing 1-844-512-2921 (U.S.) and 1-412-317-6671 (international), passcode 2298337, and will be available until September 1, 2017.

About Steve Madden

Steve Madden designs, sources and markets fashion-forward footwear and accessories for women, men and children. In addition to marketing products under its own brands including [Steve Madden®](#), [Dolce Vita®](#), [Betsey Johnson®](#), [Report®](#), Big Buddha®, [Brian Atwood®](#), Cejon®, [Blondo®](#) and Mad Love®, Steve Madden is a licensee of various brands, including Kate Spade®, [Superga®](#) and Avec Les Filles®. Steve Madden also designs and sources products under private label brand names for various retailers. Steve Madden's wholesale distribution includes department stores, specialty stores, luxury retailers, national chains and mass merchants. Steve Madden also operates 193 retail stores (including Steve Madden's four Internet stores). Steve Madden licenses certain of its brands to third parties for the marketing and sale of certain products, including for ready-to-wear, outerwear, intimate apparel, eyewear, hosiery, jewelry, fragrance, luggage and bedding and bath products. For local store information and the latest Steve Madden booties, pumps, men's and women's boots, dress shoes, sandals and more, visit <http://www.stevemadden.com/>

Safe Harbor

This press release and oral statements made from time to time by representatives of the Company contain certain "forward looking statements" as that term is defined in the federal securities laws. The events described in forward looking statements may not occur. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of the Company's plans or strategies, projected or anticipated benefits from acquisitions to be made by the Company, or projections involving anticipated revenues, earnings or other aspects of the Company's operating results. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "intend," "estimate," and "continue," and their opposites and similar

expressions are intended to identify forward looking statements. The Company cautions you that these statements concern current expectations about the Company's future results and condition and are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond the Company's control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors which may affect the Company's results include, but are not limited to, the risks and uncertainties discussed in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any one or more of these uncertainties, risks and other influences could materially affect the Company's results of operations and financial condition and whether forward looking statements made by the Company ultimately prove to be accurate and, as such, the Company's actual results, performance and achievements could differ materially from those expressed or implied in these forward looking statements. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS DATA

(In thousands, except per share amounts)

Unaudited

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Net sales	\$ 374,148	\$ 325,402	\$ 740,535	\$ 654,759
Cost of sales	234,751	204,357	468,420	417,512
Gross profit	139,397	121,045	272,115	237,247
Commission and licensing fee income, net	2,166	2,784	6,092	4,955
Operating expenses	99,866	87,939	205,531	176,432
Income from operations	41,887	35,890	72,676	65,770
Interest and other income, net	708	546	1,392	370
Income before provision for income taxes	42,605	36,436	74,068	66,140
Provision for income taxes	13,562	11,594	24,523	17,402
Net income	29,023	24,842	49,545	48,738
Net income attributable to noncontrolling interest	59	105	423	342
Net income attributable to Steven Madden, Ltd.	\$ 28,964	\$ 24,737	\$ 49,122	\$ 48,396
Basic income per share	\$ 0.53	\$ 0.43	\$ 0.89	\$ 0.84
Diluted income per share	\$ 0.50	\$ 0.41	\$ 0.85	\$ 0.81
Basic weighted average common shares outstanding	55,161	57,430	55,487	57,572
Diluted weighted average common shares outstanding	57,750	59,739	57,969	59,998

STEVEN MADDEN, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET DATA

(In thousands)

	June 30, 2017 (Unaudited)	As of December 31, 2016	June 30, 2016 (Unaudited)
Cash and cash equivalents	\$ 89,411	\$ 126,115	\$ 76,271
Marketable securities (current & non current)	89,195	110,054	122,690
Accounts receivables, net	255,280	200,958	216,564
Inventories	121,213	119,824	116,369
Other current assets	49,209	42,279	41,255
Property and equipment, net	74,129	72,381	73,485
Goodwill and intangibles, net	305,155	280,097	286,187
Other assets	9,091	9,167	8,366
Total assets	\$ 1,012,663	\$ 960,875	\$ 941,187
Accounts payable	\$ 101,447	\$ 80,584	\$ 101,473
Contingent payment liability (current & non current)	24,923	7,948	20,012
Other current liabilities	99,372	94,695	79,199
Other long term liabilities	37,191	36,676	39,725
Total Steven Madden, Ltd. stockholders' equity	748,036	740,857	700,437
Noncontrolling interest	1,694	205	341
Total liabilities and stockholders' equity	\$ 1,012,663	\$ 960,875	\$ 941,187

STEVEN MADDEN, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED CASH FLOW DATA

(In thousands)

Unaudited

	Six Months Ended	
	June 30, 2017	June 30, 2016
Net cash provided by operating activities	\$ 49,474	\$ 58,491
<u>Investing Activities</u>		
Purchases of property and equipment	(7,672)	(8,402)
Sales of marketable securities, net	11,641	842
Repayment of notes receivable	221	-
Acquisition, net of cash acquired	(17,396)	-
Net cash used in investing activities	(13,206)	(7,560)
<u>Financing Activities</u>		
Common stock share repurchases for treasury	(63,941)	(41,070)
Purchase of noncontrolling interest	-	(3,759)
Payment of contingent liability	(5,321)	(6,281)
Proceeds from exercise of stock options	5,649	3,708
Net cash used in financing activities	(63,613)	(47,402)
Effect of exchange rate changes on cash and cash equivalents	641	328
Net (decrease) increase in cash and cash equivalents	(26,704)	3,857
Cash and cash equivalents - beginning of period	126,115	72,414
Cash and cash equivalents - end of period	<u>\$ 99,411</u>	<u>\$ 76,271</u>

STEVEN MADDEN, LTD. AND SUBSIDIARIES

NON-GAAP RECONCILIATION

(In thousands, except per share amounts)

Unaudited

The Company uses non-GAAP financial information to evaluate its operating performance and in order to represent the manner in which the Company conducts and views its business. Additionally, the Company believes the information assists investors in comparing the Company's performance across reporting periods on a consistent basis by excluding items that are not indicative of its core business. The non-GAAP financial information is provided in addition to, and not as an alternative to, the Company's reported results prepared in accordance with GAAP.

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Consolidated		
GAAP gross profit	\$ 139,397	\$ 272,115
Non-cash expense associated with the purchase accounting fair value adjustment of inventory acquired in the Schwartz & Benjamin acquisition	413	1,653
Adjusted gross profit	\$ 139,810	\$ 273,768
Wholesale		
GAAP gross profit	\$ 96,519	\$ 197,950
Non-cash expense associated with the purchase accounting fair value adjustment of inventory acquired in the Schwartz & Benjamin acquisition	413	1,653
Adjusted gross profit	\$ 96,932	\$ 199,603

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
GAAP operating expenses	\$ 99,666	\$ 205,531
Expense incurred in connection with the integration of the Schwartz & Benjamin acquisition and the related restructuring	767	767
Bad debt expense associated with the Payless ShoeSource bankruptcy	-	7,500
Adjusted operating expenses	\$ 98,899	\$ 197,264

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
GAAP operating income	\$ 41,897	\$ 72,676
Non-cash expense associated with the purchase accounting fair value adjustment of inventory acquired in the Schwartz & Benjamin acquisition	413	1,653
Expense incurred in connection with the integration of the Schwartz & Benjamin acquisition and the related restructuring	767	767
Bad debt expense associated with the Payless ShoeSource bankruptcy	-	7,500
Adjusted operating income	\$ 43,077	\$ 82,596

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
GAAP provision for income taxes	\$ 13,582	\$ 24,523
Tax effect of non-cash expense associated with the purchase accounting fair value adjustment of inventory acquired in the Schwartz & Benjamin acquisition	153	578
Tax effect of expense incurred in connection with the integration of the Schwartz & Benjamin acquisition and the related restructuring	284	284
Tax effect of bad debt expense associated with the Payless ShoeSource bankruptcy	-	964
Adjusted provision for income taxes	\$ 14,019	\$ 26,349

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
GAAP net income attributable to Steven Madden, Ltd.	\$ 28,964	\$ 49,122
After-tax impact of non-cash expense associated with the purchase accounting fair value adjustment of inventory acquired in the Schwartz & Benjamin acquisition	260	1,075
After-tax impact of expense incurred in connection with the integration of the Schwartz & Benjamin acquisition and the related restructuring	483	483
After-tax impact of bad debt expense associated with the Payless ShoeSource bankruptcy	-	6,536
Adjusted net income attributable to Steven Madden, Ltd.	\$ 29,707	\$ 57,216
GAAP diluted income per share	\$ 0.50	\$ 0.85
Adjusted diluted income per share	\$ 0.51	\$ 0.99

Contact

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