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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

or

o 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	13-3588231
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
52-16 Barnett Avenue, Long Island City, New York	11104
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (718) 446-1800

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 **x** No o

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 o No o

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

Large accelerated filer o
Accelerated filer **x**
Non-accelerated filer o (do not check if smaller reporting company)
Smaller reporting company o

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

Yes o No **x**

As of November 5, 2010, the latest practicable date, there were 27,742,346 shares of common stock, $.0001 par value, outstanding.

STEVEN MADDEN, LTD.
FORM 10-Q
QUARTERLY REPORT
September 30, 2010

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(in thousands)

	September 30, 2010	December 31, 2009	September 30, 2009
	(unaudited)		(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	**$ 29,045**	$ 69,266	$ 47,622
Accounts receivable, net of allowances of $2,209, $1,195 and $1,806	**12,846**	11,071	9,909
Due from factors, net of allowances of $10,934, $12,487 and $9,789	**81,815**	47,534	67,884
Inventories	**44,485**	30,453	29,678
Marketable securities – available for sale	**20,395**	17,971	12,815
Prepaid expenses and other current assets	**11,590**	6,295	6,896
Deferred taxes	**8,827**	8,779	7,746
Total current assets	**209,003**	191,369	182,550
Notes receivable	**33,195**	—	—
Note receivable – related party	**3,791**	3,568	3,552
Property and equipment, net	**21,054**	23,793	24,750
Deferred income taxes	**6,309**	7,543	6,688
Deposits and other	**2,775**	1,844	1,992
Marketable securities – available for sale	**103,179**	67,713	65,254
Goodwill – net	**36,613**	24,313	24,313
Intangibles – net	**14,095**	6,716	7,191
Total Assets	**$ 430,014**	$ 326,859	$ 316,290
LIABILITIES			
Current liabilities:			
Accounts payable	**$ 37,302**	$ 24,544	$ 26,682
Accrued expenses	**21,525**	15,338	16,914
Income taxes payable	**5,935**	166	8,729
Accrued incentive compensation	**11,864**	12,314	8,819
Total current liabilities	**76,626**	52,362	61,144
Contingent payment liability	**12,000**	—	—
Deferred rent	**5,494**	5,044	4,974
Other liabilities	**1,577**	1,666	274
Total Liabilities	**95,697**	59,072	66,392
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 – $.0001 par value, 60,000 shares authorized, 36,122 35,687 and 35,438 shares issued, 27,719, 27,425 and 27,176 outstanding	**4**	3	3
Additional paid-in capital	**158,945**	147,703	143,437
Retained earnings	**305,465**	247,365	233,809
Other comprehensive income:			
Unrealized gain on marketable securities	**2,446**	700	633
Treasury stock – 8,403, 8,262 and 8,262 shares at cost	**(132,543)**	(127,984)	(127,984)
Total Stockholders' Equity	**334,317**	267,787	249,898
Total Liabilities and Stockholders' Equity	**$ 430,014**	$ 326,859	$ 316,290

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 September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Net sales	**$ 184,118**	$ 140,138	**$ 474,390**	$ 364,039
Cost of sales	**106,610**	78,462	**268,096**	209,313
Gross profit	**77,508**	61,676	**206,294**	154,726
Commission, royalty and licensing fee income – net	**6,587**	5,726	**18,000**	15,993
Operating expenses	**(46,707)**	(39,088)	**(129,994)**	(112,729)
Income from operations	**37,388**	28,314	**94,300**	57,990
Interest and other income, net	**1,201**	488	**2,927**	1,252
Income before provision for income taxes	**38,589**	28,802	**97,227**	59,242
Provision for income taxes	**15,673**	10,971	**39,127**	22,690
Net income	**$ 22,916**	$ 17,831	**$ 58,100**	$ 36,552
Basic income per share	**$ 0.83**	$ 0.66	**$ 2.11**	$ 1.35
Diluted income per share	**$ 0.81**	$ 0.64	**$ 2.06**	$ 1.34
Basic weighted average common shares outstanding	**27,680**	27,152	**27,593**	27,003
Effect of dilutive securities – options/restricted stock	**555**	522	**643**	356
Diluted weighted average common shares outstanding	**28,235**	27,674	**28,236**	27,359

See accompanying notes to condensed consolidated financial statements - unaudited

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2010	**2009**
Cash flows from operating activities:		
Net income	**$ 58,100**	$ 36,552
Adjustments to reconcile net income to net cash provided by operating activities:		
Excess tax benefit from the exercise of options	**(2,882)**	(187)
Depreciation and amortization	**7,364**	7,113
Loss on disposal of fixed assets	**543**	718
Non-cash compensation	**5,963**	4,332
Provision for bad debts	**(539)**	294
Accrued interest on note receivable – related party	**(223)**	(182)
Deferred rent expense	**463**	169
Realized (gain) loss on marketable securities	**(32)**	65
Changes in:		
Accounts receivable	**(2,121)**	(4,618)
Due from factor	**(32,728)**	(33,591)
Inventories	**(13,732)**	1,919
Prepaid expenses, deposits and other assets	**(4,216)**	1,086
Accounts payable and other accrued expenses	**26,534**	23,773
Other liabilities	**(102)**	(1,019)
Net cash provided by operating activities	**42,392**	36,424
Cash flows from investing activities:		
Purchase of property and equipment	**(2,280)**	(2,403)
Purchase of marketable securities	**(54,341)**	(54,699)
Sale/redemption of marketable securities	**18,592**	12,913
Purchase of notes receivable	**(34,186)**	—
Acquisitions, net of cash acquired *	**(11,119)**	(5,776)
Net cash used in investing activities	**(83,334)**	(49,965)
Cash flows from financing activities:		
Repayment of advances from factor	—	(30,168)
Proceeds from options exercised	**2,398**	1,556
Tax benefit from exercise of options	**2,882**	187
Purchase of common stock for treasury	**(4,559)**	—
Net cash provided by (used in) financing activities	**721**	(28,425)
Net decrease in cash and cash equivalents	**(40,221)**	(41,966)
Cash and cash equivalents – beginning of period	**69,266**	89,588
Cash and cash equivalents – end of period	**$ 29,045**	$ 47,622

* The amount for 2009 includes $4,526 which was accrued at December 31, 2008.

See accompanying notes to condensed consolidated financial statements - unaudited

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements – Unaudited
September 30, 2010
($ 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 the 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. The results of its operations for the three- and nine-month periods ended September 30, 2010 are not necessarily indicative of the operating results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2009 included in the Annual Report of Steven Madden, Ltd. on Form 10-K filed with the SEC on March 12, 2010.

NOTE B – STOCK SPLIT

On March 24, 2010, the Board of Directors declared a 3-for-2 stock split of the Company's outstanding shares of common stock, effected in the form of a stock dividend on the Company's outstanding common stock. Stockholders of record at the close of business on April 20, 2010 received one additional share of Steven Madden, Ltd. common stock for every two shares of common stock owned on that date. The additional shares were distributed on May 3, 2010. Stockholders received cash in lieu of any fractional shares of common stock they otherwise would have received in connection with the dividend. All share and per share data provided herein gives effect to this stock split, applied retroactively.

NOTE C – RECENTLY ADOPTED ACCOUNTING STANDARDS

In January 2010, the Financial Accounting Standards Board ("FASB") issued new accounting guidance which expands disclosure requirements relating to fair value measurements. The guidance adds requirements for disclosing amounts of and reasons for significant transfers into and out of Levels 1 and 2 and requires gross rather than net disclosures about purchases, sales, issuance and settlements relating to Level 3 measurements. The guidance also provides clarification that fair value measurement disclosures are required for each class of assets and liabilities. Disclosures about the valuation techniques and inputs used to measure fair value for measurements that fall in either Level 2 or Level 3 are also required. The Company adopted the provisions of the guidance as of March 31, 201 0, except for disclosure about purchases, sales, issuance and settlements in the roll forward of activity in Level 3 fair value measurement, which is effective for fiscal years beginning after December 15, 2010. Disclosures are not required for earlier periods presented for comparative purposes. The new guidance affects disclosures only and, therefore, the adoption had no impact on the Company's results of operation or financial position.

A new accounting pronouncement amending the consolidation guidance relating to variable interest entities ("VIE") became effective for the Company on January 1, 2010. The new guidance replaces the current quantitative model for determining the primary beneficiary of a VIE with a qualitative approach that considers which entity has the power to direct activities that most significantly impact the VIE's performance and whether the entity has an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The adoption of the accounting pronouncement had no material impact on the Company's Condensed Consolidated Financial Statements.

NOTE D – USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

($ in thousands except share and per share data)

NOTE D – USE OF ESTIMATES (CONTINUED)

Significant areas involving management estimates include allowances for bad debts, returns and customer chargebacks, and deferred tax asset valuation allowance. The Company provides reserves on trade accounts receivable and due from factors 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 E – DUE TO AND FROM FACTOR

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. ("Rosenthal"). Under the agreement, the Company can request advances from Rosenthal of up to 85% of aggregate receivables factored by Rosenthal. The agreement provides the Company with a credit facility in the amount of $30,000, having a sub-limit of $15,000 on the aggregate face amount of letters of credit, at an interest rate that, at the Company's election, is tied to either the prime rate or LIBOR.

NOTE F – NOTES RECEIVABLE

As of September 30, 2010, Notes Receivable were comprised of the following:

Due from Bakers Footwear Group, Inc.	$	4,009
Due from Betsey Johnson LLC		29,186
Total	$	33,195

On August 26, 2010, the Company entered into a Debenture and Stock Purchase Agreement with Bakers Footwear Group, Inc. ("Bakers") pursuant to which the Company paid $5,000 to acquire a subordinated debenture in the principal amount of $5,000 and 1,844,860 unregistered shares of Bakers common stock which trades on the Over-the-Counter Bulletin Board. The Company allocated $996 of the purchase price to the common stock and $4,004 to the subordinated debenture. The debenture, which has an interest rate of 11% payable quarterly in cash, is payable in four equal installments of $1,250 due on August 31, 2017, 2018, 2019 and 2020. The difference between the $4,004 purchase price of the debenture and the $5,000 principal amount of the debenture is considered original issue discount and is being amor tized over the life of the debenture. As of September 30, 2010, the total amount of the discount amortized was $5 bringing the value of the note to $4,009.

On August 27, 2010, the Company purchased from various members of a loan syndicate their respective participations in a term loan in the aggregate outstanding principal amount of $48,750 (the "Loan") made by the syndicate lenders to Betsey Johnson LLC ("Betsey Johnson"). The Loan was originally made to Betsey Johnson pursuant to a Loan and Security Agreement dated as of August 20, 2007 (the "Syndicate Loan Agreement") between Betsey Johnson and the syndicate lenders, which provided Betsey Johnson a term loan of $50,000. The Syndicate Loan Agreement contemplated repayment of principal in quarterly installments of varying amounts over the course of the loan with a final installment on August 20, 2012 and interest accruing at a rate equal to the greater of 10% or LIBOR plus 5%. 0; The Loan, which was secured by a first priority security interest on substantially all assets of Betsey Johnson, was in default on the date of purchase. The aggregate purchase price paid by the Company to the syndicate lenders for their participations in the Loan was $29,186, including transaction costs. On October 5, 2010, the Company entered into a Restructuring Agreement with Betsey Johnson to effect a restructuring of the Loan. See Note S for a description of the restructuring of the Loan. In addition, on October 5, 2010, the Company made a new secured term loan to Betsey Johnson in the principal amount of $3,000 at an interest rate of 8% per annum. The principal amount and all accrued interest on the term loan will become due on December 31, 2015. The term loan is secured by a first priority security interest on substantially all of the remaining properties and assets of Betsey Johnson.

NOTE G – NOTE RECEIVABLE – RELATED PARTY

On June 25, 2007, the Company made a loan to Steve Madden, its Creative and Design Chief and a principal stockholder of the Company, in the amount of $3,000, in order for Mr. Madden to satisfy a personal tax obligation resulting from the exercise of options that were due to expire and retain the underlying Company common stock, which he pledged to the Company as collateral to secure the loan. Mr. Madden executed a secured promissory note in favor of the Company bearing interest at an annual rate of 8% which was due on the earlier of the date Mr. Madden ceases to be employed by the Company or December 31, 2007. An amendment to the note dated December 19, 2007 extended the due date to March 31, 2009, and a second amendment dated April 1, 2009 changed the interest rate to 6% and extended the due date of both principa l and interest to June 30, 2015. As of September 30, 2010, $791 of interest has accrued on the note and has been reflected on the Company's Condensed Consolidated Financial Statements. Due to the 3-for-2 stock split effected on May 3, 2010 (see Note B above) the number of shares securing the loan increased from 510,000 shares to 765,000 shares. Based upon the increase in the market value of the Company's common stock since the inception of the loan, on July 12, 2010, the Company determined to release from its security interest 555,000 shares of the Company's common stock, retaining 210,000 shares with a total market value on that date of $6,798, as collateral for the loan.

NOTE H – MARKETABLE SECURITIES

Marketable securities consist primarily of corporate and U.S. government and federal agency bonds with maturities greater than three months and up to six years at the time of purchase. 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 nine-month periods ended September 30, 2010, the amortization of bond premiums totals $320 and $822, respectively, compared to $396 and $563 for the comparable periods in 2009. & #160;The values of these securities may fluctuate as a result of changes in market interest rates and credit risk.

NOTE I – FAIR VALUE MEASUREMENT

The Company adopted the provisions of FASB ASC 820-10, "Fair Value Measurements and Disclosures" ("ASC 820-10") for financial assets and liabilities effective January 1, 2008, and adopted ASC 820-10 for non-financial assets and non-financial liabilities effective January 1, 2009. 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.

($ in thousands except share and per share data)

NOTE I – FAIR VALUE MEASUREMENT (CONTINUED)

The Company's financial assets subject to fair value measurements as of September 30, 2010 are as follows:

		Fair Value Measurements Using Fair Value Hierarchy		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash equivalents	$ 1,047	$ 1,047	$ —	$ —
Current marketable securities – available for sale	20,395	20,395	—	—
Investment in Bakers	996	—	996	—
Note receivable – Bakers	4,009	—	—	4,009
Note receivable – Betsey Johnson	29,186	—	—	29,186
Long-term marketable securities – available for sale	103,179	103,179	—	—
Total assets	$ 158,812	$ 124,621	$ 996	$ 33,195
Liabilities:				
Contingent consideration	$ 12,000	—	—	$ 12,000
Total liabilities	$ 12,000	—	—	$ 12,000

The Company's financial assets subject to fair value measurements as of December 31, 2009 are as follows:

		Fair Value Measurements Using Fair Value Hierarchy		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Cash equivalents	$ 30,962	$ 30,962	—	—
Current marketable securities – available for sale	17,971	17,971	—	—
Long-term marketable securities – available for sale	67,713	67,713	—	—
Total	$ 116,646	$ 116,646	—	—

Pursuant to the Debenture and Stock Purchase Agreement with Bakers (see Note F), the Company received 1,844,860 unregistered shares of Bakers common stock, which trades on the OTC Bulletin Board. These shares, which are thinly traded, were valued using the quoted price of similar registered shares of Bakers common stock adjusted for the effect of the transfer restriction, considering factors such as the nature and duration of the transfer restriction, the volatility of the stock and the risk free interest rate. The shares are included in deposits and other assets on the Company's Condensed Consolidated Balance Sheet. For the note receivable due from Bakers (see note F), which was purchased at a substantial discount, the carrying value was determined to be the fair value. The note receiv able due from Betsey Johnson (see Note F), which was in default on the date of purchase, was valued using the estimated fair value of the collateral. On October 5, 2010, the Company entered into a Restructuring Agreement with Betsey Johnson to effect a restructuring of the Loan. See Note S for a description of the restructuring of the Loan. No gains or losses resulting from the fair value measurement of financial assets were included in the Company's earnings. The Company has recorded a liability for contingent consideration as a result of the February 10, 2010 acquisition of Big Buddha, Inc. (see Note S). The contingent consideration may be paid to the seller of Big Buddha based on the financial performance of Big Buddha for each of the twelve-month periods ending on March 31, 2011, 2012 and 2013. The fair value of the contingent payments was estimated using the present value of management's projections of the financial results of Big Buddha duri ng the earn-out period.

NOTE I – FAIR VALUE MEASUREMENT (CONTINUED)

In April 2009, the FASB issued additional guidance for estimating fair value in accordance with ASC Topic 820. The additional guidance addresses determining fair value when the volume and level of activity for an asset or liability have significantly decreased and identifying transactions that are not orderly. The adoption of this guidance did not have a material effect on the Company's Condensed Consolidated Financial Statements.

The Company adopted the provisions of FASB ASC 825-10, "Financial Instruments" ("ASC 825-10") on January 1, 2008. ASC 825-10 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that chose different measurement attributes for similar assets and liabilities. The Company has elected not to measure any eligible items at fair value.

NOTE J – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of certain financial instruments such as accounts receivable, due from factors and accounts payable approximate their fair values due to their short-term nature of their underlying terms. The fair values of the financial instruments and investments are determined by reference to market data and other valuation techniques, as appropriate. Fair value of the note receivable – related party approximates its carrying value based upon its interest rate, which approximates current market interest rates.

NOTE K – INVENTORIES

Inventories, which consist of finished goods on hand and in transit, are stated at the lower of cost (first-in, first-out method) or market.

NOTE L – REVENUE RECOGNITION

The Company recognizes revenue on wholesale sales when products are shipped pursuant to its standard terms which are freight on board ("FOB") warehouse or when products are delivered to the consolidators as per the terms of the customers' purchase order. Sales reductions for anticipated discounts, allowances and other deductions are recognized during the period when sales are recorded. Customers retain the right to replacement of the product for poor quality or improper or short shipments, which have historically been immaterial. Retail sales are recognized when the payment is received from customers and are recorded net of returns. The Company also generates commission income acting as a buying agent by arranging to manufacture private label shoes to the specifications of i ts clients. The Company's commission revenue includes partial recovery of its design, product and development costs for the services provided to certain suppliers in connection with the Company's private label business. Commission revenue and product and development cost recoveries 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 trademarks for use in connection with the manufacturing, marketing and sale of cold weather accessories, sunglasses, eyewear, outerwear, bedding hosiery, women's fashion apparel and jewelry. The license agreements require the licensee to pay the Company a royalty and, in substantially all of the agreements, an advertising fee 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 on the purchases of the Company's products. Licensing revenue is recognized on the basis of net sales reported by the licensees and international distributors, or the minimum guaranteed royalties, if higher. In substantially all of the Company's license agreements, the minimum guaranteed royalty is earned and payable on a quarterly basis.

NOTE M – TAXES COLLECTED FROM CUSTOMERS

The Company accounts for certain taxes collected from its customers in accordance with the accounting guidance which permits companies to adopt a policy of presenting taxes in the income statement on either a gross basis (included in revenues and costs) or net basis (excluded from revenues). Taxes within the scope of the accounting guidance would include taxes that are imposed on a revenue transaction between a seller and a customer, for example, sales taxes, use taxes, value-added taxes and some types of excise taxes. The Company has consistently recorded all taxes on a net basis.

NOTE N – SALES DEDUCTIONS

The Company supports retailers' initiatives to maximize the sales of its 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 product which is charged back to the responsible factory. Such expenses are reflected in the Condensed Consolidated Statement of Income as deductions to sales. For the three- and nine-month periods ended September 30, 2010, the deduction to sales for these expenses as a total dollar amount and as a percentage of gross sales was $10,331 or 6.3% and $25,515 or 6.2%, respectively, as compared to $6,593 or 5.6% and $20,185 or 6.7% for the comparable periods in 2009.

NOTE O – COST OF SALES

All costs incurred to bring finished products to the Company's distribution center and, in the Retail segment, the costs to bring products to the Company's stores, are included in the cost of sales line on the Condensed Consolidated Statement of Income. These include the cost of finished products, purchase commissions, letter of credit fees, brokerage fees, sample expenses, custom duty, inbound freight, royalty payments on licensed products, labels and product packaging. All warehouse and distribution costs related to the Wholesale segments and freight to customers, if any, are included in the operating expenses line item of the Company's Condensed Consolidated Statement of Income. The Company's gross margins may not be comparable to those of other companies in the industry becau se some companies may include warehouse and distribution costs, as well as other costs excluded from cost of sales by the Company, as a component of cost of sales, while other companies report on the same basis as the Company and include them in operating expenses.

NOTE P – INCOME TAXES

The Company's effective income tax rate for the nine months ended September 30, 2010 and 2009 was 40.2% and 38.3%, respectively. The increase in the effective income tax rate is substantially attributable to increases in state and local taxes, among other matters, including revisions of allocation formulas by some tax jurisdictions resulting in the Company having higher taxable income in those jurisdictions.

NOTE Q – NET INCOME PER SHARE OF COMMON STOCK

Basic income per share is based on the weighted average number of shares of common stock outstanding during the period. Diluted 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 treasury stock at the average market price during the period, and (b) the vesting of granted nonvested restricted stock awards for which the assumed proceeds upon grant are deemed to be the amount of compensation cost attributable to future services and are not yet recognized using the treasury stock method, to the extent dilutive. For both the three- and nine-month periods ended September 30, 2010, options to purchase 177,100 shares of the Company's common stock have been excluded from the ca lculation because inclusion of such shares would be anti-dilutive as compared with options to purchase 32,000 and 136,000 shares of the Company's common stock that have been excluded from the calculation for the three and nine months ended September 30, 2009.

($ in thousands except share and per share data)

NOTE R – STOCK-BASED COMPENSATION

In March 2006, the Board of Directors approved the Steven Madden, Ltd. 2006 Stock Incentive Plan (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 stockholders approved the Plan on May 26, 2006. On May 25, 2007, the stockholders approved an amendment to the Plan to increase the maximum number of shares that may be issued under the Plan from 1,800,000 to 2,325,000. On May 22, 2009, the stockholders approved a second amendment to the Plan that increased the maximum number of shares that may be issued under the Plan to 6,096,000. 60;The following table summarizes the number of shares of common stock authorized for issuance under the Plan, the amount of stock-based awards issued (net of expired or cancelled) 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	6,096,000
Stock based awards, including restricted stock and stock options granted, net of expired or cancelled	3,460,000
Common Stock available for grant of stock based awards as of September 30, 2010	2,636,000

Total equity-based compensation for the three and nine months ended September 30 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Restricted stock	**$ 1,110**	$ 1,087	**$ 3,440**	$ 3,268
Stock options	**1,177**	472	**2,523**	1,064
Total	**$ 2,287**	$ 1,559	**$ 5,963**	$ 4,332

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 both the three- and nine-month periods ended September 30, 2010 and 2009 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Proceeds from stock options exercised	**$ 485**	$ 345	**$ 2,398**	$ 1,556
Intrinsic value of stock options exercised	**$ 808**	$ 396	**$ 5,422**	$ 1,557

During the three and nine months ended September 30, 2010, approximately 51,000 and 316,000 options vested with a weighted average exercise price of $22.46 and $15.40, respectively. During the three and nine months ended September 30, 2009, 21,000 and 120,000 options vested with a weighted average exercise price of $12.10 and $12.18, respectively. As of September 30, 2010, there were 1,559,000 unvested options with a total of $10,752 of unrecognized compensation cost and a weighted average vesting period of 3.1 years. As of September 30, 2009, there were 1,241,000 unvested options with a total of $5,376 of unrecognized compensation cost and a weighted average vesting period of 3.4 years.

($ in thousands except share and per share data)

NOTE R – STOCK-BASED COMPENSATION (CONTINUED)

The Company estimates the fair value of options granted using the Black-Scholes option-pricing model, 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. With the exception of a special dividend paid in November of 2005 and 2006, the Company historically has not paid dividends and thus the expected dividend rate is assumed to be zero. The following weighted average assumptions were used for stock options granted:

	Nine Months Ended September 30,	
	2010	2009
Expected volatility	47.2% to 52.4%	49.2% to 52.1%
Risk-free interest rate	1.08% to 2.16%	1.39% to 2.09%
Expected life (in years)	2.8 to 4.4	3.4 to 3.9
Expected dividend yield	None	None
Weighted average fair value	$ 12.68	$ 5.78

Activity relating to stock options granted under the Company's plans during the nine months ended September 30, 2010 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2010	1,615,000	$ 13.68		
Granted	621,000	33.40		
Exercised	(231,000)	10.81		
Cancelled/Forfeited	(26,000)	22.56		
Outstanding at September 30, 2010	1,980,000	$ 20.09	5.3	$ 41,512
Exercisable at September 30, 2010	421,000	$ 13.19	4.1	$ 11,721

($ in thousands except share and per share data)

NOTE R – STOCK-BASED COMPENSATION (CONTINUED)

Restricted Stock

The following table summarizes restricted stock activity during the nine months ended September 30, 2010 and 2009:

	2010		2009	
	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	**447,000**	**$ 20.97**	358,000	$ 29.53
Granted	**118,000**	**30.50**	23,000	22.19
Vested	**(191,000)**	**20.02**	(131,000)	29.58
Forfeited	**(10,000)**	**28.49**	(1,000)	34.05
Non-vested at September 30	**363,000**	**$ 22.01**	249,000	$ 28.79

As of September 30, 2010, there was $6,046 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 2.4 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.

NOTE S – ACQUISITIONS

Betsey Johnson intellectual property

On October 5, 2010, the Company acquired from Betsey Johnson, among other things, the Betsey Johnson® and Betseyville® trademarks through a series of transactions. First, on August 27, 2010, the Company purchased from various members of a loan syndicate their respective participations in a term loan in the aggregate outstanding principal amount of $48,750 (the "Loan") made by the syndicate lenders to Betsey Johnson. The aggregate purchase price paid by the Company to the syndicate lenders for their participation in the Loan was $29,186, including transaction costs. The Loan was in default on the date of purchase. See Notes F and I for additional disclosure on the Loan. Then, on October 5, 2010, the Company entered into a Restructuring Agreement with Betsey Johnson to effect a restructuring of the Loan. Pursuant to the Restructuring Agreement, in consideration of the elimination of the total amounts owed under the Loan, the Company acquired (a) substantially all trademarks, brand names, logos, business names, patents, copyrights and other intellectual property, including the right to receive royalties and other income with respect to the Betsey Johnson® and related marks and brands, (b) certain intellectual property licenses and other contracts of Betsey Johnson (c) a lease for an outlet store located in Riverhead, NY, and (d) a number of Class B Preferred Shares of Betsey Johnson constituting 10% of the issued and outstanding shares of Betsey Johnson. The total purchase price of $29,186, which is currently included in the notes receivable line of the Company's Condensed Consolidated Balance Sheets, will be allocated to the various acquired assets upon the completion of the Company's valuation of the fair value of these assets. Prior to its entry into the Restructuring Agreement with Betsey Johnson, the Company had licensed from Betsey Johnson the right to use the Betsey Johnson® and Betseyville® trademarks in connection with the sale and marketing of handbags, small leather goods, belts and umbrellas.

($ in thousands except share and per share data)

NOTE S – ACQUISITIONS (CONTINUED)

Big Buddha

On February 10, 2010, the Company acquired all of the outstanding shares of stock of privately held Big Buddha, Inc. ("Big Buddha") from its sole stockholder ("Seller"). Founded in 2003, Big Buddha designs and markets fashion-forward handbags to specialty retailers and better department stores. Management believes that Big Buddha is a strategic fit for the Company. The acquisition was completed for consideration of $11,119 in cash, net of cash acquired, plus contingent payments pursuant to an earn-out agreement with the Seller. The earn-out agreement provides for potential payments to the Seller based on the financial performance of Big Buddha handbags for each of the twelve-month periods ending on March 31, 2011, 2012 and 2013. The fair value of the c ontingent payments was estimated using the present value of management's projections of the financial results of Big Buddha during the earn-out period. As of September 30, 2010, the Company estimates the fair value of the contingent consideration to be $12,000.

The transaction was accounted for using the acquisition method required by GAAP. Accordingly, the assets and liabilities of Big Buddha were adjusted to their fair values, and the excess of the purchase price over the fair value of the assets acquired, 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:

Accounts receivable	$	668
Inventory		1,212
Prepaid expenses and other current assets		102
Trade name		4,100
Customer relationships		4,900
Non-compete agreement		450
Accounts payable		(171)
Accrued expenses		(442)
Total fair value excluding goodwill		10,819
Goodwill		12,300
Net assets acquired	$	23,119

The purchase price and related allocation are preliminary and may be revised as a result of adjustments made to the purchase price as additional information regarding assets and liabilities require. Contingent consideration classified as a liability will be remeasured at fair value at each reporting date, until 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.

The Company incurred approximately $430 in acquisition related costs applicable to the Big Buddha transaction during the nine months ended September 30, 2010. These expenses are included in operating expenses in the Company's Condensed Consolidated Statements of Income.

The results of operations of Big Buddha have been included in the Company's Condensed Consolidated Statements of Income from the date of the acquisition. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the Company's consolidated results.

($ in thousands except share and per share data)

NOTE S – ACQUISITIONS (CONTINUED)

Zone 88 and Shakedown Street

On July 8, 2009, the Company acquired certain of the assets constituting the Zone 88 and Shakedown Street (together "Zone 88") lines of SML Brands, LLC, a subsidiary of Aimee Lynn, Inc. SML Brands designs, sources and markets primarily private label accessories and licensed brands, principally handbags, belts and small leather goods, for mass merchants and mid-tier retailers. The acquisition was completed for $1,348 in cash. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates. The Company allocated $220 to current assets, $409 to the value of customer relationships, $841 to goodwill and $122 to liabilities assumed. The value of customer rel ationships is being amortized over ten years. The results of operations of Zone 88 have been included in the Company's Condensed Consolidated Statements of Income from the date of the acquisition. Unaudited pro forma information related to this acquisition is not included, as the impact of this transaction is not material to the Company's consolidated results.

NOTE T – GOODWILL AND INTANGIBLE ASSETS

The following is a summary of the carrying amount of goodwill by segment for the nine months ended September 30, 2010:

	Wholesale			Net Carrying
	Footwear	Accessories	Retail	Amount
Balance at January 1, 2010	$ 1,547	$ 17,265	$ 5,501	$ 24,313
Acquisition of Big Buddha	0	12,300	0	12,300
Balance at September 30, 2010	$ 1,547	$ 29,565	$ 5,501	$ 36,613

The following table details identifiable intangible assets as of September 30, 2010:

	Estimated Lives	Cost Basis	Accumulated Amortization	Net Carrying Amount
Trade name	6–10 years	$ 4,300	$ 432	$ 3,868
Customer relationships	10 years	11,709	2,871	8,838
License agreements	3–6 years	5,600	4,833	767
Non-compete agreement	5 years	1,380	758	622
Other	3 years	14	14	—
		$ 23,003	$ 8,908	$ 14,095

($ in thousands except share and per share data)

NOTE T – GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

The estimated future amortization expense of purchased intangibles as of September 30, 2010 is as follows:

2010 (remaining three months)	$ 734
2011	2,412
2012	1,673
2013	1,673
2014	1,673
Thereafter	5,930
	$ 14,095

NOTE U – COMPREHENSIVE INCOME

Comprehensive income for the three- and nine-month periods ended September 30, 2010 includes unrealized gains on marketable securities of $1,090 and $1,746, and was $24,006 and $59,846, respectively. Comprehensive income for the comparable periods ended September 30, 2009 includes unrealized gains on marketable securities of $730 and $1,029, and was $18,561 and $37,581, respectively.

NOTE V – COMMITMENTS, CONTINGENCIES AND OTHER

Legal proceedings:

(a) As previously disclosed, on June 24, 2009, The Center For Environmental Health filed a lawsuit, *Center for Environmental Health v. Lulu NYC, LLC, Steve Madden, Ltd., Steve Madden Retail, Inc., et al.*, Case No. RG09459448, in California Superior Court, Alameda County, against the Company and dozens of other California retailers and vendors of leather, vinyl and/or imitation leather handbags, belts and shoes alleging that the retailers and vendors failed to warn that certain of such products may expose California citizens to lead and lead compounds. The parties have finalized the substance of a consent judgment, the terms of which are not material to the Company's Condensed Consolidated Financial Statements.

(b) As previously disclosed, on June 24, 2009, a class action lawsuit, Shahrzad Tahvilian, et al. v. Steve Madden Retail, Inc. and Steve Madden, Ltd., Case No. BC 414217, was filed in the Superior Court of California, Los Angeles County, against the Company and its wholly-owned subsidiary alleging violations of California labor laws including, among other things, failure to provide mandated meal breaks and overtime pay to employees as required. The parties have agreed to resolve the dispute in private mediation and, on August 31, 2010, entered into a memorandum of understanding which remains subject to court approval. The memorandum of understanding is not expected to be submitted to the court for approval until early 2011. Based on the proposed settlement, the Company has increased its reserve for this claim from $1,000 t o $2,750.

NOTE V – COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

(c) As previously disclosed, 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 notified the Company's legal counsel that a formal investigation of the Company's importing practices had been commenced as a result of the audit. In September of 2007, U.S. Customs notified the Company that it had finalized its assessment of the underpaid duties at $1,400. The Company, with t he 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 $3,045, and accordingly, a reserve for this amount was recorded 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, Office of Regulations and Rulings, under internal advice procedures. On September 20, 2010, the Company was advised by legal counsel that U.S. Customs had 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 also ruled that beginning in February of 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. Currently, the Company is reviewing the ruling, its consequences and the Company's options with its legal counsel. On the basis of the U.S. Customs ruling, the Company has reevaluated the liability in the case and believes that it is not likely to exceed $1,248 and the reserve has been reduced from $3,045 to such amount as of September 30, 2010.

(d) 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 condition 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 W – 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 and specialty stores worldwide, derives revenue 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, derives revenue from sales to department, mid-tier and specialty stores worldwide. The Retail segment, through the operation of Company owned retail stores and the Company's website, 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 which earns commissions for serving as a buying agent and as a selling agent of footwear products to mass-market merchandisers, mid-tier department stores and other retailers with respect to their purchase of footwear. In the License segment, the Company licenses its Steve Madden® and Steven by Steve Madden® trademarks for use in connection with the manufacturing, marketing and sale of cold weather accessories, sunglasses, eyewear, outerwear, bedding, hosiery and women's fashion apparel and jewelry.

($ in thousands except share and per share data)

NOTE W – OPERATING SEGMENT INFORMATION (CONTINUED)

As of and three months ended,	Wholesale Footwear	Wholesale Accessories	**Total Wholesale**	**Retail**	**First Cost**	**Licensing**	**Consolidated**
September 30, 2010:							
Net sales to external customers	$ 123,251	$ 29,801	**$ 153,052**	**$ 31,066**			**$ 184,118**
Gross profit	48,362	11,095	**59,457**	**18,051**			**77,508**
Commissions and licensing fees - net	**—**	**—**	**—**	**—**	**$ 5,617**	**$ 970**	**6,587**
Income (loss) from operations	27,503	5,043	**32,546**	**(1,745)**	**5,617**	**970**	**37,388**
Segment assets	$ 302,842	$ 72,078	**374,920**	**42,964**	**12,130**	**—**	**430,014**
Capital expenditures			**$ 337**	**$ 711**	**$ —**	**$ —**	**$ 1,048**
September 30, 2009:							
Net sales to external customers	$ 92,205	$ 19,752	$ 111,957	$ 28,181			$ 140,138
Gross profit	38,979	7,141	46,120	15,556			61,676
Commissions and licensing fees - net	—	—	—	—	$ 4,974	$ 752	5,726
Income (loss) from operations	20,100	3,129	23,229	(641)	4,974	752	28,314
Segment assets	$ 219,140	$ 42,139	261,279	46,452	8,559	—	316,290
Capital expenditures			$ 328	$ 410	$ —	$ —	$ 738

As of and nine months ended,	Wholesale Footwear	Wholesale Accessories	**Total Wholesale**	**Retail**	**First Cost**	**Licensing**	**Consolidated**
September 30, 2010:							
Net sales to external customers	$ 310,176	$ 75,161	**$ 385,337**	**$ 89,053**			**$ 474,390**
Gross profit	123,929	29,308	**153,237**	**53,057**			**206,294**
Commissions and licensing fees - net	**—**	**—**	**—**	**—**	**$ 14,976**	**$ 3,024**	**18,000**
Income (loss) from operations	65,045	12,169	**77,214**	**(914)**	**14,976**	**3,024**	**94,300**
Segment assets	$ 302,842	$ 72,078	**374,920**	**42,964**	**12,130**	**—**	**430,014**
Capital expenditures			**$ 814**	**$ 1,466**	**$ —**	**$ —**	**$ 2,280**
September 30, 2009:							
Net sales to external customers	$ 231,610	$ 49,829	$ 281,439	$ 82,600			$ 364,039
Gross profit	93,126	16,451	109,577	45,149			154,726
Commissions and licensing fees - net	—	—	—	—	$ 13,431	$ 2,562	15,993
Income (loss) from operations	41,765	5,929	47,694	(5,697)	13,431	2,562	57,990
Segment assets	$ 219,140	$ 42,139	261,279	46,452	8,559	—	316,290
Capital expenditures			$ 753	$ 1,650	$ —	$ —	$ 2,403

($ in thousands except share and per share data)

NOTE W – OPERATING SEGMENT INFORMATION (CONTINUED)

Revenues by geographic area for the three- and nine-month periods ended September 30 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	**2009**	**2010**	**2009**
Domestic	**$ 172,334**	$ 134,206	**$ 448,993**	$ 347,758
International	**11,784**	5,932	**25,397**	16,281
Total	**$ 184,118**	$ 140,138	**$ 474,390**	$ 364,039

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

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the unaudited Financial Statements and Notes thereto appearing elsewhere in this Quarterly Report.

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, 2009. 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 and earnings per share)

Steven Madden, Ltd. and its subsidiaries (the "Company") designs, sources, markets and retails fashion-forward footwear and accessories for women, men and children. We distribute products through department stores, specialty stores, luxury retailers, national chains, mass merchants, our retail stores and our e-commerce website throughout the United States as well as through special distribution arrangements in Canada, Europe, Central and South America, Australia and Asia. Our product line includes a broad range of updated styles which are designed to establish or capitalize on market trends, complemented by core products. We have established a reputation for our creative designs, popular styles and quality products at affordable price points.

On March 24, 2010, the Board of Directors declared a 3-for-2 stock split of the Company's outstanding shares of common stock, effected in the form of a stock dividend on the Company's outstanding common stock. Stockholders of record at the close of business on April 20, 2010 received one additional share of Steven Madden Ltd. common stock for every two shares of common stock owned on this date. The additional shares were distributed on May 3, 2010. Stockholders received cash in lieu of any fractional shares of common stock they otherwise would have received in connection with the dividend. All share and per share data provided herein gives effect to this stock split, applied retroactively.

On October 5, 2010, the Company acquired from Betsey Johnson LLC ("Betsey Johnson"), among other things, the Betsey Johnson® and Betseyville® trademarks through a series of transactions. First, on August 27, 2010, we purchased from various members of a loan syndicate their respective participations in a term loan in the aggregate outstanding principal amount of $48,750 (the "Loan") made by the syndicate lenders to Betsey Johnson. The Loan was originally made by the syndicate lenders to Betsey Johnson pursuant to a Loan and Security Agreement dated as of August 20, 2007 and provided for a maximum term loan amount of $50,000. The aggregate purchase price paid by the Company to the syndicate lenders for their participations in the Loan was $29,186 including transaction costs. &# 160;The Loan, which was secured by a first priority security interest on substantially all assets of Betsey Johnson, was in default on the date of purchase. Then, on October 5, 2010, we entered into a Restructuring Agreement with Betsey Johnson. Pursuant to the Restructuring Agreement, in consideration of the elimination of all amounts owed under the Loan and Security Agreement, we acquired (i) the trademarks and other intellectual property of Betsey Johnson, including Betsey Johnson® and other related brand names, (ii) certain intellectual property licenses and (iii) a 10% equity interest in Betsey Johnson. Management believes that Betsey Johnson® is an iconic brand that offers meaningful growth opportunity for our business. Prior to its entry into the Restructuring Agreement, Betsey Johnson had licensed to the company the right to use the Betsey Johnson® and Betseyville® trademarks in connection with the sale and marketing of handbags, small leather good s and belts.

Regarding our financial results, we achieved the highest quarterly sales and earnings results in the Company's history during the third quarter of 2010. Our consolidated net sales increased 31% to $184,118 in the third quarter of 2010 when compared to consolidated net sales of $140,138 achieved in the same period of last year. Net income increased 29% in the third quarter of this year to $22,916, compared with $17,831 in the same period last year. Diluted earnings per share for the third quarter of 2010 increased 27% to $0.81 per share on 28,235,000 diluted weighted average shares outstanding compared to $0.64 per share on 27,674,000 diluted weighted average shares outstanding in the third quarter of last year.

In our Retail Segment, same store sales (sales of those stores, including the e-commerce website, that were in operation throughout the third quarters of 2010 and 2009) increased 15.7%. As of September 30, 2010, we had 82 stores in operation, compared to 88 stores as of September 30, 2009. During the twelve months ended September 30, 2010, sales per square foot was $710 compared to $628 achieved in the same period of 2009.

As of September 30, 2010, our total inventory increased to $44,485 from $29,678 as of September 30, 2009, and our annualized inventory turnover improved to 9.7 in the third quarter of 2010 from 9.5 times in the third quarter of 2009. Our accounts receivable average days outstanding was 55 days in the third quarter of 2010 compared to 52 days in the third quarter of the previous year. As of September 30, 2010, we had $152,619 in cash, cash equivalents and marketable securities, no short- or long-term debt, and total stockholders' equity of $333,591.

The following tables set forth certain selected financial information relating to results of operations for the periods indicated:

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

		2010			2009	
CONSOLIDATED:						
Net sales	**$**	**184,118**	**100%**	$	140,138	100%
Cost of sales		**106,610**	**58**		78,462	56
Gross profit		**77,508**	**42**		61,676	44
Other operating income – net of expenses		**6,587**	**4**		5,726	4
Operating expenses		**46,707**	**25**		39,088	28
Income from operations		**37,388**	**20**		28,314	20
Interest and other income, net		**1,201**	**1**		488	1
Income before income taxes		**38,589**	**21**		28,802	21
Net income		**22,916**	**12**		17,831	13
By Segment:						
WHOLESALE FOOTWEAR SEGMENT:						
Net sales	**$**	**123,251**	**100%**	$	92,205	100%
Cost of sales		**74,889**	**61**		53,226	58
Gross profit		**48,362**	**39**		38,979	42
Operating expenses		**20,859**	**17**		18,879	20
Income from operations		**27,503**	**22**		20,100	22
WHOLESALE ACCESSORIES SEGMENT:						
Net sales	**$**	**29,801**	**100%**	$	19,752	100%
Cost of sales		**18,706**	**63**		12,611	64
Gross profit		**11,095**	**37**		7,141	36
Operating expenses		**6,052**	**20**		4,012	20
Income from operations		**5,043**	**17**		3,129	16
RETAIL SEGMENT:						
Net sales	**$**	**31,066**	**100%**	$	28,181	100%
Cost of sales		**13,015**	**42**		12,625	45
Gross profit		**18,051**	**58**		15,556	55
Operating expenses		**19,796**	**64**		16,197	57
Loss from operations		**(1,745)**	**(6)**		(641)	(2)
Number of stores		**82**			88	
FIRST COST SEGMENT:						
Other commission income – net of expenses	**$**	**5,617**	**100%**	$	4,974	100%
LICENSING SEGMENT:						
Licensing income – net of expenses	**$**	**970**	**100%**	$	752	100%

Selected Financial Information
Nine Months Ended
September 30
($ in thousands)

	2010		2009	
CONSOLIDATED:				
Net sales	**$ 474,390**	**100%**	$ 364,039	100%
Cost of sales	**268,096**	**57**	209,313	57
Gross profit	**206,294**	**43**	154,726	43
Other operating income – net of expenses	**18,000**	**4**	15,993	4
Operating expenses	**129,994**	**27**	112,729	31
Income from operations	**94,300**	**20**	57,990	16
Interest and other income – net	**2,927**	**1**	1,252	0
Income before income taxes	**97,227**	**20**	59,242	16
Net income	**58,100**	**12**	36,552	10
By Segment:				
WHOLESALE FOOTWEAR SEGMENT:				
Net sales	**$ 310,176**	**100%**	$ 231,610	100%
Cost of sales	**186,247**	**60**	138,484	60
Gross profit	**123,929**	**40**	93,126	40
Operating expenses	**58,884**	**19**	51,361	22
Income from operations	**65,045**	**21**	41,765	18
WHOLESALE ACCESSORIES SEGMENT:				
Net sales	**$ 75,161**	**100%**	$ 49,829	100%
Cost of sales	**45,853**	**61**	33,378	67
Gross profit	**29,308**	**39**	16,451	33
Operating expenses	**17,139**	**23**	10,522	21
Income from operations	**12,169**	**16**	5,929	12
RETAIL SEGMENT:				
Net sales	**$ 89,053**	**100%**	$ 82,600	100%
Cost of sales	**35,996**	**40**	37,451	45
Gross profit	**53,057**	**60**	45,149	55
Operating expenses	**53,973**	**61**	50,846	62
Loss from operations	**(914)**	**(1)**	(5,697)	(7)
Number of stores	**82**		88	
FIRST COST SEGMENT:				
Other commission income – net of expenses	**$ 14,976**	**100%**	$ 13,431	100%
LICENSING SEGMENT:				
Licensing income – net of expenses	**$ 3,024**	**100%**	$ 2,562	100%

RESULTS OF OPERATIONS
($ in thousands)

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Consolidated:

Total net sales for the three months ended September 30, 2010 increased by 31% to $184,118 from $140,138 for the comparable period of 2009. Operating expenses increased in the third quarter of this year to $46,707 from $39,088 in the same period last year. As a percentage of sales, operating expenses decreased to 25.4% in the quarter ended September 30, 2010 compared to 27.9% for the same period of last year. Commission and licensing fee income increased to $6,587 in the third quarter of 2010 compared to $5,726 in the third quarter of 2009. In the third quarter of 2010, income from operations increased 32% to $37,388 and net income increased 29% to $22,916 compared to an income from operations of $28,314 and a net income of $17,831 in the same period last year.

Wholesale Footwear Segment:

Net sales from the Wholesale Footwear segment accounted for $123,251 or 67%, and $92,205 or 66% of our total net sales for the third quarters of 2010 and 2009, respectively. This 34% increase in net sales was driven by double-digit net sales increases in our Madden Girl, Madden Men's, International, Kids and Elizabeth and James divisions. The net sales growth in Madden Girl is primarily due to the overwhelming success of boots and booties during the quarter. In our Steve Madden Men's division, the sales increase is primarily due to the strong performance of the casual shoe and dress shoe categories during the quarter. In addition, our new men's line, Madden, has realized a better than expected launch, and has contributed to the net sales growth in the Men's division. T he net sales increase in our International division was propelled by the division's significant growth trend in Eastern Asia combined with net sales increases in Canada and Mexico as well as an expansion into new countries. Strong boot sales resulted in a net sales increase in our Kids division. Our Elizabeth and James division also experienced an increase in net sales driven by a deeper market penetration. In addition, our two new divisions, Material Girl and the expansion of our Big Buddha brand into shoes, both of which began shipping merchandise during the third quarter, contributed to the increase in net sales. These net sales increases were partially offset by a net sales decrease in the Steve Madden Women's division.

Gross profit margin in the Wholesale Footwear segment decreased to 39.2% in the third quarter of this year from 42.3% in the same period last year. The decrease was partially due to a change in our product mix, including a growth of our international business, since our international business realizes a significantly lower gross profit margin than our other wholesale divisions. In addition, the gross profit margin decreased due to an increase in off-price sales related to a couple of product categories that did not perform up to expectation. In the third quarter of 2010, operating expenses increased to $20,859 from $18,879 in the third quarter last year. As a percentage of sales, operating expenses improved to 16.9% in the current quarter from 20.5% in the same period of last year primarily due to leverage on higher sales. Income from operations for the Wholesale Footwear Segment increased 37% to $27,503 for the three-month period ended September 30, 2010 compared to $20,100 for the three-month period ended September 30, 2009.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for $29,801 or 16%, and $19,752 or 14% of total Company net sales for the third quarters of 2010 and 2009, respectively. This 51% increase in net sales was driven by the sales contributed from our new Big Buddha division which we acquired in February of 2010. A double digit net sales increase in Steve Madden Handbags also contributed to the increase in net sales. Finally, a net sales increase in our private label Madden Zone business contributed to the net sales increase.

Gross profit margin in the Wholesale Accessories segment increased to 37.2% in the third quarter of this year from 36.2% in the same period last year, primarily due to the significantly higher gross profit margins achieved by our new Big Buddha division. In the third quarter of 2010, operating expenses increased to $6,052 compared to $4,012 in the prior year primarily due to the incremental costs related to our new Big Buddha division. Income from operations for the Wholesale Accessories segment increased to $5,043 for the quarter ended September 30, 2010, compared to $3,129 for the quarter ended September 30, 2009.

Retail Segment:

In the third quarter of 2010, net sales from the Retail Segment accounted for $31,066 or 17% of our total net sales compared to $28,181 or 20% in the same period last year. We opened two new stores and closed eight under-performing stores during the twelve months ended September 30, 2010. As a result, we had 82 retail stores as of September 30, 2010 compared to 88 stores as of September 30, 2009. The 82 stores currently in operation include 78 under the Steve Madden brand, three under the Steven brand and one e-commerce website. Comparable store sales (sales of those stores, including the e-commerce website, that were in operation throughout the third quarters of 2010 and 2009) increased 15.7% in the third quarter of this year. The net sales increase was primarily due to a decrease in promotional sales and the success of boots during the quarter. In the quarter ended September 30, 2010, gross margin increased 290 basis point to 58.1% from 55.2% in the same period of 2009, primarily due to a decrease in promotional selling. In the third quarter of 2010, operating expenses increased to $19,796 from $16,197 in the same period of last year. This increase is due partially to an increase in direct selling expense related to the increase in net sales as well as a charge for the preliminary settlement of a class action lawsuit of $1,750 (See Item 1 of Part II). Excluding the provision for the lawsuit, net income was $5 in the quarter ended September 30, 2010. Inclusive of the provision for the lawsuit, loss from operations for the Retail Segment was $1,745 in the third quarter of this year compared to a loss from operations of $641 for the same period in 2009.

First Cost Segment:

Income from operations in the First Cost Segment increased to $5,617 for the three-month period ended September 30, 2010, compared to $4,974 for the comparable period of 2009. This increase in income is due to a significant increase in private label business with several of our retail customers including Kohls, Target and Bakers. These increases were partially offset by the transition of one of the Company's mass merchant customers from a "first cost" model to a "wholesale" model that was initiated pursuant to the customer's request that the Company act as a selling agent ("wholesale" model) rather than a buying agent ("first cost" model) beginning in the first quarter of 2010.

Licensing Segment:

During the quarter ended September 30, 2010, licensing income increased to $970 from $752 in the same period of last year, primarily due to an increase in sales by several of our licensees.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

Consolidated:

Total net sales for the nine-month period ended September 30, 2010 increased by 30% to $474,390 from $364,039 for the comparable period of 2009. During the nine months ended September 30, 2010, gross margin increased to 43.5% compared to 42.5% in the same period of last year. Operating expenses increased in the nine months ended September 30, 2010 to $129,994 from $112,729 in the same period last year. Commission and licensing fee income increased to $18,000 in the first nine months of 2010 compared to $15,993 in the first nine months of 2009. During the nine months ended September 30, 2010, income from operations increased 63% to $94,300 and net income increased 59% to $58,100 compared to income from operations of $57,990 and a net income of $36,552 in the same period last year.

Wholesale Footwear Segment:

Net sales from the Wholesale Footwear segment accounted for $310,176 or 65% and $231,610 or 64% of our total net sales for the first nine months of 2010 and 2009, respectively. Our Madden Men's, Madden Girl, International, Kids and Steven divisions all achieved significant double-digit increases in the period. In our Steve Madden Men's division, the sales increase is primarily due to the strong performance of the dress and casual shoe categories during the period. In addition, our new men's line, Madden, has realized a better than expected launch, and has contributed to the net sales growth in the Men's division. The net sales growth in Madden Girl is due to the success of the dress shoes throughout the first nine months of 2010 combined with strong boot sales in the second and third quarters of the year. The net sales increase in our International division was propelled by the division's significant growth trend in Eastern Asia and expansion into new countries. Strong selling of flats and boots resulted in a net sales increase in our Kids division. In our Steven division, net sales increased primarily due to strong sales of wedges during the second quarter and strong boot sales in the first and third quarters of the year. The Elizabeth and James division, our new brand that began shipping in the second quarter of 2009, continued its growth trend primarily with upper tier retailers such as Nordstrom, Saks and Neiman Marcus. In addition, our two new divisions, Material Girl and the expansion of our Big Buddha brand into shoes, both of which began shipping during the third quarter, contributed to the increase in net sales. These sales increases were partially offset by a decrease in sales in our Steve Madden Women's division during the period.

Gross profit margin decreased 20 basis points to 40.0% in the first nine months of this year from 40.2% in the same period last year, primarily due to a change in our product mix, including growth of our international business during the third quarter, since our international business realizes a significantly lower gross profit margin than our other wholesale divisions. In the first nine months of 2010, operating expenses increased to $58,884 from $51,361 in the same period of 2009. As a percentage of sales, operating expenses improved to 18.9% in the first nine months of 2010 from 22.1% in the same period of last year primarily due to leverage on higher sales. Income from operations for the Wholesale Footwear Segment increased 56% to $65,045 for the nine-month period ended September 30, 2010 compared t o $41,765 for the same period of 2009.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for $75,161 or 16% and $49,829 or 14% of total Company net sales for the nine months ended September 30 2010 and 2009, respectively. The 51% growth in net sales in the Wholesale Accessories Segment is due to the sales contributed by our two recent acquisitions, Madden Zone, acquired in July of 2009, and Big Buddha, acquired in February of 2010. In addition, significant increases in sales of Steve Madden Handbags and private label belts were partially offset by a net sales decrease in our Betseyville® brand.

Gross profit margin in the Wholesale Accessories Segment increased 600 basis points to 39.0% in the first nine months of this year from 33.0% in the same period last year, primarily due to the significantly higher gross profit margins achieved by our new Big Buddha division combined with a change in the mix of products and lower markdown allowances. In the first nine months of 2010, operating expenses increased to $17,139 compared to $10,522 in the first nine months of 2009, primarily due to the incremental operating expenses associated with our new Madden Zone and Big Buddha divisions. Income from operations for the Wholesale Accessories segment more than doubled to $12,169 for the nine months ended September 30, 2010 compared to $5,929 for the same period of 2009.

Retail Segment:

In the first nine months of 2010 net sales from the Retail Segment accounted for $89,053 or 19% of our total net sales compared to $82,600 or 23% in the same period last year. We opened two new stores and closed eight under-performing stores during the twelve months ended September 30, 2010. As a result, we had 82 retail stores as of September 30, 2010 compared to 88 stores as of September 30, 2009. The 82 stores currently in operation include 78 under the Steve Madden brand, three under the Steven brand and one e-commerce website. Comparable store sales (sales of those stores, including the e-commerce website, that were open throughout the first nine months of 2010 and 2009) increased 12.2% in the first nine months of this year. The net sales increase was primarily due to a substa ntial increase in our average selling price as a result of a decrease in promotional sales and the success of wedges and dress shoes during the second quarter and strong boot sales during the first and third quarters of the year. The gross margin in the Retail Segment increased to 59.6% in the nine months ended September 30, 2010 from 54.7% in the first nine months of 2009 primarily due to the decrease in promotional selling. During the nine months ended September 30, 2010, operating expenses increased to $53,973 from $50,846 in the same period of last year. This increase is due partially to an increase in direct selling expense related to the increase in net sales as well as a one-time charge for the preliminary settlement of a class action lawsuit of $1,750 (see Item I of Part II for a discussion of the proposed settlement),. As a percentage of sales, operating expenses improve to 60.6% during the first nine months of 2010 compared to 61.6% during the same period of la st year. Excluding the provision for the lawsuit, net income was $836 during the nine months ended September 30, 2010. Inclusive of the provision for the lawsuit, loss from operations for the Retail Segment was $914 in the first nine months of this year compared to a loss from operations of $5,697 for the same period in 2009.

First Cost Segment:

The First Cost Segment generated income from operations of $14,976 for the nine-month period ended September 30, 2010, compared to $13,431 for the comparable period of 2009. This increase in income is due to a significant increase in private label business with several of our retail customers, including Kohls, Target and Bakers. These increases were partially offset by the transition of one of the Company's mass merchant customers from a "first cost" model to a "wholesale" model that was initiated in the first quarter of 2010.

Licensing Segment:

During the nine months ended September 30, 2010, licensing income increased to $3,024 from $2,562 in the same period of last year, primarily due to an increase in sales by several of our licensees.

LIQUIDITY AND CAPITAL RESOURCES
($ in thousands)

On July 10, 2009, we entered into a collection agency agreement with Rosenthal & Rosenthal, Inc. ("Rosenthal") that became effective on September 15, 2009. The agreement provides us with a credit facility in the amount of $30,000, having a sub-limit of $15,000 on the aggregate face amount of letters of credit, at an interest rate that, at our election, is tied to either the prime rate or LIBOR. The agreement can be terminated by Rosenthal at any time with 60 days' prior written notice, or by us at any time after the expiration of the first contract year with 60 days' prior written notice. As of September 30, 2010, we have no borrowings against the credit facility.

On September 30, 2010, we had working capital of $132,377. We had cash and cash equivalents of $29,045, investments in marketable securities of $123,574 and we did not have any long term debt.

Management believes that based upon our current financial position and available cash and marketable securities, we will meet all of our financial commitments and operating needs for at least the next twelve months.

OPERATING ACTIVITIES
($ in thousands)

During the nine-month period ended September 30, 2010, net cash provided by operating activities was $42,392. The primary source of cash was the net income for the nine months ended September 30, 2010. An additional source of cash was provided by the increase of accounts payable and other accrued expenses of $26,534. The primary uses of cash were an increase in due from factor of $32,728, an increase in prepaid expenses, deposits and other assets of $4,216, an increase in inventory of $13,732 and an increase in accounts receivable of $2,121.

INVESTING ACTIVITIES
($ in thousands)

During the nine-month period ended September 30, 2010, we invested $54,341 in marketable securities and received $18,592 from the maturities and sales of securities. We paid $33,190 to acquire notes receivable from Bakers and Betsey Johnson. Subsequent to the end of the quarter, the note receivable from Betsy Johnson was eliminated in connection with a debt restructuring and asset purchase transaction which is described in Notes F and S to the Condensed Consolidated Financial Statements contained in this Quarterly Report. We also paid $11,119 for the acquisition of Big Buddha in February of 2010 and we made capital expenditures of $2,280, principally for the one new store opened in the current period, the remodeling of existing stores and leasehold improvements to our showroom and for systems enhancements.< /font>

FINANCING ACTIVITIES
($ in thousands)

During the nine-month period ended September 30, 2010, we received $2,398 in cash and realized a tax benefit of $2,882 in connection with the exercise of stock options. We repurchased 141,000 shares of the Company's common stock at a total cost of $4,559.

CONTRACTUAL OBLIGATIONS
($ in thousands)

Our contractual obligations as of September 30, 2010 were as follows:

		Payment due by period			
Contractual Obligations	**Total**	**Remainder of 2010**	**2011-2012**	**2013-2014**	**2015 and after**
Operating lease obligations	$ 109,739	$ 4,347	$ 33,608	$ 28,130	$ 43,654
Purchase obligations	82,082	82,082	—	—	—
Contingent payment liability	12,000	—	7,500	4,500	
Other long-term liabilities (future minimum royalty payments)	2,493	339	1,991	163	—
Total	$ 206,314	$ 86,768	$ 43,099	$ 32,793	$ 43,654

At September 30, 2010, we had open letters of credit for the future purchase of inventory of approximately $3,585.

We have an employment agreement with Steven Madden, our Creative and Design Chief and a principal stockholder of the Company, which provides for an annual base salary of $600 subject to certain specified adjustments through December 31, 2019. The agreement also provides for annual bonuses based on EBITDA, revenue of any new business and royalty income over $2,000, plus an equity grant and a non-accountable expense allowance.

We have employment agreements with certain executive officers, which provide for the payment of compensation aggregating approximately $657 during the remaining three months of 2010, $1,713 in 2011 and $1,211 in 2012. In addition, some of the employment agreements provide for a discretionary bonus and some provide for incentive compensation based on various performance criteria as well as other benefits including stock options. Our Chief Operating Officer is entitled to deferred compensation calculated as a percentage of his base salary.

In connection with our acquisition of Big Buddha during the first fiscal quarter of 2010, we are subject to potential earn-out payments to the seller of Big Buddha, (currently operating the division as a division president) based on the annual performance of Big Buddha through March 31, 2013 (see note S of the Condensed Consolidated Financial Statements).

Ninety-nine percent (99%) of our products are produced overseas by unrelated foreign manufacturing companies, the majority of which are located in China, with a small percentage located in Brazil, Italy, India, Spain and Mexico. We have not entered into any long-term manufacturing or supply contracts with any of these foreign companies. We believe that a sufficient number of alternative sources exist outside of the United States for the manufacture of our products. We currently make approximately 99% of our purchases in U.S. dollars.

INFLATION

We do not believe that the price inflation experienced over the last few years in the United States has had a significant effect on the Company's sales or profitability. Historically, we have minimalized the impact of product cost increases by improving operating efficiencies, changing suppliers and increasing prices. However, no assurance can be given that we will be able to offset any such inflationary cost increases in the future. We are currently seeing increases in our cost of goods from southern China averaging approximately 5 - 8%. We are working to mitigate this pressure by shifting some production to northern of China, where costs remain lower, and to a lesser extent, to other countries such as Mexico. We are also raising prices on select items with fresh materials or styling and, to dat e, have not seen resistance to these price increases. Putting this all together, the net impact of all these changes on gross margin was negligible in the third quarter of 2010, and we expect that to be the case in the near term as well.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements which have been prepared in accordance with GAAP. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. Estimates by their nature are based on judgments and available information. Our estimates are made based upon historical factors, current circumstances and the experience and judgment of management. Assumptions and estimates are evaluated on an ongoing basis and we may employ outside experts to assist in evaluations. Therefore, actual results could m aterially differ from those estimates under different assumptions and conditions. Management believes the following critical accounting estimates are more significantly affected by judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements: allowance for bad debts, returns, and customer chargebacks; inventory reserves; valuation of intangible assets; litigation reserves and cost of sales.

Allowances for bad debts, returns and customer chargebacks. We provide reserves against our trade accounts receivables for future customer chargebacks, co-op advertising allowances, discounts, returns and other miscellaneous deductions that relate to the current period. The reserve against our non-factored trade receivables also includes estimated losses that may result from customers' inability to pay. The amount of the reserve for bad debts, returns, discounts and compliance chargebacks are determined by analyzing aged receivables, current economic conditions, the prevailing retail environment and historical dilution levels for customers. We evaluate anticipated customer markdowns and advertising chargebacks by reviewing several performanc e indicators for our major customers. These performance indicators (which include inventory levels at the retail floors, sell through rates and gross margin levels) are analyzed by Management to estimate the amount of the anticipated customer allowance. Failure to correctly estimate the amount of the reserve could materially impact our results of operations and financial position.

Inventory valuation. Inventories are stated at lower of cost or market, on a first-in, first-out basis. We review inventory on a regular basis for excess and slow moving inventory. The review is based on an analysis of inventory on hand, prior sales, and expected net realizable value through future sales. The analysis includes a review of inventory quantities on hand at period-end in relation to year-to-date sales and projections for sales in the foreseeable future as well as subsequent sales. We consider quantities on hand in excess of estimated future sales to be at risk for market impairment. The net realizable value, or market value, is determined based on the estimate of sales prices of such inventory through off-price or discount store channels. The likelihood of any material inventory write-down is dependent primarily on the expectation of future consumer demand for our product. A misinterpretation or misunderstanding of future consumer demand for our product, the economy, or other failure to estimate correctly, in addition to abnormal weather patterns, could result in inventory valuation changes, compared to the valuation determined to be appropriate as of the balance sheet date.

Valuation of intangible assets. ASC Topic 350, "Intangible – Goodwill and Other", requires that goodwill and intangible assets with indefinite lives no longer be amortized, but rather be tested for impairment at least annually. This accounting guidance also requires that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with ASC Topic 360, "Property, Plant and Equipment" ("ASC Topic 360"). In accordance with ASC Topic 360, long-lived assets, such as property, equipment, leasehold improvements and goodwill subject to amortization, are reviewed for impairment annually or whenever events or changes in circ umstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Litigation reserves. Estimated amounts for litigation claims that are probable and can be reasonably estimated are recorded as liabilities in our Condensed Consolidated Financial Statements. The likelihood of a material change in these estimated reserves would be dependent on new claims as they may arise and the favorable or unfavorable events of a particular litigation. As additional information becomes available, management will assess the potential liability related to the pending litigation and revise their estimates. Such revisions in management's estimates of a contingent liability could materially impact our results of operation and financial position.

Cost of sales. All costs incurred to bring finished products to our distribution center and, in the Retail segment, the costs to bring products to our stores, are included in the cost of sales line item on our Condensed Consolidated Statement of Income. These include the cost of finished products, purchase commissions, letter of credit fees, brokerage fees, material and labor and related items, sample expenses, custom duty, inbound freight, royalty payments on licensed products, labels and product packaging. All warehouse and distribution costs are included in the operating expenses line item of our Condensed Consolidated Statements of Income. We classify shipping costs to customers, if any, as operating expense. Our gross profit margins may not b e comparable to other companies in the industry because some companies may include warehouse and distribution as a component of cost of sales, while other companies report on the same basis as we do and include them in operating expenses.

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 can be found in the Liquidity and Capital Resources section under Item 2 and in Note E to the notes to the Condensed Consolidated Financial Statements included in this Quarterly Report.

As of September 30, 2010, we held marketable securities valued at $123,574, which consist primarily of corporate and U.S. government and federal agency bonds. These investments are subject to interest rate risk and will decrease in value if market interest rates increase. 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.

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)

Certain legal proceedings in which we are involved are discussed in Note L to the Consolidated Financial Statements and included in our Annual Report on Form 10-K for the year ended December 31, 2009 and in Part I, Item 3 of that Annual Report as well as in Note V included in the Condensed Consolidated Financial Statements included in Part I of this Quarterly Report. The following discussion is limited to recent developments concerning certain of our legal proceedings and should be read in conjunction with our earlier SEC reports. Unless otherwise indicated, all proceedings discussed in those earlier reports, which are not indicated therein as having been dismissed remain outstanding.

As previously disclosed, on June 24, 2009, a class action lawsuit, *Shahrzad Tahvilian, et al. v. Steve Madden Retail, Inc. and Steve Madden, Ltd.*, Case No. BC 414217, was filed in the Superior Court of California, Los Angeles County, against the Company and its wholly-owned subsidiary alleging violations of California labor laws including, among other things, failure to provide mandated meal breaks and overtime pay to employees as required. The parties have agreed to resolve the dispute in private mediation and, on August 31, 2010, entered into a memorandum of understanding which remains subject to court approval. The memorandum of understanding is not expected to be submitted to the court for approval until early 2011. Based on the memorandum of understanding, the Company has increased its reserve for this claim from $1,000 to $2,750.

As previously disclosed, 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 notified the Company's legal counsel that a formal investigation of the Company's importing practices had been commenced as a result of the audit. In September of 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 $3,045, and accordingly, a reserve for this amount was recorded 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, Office of Regulations and Rulings, under internal advice procedures. On September 20, 2010, the Company was advised by legal counsel that U.S. Customs had 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 also ruled that beginning in February of 2002, commission 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. Currently, the Company is reviewing the ruling, its consequences and the Company's options with its legal counsel. On the basis of the U.S. Customs ruling, the Company has reevaluated the liability in the case and believes that it is not likely to exceed $1,248 and the reserve has been reduced from $3,045 to such amount as of September 30, 2010.

We have 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 our financial condition 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 6. EXHIBITS

2.1	Stock Purchase Agreement dated February 10, 2010 between Jeremy Bassan and the Company*[1]
2.2	Restructuring Agreement dated October 5, 2010 among Steven Madden, Ltd., BJ Acquisition LLC, BJ Agent LLC, Betsey Johnson LLC, Betsey Johnson (UK) Limited, Betsey Johnson Canada Ltd., BJ Vines, Inc., Betsey Johnson, Chantal Bacon, Castanea Family Investments, LLC, Castanea Family Holdings, LLC and Castanea Partners Fund III, L.P. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 8, 2010)
10.1	Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and the Company*[2]
10.2	Purchase and Sale Agreement for Distressed Trades dated August 26, 2010 between BJ Acquisition LLC and Paradox Lending LLC*
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.*

* Filed herewith.

1. Agreement originally filed as Exhibit 10.1 to the Company's current Report on Form 8-K dated February 10, 2010, and filed with the SEC on February 11, 2010, is refiled herewith to include all exhibits thereto.

2. Agreement originally filed as Exhibits 10.1 through 10.6 to the Company's current Report on Form 8-K dated July 10, 2009, and filed with the SEC on July 16, 2009, is refiled herewith to include all exhibits thereto.

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: November 9, 2010

STEVEN MADDEN, LTD.

By: /s/ EDWARD R. ROSENFELD
Edward R. Rosenfeld
Chairman and Chief Executive Officer

By: /s/ ARVIND DHARIA
Arvind Dharia
Chief Financial Officer and Chief Accounting Officer

Exhibit Index

Exhibit No.	Description
2.1	Stock Purchase Agreement dated February 10, 2010 between Jeremy Bassan and the Company*[1]
2.2	Restructuring Agreement dated October 5, 2010 among Steven Madden, Ltd., BJ Acquisition LLC, BJ Agent LLC, Betsey Johnson LLC, Betsey Johnson (UK) Limited, Betsey Johnson Canada Ltd., BJ Vines, Inc., Betsey Johnson, Chantal Bacon, Castanea Family Investments, LLC, Castanea Family Holdings, LLC and Castanea Partners Fund III, L.P. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 8, 2010)
10.1	Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and the Company*[2]
10.2	Purchase and Sale Agreement for Distressed Trades dated August 26, 2010 between BJ Acquisition LLC and Paradox Lending LLC*
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.*
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Exhibit 2.1

EXECUTION VERSION

STOCK PURCHASE AGREEMENT

by and between

STEVEN MADDEN, LTD.

and

The Sole Shareholder

of

BIG BUDDHA, INC.

Dated as of February 10, 2010

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of February 10, 2010, is entered into by and between Steven Madden, Ltd., a Delaware corporation ("Madden"), on the one hand, and Jeremy Bassan ("Seller"), on the other hand.

RECITALS

WHEREAS, Seller owns all of the issued and outstanding shares of capital stock of Big Buddha, Inc., a California corporation (the "Company"); and

WHEREAS, Madden desires to acquire all of the issued and outstanding shares of capital stock of the Company, and Seller desires to sell the same, on the terms and conditions contained herein and in the Earn-Out Agreement (as defined below).

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

Certain Definitions

"338(h)(10) Election" has the meaning set forth in Section 8.1(b)(i).

"338(h)(10) Grossed-Up Payment" has the meaning set forth in Section 8.1(b)(iii).

"AAA" means the American Arbitration Association.

"Additional Working Capital Consideration" has the meaning set forth in Section 2.3(b)(i).

"Adjustment Payment Date" means a date which is within three (3) Business Days after the Final Closing Date Balance Sheet is final, binding and conclusive.

"Affiliate Loans" means loans made to Affiliated Persons by the Company.

"Affiliated Person" means Seller, any Immediate Family Member of Seller, or any other Person (other than the Company) that, directly or indirectly, alone or together with others, controls, is controlled by or is under common control with the Company, Seller or any Immediate Family Member of Seller.

"Agreement" has the meaning set forth in the preamble.

"Balance Sheet" means the unaudited balance sheet of the Company as of December 31, 2009.

"Business Day" means any day that is not a Saturday or Sunday or a legal holiday on which banks are authorized or required by law to be closed in New York, New York.

"Cash-On-Hand" means all cash or cash equivalents held by the Company.

"Cash Purchase Price" has the meaning set forth in Section 2.2(a).

"Closing" has the meaning set forth in Section 3.1.

"Closing Date" has the meaning set forth in Section 3.1.

"Closing Date Balance Sheet" means the balance sheet of the Company as of the close of business on the Closing Date.

"Closing Date Net Working Capital" has the meaning set forth in Section 2.3(a)(i).

"Closing Payment" has the meaning set forth in Section 2.2(a).

"COBRA" means Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the recitals.

"Company IP Rights" has the meaning set forth in Section 4.8(a).

"Company Liens" has the meaning set forth in Section 2.1.

"Company Products" means all products sold, designed, marketed, licensed and/or distributed (whether at wholesale or retail) by the Company.

"Company Shares" has the meaning set forth in Section 2.1.

"Confidentiality Agreement" means that certain Confidentiality Agreement, dated June 6, 2009, between the Company and Madden.

"Contracts" has the meaning set forth in Section 4.9(a).

"Customs Resolution" has the meaning set forth in Section 2.4(c).

"Customs Resolution Date" has the meaning set forth in Section 2.4(c).

"Debt" means the aggregate amounts of long term and short term debt of the Company, including, without limitation, any amounts outstanding or owing under capital leases, notes payable to financial institutions, lines of credit, notes or dividends payable, other than dividends set forth on Schedule 6.2(iv) of the Disclosure Schedule, amounts due to Seller, any other notes payable, and any prepayment penalties or expenses associated with the foregoing.

"Delivery Date" has the meaning set forth in Section 2.3(a)(ii).

"Disclosure Schedule" means the disclosure schedules of Seller accompanying this Agreement.

"Dispute" has the meaning set forth in Section 13.17.

"Dispute Notice" has the meaning set forth in Section 2.3(a)(ii).

"Disputing Party" has the meaning set forth in Section 13.17.

"Earn-Out Agreement" means the Earn-out Agreement among the Company, Seller and Madden, which has been executed and delivered prior to or simultaneously with the execution and delivery of this Agreement and which shall become effective as of the Closing, attached hereto as Exhibit A.

"Earn-Out Payment" has the meaning set forth in Section 2.2(a).

"Employee Benefit Plan" has the meaning set forth in Section 4.15(a).

"Employment Agreement" means the employment agreement between Madden and Seller, which has been executed and delivered prior to or simultaneously with the execution and delivery of this Agreement and which shall become effective as of the Closing, attached hereto as Exhibit B.

"Encumbrance" means any lien, pledge, mortgage, security interest, charge, restriction, adverse claim or other encumbrance of any kind or nature whatsoever.

"Environment" means soil, surface water, ground water, land, stream sediments, surface or subsurface strata, ambient air and any environmental medium.

"Environmental Claim" means any allegation, notice of violation, action, claim, Encumbrance, demand, order or direction (conditional or otherwise) by any Governmental Body or any Person for personal injury (including sickness, disease or death), property damage, damage to the Environment, nuisance, pollution, contamination or other adverse effects on the Environment, or for fines, penalties or restrictions resulting from or based upon (i) the existence, or the continuation of the existence, of a Release of any Hazardous Material or other substance, material, pollutant, contaminant, odor, audible noise, or other Release in, into or onto the Environment; (ii) the transportation, storage, treatment or disposal of Hazardous Materials; or (iii) the violation, or alleged violation, of any Environmental Laws, or Licenses of or from any Governmental Body relating to environmental matters.

"Environmental Law" means any Law that governs protection or improvement of human health or the Environment.

"ERISA" has the meaning set forth in Section 4.15(a).

"ERISA Affiliate" has the meaning set forth in Section 4.15(a).

"Final Allocation" has the meaning set forth in Section 8.1(b)(ii).

"Final Closing Date Balance Sheet" has the meaning set forth in Section 2.3(a)(iii).

"Final Prepaid Inventory Schedule" has the meaning set forth in Section 2.2(c).

"Financial Statements" means the unaudited balance sheets and statements of earnings, shareholders' equity and cash flows of the Company as of, and for each of the fiscal years ended, December 31, 2009, 2008 and 2007, respectively.

"GAAP" means U.S. generally accepted accounting principles, as in effect on the date of this Agreement, consistently applied.

"Governmental Body" means any governmental or regulatory body, agency, authority, commission, department, bureau, court, tribunal, arbitrator or arbitral body (public or private), or political subdivision, in any jurisdiction.

"Hazardous Materials" means without regard to amount or concentration (a) any element, compound, gas or chemical that is defined, listed, classified or regulated as hazardous or toxic under any Environmental Law, including, without limitation, any material or substance that is defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "subject waste," "contaminant," "toxic waste," "toxic substance" or similar term under any provision of any Environmental Law; (b) petroleum, petroleum-based or petroleum-derived products; and (c) any substance containing polychlorinated biphenyls, asbestos, lead, urea formaldehyde or radon gas.

"Hired Employees" has the meaning set forth in Section 8.2.

"Holdback Amount" has the meaning set forth in Section 2.2(a).

"Immediate Family Member", with respect to any Person who is an individual, means each of such Person's spouse, children (whether by blood or adoption), parents and siblings.

"Indemnification Obligations" means the respective indemnification obligations of Seller or Madden under Article XII.

"Independent Accounting Firm" means an independent accounting firm mutually acceptable to Madden and Seller (which accounting firm has not, within the prior twenty-four (24) months, provided services to Madden, Seller or the Company, or any affiliate of any of them). If Madden and Seller are unable to agree upon an independent accounting firm within thirty (30) days after Seller's delivery of a Dispute Notice to Madden, an independent accounting firm selected by Madden (which accounting firm has not, within the prior twenty-four (24) months, provided services to Madden or the Company, or any affiliate of either of them) and an independent accounting firm selected by Seller (which accounting firm has not, within the prior twenty-four (24) months, provided services to Seller or the Company, or any affiliate of either of them) shall select an independent accounting firm (which accounting firm has not, within the

prior twenty-four (24) months, provided services to Madden, Seller or the Company, or any affiliate of any of them) and such independent accounting firm shall be the Independent Accounting Firm.

"Initial Prepaid Inventory Schedule" has the meaning set forth in Section 2.2(c).

"Intellectual Property Rights" means all intellectual property rights, including trademarks, service marks, internet domain names, slogans, logos, trade names, and the goodwill associated therewith, patents, copyrights, in both published and unpublished works, and all registrations and applications for any of the foregoing, rights of publicity/privacy, franchises, licenses, proprietary know-how, proprietary trade secrets, proprietary customer lists, proprietary vendor lists, proprietary information, proprietary processes, proprietary formulae, proprietary computer programs and applications, proprietary layouts, proprietary specifications, proprietary designs, proprietary patterns, proprietary inventions, proprietary development tools and all documentation and media constituting, describing or relating to the above, including manuals, memoranda and records wherever created throughout the world.

"IRS" means the U.S. Internal Revenue Service.

"Knowledge" means, (i) with respect to Seller and the Company, the knowledge, after reasonable inquiry and at any time, of Seller; and (ii) in the case of Madden, Edward Rosenfeld and Awadhesh Sinha.

"Law" means any law (including common law), statute, code, ordinance, rule, regulation, permit, order, decree or other legal requirement in any jurisdiction.

"Licenses" has the meaning set forth in Section 4.13(b).

"Loss", in respect of any matter, means any loss, liability, cost, expense, judgment, settlement or damage arising as a result of such matter, including reasonable attorneys', consultants' and other advisors' fees and expenses, reasonable costs of investigating or defending any claim, action, suit or proceeding or of avoiding the same or the imposition of any judgment or settlement and reasonable costs of enforcing any Indemnification Obligations.

"Madden" has the meaning set forth in the preamble.

"Madden Indemnified Parties" has the meaning set forth in Section 12.2(a).

"Material Adverse Effect" means any material adverse effect on the business, operations, assets, condition (financial or otherwise), liabilities, or results of operations of the Company taken as a whole, other than, in each case, such effects as may result from changes in (i) general industry conditions, but only to the extent that the change or effect thereof on the Company is not disproportionately more adverse than the change or effect thereof on comparable companies or businesses in the industry in which the Company competes, (ii) general economic conditions (including prevailing interest rates and financial market conditions), but only to the extent that the change or effect thereof on the Company is not disproportionately more adverse than the change or effect thereof on comparable companies or business in the indu stry in which

the Company competes, (iii) applicable Laws, (iv) applicable accounting principles, (v) acts of war or terrorism, or (vi) the public announcement of this Agreement.

"Net Working Capital" means (x) the current assets of the Company (including, without limitation or duplication, Cash-On-Hand, inventory (including Prepaid Inventory), accounts receivable and prepaid expenses), less customary reserves such as allowance for uncollectible accounts and slow-moving or obsolete inventory, *minus* (y) the current liabilities of the Company (including, without limitation or duplication, Debt, accounts payable, accrued employee expenses, taxes payable other than any Taxes attributable in whole or in part to a 338(h)(10) Election or analogous elections, and the Remaining Cash), in each case, if not otherwise defined herein, as such terms have the meanings assigned to them by GAAP.

"Net Working Capital Target" has the meaning set forth in Section 2.3(b)(i).

"Notice of Set-Off Dispute" has the meaning set forth in Section 13.16(b).

"Organizational Documents" has the meaning set forth in Section 4.1.

"Permitted Encumbrances" has the meaning set forth in Section 4.7(c).

"Person" means an individual, partnership, venture, unincorporated association, organization, syndicate, corporation, limited liability company, or other entity, trust, trustee, executor, administrator or other legal or personal representative or any government or any agency or political subdivision thereof.

"Post-Closing Working Capital Adjustment" has the meaning set forth in Section 2.3(b).

"Pre-Closing Period" means all taxable periods ending on or before the Closing Date and the portion ending on or before the Closing Date of any taxable period that includes (but does not begin or end on) the Closing Date.

"Prepaid Inventory" has the meaning set forth in Section 2.2(c).

"Prepaid Inventory Expenses" has the meaning set forth in Section 2.2(c).

"Prime Rate" shall mean the rate of interest of The JPMorgan Chase Bank (or its successor and assign) announces from time to time as its prime lending rate as then in effect, or if no such rate is announced by The JPMorgan Chase Bank (or its successor or assign), the prime lending rate announced by a New York City money center bank selected by Madden and reasonably acceptable to Seller.

"Prior Disclosure" has the meaning set forth in Section 2.4(c).

"Purchase Price Accounts" has the meaning set forth in Section 2.2(b).

"Real Property" has the meaning set forth in Section 4.7(a).

"Real Property Documents" has the meaning set forth in Section 4.7(a).

"Real Property Interests" has the meaning set forth in Section 4.7(a).

"Release" means any releasing, spilling, leaching, pumping, leaking, pouring, emitting, emptying, discharging, depositing, injecting, escaping, dumping, migrating or disposing, whether intentional or otherwise, of any Hazardous Material into the Environment.

"Relocation Payment" has the meaning set forth in Section 8.2.

"Remaining Cash" means cash in an amount equal to two hundred and twelve thousand five hundred and forty-six dollars ($212,546), which shall be left in the Company following the Closing to fund the payment of certain bonuses and severance amounts, as set forth on a schedule previously provided by Seller to Madden.

"Returns" means returns, reports, and information statements with respect to Taxes required to be filed with the IRS or any other Governmental Body, domestic or foreign, including consolidated, combined and unitary tax returns, and returns required in connection with any Employee Benefit Plan.

"Revised Closing Date Balance Sheet" has the meaning set forth in Section 2.3(a)(ii).

"Rules" has the meaning set forth in Section 13.17.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended.

"Seller" has the meaning set forth in the preamble.

"Seller Indemnified Parties" has the meaning set forth in Section 12.3(a).

"Services Agreement" means the Services Agreement among Seller, the Company and Madden, which has been executed and delivered prior to or simultaneously with the execution and delivery of this Agreement and which shall become effective as of the Closing, attached hereto as Exhibit C.

"Set-Off Notice" has the meaning set forth in Section 13.16(b).

"Set-Off Review Period" has the meaning set forth in Section 13.16(b).

"Straddle Period" has the meaning set forth in Section 8.1(a)(ii).

"Tax" or "Taxes" means taxes, fees, levies, duties, tariffs, imposts and governmental impositions or charges of any kind payable to any Governmental Body in any jurisdiction, including (i) income, franchise, profits, gross receipts, *ad valorem*, net worth, value added, sales, use, service, real or personal property, special assessments, capital stock, license, payroll, withholding, employment, estimated, social security, workers' compensation,

unemployment compensation, utility, severance, production, excise, stamp, occupation, premiums, windfall profits, transfer and gains taxes, and (ii) interest, penalties, additional taxes and additions to tax imposed with respect thereto.

"Total Prepaid Inventory Amount" has the meaning set forth in Section 2.2(c).

"Transaction Documents" means this Agreement, the Employment Agreement, the Earn-Out Agreement and the Services Agreement.

"U.S." means the United States of America.

"U.S. Customs" has the meaning set forth in Section 2.4(c).

"Working Capital Refund" has the meaning set forth in Section 2.3(b)(ii).

"Working Capital Settlement" has the meaning set forth in Section 2.4(a).

ARTICLE II

Purchase and Sale

2.1 Purchase and Sale of Company Shares. Subject to and upon the terms and conditions hereinafter set forth, at the Closing, and in reliance upon the representations and warranties contained in this Agreement or made pursuant hereto, Seller hereby agrees to sell, assign, transfer and deliver to Madden, and Madden hereby agrees to purchase from Seller, all of the issued and outstanding shares of capital stock of the Company as set forth in Section 2.1 of the Disclosure Schedule (collectively the "Company Shares"), free and clear of all Encumbrances, other than restrictions on transfer under the Securities Act or other applicable securities laws or th e Organizational Documents (collectively, the "Company Liens").

2.2 Cash Purchase Price.

(a) In consideration of the aforesaid sale, assignment, transfer and delivery of the Company Shares, Madden shall, (i) at the Closing, pay or cause to be paid to Seller an amount (the "Closing Payment"), in cash, equal to (A) eleven million dollars ($11,000,000), plus (B) the Total Prepaid Inventory Amount, calculated in accordance with Section 2.2(c) below (clauses (A) and (B) collectively, the "Cash Purchase Price"), less (C) one million dollars ($1,000,000) (the "Holdback Amount"), and (ii) at such times as are set forth in the Earn-Out Agreement, pay to Seller all amounts (collectively, the "Earn-Out Payment") required to be paid pursuant to the terms of the Earn-Out Agreement. & #160;The Cash Purchase Price may be adjusted after payment of the Closing Payment as provided for in Section 2.3. The Holdback Amount (which shall be deposited by Madden in a segregated interest-bearing money market account at a national banking institution) shall, subject to the provisions hereof, be available as a nonexclusive means (i) to fulfill Seller's obligations pursuant to Section 2.3 and (ii) to fulfill Seller's obligations pursuant to Section 12.4(b) or to reach a Customs Resolution (as defined below), and shall be released to Seller pursuant to Section 2.4.

(b) All payments of cash pursuant to Section 2.2(a) shall be made in immediately available funds by wire transfer to an account or accounts (the "Purchase Price Accounts") specified by Seller at least two (2) Business Days prior to the date such payments are to be made.

(c) No later than two (2) Business Days prior to the Closing Date, Seller shall deliver to Madden a schedule reasonably acceptable to Madden (the "Initial Prepaid Inventory Schedule") setting forth in reasonable detail all amounts (the "Prepaid Inventory Expenses") expected to have been actually paid by Seller as of the Closing Date in respect of (i) all prepaid deposits for inventory and (ii) all inventory shipped from the FOB shipping point within ten (10) days prior to the Closing Date (clauses (i) and (ii) collectively, "Prepaid Inventory"). No later than 9:00 a.m., prevailing local time, on the Closing Date, Seller shall deliver to Madden a schedule reasonably acceptable to Madden (th e "Final Prepaid Inventory Schedule") setting forth (A) any updates to the Initial Prepaid Inventory Schedule necessary to make such schedule true and correct as of the Closing Date and (B) the total amount actually paid by Seller as of the Closing Date in respect of the Prepaid Inventory Expenses (the "Total Prepaid Inventory Amount").

2.3 Post-Closing Adjustment.

(a) Closing Date Balance Sheet.

(i) Preparation of Closing Date Balance Sheet. As promptly as practicable, but in any event within seventy-five (75) days after the Closing Date, Madden shall prepare and deliver to Seller (A) the Closing Date Balance Sheet, which shall be prepared as of the Closing Date in accordance with GAAP applied on a basis consistent with the preparation of the balance sheet of the Company as of the Closing Date which was delivered by Seller to Madden on the date hereof, except to the extent that such balance sheet was not prepared in accordance with GAAP, and (B) a calculation of Net Working Capital as of the close of business on the Closing Date based upon the Closin g Date Balance Sheet (the "Closing Date Net Working Capital"), which shall explain in reasonable detail such calculation of Closing Date Net Working Capital.

(ii) Closing Date Balance Sheet Disputes. Seller may dispute the amount of the Closing Date Net Working Capital reflected on the Closing Date Balance Sheet by sending written notice (a "Dispute Notice") to Madden within thirty (30) days after Madden's delivery of the Closing Date Balance Sheet and Closing Date Net Working Capital calculation to Seller (such delivery date, the "Delivery Date"). The Dispute Notice shall identify, in reasonable detail, each disputed item on the Closing Date Balance Sheet, specifying the amount of such dispute and setting forth the basis for such dispute. In the event of such a dispute, Madden and Seller shall attempt in good faith to reconcile the items identified in the Dispute Notice and any related items that may arise during the process described in this Section 2.3(a) (including providing information that is reasonably requested to the other party), and any resolution by them as to any disputed items shall be final, binding and conclusive on the parties and shall be evidenced by a writing signed by Madden and Seller, including a revised Closing Date Balance Sheet (together with a revised calculation of the Closing Date Net Working

Capital based upon such revised Closing Date Balance Sheet, the "Revised Closing Date Balance Sheet") reflecting such resolution. If Madden and Seller are unable to reach such resolution within twenty (20) days after Seller's delivery of the Dispute Notice to Madden, then Madden and Seller shall promptly submit any remaining disputed items to an Independent Accounting Firm for final binding resolution. If any remaining disputed items are submitted to an Independent Accounting Firm for resolution (A) each party will furnish to the Independent Accounting Firm such workpapers and other documents and information relating to the remaining disputed items as the Independent Accounting Firm may reasonably request and are available to such party, and each party will be afforded the opportunity to present to the Indepe ndent Accounting Firm any material relating to the disputed items and to discuss the resolution of the disputed items with the Independent Accounting Firm; (B) each party will use its good faith commercially reasonable efforts to cooperate with the resolution process so that the disputed items can be resolved within forty-five (45) days after submission of the disputed items to the Independent Accounting Firm; (C) the determination by the Independent Accounting Firm, as set forth in a written notice to Madden and Seller (which written notice shall include a Revised Closing Date Balance Sheet), shall, subject to the provisions of Section 2.3(a)(iii), be final, binding and conclusive on the parties absent manifest error; and (D) the fees and disbursements of the Independent Accounting Firm shall be allocated by the Independent Accounting Firm between Madden and Seller in the same proportion that the aggregate dollar amount of the disputed items submitted to the Independent Accounting Firm that are un successfully disputed by Seller (as finally determined by the Independent Accounting Firm) bears to the total amount of all disputed items submitted to the Independent Accounting Firm. By way of illustration, if Seller disputes $500,000 of items, and the Independent Accounting Firm determines that Seller's position is correct as to $400,000 of the disputed items, then Madden would bear 80 percent and Seller would bear 20 percent of such fees and disbursements.

(iii) Final Closing Date Balance Sheet. The Closing Date Balance Sheet, or, if one has been adopted pursuant to Section 2.3(a)(ii), the Revised Closing Date Balance Sheet, shall be deemed to be final, binding and conclusive on Madden and Seller (the "Final Closing Date Balance Sheet") upon the earliest of (A) the failure of Seller to deliver to Madden the Dispute Notice within thirty (30) days after the Delivery Date; (B) the resolution by Madden and Seller of all disputes, as evidenced by the Revised Closing Date Balance Sheet; and (C) the resolution by the Independent Accounting Firm of all disputes, as evidenced by the Revised Closing Date Bala nce Sheet. Any adjustment to the Cash Purchase Price based on the Final Closing Date Balance Sheet shall be made in accordance with Section 2.3(b).

(b) Post-Closing Working Capital Adjustment. Upon the Final Closing Date Balance Sheet being deemed final, binding and conclusive pursuant to Section 2.3(a)(iii), an adjustment to the Cash Purchase Price shall be made as follows (the "Post-Closing Working Capital Adjustment"):

(i) In the event that the Closing Date Net Working Capital reflected on the Final Closing Date Balance Sheet exceeds two million one hundred fifty-seven thousand seven hundred forty-six dollars and fifty-two cents ($2,157,746.52) (the "Net

Working Capital Target"), then Madden shall be obligated to pay Seller on the Adjustment Payment Date the Additional Working Capital Consideration (as defined below) in immediately available funds, at Seller's option, by certified or official bank check or by wire transfer to an account specified, in writing, by Seller. The "Additional Working Capital Consideration" means the amount by which the Closing Date Net Working Capital reflected on the Final Closing Date Balance Sheet exceeds the Net Working Capital Target.

(ii) In the event that the Closing Date Net Working Capital reflected on the Final Closing Date Balance Sheet is less than the Net Working Capital Target, then Seller shall be obligated to pay Madden on the Adjustment Payment Date the Working Capital Refund (as defined below) in immediately available funds, at Madden's option, by certified or official bank check or by wire transfer to an account specified, in writing, by Madden; provided, however, that any payments owed by Seller to Madden pursuant to this Section 2.3(b)(ii) shall first be satisfied by a deduction from the Holdback Amount. ;The "Working Capital Refund" means the amount by which the Closing Date Net Working Capital on the Final Closing Date Balance Sheet is less than the Net Working Capital Target.

2.4 Release of Holdback Amount. The Holdback Amount (together with any interest or other income earned thereon) shall be released to Seller as follows:

(a) If the Customs Resolution Date (as hereinafter defined) occurs prior to the final settlement of the Post-Closing Working Capital Adjustment (the "Working Capital Settlement"), then (i) five hundred thousand dollars ($500,000) of the Holdback Amount (together with any interest or other income earned thereon) shall be released to Seller (or to Seller's designee) no later than three (3) Business Days after the Customs Resolution Date and (ii) the remaining five hundred thousand dollars ($500,000) of the Holdback Amount (together with any interest or other income earned thereon) shall continue to be held by Madden until the Working Capital Settlement. If, pursuant to Section 2.3, the Holdback Amount exceeds the amount of the Working Capital Refund, then the excess amount of the Holdback Amount (together with any interest or other income earned thereon) shall be returned to Seller in accordance with Section 2.2(a) no later than three (3) Business Days following the Working Capital Settlement.

(b) If the Working Capital Settlement occurs prior to the Customs Resolution Date, then the Holdback Amount (together with any interest or other income earned thereon) shall first be used, to the extent necessary, to fulfill Seller's obligations pursuant to Section 2.3 and the remaining funds constituting the Holdback Amount (together with any interest or other income earned thereon) shall continue to be held by Madden until the Customs Resolution Date and shall be released to Seller (or to Seller's designee) within three (3) Business Days following the Customs Resolution Date.

(c) For purposes of this Agreement, the term "Customs Resolution" shall mean the delivery by Seller to Madden of (i) a copy of a notice received by Seller from the Fines, Penalties and Forfeiture Office of the U.S. Bureau of Customs and Border Protection ("U.S. Customs") stating (A) that U.S. Customs has completed its investigation relating to that certain

prior disclosure statement filed by Seller with U.S. Customs on December 4, 2009 (the "Prior Disclosure") and that such Prior Disclosure has been accepted and (B) the total amount of interest and penalties (if any) payable by Seller to U.S. Customs in resolution of the matter addressed in the Prior Disclosure, or (ii) to the extent a written notice as described in (i) is not so delivered to Seller, evidence reasonably satisfactory to Madden that Seller has been otherwise notified of the matters in clauses (A) and (B) above. The term "Customs Resolution Date" shall mean the date on which the Customs Resolution occurs.

ARTICLE III

Closing

3.1 Closing Date. Subject to the fulfillment or waiver by the beneficiary thereof of the agreements and conditions precedent set forth in Articles IX and X, the closing of the transactions contemplated hereby (the "Closing") shall be held at any time simultaneous with or following the satisfaction or waiver of all conditions to closing set forth in Articles IX and X of this Agreement, on such date as may be agreed upon by Madden and Seller, at 10:00 a.m., prevailing local time, at the offices of Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, NY 10036, or on such other date or at such other time or place as may b e agreed to in writing by Madden and Seller. The date on which the Closing actually occurs is herein referred to as the "Closing Date."

3.2 Certain Actions at Closing. At the Closing:

(a) Seller shall deliver, or cause to be delivered, to Madden stock certificates representing all of the Company Shares, accompanied by stock powers duly endorsed in blank or duly executed instruments of transfer;

(b) Madden shall remit the Closing Payment to the Purchase Price Accounts pursuant to the provisions of this Agreement;

(c) to the extent not previously executed and/or delivered to Madden, Seller shall execute and/or deliver to Madden, or cause to be executed and/or delivered to Madden, each of the Transaction Documents and any other document, certificate, affidavit or other instrument required to be executed and/or delivered by Seller and the Company under this Agreement at or prior to the Closing;

(d) to the extent not previously executed and/or delivered to Seller, Madden shall execute and/or deliver to Seller, each of the Transaction Documents and any other document, certificate or other instrument required to be executed and/or delivered by Madden under this Agreement at or prior to the Closing; and

(e) Seller shall be liable for and shall pay all stamp, transfer and similar Taxes, direct or indirect, if any, attributable to the transfer of the Company Shares and, in connection therewith, shall affix any necessary transfer stamps to the stock certificates (or stock transfer powers) evidencing the Company Shares.

ARTICLE IV

Representations and Warranties of Seller

Seller hereby represents and warrants to Madden as follows:

4.1 Organization and Good Standing. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California. The Company has full corporate power and authority to own or lease its properties and to carry on its business as it is now being conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction wherein the nature of the business done or the property owned, leased or operated by it requires such qualification, except where the failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Copies of the Articles of Incorporation and Bylaws of the Company (the "Organizational Documents") that have been made available to Madden are true, complete and accurate in all respects. The corporate minutes and corporate records of the Company that have been made available to Madden are true, complete and accurate in all respects. The stock register and transfer records of the Company that have been made available to Madden are true, complete and accurate in all respects. The Company does not have any direct or indirect subsidiaries and does not own any ownership or equity interest in any Person.

4.2 Capitalization.

(a) The capitalization of the Company is as set forth in Section 2.1 of the Disclosure Schedule. The Company Shares are all of the issued and outstanding shares of the Company and have been duly authorized and are validly issued and outstanding, fully paid and non-assessable. Seller owns, beneficially and of record, and has valid and marketable title to, and the right to transfer to Madden, all of the Company Shares set forth in Section 2.1 of the Disclosure Schedule, free and clear of any and all Encumbrances other than Company Liens. At the Closing Madden will own, and will have valid and marketable title to, all of the issued and outstanding shares of capital stock of the Company, free and clear of a ny and all Encumbrances other than the Company Liens. No Person other than Madden has any written or oral agreement, arrangement, understanding or option for, or any right or privilege (whether by law, preemption or contract) that is or is capable of becoming an agreement, arrangement, understanding or option for, the purchase or acquisition from the Company or any Person of any shares of capital stock or other securities of the Company.

(b) There are no outstanding or authorized options, warrants, purchase agreements, participation agreements, subscription rights, conversion rights, exchange rights or other securities, contracts, arrangements, understanding or commitments that could require the Company to issue, sell or otherwise cause to become outstanding any of its authorized but unissued shares of capital stock or any securities convertible into, exchangeable for or carrying a right or option to purchase shares of capital stock, or to create, authorize, issue, sell or otherwise cause to become outstanding any new class of capital stock. None of the issued and outstanding shares of capital stock of the Company have been issued in violation of any rights of any Person or in violation of the registration requirements of any applicable jurisdiction's securities Laws.

4.3 Authorization.

(a) Seller has full legal capacity to enter into and carry out Seller's obligations under this Agreement and the other applicable Transaction Documents, and to consummate the transactions contemplated hereby and thereby, and is not under any prohibition or restriction, contractual, statutory or otherwise, against doing so. Each of the Transaction Documents has been duly executed and delivered by Seller and, assuming due authorization, execution and delivery by the other parties thereto, constitutes legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other law s affecting the rights of creditors generally and by general principles of equity.

(b) The Services Agreement and the Earn-Out Agreement have been duly executed and delivered by the Company and, assuming due execution and delivery by the other parties thereto, constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other laws affecting the rights of creditors generally and by general principles of equity.

4.4 No Conflicts; Consents. Except as set forth in Section 4.4 of the Disclosure Schedule, neither the execution and delivery by Seller or the Company of this Agreement or any of the Transaction Documents to which Seller or the Company is a party, nor the consummation of the transactions contemplated hereby or thereby, will, with or without notice or lapse of time or both, directly or indirectly, (i) conflict with or violate the Organizational Documents of, or resolutions of the directors or shareholders of, the Company, (ii) conflict with, violate, result in the breach of any term of, result in the acceleration of performance of any obligation under, cons titute a default under, give any Person the right to cancel, terminate or modify, or require the consent or approval of or any notice to or filing with any third party or Governmental Body under (x) any note, mortgage, deed of trust, lease or other agreement or instrument to which Seller or the Company is a party or by which Seller or the Company or any of their respective properties or assets are bound, or (y) any Law, writ, injunction, or License of any Governmental Body having jurisdiction over Seller, the Company or their respective properties or assets, or (iii) create an Encumbrance on any of the shares of capital stock or properties or assets of the Company, including, without limitation, the Company Shares.

4.5 Financial Statements; Undisclosed Liabilities; Promotions and Allowances; Inventory.

(a) Except as set forth in Section 4.5(a) of the Disclosure Schedule, the Financial Statements (true, complete and accurate copies of which have been previously made available to Madden) (i) have been prepared from the books and records of the Company on a consistent basis throughout the periods covered thereby, subject, in the case of any interim Financial Statements, to the absence of footnote disclosure and normal year-end adjustments and (ii) fairly present in all material respects the financial condition of the Company as at their respective dates and the results of operations and cash flows of the Company for the periods covered thereby. Except as set forth in Section 4.5(a) of the Disclosure Schedule, the statements

of operations included in the Financial Statements do not include any item of special or non-recurring income, except as specifically identified therein.

(b) As of the date of the Balance Sheet, other than those (i) set forth in Section 4.5(b) of the Disclosure Schedule or (ii) which are reflected or reserved against on the Balance Sheet, the Company does not have any liabilities, debts or obligations (whether absolute, accrued, contingent or otherwise). Except as set forth in Section 4.5(b) of the Disclosure Schedule, since the date of the Balance Sheet, the Company (i) has conducted its business in the ordinary course of business consistent with past practice and in a commercially reasonable manner, (ii) has not incurred any liabilities, debts or obligations (whether absolute, accrued, contingent or otherwise), except for liabilities incurred in the ordinary course of busin ess consistent with past practice and in a commercially reasonable manner, which such liabilities are consistent with the representations and warranties contained in this Agreement and (iii) notwithstanding anything to the contrary in clause (i) or (ii) of this sentence, has not incurred any liability, debt or obligation (whether absolute, accrued, contingent or otherwise) to or of any Affiliated Person or made any Affiliate Loans. Since the date of the Balance Sheet, no event has occurred or facts or circumstances exist which, individually or in the aggregate, has had or is reasonably likely to result in a Material Adverse Effect.

(c) Section 4.5(c) of the Disclosure Schedule sets forth the terms of all return, markdown, promotion, co-op advertising and other similar programs and allowances currently offered by the Company to any of its customers. As of the date hereof, the Company has not established reserves regarding the foregoing.

(d) Except as set forth in Section 4.5(d) of the Disclosure Schedule, the inventory reflected in the Financial Statements or thereafter acquired has been determined and valued in accordance with past practice as reflected in the Financial Statements and the books and records of the Company at the lower of cost or market. Except as set forth in Section 4.5(d) of the Disclosure Schedule: (i) the inventory of the Company (whether raw materials, work-in-process, or other inventory) is salable in the ordinary course of business consistent with past practice without any material problems; (ii) the finished goods inventories of the Company consist of items which are good and merchantable (as defined in the Uniform C ommercial Code of the State of New York) at normal mark-up in the ordinary course of business consistent with past practice; and (iii) no previously sold inventory is subject to refunds materially in excess of that historically experienced by the Company. All commitments or orders for work-in-process were entered into in the ordinary course of business consistent with past practice and in a commercially reasonable manner. The Company does not sell any inventory on consignment such that unsold products would be subject to return or have title to or risk of loss with respect to any products in the possession of others.

4.6 Taxes.

(a) Except as set forth in Section 4.6(a) of the Disclosure Schedule, the Company has timely filed with the appropriate taxing authorities all material Returns required to be filed by it (taking into account any extension of time to file). The information on such Returns is complete and accurate in all material respects. The Company has paid all material Taxes (whether or not shown on any Return) due and payable, except for any Taxes that result by

reason of a 338(h)(10) Election or analogous elections made pursuant to Section 8.1(b). Except as set forth in Section 4.6(a) of the Disclosure Schedule, there are no liens for Taxes (other than for Permitted Encumbrances) upon the properties or assets of the Company.

(b) Except as set forth in Section 4.6(b) of the Disclosure Schedule, no unpaid (or unreserved in accordance with GAAP) and unresolved deficiencies for Taxes have been claimed, proposed or assessed, in each case in writing, by any taxing authority or other Governmental Body with respect to the Company for any Pre-Closing Period, and, to the Knowledge of Seller and the Company, there are no pending or threatened audits, investigations, claims or assessments, in each case in writing, for or relating to any liability in respect of Taxes of or with respect to the Company. Except as set forth in Section 4.6(b) of the Disclosure Schedule, the Company has not requested any extension of time within which to file any currently u nfiled Returns in respect of any Taxes and no waiver or extension of a statutory period of limitations for the assessment of any Taxes is in effect with respect to the Company.

(c) Except as set forth in Section 4.6(c) of the Disclosure Schedule, (i) except for any Taxes that result by reason of a 338(h)(10) Election made pursuant to Section 8.1(b), the Company has made provision for all Taxes payable by it with respect to any Pre-Closing Period which have not been paid prior to the Closing Date and the provisions for Taxes with respect to the Company for the Pre-Closing Period (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income); (ii) the Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid to any employee, independent contractor, creditor, shareholder or other third party; (iii) all materia l elections with respect to Taxes materially affecting the Company as of the date hereof are set forth in Section 4.6(c)(iii) of the Disclosure Schedule; (iv) there are no written advance tax rulings in respect of any Tax issued to or pending between or with respect to the Company and any taxing authority or any other written agreements with a taxing authority with regard to any Tax; (v) the tax year end for the Company is December 31; (vi) the Company is not liable for Taxes of any other Person, and is not currently under any contractual obligation to or a party to any tax sharing agreement or any other agreement providing for payments by the Company with respect to Taxes; (vii) the Company is not a party to any written joint venture, partnership or other arrangement or contract which could be treated as a partnership for income tax purposes; (viii) the Company has not, as of the Closing Date, agreed and will not be required, as a result of a change in method of accounting, to include any adjustme nt under any provision of U.S., state, local or foreign law in taxable income for any period after the Closing Date; (ix) Section 4.6(c)(ix) of the Disclosure Schedule contains a list of all jurisdictions in which the Company files Returns, and no written claim has ever been made by a taxing authority in a jurisdiction where the Company does not currently file Returns that the Company is or may be subject to taxation by that jurisdiction; (x) the Company has not filed or been included in a combined, consolidated or unitary return (or substantial equivalent thereof) of any Person; (xi) the Company has not engaged in any transaction for which its participation is required to be disclosed under Treasury Regulation § 1.6011-4; and (xii) since its inception, the Company has qualified for and has properly had in effect an election (which has not terminated) to be an S corporation within the meaning of Section 1361(a)(1) of the Code (and any corresponding provision of applicable state law).

4.7 Real and Personal Property.

(a) Section 4.7(a) of the Disclosure Schedule contains a complete list by address of all real property owned, leased, operated or used by the Company (collectively, the "Real Property"), indicating the nature of the interest of the Company therein (collectively, the "Real Property Interests"). To the Knowledge of Seller and the Company, no litigation, condemnation, expropriation, eminent domain or similar proceeding affecting all or any portion of any Real Property is pending or threatened. The Company has furnished to Madden true, correct and complete copies of all documents relating to the Real Property Interests, including, without limitation, all leases, licenses, deeds, evidences of ow nership, evidences of possession, amendments, estoppel certificates, subordination, non disturbance and attornment agreements and assignment and/or assumption agreements (collectively, the "Real Property Documents"), including rent rolls and operating expense statements (if applicable). Except as set forth in Section 4.7(a) of the Disclosure Schedule, the Company is not a party to any oral agreements with respect to any Real Property Interest and, to the Knowledge of Seller and the Company, there are no other oral agreements with respect to any Real Property Interest. Except as set forth in Section 4.7(a) of the Disclosure Schedule, no Real Property Document requires that the consent or approval of any third party be obtained in order to consummate the transactions contemplated by this Agreement, nor do such transactions violate any Real Property Document or cause the Company to be in default under any Real Property Document. Except as set forth in Section 4.7(a) of the Disclosure Schedule, neither of the Company nor Seller has given or received any notice of default under any Real Property Document, and neither the Company nor Seller is in default thereunder. Except as set forth in Section 4.7(a) of the Disclosure Schedule, no option to extend, renew, surrender, terminate or purchase arising under any Real Property Document has been exercised by the Company or, to the Knowledge of Seller and the Company, by any other party thereto. No guaranty or other undertaking with respect to the performance of any obligation arising under any Real Property Document has been delivered by the Company. Except as set forth in Section 4.7(a) of the Disclosure Schedule, all service, management, leasing and other similar agreements with respect to any Real Property Interest and to which the Company is a party are terminable upon no more than thirty (30) days' prior notice.

(b) Except as set forth in Section 4.7(b) of the Disclosure Schedule, the Company has good and marketable title to all of the properties and assets, real and personal, tangible and intangible, it owns or purports to own, including those reflected on its books and records and on the Balance Sheet (except those sold or disposed of subsequent to the date thereof in the ordinary course of business consistent with past practice and in a commercially reasonable manner), free and clear of all Encumbrances, except for Permitted Encumbrances. Except as set forth in Section 4.7(b) of the Disclosure Schedule, the Company has a valid and enforceable fee, leasehold, license or other interest in all of the other properties and assets, real or personal, tangible or intangible, which are used in the operation of the business of the Company as presently conducted as of the Closing Date, free and clear of all Encumbrances, except for Permitted Encumbrances. Except as set forth in Section 4.7(b) of the Disclosure Schedule, none of the properties or assets owned, leased, operated or used by the Company is subject to any lease, sublease, license, sublicense or other agreement granting to any other Person any right to the use, occupancy or enjoyment of such property or any portion thereof and no leasehold interest of the Company is proposed to be surrendered or terminated.

(c) As used herein, "Permitted Encumbrances" means (i) liens for Taxes not yet due and payable or which are being diligently contested in good faith by appropriate

proceedings and as to which appropriate reserves (to the extent required by GAAP) have been established in the books and records of the Company; (ii) mechanics', materialmen's, carriers', warehousemen's, landlord's and similar liens securing obligations not yet delinquent or which are being diligently contested in good faith by appropriate proceedings and as to which appropriate reserves (to the extent required by GAAP) have been established in the books and records of the Company; (iii) such imperfections of title, Encumbrances and easements, restrictive covenants and rights of way as do not and will not materially detract from or interfere with the use of the properties subject thereto or affected thereby, or otherwise materially impair business operations involving such properties; and (iv) platting, subdivision , zoning, building and other similar legal requirements affecting the building, structures and other improvements located on any real property whether or not of record.

(d) With respect to each lease of Real Property: (i) all base rents, percentage rents (if owing in accordance with the terms of the applicable lease) and additional rents due and owing as of the date hereof have been paid, (ii) no waiver, indulgence or postponement of the lessee's obligations has been granted by the lessor, (iii) there exists no event of default or event by the Company or, to the Knowledge of Seller and the Company, by any other party under the lease, occurrence, condition or act by the Company or, to the Knowledge of Seller and the Company, by any other party under the lease which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default und er the lease, and (iv) to the Knowledge of Seller and the Company, all of the covenants to be performed by any other party under the lease have been fully performed.

4.8 Intellectual Property.

(a) Except as set forth in Section 4.8(a) of the Disclosure Schedule, the Company owns, or has the valid right to use or license, without Encumbrances, all Intellectual Property Rights as used in its business as presently conducted and as it is expected to be conducted as of the Closing (such Intellectual Property Rights hereinafter referred to as the "Company IP Rights"). The Company IP Rights are sufficient to conduct the business of the Company as presently conducted as of the Closing Date.

(b) Except as set forth in Section 4.8(b) of the Disclosure Schedule, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not (i) constitute a breach of any instrument or agreement governing any Company IP Rights, (ii) cause the forfeiture or termination or give rise to a right of forfeiture or termination of any Company IP Rights or (iii) impair the right of the Company or, after the Closing, Madden, to own, use or license any Company IP Rights or portion thereof.

(c) Except as set forth in Section 4.8(c) of the Disclosure Schedule, there are no royalties, honoraria, fees or other payments payable by the Company to any Person for the use by the Company of any Company IP Rights.

(d) Except as set forth in Section 4.8(d) of the Disclosure Schedule, (i) to the Knowledge of Seller and the Company, the conduct of the business of the Company, as presently conducted, does not violate or infringe any Intellectual Property Rights of any other Person, and (ii) there is no pending or, to the Knowledge of Seller and the Company, threatened claim or

litigation contesting the validity, ownership, registrability, right to use or right to license any Company IP Rights, nor, to the Knowledge of Seller and the Company, is there any valid or reasonable basis for any such claim, nor has the Company or Seller received any notice asserting that any Company IP Rights or the proposed use, registration or license thereof infringes or otherwise violates, or will infringe or otherwise violate, the rights of such Person.

(e) Except as set forth in Section 4.8(e)-1 of the Disclosure Schedule, the Company has taken reasonable steps to safeguard and maintain the secrecy and confidentiality of the Company's trade secrets. Seller has made available to Madden true, complete and accurate copies of all agreements that any directors, officers, employees, consultants or contractors of the Company have executed regarding (i) the protection of proprietary information, and (ii) the assignment to the Company of all Intellectual Property Rights arising from the services performed for the Company by such persons. Except as set forth in Section 4.8(e)-2 of the Disclosure Schedule, no current or prior directors, officers, employees, consultan ts or contractors of the Company have claimed an ownership interest in any Company IP Rights; to the Knowledge of Seller and the Company, there is no valid or reasonable basis for any such claim.

(f) Section 4.8(f) of the Disclosure Schedule separately lists (i) all licenses and other agreements under which the Company or any Person granted rights by the Company uses any Company IP Rights, and (ii) all licenses and other agreements under which the Company or any Person granted rights by the Company uses any Intellectual Property of any other Person. Except as set forth in Section 4.8(f) of the Disclosure Schedule, all such licenses and other agreements are valid, enforceable, in full force and effect, and to the Knowledge of Seller and the Company without breach, and the transactions contemplated by this Agreement will not cause a change in the rights or obligations of the Company under such licenses or agreements.

(g) Except as set forth in Section 4.8(g) of the Disclosure Schedule, (i) no notice has been sent, no claim has been made and no action or proceeding has been filed asserting that any Person's use of, or application for, any Intellectual Property Rights infringes upon or otherwise violates any Company IP Rights, and (ii) to the Knowledge of Seller and the Company, no Person is infringing upon or otherwise violating any Company IP Rights, or has filed to register any Intellectual Property Rights which, if used by any third party, would infringe upon or otherwise violate the Company IP Rights.

(h) Section 4.8(h) of the Disclosure Schedule sets forth a list of all patents and patent applications; all registered or applied for trademarks, service marks, trade dress, copyrights, slogans, trade names, and internet domain names; and all material unregistered and unapplied for trademarks, service marks, trade dress, slogans and copyrights, comprising the Company IP Rights, including without limitation all registrations and applications for any of the foregoing owned, licensed, used or filed by or on behalf of the Company anywhere in the world. With respect each such trademark, Section 4.8(h) of the Disclosure Schedule identifies the trademark, the jurisdiction, the registration/application number, the registrant/applica nt, the class, the goods/services, the status (including any rejections and the basis therefor), and the principal terms of any license governing such trademark. With respect to each such internet domain name, Section 4.8(h) of the Disclosure Schedule identifies the registered domain name, expiration date, registrar, registrant, and name and contact information for the administrative contact and the

technical contact. All applications, registrations and licenses listed in Section 4.8(h) of the Disclosure Schedule, unless otherwise indicated, are in full force and effect and have not been cancelled, expired, rejected or abandoned. Except as set forth in Section 4.8(h) of the Disclosure Schedule, there is no pending, existing or, to the Knowledge of Seller and the Company, threatened opposition, interference, cancellation, proceeding or other legal or governmental proceeding before any court or Governmental Body against or involving the applications or registrations listed in Section 4.8(h) of the Disclosure Schedule.

4.9 Contracts and Agreements.

(a) Section 4.9(a) of the Disclosure Schedule sets forth a true, complete and accurate list of each of the following contracts, agreements, arrangements, instruments or understandings, whether oral or written, to which the Company is a party or by which the Company or its assets or properties are bound, except for purchase orders on standard forms entered into by the Company with customers, manufacturers and suppliers in the ordinary course of business consistent with past practice (collectively, the "Contracts"):

(i) each employment or other similar agreement providing for compensation, severance or a fixed term of employment in respect of services performed by any employee of the Company;

(ii) each management, consulting, independent contractor, subcontractor, retainer or other similar type of agreement under which services are provided by any Person to the Company with a term of more than one (1) year or requiring payments in excess of $50,000 per annum or $75,000 in the aggregate;

(iii) each other agreement or commitment for services and supplies provided by any other Person to the Company with a term of more than one (1) year or requiring payments in excess of $50,000 per annum or $75,000 in the aggregate;

(iv) each agreement with sales or commission agents or sales representatives with a term of more than one (1) year or requiring payments in excess of $25,000 per annum or $50,000 in the aggregate;

(v) each agreement or commitment for the supply of products or services by the Company to any other Person with a term of more than one (1) year (other than those that are terminable upon not more than thirty (30) days' notice by the Company without penalty) or involving payments in excess of $50,000 per annum or $75,000 in the aggregate;

(vi) each agreement that restricts in any manner the operation of the business of the Company as presently conducted, including each agreement that restricts the ability of the Company to conduct business in any geographic or product market, to buy or sell particular goods or services, to buy or sell goods or services from any other Person or to solicit customers, employees or other service providers;

(vii) each agreement with any officer or director of the Company;

(viii) each agreement with an Affiliated Person or with any entity in which an officer or director of the Company holds an interest;

(ix) each lease (as lessor, lessee, sublessor or sublessee) of any real property;

(x) each lease (as lessor, lessee, sublessor or sublessee) of any tangible personal property requiring payment during its term or any extension or renewal thereof in excess of $25,000;

(xi) each license (as licensor, licensee, sublicensor or sublicensee) of any Intellectual Property Rights (other than licenses of commercially available, "packaged, off the shelf," shrink-wrap or click-through computer software), including, without limitation, each license relating to any Company Products;

(xii) each agreement under which any money has been or may be borrowed or loaned, or any note, bond, factoring agreement, indenture or other evidence of indebtedness has been issued or assumed, and each guaranty (including "take-or-pay" and "keepwell" agreements) of any evidence of indebtedness or other obligation, or of the net worth, of any Person;

(xiii) each mortgage agreement, deed of trust, security agreement, purchase money agreement, conditional sales contract or capital lease;

(xiv) each partnership, joint venture or similar agreement;

(xv) each agreement relating to securities of the Company, including shareholder agreements, voting agreements, and any agreements granting preferential rights to acquire securities of the Company or containing restrictions with respect to the payment of dividends or other distributions in respect of the capital stock or securities of the Company;

(xvi) each agreement or commitment to make unpaid capital expenditures in excess of $2,000;

(xvii) each agreement containing a change of control provision;

(xviii) each manufacturing, distribution or sourcing agreement or arrangement;

(xix) each agreement or other arrangement pursuant to which the Company is obligated to accept returned merchandise or grant credit for unsold merchandise other than as set forth in standard form, non-negotiated purchase orders or confirmations;

(xx) each agreement or other arrangement relating to any electronic data interchange (EDI) or similar programs;

(xxi) each agreement or other arrangement providing for the development of software for, or license of software (other than off-the-shelf, shrink-wrap, or click-through software applications) or other Intellectual Property Rights;

(xxii) each agreement with respect to any Company IP Rights;

(xxiii) each agreement or arrangement with respect to advertising (including co-op advertising), marketing or any concept shops or in-store sales environments (i.e. shop in shops) for any Company Product;

(xxiv) each agreement that obligates the Company to indemnify a third party; and

(xxv) each other agreement (or group of related agreements) having an indefinite term or a fixed term of more than one (1) year (other than those that are terminable upon not more than thirty (30) days' notice by the Company without penalty) or requiring payments in excess of $50,000 per year or $75,000 in the aggregate or the loss of which could reasonably be expected to have, directly or indirectly, individually or in the aggregate, a Material Adverse Effect.

Complete copies of all written (and summaries of all oral) Contracts required to be disclosed pursuant to this Section 4.9(a), as well as copies of all standard forms of purchase orders with customers, manufacturers and suppliers used by the Company, have been previously made available to Madden.

(b) Each of the Contracts is legal, valid, binding and in full force and effect and is enforceable by the Company in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and by general principles of equity. The Company is not (with or without the lapse of time or the giving of notice, or both) in breach of or in default under any of the Contracts, and, to the Knowledge of Seller and the Company, no other party to any of the Contracts is (with or without the lapse of time or the giving of notice, or both) in breach of or in default under any of the Contracts.

4.10 Insurance. All insurance policies currently maintained by the Company, or under which the Company is insured, are accurately listed in Section 4.10 of the Disclosure Schedule and complete copies of such policies have been previously made available to Madden. Each such insurance policy is in full force and effect (and to the Knowledge of Seller and the Company, free from any presently exercisable right of termination on the part of the insurance company issuing such policy prior to the expiration of the term of such policy) and all premiums due and payable in respect thereof have been paid. Except as set forth in Section 4.10 of the Di sclosure Schedule, there are no pending claims with respect to the Company or its properties or assets under any such insurance policy. Neither Seller nor the Company has received notice of cancellation or non-renewal of any such policy. The transactions contemplated by this Agreement will not give rise to a right of termination of any such policy by the insurance company issuing the same prior to the expiration of the term of such policy.

4.11 Litigation. Except as set forth in Section 4.11 of the Disclosure Schedule and with respect to environmental matters (which are addressed in Section 4.16 of this Agreement), there is no lawsuit, governmental investigation or legal, administrative or arbitration action or proceeding pending or, to the Knowledge of Seller and the Company, threatened against Seller or the Company or any of their respective properties or assets, or any director, officer or employee of the Company, in his or her capacity as such, and, to the Knowledge of Seller and the Company, the Company is not identified as a party subject to any restrictions or limitations under any judgmen t, order or decree of any Governmental Body.

4.12 Condition and Sufficiency of Assets. Except as set forth in Section 4.12 of the Disclosure Schedule, the properties and assets owned, leased, operated and used by the Company in the conduct or operation of its business are in good operating condition and repair, normal wear and tear excepted, are reasonably suitable for the purposes for which they are currently used and are all of the properties and assets reasonably necessary for the conduct and operation of the businesses of the Company as currently conducted. Except as set forth in Section 4.12 of the Disclosure Schedule, the Company is the sole owner of all material properties and assets, including tra demarks, utilized in the conduct or operation of the business of the Company, except for properties and assets leased or licensed to the Company pursuant to Contracts listed in Section 4.9(a) of the Disclosure Schedule, to which the Company has a valid lease or license.

4.13 Compliance with Law; Licenses; Customs.

(a) Except as set forth in Section 4.13(a) of the Disclosure Schedule, the Company is and has been in compliance in all material respects with all applicable Laws governing the conduct or operation of its business, and with all of its Licenses. Neither the Company nor Seller has received any notice of any violation of any such Law or License, and to the Knowledge of Seller and the Company, no such violation has been threatened.

(b) All governmental licenses, approvals, authorizations, registrations, consents, orders, certificates, decrees, franchises and permits (collectively, “Licenses”) of the Company are listed in Section 4.13(b) of the Disclosure Schedule. The Licenses are all of the Licenses necessary for the ownership and operation of the properties and assets of the Company, the manufacturing, marketing, sale and distribution of the Company Products by the Company and the conduct and operation of its business as currently conducted. Such Licenses are in full force and effect, and no proceeding is pending or, to the Knowledge of Seller and the Company, threatened, seeking the revocation or limitation of any such License . To the Knowledge of Seller and the Company, there exists no state of facts which could cause any Governmental Body to limit, revoke or fail to renew any License related to or in connection with any business as currently conducted or operated by the Company.

(c) Except as set forth in Section 4.13(c) of the Disclosure Schedule, (i) the Company was not the importer of record for any product prior to December 19, 2009, and (ii) from December 19, 2009 through the date hereof, the Company has been the importer of record for all products imported for sale and distribution by the Company.

(d) Except as set forth in Section 4.13(d) of the Disclosure Schedule, notwithstanding and in addition to the foregoing, the Company and, to the Knowledge of Seller

and the Company, the employees, agents and representatives of the Company are, and at all times have been, in compliance with all applicable Laws and regulations relating to importing and exporting, customs and national and international trade with respect to business conducted by the Company or for which the Company could be held liable, including, without limitation, the accuracy of all statements and representations made to any Governmental Body (including, but not limited to, U.S. Customs, the U.S. Department of Homeland Security, the U.S. Federal Trade Commission, and the U.S. Consumer Products Safety Commission), the timely and accurate filing of all reports, schedules and forms required to be filed with any Governmental Body and the timely and accurate reporting and payment of all duties, taxes, fees, payments or other governmental obligation s.

(e) Except as set forth in Section 4.13(e) of the Disclosure Schedule, the Company and, to the Knowledge of Seller and the Company, the employees, agents and representatives of the Company have not provided any assistance, directly or indirectly, to the maker of any goods the Company has imported, including, without limitation, equipment or materials, which assistance would be subject to a duty, tax, fee or other payment, other than such assistance which has been fully and accurately disclosed to the appropriate Governmental Bodies and for which such duty, tax, fee or other payment has been fully paid.

(f) Except as set forth in Section 4.13(f) of the Disclosure Schedule, the Company and, to the Knowledge of Seller and the Company, the employees, agents and representatives of the Company have accurately prepared and maintained all records with respect to the business conducted by the Company or for which the Company could be held liable relating to importing and exporting, customs and international trade, as required by Law.

(g) Section 4.13(g) of the Disclosure Schedule sets forth all liabilities or obligations owing by the Company or, to the Knowledge of Seller and the Company, the employees, agents or representatives of the Company to U.S. Customs or any Governmental Body in connection with the purchase, importation or attempted importation of any product by the Company or for which the Company could be held liable, including but not limited to: duties, taxes, fees and interest thereon; liquidated damages; penalties; claims and assessments (whether actual or potential and whether or not yet asserted by U.S. Customs, any Governmental Body or some third party).

(h) Except as set forth in Section 4.13(h) of the Disclosure Schedule, neither the Company nor Seller has received written notice of any pending audits, inquiries, investigations, claims, notices or demands for duties, fines, penalties, seizures, forfeitures, or liquidated damages by any Governmental Body (including, but not limited to, U.S. Customs, the U.S. Department of Homeland Security, the U.S. Federal Trade Commission, the U.S. Consumer Products Safety Commission, the U.S. Department of Justice, any Office of the U.S. Attorney or any other agency of the U.S. government) arising out of any transactions or importation of merchandise by or for the Company and, to the Knowledge of Seller and the Company, the Company has not committe d any acts or omissions which could give rise to any such inquiry, investigation, claim, notice or demand.

4.14 Employees.

(a) Section 4.14(a) of the Disclosure Schedule sets forth, as of the date hereof, a true, correct and complete list of all of the employees, officers, independent contractors and consultants of the Company, and with respect to each such employee, officer and, to the extent applicable, independent contractor and consultant, such individual's: (i) current annual base salary, (ii) current guaranteed annual bonus, (iii) any discretionary bonus received by such individual for the immediately preceding fiscal year of the Company, (iv) all other compensation and perquisites (including, without limitation, incentive compensation, fees or other remuneration) received by such individual in the immediately preceding fiscal year o f the Company, (v) accrued vacation, (vi) current title, (vii) date of hire, (viii) outstanding loans to such individuals and (ix) with respect to each such independent contractor or consultant, a summary of any oral commission agreement with such individual. Except as set forth in Section 4.14(a) of the Disclosure Schedule, all amounts due for all salary, wages, bonuses, commissions, vacation with pay and other benefits have either been paid or are accurately reflected on the Balance Sheet.

(b) The Company (i) is and has been in compliance in all material respects with all applicable Laws (including any legal obligation to engage in affirmative action), agreements and contracts relating to former, current, and prospective employees, independent contractors and "leased employees" (within the meaning of Section 414(n) of the Code) of the Company, workplace practices, and terms and conditions of employment with the Company or retention by the Company, including all such Laws, agreements and contracts relating to wages, hours, collective bargaining, employment discrimination and human rights, immigration, disability, civil rights, fair labor standards, occupational safety and health, workers' compensation, p ay equity, termination of employment or wrongful discharge and violation of the potential rights of such former, current, and prospective employees, independent contractors and leased employees, and (ii) has timely prepared and filed all appropriate forms (including U.S. Immigration and Naturalization Service Form I-9) required by any relevant Law or Governmental Body. The Company is not engaged in any unfair labor practice.

(c) No collective bargaining agreement with respect to the business of the Company is currently in effect or being negotiated. The Company does not have any obligation to negotiate any collective bargaining agreement, and, to the Knowledge of Seller and the Company, no employees of the Company desire to be covered by a collective bargaining agreement and there are no pending or, to the Knowledge of Seller and the Company, threatened union organizing efforts in connection therewith.

(d) The Company generally has good relationships with its employees. No strike, slowdown or work stoppage is occurring or has occurred since the inception of the Company nor, to the Knowledge of Seller and the Company, is threatened or has been threatened within the one-year period prior to the date hereof, with respect to the employees of the Company.

(e) There is no representation or certification claim or petition pending before any labor agency or board (including the U.S. National Labor Relations Board) of which the Company or Seller has been notified and, to the Knowledge of Seller and the Company, no question concerning representation has been raised or threatened respecting the employees of the Company. No union or employee bargaining agency has applied or, to the Knowledge of Seller

or the Company, threatened to apply to any labor agency or board to have the Company declared a common, related or successor employer pursuant to any applicable Laws.

(f) Except as set forth in Section 4.14(f) of the Disclosure Schedule, no notice has been received by the Company or Seller of any complaint or proceeding filed against the Company claiming that the Company has or may have violated any applicable employment standards, human rights or other labor or employment Laws, or of any complaints or proceedings of any kind involving the Company or, to the Knowledge of Seller and the Company, against any of the employees of the Company or, to the Knowledge of Seller and the Company, threatened to be filed against the Company before any agency, labor relations board or Governmental Body (including, but not limited to, the U.S. National Labor Relations Board and U.S. Equal Employment Opportunity Com mission). No notice has been received by the Company or Seller of the intent of any agency or other Governmental Body responsible for the enforcement of labor or employment Laws to conduct an investigation of the Company, and no such investigation is in progress.

(g) There are no outstanding orders or charges against the Company under any occupational health or safety Laws and, to the Knowledge of Seller and the Company, none have been threatened. All material levies, assessments, penalties, fines, liens and surcharges made against the Company pursuant to all applicable workers compensation Laws as of the date of the Balance Sheet have been paid or have been reserved for or accrued on the Balance Sheet by the Company and the Company has not, as of the Closing Date, been reassessed under any such Laws and there are no claims or potential claims which may be reasonably expected to adversely affect the accident cost experience of the Company. To the Knowledge of Seller and th e Company, no audit of the Company is being performed or threatened pursuant to any workers' compensation Laws. There have been no levies, assessments or penalties pursuant to any applicable workers compensation Laws imposed or, to the Knowledge of Seller and the Company, threatened against the Company since the date of the Balance Sheet.

(h) The Company has withheld for all periods all required amounts from its employees, including, without limitation, for employee income tax withholding, social security and unemployment taxes in compliance with applicable Law. Federal, state, local and foreign returns, as required by applicable Law, have been filed by the Company for all periods for which returns were due with respect to employee income tax withholding, social security and unemployment taxes, and the amounts shown thereof to be due and payable have been paid, together with any interest and penalties that are due as a result of the failure of the Company to file such returns when due and pay when due the amounts shown thereon to be due.

(i) Section 4.14(i) of the Disclosure Schedule accurately sets forth all severance or continuing payment obligations of the Company, as well as all unpaid severance or continuing payments of any kind (other than pursuant to a plan or program described in Section 4.15) which are due or claimed in writing to be due from the Company to any Person whose employment with the Company was terminated. Except as set forth in Section 4.14(i) of the Disclosure Schedule, the consummation of the transactions contemplated hereby, either alone or in combination with another event, with respect to each director, officer, employee, independent contractor and consultant of the Company, will not result in (A) any payment (including, without lim itation, severance, unemployment compensation or bonus payments) becoming due under any

Employee Benefit Plan or agreement, (B) any increase in the amount of compensation, benefits or fees payable to any such individual or (C) any acceleration of the vesting or timing of payment of benefits, compensation or fees payable to any such individual.

(j) Section 4.14(j) of the Disclosure Schedule accurately sets forth the Company's policies with respect to accrued, but unused, vacation time.

(k) Section 4.14(k) of the Disclosure Schedule sets forth a complete and correct list of all employment, management, consulting or other agreements with any Persons retained by the Company as employees, "leased employees" (within the meaning of Section 414(n) or (o) of the Code or other similar Law), management or other independent consultants, sales representatives, sales or commission agents and distributors, complete and correct copies of which have been made available to Madden. Except as set forth in Section 4.14(k) of the Disclosure Schedule, each employee of the Company is employed on an at-will basis and neither Seller nor the Company has any written or oral agreements with any employees of the Company re garding continued employment or terms of employment subsequent to the date hereof or the Closing Date, or which would otherwise interfere with the ability to discharge such employees. To the Knowledge of Seller and the Company, no key employee and no group of employees of the Company has any plans to terminate or modify their status as an employee or employees of the Company (including upon consummation of the transactions contemplated hereby), except as contemplated by the Employment Agreement.

(l) Neither Seller nor the Company has promised, made any written or oral statements or representations or distributed any written material to any employees, shareholders, directors, officers, consultants, independent contractors, agents, representatives or other personnel of the Company regarding continued (x) employment or terms of employment, (y) continued engagement, or (z) continued receipt of any particular benefit, with or from the Company subsequent to the date hereof or the Closing Date.

(m) Section 4.14(m) of the Disclosure Schedule accurately sets forth summaries of the significant terms and conditions of any and all arrangements (oral or written) between the Company and sales representatives, sales agents, distributors, and any other independent contractors. Such arrangements are in full force and effect and are enforceable by the Company in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and by general principles of equity. Except as set forth in Section 4.14(m) of the Disclosure Schedule, the Company is not (with or without the lapse of time or the givi ng of notice, or both) in breach of or in default under, any of the foregoing, and, to the Knowledge of Seller and the Company, no other party to any of such arrangements is (with or without the lapse of time or the giving of notice, or both) in breach of or in default under any of such arrangements.

(n) To the Knowledge of Seller and the Company, no contractor, manufacturer or supplier used by or under contract with the Company is in material violation of any Law relating to labor or employment matters for its services to or work for the Company.

4.15 Employee Benefit Plans.

(a) Section 4.15(a) of the Disclosure Schedule lists all Employee Benefit Plans. "Employee Benefit Plan" means any "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended from time to time ("ERISA") and any other plan, policy, program, practice, agreement, understanding or arrangement (whether written or oral) providing compensation or other benefits to any current or former officer, employee or consultant (or to any dependent or beneficiary thereof), of the Company or any ERISA Affiliate, which are now, or within the last six (6) years were, maintained by the Company or any ERISA Affiliate, and with respect to which the Company or any ERISA Affiliate has or may reasonably be expected to have any liability, including but not limited to any obligation to contribute, including all employee pension, profit-sharing, savings, retirement, incentive, bonus, deferred compensation, vacation, holiday, cafeteria, medical, disability, life, accident or other insurance, stock purchase, stock option, stock appreciation right, phantom stock, restricted stock or other equity-based compensation plans, and any other employee benefit plans, policies, programs, practices or arrangements. "ERISA Affiliate" means any entity (whether or not incorporated) other than the Company that, together with the Company, is or could reasonably be expected to be deemed to be a member of a controlled group of corporations within the meaning of Section 414(b) of the Code, of a group of trades or businesses under common control within the meaning of Section 414(c) of the Code, or in the case of any Employee Benefit Plan subject to Part 3 of Subtit le B of Title I of ERISA, of an affiliated service group within the meaning of Section 414(m) of the Code.

(b) Section 4.15(b) of the Disclosure Schedule sets forth each Employee Benefit Plan that is subject to Section 409A of the Code. Except as set forth in Section 4.15(b) of the Disclosure Schedule, any such Employee Benefit Plan complies in operation and form with Section 409A and the regulations promulgated thereunder.

(c) With respect to each Employee Benefit Plan, the Company has made available to Madden to the extent applicable, true and complete copies of (i) each Employee Benefit Plan including all amendments and written summaries of any unwritten plan or amendment, and related trust agreements, insurance and other contracts (including policies), (ii) the summary plan description, any summaries of material modifications, and all other material communications distributed to Employee Benefit Plan participants, including COBRA notices and forms, and (iii) the most recent annual reports on Form 5500 with accompanying schedules and attachments, the most recent IRS opinion or determination letter, and the most recent audited financial statements and a ctuarial valuation reports.

(d) Neither the Company nor any ERISA Affiliate maintains or contributes to or has ever maintained or contributed to an Employee Benefit Plan (including, without limitation, any "multiemployer plan" within the meaning of Section 3(37) of ERISA) subject to Title IV or Section 302 of ERISA and Section 412 of the Code, and to the Knowledge of Seller and the Company, no condition exists or is reasonably likely to exist as a result of which the Company could have any liability under any such sections. No Employee Benefit Plan is a "multiple employer plan" as described in Section 3(40) of ERISA or Section 413(c) of the Code.

(e) Except as set forth on Section 4.15(e) of the Disclosure Schedule, to the Knowledge of Seller and the Company, no event has occurred in connection with which the Company or any Employee Benefit Plan, directly or indirectly, would reasonably be likely to be

subject to any liability under ERISA, the Code or any other Law and neither the Company nor any ERISA Affiliate has agreed to indemnify or is required to indemnify any person against liability incurred for a violation of such Laws.

(f) Each Employee Benefit Plan which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter or opinion from the IRS on which it may properly rely, has timely adopted all amendments required for continued plan qualification, and to the Knowledge of Seller and the Company, nothing has occurred and no circumstances exist that adversely affect any such favorable determination or opinion letter, or which would put issuance of a favorable determination or opinion letter on a pending application in doubt. Each Employee Benefit Plan is and has been maintained in form and operation in compliance with its terms and all applicable Laws, including, without limitation, ERISA and the Cod e. As of and including the date of the Closing, the Company shall have made all contributions required to be made by it up to and including the date of the Closing with respect to each Employee Benefit Plan, or adequate accruals therefor will have been provided for and will be properly reflected on the books of the Company. All notices, filings and disclosures required by ERISA and the Code have been timely made.

(g) With respect to each Employee Benefit Plan, to the Knowledge of Seller and the Company, (i) no "party in interest" or "disqualified person" (as defined in Section 3(14) of ERISA or Section 4975 of the Code, respectively) has at any time engaged in a transaction which could subject Madden, the Company or Seller, directly or indirectly, to a tax, penalty or liability for prohibited transactions imposed by ERISA, the Code or any other applicable law and (ii) no fiduciary (as defined in Section 3(21) of ERISA) has breached any of the responsibilities or obligations imposed upon the fiduciary under Title I of ERISA or any other applicable law.

(h) Each Employee Benefit Plan may, by its terms, be amended or terminated at any time, and no additional liabilities to the Company or to such plan will arise on account of any such termination (including, but not limited to, retrospective premium adjustments or early cancellation penalties).

(i) Each Employee Benefit Plan which is a "welfare plan" within the meaning of Section 3(1) of ERISA and which provides health, disability or death benefits is fully insured.

(j) No Employee Benefit Plan provides for medical or health benefits or coverage for any participant or dependent after such participant's retirement or other termination of employment, except as may be required by COBRA or any other similar law. To the Knowledge of Seller and the Company, there has been no communication to any person providing services to the Company that could reasonably be expected to promise or grant any such person any retiree health or life insurance or any retiree death benefits, except as required by COBRA or any other similar law.

(k) The Company has not proposed, announced or agreed to create any additional Employee Benefit Plans or to amend or modify any Employee Benefit Plan.

(l) Except as contemplated by this Agreement or as set forth in Section 4.15(l) of the Disclosure Schedule, the consummation of the transactions contemplated by this

Agreement, either alone or in combination with any other event, will not result in (i) any payment (including, without limitation, severance, unemployment compensation, golden parachute, bonus payments or otherwise) becoming due to any current or former director, officer, employee or consultant of the Company, (ii) any increase in the amount of compensation or benefits payable in respect of any director, officer, employee or consultant of the Company, (iii) any acceleration of the vesting or timing of payment of any benefits or compensation payable in respect of any director, officer, employee or consultant of the Company, or (iv) any "parachute payment" under Section 280G of the Code, whether or not such amount may be considered reasonable compensation for personal services rendered.

(m) To the Knowledge of Seller and the Company, there are no pending or threatened investigations by any Governmental Body involving or relating to any Employee Benefit Plan or pending claims (except for routine claims for benefits payable in the normal operation of the Employee Benefit Plans), suits or proceedings against any Employee Benefit Plan, the Company, Seller, or any fiduciary or trustee of any Employee Benefit Plan.

(n) Section 4.15(n) of the Disclosure Schedule sets forth annual costs for the last calendar year associated with the maintenance of each Employee Benefit Plan, including, without limitation, annual premiums and contributions.

(o) No Employee Benefit Plan covers any non-U.S. employees.

4.16 Environmental Matters.

(a) Except as set forth in Section 4.16(a) of the Disclosure Schedule:

(i) the Company is and has been in compliance with all applicable Environmental Laws;

(ii) no Environmental Claims have been asserted against the Company or Seller, nor does the Company or Seller have Knowledge or notice of any pending or threatened Environmental Claim against the Company or Seller.

(iii) there has been no Release of a Hazardous Material at or from any real property owned or leased by the Company that would reasonably be expected to subject the Company to liability under any Environmental Law, nor has the Company or Seller received written notice that it is a potentially responsible party under or otherwise has potential liability under any Environmental Law; and

(iv) the Company has not managed, handled, generated, manufactured, refined, recycled, discharged, emitted, buried, processed, produced, reclaimed, stored, treated, transported, or disposed of any Hazardous Substance, except in compliance with all Environmental Laws.

(b) Seller has provided Madden with all environmental audits or assessments in the possession of the Company relating to the business of, or any property owned or leased by, the Company.

4.17 Bank Accounts and Powers of Attorney. Section 4.17 of the Disclosure Schedule sets forth the name of each bank in which the Company has an account, lock box or safe deposit box, the number of each such account, lock box and safe deposit box, and the names of all Persons authorized to draw thereon or have access thereto. Except as set forth in Section 4.17 of the Disclosure Schedule, no Person holds any power of attorney from the Company.

4.18 Absence of Certain Changes. Since the date of the Balance Sheet, the Company has operated its business in the ordinary course consistent with past practice and in a commercially reasonable manner, and has maintained its relationships with customers, vendors, suppliers, employees, agents and others in a commercially reasonable manner, and there has not occurred any event, development or change, and no facts or circumstances exist, which, individually or in the aggregate, have had or could be reasonably expected to have a Material Adverse Effect. Without limiting the generality of the immediately preceding sentences, and except as set forth in Sec tion 4.18 of the Disclosure Schedule, since the date of the Balance Sheet, the Company has not:

(i) amended or otherwise modified its Organizational Documents or altered, through merger, liquidation, reorganization, restructuring or in any other fashion, its corporate structure or ownership;

(ii) issued or sold, or authorized for issuance or sale, or granted any options or made other agreements, arrangements or understandings of the type referred to in Section 4.2(b) with respect to, any shares of its capital stock or any other of its securities, or altered any term of any of its outstanding securities or made any change in its outstanding shares of capital stock or other ownership interests or its capitalization, whether by reason of a reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, stock dividend or otherwise;

(iii) mortgaged, pledged or granted any security interest in any of its assets, except Permitted Encumbrances and security interests solely in tangible personal property granted pursuant to any purchase money agreement, conditional sales contract or capital lease under which, solely with respect to conditional sales contracts and capital leases, there exists an aggregate future liability not in excess of $25,000 per contract or lease (which amount was not more than the purchase price for such personal property and which security interest does not extend to any other item or items of personal property);

(iv) declared, set aside, made or paid any dividend or other distribution to any holder with respect to its capital stock or other securities;

(v) redeemed, purchased or otherwise acquired, directly or indirectly, any of its capital stock or other securities;

(vi) increased the compensation of any of its non-executive employees, except in the ordinary course of business consistent with past practice and in a commercially reasonable manner, or increased the compensation of any of its executive officers;

(vii) adopted or, except as required by Law, amended, any Employee Benefit Plan;

(viii) extended, terminated or modified any Contract, permitted any renewal notice period or option period to lapse with respect to any Contract or received any written notice of termination of any Contract, except for terminations of Contracts upon their expiration during such period in accordance with their terms;

(ix) incurred or assumed any indebtedness for borrowed money or guaranteed any obligation or the net worth of any Person, except for endorsements of negotiable instruments for collection in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(x) incurred any liabilities, debts or obligations (whether absolute, accrued, contingent or otherwise), except for liabilities incurred in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xi) incurred any liability, debt or obligation (whether absolute, accrued, contingent or otherwise) to or of any Affiliated Person, or made any Affiliate Loans;

(xii) discharged or satisfied any Encumbrance other than those then required to be discharged or satisfied during such period in accordance with their original terms;

(xiii) paid any obligation or liability (absolute, accrued, contingent or otherwise), whether due or to become due, except for any current liabilities and the current portion of any long term liabilities shown on the Financial Statements or incurred since the date of the Balance Sheet in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xiv) sold, transferred, leased to others or otherwise disposed of any assets having a fair market value in excess of $25,000, except sales of inventory and dispositions of obsolete assets no longer used or useful in the business of the Company, in each case in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xv) cancelled, waived or compromised any debt or claim;

(xvi) suffered any damage or destruction to, loss of, or condemnation or eminent domain proceeding relating to any of its tangible properties or assets (whether or not covered by insurance);

(xvii) lost the employment services of any employee whose annual salary exceeded $50,000;

(xviii) made any loan or advance to any Person, other than travel and other similar routine advances to employees in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xix) purchased or acquired any capital stock or other securities of any other corporation or any ownership interest in any other business enterprise or Person;

(xx) made capital expenditures or capital additions or betterments in amounts which exceeded $2,000 in the aggregate;

(xxi) changed its method of accounting or its accounting principles or practices, including any policies or practices with respect to the establishment of reserves for work-in-process and accounts receivable, utilized in the preparation of the Financial Statements, other than as required by GAAP;

(xxii) instituted or settled any litigation or any legal, administrative or arbitration action or proceeding before any court or Governmental Body relating to it or any of its properties or assets;

(xxiii) made any new elections or changed any current elections with respect to its Taxes;

(xxiv) entered into any transaction with any Affiliated Person;

(xxv) entered into any agreements, commitments or contracts, except those made in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xxvi) failed to maintain reserves at historical levels and consistent with past practice; or

(xxvii) entered into any agreement or commitment to do any of the foregoing.

4.19 Books and Records. The books and records of the Company with respect to the Company, its operations, employees and properties have been maintained in the usual, regular and ordinary manner, all entries with respect thereto have been accurately made in all material respects, and all transactions involving the Company have been accurately accounted for.

4.20 Transactions with Affiliated Persons. Except as set forth in Section 4.20 of the Disclosure Schedule and except (i) for employment relationships between the Company and employees of the Company, (ii) for remuneration by the Company for services rendered as a director, officer or employee of the Company, or (iii) as set forth in Section 4.20 of the Disclosure Schedule, reimbursement of expenses in the ordinary course of business consistent with past practice to directors, officers and employees, (A) the Company has not, and has not since its inception, in the ordinary course of business consistent with past practice or otherwise, directly or indirectly , purchased, leased or otherwise acquired any property or obtained any

services from, or sold, leased or otherwise disposed of any property or furnished any services to, any Affiliated Person; (B) the Company does not owe any amount to any Affiliated Person; (C) no Affiliated Person owes any amount to the Company; and (D) no part of the property or assets of any Affiliated Person is used by the Company in the conduct or operation of its business.

4.21 Customer and Supplier Relationships.

(a) Section 4.21(a) of the Disclosure Schedule lists the ten (10) largest customers of the Company for the fiscal years ended December 31, 2007, 2008 and 2009. Except as set forth in Section 4.21(a) of the Disclosure Schedule, to the Knowledge of Seller and the Company, there are no facts or circumstances (including the consummation of the transactions contemplated hereby) that are likely to result in the loss of any one customer or group of customers of the Company or a material adverse change in the relationship of the Company with such a customer or group of customers. The Company generally has a good relationship with each of its ten (10) largest customers.

(b) Section 4.21(b) of the Disclosure Schedule lists the top ten (10) largest suppliers of products to the Company for the fiscal years ended December 31, 2007, 2008 and 2009. Except as set forth in Section 4.21(b) of the Disclosure Schedule, to the Knowledge of Seller and the Company, there are no facts or circumstances (including the consummation of the transactions contemplated hereby) that are likely to result in the loss of any one supplier or group of suppliers of the Company or a material adverse change in the relationship of the Company with such a supplier or group of suppliers. The Company generally has a good relationship with each of its ten (10) largest suppliers.

4.22 Absence of Certain Business Practices. Neither Seller nor the Company, nor any of their directors or officers, nor, to the Knowledge of Seller and the Company, the employees or agents of the Company, have, directly or indirectly, (a) made any contribution or gift which contribution or gift is in violation of any applicable Law, (b) made any bribe, rebate, payoff, influence payment, kickback or other payment to any Person, private or public, regardless of form, whether in money, property or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained for or in respect of the Company or any Affiliated Person of the Company, or (iv) in violation of any Law or legal requirement, or (c) established or maintained any fund or asset of the Company that has not been recorded in the books and records of the Company.

4.23 Brokers and Finders. Except as set forth in Section 4.23 of the Disclosure Schedule, no broker, finder or investment advisor has been engaged by Seller or the Company in connection with the transactions contemplated by this Agreement.

4.24 Restrictions on Business Activities. Except as set forth in Section 4.24 of the Disclosure Schedule, there is no judgment, injunction, order or decree binding upon the Company or Seller or, to the Knowledge of Seller and the Company, threatened, that has or could reasonably be expected to have the effect of prohibiting or impairing the conduct of the business of the Company as currently conducted or any business practice of the Company,

including the acquisition of property, the sale of products, the provision of services, the hiring of employees, and the solicitation of customers, in each case either individually or in the aggregate.

4.25 Payables. Except as set forth in Section 4.25 of the Disclosure Schedule, all accounts payable of the Company have arisen in the ordinary course of business consistent with past practice. All items which are required by GAAP to be reflected as payables in the Financial Statements and on the books and records of the Company are so reflected and have been recorded in accordance with GAAP and in a commercially reasonable manner. There has been no material adverse change since December 31, 2009 in the amount or delinquency of accounts payable of the Company, either individually or in the aggregate.

4.26 Receivables. Except as set forth in Section 4.26 of the Disclosure Schedule, all accounts receivable of the Company have arisen in the ordinary course of business consistent with past practice, represent valid obligations to the Company arising from bona fide transactions, and, to the Knowledge of Seller and the Company, are not subject to claims, set-off, or other defenses or counterclaims. All items which are required by GAAP to be reflected as receivables in the Financial Statements and on the books and records of the Company are so reflected and have been recorded in accordance with GAAP and in a commercially reasonable manner.

4.27 Business Relations. Except as set forth in Section 4.27 of the Disclosure Schedule, the Company is not required to provide any bonding or any other financial security arrangements in connection with any transaction with any customer or supplier. Since December 31, 2007, neither the Company nor Seller has received any notice of any disruption (including delayed deliveries or allocations by suppliers) in the availability of any materials or products used in the business of the Company, nor do any of them have reason to believe that any such disruption will occur in connection with the business of the Company. There are no sole source su ppliers of goods, equipment or services used by the Company (other than public utilities) with respect to which practical alternative sources of supply are unavailable.

4.28 Disclosure. No representation or warranty by Seller contained in this Agreement or any Transaction Document or any statement or certificate furnished by Seller to Madden or its representatives in connection herewith or therewith or pursuant hereto or thereto contains any untrue statement of a material fact, or omits to state any material fact required to make the statements herein or therein contained not misleading, in light of the circumstances in which they were made. There is no fact or circumstance known to Seller which could be reasonably expected to have a Material Adverse Effect.

ARTICLE V

Representations and Warranties of Madden

Madden represents and warrants to Seller as follows:

5.1 Organization and Good Standing. Madden is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full corporate power and authority to enter into and carry out its obligations under this Agreement and the other Transaction Documents to which Madden is a party.

5.2 Authorization. The execution and delivery by Madden of this Agreement and the other Transaction Documents to which Madden is a party have been duly authorized by all necessary corporate action required on the part of Madden. This Agreement and the other Transaction Documents to which Madden is a party have been duly executed and delivered by Madden and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding obligations of Madden, enforceable against Madden in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, morat orium or other laws affecting the rights of creditors generally and by general principles of equity.

5.3 No Conflicts; Consents. Neither the execution and delivery by Madden of this Agreement or any of the Transaction Documents to which Madden is a party nor the consummation by Madden of the transactions contemplated hereby or thereby will, with or without notice or lapse of time or both, directly or indirectly (i) conflict with or violate the charter or by-laws of Madden, or (ii) conflict with, violate, result in the breach of any term of, constitute a default under or require the consent or approval of, or any notice to or filing with any Person under, any note, mortgage, deed of trust or other agreement or instrument to which Madden is a party or by which Madden is bound, or any Law, writ or injunction of any Governmental Body having jurisdiction over Madden, except with respect to clause (ii) where such conflict, violation, breach or default, or the failure to obtain such consent or approval, give such notice or make such filing, would not materially adversely impair the ability of Madden to consummate the transactions contemplated hereby.

5.4 Litigation. No lawsuit, governmental investigation or legal, administrative, or arbitration action or proceeding is pending or, to the Knowledge of Madden, threatened against Madden, or any director, officer or employee of Madden in his or her capacity as such, which questions the validity of this Agreement or seeks to prohibit, enjoin or otherwise challenge the consummation of the transactions contemplated hereby.

5.5 Brokers and Finders. No broker, finder or financial advisor has been engaged by Madden in connection with the transactions contemplated by this Agreement. Madden shall be responsible for and shall pay all fees, commissions and costs of any such broker, finder or financial advisor.

5.6 Investment Intent. Madden is acquiring all of the Company Shares for its own account and for investment purposes and not with a view to the sale or other distribution of any of the Company Shares.

ARTICLE VI

Covenants of Seller

Seller hereby covenants and agrees as follows:

6.1 Ordinary Course. From the date hereof until the Closing, other than as contemplated by this Agreement, Seller will use his commercially reasonable efforts to (a) cause the Company to (i) maintain its corporate existence in good standing, (ii) maintain in effect all of its presently existing insurance coverage (or substantially equivalent insurance coverage), preserve its business organization substantially intact, keep the services of its present principal employees and preserve its present business relationships with its material suppliers and customers, (iii) maintain the lines of business of the Company, and (iv) in all material respe cts conduct its business in the usual and ordinary course consistent with past practice and in a commercially reasonable manner, without a material change in current operational policies, subject, in each case, to the restrictions set forth in Section 6.2, and (b) permit Madden, its accountants, its legal counsel and its other representatives reasonable access to the management, accountants, legal counsel, minute books and stock transfer records, other books and records, contracts, agreements, properties and operations of the Company at all reasonable times upon reasonable notice (provided that all such parties shall be subject to the terms of the Confidentiality Agreement).

6.2 Conduct of Business. From the date hereof until the Closing, other than as contemplated by this Agreement or as set forth in Section 6.2 of the Disclosure Schedule, Seller will cause the Company not to do any of the following without the prior written consent of Madden:

(i) amend or otherwise modify its organizational documents or alter, through merger, liquidation, reorganization, restructuring or in any other fashion, its corporate structure or ownership;

(ii) other than pursuant to Section 2.1, issue or sell, or authorize for issuance or sale, or grant any options or make other agreements, arrangements or understandings of the type referred to in Section 4.2(b) with respect to, any shares of its capital stock or any other of its securities, or alter any term of any of its outstanding securities or make any change in its outstanding shares of capital stock or other ownership interests or its capitalization, whether by reason of a reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, stock dividend or otherwise;

(iii) mortgage, pledge or grant any security interest in any of its assets, except Permitted Encumbrances and security interests solely in tangible personal property granted pursuant to any purchase money agreement, conditional sales contract or capital lease under which, solely with respect to conditional sales contracts and capital leases, there exists an aggregate future liability not in excess of $25,000 per contract or lease (which amount is not more than the purchase price for such personal property and which security interest does not extend to any other item or items of personal property);

(iv) declare, set aside, make or pay any dividend or other distribution to any holder with respect to its capital stock or other securities, except for the distributions of cash listed on Schedule 6.2(iv) of the Disclosure Schedule;

(v) redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock or other securities;

(vi) increase the compensation of any of its non-executive employees, except in the ordinary course of business consistent with past practice and in a commercially reasonable manner, or increase the compensation of any of its executive officers;

(vii) adopt or, except as otherwise required by Law, amend, any Employee Benefit Plan or enter into any collective bargaining agreement;

(viii) extend, terminate or modify any Contract or permit any renewal notice period or option period to lapse with respect to any Contract, except for terminations of Contracts upon their expiration during such period in accordance with their terms;

(ix) incur or assume any indebtedness for borrowed money or guarantee any obligation or the net worth of any Person, except for endorsements of negotiable instruments for collection in the ordinary course of business consistent with past practice;

(x) incur any liabilities, debts or obligations (whether absolute, accrued, contingent or otherwise), except for liabilities incurred in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xi) incur any liability, debt or obligation (whether absolute, accrued, contingent or otherwise) to or of any Affiliated Person, or make any Affiliate Loans;

(xii) discharge or satisfy any Encumbrance other than those which are required to be discharged or satisfied during such period in accordance with their original terms;

(xiii) pay any obligation or liability (absolute, accrued, contingent or otherwise), whether due or to become due, except for any current liabilities, and the current portion of any long term liabilities shown on the Financial Statements or incurred since the date of the Balance Sheet in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xiv) sell, transfer, lease to others or otherwise dispose of any of its properties or assets having a fair market value in excess of $25,000, except sales of inventory and dispositions of obsolete assets no longer used or useful in its business, in each case in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xv) cancel, waive or compromise any debt or claim;

(xvi) make any loan or advance to any Person, other than travel and other similar routine advances to employees in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xvii) purchase or acquire any capital stock or other securities of any other corporation or any ownership interest in any other business enterprise or Person;

(xviii) make capital expenditures or capital additions or betterments in amounts which exceed $2,000 in the aggregate;

(xix) change its method of accounting or its accounting principles or practices, including any policies or practices with respect to the establishment of reserves for work-in-process, inventory and accounts receivable, utilized in the preparation of the Financial Statements, other than as required by GAAP;

(xx) institute or settle any litigation or any legal, administrative or arbitration action or proceeding before any court or Governmental Body relating to it or any of its properties or assets;

(xxi) make any settlements or new elections, or change any current elections, with respect to its Taxes;

(xxii) enter into any agreements, commitments or contracts for any real property leases;

(xxiii) enter into any transaction with any Affiliated Person;

(xxiv) enter into any other agreements, commitments or contracts, except those made in the ordinary course of business consistent with past practice and in a commercially reasonable manner;

(xxv) fail to maintain reserves at historical levels and consistent with past practice; or

(xxvi) enter into any agreement or commitment to do any of the foregoing.

6.3 Certain Filings. Seller agrees to make or cause to be made all filings with Governmental Bodies that are required to be made by Seller or by the Company to carry out the transactions contemplated by this Agreement, including as required under any applicable anti-competition Law. Seller agrees to assist, and to cause the Company to assist, Madden in making all such filings, applications and notices as may be necessary or desirable in order to obtain the authorization, approval or consent of any Governmental Body which may be reasonably required or which Madden may reasonably request in connection with the consummation of the transactions contemplated hereby, including as required under any applicable anti-competition Law.

6.4 Consents and Approvals. Seller agrees to use its good faith commercially reasonable efforts to obtain, or to cause the Company to obtain, as promptly as practicable, but not later than the Closing in any event, all consents, authorizations, approvals and waivers required in connection with the consummation of the transactions contemplated by this Agreement.

6.5 Efforts to Satisfy Conditions. Seller agrees to use its good faith commercially reasonable efforts to satisfy the conditions set forth in Article IX.

6.6 Further Assurances. Seller agrees to execute and deliver, and to cause the Company to execute and deliver, such additional documents and instruments, and to perform such additional acts as Madden may reasonably request to effectuate or carry out and perform all the terms, provisions and conditions of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby and to effectuate the intent and purposes hereof.

6.7 Notification of Certain Matters. Promptly after obtaining knowledge thereof, Seller shall notify Madden in writing of (a) the occurrence or non-occurrence of any fact or event which causes or would be reasonably likely to cause (i) any representation or warranty of Seller contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing Date or (ii) any covenant, condition or agreement of Seller in this Agreement not to be complied with or satisfied in any material respect, and (b) any failure of Seller to comply with or satisfy any covenant, condition or agreement to be complied with or sati sfied by Seller hereunder in any material respect; provided, however, that no such notification shall affect the representations or warranties of Seller, or the right of Madden to rely thereon, or the conditions to the obligations of Madden except as provided in the following sentence. If Seller notifies Madden in writing of any matter referred to in the preceding clause (a)(i) and Madden nevertheless consummates the transactions contemplated hereby, Madden shall have no claim against Seller for a breach of such representation or warranty based on the information contained in such notification and the provisions of Section 12.2 shall not apply with respect to any such matter. Seller shall give prompt notice in writing to Madden of any notice or other communication from any third party alleging that the consent of such third party is or may be required to be o btained by Seller or the Company in connection with the transactions contemplated by this Agreement.

6.8 Closing Date Debt. Seller shall cause the Company to be free of any and all Debt as of the Closing Date.

6.9 Brokers and Finders. Seller (and not the Company) shall be responsible for and shall pay all fees, commissions and costs of any such broker, finder or investment advisor.

ARTICLE VII

Covenants of Madden

Madden hereby covenants and agrees as follows:

7.1 Certain Filings. Madden agrees to make or cause to be made all filings with Governmental Bodies that are required to be made by Madden or its affiliates to carry out the transactions contemplated by this Agreement, including as required under any applicable anti-competition Law. Madden agrees to assist Seller in making all such filings, applications and notices as may be necessary or desirable in order to obtain the authorization, approval or consent of any Governmental Body which may be reasonably required or which Seller may reasonably request in connection with the consummation of the transactions contemplated hereby, including as required under any appl icable anti-competition Law.

7.2 Efforts to Satisfy Conditions. Madden agrees to use its good faith commercially reasonable efforts to satisfy the conditions set forth in Article X hereof that are within its control.

7.3 Further Assurances. Madden agrees to execute and deliver such additional documents and instruments, and to perform such additional acts, as Seller may reasonably request to effectuate or carry out and perform all the terms, provisions and conditions of this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby and to effectuate the intent and purposes hereof.

7.4 Notification of Certain Matters. Promptly after obtaining knowledge thereof, Madden shall notify Seller of (a) the occurrence or non-occurrence of any fact or event which causes or would be reasonably likely to cause (i) any representation or warranty of Madden contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Closing Date or (ii) any covenant, condition or agreement of Madden in this Agreement not to be complied with or satisfied in any material respect and (b) any failure of Madden to comply with or satisfy any covenan t, condition or agreement to be complied with or satisfied by it hereunder in any material respect; provided, however, that no such notification shall affect the representations or warranties of Madden or Seller's right to rely thereon, or the conditions to the obligations of Seller except as provided in the following sentence. If Madden notifies Seller in writing of any matter referred to in the preceding clause (a)(i) and Seller nevertheless consummates the transactions contemplated hereby, Seller shall have no claim against Madden for a breach of such representation or warranty based on the information contained in such notification and the provisions of Section 12.3 shall not apply with respect to any such matter. Madden shall give prompt notice in writing to Seller of any notice or other communication from any third party alleging that the consent of such third party is or may be required to be obtained by Madden in connection with the transactions contemplated by this Agreement.

ARTICLE VIII

Certain Other Agreements

8.1 Certain Tax Matters. The parties hereby further covenant and agree as follows:

(a) Tax Returns and Cooperation.

(i) Seller shall, or shall use good faith commercially reasonable efforts to cause the Company to, prepare and timely file, in a commercially reasonable manner, all Returns and amendments thereto required to be filed by or for the Company for all taxable periods ending on or before the Closing Date. If the due date (including extensions) to file any such Return is after the Closing Date and Seller by law is not authorized to sign such Returns on the Company's behalf, Madden shall provide a requisite power of attorney to sign such Returns to Seller not more than five (5) days after Madden's, the Company's or any affiliate's receipt of any such Returns from Seller. Madden will be given a re asonable opportunity to review and comment on all such Returns required to be filed after the date hereof.

(ii) Except to the extent taken into account in determining Closing Date Net Working Capital, Seller shall be liable for all Taxes of the Company for the Pre-Closing Period except for any Taxes that will result by reason of a 338(h)(10) Election or analogous elections made pursuant to Section 8.1(b), grossed-up by Madden for any additional Taxes on the receipt so that the payment of such Taxes is made on an after-tax basis (with respect to which Madden will be liable on an after-tax basis). Seller shall be liable for all Taxes of Seller for any taxable year or taxable period, except for any Taxes that result by reason of a 338(h)(10) Election or analogous elections made pursuant to Section 8.1(b), grossed-up by Madden for any additional Taxes on the receipt so that the payment of such Taxes is made on an after-tax basis (with respect to which Madden will be liable on an after-tax basis). In the case of any taxable period that includes (but does not begin or end on) the Closing Date (a "Straddle Period"), the portion of the Taxes of the Company which were incurred in the ordinary course of its business for such Straddle Period attributable to the period prior to close of the Closing Date shall be treated as Taxes of a Pre-Closing Period. The amount of Straddle Period Taxes of the Company that are treated as Taxes of a Pre-Closing Period shall be computed (x) in the case of income, franchise, sales, or similar taxes, pursuant to an interim closing of the books method by assuming that the Company had a taxable year or period which ended on the Closing Date, except that exemptions, allowances or deductions that are calculated on an annual basis, such as the deduction for depreciation, shall be ap portioned on a per-diem basis and (y) in the case of real property Taxes, personal property taxes and similar *ad valorem* obligations by prorating such Taxes owed for the Straddle Period on a per-diem basis.

(iii) The Company shall be liable for any and all Taxes imposed on the Company relating to or apportioned to any taxable year or portion thereof beginning on or after the Closing Date and ending after the Closing Date. Seller shall be liable for any and all Taxes imposed on the Company relating to or apportioned to any taxable year or portion thereof beginning prior to the Closing Date and ending prior the Closing Date.

(iv) Any Tax refunds that are received by Madden, the Company or any Affiliate thereof, and any amounts credited against Tax to which Madden, the Company or any Affiliate thereof become entitled, that relate to taxable periods (or portions thereof) ending on or before the Closing Date shall be for the account of Seller and Madden shall pay over to Seller any such refund or the amount of any such credit within ten (10) days after receipt or entitlement thereto. In addition, to the extent that a

claim for refund or a proceeding results in a payment or credit against Tax by a taxing authority to Madden, the Company or any affiliate thereof of any amount accrued on the most recent Balance Sheet, Madden shall pay such amount to Seller within ten (10) days after receipt or entitlement thereto.

(v) Madden and Seller shall each cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Returns pursuant to this Section 8.1(a) and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records, assistance and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Seller (before the Closing) and Madden (after the Closing) shall each cause the Company (A) to ret ain all books and records with respect to Tax matters pertinent to it relating to any taxable period beginning before the Closing Date until the expiration of the statutory period of limitations of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (B) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records.

(vi) Madden and Seller further agree, upon request, to use good faith commercially reasonable efforts to obtain any certificate or other document from any Governmental Body or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby); provided that such certificate or other document does not increase the Tax of Madden or Seller.

(vii) Any amended Return or claim for Tax refund for any Pre-Closing Period (other than a Straddle Period) shall be filed, or cause to be filed only by Seller. If Seller by law is not authorized to sign such amended Returns, Madden shall provide a requisite power of attorney to sign such Returns to Seller. Madden shall not file an amended Return for a Straddle Period without the consent of Seller, which consent shall not be unreasonably withheld or delayed.

(viii) If in connection with any examination, investigation, audit or other proceeding in respect to any Return of the Company, any Governmental Body issues to the Company a written notice of deficiency, a notice of reassessment, a proposed adjustment, Madden or the Company shall notify Seller of its receipt of such communication from the Governmental Body within twenty (20) days after receiving any such notice. Except as provided below, Seller shall, at his expense, have the right to control the contest of any such assessment, proposal, claim, reassessment, demand or other proceedings in connection with any Pre-Closing Period Return (other than a Straddle Period Return). Notwithstanding anything in this Agreeme nt to the contrary, if any examination, investigation, audit or other proceeding relates to a Straddle Period Return, Madden and/or the Company shall participate in, control and resolve such examination, investigation, audit or other proceeding; provided, however, that if such examination, investigation, audit or other proceeding relates to the portion of the taxable

period ending on the Closing Date, then Seller may, at his expense, participate in such defense. Madden and/or the Company shall not compromise or settle such contest or proceeding without the written consent of the Seller which consent shall not be unreasonably withheld or delayed.

(b) 338(h)(10) Election.

(i) At the request of Madden, Madden and Seller shall timely make a joint election under Section 338(h)(10) of the Code (a "338(h)(10) Election") with respect to the purchase of the shares of the Company. Madden and Seller shall, at the request of Madden, make any analogous election with respect to state, local or foreign Taxes, to the extent that such election is separately available. Madden and Seller shall exchange completed and executed copies of (A) IRS Form 8023 and required schedules thereto and (B) to the extent required, any similar forms with respect to state, local or foreign Taxes, which shall in each case be completed in a manner consistent with the Final Allocation (as defined below), a s soon after the preparation of the Final Allocation as is reasonably practicable.

(ii) Unless Madden determines that it will not make a 338(h)(10) Election and within fifteen (15) days after the date hereof provides to Seller written notice thereof, Madden shall, within sixty (60) days after the Closing, determine and provide to Seller the allocation of the purchase price, as determined for United States federal income Tax purposes, among the assets deemed acquired for United States federal income Tax purposes assuming a 338(h)(10) Election was made with respect to the Company Shares (the "Final Allocation"). The Final Allocation shall be made in accordance with the Code and any applicable Treasury Regulations and any allocation to inventory will be equal to the fully adjusted tax basis.□ 0; The Final Allocation shall be redetermined, consistent with the principles set forth above, upon the happening of any event reasonably requiring such redetermination, including, without limitation, any adjustments to taxable income, post-closing adjustments pursuant to Section 2.3(b) and the payment to Seller of the Earn-Out Payment pursuant to the Earn-Out Agreement. The Final Allocation, once determined, shall be annexed to this Agreement as Exhibit D, and any redetermination of the Final Allocation pursuant to the preceding sentence shall likewise be annexed to this Agreement with an appropriate designation. The Final Allocation (and any redetermination thereof) shall be binding on Seller and Madden for all Tax and financial reporting purposes.

(iii) Notwithstanding anything herein to the contrary, Madden shall reimburse Seller for the increased Taxes, if any, incurred by Seller with respect to the year in which the Closing occurs and/or any subsequent year as a result of any 338(h)(10) Election or analogous elections made (taking into account the Final Allocation) (as grossed-up for additional Taxes of Seller and/or the Company on the receipt of such payment) such that Seller will receive the same after-tax proceeds with respect to the year in which the Closing occurs and/or any subsequent year as if Seller had sold stock and no 338(h)(10) Election or analogous elections had been made ("338(h)(10) Grossed-Up Payment"). Within thirty (30) days after d etermination of the Final Allocation, Seller shall provide to Madden a schedule, with supporting workpapers, which shall be based

upon the Final Allocation, setting forth (A) the amount of Taxes incurred by Seller with respect to the year in which the Closing occurs from the sale of the Company Shares with respect to which a 338(h)(10) Election or analogous election is made taking into account a receipt of the 338(h)(10) Grossed-Up Payment and (B) the amount of Taxes that would have been incurred by Seller with respect to the year in which the Closing occurs from the sale of such Company Shares determined as if no such election were made. In the event that Madden's payment of all or a portion of the 338(h)(10) Grossed-Up Payment (or portions thereof) to Seller occurs (or will occur) after the end of the year in which the Closing occurs (including the years in which the Earn-Out Payment is made), then Seller shall provide Madden with a recomputed schedule, wit h supporting workpapers, setting forth the amount of any additional Taxes incurred by Seller with respect to such year following the year in which the Closing occurs as a result of a 338(h)(10) Election or any analogous election. Unless Madden disputes the schedule by providing written notice to Seller within fifteen (15) days after the receipt thereof, Seller's schedule shall be final, binding and conclusive on the parties for all Tax purposes. If Madden and Seller cannot agree on the proper amount that Madden is required to pay Seller, pursuant to this Section 8.1(b)(iii) within twenty (20) days after the provision of written notice to Seller, such dispute shall be settled, within thirty (30) days after its submission, by the Independent Accounting Firm, and the amount that the Independent Accounting Firm determines is required to be paid pursuant to this Section 8.1(b)(iii) shall be final, binding and conclusive on the parties for all Tax purposes. Madden and Seller shall submit the dispute to the Independent Accounting Firm within twenty (20) days after the receipt by Seller of the written objection. Seller's schedule and the determination of any amounts required to be paid pursuant to this Section 8.1(b)(iii) shall be consistent with and based upon, inter alia, the principles, statements and, if applicable, assumptions set forth in Exhibit D-1 attached hereto, which shall also be applied by the Independent Accounting Firm in settling any dispute hereunder. Madden shall pay the amounts required to be paid pursuant to this Section 8.1(b)(iii) on or before the date Seller is required to pay Taxes as a result of the 338(h)(10) Election or analogous election.

(iv) In addition to the foregoing, Madden shall reimburse Seller for any reasonable documented out-of-pocket professional fees and expenses incurred by Seller in connection with determining the parties' obligations, if any, under clause (iii) above.

(v) Madden shall promptly provide written notice to Seller of any audit or other investigation that may be initiated in connection with a 338(h)(10) Election or any analogous election.

8.2 Employee Matters. On the Closing Date, Madden shall offer employment to those individuals listed under the heading "Hired Employees" in Section 8.2 of the Disclosure Schedule (the "Hired Employees"), which employment shall be on such terms and with such compensation and benefits as are comparable to similarly situated employees of Madden; provided that, to the extent that each such Hired Employee accepts employment with Madden, such Hired Employee shall initially receive compensation in an amount no less than the amount set forth opposite such Hired Employee's name on Section 8.2 of the Disclosure Schedule, Madden shall pay to each such Hired Employee a lump sum equal to the amount set forth opposite such Hired Employee's name on Section 8.2 of the Disclosure Schedule in respect of

such Hired Employee's relocation to the New York metropolitan area (the "Relocation Payment"), which Relocation Payment shall be deemed compensation to each such Hired Employee, and each such Hired Employee shall receive benefits based on the date such Hired Employee started employment at the Company as set forth opposite such Hired Employee's name on Schedule 8.2 of the Disclosure Schedule. Except as set forth in Section 8.2 of the Disclosure Schedule, Madden agrees to pay severance to each individual listed under the heading "Terminated Employees" in Section 8.2 of the Disclosure Schedule in an amount equal to one month of such Terminated Employee's annual salary as of the date hereof as set forth opposite such Terminated Employee's name on Section 8.2 of the Disclosure Schedule, provided that each s uch Terminated Employee shall be required to sign a release before they will be eligible to receive any severance payment. Notwithstanding the foregoing, and without limiting the provisions of Section 13.7 hereof, this Section 8.2 shall not confer any rights or remedies upon any Person other than the parties hereto and their respective heirs, personal representatives, legatees, successors and permitted assigns.

ARTICLE IX

Conditions Precedent to Obligations of Madden

The obligations of Madden under Article II and Article III shall be subject to the satisfaction at or prior to the Closing of the following conditions, any one or more of which may be waived by Madden:

9.1 Representations and Warranties. Each and every representation and warranty of Seller contained in this Agreement, and any schedule or any certificate delivered pursuant hereto, shall have been true and correct when made and shall be repeated at the Closing and (a) if qualified by materiality (or any variation of such term), shall be true and correct (as so qualified) as of the Closing Date, except that any such representation or warranty that is made as of a specified date shall only be required to be true and correct as of that date, and (b) if not qualified by materiality (or any variation of such term), shall be true and correct in all material respects as of the Closing Date, except that any such representation or warranty that is made as of a specified date shall only be required to be true and correct in all material respects as of that date.

9.2 Compliance with Covenants. Seller shall have performed and observed all covenants and agreements to be performed or observed by Seller under this Agreement at or before the Closing.

9.3 Lack of Adverse Change. Since the date of the Balance Sheet, there shall not have occurred any circumstance or event which, individually or in the aggregate, has had or is reasonably likely to result in a Material Adverse Effect, including a material decrease in the revenue of the Company.

9.4 Update Certificate. Madden shall have received a favorable certificate, dated the Closing Date, signed by Seller as to the matters set forth in Sections 9.1, 9.2 and 9.3.

9.5 Balance Sheet. Madden shall have received an unaudited balance sheet of the Company as of the Closing Date, reflecting that, as of the Closing Date, the Company is free of any and all Cash-On-Hand and Debt as of the Closing Date, other than the Remaining Cash.

9.6 Regulatory Approvals. All approvals and consents of Governmental Bodies required to carry out the transactions contemplated by this Agreement shall have been obtained.

9.7 Consents of Third Parties. Except as set forth in Section 9.7 of the Disclosure Schedule, all consents from third parties to Contracts or otherwise that are required to be listed in Section 4.4 of the Disclosure Schedule in order to avoid a misrepresentation under Section 4.4 shall have been obtained in writing.

9.8 FIRPTA Affidavit. Seller shall have provided to Madden a duly sworn affidavit dated as of the Closing Date that Seller is not a "foreign person," setting forth Seller's taxpayer identification number and otherwise meeting the requirements of Section 1445(b)(2) of the Code and the Treasury Regulations promulgated thereunder.

9.9 No Violation of Orders. No preliminary or permanent injunction or other order issued by any Governmental Body, nor any statute, rule, regulation, decree or executive order promulgated or enacted by any Governmental Body, that declares this Agreement invalid or unenforceable in any material respect or that prevents or delays the consummation of the transactions contemplated hereby or which imposes or will impose restrictions on Madden's right or ability to operate the business of the Company shall be in effect; and no action or proceeding before any Governmental Body shall have been instituted or, to the Knowledge of Seller and the Company, threatened by any Governmental Body, or by any other Person, which seeks to prevent or delay the consummation of the transactions contemplated by this Agreement or which challenges the validity or enforceability of this Agreement or which seeks to impose restrictions on Madden's right or ability to operate the business of the Company, or seeks to require Madden to dispose of any of its businesses, operations, properties or assets or any claim relating to the equity of the Company.

9.10 Employment Agreement. Madden and Seller shall have entered into the Employment Agreement, and the Employment Agreement shall be in full force and effect with no notice that Seller does not intend to honor such Employment Agreement.

9.11 Transaction Documents. The Company and Seller shall have entered into each of the other Transaction Documents to which they are a party.

9.12 Other Closing Matters. Madden shall have received such other supporting information in confirmation of the representations, warranties, covenants and agreements of Seller and the satisfaction of the conditions to Madden's obligation to close hereunder as Madden or its counsel may reasonably request.

ARTICLE X

Conditions Precedent to Obligations of Seller

The obligations of Seller under Article II and Article III shall be subject to the satisfaction at or prior to the Closing of the following conditions, any one or more of which may be waived by Seller:

10.1 Representations and Warranties. Each and every representation and warranty of Madden contained in this Agreement, and any schedule or any certificate delivered pursuant hereto, shall have been true and correct when made and shall be repeated at the Closing and (a) if qualified by materiality (or any variation of such term), shall be true and correct as of the Closing Date (as so qualified), except that any such representation or warranty that is made as of a specified date shall only be required to be true and correct as of that date, and (b) if not qualified by materiality (or any variation of such term), shall be true and correct in all material respects as of the Closing Date, except that any such representation or warranty that is made as of a specified date shall only be required to be true and correct in all material respects as of that date.

10.2 Compliance with Covenants. Madden shall have performed and observed all covenants and agreements to be performed or observed by it under this Agreement at or before the Closing.

10.3 Update Certificate. Seller shall have received a favorable certificate, dated the Closing Date, signed by Madden as to the matters set forth in Sections 10.1 and 10.2.

10.4 Regulatory Approvals. All material approvals and consents of Governmental Bodies required to carry out the transactions contemplated by this Agreement shall have been obtained.

10.5 No Violation of Orders. No preliminary or permanent injunction or other order issued by any Governmental Body, nor any statute, rule, regulation, decree or executive order promulgated or enacted by any Governmental Body, that declares this Agreement invalid or unenforceable in any material respect or that prevents the consummation of the transactions contemplated hereby or which would impose restrictions on the ability of the Company to operate in accordance with the terms of the Earn-Out Agreement shall be in effect.

10.6 Transaction Documents. Madden shall have entered into each of the other Transaction Documents to which it is a party.

10.7 Other Closing Matters. Seller shall have received such other supporting information in confirmation of the representations, warranties, covenants and agreements of Madden and the satisfaction of the conditions to Seller’s obligations to close hereunder as Seller or its counsel may reasonably request.

ARTICLE XI

[Intentionally omitted]

ARTICLE XII

Indemnification

12.1 Survival of Representations, Warranties and Covenants. The parties to this Agreement hereby agree that the remedy for any breach or inaccuracy of a representation or warranty, covenant or agreement contained in this Agreement or the Earn-Out Agreement shall be the indemnification provisions set out in this Article XII; provided, however, that nothing in this Section 12.1 shall prohibit any party from seeking specific performance or injunctive relief against any other party in respect of a breach by such other party of any covena nt hereunder; and provided further, that nothing in this Section 12.1 shall limit any party's remedies for a breach of a covenant occurring prior to the Closing nor limit the exercise of any other remedies expressly set forth in the Earn-Out Agreement.

(a) The representations and warranties of the parties contained in this Agreement, any schedule or any certificate delivered pursuant hereto, shall survive the Closing and shall continue in full force and effect (a) in the case of the representations and warranties of Seller and Madden contained in Sections 4.6, 4.15, 4.16, 4.23 and 5.5 until thirty (30) days following the expiration of the applicable statutory period of limitations with respect to the matter to which the claim relates, as such limitation period may be extended from time to time, (b) in the case of the representations and warranties of Seller and Madden contained in Sections 4.1, 4.2, 4.3, 4.20, 5.1 and 5.2, indefinitely, and (c) in the case of all other represent ations and warranties of the parties contained in this Agreement, and in any schedule or any certificate delivered pursuant hereto, until eighteen (18) months after the Closing Date. Each party hereto shall be entitled to rely on any such representation or warranty regardless of any independent knowledge of such party or any inquiry or investigation made by or on behalf of such party. Notwithstanding the foregoing, any representation or warranty in respect of which indemnity may be sought hereunder shall survive the time at which it would otherwise terminate pursuant to this Section 12.1 if notice of the breach thereof shall have been given to the party against whom such indemnity may be sought prior to the expiration of the applicable survival period.

(b) The parties' covenants and agreements under this Agreement shall survive the Closing indefinitely unless a shorter period of performance is specified with respect to such covenant or agreement.

12.2 Indemnification by Seller.

(a) Subject to Section 12.2(b), 12.9 and 12.10, Seller shall indemnify and hold harmless Madden, the Company, and each of their respective stockholders, directors, officers, employees, agents and representatives, and the successors and assigns of each of the foregoing (collectively, the "Madden Indemnified Parties") from and against any and all Losses incurred or suffered by such Person as a result of or arising from, without duplication:

(i) a breach by Seller or an inaccuracy of any representation or warranty made by Seller in this Agreement, the Earn-Out Agreement or any schedule or certificate delivered pursuant hereto or thereto (in each case, as of the Closing Date, except to the extent such representations and warranties shall have been expressly made as of an earlier date, in which case as of such date); and

(ii) a failure by Seller to perform or comply with any covenant or agreement on the part of Seller contained herein or in the Earn-Out Agreement.

Any amount paid pursuant to this Section 12.2(a) shall be paid to Madden or, at Madden's election, to the Company and shall be the amount required to put Madden or the Company, as the case may be, in the position it would have been in had such representation, warranty, covenant or agreement not been breached.

(b) Notwithstanding Section 12.2(a):

(i) Seller shall not have any obligation to indemnify the Madden Indemnified Parties from and against any Loss under clause (i) of Section 12.2(a) until the Madden Indemnified Parties have suffered aggregate Losses, by reason of all such breaches, in excess of one hundred twenty-five thousand dollars ($125,000); provided that once the aggregate Losses covered by Section 12.2(a) exceeds such threshold, Seller shall be liable for all such Losses only to the extent such Losses exceed sixty-two thousand five hundred dollars ($62,500); and provided further that such threshold shall not apply to any Loss as a result of, arising from or in connection with a breach by Seller of a representation or warranty contained in Sections 4.1, 4.2, 4.3 , 4.6, 4.20 or 4.23; and

(ii) Seller shall not have any obligation to indemnify the Madden Indemnified Parties from and against any Loss under clause (i) of Section 12.2(a) to the extent the aggregate Losses the Indemnified Parties have suffered by reason of all such breaches exceed three million five hundred thousand dollars ($3,500,000); provided that such aggregate limit shall not apply to any Loss as a result of, arising from or in connection with a breach by Seller of a representation or warranty contained in Sections 4.1, 4.2, 4.3, 4.6, 4.20 or 4.23.

(iii) For the avoidance of doubt, Seller shall not have any obligation to indemnify the Madden Indemnified Parties from and against any Loss under clause (i) of Section 12.2(a) arising or resulting from the actions of the Company undertaken at Madden's request or the intellectual property rights of third parties with respect to such actions, to the extent such actions or intellectual property rights are disclosed in Section 4.8 of the Disclosure Schedule.

(c) Notwithstanding anything to the contrary contained in Section 12.2(b) or anywhere else in this Agreement, Seller shall indemnify and hold harmless the Madden Indemnified Parties, without limitation, from and against any and all Losses incurred or suffered by such Person after the Closing Date as a result of or arising from any fraudulent act or willful or intentional misconduct by the Company prior to the Closing Date or by Seller.

12.3 Indemnification by Madden.

(a) Madden shall indemnify and hold harmless Seller and each of his agents and representatives, and the successors and assigns of each of the foregoing (the "Seller Indemnified Parties"), from and against any Loss incurred or suffered by such Person as a result of or arising from:

(i) a breach by Madden or an inaccuracy of any representation or warranty made by Madden in this Agreement, the Earn-Out Agreement or in any schedule or certificate delivered pursuant hereto or thereto (in each case, as of the Closing Date, except to the extent such representations and warranties shall have been expressly made as of an earlier date, in which case as of such date); and

(ii) a failure by Madden to perform or comply with any covenant or agreement on the part of Madden contained herein or in the Earn-Out Agreement.

Any amount paid pursuant to this Section 12.3(a) shall be the amount required to put Seller in the position Seller would have been in had such representation, warranty, covenant or agreement not been breached.

(b) Notwithstanding anything to the contrary contained in this Agreement, Madden shall indemnify and hold harmless the Seller Indemnified Parties from and against any Loss incurred or suffered by Seller after the Closing Date as a result of or arising from any fraudulent act or willful misconduct by Madden. The Seller Indemnified Parties shall not take any action the purpose or intent of which is to prejudice the defense of any claim subject to indemnification hereunder or to induce a third party to assert a claim subject to indemnification hereunder.

12.4 Additional Seller Indemnification.

(a) Product Liability. Seller shall indemnify and hold harmless the Madden Indemnified Parties from and against any and all Losses incurred or suffered by such Person as a result of or arising from any claims made for failure to comply with Proposition 65 (i) in respect of any non-compliance occurring prior to the Closing Date or (ii) related to any and all products of the Company manufactured, produced, sold or distributed prior to the Closing Date.

(b) Customs Liability. Seller shall indemnify and hold harmless the Madden Indemnified Parties from and against any and all Losses incurred or suffered by any such Madden Indemnified Party as a result of or arising from (i) any actions or omissions by Seller or the Company prior to the Closing Date in connection with the importation of goods into the United States, (ii) any failure of Seller or the Company to comply in all respects with applicable customs Laws prior to the Closing Date, including without limitation any failure of Seller or the Company to have timely and accurately paid all duties, taxes, fees, payments or other governmental charges due to U.S. Customs, the United States government or any subdivision or agency thereof, (iii) any deficiencies in any entries, reports, schedules, forms, declarations or any other documents or materials filed with U.S. Customs by Seller or, prior to the Closing Date, by the Company, or (iv) any investigation or inquiry, or any fines or penalties assessed (whether criminal, civil or administrative, and whether monetary or non-monetary), by U.S. Customs or other governmental agency or subdivision relating to any of the foregoing.

12.5 Assumption of Defense. An indemnified party shall promptly give notice to each indemnifying party after obtaining knowledge of any matter as to which recovery may be sought against such indemnifying party because of the indemnity set forth above, and, if such indemnity shall arise from the claim of a third party, shall permit such indemnifying party to assume the defense of any such claim or any proceeding resulting from such claim; provided, however, that failure to give any such notice promptly shall not affect the indemnifica tion provided under this Article XII, except to the extent such indemnifying party shall have been actually and materially prejudiced as a result of such failure. Notwithstanding the foregoing, an indemnifying party may not assume the defense of any such third-party claim if it does not demonstrate to the reasonable satisfaction of the indemnified party that it has adequate financial resources to defend such claim and pay any and all Losses that may result therefrom, or if the claim (i) is reasonably likely to result in imprisonment of the indemnified party, (ii) is reasonably likely to result in an equitable remedy which would materially impair the indemnified party's ability to exercise its rights under this Agreement, or impair Madden's right or ability to operate the Company, or (iii) names both the indemnifying party and the indemnified party (including impleaded parties) and representation of both parties by the same counsel would create a conflict. If an indemnifying party assumes the defense of such third party claim, such indemnifying party shall agree prior thereto, in writing, that it is liable under this Article XII to indemnify the indemnified party in accordance with the terms contained herein in respect of such claim, shall conduct such defense diligently, shall have full and complete control over the conduct of such proceeding on behalf of the indemnified party and shall, subject to the provisions of this Section 12.5, have the right to decide all matters of procedure, strategy, substance and settlement relating to such proceeding; provided, however, that any counsel chosen by such indemnifying party to conduct such defense shall be reasonably satisfactory to the indemnified party, such consent not to be unreasonably withheld or delayed, and the indemnifying party will not without the written consent of the indemnified party consent t o the entry of any judgment or enter into any settlement with respect to the matter which does not include a provision whereby the plaintiff or the claimant in the matter releases the indemnified party from all liability with respect thereto or which may reasonably be expected to have an adverse effect on the indemnified party. The indemnified party may participate in such proceeding and retain separate co-counsel at its sole cost and expense. Failure by an indemnifying party to notify the indemnified party of its election to defend any such claim or proceeding by a third party within thirty (30) days after notice thereof shall be deemed a waiver by such indemnifying party of its right to defend such claim or action.

12.6 Non-Assumption of Defense. If no indemnifying party is permitted or elects to assume the defense of any such claim by a third party or proceeding resulting therefrom, the indemnified party shall diligently defend against such claim or litigation in such manner as it may deem appropriate and, in such event, the indemnifying party or parties shall promptly reimburse the indemnified party for all reasonable out-of-pocket costs and expenses, legal or otherwise, incurred by the indemnified party and its affiliates in connection with the defense against such claim or proceeding, as such costs and expenses are incurred. Any counsel chosen by such indem nified party to conduct such defense must be reasonably satisfactory to the indemnifying party or parties, and only one counsel shall be retained to represent all indemnified parties in an action (except that if litigation is pending in more than one jurisdiction with respect to an action, one such counsel may be retained in each jurisdiction in which such litigation

is pending). The indemnified party shall not settle or compromise any such claim without the written consent of the indemnifying party, which consent shall not be unreasonably withheld.

12.7 Indemnified Party's Cooperation as to Proceedings. The indemnified party will at its own expense cooperate in all reasonable respects with any indemnifying party in the conduct of any proceeding as to which such indemnifying party assumes the defense. For the cooperation of the indemnified party pursuant to this Section 12.7, the indemnifying party or parties shall promptly reimburse the indemnified party for all reasonable out-of-pocket costs and expenses, legal or otherwise, incurred by the indemnified party or its affiliates in connection therewith, as such costs and expenses are incurred.

12.8 Calculation of Losses. In calculating amounts payable to an indemnified party, the amount of any indemnified Losses shall be determined without giving effect to any "materiality" or "Material Adverse Effect" qualifications set forth in any representations or warranties the inaccuracy or breach of which forms any part of the basis for the related indemnification claim (but such qualifications shall be given effect for purposes of determining whether there has been an inaccuracy or breach).

12.9 Payments Treated as Purchase Price Adjustment. Any payment by Madden, the Company or Seller under this Article XII will be treated for Tax purposes as an adjustment to the consideration hereunder for the Company Shares.

12.10 Limitation on Indemnification. The amount of any indemnification made or payable under this Agreement shall be reduced by any amounts when and as recovered by (net of any expenses of recovery) any indemnified party with respect to the matter giving rise to such Loss under insurance policies, except to the extent by which premiums (or other retroactive adjustments or reimbursements to the insurer) of such policies have increased primarily as a result of such recovery.

ARTICLE XIII

Miscellaneous

13.1 Expenses. Except as otherwise explicitly set forth herein, whether or not the transactions contemplated hereby are consummated, each party hereto shall pay all costs and expenses incurred by such party in respect of the transactions contemplated hereby; provided, however, that all expenses incurred by the Company with respect to the transactions contemplated hereby for the benefit of Seller prior to the Closing, including, without limitation, expenses for legal and investment advisory services, shall be paid by Seller.

13.2 Entirety of Agreement. This Agreement (including the Disclosure Schedule and all other schedules and exhibits hereto), together with the other Transaction Documents and certificates and other instruments delivered hereunder and thereunder, state the entire agreement of the parties, merge all prior negotiations, agreements and understandings, if any, and state in full all representations, warranties, covenants and agreements which have induced this Agreement. Each party agrees that in dealing with third parties, no contrary representations will be made. Notwithstanding anything to the contrary in this Section 13.2,

unless and until the Closing occurs, the Confidentiality Agreement shall continue in full force and effect.

13.3 Notices. All notices, demands and communications of any kind which any party hereto may be required or desire to serve upon another party under the terms of this Agreement shall be in writing and shall be given by: (a) personal service upon such other party; (b) mailing a copy thereof by certified or registered mail, postage prepaid, with return receipt requested; (c) sending a copy thereof by Federal Express or equivalent courier service; or (d) sending a copy thereof by facsimile, in each case to the parties at the respective addresses and facsimile numbers set forth on the signature pages hereto. In case of service by Federal Expre ss or equivalent courier service or by facsimile or by personal service, such service shall be deemed complete upon delivery or transmission, as applicable. In the case of service by mail, such service shall be deemed complete on the fifth Business Day after mailing. The addresses and facsimile numbers to which, and persons to whose attention, notices and demands shall be delivered or sent may be changed from time to time by notice served as hereinabove provided by any party upon any other party.

13.4 Amendment. This Agreement may be modified or amended only by an instrument in writing, duly executed by all of the parties hereto.

13.5 Waiver. No waiver by any party of any term, provision, condition, covenant, agreement, representation or warranty contained in this Agreement (or any breach thereof) shall be effective unless it is in writing executed by the party against which such waiver is to be enforced. No waiver shall be deemed or construed as a further or continuing waiver of any such term, provision, condition, covenant, agreement, representation or warranty (or breach thereof) on any other occasion or as a waiver of any other term, provision, condition, covenant, agreement, representation or warranty (or of the breach of any other term, provision, condition, covena nt, agreement, representation or warranty) contained in this Agreement on the same or any other occasion.

13.6 Counterparts; Facsimile. For the convenience of the parties, any number of counterparts hereof may be executed, each such executed counterpart shall be deemed an original and all such counterparts together shall constitute one and the same instrument. Facsimile or electronic transmission of any signed original counterpart and/or retransmission of any signed facsimile or electronic transmission shall be deemed the same as the delivery of an original.

13.7 Assignment; Binding Nature; No Beneficiaries. This Agreement may not be assigned by any party hereto without the written consent of Madden and Seller; provided, however, that Madden may assign its rights hereunder to any affiliate of Madden which assumes the obligations of Madden hereunder, but no such assignment shall relieve Madden of any such obligations. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective he irs, personal representatives, legatees, successors and permitted assigns. Except as otherwise expressly provided in Article XII, this Agreement shall not confer any rights or remedies upon any Person other than the parties hereto and their respective heirs, personal representatives, legatees, successors and permitted assigns.

13.8 Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

13.9 Governing Law; Jurisdiction. This Agreement and all of the transactions contemplated hereby, and all disputes between the parties under or related to this Agreement or the facts and circumstances leading to its execution, whether in contract, tort, or otherwise, shall be governed by, and construed and enforced in accordance with, the laws of the State of New York including, without limitation, Section 5-1401 of the New York General Obligations Law and New York Civil Practice Laws and Rules 327.

13.10 Construction. In this Agreement (i) words denoting the singular include the plural and vice versa, (ii) "it" or "its" or words denoting any gender include all genders, (iii) the word "including" shall mean "including without limitation," whether or not expressed, (iv) any reference to a statute shall mean the statute and any regulations thereunder in force as of the date of this Agreement or the Closing Date, as applicable, unless otherwise expressly provided, (v) any reference herein to a Section, Article, Schedule or Exhibit refers to a Section or Article of or a Schedule or Exhibit to this Agreement or the Disclosure Schedule, as applicable, unless otherwise stated, and (vi) when calculating the period of time within or following which any act is to be done or steps taken, the date which is the reference day in calculating such period shall be excluded and if the last day of such period is not a Business Day, then the period shall end on the next day which is a Business Day.

13.11 Negotiated Agreement. Madden and Seller acknowledge that they have been advised and represented by counsel in the negotiation, execution and delivery of this Agreement and the Transaction Documents and accordingly agree that if an ambiguity exists with respect to any provision of this Agreement or the Transaction Documents, such provision shall not be construed against any party because such party or its representatives drafted such provision.

13.12 Public Announcements. Neither Madden nor Seller shall issue any press release or make any other public announcement concerning this Agreement or the transactions contemplated hereby without the prior written approval of Madden, in the case of an announcement by Seller, and Seller, in the case of an announcement by Madden; provided, however, that Madden or its affiliates may, upon written notice to Seller, describe this Agreement and the transactions contemplated hereby in any press release or filing with the SEC or other Govern mental Body it is required to make under applicable Law.

13.13 Remedies Cumulative. The remedies provided for or permitted by this Agreement shall be cumulative and the exercise by any party of any remedy provided for herein shall not preclude the assertion or exercise by such party of any other right or remedy provided for herein.

13.14 Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any arbitrator to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be

enforced to the fullest extent permitted by law. If the final determination of any arbitrator declares that any item or provision hereof is invalid or unenforceable, the parties hereto agree that the arbitrator making the determination of invalidity or unenforceability shall have the power, and is hereby directed, to reduce the scope, duration or area of the term or provision, to delete specific words or phrases and to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

13.15 WAIVER OF JURY TRIAL. MADDEN AND SELLER HEREBY IRREVOCABLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED UPON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

13.16 Right of Set-Off.

(a) Notwithstanding any provision of this Agreement or the Earn-Out Agreement to the contrary, the parties hereby acknowledge and agree that, in addition to any other right hereunder or under the Earn-Out Agreement or otherwise, Madden shall have the right, but not the obligation, from time to time to set off against any amounts otherwise required to be paid by Madden to Seller pursuant to this Agreement or the Earn-Out Agreement any amounts owed at such time by Seller to the Company, Madden or any other Madden Indemnified Party under this Agreement or the Earn-Out Agreement.

(b) If Madden elects to exercise its set-off rights hereunder against any amounts otherwise required to be paid by Madden to Seller pursuant to this Agreement or the Earn-Out Agreement, it shall give Seller written notice of such election (the "Set-Off Notice"), which Set-Off Notice shall include the amount to be set-off and a reasonable description of the circumstances giving rise to Madden's entitlement to such set-off. Seller shall have thirty (30) days after receipt of such Set-Off Notice to review such Set-Off Notice (the "Set-Off Review Period"), and in the event that Seller has any objections or challenges to the exercise of the set-off right of Madden, Seller shall submit a single writte n notice of set-off dispute ("Notice of Set-Off Dispute") to Madden during such Set-Off Review Period, specifying in reasonable detail the nature of any asserted objections or challenges. In the event of any such dispute, Seller and Madden shall negotiate in good faith to resolve such dispute for thirty (30) days after receipt by Madden of the Notice of Set-Off Dispute. If Seller and Madden are unable to resolve such dispute within such 30-day period, the amount payable by Madden to Seller shall automatically be reduced by the amount set forth in the Set-Off Notice. In the event that there is a final determination that Seller did not owe the Company, Madden or any Madden Indemnified Party the amount that has been set-off, Madden shall promptly refund to Seller all such amounts that are so determined to have been incorrectly set-off, plus interest, calculated from the date of set-off until the date such amount is paid to Seller, at a rate per annum equal to the Pri me Rate, calculated and payable monthly, compounded monthly. For purposes of this Section 13.16, a determination shall be final if any and all appeals therefrom shall have been resolved or if thirty

(30) days shall have passed from the rendering of such determination (or of any determination of appeal therefrom) and no party shall have commenced any appeal therefrom.

(c) In the case of any such set-off by Madden pursuant to this Section 13.16, Seller's obligation to make such payment (or any portion thereof) shall be deemed satisfied and discharged to the extent of such set-off. The exercise of such right of set-off by Madden in good faith, whether or not finally determined to be justified, will not constitute a breach under this Agreement or the Earn-Out Agreement.

13.17 Arbitration. Except as otherwise set forth in Section 2.3(a)(ii) or Section 8.1(b)(iii), if any dispute or difference of any kind whatsoever shall arise between the parties to this Agreement (each a "Disputing Party") in connection with or arising out of this Agreement, or the breach, termination or validity thereof (a "Dispute"), then, on the demand of any Disputing Party, the Dispute shall be finally and exclusively resolved by arbitration in accordance with the Commercial Arbitration Rules of the AAA (the "Rules") then in effect, except as modified herein. The arbitration shall be held, and the award shall be issued in, the State of New York. There shall be o ne neutral arbitrator appointed by agreement of the Disputing Parties within thirty (30) days after receipt by respondent of the demand for arbitration. If such arbitrator is not appointed within the time limit provided herein, on the request of any Disputing Party, an arbitrator shall be appointed by the AAA by using a list striking and ranking procedure in accordance with the Rules. Any arbitrator appointed by the AAA shall be a retired federal judge or a practicing attorney with no less than fifteen years of experience and an experienced arbitrator with no less than five completed prior arbitrations relating to the purchase and sale of a wholesale business. By agreeing to arbitration, the Disputing Parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be avai lable under the jurisdiction of a court, the arbitrator shall have full authority to grant provisional remedies and to direct the Disputing Parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any Disputing Party to respect the arbitrator's orders to that effect. Any arbitration proceedings, decisions or awards rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. In arriving at a decision, the arbitrator shall be bound by the terms and conditions of this Agreement and shall apply the governing law of this Agreement as designated in Section 13.9. The arbitrator is not empowered to award damages in excess of compensatory damages, and each Disputing Party hereby irrevocably waives any right to recover punitive, exemplary or similar damages with respect to any Dispu te. The award shall provide that the fees and expenses of the arbitration (including the fees of the AAA, the fees and expenses of the arbitrator and attorneys' fees) shall be allocated based on the proportion that the aggregate amount of disputed items submitted to arbitration that are unsuccessfully disputed by each Disputed Party (as finally determined by the arbitrator) bears to the total amount of all disputed items submitted to arbitration. The award, which shall be in writing and shall, on the written request of any Disputing Party, state the findings of fact and conclusions of law upon which it is based, shall be final and binding on the Disputing Parties and shall be the sole and the exclusive remedy between the Disputing Parties regarding any claims, counterclaims, issues or accountings presented to the arbitral tribunal. Judgment upon any award may be entered in any

court of competent jurisdiction located in the State of New York, and the parties hereby consent to the exclusive jurisdiction of the courts located in the State of New York.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first set forth above.

STEVEN MADDEN, LTD.

By: /s/ Edward Rosenfeld
Name: Edward Rosenfeld
Title: Chief Executive Officer

Address:
52-16 Barnett Ave.
Long Island City, New York 11104
Attention: Awadhesh Sinha
Facsimile No.: (718) 446-5599

with copies to:

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Attention: James A. Grayer, Esq.
Facsimile No.: (212) 715-8000

SELLER

/s/ Jeremy Bassan
Jeremy Bassan

Address:
208 Woodrow Avenue
Santa Cruz, California 95060

with copies to:

Sonnenschein Nath & Rosenthal LLP
525 Market Street, 26th Floor
San Francisco, California 94105
Attention: Stafford Matthews, Esq.
Facsimile No.: (415) 882-0300

Seller Disclosure Schedules*

Section 2.1	–	Company Shares/Capitalization
Section 4.4	–	Conflicts and Consents
Section 4.5(a)	–	Financial Statement Deficiencies
Section 4.5(b)	–	Undisclosed Liabilities
Section 4.5(c)	–	Promotions and Allowances
Section 4.5(d)	–	Inventory
Section 4.6(a)	–	Late Tax Filings
Section 4.6(b)	–	Unpaid Tax Deficiencies; Audits
Section 4.6(c)	–	Miscellaneous Tax Representations
Section 4.7(a)	–	Real Property
Section 4.7(b)	–	Title and Leasehold Deficiencies; Sublicenses and Subleases
Section 4.8(a)	–	Intellectual Property Exceptions
Section 4.8(b)	–	Impairment of Company IP Rights
Section 4.8(c)	–	Royalties
Section 4.8(d)	–	Third Party Infringement
Section 4.8(e)-1	–	Protection of Proprietary Information
Section 4.8(e)-2	–	Affiliate IP Claims
Section 4.8(f)	–	License Agreements
Section 4.8(g)	–	Infringement of Company IP Rights
Section 4.8(h)	–	Intellectual Property Filings
Section 4.9(a)	–	Contracts

Section 4.13(a)	–	Compliance with Laws
Section 4.13(b)	–	Licenses
Section 4.13(c)	–	Importer Status
Section 4.13(d)	–	Compliance with Customs Laws
Section 4.13(e)	–	Imported Goods Subject to Undisclosed Duties
Section 4.13(f)	–	Customs Records
Section 4.13(g)	–	Liabilities
Section 4.13(h)	–	Audits
Section 4.14(a)	–	Employees
Section 4.14(f)	–	Employment Violations
Section 4.14(i)	–	Severance Obligations
Section 4.14(j)	–	Vacation Policy
Section 4.14(k)	–	Employment Agreements
Section 4.14(m)	–	Arrangements with Sales Reps, etc.
Section 4.15(a)	–	Employee Benefit Plans
Section 4.15(b)	–	Employment Agreements, Contracts and Employee Benefit Plans Subject to Section 409A
Section 4.15(e)	–	Employee Benefit Plans
Section 4.15(l)	–	Change in Control Payments
Section 4.15(n)	–	Employee Benefit Plan Maintenance Costs
Section 4.16(a)	–	Environmental Matters
Section 4.17	–	Bank Accounts; Powers of Attorney
Section 4.18	–	Certain Changes
Section 4.20	–	Transactions with Affiliated Persons
Section 4.21(a)	–	Customers
Section 4.21(b)	–	Suppliers

Section 4.23	–	Brokers, Finders, etc.
Section 4.24	–	Restrictions on Business Activities
Section 4.25	–	Payables
Section 4.26	–	Receivables
Section 4.27	–	Bonding and Financial Security Arrangements
Section 6.2	–	Conduct of Business
Section 6.2(iv)	–	Dividends
Section 8.2	–	Hired and Terminated Employees
Section 9.7	–	Required Consents

* Steven Madden, Ltd. agrees to furnish, supplementally, a copy of any of the above referenced schedules to the Securities and Exchange Commission upon its request.

Exhibit A

EXECUTION VERSION

EARN-OUT AGREEMENT

by and among

STEVEN MADDEN, LTD.,

BIG BUDDHA, INC.,

and

JEREMY BASSAN

Dated as of February 10, 2010

EARN-OUT AGREEMENT

This EARN-OUT AGREEMENT (this "Agreement"), dated as of February 10, 2010 and effective as of the Closing Date (as defined below), if one occurs, is entered into by and among Steven Madden, Ltd., a Delaware corporation ("Purchaser"), Jeremy Bassan ("Seller") and Big Buddha, Inc., a California corporation (the "Company").

RECITALS

WHEREAS, concurrently herewith, Seller and Purchaser are entering into that certain Stock Purchase Agreement, dated as of the date hereof (as amended from time to time in accordance with its terms, the "Stock Purchase Agreement"), pursuant to which Purchaser shall purchase all of the issued and outstanding shares of capital stock of the Company from Seller; and

WHEREAS, pursuant to Section 2.2(a) of the Stock Purchase Agreement, Seller shall be entitled to receive certain earn-out purchase price payments, subject to the terms and conditions of this Agreement, in respect of each Earn-Out Year (as defined below).

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the meanings indicated:

"2010 Contingent Purchase Price Payment" shall have the meaning set forth in Section 2(a) hereof.

"2011 Contingent Purchase Price Payment" shall have the meaning set forth in Section 2(b) hereof.

"2012 Contingent Purchase Price Payment" shall have the meaning set forth in Section 2(c) hereof.

"2010 Earn-Out Year" shall mean the twelve month period beginning on April 1, 2010 and ending on March 31, 2011.

"2011 Earn-Out Year" shall mean the twelve month period beginning on April 1, 2011 and ending on March 31, 2012.

"2012 Earn-Out Year" shall mean the twelve month period beginning on April 1, 2012 and ending on March 31, 2013.

"AAA" shall mean the American Arbitration Association.

"Advance Payment" shall have the meaning set forth in Section 4(b) hereof.

"Affiliate" with respect to any Person shall mean any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. In the case of any Person who is an individual, such Person's Affiliates shall include such Person's spouse, siblings, parents, children, grandchildren, and trusts for the benefit of any of the foregoing.

"Agreement" shall have the meaning set forth in the preamble.

"Applicable Contingent Purchase Price Payment Date" shall have the meaning set forth in Section 4 hereof.

"Board of Directors" shall have the meaning set forth in Section 7(a) hereof.

"Business Day" means any day that is not a Saturday or Sunday or a legal holiday on which banks are authorized or required by law to be closed in New York, New York.

"Cause" shall have the meaning set forth in the Employment Agreement.

"Change of Control" shall mean any transaction, event or occurrence or series of transactions, events or occurrences resulting in (a) one or more Persons or group of Persons becoming the beneficial owner (as such term defined in Rule 13d-3 and Rule 13d-5 under the Securities Exchange Act of 1934, as ended) of in excess of 50% of the voting securities of Purchaser, (b) the voluntary or involuntary liquidation, dissolution or other winding up of the affairs of Purchaser, or (c) the sale of all or substantially all of the assets of Purchaser.

"Closing Date" shall have the meaning set forth in the Stock Purchase Agreement.

"Company" shall have the meaning set forth in the preamble.

"Contingent Purchase Price Payment" shall mean each of the 2010 Contingent Purchase Price Payment, the 2011 Contingent Purchase Price Payment and the 2012 Contingent Purchase Price Payment.

"Contingent Purchase Price Statement" shall have the meaning set forth in Section 3(a) hereof.

"Dispute" shall have the meaning set forth in Section 18 hereof.

"Dispute Notice" shall have the meaning set forth in Section 3(b) hereof.

"Disputing Party" shall have the meaning set forth in Section 18 hereof.

"Earn-Out Year" shall mean each of the 2010 Earn-Out Year, the 2011 Earn-Out Year and the 2012 Earn-Out Year.

"EBITDA" shall mean the Company's (a) Net Sales, less, without duplication, the sum of (i) cost of sales, (ii) selling and distribution expenses (for the avoidance of doubt, including co-op advertising expenses, but excluding the expenses specifically provided for in clause (a)(v) of this definition), (iii) design and production expenses, (iv) general administrative expenses (for the avoidance of doubt, including in each of the foregoing clauses the net amount payable under the Services Agreement), (v) ten percent (10%) of all amounts paid in respect of advertising other than co-op advertising, and (vi) the net change in prepaid expenses and other assets from the balance at the beginning of an Earn-Out Year and the balance at the end of such Earn-Out Year, to the extent such amounts represent costs or expenses incurred in one period for the benefit of the following period, *plus* (b) to the extent included in expenses in clause (a) of this definition, the sum of (i) interest expense, (ii) fees and expenses (including prepayment penalties) in connection with financings, (iii) income tax expense (including payments in respect of any tax sharing or other similar agreement) other than international VAT or other similar tax, (iv) depreciation and amortization expense, (v) expenses resulting from FAS 142 or FAS 144, (vi) amortized expenses related to the closing of the transactions contemplated by the Stock Purchase Agreement and the 338(h)(10) Election (as defined in the Stock Purchase Agreement), if any, (vii) any allocation of corporate overhead from Affiliates of the Company or allocation of profit, loss or expenses from Affiliates of the Company, other than those allocations specified in the Services Agreement, (viii) any Losses (as defined in the Stock P urchase Agreement) of the Company which give rise to an indemnity obligation pursuant to the indemnification provisions of the Stock Purchase Agreement, to the extent, and only to the extent, that such indemnity obligations have been honored, (ix) any amounts recovered or recoverable by the Company from insurance, to the extent, and only to the extent, the Loss attributable to such insurance arose in the same period, and (x) any relocation and transition expenses of the Company resulting from the consummation of the transactions contemplated by the Stock Purchase Agreement. For purposes of clause (b)(x) of this definition, relocation and transition expenses shall include without limitation (i) all Relocation Payments (as such term is defined in the Stock Purchase Agreement) paid by the Company, Purchaser or any of its subsidiaries pursuant to Section 8.2 of the Stock Purchase Agreement, (ii) all relocation expenses reimbursed by the Company or Purchaser pursuant to Section 2(c) of the Employment A greement, (iii) severance payments paid by the Company, Purchaser or any of its subsidiaries pursuant to Section 8.2 of the Stock Purchase Agreement, (iv) all incremental costs of accounting and other personnel and systems solely related to the transition of the Company's accounting, information systems, employees, customers, suppliers and the like, (v) all costs related to the closing of the Company's offices and warehouse in Santa Cruz, California (including any fees or penalties resulting therefrom), the move of the Company's offices and warehouse to the New York Metropolitan Area and the move of any of the Company's merchandise to Purchaser's Los Angeles warehouse, and (vi) any fees or expenses in connection with the preparation of any Contingent Purchase Price Statement or any dispute hereunder, the determination of Net Working Capital under the Stock Purchase Agreement, and any change in the Company's accounting methods. Each figure in clauses (a) through (b) of this definition shall be determined on a consolidated basis in accordance with GAAP consistently applied from the Closing Date.

"Employment Agreement" shall mean the employment agreement, dated as of the date hereof, between Purchaser and Seller, executed and delivered simultaneously with the execution and delivery of this Agreement.

"Estimate" shall have the meaning set forth in Section 4(b) hereof.

"Final Contingent Purchase Price Statement" shall have the meaning set forth in Section 3(c) hereof.

"Final Financial Statements" shall have the meaning set forth in Section 3(c) hereof.

"Financial Statements" means for any Earn-Out Year, unaudited financial statements for the Company for such Earn-Out Year, which shall be prepared in accordance with GAAP.

"GAAP" shall mean United States generally accepted accounting principles, as in effect on the date of this Agreement, consistently applied.

"Good Reason" shall have the meaning set forth in the Employment Agreement.

"Gross Sales" shall mean the total invoiced amount of products, including but not limited to seconds and close-outs and including the amount of sales of products on the www.bigbuddha.com website, and excluding any insurance or freight invoiced as a separate line item.

"Independent Accounting Firm" shall have the meaning set forth in Section 3(b) hereof.

"Intercompany Transaction" shall have the meaning set forth in Section 8 hereof.

"Net Sales" shall mean Gross Sales, less (i) returns by customers and (ii) allowances and trade discounts granted, including co-op allowances, markdown allowances and any other chargebacks provided for in the books, records and financial statements of a company.

"Net Sales Target" shall have the meaning set forth in Section 2(e) hereof.

"Net Sales Target Amount" shall have the meaning set forth in Section 2(e) hereof.

"Notice of Set-Off Dispute" shall have the meaning set forth in Section 5(b) hereof.

"Person" shall mean an individual, partnership, venture, unincorporated association, organization, syndicate, corporation, limited liability company, or other entity, trust, trustee, executor, administrator or other legal or personal representative or any government or any agency or political subdivision thereof.

"Prime Rate" shall mean the rate of interest that The JPMorgan Chase Bank (or its successor and assign) announces from time to time as its prime lending rate as then in effect, or if no such rate is announced by The JPMorgan Chase Bank (or its successor or assign), the prime lending rate announced by a New York City money center bank selected by Purchaser and reasonably acceptable to the Seller.

"Purchaser" shall have the meaning set forth in the preamble.

"Revised Contingent Purchase Price Statement" shall have the meaning set forth in Section 3(b) hereof.

"Revised Financial Statements" shall have the meaning set forth in Section 3(b) hereof.

"Rules" shall have the meaning set forth in Section 18 hereof.

"Seller" shall have the meaning set forth in the preamble.

"Services Agreement" shall mean that certain services agreement, dated as of the date hereof, among Purchaser, Seller and the Company.

"Set-Off Notice" shall have the meaning set forth in Section 5(b) hereof.

"Set-Off Review Period" shall have the meaning set forth in Section 5(b) hereof.

"Stock Purchase Agreement" shall have the meaning set forth in the recitals.

2. Contingent Purchase Price Calculation.

(a) 2010 Contingent Purchase Price Payment. The aggregate amount of the contingent purchase price payment payable to Seller with respect to the 2010 Earn-Out Year (the "2010 Contingent Purchase Price Payment") shall equal the sum of (x) 70% of the EBITDA for the 2010 Earn-Out Year, *plus* (y) the Additional Contingent Amount (as defined below) for the 2010 Earn-Out Year

(b) 2011 Contingent Purchase Price Payment. The aggregate amount of the contingent purchase price payment payable to Seller with respect to the 2011 Earn-Out Year (the "2011 Contingent Purchase Price Payment") shall equal the sum of (x) 70% of the EBITDA for the 2011 Earn-Out Year, *plus* (y) the Additional Contingent Amount for the 2011 Earn-Out Year.

(c) 2012 Contingent Purchase Price Payment. The aggregate amount of the contingent purchase price payment payable to Seller with respect to the 2012 Earn-Out Year (the "2012 Contingent Purchase Price Payment") shall equal the sum of (x) 70% of the EBITDA for the 2012 Earn-Out Year, *plus* (y) the Additional Contingent Amount for the 2012 Earn-Out Year.

(d) As used in this Agreement, the term "Additional Contingent Amount" shall mean, with respect to any given Earn-Out Year, the total of (i) 2.0% of the total amount of retail Net Sales in such Earn-Out Year of "Big Buddha" brand handbags sold in Purchaser's retail stores or on Purchaser's website, *plus* (ii) 2.5% of the total amount of wholesale Net Sales in such Earn-Out Year of "Big Buddha" brand handbags sold outside of the United States, *plus* (iii) 2.5% of the total amount of wholesale Net Sales in such Earn-Out Year of "Big Buddha"

brand merchandise other than handbags, *plus* (iv) 2.0% of the total amount of wholesale Net Sales in such Earn-Out Year of any private label merchandise sold by Purchaser using the same design as any "Big Buddha" brand handbags. For purposes of clarity, any amounts included in the preceding clauses (i) through (iv) shall not be included in the Net Sales of the Company.

(e) In the event that the Company achieves Net Sales of fifty million dollars ($50,000,000) in any single Earn-Out Year (the "Net Sales Target"), there shall be a one-time addition to the Contingent Purchase Price Payment for the first Earn-Out Year in which the Net Sales Target is achieved in an amount equal to two million five hundred thousand dollars ($2,500,000) (the "Net Sales Target Amount"). For the avoidance of doubt, to the extent that the Net Sales Target Amount is included in a Contingent Purchase Price Payment for any Earn-Out Year in accordance with the preceding sentence, no similar addition shall be made to any subsequent Contingent Purchase Price Payments pursuant to this Agreement.

(f) For the avoidance of doubt, the parties acknowledge that (i) no Contingent Purchase Price Payment shall ever be less than zero, and (ii) each Contingent Purchase Price is payable whether or not Seller is employed by Purchaser or the Company at any time during or after the applicable Earn-Out Year.

(g) Notwithstanding anything to the contrary in this Agreement, in the event that, prior to the end of the 2012 Earn-Out Year, Seller's employment with Purchaser is terminated (a) by Purchaser without Cause or by Seller for Good Reason or (b) following a Change of Control of Purchaser, the Contingent Purchase Price Payment payable to Seller hereunder in respect of the Earn-Out Year in which such employment is terminated and in respect of each Earn-Out Year thereafter through the 2012 Earn-Out Year shall be equal to the greater of (x) (I) if one of the events described in clause (a) or (b) occurs in the 2010 Earn-Out Year, $1,200,000, or (II) if any one of the events described in clause (a) or (b) occurs in the 2011 Earn-Out Year or the 2012 Earn-Out Year, 50% of the Contingent Purchase Price Payment paid to Seller with respect to the prior Earn-Out Year, and (y) the Contingent Purchase Price Payment calculated in accordance with Section 2(a), 2(b) or 2(c) hereof, as applicable.

(h) Notwithstanding anything to the contrary herein, in the event that the employment of Seller is terminated by Purchaser without Cause or by Seller with Good Reason and the Company employs another executive or executives to replace Seller, than any excess of the compensation and benefits of the executive(s) employed to replace Seller over the amounts that would have been payable to Seller pursuant to the Employment Agreement had Seller remained employed by Purchaser shall be disregarded for purposes of the calculation of EBITDA pursuant to this Agreement, regardless of the actual amount of such compensation and benefits.

3. Contingent Purchase Price Statement; Dispute.

(a) As promptly as practicable, but in any event within seventy-five (75) days after the end of each Earn-Out Year, Purchaser shall prepare and deliver to Seller (and the Company shall provide Purchaser with all assistance as may be reasonably requested by Purchaser in connection with such preparation) (i) Financial Statements for such Earn-Out Year, (ii) a statement of the Contingent Purchase Price Payment for such Earn-Out Year, which shall

explain in reasonable detail the calculations of EBITDA for such Earn-Out Year (a "Contingent Purchase Price Statement") and (iii) reasonable supporting documentation sufficiently detailed to enable Seller to verify the amounts set forth in such Financial Statements and Contingent Purchase Price Statement.

(b) Seller may dispute such Financial Statements and/or Contingent Purchase Price Statement for such Earn-Out Year by sending a written notice (a "Dispute Notice") to Purchaser within thirty (30) days after Purchaser's delivery of all of the items specified in Section 3(a) to the Seller. The Dispute Notice shall identify each disputed item on the Financial Statements or Contingent Purchase Price Statement, specify the amount of such dispute and set forth in reasonable detail the basis for such dispute. In the event of any such disputes, Purchaser and Seller shall attempt, in good faith, to reconcile the items identified in the Dispute Notice and any related items that may arise during the process described in this Section 3(b) (including providing information that is reasonably requested to the other party), and any resolution by them as to any disputed items shall be final, binding and conclusive on the parties and shall be evidenced by a writing signed by Purchaser and Seller, including, as appropriate, revised Financial Statements ("Revised Financial Statements") and/or a revised Contingent Purchase Price Statement (a "Revised Contingent Purchase Price Statement") reflecting such resolution. If Purchaser and Seller are unable to reach such resolution within twenty (20) days after Seller's delivery of the Dispute Notice to Purchaser, then Purchaser and Seller shall promptly submit any remaining disputed items for final binding resolution to any independent accounting firm mutually acceptable to Purchaser and Seller (which accounting firm has not, within the prior twenty-four (24) months, provided services to Purchaser, Seller or the Company or any Affiliate of any of them). If Purchaser and Seller are unable to agree upon an independent accounting firm within thirty (30) days, an independent accounting firm selected by Purchaser (which accounting firm has not, within the prior twenty-four (24) months, provided services to Purchaser or the Company or any Affiliate of either of them) and an independent accounting firm selected by Seller (which accounting firm has not, within the prior twenty-four (24) months, provided services to Seller or the Company or any Affiliate of either of them) shall select an independent accounting firm that has not, within the prior twenty-four (24) months, provided services to Purchaser, Seller or the Company or any Affiliate of any of them. Such independent accounting firm mutually agreed upon by Purchaser and Seller or selected by the procedure referenced in the immediately preceding sentence, as the case may be, is hereinafter referred to as the "Independent Accounting Firm." If any rem aining disputed items are submitted to an Independent Accounting Firm for resolution, (A) each party will furnish to the Independent Accounting Firm such workpapers and other documents and information relating to the remaining disputed items as the Independent Accounting Firm may request and are available to such party, and each party will be afforded the opportunity to present to the Independent Accounting Firm any material relating to the disputed items and to discuss the resolution of the disputed items with the Independent Accounting Firm; (B) each party will use its good faith commercially reasonable efforts to cooperate with the resolution process so that the disputed items can be resolved within forty-five (45) days after submission of the disputed items to the Independent Accounting Firm; (C) the determination by the Independent Accounting Firm, as set forth in a written notice to Purchaser and Seller (which written notice shall include, as appropriate, Revised Financial Statements and/or a Revised C ontingent Purchase Price Statement), shall be final, binding and conclusive on the parties absent manifest error; and (D) the fees and disbursements of the Independent Accounting Firm shall be allocated by the

Independent Accounting Firm between Purchaser and Seller in the same proportion that the aggregate dollar amount of the disputed items submitted to the Independent Accounting Firm that are unsuccessfully disputed by Seller (as finally determined by the Independent Accounting Firm) bears to the total amount of all disputed items submitted to the Independent Accounting Firm. By way of illustration, if Seller disputes $500,000 of items, and the Independent Accounting Firm determines that Seller's position is correct as to $400,000 of the disputed items, then Purchaser would bear 80 percent and Seller would bear 20 percent of such fees and disbursements.

(c) The Financial Statements for such Earn-Out Year and the Contingent Purchase Price Statement or, if either have been adopted pursuant to Section 3(b), the Revised Financial Statements and/or the Revised Contingent Purchase Price Statement, shall be deemed to be final, binding and conclusive on Purchaser and Seller ("Final Financial Statements" and "Final Contingent Purchase Price Statement") upon the earliest of (A) the failure of Seller to deliver to Purchaser the Dispute Notice within thirty (30) days after Purchaser's delivery to Seller of all of the items specified in Section 3(a) for such Earn-Out Year; (B) the resolution by Purchaser and Seller of all disputes, as evidenced by, as appropriate, Rev ised Financial Statements and/or a Revised Contingent Purchase Price Statement; and (C) the resolution by the Independent Accounting Firm of all disputes, as evidenced by, as appropriate, Revised Financial Statements and/or a Revised Contingent Purchase Price Statement. Any Contingent Purchase Price Payment based on Final Financial Statements and a Final Contingent Purchase Price Statement shall be made in accordance with Section 4 hereof.

4. Contingent Purchase Price Payments.

(a) Each Contingent Purchase Price Payment shall be paid and payable by Purchaser or the Company to Seller with respect to each Earn-Out Year and shall be paid on a date or dates selected by Purchaser that results in the payment of such Contingent Purchase Price Payment to Seller in full on or before the tenth (10^{th}) Business Day after the later of (x) the date on which the Final Financial Statements and Final Contingent Purchase Price Statement are deemed final, binding and conclusive for such Earn-Out Year pursuant to Section 3(c) and (y) the conclusion of the negotiation period with respect to any set-off pursuant to Section 5 (such date, the "Appli cable Contingent Purchase Price Payment Date"). In the event that any amounts due under this Section 4 shall not be paid to Seller on or before the Applicable Contingent Purchase Price Payment Date, such amounts shall bear interest, calculated from the Applicable Contingent Purchase Price Payment Date until the date such amounts are paid to Seller, at a rate per annum equal to the Prime Rate, calculated and payable monthly, compounded monthly. Each Contingent Purchase Price Payment shall be paid in cash and shall be made by wire transfer of immediately available funds to an account or accounts designated at least two (2) Business Days prior to the applicable payment date by Seller in writing.

(b) Notwithstanding the foregoing, on or before December 1 of each Earn-Out Year, Purchaser or the Company shall deliver to Seller (i) Purchaser's good faith estimate of the Contingent Purchase Price Payment amount for the nine month period beginning on April 1 and ending on December 31 of such Earn-Out Year (the "Estimate") and (ii) payment in an amount equal to 75% of the applicable Estimate, which payment shall be an advance on the Contingent

Purchase Price Payment for such Earn-Out Year (the "Advance Payment"). On the Applicable Contingent Purchase Price Payment Date for each Earn-Out Year:

(i) if the Contingent Purchase Price Payment calculated in accordance with Section 2(a) hereof for such Earn-Out Year exceeds the total amount paid to Seller in respect of the Advance Payment for the nine month period beginning on April 1 and ending on December 31 of such Earn-Out Year, Purchaser or the Company shall pay to Seller with respect to such Earn-Out Year the balance of the Contingent Purchase Price Payment for such Earn-Out Year, calculated as an amount equal to (x) the Contingent Purchase Price Payment calculated in accordance with Section 2(a) hereof for such Earn-Out Year, *minus* (y) the total amount paid to Seller in respect of the Advance Payment for the nine month period beginning on April 1 and ending on December 31 of such Earn-Out Year; or

(ii) if the Contingent Purchase Price Payment calculated in accordance with Section 2(a) hereof for such Earn-Out Year is less than the total amount paid to Seller in respect of the Advance Payment for the nine month period beginning on April 1 and ending on December 31 of such Earn-Out Year, Seller shall refund to Purchaser with respect to such Earn-Out Year an amount equal to (x) the total amount paid to Seller in respect of the Advance Payment for the nine month period beginning on April 1 and ending on December 31 of such Earn-Out Year, *minus* (y) the Contingent Purchase Price Payment calculated in accordance with Section 2(a) hereof for such Earn-Out Year.

5. Set-Off Rights.

(a) Notwithstanding any provision of this Agreement to the contrary, the parties hereby acknowledge and agree that, in addition to any other right hereunder, Purchaser shall have the right, but not the obligation, from time to time to set off against any Contingent Purchase Price Payment required to be paid by Purchaser to Seller pursuant to this Agreement any amounts owed at such time by Seller to the Company or to Purchaser (or any of its Affiliates) hereunder or pursuant to the Stock Purchase Agreement.

(b) If Purchaser elects to exercise its set-off rights hereunder against any amounts otherwise required to be paid by Purchaser to Seller pursuant to this Agreement, it shall give Seller written notice of such election (the "Set-Off Notice") no later than the date on which the Final Financial Statements and Final Contingent Purchase Price Statement are deemed final, binding and conclusive pursuant to Section 3(d), which Set-Off Notice shall include the amount to be set off and a reasonable description of the circumstances giving rise to Purchaser's entitlement to such set-off. Seller shall have thirty (30) days after receipt of such Set-Off Notice to review such Set-Off Notice (the "Set-Off Review Per iod"), and in the event that Seller has any objections or challenges to the exercise of the set-off right of Purchaser, Seller shall submit a single written notice of set-off dispute ("Notice of Set-Off Dispute") to Purchaser during such Set-Off Review Period, specifying in reasonable detail the nature of any asserted objections or challenges. In the event that Seller does not submit a Notice of Set-Off Dispute within thirty (30) days of Purchaser's delivery of the Set-Off Notice, it shall be conclusively presumed that Seller and the Company do not object to such Set-Off Notice and such Set-Off Notice shall be deemed to be final, binding and conclusive on the parties. In the event of any such dispute, Seller and Purchaser shall negotiate in good faith to resolve such dispute for thirty (30) days after

receipt by Purchaser of the Notice of Set-Off Dispute. If Seller and Purchaser are unable to resolve such dispute within such 30-day period, the amount payable by Purchaser to Seller shall automatically be reduced by the amount set forth in the Set-Off Notice. In the event that there is a final determination that Seller did not owe the Company or Purchaser (or any of its Affiliates) the amount that has been set off, Purchaser shall promptly repay to Seller all such amounts that are so determined to have been incorrectly set off, plus interest, calculated from the date of set-off until the date such amount is paid to Seller, at a rate per annum equal to the Prime Rate, calculated and payable monthly, compounded monthly. For purposes of this Section 5, a determination shall be final if any and all appeals therefrom sha ll have been resolved or if thirty (30) days shall have passed from the rendering of such determination (or of any determination of appeal therefrom) and no party shall have commenced any appeal therefrom.

(c) In the case of any such set-off by Purchaser pursuant to this Section 5, Seller's obligation to make such payment (or any portion thereof) shall be deemed satisfied and discharged to the extent of such set-off. The exercise of such right of set-off by Purchaser in good faith, whether or not finally determined to be justified, will not constitute a breach under this Agreement or the Stock Purchase Agreement.

6. Covenants of Purchaser. Purchaser hereby covenants and agrees that, from the Closing Date until the earlier of (i) the termination of this Agreement or (ii) the end of the 2012 Earn-Out Year, it will (x) maintain the Company as a division of Purchaser, which will maintain appropriate accounting books and records necessary to calculate amounts payable hereunder, and (y) not change the name of such division to a name that does not include the words "Big Buddha" without Seller's prior consent, which consent shall not be unreasonably withheld.

7. Corporate Governance During Earn-Out Period. Seller and Purchaser agree that until the earlier of the termination of this Agreement or the end of the 2012 Earn-Out Year, the Company shall be managed in accordance with the following provisions:

(a) The Board of Directors of the Company (the "Board of Directors") shall consist of the same three (3) persons, and Purchaser will vote the Company's common stock owned by it in favor of the election of two (2) designees of Purchaser and one (1) designee of Seller, provided that during his term of employment with the Company, the designee of Seller shall be himself. Except as specifically provided for in Sections 7(b) or 7(c) hereof, the Board of Directors or its designee shall have authority to control all of the operations of the Company.

(b) Notwithstanding the provisions of Section 7(a) to the contrary, the following actions shall not be taken without the mutual consent of Seller, on the one hand, and Purchaser or the Board of Directors, on the other hand: (i) entering into any transaction with any Affiliate of Purchaser or the Company or any officer or director of Purchaser or the Company or their respective Affiliates (including family members), other than compensation arrangements in the ordinary course operations of the Company consistent with past practice or as provided in the Services Agreement, (ii) voluntarily liquidating or dissolving the Company, (iii) filing of a petition under bankruptcy or other insolvency laws, or admitting in writing that the Company i s bankrupt, insolvent or generally unable to pay its debts as they become due, (iv) issuing any capital stock or other securities of the Company or granting any option or other right to acquire any capital stock or other securities of the Company, (v) selling all or substantially all of the

stock or assets of the Company to a third party that is not a one-hundred percent (100%)-owned subsidiary of Purchaser or Purchaser itself (other than sales of inventory in the ordinary course of business consistent with the Company's past practices) or engaging in a merger transaction (other than mergers solely for the purpose of reincorporating the Company in the state of Delaware), or (vi) ceasing the design, marketing, sale or distribution of handbags. For the avoidance of doubt, it is acknowledged and agreed among the parties hereto that the restrictions set forth in clause (v) above shall not apply to a sale of all or substantially all of the stock or assets of Purchaser or any Affiliate of Purchaser (other than the Company) or the engagement by Purchaser or any Affiliate of Purchaser (other than the Company) in any merger tra nsaction. Furthermore, neither Purchaser nor the Company may, or may cause any of its Affiliates to, take any action or enter into any transaction that is primarily intended to adversely affect any of the Contingent Purchase Price Payments payable under this Agreement, provided that such prohibition shall not restrict Purchaser or any of its Affiliates from manufacturing, selling and distributing any products, including handbags.

(c) Notwithstanding the provisions of Sections 7(a) or 7(b) to the contrary, if Purchaser proposes to design, market, distribute or sell a brand or line of handbags that is a derivative of the "Big Buddha" brand through the "Big Buddha" division, Purchaser shall provide to Seller a one-time opportunity to elect to have such brand or line taken into account for purposes of calculating EBITDA and/or Net Sales hereunder (an election to have such brand or line so taken into account, "Opting In", and an election not to have such brand or line so taken into account, "Opting Out"). If Seller "Opts In" with respect to any such brand or line, then such brand or line shall be taken into account for purposes of calculating EBITDA and/or Net Sales hereunder. If Seller "Opts Out" with respect to any such brand or line, then such brand or line shall not be taken into account for purposes of calculating EBITDA and/or Net Sales hereunder. For the avoidance of doubt, such election by Seller with respect to any brand or line shall be deemed final, binding and conclusive and Seller shall not have the right to change such election at any time thereafter. Notwithstanding the foregoing, Purchaser shall have the right to use all Company IP Rights (as defined in the Stock Purchase Agreement) in the design, marketing, distribution or sale of such brand or line.

(d) Seller and the appropriate designees of Purchaser shall consult regularly (but in any event at least quarterly) with each other to mutually agree on EBITDA and revenue goals.

(e) Purchaser shall, subject to Purchaser's then existing policies, practices and procedures consistently applied to the Company and to all domestic subsidiaries or divisions of Purchaser, consult with Seller with respect to the following: (i) the determination of the compensation and benefits payable to the Company's employees, (ii) the strategic direction and budget of the Company, (iii) accepting new customers and terminating existing customers, (iv) hiring, promoting or terminating employees of the Company or transferring Company employees from or to Purchaser or one of its Affiliates, (v) designing, selling, marketing or otherwise distributing products to historical and prospective customers of the Company, and (vi) terminating existing suppliers or engaging new suppliers; provided that all decisions with respect to the foregoing shall be in Purchaser's sole discretion.

(f) In the event that the employment of Seller is terminated by the Company, including, without limitation, due to his death or disability, (i) he may be removed from the Board of Directors and (ii) all decisions regarding the Company shall be at the sole discretion of Purchaser or its designees and the Company shall thereafter be operated by Purchaser in a manner determined in its sole discretion; provided that neither Purchaser nor the Company may take or omit to take any action that is primarily intended to adversely affect any of the Contingent Purchase Price Payments under this Agreement.

(g) Purchaser shall provide to the Company adequate working capital to facilitate its operations, as determined by the Board of Directors.

8. Intercompany Transactions and Other Activities During Earn-Out Period. For purposes of determining any Contingent Purchase Price Payment payable under this Agreement, Seller and Purchaser agree that until the earlier of the termination of this Agreement or the end of the 2012 Earn-Out Year, (a) sales of company products to Purchaser for sale in Purchaser's retail stores or on Purchaser's website shall be priced at cost, and (b) all other transactions between the Company, on the one hand, and Purchaser or any of its subsidiaries (excluding the Company), on the other hand (each an "Intercompany Transaction"), shall be at cost or market, whichever is lower, or shall be adjusted to be upon fair and reasonable terms no less favorable to either party than would be obtained in a comparable arm's-length transaction with an unaffiliated third Person. The parties acknowledge and agree that the Services Agreement is or will be on arm's-length terms.

9. Term. This Agreement shall be effective on the Closing Date, if one occurs, and shall continue until the payment of all Contingent Purchase Price Payments pursuant to Section 4.

10. Assignment; Binding Nature. Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by Seller. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties hereto and their respective heirs, personal representatives, legatees, successors and permitted assigns.

11. Amendment. This Agreement may be modified or amended only by an instrument in writing, duly executed by Purchaser, on the one hand, and Seller, on the other hand.

12. Notices. All notices, demands and communications of any kind which any party hereto may be required or desires to serve upon another party under the terms of this Agreement shall be in writing and shall be given by: (a) personal service upon such other party; (b) mailing a copy thereof by certified or registered mail, postage prepaid, with return receipt requested; (c) sending a copy thereof by Federal Express or equivalent courier service; or (d) sending a copy thereof by facsimile, in each case addressed as follows:

If to the Company:

Big Buddha, Inc.
2853 Mission Street
Santa Cruz, California 95060
Attention: Jeremy Bassan
Facsimile: (831) 421-9805

with copies to:

Sonnenschein Nath & Rosenthal LLP
525 Market Street, 26th Floor
San Francisco, California 94105
Attention: Stafford Matthews, Esq.
Facsimile No.: (415) 882-0300

If to Seller:

Jeremy Bassan
208 Woodrow Avenue
Santa Cruz, California 95060

with copies to:

Sonnenschein Nath & Rosenthal LLP
525 Market Street, 26th Floor
San Francisco, California 94105
Attention: Stafford Matthews, Esq.
Facsimile No.: (415) 882-0300

If to Purchaser:

Steven Madden, Ltd.
52-16 Barnett Ave.
Long Island City, New York 11104
Attention: Awadhesh Sinha
Facsimile: (718) 446-5599

with copies to:

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
United States of America
Attention: James A. Grayer, Esq.
Facsimile: (212) 715-8000

In the case of service by Federal Express or equivalent courier service or by facsimile or by personal service, such service shall be deemed complete upon delivery or transmission, as

applicable. In the case of service by mail, such service shall be deemed complete on the fifth Business Day after mailing. The addresses and facsimile numbers to which, and persons to whose attention, notices and demands shall be delivered or sent may be changed from time to time by notice served as hereinabove provided by any party upon any other party.

13. Governing Law; Jurisdiction. This Agreement and all the transactions contemplated hereby, and all disputes between the parties under or related to the Agreement or the facts and circumstances leading to its execution, whether in contract, tort or otherwise, shall be governed by, and construed and enforced in accordance with, the laws of the State of New York including, without limitation, Section 5-1401 and 5-1402 of the New York General Obligations Law and New York Civil Practice Laws and Rules 327.

14. Negotiated Agreement. Purchaser and Seller acknowledge that they have been advised and represented by counsel in the negotiation, execution and delivery of this Agreement and accordingly agree that if an ambiguity exists with respect to any provision of this Agreement, such provision shall not be construed against any party because such party or its representatives drafted such provision.

15. Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any arbitrator to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be enforced to the fullest extent permitted by law. If the final determination of an arbitrator declares that any item or provision hereof is invalid or unen forceable, the parties hereto agree that the arbitrator making the determination of invalidity or unenforceability shall have the power, and is hereby directed, to reduce the scope, duration or area of the term or provision, to delete specific words or phrases and to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

16. Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

17. Counterparts; Facsimile. For the convenience of the parties, any number of counterparts hereof may be executed, each such executed counterpart shall be deemed an original, and all such counterparts together shall constitute one and the same instrument. Facsimile or electronic transmission of any signed original counterpart and/or retransmission of any signed facsimile or electronic transmission shall be deemed the same as the delivery of an original.

18. Arbitration. Except as otherwise set forth in Section 3(b) hereof, if any dispute or difference of any kind whatsoever shall arise between the parties to this Agreement (each a “Disputing Party”) in connection with or arising out of this Agreement, or the breach, termination or validity thereof (a “Dispute”), then, on the demand of any Disputing Party, the Dispute shall be finally and exclusively resolved by arbitration in accordance with the

Commercial Arbitration Rules of the AAA (the "Rules") then in effect, except as modified herein. The arbitration shall be held, and the award shall be issued in, the State of New York. There shall be one neutral arbitrator appointed by agreement of the Disputing Parties within thirty (30) days after receipt by respondent of the demand for arbitration. If such arbitrator is not appointed within the time limit provided herein, on the request of any Disputing Party, an arbitrator shall be appointed by the AAA by using a list striking and ranking procedure in accordance with the Rules. Any arbitrator appointed by the AAA shall be a retired federal judge or a practicing attorney with no less than fifteen years of experience and an experienced arbitrator with no less than five completed prior arbitra tions relating to the purchase and sale of a wholesale business. By agreeing to arbitration, the Disputing Parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitrator shall have full authority to grant provisional remedies and to direct the Disputing Parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any Disputing Party to respect the arbitrator's orders to that effect. Any arbitration proceedings, decisions or awards rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. In arriving at a decision, the arbitrator shall be bound by the terms and conditions of this Agreement and shall apply the governing law of this Agreement as designated in Section 13. The arbitrator is not empowered to award damages in excess of compensatory damages, and each Disputing Party hereby irrevocably waives any right to recover punitive, exemplary or similar damages with respect to any Dispute. The award shall provide that the fees and expenses of the arbitration (including the fees of the AAA, the fees and expenses of the arbitrator and attorneys' fees of the prevailing Disputing Party) shall be allocated based on the proportion that the aggregate amount of disputed items submitted to arbitration that are unsuccessfully disputed by each Disputed Party (as finally determined by the arbitrator) bears to the total amount of all disputed items submitted to arbitrati on. The award, which shall be in writing and shall, on the written request of any Disputing Party, state the findings of fact and conclusions of law upon which it is based, shall be final and binding on the Disputing Parties and shall be the sole and the exclusive remedy between the Disputing Parties regarding any claims, counterclaims, issues or accountings presented to the arbitral tribunal. Judgment upon any award may be entered in any court of competent jurisdiction located in the State of New York, and the parties hereby consent to the exclusive jurisdiction of the courts located in the State of New York. All arbitration proceedings and resulting arbitration awards shall be strictly confidential and shall not be disclosed by the Disputing Parties to anyone, except to the extent necessary to disclose to compel arbitration, enforce any arbitration award or for accounting and financial reporting or to comply with reporting obligations under applicable securities laws and re gulations.

19. Entire Agreement. This Agreement, the Stock Purchase Agreement, the Services Agreement and the Employment Agreement, including all schedules and exhibits hereto and thereto, contain the entire understanding of the parties hereto with respect to the subject matter hereof.

[Remainder of page intentionally left blank]

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

COMPANY:

BIG BUDDHA, INC.

By: /s/ Jeremy Bassan
Name: Jeremy Bassan
Title: President

PURCHASER:

STEVEN MADDEN, LTD.

By: /s/ Edward Rosenfeld
Name: Edward Rosenfeld
Title: Chief Executive Officer

SELLER:

/s/ Jeremy Bassan
Jeremy Bassan

Exhibit B

EXECUTION VERSION

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (this "Agreement"), dated as of February 10, 2010, is entered into by and between Steven Madden, Ltd., a Delaware corporation (the "Company") and Jeremy Bassan ("Executive").

WITNESSETH :

WHEREAS, the Company desires to acquire all of the issued and outstanding shares of capital stock of Big Buddha, Inc., a California corporation ("Big Buddha") pursuant to a Stock Purchase Agreement, dated as of the date hereof, by and between the Company and Executive (as amended from time to time in accordance with its terms, the "Stock Purchase Agreement");

WHEREAS, in connection with the transactions contemplated in the Stock Purchase Agreement, the Company, Big Buddha and Executive have entered into an Earn-Out Agreement, dated as of the date hereof, governing certain terms and conditions under which Executive is entitled to receive earn-out payments (as amended from time to time in accordance with its terms, the "Earn-Out Agreement");

WHEREAS, immediately prior to the Closing (as defined in the Stock Purchase Agreement), Executive is employed as President of Big Buddha;

WHEREAS, this Agreement is to be effective upon the Closing;

WHEREAS, the Company wishes to ensure that it will have the benefits of Executive's services after the Closing on the terms and conditions hereinafter set forth;

WHEREAS, the Company and Executive acknowledge and agree that the retention of Executive's services and Executive's agreement to enter into and adhere to the noncompetition, nonsolicitation and nondisclosure of proprietary information provisions contained in this Agreement are critical reasons for the Company entering into the Stock Purchase Agreement and consummating the transactions contemplated thereby; and

WHEREAS, Executive desires to work for the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Employment; Term. The Company hereby employs Executive, and Executive hereby accepts employment with the Company, in accordance with and subject to the terms and conditions set forth herein. The term of employment shall commence upon the Closing, if one occurs (the "Effective Date"), and shall continue until March 31, 2013 (the "Term"), unless earlier terminated in accordance with Section 5 hereof.

2. Employment.

(a) The Company hereby agrees to employ Executive as President of the Big Buddha division of the Company for the Term. Executive agrees to serve in such capacity and to perform such duties and responsibilities as are reasonably requested by the Company consistent with such position in a company of the size and nature of the Company, including, without limitation, special projects for the Company and its Affiliates (as defined in the Earn-Out Agreement) as reasonably requested by the Company. During the Term, Executive shall report directly to the Brand Director and Executive Vice President – Wholesale and Retail of the C ompany.

(b) Executive shall devote substantially all of Executive's business time and attention to Executive's duties on the Company's behalf. The foregoing shall not prevent Executive from expending reasonable amounts of time on passive personal investments, for educational or charitable activities, or, with the reasonable approval of the Company, serving as a director on the boards of any non-competing companies, provided that, in each case, such activities do not individually or collectively interfere with or adversely affect the performance of Executive's duties under this Agreement.

(c) Executive agrees that Executive's employment shall be based in the New York metropolitan area ("New York") and that Executive shall relocate to New York as soon as practicable, but no later than sixty (60) days, following the date hereof. The Company agrees to reimburse Executive for the following expenses to the extent incurred by Executive in relocating to New York:

(i) economy class airfare for up to three (3) round trips between New York and San Francisco or San Jose, California;

(ii) reasonable moving expenses for the relocation of household goods, furniture and one (1) car by a moving company selected by the Company from at least three (3) bids or estimates obtained by Executive and provided to the Company; and

(iii) reasonable temporary living expenses for up to three (3) months, which are reasonably acceptable to the Company and with respect to which Executive has submitted to the Company receipts or other documentation reasonably acceptable to the Company, in an aggregate amount not to exceed $20,000.

3. Compensation.

(a) The Company shall pay Executive a base salary of no less than five hundred thousand dollars ($500,000) (the "Base Salary"), payable in accordance with the

Company's then existing payroll practices and subject to all legally required or customary withholdings and other applicable taxes.

(b) Upon the approval of this Agreement, the Compensation Committee of the Board of Directors of the Company shall grant to Executive an option to purchase an aggregate of 50,000 shares of common stock, par value $0.0001 per share, of the Company (the "Options") under the Company's 2006 Stock Incentive Plan, to be effective upon, and subject to, the occurrence of the Closing. One-third of the Options shall vest on each of the first, second and third anniversaries of the Effective Date (subject to Executive's continued employment through such dates). The Options shall have an exercise price of the fair m arket value on the last trading date prior to the grant date, shall remain exercisable for seven (7) years from the Effective Date (subject to earlier termination due to a termination of employment), and shall be granted pursuant to a Stock Option Grant Agreement of even date herewith between the Company and Executive, in substantially the form attached hereto as Exhibit A (the "Option Agreement").

(c) Executive shall not be entitled to participate in any bonus program or other incentive compensation plan of the Company or Big Buddha, or to receive any additional compensation from the Company or Big Buddha, except as expressly set forth herein.

4. Benefits.

(a) The Company agrees to reimburse Executive for all reasonable travel, business, entertainment and other business expenses incurred by Executive in connection with the performance of Executive's duties under this Agreement in accordance with the Company's corporate travel policy applicable to similarly situated employees of the Company as it may be amended from time to time. Such reimbursements shall be made by the Company within a reasonable amount of time after submission by Executive of vouchers in accordance with the Company's then applicable policies and procedures. Notwithstanding the foregoing, any r eimbursement that is taxable to Executive shall be paid no later than the end of the year following the year in which it is incurred.

(b) As soon as administratively practicable and in accordance with the Company's policies, Executive shall be entitled to participate in any and all medical insurance, group health, dental and vision care programs, disability insurance, pension, and other benefit plans which are made generally available by the Company to other similarly situated senior level executives of the Company performing similar functions as Executive; provided, however, that Executive shall not be entitled to participate in any cash bonus, incentive compensation or equity compensation or similar plan other than those described in Section 3(b) hereof. The Company, in its sole discretion, may at any time amend or terminate its benefit plans or programs.

(c) Executive shall be entitled to paid vacation in accordance with the Company's standard vacation policy.

(d) Executive shall be entitled to such other benefits as are generally available to other similarly situated senior level executives of the Company performing similar

functions as Executive, including those contained in the Company's corporate travel policy then in effect, provided that when travelling on Company business:

(i) Executive shall be permitted to fly business/first class for international travel;

(ii) Executive shall be entitled to car service pickup at the airport; and

(iii) Executive shall be permitted to rent a cellular car phone.

(e) Executive shall be entitled to receive benefits based on the date Executive started employment at Big Buddha.

(f) In the event the Company determines to purchase key man life insurance on Executive, Executive agrees to comply with all reasonable requirements of the insurance company associated therewith, including, without limitation, submitting to medical examinations.

5. Termination. Executive's employment hereunder may be terminated prior to the end of the Term under the following circumstances:

(a) Death. Executive's employment hereunder shall terminate upon Executive's death.

(b) Total Disability. The Company may terminate Executive's employment hereunder at any time after Executive becomes "Totally Disabled." For purposes of this Agreement, Executive shall be "Totally Disabled" upon the earlier of (i) the date Executive becomes entitled to receive disability benefits under the Company's long-term disability plan or (ii) Executive's inability to perform the duties and responsibilities contemplated under this Agreement for a period of more than one hundred eighty (180) consecutive days due to physical or mental incapacity or impairment.

(c) Termination by the Company without Cause. The Company may terminate Executive's employment hereunder without Cause (as hereinafter defined) at any time after providing written notice to Executive.

(d) Termination by the Company for Cause. The Company may terminate Executive's employment hereunder for Cause at any time after providing written notice to Executive. For purposes of this Agreement, the term "Cause" shall mean any of the following: (i) Executive's willful or intentional failure or refusal to perform or observe any of Executive's material duties, responsibilities or obligations set forth in, or as contemplated under, this Agreement; (ii) acts or omissions by Executive in volving Executive's gross negligence related to the discharge of Executive's duties; (iii) any act or failure to act by Executive constituting fraud or involving a knowing, willful or intentional misrepresentation, theft, embezzlement, dishonesty or moral turpitude (collectively, "Fraud"); (iv) conviction of (or a plea of nolo contendere to) an offense which is a felony in the jurisdiction involved or which is a misdemeanor in the jurisdiction involved but which involves Fraud; (v) any willful or intentional

act or omission by Executive which is intended to or which materially injures the reputation, business or business relationships of the Company or Big Buddha, or Executive's reputation or business relationships; or (vi) Executive's willful or intentional failure or refusal to comply with any reasonable and lawful request or direction of the Company not contrary to the provisions of this Agreement or the Earn-Out Agreement which, if curable, in the case of subsections (i) and (vi) above, has not been cured within thirty (30) days following written notice to Executive, which written notice shall (A) indicate the specific termination provision of this Agreement relied upon and (B) set forth in reasonable detail the facts and circumstances claimed to provide the basi s for termination of Executive's employment under the provisions so indicated.

(e) Termination by Executive for Good Reason. Executive may terminate Executive's employment hereunder at any time if Executive has "Good Reason." For purposes of this Agreement, the term "Good Reason" shall mean the existence of one or more of the following conditions arising without the prior written consent of Executive: (i) the failure to maintain Executive in the position of President of Big Buddha, the removal of him from such position or any material diminution in Executive' s duties, authority, title or responsibilities (other than in connection with a termination of Executive's employment); (ii) a material diminution in Executive's Base Salary or a material adverse change in benefits not affecting other senior level executives of the Company performing similar functions as Executive; (iii) Executive is assigned duties or the Board of Directors of the Company authorizes the conduct of business which would cause Executive to commit Fraud or would expose Executive to criminal liability; or (iv) any other action or inaction that constitutes a material breach of this Agreement. If one or more of the above conditions for Good Reason exist, the Executive must provide notice to the Company no more than ninety (90) days following the initial existence of the condition. Upon such notice, the Company shall have a period of thirty (30) days during which it may remedy the condition and not be required to pay the amounts required pursuant to Section 6(b) hereof.

(f) Termination by Executive Without Good Reason. Executive may terminate Executive's employment hereunder without Good Reason at any time after providing thirty (30) days prior written notice to the Company.

6. Compensation Following Termination Prior to the End of the Term. In the event that Executive's employment hereunder is terminated prior to the end of the Term, Executive shall be entitled only to the following compensation and benefits upon such termination:

(a) Termination by Reason of Death or Total Disability, by the Company for Cause, or by Executive without Good Reason. In the event that Executive's employment is terminated prior to the expiration of the Term by reason of Executive's death or Total Disability, or termination by the Company for Cause, or termination by Executive without Good Reason, respectively, the Company shall pay the following amounts to Executive (or to Executive's spouse, or to Executive's estate if Executive is unmarried at the time of Executive's death, as applicable):

(i) any accrued but unpaid Base Salary (as determined pursuant to Section 3(a) hereof) for services rendered to the date of termination;

(ii) any accrued but unpaid expenses required to be reimbursed pursuant to Section 4(a) hereof; and

(iii) any amounts in respect of accrued but unused vacation days (as determined pursuant to Section 4(c) hereof) up to the date of termination.

Except as otherwise specifically provided herein, in the event Executive's employment is terminated as described in this Section 6(a), the benefits to which Executive and/or Executive's family may be entitled upon such termination pursuant to the plans, programs and arrangements referred to in Section 4(b) hereof shall be determined and paid in accordance with the terms of such plans, programs and arrangements.

(b) Termination by the Company Without Cause or by Executive for Good Reason. In the event that Executive's employment is terminated by the Company without Cause or by Executive for Good Reason, the Company shall pay the following amounts to Executive:

(i) any accrued but unpaid Base Salary (as determined pursuant to Section 3(a) hereof) for services rendered to the date of termination;

(ii) any accrued but unpaid expenses required to be reimbursed pursuant to Section 4(a) hereof;

(iii) current Base Salary for the remainder of the Term, payable in accordance with the Company's then existing payroll practices; and

(iv) any amounts in respect of accrued but unused vacation days (as determined pursuant to Section 4(c) hereof) up to the date of termination.

Notwithstanding the foregoing, the Company shall have no obligation to make any further payments pursuant to Section 6(b)(iii) hereof in the event that Executive breaches any of his obligations set forth in Section 7 hereof.

Except as otherwise specifically provided herein, in the event Executive's employment is terminated as described in this Section 6(b), the benefits to which Executive and/or Executive's family may be entitled upon such termination pursuant to the plans, programs and arrangements referred to in Section 4(b) hereof shall be determined and paid in accordance with the terms of such plans, programs and arrangements. For the avoidance of doubt, termination of Executive's employment by the Company or by Executive shall not have any effect on the Earn-Out Agreement or any amounts due to Executive thereunder except as expressly provided for in the Earn-Out Agreement.

(c) Compliance with Code Section 409A. Notwithstanding the foregoing, and in accordance with Code Section 409A and the Treasury regulations promulgated thereunder, if Executive is a "specified employee" for purposes of Code Section 409A, no deferred compensation (including, without limitation, salary continuation payments in accordance with Section 6(b)(iii) hereof) which is payable at separation from service and is not exempt from the application of Code Section 409A will be paid to Executive during the six-

month period immediately following the day he is separated from service. Any payments so delayed for six months shall be paid on the first business day following completion of such six-month period. Executive's termination of employment shall be construed for purposes of this Agreement to mean separation from service within the meaning of Code Section 409A. This Agreement is intended to exempt certain payments and reimbursements from the application of Code Section 409A and the Treasury regulations promulgated thereunder, or to comply with the requirements of Code Section 409A, as the case may be. Should any additional amendments be required in order to ensure that any amounts payable under this Agreement are not subject to the additional 20% excise tax under Code Sect ion 409A, the Company shall so notify Executive, and the parties shall work in good faith to amend this Agreement while maintaining to the maximum extent practicable the original intent of this Agreement.

(d) General.

(i) In the event that Executive's employment is terminated for any reason, Executive shall cease to be an employee of the Company for all purposes, and, except as may be provided under this Agreement, the Option Agreement or under the terms of any incentive compensation, employee benefit or fringe benefit plan applicable to Executive at the time of the termination of Executive's employment prior to the end of the Term, shall have no right to receive any other compensation, employee benefits or perquisites, or to participate in any other plan, arrangement or benefit, with respect to any future period after suc h termination. In the event that Executive's employment is terminated for any reason, the Company's payment of salary and other amounts specifically provided for in the applicable previous paragraph of this Section 6 shall constitute complete satisfaction of all payment obligations of the Company to Executive pursuant to this Agreement.

(ii) Executive's rights set out in this Agreement, the Option Agreement and other applicable benefit plans shall constitute Executive's sole and exclusive rights and remedies as a result of Executive's actual or constructive termination of employment.

7. Noncompetition and Nonsolicitation; Nondisclosure of Proprietary Information; Surrender of Records.

(a) General. Executive acknowledges that the Company would not consummate the transactions contemplated by the Stock Purchase Agreement without the assurance that Executive will not engage in any of the activities prohibited by this Section 7 for the periods set forth below. Executive understands that the provisions of this Section 7 may limit Executive's ability to earn a livelihood in a business similar to the business of the Company but nevertheless agrees and hereby acknowledges that the consideration provi ded under this Agreement, including any amounts provided under Section 3 hereof, are sufficient to justify the restrictions contained in such provisions. Executive agrees to restrict Executive's actions as provided for in this Section 7. Executive further acknowledges that the scope and duration of the restrictions set forth in this Section 7 are reasonable in light of the specific nature and duration of the transactions contemplated by the Stock Purchase Agreement and the payments Executive is directly receiving pursuant to the terms of the Stock Purchase Agreement. In consideration thereof, and in light of Executive's education, skills and abilities, Executive agrees that Executive will not assert in any forum that the provisions of this Section 7 prevent Executive

from earning a living or otherwise are void or unenforceable or should be held void or unenforceable.

(b) Noncompetition; Nonsolicitation.

(i) Executive acknowledges and recognizes the highly competitive nature of the Company's business and that Executive's position with the Company and access to the Company's and Big Buddha's confidential records and proprietary information renders Executive special and unique. In consideration of payments made and to be made by the Company directly to Executive (x) pursuant to this Agreement (including, without limitation, pursuant to Section 3 hereof), and (y) in connection with the sale of Executive's interest in Big Buddha pursuant to the Stock Purchase Agreement, Executive agrees that for the applicable periods as set forth below (the "Applicable Periods"), Executive will not, directly or indirectly, in the United States or any other place in which the Company or Big Buddha then does business, be affiliated in any manner with any individual, partnership, venture, unincorporated association, organization, syndicate, corporation, limited liability company, or other entity, trust and trustee, executor, administrator or other legal or personal representative, or any government or agency or political subdivision thereof (any of the foregoing, a "Person") engaged in the business of selling, designing, licensing, distributing (at wholesale or retail) and/or marketing (A) handbags and shoes, (B) any other product categories the Company is actively selling, designing, licensing, distributing (at wholesale or retail) and/or marketing under the "Big Buddha" brand (or combination of the "Big Buddha" brand with any other brand or mark) as of the date of the termination or expiration of the Agreement, including conducting any business under any name that contains any trademark, service mark, copyright, slogan, trade name, or internet domain name listed in Section 4.8(h) of the Disclosure Schedule to the Stock Purchase Agreement or any variation thereof or (C) any other product categories sold, designed, licensed, distributed or marketed by Executive for the Company or any of its Affiliates during the Term:

Termination Event	**Applicable Period**
Executive's employment is terminated by the Company for Cause or by Executive without Good Reason	Three (3) years from the date of termination
Executive's employment is terminated by the Company without Cause or by Executive with Good Reason	One (1) year from the date of termination
Executive's employment is terminated due to the expiration of the Term of this Agreement	Two (2) years from the date of termination

(ii) In further consideration of the payments made and to be made by the Company directly to Executive (x) pursuant to this Agreement (including, without limitation, pursuant to Section 3 hereof), and (y) in connection with the sale of Executive's interest in Big Buddha pursuant to the Stock Purchase Agreement, Executive agrees that for the

Applicable Periods, Executive shall not, directly or indirectly, (a) advise or encourage any employee, agent, consultant, representative, customer, licensor, vendor or supplier of the Company or Big Buddha to terminate his, her, or its relationship with the Company or Big Buddha or to reduce the amount of business customarily done with the Company or Big Buddha, or (b) solicit or attempt to solicit or participate in the solicitation of or employ or otherwise engage any employee, agent, consultant or representative of the Company or Big Buddha, or otherwise advise or encourage any such person to become an employee, agent, representative or consultant of or to any other Person; provided that this Section 7(b)(ii) shall not prohibit soliciting or recruiting generally in the pub lic media (without specifically targeting such employees, agents, consultants or representatives).

(iii) For the Applicable Periods, Executive agrees that upon the earlier of Executive's (x) negotiating with any Competitor (as defined below) concerning the possible employment of Executive by the Competitor, (y) receiving an offer of employment from a Competitor, or (z) becoming employed by a Competitor, Executive will (A) immediately provide notice to the Company of such circumstances and (B) provide copies of Section 7 hereof to the Competitor. Executive further agrees that the Company may provide notice to a Competitor of Executive's obligations under this Agreement, including without limitation, Executi ve's obligations pursuant to Section 7 hereof. The parties further agree, notwithstanding the provisions of Section 7(g) hereto, that any disclosures to a Competitor pursuant to this Section 7(b)(iii) shall not be a breach of Section 7(g). For purposes of this Agreement, "Competitor" shall mean any Person (other than the Company or Big Buddha or any of their respective Affiliates) that then engages, directly or indirectly, in the United States or any other place in which the Company or Big Buddha then does business, in the business of selling, designing, licensing, distributing (at wholesale or retail) and/or marketing (A) handbags and shoes, (B) any other product categories Big Buddha is actively selling, designing, licensing, distributing (at wholesale or retail) and/or marketing as of the date of the termination or expiration of the Agreement, (C) any other product categories the Company is actively selling, designing, licensing, distributing (at wholesale or retail) and/or marketing und er the "Big Buddha" brand (or combination of the "Big Buddha" brand with any other brand or mark) as of the date of the termination or expiration of the Agreement or (D) any other product categories sold, designed, licensed, distributed or marketed by Executive for the Company or any of its Affiliates during the Term.

(c) Proprietary Information. Executive acknowledges that during the course of Executive's employment with the Company, Executive will necessarily have access to and make use of proprietary information and confidential records of the Company and its Affiliates (including, without limitation, Big Buddha). Executive covenants that Executive shall not, during the Term or at any time thereafter (irrespective of the circumstances under which Executive's employment with the Company terminates), directly or indir ectly, use for Executive's own purpose or for the benefit of any Person other than the Company and its Affiliates, or otherwise disclose, any proprietary information of which Executive has knowledge to any Person, unless such disclosure has been authorized in writing by the Company or such Affiliates or is otherwise required by law. Executive acknowledges and understands that the term "proprietary information" includes, but is not limited to, patents, copyrights, trademarks and trade secrets such as, without limitation: (a) designs, drawings, sketches, fabrics, accessories and ornaments utilized or incorporated in or proposed to be utilized or incorporated in any product of

the Company or its Affiliates; (b) the software products, programs, applications and processes utilized by or on behalf of the Company and its Affiliates (other than off-the-shelf software programs); (c) the name and/or address of any customer, licensor or vendor of the Company and its Affiliates or any information concerning the transactions or relations of any customer, licensor or vendor of the Company and its Affiliates with the Company and its Affiliates or any of their shareholders, principals, directors, officers, employees or agents; (d) any information concerning any product, technology or procedure employed by or on behalf of the Company and its Affiliates but not generally known to its customers, licensors, vendors or competitors, or under development by or being tested by or on behalf of the Company and its Affiliates but not at the time offered generally to customers, licensors, or vendors; (e) any information relating to the Company's and its Affiliates' computer systems, pricing or marketing methods, sales margins, cost or source of raw materials, supplies or goods, capital structure, operating results, or borrowing arrangements; (f) any information which is generally regarded as confidential or proprietary in any line of business engaged in by or on behalf of the Company and its Affiliates; (g) any business plans, budgets, advertising or marketing plans of the Company or its Affiliates; (h) any information contained in any of the written or oral policies and procedures or manuals of the Company and its Affiliates; (i) any information belonging to customers, licensors, vendors or Affiliates of the Company and its Affiliates or any other individual or entity which the Company and its Affiliates has agreed to hold in confidence; and (j) all written, gra phic and other material (whether in writing on magnetic tape or in electronic or other form) relating to or containing any of the foregoing. Executive acknowledges and understands that information that is not novel or copyrighted or trademarked or patented may nonetheless be proprietary information. The term "proprietary information" shall not include information generally available to and known by the public or within the industry or information that is or becomes available to Executive on a non-confidential basis from a source other than the Company (or any of its Affiliates) or the Company's (or its Affiliates') shareholders, principals, directors, officers, employees or agents (other than as a result of a breach of any obligation of confidentiality).

(d) Confidentiality and Surrender of Records. Executive shall not during the Term or at any time thereafter (irrespective of the circumstances under which Executive's employment with the Company terminates), except as required by law or as is necessary for the performance of Executive's duties hereunder, directly or indirectly, publish, make known or in any fashion disclose any confidential records to, or permit any inspection or copying of confidential records by, any Person, and Executive shall not reta in, and shall deliver promptly to the Company, any of the same following termination of Executive's employment hereunder for any reason or upon request by the Company. The term "confidential records" means all correspondence, memoranda, files, manuals, books, designs, sketches, lists, financial, operating, or marketing records, magnetic tape, or electronic or other media or equipment or records of any kind which may be in Executive's possession or under Executive's control or accessible to Executive which contain any proprietary information. All confidential records shall be and remain the sole property of the Company or its Affiliates during the Term and thereafter.

(e) Disclosure Required by Law. In the event Executive is required by law or court order to disclose any proprietary information or confidential records of the Company or its Affiliates, Executive shall provide the Company with prompt written notice so that the Company may seek a protective order or other appropriate remedy, and if such protective

order or other remedy is not obtained, Executive shall furnish only that portion of the proprietary information or confidential records that is legally required.

(f) No Other Obligations. Executive represents and warrants to the Company that Executive is not precluded or limited in Executive's ability to undertake or perform the duties described herein by any contract, agreement or restrictive covenant. Executive covenants that Executive shall not employ the trade secrets or proprietary information of any other Person in connection with Executive's employment by the Company.

(g) Confidentiality of this Agreement. Executive agrees to keep confidential the terms of this Agreement. This provision does not prohibit Executive from providing this information to Executive's attorneys or accountants for purposes of obtaining legal or tax advice or as required by law; provided, however, that Executive shall be responsible for breaches of the confidentiality restrictions contained herein by such Persons as if Executive had breached such restrictions. The Company shall not disclose the terms of this Agreement except as necessary in the ordinary course of its business, as required by law or as required by any governmental or quasi-governmental entity or any self regulatory organization.

(h) Developments the Property of the Company. All discoveries, inventions, designs, drawings, sketches, products, processes, methods and improvements conceived, developed or otherwise made by Executive at any time, alone or with others, and in any way relating to the present or future business or products of the Company and its Affiliates, whether or not subject to copyright protection and whether or not reduced to tangible form during the period of Executive's employment with the Company (collectively referred to as "Developments"), shall be the sole property of the Company. Executive agrees to, and hereby does, assign to the Company all of Executive's right, title and interest throughout the world in and to all Developments. Executive agrees that all such Developments that are copyrightable shall constitute works made for hire under the copyright laws of the United States and Executive hereby assigns to the Company all copyrights and other proprietary rights Executive may have in any such Developments to the extent that they might not be considered works made for hire. Executive shall make and maintain adequate and current written records of all Developments, and shall disclose all Developments fully and in writing to the Company promptly after development of the same, and at any time upon request.

(i) Construction. For purposes of any provision of Section 7 hereof, "directly or indirectly" means in Executive's individual capacity for Executive's own benefit or for the benefit of a third party, or as a shareholder, partner, member, principal, officer, director, trustee, employee, representative, agent or consultant of or to any Person whatsoever; provided, however, that Executive may own, directly or indirectly, solely as an investment, securities of any Person traded on any national securities exchange or listed on the Nasdaq Stock Market if Executive is not a controlling Person of, or a member of a group which controls, such Person and Executive does not, directly or indirectly, own 2% or more of any class of equity securities, or securities convertible into or exercisable or exchangeable for 2% or more of any class of equity securities, of such Person.

(j) Enforcement. Executive acknowledges and agrees that, by virtue of Executive's position, Executive's services, and access to and use of confidential records and

proprietary information, any violation by Executive of any of the undertakings contained in this Section 7 would cause the Company or its Affiliates immediate, substantial and irreparable injury for which it has no adequate remedy at law. Accordingly, Executive agrees that in the event of a breach by Executive of any said undertakings, the Company will be entitled to temporary and permanent injunctive relief in any court of competent jurisdiction (without the need to post any bond and without proving that damages would be inadequate). Rights and remedies provided for in this Section 7 are cumulative and shall be in addition to rights and remedies otherwise available to the parties hereunder or under any other agreement or applicable law.

8. No Third Party Rights. The parties do not intend the benefits of this Agreement to inure to any Person not a party to this Agreement (other than to the spouse or estate of Executive in the case of the death of Executive, in which case such spouse or estate shall be entitled to only those rights set forth in Section 6(a) hereof). Notwithstanding anything contained in this Agreement, or any conduct or course of conduct by any party before or after signing this Agreement, this Agreement shall not be construed as creating any right, claim or cause of action against any party by any Person not a party to this Agreement (other than the spouse or estate of Execut ive in the case of the death of Executive, in which case such spouse or estate shall be entitled to only those rights set forth in Section 6(a) hereof).

9. Notices. Any notice, consent, request or other communication made or given in accordance with this Agreement shall be in writing and shall be deemed to have been duly given when actually received if delivered in person, sent by Federal Express or equivalent courier service, or sent by facsimile transmission or, if mailed, five (5) business days after mailing by registered or certified mail, return receipt requested, to those parties listed below at their following respective addresses or facsimile numbers, or at such other address or facsimile number or person's attention as each may specify by notice to the others:

To the Company:

Steven Madden, Ltd.
52-16 Barnett Avenue
Long Island City, NY 11104
Attention: Awadhesh Sinha
Facsimile: (718) 446-5599

To Executive:

Jeremy Bassan
208 Woodrow Avenue
Santa Cruz, California 95060

10. Assignability; Binding Effect. This Agreement is a personal contract calling for the provision of unique services by Executive, and Executive's rights and obligations hereunder may not be sold, transferred, assigned, pledged or hypothecated. In the event of any attempted assignment or transfer of rights or obligations hereunder by Executive contrary to the

provisions hereof, the Company will have no further liability for payments hereunder. The rights and obligations of the Company hereunder will be binding upon and run in favor of the successors and assigns of the Company.

11. Complete Understanding; Amendment; Waiver. This Agreement, together with the Stock Purchase Agreement, the Earn-Out Agreement and the Option Agreement, constitutes the complete understanding among the parties with respect to the employment of Executive and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and no statement, representation, warranty or covenant has been made by any party with respect thereto except as expressly set forth herein or therein. All prior employment, consulting or other agreements between the Company or its Affiliates and Executive with re spect to the performance of any services by Executive to the Company or any of its Affiliates or the payment of any royalties, license fees or other similar fees to Executive, are terminated as of the Effective Date. This Agreement shall not be altered, modified, amended or terminated except by a written instrument signed by each of the parties hereto. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by any party hereto of any breach hereunder by the other parties shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay on the part of the Company or Executive in the exercise of any of their respective rights or remedies shall operate as a waiver thereof, and no single or partial exercise by the Company or Executive of any such right or remedy shall preclude other or further exercise thereof.

12. Negotiated Agreement. The Company and Executive acknowledge that they have been advised and represented by counsel in the negotiation, execution and delivery of this Agreement and accordingly agree that if an ambiguity exists with respect to any provision of this Agreement, such provision shall not be construed against any party because such party or its representatives drafted such provision.

13. Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any arbitrator to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be enforced to the fullest extent permitted by law. If the final determination of any arbitrator declares th at any item or provision hereof is invalid or unenforceable, the parties hereto agree that the arbitrator making the determination of invalidity or unenforceability shall have the power, and is hereby directed, to reduce the scope, duration or area of the term or provision, to delete specific words or phrases and to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

14. Survivability. The provisions of this Agreement which by their terms call for performance subsequent to termination of Executive’s employment hereunder, or of this Agreement, shall so survive such termination.

15. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of New York applicable to contracts made and to be entirely performed therein, without regard to principles of conflicts of laws.

16. Counterparts; Facsimile. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all of the parties hereto. Facsimile or electronic transmission of any signed original counterpart and/or retransmission of any signed facsimile or electronic transmission shall be deemed the same as the delivery of an original.

17. Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

18. Arbitration. To the fullest extent allowed by law, any controversy, claim or dispute between Executive and the Company (and/or any of its owners, directors, officers, employees, Affiliates, or agents) relating to or arising out of Executive's employment or the cessation of that employment will be submitted to final and binding arbitration, to be held in the State of New York for determination in accordance with the American Arbitration Association's ("AAA") National Rules for the Resolution of Employment Disputes, as the exclusive remedy for such controversy, claim or dispute. In any such arbitration, the parties may conduct discov ery in accordance with the applicable rules of the arbitration forum or as determined by the arbitrator(s), except that the arbitrator(s) shall have the authority to order and permit discovery as the arbitrator(s) may deem necessary and appropriate in accordance with applicable state or federal discovery statutes. The arbitrator(s) shall issue a reasoned, written decision, and shall have full authority to award all remedies which would be available in court. The arbitrators' award shall provide that the fees and expenses of the arbitration (including the fees of the AAA, the fees and expenses of the arbitrator(s) and attorneys' fees) shall be allocated based on the proportion that the aggregate dollar amount of disputed items submitted to arbitration that are unsuccessfully disputed by each party (as finally determined by the arbitrator(s)) bears to the total dollar amount of all disputed items submitted to arbitration. The award of the arbitrator(s) shall be final and binding upon the parties an d may be entered as a judgment in any court of competent jurisdiction located in the State of New York, and the parties hereby consent to the exclusive jurisdiction of the courts located in the State of New York. Possible disputes covered by the above include (but are not limited to) unpaid wages, breach of contract, torts, violation of public policy, discrimination, harassment, or any other employment-related claims under laws including but not limited to, Title VII of the Civil Rights Act of 1964, the Americans With Disabilities Act, the Age Discrimination in Employment Act, and any other statutes or laws relating to Executive's relationship with his employer, regardless of whether such dispute is initiated by Executive or the Company. Thus, this bilateral arbitration agreement applies to any and all claims that the Company may have against Executive relating to or arising out of Executive's employment or the cessation of that employment, including but not limited to, claims for misappropriatio n of Company property, disclosure of proprietary information or trade secrets, interference with contract, trade libel, gross negligence, or any other claim for alleged wrongful conduct or breach of the duty of loyalty by Executive. However, notwithstanding anything to the contrary contained herein, the Company and Executive shall have their respective rights to seek and obtain injunctive relief from a court with respect to any controversy, claim or

dispute to the extent permitted by law. Claims where mandatory arbitration is prohibited by law are not covered by this arbitration agreement, and such claims may be presented by either Executive or the Company to the appropriate court or governmental agency. BY AGREEING TO THIS BINDING ARBITRATION PROVISION, BOTH EXECUTIVE AND THE COMPANY GIVE UP ALL RIGHTS TO TRIAL BY JURY. This arbitration agreement is to be construed as broadly as is permissible under applicable law.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Agreement as of the date first above written.

EXECUTIVE

/s/ Jeremy Bassan

Jeremy Bassan

STEVEN MADDEN, LTD.

By: /s/ Edward Rosenfeld

Name: Edward Rosenfeld
Title: Chief Executive Officer

Exhibit A

NON-QUALIFIED STOCK OPTION AGREEMENT
PURSUANT TO THE
STEVEN MADDEN, LTD.
2006 STOCK INCENTIVE PLAN

THIS AGREEMENT, DATED AS OF FEBRUARY 10, 2010 (THIS "AGREEMENT"), BETWEEN STEVEN MADDEN, LTD. (THE "**COMPANY**") AND JEREMY BASSAN **(THE "PARTICIPANT").**

Preliminary Statement

The Compensation Committee of the Board of Directors of the Company (the "**Committee**") has authorized this grant of a non-qualified stock option (the "**Option**") on February 10, 2010 (the "**Grant Date**") to purchase the number of shares of the Company's common stock, par value $0.0001 per share (the "**Common Stock**"), set forth below in Section 2 to the Participant, as an Eligible Employee of the Company or an Affiliate of the Company. Unless otherwise indicated, any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Steven Madden, Ltd. 2006 Stock Incentive Plan, as amended (as the same may be further amended from time to time, the "**Plan**"). A copy of the Plan as in effect on the date hereof has been delivered to the Participant. By signing and returning this Agreement, the Participant acknowledges having received and read a copy of the Plan as in effect on the date hereof and agrees to comply with the Plan, this Agreement and all applicable laws and regulations.

Accordingly, the parties hereto agree as follows:

1. **Tax Matters**. No part of the Option granted hereby is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "**Code**").

2. **Grant of Option**. Subject in all respects to the Plan and the terms and conditions set forth herein and therein, the Participant is hereby granted an Option to purchase from the Company 50,000 shares of Common Stock (the "**Option Shares**"), at a price per share of $39.26 (the "**Option Price**").

3. **Vesting and Exercise.**

(a) Except as set forth below, the Option shall vest and become exercisable in installments as provided below, which shall be cumulative. To the extent that the Option has become vested and exercisable as provided below, the Option thereafter may be exercised by the Participant, in whole or in part, at any time or from time to time prior to the expiration or earlier termination of the Option as provided herein and in accordance with Section 6.3(d) of the Plan, including, without limitation, the filing of such written form of exercise notice, if any, as may be required by the Committee or the Company and the payment in full of the Opt ion Price multiplied by the number of Option Shares underlying the portion of the Option exercised. Upon expiration of the Option, the Option shall be canceled and no longer exercisable. The following table indicates each date upon which the Participant shall be vested and entitled to exercise the Option with respect to the percentage of the Option Shares indicated beside such date, provided that the Participant has not had a Termination of

Employment any time prior to such date (each of the dates set forth below being herein called a "**Vesting Pate**"):

Vesting Date	**Percentage of Option Shares Vested**
First Anniversary of Grant Date	33 1/3% vest on that date; 33 1/3% total vested
Second Anniversary of Grant Date	33 1/3% vest on that date; 66 2/3% total vested
Third Anniversary of Grant Date	33 1/3% vest on that date; 100% total vested

(b) There shall be no proportionate or partial vesting in the periods prior to each Vesting Date and all vesting shall occur only on the appropriate Vesting Date, provided that the Participant has not had a Termination of Employment at any time prior to such Vesting Date.

(c) The Option will become fully vested on a Change in Control.

4. **Option Term**. The term of each Option shall be seven years after the Grant Date and the Option shall expire at 5:00 p.m. (New York City time) on the seventh (7^{th}) anniversary of the Grant Date, subject to earlier termination in the event of the Participant's Termination of Employment as specified in Section 5.

5. **Termination**. Subject to Section 4 and the terms of the Plan, the Option, to the extent vested at the time of the Participant's Termination of Employment, shall remain exercisable as provided in Section 12.1(a) of the Plan, *provided*, *that*, notwithstanding the foregoing, in the case of a Termination without Cause or for Good Reason (as defined in the Employment Agreement by and between the Company and the Participant of even date herewith) the Option, to the extent vested at the time of the Participant's Termination of Employment, shall remain exercisable for one-year from the date of such Termination. Any portion of the Option that is not vested as of the date of the Participant's Termination of Employment for any reason shall terminate and expire as of the dated of such Termination of Employment.

6. **Restriction on Transfer of Option**. No part of the Option shall be subject to Transfer other than by will or by the laws of descent and distribution. During the lifetime of the Participant, the Option may be exercised only by the Participant or the Participant's guardian or legal representative. The Option shall not be subject to levy by reason of any execution, attachment or similar process. Upon any attempt to Transfer me Option or in the event of any levy upon the Option by reason of any execution, attachment or similar process contrary to the provisions hereof, the Option shall immediately and automatically become null and void.

7. **Rights as a Stockholder**. The Participant shall have no rights as a stockholder with respect to any Option Shares unless and until the Participant has become the holder of record of the Option Shares. No adjustments shall be made to the Option, the Option Shares or the Option Price for dividends in cash or other property, distributions or other rights in respect of any Option Shares, except as otherwise may be specifically provided for in the Plan. No shares of Common Stock shall be issued unless and until payment therefor has been made or provided.

8. **Provisions of Plan Control**. This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly, except in the case of Section 5 of this Agreement, which if t here is a conflict with the Plan, the terms of Section 5 of this Agreement shall control. This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements and understandings (whether written or oral) between the Company and Participant with respect to the subject matter hereof.

9. **Notices**. Any notice or communication given hereunder (each a ("**Notice**") shall be in writing and shall be sent by personal delivery, by courier or by United States mail (registered or certified mail, postage prepaid and return receipt requested), to the appropriate party at the address set form below:

If to the Company, to:

Steven Madden, Ltd.
52-16 Barnett Avenue
Long Island City, New York 11104
Attention: Chief Executive Officer

If to the Participant, to the address for the Participant on file with the Company; or such other address or to the attention of such other person as a party shall have specified by prior Notice to the other party. Each Notice will be deemed given and effective upon actual receipt (or refusal of receipt).

10. **No Obligation to Continue Employment**. This Agreement is not an agreement of employment. This Agreement does not guarantee that the Company or its Affiliates will employ, retain or continue to, employ or retain the Participant during the entire, or any portion of the term of this Agreement, including but not limited to any period during which any Option is outstanding, nor does it modify in any respect the Company's or its Affiliates' right to terminate or modify the Participant's employment or compensation.

11. Miscellaneous.

(a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(b) This Agreement shall be governed and construed in accordance with the laws of Delaware (regardless of the law that might otherwise govern under applicable Delaware principles of conflict of laws).

(c) There shall be no proportionate or partial vesting in the periods prior to each Vesting Date and all vesting shall occur only on the appropriate Vesting Date, provided that the Participant has not had a Termination of Employment at any time prior to such Vesting Date.

(d) The Option will become fully vested on a Change in Control.

[*Remainder of Page Left Blank*]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

STEVEN MADDEN, LTD.

By: _____
Name: Edward R. Rosenfeld
Title: Chief Executive Officer

PARTICIPANT

_____
Jeremy Bassan

Exhibit C

EXECUTION VERSION

SERVICES AGREEMENT

by and among

STEVEN MADDEN, LTD.,

BIG BUDDHA, INC.

and

JEREMY BASSAN

Dated as of February 10, 2010

SERVICES AGREEMENT

This SERVICES AGREEMENT (this "Agreement"), dated as of February 10, 2010, is entered into by and among Steven Madden, Ltd., a Delaware corporation ("Madden"), Big Buddha, Inc., a California corporation (the "Company"), and Jeremy Bassan ("Seller").

RECITALS

WHEREAS, concurrently herewith, Seller and Madden are entering into that certain Stock Purchase Agreement, dated as of the date hereof (as amended from time to time in accordance with its terms, the "Stock Purchase Agreement"), pursuant to which Madden shall purchase all of the issued and outstanding shares of the Company from Seller;

WHEREAS, concurrently herewith, Seller, Madden and the Company are entering into that certain Earn-Out Agreement, dated as of the date hereof (as amended from time to time in accordance with its terms, the "Earn-Out Agreement"), pursuant to which Seller shall be eligible to receive certain earn-out purchase price payments in respect of each Earn-Out Year (as defined in the Earn-Out Agreement);

WHEREAS, the Company desires to obtain from Madden or its subsidiaries, and Madden desires to provide (either itself or through its subsidiaries) to the Company, certain Services (as defined below) following the date hereof; and

WHEREAS, the purpose of this Agreement is to ensure that the Services are delivered by Madden or its subsidiaries to the Company in the manner and on the terms set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter set forth, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I

Term

1.1. Term. The term of this Agreement shall be effective on the Closing Date (as defined in the Stock Purchase Agreement), if one occurs, and shall continue until the earlier of the termination of the Earn-Out Agreement or March 31, 2013.

ARTICLE II

Services

2.1. Services by Madden. During the term of this Agreement as set forth in Article I above, Madden shall, either itself or through its subsidiaries (other than the Company), provide the Company, at a minimum, with the services described on Schedule A hereto (the "Services"). Madden agrees to provide, or to cause its subsidiaries to provide, the Services with the same level of care, quality and timeliness which Madden or any of its subsidiaries, as applicable, provides such services to Madden or its subsidiaries (other than the Company), or, w ith respect

to services Madden or its subsidiaries do not provide to any other entity other than the Company, in no less than a commercially reasonable manner. The parties hereby acknowledge and agree that all services provided by Madden or its subsidiaries (other than the Company) to the Company shall be deemed to be governed by the terms and conditions of this Agreement and such services shall be deemed Services hereunder.

ARTICLE III

Compensation

3.1. Compensation. As compensation to Madden for the Services, the Company shall pay to Madden or its designee an annual charge (an "Annual Charge") in an amount comprised of the aggregate costs set forth in respect of each Service or category of Services on Schedule A hereto.

3.2. Billing and Payment.

(a) As promptly as practicable, but in any event within seventy-five (75) days after the end of each Earn-Out Year, Madden shall prepare and deliver to Seller, and the Company shall provide Madden with all assistance as may be reasonably requested by Madden in connection with such preparation, (i) a notice of the Annual Charge for Services provided by Madden under this Agreement during such Earn-Out Year and (ii) reasonable supporting documentation sufficiently detailed to enable Seller to verify the amounts set forth in such notice ((i) and (ii) are collectively referred to as the "Annual Charge Notice").

(b) Seller may dispute an Annual Charge Notice by sending a written notice (a "Dispute Notice") to Madden within thirty (30) days of Madden's delivery of the Annual Charge Notice. The Dispute Notice shall identify each disputed item on such Annual Charge Notice, specify the amount of such dispute and set forth in reasonable detail the basis for such dispute. In the event that Seller does not submit a Dispute Notice within thirty (30) days of Madden's delivery of the Annual Charge Notice, it shall be conclusively presumed that Seller and the Company do not object to such Annual Charge Notice and such Annual Charge Notice shall be deemed to be final, binding and conclusive on the parties. In the event of a dispute, Madden and Seller shall attempt in good faith to reconcile the items identified in the Dispute Notice and any related items that may arise during the process described in this Section 3(b) (including providing information that is reasonably requested to the other party), and any resolution by them as to any disputed items shall be final, binding and conclusive on the parties and shall be evidenced by a writing signed by Madden and Seller, including a revised Annual Charge Notice (a "Revised Annual Charge Notice"), reflecting such resolution. If Madden and Seller are unable to reach such resolution within twenty (20) days after Seller's delivery of the Dispute Notice to Madden, then Madden and Seller shall promptly submit any remaining disputed items for final binding resolution to the Independent Accounting Firm (as defined below). If any remaining disputed items are submitted to the Independent Accounting Firm for resolution (A) each party will furnish to the Independent Accounting Firm such workpapers and other documents and information relating to the remaining disputed items as the Independent Accounting Firm may request and are available to such party, and each party will be afforded the opportunity to present

to the Independent Accounting Firm any material relating to the disputed items and to discuss the resolution of the disputed items with the Independent Accounting Firm; (B) each party will use its good faith commercially reasonable efforts to cooperate with the resolution process so that the disputed items can be resolved within forty-five (45) days after submission of the disputed items to the Independent Accounting Firm; (C) the determination by the Independent Accounting Firm, as set forth in a written notice to Madden and Seller (which written notice shall include a Revised Annual Charge Notice), shall be final, binding and conclusive on the parties absent manifest error; and (D) the fees and disbursements of the Independent Accounting Firm shall be allocated by the Independent Accounting Firm between Madden and Seller in t he same proportion that the aggregate amount of the disputed items submitted to the Independent Accounting Firm that are unsuccessfully disputed by each party (as finally determined by the Independent Accounting Firm) bears to the total amount of all disputed items submitted to the Independent Accounting Firm. For purposes of this Agreement, "Independent Accounting Firm" means an independent accounting firm mutually acceptable to Madden and Seller (which accounting firm has not, within the prior 24 months, provided services to Madden, Seller or the Company, or any Affiliate (as defined in the Earn-Out Agreement) of any of them). If Madden and Seller are unable to agree upon an independent accounting firm within thirty (30) days, an independent accounting firm selected by Madden (which accounting firm has not, within the prior 24 months, provided services to Madden or the Company, or any Affiliate of either of them) and an independent accounting firm selected by Seller (which accounting firm has n ot, within the prior 24 months, provided services to Seller or the Company, or any Affiliate of either of them) shall select an independent accounting firm (which accounting firm has not, within the prior 24 months, provided services to Madden, Seller or the Company, or any Affiliate of any of them) and such independent accounting firm shall be the Independent Accounting Firm. In the event that, in any Earn-Out Year during the term of this Agreement, there is a dispute pursuant to this Section 3.2(b) as well as a contemporaneous dispute pursuant to Section 3(b) of the Earn-Out Agreement, the proceedings relating to both such disputes shall be consolidated and resolved in accordance with the terms of the Earn-Out Agreement.

(c) An Annual Charge Notice or, if one has been adopted pursuant to Section 3.2(b), a Revised Annual Charge Notice, shall be deemed to be final, binding and conclusive on the parties (a "Final Annual Charge Notice") upon the earliest of (A) the failure of Seller to deliver to Madden a Dispute Notice within thirty (30) days after Madden's delivery to Seller of the Annual Charge Notice for such Earn-Out Year; (B) the resolution by Madden and Seller of all disputes, as evidenced by a Revised Annual Charge Notice; and (C) the resolution by the Independent Accounting Firm of all disputes, as evidenced by a Revised Annual Charge Notice. Annual Charge payments as set forth in a Final Annual Charge Notice shall be made in accordance with Section 3.2(d) hereof.

(d) Each Annual Charge payment shall be payable by the Company to Madden with respect to the relevant Earn-Out Year and shall be paid in full on or before the tenth (10^{th}) Business Day (as defined in the Stock Purchase Agreement) after the relevant Final Annual Charge Notice is deemed final, binding and conclusive for such Earn-Out Year pursuant to Section 3.2(c) hereof.

(e) In furtherance of the foregoing, provisional charges for the Services shall be reflected on a monthly basis on the books and records of the Company, which monthly

charges shall be adjusted as necessary at the end of each Earn-Out Year hereunder in accordance with the Annual Charge.

ARTICLE IV

Miscellaneous

4.1. Relationship of the Parties. All employees and representatives of Madden or its subsidiaries providing Services to the Company under this Agreement shall be deemed for purposes of all compensation and employee benefits to be employees or representatives solely of Madden or its subsidiaries (other than the Company) and not to be employees of the Company. In performing their respective duties hereunder, all such employees and representatives of Madden or its subsidiaries, as applicable, shall be under the direction, control and supervision of Madden or such subsidiaries (and not of the Company) and Madden or its subsidiaries (other than the Company), as the cas e may be, shall have the sole right to exercise all authority with respect to the employment (including the termination of employment), assignment and compensation of such employees and representatives. Madden shall have sole responsibility for compliance with all laws relating to the employer/employee relationship between Madden and its employees providing the Services, including, but not limited to, federal, state and/or local laws on hours of labor, wages, worker's compensation, unemployment compensation, insurance and social security benefits.

4.2. Notices. All notices, demands and communications of any kind which any party hereto may be required or desires to serve upon another party under the terms of this Agreement shall be in writing and shall be given by: (a) personal service upon such other party; (b) mailing a copy thereof by certified or registered mail, postage prepaid, with return receipt requested; (c) sending a copy thereof by Federal Express or equivalent courier service; or (d) sending a copy thereof by facsimile, in each case addressed as follows:

If to the Company:

Big Buddha, Inc.
2853 Mission Street
Santa Cruz, California 95060
Attention: Jeremy Bassan
Facsimile: (831) 421-9805

with copies to:

Sonnenschein Nath & Rosenthal LLP
525 Market Street, 26th Floor
San Francisco, California 94105
Attention: Stafford Matthews, Esq.
Facsimile No.: (415) 882-0300

If to Seller:

Jeremy Bassan
208 Woodrow Avenue
Santa Cruz, California 95060

with copies to:

Sonnenschein Nath & Rosenthal LLP
525 Market Street, 26th Floor
San Francisco, California 94105
Attention: Stafford Matthews, Esq.
Facsimile No.: (415) 882-0300

If to Madden:

Steven Madden, Ltd.
52-16 Barnett Ave.
Long Island City, New York 11104
Attention: Awadhesh Sinha
Facsimile: (718) 446-5599

with copies to:

Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
United States of America
Attention: James A. Grayer, Esq.
Facsimile: (212) 715-8000

In the case of service by Federal Express or equivalent courier service or by facsimile or by personal service, such service shall be deemed complete upon delivery or transmission, as applicable. In the case of service by mail, such service shall be deemed complete on the fifth Business Day after mailing. The addresses and facsimile numbers to which, and persons to whose attention, notices and demands shall be delivered or sent may be changed from time to time by notice served as hereinabove provided by any party upon any other party.

4.3. Governing Law. This Agreement and all the transactions contemplated hereby, and all disputes between the parties under or related to the Agreement or the facts and circumstances leading to its execution, whether in contract, tort or otherwise, shall be governed by, and construed and enforced in accordance with, the laws of the State of New York including, without limitation, Sections 5-1401 and 5-1402 of the New York General Obligations Law and New York Civil Practice Laws and Rules 327.

4.4. Negotiated Agreement. The parties hereto acknowledge that they have been advised and represented by counsel in the negotiation, execution and delivery of this Agreement and accordingly agree that if an ambiguity exists with respect to any provision of this

Agreement, such provision shall not be construed against any party because such party or its representatives drafted such provision.

4.5. Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any arbitrator to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be enforced to the fullest extent permitted by law. If the final determination of an arbitrator declares that any item or provision hereof is invalid or unenforceable, the parties hereto agree that the arbitrator making the determination of invalidity or unenforceability shall have the power, and is hereby directed, to reduce the scope, duration or area of the term or provision, to delete specific words or phrases and to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified.

4.6. Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

4.7. Counterparts; Facsimile. For the convenience of the parties, any number of counterparts hereof may be executed, each such executed counterpart shall be deemed an original, and all such counterparts together shall constitute one and the same instrument. Facsimile or electronic transmission of any signed original counterpart and/or retransmission of any signed facsimile or electronic transmission shall be deemed the same as the delivery of an original.

4.8. Arbitration. Except as otherwise set forth in Section 3.2(b) hereof, if any dispute or difference of any kind whatsoever shall arise between the parties to this Agreement (each a “Disputing Party”) in connection with or arising out of this Agreement, or the breach, termination or validity thereof (a “Dispute”), then, on the demand of any Disputing Party, the Dispute shall be finally and exclusively resolved by arbitration in accordance with the Commercial Arbitration Rules (the “Rules”) of the American Arbitration Association (the “AAA”) then in effect, except as modified herein. The arbitration shall be held, a nd the award shall be issued in, the State of New York. There shall be one neutral arbitrator appointed by agreement of the Disputing Parties within thirty (30) days of receipt by respondent of the demand for arbitration. If such arbitrator is not appointed within the time limit provided herein, on the request of any Disputing Party, an arbitrator shall be appointed by the AAA by using a list striking and ranking procedure in accordance with the Rules. Any arbitrator appointed by the AAA shall be a retired federal judge or a practicing attorney with no less than fifteen years of experience and an experienced arbitrator with no less than five completed prior arbitrations relating to the purchase and sale of a wholesale business. By agreeing to arbitration, the Disputing Parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisiona l remedies as may be available under the jurisdiction of a court, the arbitrator shall have full authority to grant provisional remedies and to direct the Disputing Parties to request that any court modify or vacate any

temporary or preliminary relief issued by such court, and to award damages for the failure of any Disputing Party to respect the arbitrator's orders to that effect. Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. In arriving at a decision, the arbitrator shall be bound by the terms and conditions of this Agreement and shall apply the governing law of this Agreement as designated in Section 4.3. The arbitrator is not empowered to award damages in excess of compensatory damages, and each Disputing Party hereby irrevocably waives any right to recover punitive, exemplary or similar damages with respect to any Dispute. The award shall provide that the fees and expenses of the arbitration (including the fees of the AAA, the fees and expenses of the arbitrator and the attorneys' fees of the prevailing Disputing Party) shall be allocated based on the proportion that the aggregate amount of disputed items submitted to arbitration that are unsuccessfully disputed by each Disputed Party (as finally determined by the arbitrator) bears to the total amount of all disputed items submitted to arbitration. The award, which shall be in writing and shall, on the written request of any Disputing Party, state the findings of fact and conclusions of law upon which it is based, shall be final and binding on the Disputing Parties and shall be the sole and exclusive remedy between the Disputing Parties regarding any claims, counterclaims, issues or accountings pres ented to the arbitral tribunal. Judgment upon any award may be entered in any court of competent jurisdiction of the courts located in the State of New York. All arbitration proceedings and resulting arbitration awards shall be strictly confidential and shall not be disclosed by the Disputing Parties to anyone, except to the extent necessary to disclose to compel arbitration, enforce any arbitration award or for accounting and financial reporting or to comply with reporting obligations under applicable securities laws and regulations.

4.9. Entire Agreement. This Agreement (including the schedules hereto), the Stock Purchase Agreement (including the schedules and exhibits thereto) and the Earn-Out Agreement (including the schedules and exhibits thereto) contain the entire understanding of the parties with respect to the subject matter hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement as of the date first set forth above.

STEVEN MADDEN, LTD.

By: /s/ Edward Rosenfeld
Name: Edward Rosenfeld
Title: Chief Executive Officer

BIG BUDDHA, INC.

By: /s/ Jeremy Bassan
Name: Jeremy Bassan
Title: President

SELLER:

/s/ Jeremy Bassan
Jeremy Bassan

SCHEDULE A

SERVICES

I. Corporate Services

"Corporate Services" shall include information technology services (other than services relating to any websites used by the Company or other services described under the heading "Additional Services" below), finance and accounting services, human resources services and logistics services, which solely includes import, traffic, warehouse administration and customs administration services.

The portion of the Annual Charge to be paid by the Company in respect of the Corporate Services shall be equal to the Company Percentage (as defined below) for such Earn-Out Year times the total cost to Madden of providing the Corporate Services to Madden and its applicable subsidiaries, including, without limitation, the Company, for such Earn-Out Year (the "Corporate Services Allocation"); provided that the Company shall not have any obligation to pay the amount of the Corporate Services Allocation that exceeds 3.5% of the Company's Net Sales. "Company Percentage" with respect to any given Earn-Out Year means the percentage determined by dividing (x) the total Net Sales (as defined in the Earn-Out Agreement) of the Company for such Earn-Out Year by (y) the total Net Sales of Madden and its consolidated subs idiaries (including, without limitation, the Company) for such Earn-Out Year.

For example, if the total cost to Madden of providing the Corporate Services for the 2010 Earn-Out Year (as defined in the Earn-Out Agreement) is $11 million and the Net Sales of the Company in the 2010 Earn-Out Year represents 3.8% of the total Net Sales of Madden and its consolidated subsidiaries, the portion of the Annual Charge to be paid by the Company in respect of the Corporate Services for the 2010 Earn-Out Year shall be $418,000 (3.8% of $11 million).

II. Accessories Division Services

"Accessories Division Services" shall include (i) occupancy in Madden's premises and (ii) other services provided by the Accessories Division of Madden (e.g., telephone, office supplies, insurance, reception, housekeeping, divisional financial services, etc.), which division is currently comprised of handbags, belts and small leather goods (the "Accessories Division") other than the Corporate Services and the Additional Services.

The portion of the Annual Charge to be paid by the Company in respect of the Accessories Division Services shall be calculated as follows:

(i) For occupancy in Madden's premises, the Company shall pay its allocation of occupancy expenses based on the percentage determined by dividing (x) the total square footage used by the Company by (y) the total square footage used by Madden and its consolidated subsidiaries (including, without limitation, the Company); provided that, until the Company achieves $20 million in sales, the total square footage deemed to

be used by the Company shall be the lesser of (A) the actual total square footage used by the Company or (B) 3,000 square feet; and be used by the Company shall be the lesser of (A) the actual total square footage used by the Company or (B) 3,000 square feet; and

(ii) For all other services provided by the Accessories Division, the Company shall pay a fixed amount of $150,000 per Earn-Out Year.

III. Additional Services

"Additional Services" shall include all other services provided by Madden to the Company other than the Corporate Services and the Accessories Division Services mutually agreed to by the Company and Madden from time to time, including, without limitation, services relating to (i) any websites used by the Company, including, without limitation, services provided in connection with the websites' creation, design, development, maintenance, hosting, e-commerce, domain management, etc., (ii) order entry and (iii) customer service.

The portion of the Annual Charge to be paid by the Company in respect of the Additional Services shall be equal to Madden's total cost of providing such services to the Company on a pass-through basis.

Exhibit D

Final Allocation

(Pursuant to Section 8.1(b) of Stock Purchase Agreement)

The parties did not make a Section 338(h) Election with respect to the purchase of the shares of the Company and, therefore, no Final Allocation was prepared.

Exhibit D-1

For the avoidance of doubt, the determination of the amount to be paid by Madden to Seller pursuant to Section 8.1(b)(iii) (the "Payment") shall be based, inter alia, on the following:

1. The Payment shall take into account any interest which may be imposed under Section 453A of the Code in respect of payments made pursuant to the Agreement, including Section 8.1(b)(iii) after the year in which the Closing occurs. Seller shall provide Madden with a schedule setting forth relevant information relating to any other installment obligations held by Seller.

2. Madden and Seller acknowledge that, pursuant to Treasury Regulation § 15A.453-1(b)(3)(i), the Company shall not recognize any gain on the date of the Closing with respect to all liabilities of the Company existing immediately prior to the Closing that constitute qualifying indebtedness (within the meaning of Treasury Regulation § 15A.453-1(b)(2)(iv)) to the extent of the Company's aggregate basis in its assets.

3. The Company shall not elect out of the installment method pursuant to Section 453(d) of the Code with respect to the deemed sale of its assets.

4. This schedule is subject to change based upon any change in Law.

Exhibit 10.1

COLLECTION AGENCY AGREEMENT
ROSENTHAL & ROSENTHAL, INC.
1370 Broadway
New York NY 10018

New York, NY
Dated: July 10, 2009

STEVEN MADDEN, LTD.
52-16 Barnett Avenue
Long Island City, NY 11104

The following is the Agreement under which we are to act as your collection agent. The effectiveness of this Agreement is conditioned upon the occurrence of all of the following on or prior to October 31, 2009: (i) the termination of your existing factoring agreement with GMAC Commercial Finance, LLC ("GMAC"); and (ii) a partial termination by a UCC-3 Financing Statement releasing the interest of GMAC in all of your assets other than any Receivables arising prior to the date of such termination. The date on which the foregoing conditions shall have been satisifed shall hereafter be referred to as the **"Effective Date"**. Capitalized terms shall have the meanings set forth in Section 14 hereof:

1. COLLECTION OF RECEIVABLES :

You hereby appoint us as your collection agent with respect to all of your Receivables, and we shall have the right to collect and otherwise deal therewith as the sole collection agent. Upon each sale of your Inventory or rendition by you of services, you shall execute and deliver to us such further and confirmatory evidence of our authority as collection agent with respect to your Receivables as we require, in form and manner reasonably satisfactory to us, together with copies of invoices or such equivalent electronic document as we may designate for such use, and all shipping or delivery receipts and such other proof of sale and delivery or performance as we, from time to time, may require. All invoices (and other statements to Customers) evidencing Receivables shall clearly state, in a manner satisfactory to us, that each Receivable is payable only to us. The form on Exhibit A annexed hereto is currently deemed acceptable.

2. CREDIT AND APPROVAL:

You will submit to us for our credit approval the principal terms of each and every Order. We may, in our sole discretion, approve all or a portion of an Order, by issuing a Credit Approval, withdraw any Credit Approval, withdraw or adjust any Credit Line, or suspend any Availability under a Credit Line, at any time before you deliver the Inventory or render the services. In addition, we may from time to time establish a Credit Line or Credit Lines pursuant to which you may ship to Customers. No Credit Approval, including approval based upon shipment against Availability under a Credit Line shall be effective unless (i) the Inventory is shipped or the services rendered, within the time specified therein, or if no time is specified, within thirty (30) days after the date our Credit Approval is issued; (ii) the Customer has accepted delivery of the Inventory or performance of the services; and (iii) a schedule of the Receivables(s) which arise as a result of the Order which is the subject of the Credit Approval has been delivered to us, within ten (10) Business Days of the delivery of the goods or the performance of the service. Upon the effectiveness of a Credit Approval, we shall be deemed to have accepted the Credit Risk (but not the risk of non-payment for any other reason) to the extent of the dollar amount specified in the Credit Approval and the Receivable which is the subject thereof shall, to the extent of the amount specified in the Credit approval, be a Credit Approved Receivable. In no event, however, shall we have any Credit Risk on any Receivable for freight, samples, or sales not made in the ordinary course of your business. We may, in our sole discretion, withdraw any Credit Approval, or withdraw or adjust any

Credit Line, at any time before you deliver the Inventory or render the services. Notwithstanding anything to the contrary contained herein, you shall have an automatic Credit Approval during each Contract Year on all Orders in the aggregate outstanding at any time not to exceed $15,000 for each Customer from those Customers located in the United States of America other than Customers: (i) which have been previously declined by us (other than in the event such declination is solely by reason of lack of information required by us); (ii) with respect to which you have submitted to us an Order for Credit Approval by us; provided, that in the event that you submit an Order for Credit Approval to us and you are not notified by us, within two Business Days after such submission, that the Order is declined or that for any reason (provided that such reason is stated) you do not have an automatic Credit Approval on such Order, then to the extent an automatic Credit Approval on such order would otherwise be available under the terms hereof, it shall remain available to you on such Order; (iii) with respect to which we have notified you that you do not have an automatic Credit Approval; or (iv) with respect to which we have provided a specific Credit Approval. At no time during the Contract Year shall such losses borne by us exceed $150,000 (such amount to be prorated in the event of termination by either of us of this Agreement, for the number of months elapsed during the Contract Year in which the Effective Termination Date occurs). Until a Receivable subject to such automatic Credit Approval is more than forty five (45) days past due, the automatic Credit Approval will apply to a subsequent Order for the same Customer provided such subsequent Order complies with the terms set forth above.

3. CLIENT RISK RECEIVABLES:

All CR Receivables are with full recourse to you and at your credit risk, but are otherwise subject to the covenants, terms and conditions provided herein with respect to Credit Approved Receivables. We shall have the right to make a bookkeeping entry to debit your account the amount of CR Receivables at any time either before or after their maturity and you agree to pay us upon demand the amount of all expenses including reasonable collection charges and reasonable attorneys' fees incurred by us in attempting to collect or enforce any such payment, and additionally to pay us on demand the amount of any such CR Receivable if such CR Receivable was previously a Purchased Receivable. In addition, if we, at your request, and in our discretion, file a proof of claim in any insolvency proceeding with respect to a CR Receivable and/or forward a CR Receivable to an attorney or agency for collection, we shall charge your account with (i) the fees and expenses of such attorney or collection agency and (ii) a service charge equal to $100 plus 5% of any amount collected on the CR Receivable.

4. RETURNED MERCHANDISE/CLAIMS, DISPUTES AND CHARGEBACKS:

In the event of a breach of any of the representations or warranties contained herein with respect to a Receivable, or the assertion, with respect to a Receivable, of a Dispute, any such Receivable (whether or not a Credit Approved Receivable) shall thereupon become a CR Receivable. You shall notify us immediately of any Dispute, including, a Customer's return of or desire to return any Inventory purchased from you. We may, but are not obligated, to settle, compromise, adjust or litigate any Dispute, including, a return of the related Inventory upon such terms as we deem advisable (provided, however, that as long as no Default shall have occurred and be continuing, we will not litigate any Dispute other than with respect to a Purchased Receivable without first consulting with you with respect thereto). We may, at our option, charge back to you all amounts owing on CR Receivables which are not paid when due. We shall have the right to charge back to you the amount of any payment which we receive with respect to a CR Receivable, if we are subsequently required to disgorge such payment for any reason, including, such payment being deemed a preferential transfer. A chargeback shall not constitute a resale or reassignment to you of the Receivable which is the subject thereof if prior to such chargeback, the Receivable had been purchased by us pursuant to the terms hereof. You agree to indemnify and save us harmless from and against any and all loss, liability, claim, cost and expense of any kind, caused by or arising from any Disputes with or claims of your Customers or any Person or representative thereof, asserting an interest in Receivables or payments thereon, including: (i) any disputes or claims with respect to terms, price, quality or otherwise with respect to Receivables; (ii) any claim for a return of any payments with respect to Receivables (including alleged preferential transfers with respect to payments on Receivables that were not Credit Approved Receivables at the time the payment was received); (iii) any claims by any governmental authorities (federal, state, municipal or otherwise) for the turnover or payment to such

governmental authority of all or any portion of any payment received from a Customer which we paid to you and (iv) all reasonable collection expenses and attorney's (whether in-house or outside) fees incurred with respect to any of the foregoing. Your liability under this paragraph, and that of any Person liable for the Obligations, shall constitute Obligations but shall nonetheless be independent hereof and continue notwithstanding any termination hereof.

5. REPRESENTATIONS, WARRANTIES AND COVENANTS:

You represent, warrant and covenant that:

5.1. you are fully authorized to enter into this Agreement and perform hereunder and you will continue to be so authorized for the duration of this Agreement and you are not and will not be bound by any agreement that would be violated by your or our performance of this Agreement.

5.2. you are solvent.

5.3. the Receivables are, and shall be, at the time of their creation, bona fide, existing and enforceable obligations of Customers arising out of sales made or services rendered by you, and, at the time any Receivable becomes a Purchased Receivable, it shall be free and clear of all security interests, liens, claims and Disputes whatsoever other than Permitted Liens and in the event that any such Receivables arise from the sale of goods, such goods meet all standards imposed by any governmental agency or authority.

5.4. at the time any Receivable becomes a Purchased Receivable, the Inventory relating thereto constituting returned goods shall not be subject to any security interest, lien or encumbrance whatsoever, other than Permitted Liens, and you covenant (i) that you shall not permit the Inventory to become so encumbered without our prior written consent and that (ii) the Inventory meets all standards imposed by any governmental agency or authority.

5.5. you shall not permit any Inventory or General Intangibles to be subject to any security interest, lien or encumbrance whatsoever, other than Permitted Liens.

5.6. with respect to each Receivable as it arises and when transmitted to us: (i) you will have delivered the Inventory or rendered the services pursuant to the Order; (ii) the Customer will accept the Inventory and/or services without any offset or counterclaim; (iii) no known Dispute will exist in any respect; (iv) you will have preserved, and will continue to preserve, any liens and any other rights available to us by virtue of this Agreement; and (v) the Customer will not be your Affiliate.

5.7. you will within ten Business Days of our request therefor, provide us with copies of invoices and shipping or delivery receipts or such equivalent electronic documents as we may designate or other proof of sale and delivery or performance as we may from time to time require.

5.8. you will not, without providing us with thirty (30) days prior written notice thereof, change your name, your state of organization or your principal place of business and you are not aware, and will upon your becoming aware, notify us promptly, of any Person organizing under your name in another state.

5.9. you do not transact business under any trade names or tradestyles except as set forth on Exhibit B annexed hereto (which Exhibit shall be complete and correct prior to the Effective Date, and as the same may thereafter be amended from time to time) and with respect to any such tradename or tradestyles you have (i) caused certain of the tradenames and tradestyles (if indicated on Exhibit B) to be registered in accordance with the laws applicable to the use of such tradenames or tradestyles and have not in any way assigned or encumbered your interest in such tradenames or tradestyles; or (ii) obtained a license to use such tradenames or tradestyles from the owner thereof with respect to the goods or services sold by you under such tradenames or tradestyles, and in the markets in which such goods or services are sold by you; and you are not aware, and will upon your becoming aware, promptly notify us, of any other Person using your name or any of your tradenames or tradestyles in any similar line of business.

5.10. you are, and at all times during the term of this Agreement, shall be, duly organized, existing and in good standing under the laws of the state of your organization; and you are, and at all times during the term of this Agreement, shall be, duly qualified, existing and in good standing in every state in which the nature of your business requires you to be so qualified.

6. COMMISSIONS:

6.1. For our services hereunder, we shall receive a commission (hereinafter referred to as the "Base Commission") of (i) 0.275% of the gross invoice amount of each Receivable; plus (ii) on those Receivables due from a Customer (or any Affiliates or subsidiaries of such Customer) listed on the Special Accounts Schedule submitted herewith and/or from time to time hereafter, such percentage of the gross invoice amount thereof as equals the surcharge (if applicable) set forth on the Special Accounts Schedule, to the extent of the amount credit approved. All commissions shall be due and payable and chargeable to your account with us at the date a Receivable arises.

6.2. Our charge specified in Section 6.1 hereof is based upon maximum selling terms of 60 days (excepting only that for sales to off-price retailers the maximum selling terms will be 90 days) , and no more extended terms or additional dating shall be granted by you to any Customer without our prior written approval. If such approval is given by us, then for each additional thirty (30) days or part thereof of such extended terms or additional dating, our charge with respect to the Receivables covered thereby shall be increased by an amount equal to twenty-five percent (25%) of the charge specified in Section 6.1 hereof. In addition, we shall charge you a fee of $2.50 for each instance in which you change the terms of sale of any Receivable after you have submitted to us a schedule listing such Receivable.

6.3. Subject to the terms of the Combined Charges Agreement, the minimum aggregate Base Commission payable under this Agreement shall be $480,000.00 for each Contract Year, which shall be fully earned by us at the beginning of each Contract Year, and which to the extent of any deficiency (after giving effect to the commissions paid or payable under Section 6.1), shall be chargeable to your account with us at the end of each Contract Year, provided, that in the event of any termination of this Agreement in any Contract Year after the first Contract Year, the minimum aggregate Base Commission payable in such year shall only be the higher of (i) 100% of the monthly average of all charges payable by you to us under Section 6.1 of this Agreement for the twelve month period prior to the Effective Termination Date, multiplied by the number of calendar months for the portion of the Contract Year elapsed prior to the Effective Termination Date (including any partial month in which the Effective Termination Date falls if such date is on or after the 15th day of such month); and (ii) the monthly average amount of the minimum aggregate Base Commission for the portion of such Contract Year elapsed prior to the Effective Termination Date, multiplied by the number of calendar months for the portion of the Contract Year elapsed prior to the Effective Termination Date (including any partial month in which the Effective Termination Date falls if such date is on or after the 15th day of such month).

7. PURCHASE PRICE

7.1. The purchase price for each Receivable that we purchase pursuant to the terms hereof shall be the invoice amount of the Receivable, less (i) returns (whenever made); (ii) selling discounts, credits or deductions of any kind allowed, granted to or taken by the Customer at any time; and (iii) our commission provided for in Section 6 hereof. Following a Default, no discount, credit or allowance with respect to any Purchased Receivable shall be granted by you, and no return of Inventory shall be accepted by you without our prior written consent. A discount, credit or allowance may be claimed only by the Customer. All amounts collected against the purchase price shall be credited to your account on the Payment Date.

7.2. Where the cause of non-payment of a Credit Approved Receivable which has become more than 120 days past due, is solely the Customer's financial inability to pay, then upon your submitting a confirmatory assignment of the Receivable that is reasonably satisfactory to us, and upon our determining to our satisfaction that the warranties made by you under Sections 5.3, 5.4 and 5.4 hereof are true and correct, the Receivable, to the extent of the then effective Credit Approval, shall be purchased by us and shall be deemed collected if it is not otherwise subject to chargeback to you under this Agreement.

8. ADVANCES AND INTEREST RATES:

8.1. Advances. In our sole discretion, in accordance with the terms of this Agreement, we will, from time to time, at your request, subject to the terms of the Combined Charges Agreement, (i) advance to you sums ("Advances"); and/or (ii) cause to be opened for your account letters of credit issued by an L/C Bank ("Letters of Credit"), provided that the aggregate amount of (x) the Advances outstanding will not, after giving effect to such requested Advances, exceed the lesser of (a) 85% of the aggregate Net Amount of Eligible Receivables outstanding at the time of such request, less Reserves, if any (the "Receivables Availability"); and (b) $30,000,000 less the outstanding amount of undrawn Letters of Credit; and (y) the outstanding amount of undrawn Letters of Credit will not, after giving effect to such requested Letters of Credit, exceed the lesser of (a) the Receivables Availability; and (b) $15,000,000.

8.2. Net Cash Balances. Net Cash Balances shall earn interest at a rate equal to one and one half percent (1.5%) below the Prime Rate in effect from time to time. We may, in our sole discretion, remit to you, at any time, any amount standing to your credit on our books. You may, in your sole discretion, withdraw, at any time, any amount standing to your credit on our books.

8.3. Letter of Credit Rates. Should we cause to be opened for your account letters of credit, we shall receive a commission equal to (i) the greater of (a) $100; or (b) one quarter of one percent (1/4 of 1%) of the face amount of such letters of credit or guaranties (the "Face Amount"); plus (ii) bank charges (exclusive of any commissions the L/C Bank may charge); plus (iii) one quarter of one percent (1/4 of 1%) of the Face Amount upon each draw of any such letter of credit or guaranty.

8.4. Prime Rate Loans. Other than with respect to any advances made or bearing interest pursuant to Section 8.5 hereof, interest on all Obligations will be calculated at a rate per annum equal to the Prime Rate minus 0.125% per annum (the "Effective Prime Rate") from the date incurred through the date of payment. Interest will be charged to your account monthly in arrears. Any advance bearing interest at the Effective Prime Rate shall be referred to herein as a "Prime Rate Loan".

8.5. LIBOR Rate Loans. Advances, for which you provide us written notice, prior to our making such advance, that such advance shall bear interest at the 30, 60 or 90 day LIBOR rate, shall bear interest at such 30, 60 or 90 day LIBOR Rate in effect on the first day of each such interest period plus two and one-half percent (2.5%) (the "Effective LIBOR Rate"). Any advance made pursuant to this Section 8.5 or otherwise bearing interest at the Effective LIBOR Rate shall be referred to herein as a "LIBOR Rate Loan". In no event shall you be permitted to request there be more than four (4) LIBOR Rate Loans outstanding at any time.

8.6. Conversion or Continuation You shall have the option at the end of any applicable interest period, to convert any LIBOR Rate Loans or any portion thereof into Prime Rate Loans without premium or penalty or to continue such LIBOR Rate Loans or any portion thereof for an additional interest period, and the succeeding interest period of such continued LIBOR Rate Loan shall commence on such expiration. To continue any LIBOR Rate Loan, you shall deliver a notice of continuation in advance of the proposed expiration of the applicable interest period, specifying (i) the principal outstanding amount thereof that is to be continued, and (ii) the requested 30, 60 or 90 day interest period. If the option set forth in this Section 8.4 to continue any LIBOR Rate Loan is not delivered to us prior to the expiration of any applicable LIBOR Rate Loan interest period, such LIBOR Rate Loan shall convert automatically into a Prime Rate Loan on the final date of the applicable interest period.

8.7. Yield Protection. In the event you shall prepay all or any portion of any LIBOR Rate Loan prior to the last day of the applicable interest period, you shall pay to us a penalty equal to the sum of (i) the amount of such LIBOR Rate Loan being prepaid multiplied by (x) any amount by which the Effective LIBOR Rate applicable to such LIBOR Rate Loan exceeds the Effective LIBOR Rate in effect on the date of such prepayment; and further multiplied by (y) the fraction of the year remaining on the applicable LIBOR Rate Loan interest period; plus (ii) $250.

8.8. Overadvance Rate and Default Rate. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Agreement, (i) any portion of advances made by us to you which is in excess of the Receivable Availability (the "Overadvance") shall bear interest at the Overadvance Rate (with our determining in our sole discretion the allocation of the Overadvance to any LIBOR Rate Loans and Prime Rate Loans outstanding at any time); and (ii) upon the occurrence of a Default, and for so long as such Default continues, the Obligations shall, at our option, bear interest at the Default Rate.

8.9. Miscellaneous. Notwithstanding the foregoing or anything to the contrary contained elsewhere in this Agreement, if any change after the date hereof in law, rule, regulation, guideline or order or in interpretation thereof by any governmental authority charged with the administration thereof shall make it unlawful for us to make or maintain a loan at the Effective LIBOR Rate, then, by written notice to you, we may require that the LIBOR Rate Loans be converted to a Prime Rate Loan, whereupon the LIBOR Rate Loan shall be automatically converted to a Prime Rate Loan and shall bear interest at the then Effective Prime Rate. Interest will be charged monthly to your account in arrears. Interest shall be calculated on the basis of a three-hundred-sixty (360) day year for the actual number of days elapsed. In no event shall any applicable interest rate under this Agreement exceed the maximum rate permitted by applicable law and in the event excess interest is paid, it shall be considered a repayment of principal.

8.10. Financial Covenants. You shall cause to be maintained, at the end of each fiscal year, Working Capital of not less than $25,000,000.

9. STATEMENT OF ACCOUNT AND EXPENSES:

9.1. All Obligations shall become immediately due and payable upon demand upon the occurrence of the earlier of: (i) any failure to pay any Overadvance within 10 days of its occurrence; (ii) any Default; and (iii) the Effective Termination Date. You hereby irrevocably authorize and direct us to charge at any time to your account any Obligations owing to any of our Affiliates by charging your account.

9.2. We will render a statement of account monthly to you, and such statement shall be binding upon you, except for manifest error and specific matters which you contest and of which we are notified in writing, within thirty (30) days after the date of such statement.

9.3. You shall pay all reasonable expenses (including reasonable attorneys, both in-house and outside, fees) incurred by us in connection with the relationship established under this Agreement and/or the transactions contemplated hereby, including, expenses incurred in connection with the filing of financing statements under the UCC and the making of record searches, which such expenses shall not exceed $25,000 in connection with the initial preparation of this Agreement and any concurrently prepared agreements and documents. You shall pay all reasonable expenses incurred in connection with the filing of financing statements under the UCC with respect to Purchased Receivables. We may also charge to your account any reasonable fees, costs or other expenses we incur to eliminate or cure any lack of capacity that we may now or hereafter have to maintain an action in the courts of any state to enforce payment or Receivables due from Customers located in such state by reason of your acts or omissions, including your failure to qualify as a foreign entity in such state or any other failure on your part to observe the laws of such state that are applicable to you or your assets. You shall also pay to us such fees as we may charge from time to time for, among other things, wire transfers. In connection with our examinations of your books, records and operations you shall pay all of our out-of-pocket expenses plus for each examiner the Standard Examiner’s Rate in effect at the time of any such examination. In connection with our administration of this Agreement, our liquidation of any Collateral, settlement of any Dispute, or enforcement of any Obligation, or our protecting, preserving and enforcing our security interests and rights hereunder, whether through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or relating to our transactions with you, including actions or proceedings that may involve any Person asserting a priority or claim with respect to Purchased Receivables, all costs and expenses incurred, including, reasonable attorneys’ (both in-house and outside) fees incurred by us, shall be borne and paid for by you, and may, at our option, be charged to your account with us. Your reimbursement obligations pursuant to this paragraph shall survive termination of this Agreement for any reason.

6, Collection Agency

9.4. No delay or failure on our part in exercising any right, privilege, or option hereunder shall operate as a waiver of such or of any other right, privilege, or option, and no waiver, amendment, or modification of any provision of this Agreement shall be valid, unless in a writing signed by us and then only to the extent therein stated. Should any provision of this Agreement be prohibited by or invalid under applicable law, the validity of the remaining provisions shall not be affected thereby. Unless otherwise specifically provided in this Agreement, any notices, requests, demands or other communications permitted or required to be given under this Agreement shall be in writing and shall be sent by facsimile, hand delivery or by a nationally recognized overnight delivery service, to the addresses and facsimile numbers of the parties set forth below (or to such other address or facsimile number as a party may hereafter designate by a notice to the other that complies with this section) and shall be deemed given (a) in the case of a notice sent by facsimile, when received by the recipient if the sending party receives a confirmation of delivery from its own facsimile machine; and (b) in the case of a notice that is hand delivered or sent by such overnight courier, when delivered (provided that the sending party retains a confirmation of delivery). Any notice which, pursuant to the terms hereof must be sent by you by certified or registered mail shall be deemed given and effective when received by us.

If to us
Rosenthal & Rosenthal, Inc.
1370 Broadway
New York NY 10018
Attn: David Flaxman, Esq., with a copy to J. Michael Stanley
Facsimile: (212) 356-0989

If to you

Steven Madden, Ltd.
52-16 Barnett Avenue
Long Island City, NY 11104
Attn: Arvind Dharia

Facsimile: (718) 308-8201

With a copy to:

CERTILMAN BALIN ADLER & HYMAN, LLP
90 E. Merrick Ave., 9th Floor
East Meadow, NY 11554
Attn: Brian Ziegler, Esq.

Facsimile: (516) 296-7111

9.5 The headings used herein are intended to be for convenience of reference only and shall not define or limit the scope, extent or intent or otherwise affect the meaning of any portion hereof.

10 PAYMENTS:

10.1. All remittances obtained by you against Credit Approved Receivables and any other Receivables due from a Customer that is obligated on Credit Approved Receivables will be received in trust for us, and you will turn over to us the identical remittances as speedily as possible; provided, however, that nothing herein authorizes you to collect Credit Approved Receivables or other Receivables due from Customers obligated on Credit Approved Receivables. You constitute us, or any other entity or person (but in no event a direct competitor of your business) whom we may designate in our sole discretion, reasonably exercised, as your attorney in fact at your own cost and expense to exercise, at any time, all or any of the following powers which, being coupled with an interest, shall be irrevocable until this Agreement has been terminated and you have fully and indefeasibly paid and discharged all Obligations (a) to sign and/or endorse your name on all remittances and all papers, bills of lading, receipts, instruments and documents relating to the Receivables and the transactions between us; (b) to deposit any checks or other remittances received relating to the Receivables regardless of notations or conditions placed thereon by your customers or deductions reflected thereby and to charge the amount of any such deductions to your account; and (c) to sign your name to any and all documents necessary to cure or eliminate any lack of capacity that we may now or hereafter have, by reason of your acts or omissions, to maintain an action in the courts of any state to enforce payment of Receivables due from Customers located in such state and to file such documents with the appropriate public officials or agencies.

10.2. If any payment or recovery is received from or on behalf of a Customer which is a Customer on both Credit Approved Receivables and CR Receivables, any such payment or recovery may be first applied to the Credit Approved Receivables notwithstanding (i) any notation to the contrary on or with respect thereto; (ii) the payment terms thereof; (iii) the due date thereof; or (iv) whether such payments were made in the ordinary course of business or otherwise.

11 SECURITY INTEREST; FINANCING STATEMENTS:

11.1. To secure the Obligations, and effective upon our purchase of Receivables pursuant to the terms hereof, you sell and assign to us, and grant to us a security interest in, all of your right, title and interest in such Purchased Receivables and the Inventory represented by such Purchased Receivables, as well as Inventory returned by or repossessed from Customers, all of your rights as an unpaid vendor or lienor, all of your rights of stoppage in transit, replevin and reclamation relating thereto, and all of your rights against third parties with respect thereto. You will cooperate with us in exercising any rights with respect to any of the foregoing.

11.2. You authorize us to file financing statements and any and all other documents that may now or hereafter be provided for by the UCC to reflect and/or perfect our interest as purchaser of Purchased Receivables and any security interest now or hereafter granted by you to us in any of your presently owned or hereafter acquired property. In the event that any jurisdiction requires a debtor’s signature on such financing statements and/or such other documents, you authorize us to file such financing statements and/or other documents on your behalf as your attorney in fact, which such power being coupled with an interest, shall be irrevocable until this Agreement has been terminated and you have fully and indefeasibly paid and discharged all of the Obligations.

12 BOOKS AND RECORDS/FINANCIAL STATEMENTS:

We and our representatives shall, at all reasonable times, have the right to examine all of your books and records, provided, however that unless and until the occurrence of a Default, such examinations shall not occur more than once in any Contract Year. You agree to prepare and furnish to us within forty five (45) days after the close of each of your fiscal quarters, financial statements reviewed and in such form and detail as we may reasonably require. You also agree to have prepared, and to furnish to us within ninety (90) days after the close of each of your fiscal years, financial statements, in accordance with GAAP, which have been reviewed by an independent certified public accountant satisfactory to us.

13 TERM:

This Agreement shall commence on the date hereof, shall continue for one Contract Period and shall automatically renew at the end of each Contract Period for an additional Contract Period. Notwithstanding the foregoing, this Agreement may be terminated (i) by us at any time, on not less than sixty (60) days prior written notice to you by registered or certified mail; (ii) by you, effective at the end of the first Contract Period, provided you give us notice in writing, by registered or certified mail, not less than sixty (60) days prior to the expiration of the first Contract Period, of your intention to terminate this Agreement as at the end of such Contract Period; (iii) by you effective any time after the expiration of the first Contract Period, provided you give us notice in writing, by registered or certified mail, not less than sixty (60) days prior to the Effective Termination Date set forth in such notice; or (iv) by you, effective at any time prior to the expiration of the first Contract Period, upon your written request to us to terminate this Agreement effective as of the date set forth in such request provided that you pay to us an Early Termination Fee upon the Effective Termination Date of such termination. In the event of a Default, we shall have the right to terminate this Agreement at any time upon written notice, and you shall owe us an Early Termination Fee calculated as of the date of such termination in the event the Effective Termination Date occurs during the first Contract Year. The Early Termination Fee shall become automatically due and payable in the event a petition is filed by or against you under any provision of Title 11 of the

United States Code during the first Contract Year. Our rights and the Obligations arising out of transactions having their inception prior to the termination date shall not be affected by any termination or notice thereof, nor shall any transaction which by its terms survives termination. Termination of this Agreement shall not become effective in respect of the liens and security interests granted to us hereunder until you have fully and indefeasibly paid and discharged all Obligations, and until such time, you shall continue to furnish schedules of Receivables to us and deliver and pay over to us all Proceeds in respect thereof. After the giving of any notice of termination hereunder and until the full liquidation of your account and the indefeasible payment in full of all Obligations, you shall not be entitled to receive any equities or payments from us, to the extent we are obligated to make payments to you under this Agreement. From and after the Effective Termination Date, all amounts charged or chargeable to your account hereunder (including, without limitation, (i) if the Effective Termination Date occurs during the first Contract Year, the Early Termination Fee and (ii) if the Effective Termination Date occurs at any time thereafter, the pro-rated amount of any deficiency (after giving effect to the commissions payable under Section 6.1) in the earned minimum aggregate Base Commission for the portion of such Contract Year elapsed prior to the Effective Termination Date), and all other Obligations, shall become immediately due and payable without further notice or demand.

14 GOVERNING LAWS/JURY TRIAL WAIVER/JURISDICTION/VENUE AND MISCELLANEOUS PROVISIONS:

This Agreement is deemed made in the State of New York and shall be governed, interpreted and construed in accordance with the laws of the State of New York, applicable to contracts made and to be performed within such state. No modification, waiver or discharge of this Agreement shall be binding upon us unless in writing and signed by us. Our failure, at any time, to exercise any right or remedy hereunder, shall not constitute a waiver on our part with respect to such right or remedy, nor shall such failure preclude us from exercising the same or any other right or remedy at any subsequent time. If any taxes are imposed upon us, or if we shall be required to withhold or pay any tax or penalty because of or in connection with any transactions between us under this Agreement, you shall indemnify us and hold us harmless in respect thereof. This Agreement, together with all other agreements delivered concurrently herewith or hereafter, including, without limitation, the Combined Charges Agreement and that certain Confidentiality Agreement between Steven Madden, Ltd. and Rosenthal & Rosenthal, Inc., dated on or about the date hereof, embodies our entire agreement as to the subject matter hereof and supersedes all prior agreements (whether oral or written) as to the subject matter hereof. **TRIAL BY JURY IS HEREBY WAIVED BY EACH OF US IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF US AGAINST THE OTHER ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR THE RELATIONSHIP CREATED HEREBY (WHETHER SOUNDING IN TORT OR CONTRACT). YOU HEREBY CONSENT TO THE EXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK (OR THE CIVIL COURT OF THE CITY OF NEW YORK IF SUCH MATTERS BE WITHIN ITS JURISDICTION), AND OF ANY FEDERAL COURT IN SUCH STATE, FOR A DETERMINATION OF ANY DISPUTE AS TO ANY SUCH MATTERS. IN CONNECTION THEREWITH, YOU HEREBY WAIVE PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS AND AGREE THAT SERVICE THEREOF MAY BE MADE BY REGISTERED OR CERTIFIED MAIL DIRECTED TO YOU AT YOUR ADDRESS SET FORTH ABOVE, OR SUCH OTHER ADDRESS AS SHALL HAVE PREVIOUSLY BEEN COMMUNICATED TO US BY REGISTERED OR CERTIFIED MAIL. WITHIN THIRTY DAYS AFTER SUCH MAILING, YOU SHALL APPEAR OR ANSWER TO SUCH SUMMONS, COMPLAINT OR OTHER PROCESS. SHOULD YOU FAIL TO APPEAR OR ANSWER WITHIN SAID THIRTY DAY PERIOD, YOU SHALL BE DEEMED IN DEFAULT AND JUDGMENT MAY BE ENTERED BY US AGAINST YOU FOR THE AMOUNT AS DEMANDED IN ANY SUMMONS, COMPLAINT OR OTHER PROCESS SO SERVED.** In the event we shall retain attorneys for the purpose of enforcing the performance, payment or collection of any of the Obligations, then and in that event you agree to pay the reasonable fees of such attorneys, plus any and all reasonable expenses and disbursements incurred in connection therewith and/or incidental thereto. Our books and records shall be admissible as prima facie evidence of the status of the account

between us, absent manifest error. The use of “including” or “include” means “including (or “include”), without limitation.” The use of “or” means “and/or” if the context so permits or requires. The term “satisfactory to us” as used herein shall mean “satisfactory to us in our sole and absolute discretion”. The term “our sole discretion” as used herein shall mean “our sole and absolute discretion”. You will not seek advice or counsel from us or any of our representatives with respect to the management or operation of your business and if you deem such advice or counsel to have been offered, directly or indirectly, you will evaluate it and act or decline to act upon it based upon your own analysis and/or the advice or counsel of your own independent expert(s) or consultant(s). You agree that there is no fiduciary relationship between us or our representatives and you or any other entity, affiliated or controlled by you, and that you will not seek or attempt to establish any such fiduciary relationship. You hereby expressly waive any right to assert, now or in the future, that there was or is a fiduciary relationship between you and us and/or our representatives in any action, proceeding or claim for damages. If any provision of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein. This Agreement shall be binding upon and inure to the benefit of each of us and our respective heirs, executors, administrators, successors and assigns, provided, however, that you may not assign this Agreement or your rights hereunder without our prior written consent.

15 DEFINITIONS:

As used in this Agreement, these terms shall have the following meanings which shall be applicable to both the singular and plural forms of such terms.

“**Accounts**” shall have the meaning set forth in Article 9 of the UCC.

“**Affiliate**” of a Person shall mean any entity controlling, controlled by, or under common control with, the Person and the term “controlling” and such variations thereof shall mean ownership of a majority of the voting power of a Person, or the contractual power to control such Person’s affairs.

“**Agreement**” shall mean this Collection Agency Agreement, as amended, modified or supplemented.

“**Availability under a Credit Line**” shall mean the unused amount of a Credit Line, unless otherwise suspended by us at any time (e.g., when Receivables due from the Customer under a Credit Line are a certain number of days past due) and communicated to you in writing or by such electronic means as may be designated by us to you.

“**Bank**” shall mean JPMorgan Chase Bank or any successor thereto.

“**Base Commission**”shall have the meaning set forth in Section 6.1 hereof.

“**Business Day**” shall mean a day on which we and major banks in New York City are open for the regular transaction of business.

“**Chattel Paper**” shall have the meaning set forth in Article 9 of the UCC.

“**Collateral**” shall mean any property or rights in property whenever arising which now or hereafter secure any of the Obligations.

“Combined Charges Agreement” shall mean that certain letter agreement, dated as of the date hereof, among us, you, Daniel M. Friedman Associates, Inc., Diva Acquisition Corp., Steven Madden Retail, Inc., Stevies, Inc. and SML Acquisition Corp, aggregating (i) the minimum aggregate Base Commission payable and (ii) the maximum outstanding advances and undrawn letters of credit available, under this Agreement and each of those certain other Collection Agency Agreements between us and such other parties.

“**Contract Period**” shall mean (i) the consecutive twelve month period following the last day of the month in which the Effective Date falls; and (ii) each consecutive twelve month period thereafter.

"**Contract Year**" shall mean the consecutive twelve month period following the last day of the month in which the Effective Date falls and each consecutive twelve month period thereafter.

"**Credit Approval**" shall mean either (i) a notice from us to you, in writing or by such electronic means as may be designated by us, that we have approved all or a portion of an Order; or (ii) Availability under a Credit Line.

"**Credit Approved Receivable**" shall mean a Receivable for which we have assumed the Credit Risk.

"**Credit Line**" shall mean a line of credit, established by us and communicated from time to time to you in writing or by such electronic means as may be designated by us to you, granting approval for sales by you, or rendition of services by you to a Customer, billed at a specified location or locations, up to a specified aggregate available amount.

"**Credit Risk**" shall mean the risk of loss resulting from a Customer's failure to pay a Credit Approved Receivable on the due date solely because of the Customer's financial inability to make such payment.

"**CR Receivable**" shall mean any Receivable which is not a Credit Approved Receivable.

"**Current Assets**" shall mean all amounts which would, in conformity with GAAP, be included under current assets on your balance sheet, as at such date, provided, however, that such amounts shall not include any amounts for any indebtedness owing by any Affiliate to you.

"**Current Liabilities**" shall mean all amounts which would, in conformity with GAAP, be included under current liabilities on your balance sheet, as at such date, but in any event including the amounts of (a) all indebtedness payable on demand, or at the option of the Person to whom such indebtedness is owed, not more than twelve (12) months after such date, (b) any payments in respect of any indebtedness (whether installment, serial, maturity, sinking fund payment or otherwise) required to be made not more than twelve (12) months after such date, (c) all reserves in respect of liabilities or indebtedness payable on demand or, at the option of the Person to whom such indebtedness is owed, not more than twelve (12) months after such date, the validity of which is not contested to such date, (d) all accruals for federal or other taxes measured by income payable within twelve (12) months of such date and (e) all outstanding indebtedness to us.

"**Customer**" shall mean any Person obligated on a Receivable.

"**Default**" shall mean the occurrence of any of the following events: (1.) nonpayment, after ten (10) days, when due of any amount payable on any of the Obligations; (2.) failure to perform any agreement or meet any obligation in this Agreement or in any agreement out of which any of the Obligations arose, after ten (10) days notice (provided that you shall only be entitled to such notice and opportunity to cure not more than twice in any Contract Year); (3.) breach or failure to continue to be true and accurate in all material respects of any covenants, representation, warranty or agreement whenever made by you to us, pursuant to this Agreement after 10 days notice (provided that you shall only be entitled to such notice and opportunity to cure not more than twice in any Contract Year); (4.) default beyond any applicable notice or cure period by you in repayment, when due, of any indebtedness in excess of $2,000,000, now or hereafter owed for monies borrowed from anyone other than us, unless the same is being contested in good faith and adequate reserves therefor have been established;

(5.) any material statement, or warranty of yours made in writing or in any other writing in or in connection with this Agreement or statement at any time furnished or made by you to us is untrue in any material respect as of the date furnished or made; (6.) suspension of the operation of your business; (7.) any Obligor becomes insolvent or unable to pay debts as they mature, makes an assignment for the benefit of creditors, or a proceeding is instituted by or against any Obligor alleging that such Obligor is insolvent or unable to pay debts as they mature, or a petition under any provision of Title 11 of the United States Code, as amended, is brought by or against any Obligor, and the same is not discharged within sixty (60) days; (8.) appointment of a receiver for any collateral pledged for the Obligations or for any of your property, or the property of any Obligor, in which we have an interest; or (9.) the Pension Benefit Guaranty Corporation shall commence proceedings under Section 4042 of the Employee Retirement Income Security Act of 1974 (ERISA) to terminate any of your employee pension benefit plans.

"**Default Rate**" shall mean the rate which is one percent (1%) per annum in excess of the Overadvance Rate.

"**Deposit Account**" shall have the meaning set forth in Article 9 of the UCC

"Deposit Date" shall mean with respect to a payment of a Receivable from or on behalf of a Customer, (i) in the case of a payment that is received by a banking institution and deposited into our account with it (x) prior to 12:00 noon on any day the date such banking institution makes such deposit into our account; (y) after 12:00 noon on any day, the following Business Day; and (ii) in all other cases, the Business Day following the date that the payment is actually received by us.

"**Dispute**" shall mean (i) any dispute, claim, offset, defense, counterclaim or any other reason for nonpayment of all or a portion of any Receivable (including, merchandise returns) other than a Customer's financial inability to pay, regardless of whether the same is in an amount greater than, equal to or less than the Receivable concerned, whether bona fide or not, and regardless of whether the same, in part or whole, relates to an unpaid Receivable or any other Receivable; and (ii) an act of God, force majeure, the acts of restraint of public authorities whether domestic or foreign, civil strife, war or currency restrictions or fluctuations resulting in nonpayment of all or any portion of any Receivable.

"**Documents**" shall have the meaning set forth in Article 9 of the UCC.

"**Early Termination Fee**" shall mean the amount that you and we agree will compensate us for the damages we will sustain if this contract is terminated by you prior to the end of the first Contract Period or by us due to a termination event in the first Contract Period. The Early Termination Fee, which you and we have agreed represents a reasonable approximation of the amount of such damages (due to the impossibility of calculating such amount in advance), shall be equal to the greater of: (i) 100% of the monthly average of all fees and charges that would have been payable by you to us on an actual basis under Sections 6.1 (as adjusted by Section 6.2) or 6.2, as applicable, of this Agreement had it been in effect for the twelve month period prior to the effective date of such termination or filing of such petition, multiplied by the number of whole or partial calendar months remaining during the unexpired portion of the first Contract Year; and (ii) the minimum factoring commission pursuant to Section 6.2 hereof, for the first Contract Year.

"**Effective Date**" shall have the meaning set forth in the paragraph immediately preceeding Section 1 hereof.

"**Effective Termination Date**" shall mean the date of termination specified in any duly delivered notice of termination of this Agreement, or, with respect to any automatic termination of this Agreement, the effective date of such automatic termination.

"Effective LIBOR Rate Loan" shall have the meaning set forth in Section 8.3 hereof.

"**Effective Prime Rate**" shall have the meaning set forth in Section 8.2 hereof.

"**Eligible Receivables**" shall mean, at the time of the calculation thereof all Receivables less (i) any Receivables subject to a Dispute, (ii) any CR Receivables, (iii) any Receivables owing from a Customer whose total obligations to you exceed forty percent (40%) of all Eligible Receivables; and (iv) any Receivables which we in our sole discretion deem not to be Eligible Receivables.

"**Excluded Receivables**" shall mean (i) all international sales and commission invoices to foreign customers, (ii) all "first cost" sales and commissions invoices to domestic customers, (iii) all invoices to employees and affiliates, (iv) all sample billings to sales representatives and others; (vi) all invoices to Shoe Mania, Inc.; and (vii) all other invoices as we may agree in writing in our sole discretion (not to be unreasonably withheld).

"**GAAP**" shall mean generally accepted accounting principles in the United States of America as in effect from time to time as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and the statements and pronouncements of the Financial Accounting Standards Board which are applicable to the circumstances as of the date of the determination consistently applied.

"**General Intangibles**" shall have the meaning set forth in Article 9 of the UCC (and shall include tradenames, trademarks, tradestyles, service marks, copyrights and patents and all your rights and claims against us hereunder or otherwise).

"**Instruments**" shall have the meaning set forth in Article 9 of the UCC.

"**Inventory**" shall have the meaning set forth in Article 9 of the UCC.

"**Investment Property**" shall have the meaning set forth in Article 9 of the UCC.

"L/C Bank" shall mean the Bank or any other national banking association.

"**Letter of Credit Rights**" shall have the meaning set forth in Article 9 of the UCC.

"LIBOR" shall mean London Interbank Offered Rate, compiled by the British Bankers Association.

"LIBOR Rate" shall mean the LIBOR rate as published in the "Money Rates" section of The Wall Street Journal (Eastern Edition). If The Wall Street Journal ceases to be published or goes on strike or is otherwise not published for any period of time, or if it ceases to publish an applicable LIBOR Rate, then we shall use the LIBOR rate as reflected by the British Bankers Association on Bloomberg Professional Services page BBAM1 ("Bloomberg") during such period. If more than one LIBOR rate is published by The Wall Street Journal or, if applicable; Bloomberg, for such period on any applicable date, the "highest" LIBOR rate shall be selected.

"Net Cash Balances" shall mean cash balances in your favor with us arising from the purchase of Receivables by us which, at your option, remain with us past the Payment Date to which such cash balances relate.

"**Net Amount of Receivables**" shall mean the gross amount of Receivables, less maximum discount, less returns, less credits or allowances of any nature at any time issued, owing, granted or outstanding, and less also our commission as set forth herein.

"**Obligations**" shall mean all obligations, advances, liabilities and indebtedness of you or your Affiliates to us or any of our Affiliates, however evidenced, arising under this Agreement, whether now existing or incurred from time to time hereafter and whether before or after termination hereof, absolute or contingent, joint or several, matured or unmatured, direct or indirect, primary or secondary, liquidated or unliquidated, and including, all of our charges, commissions, fees, interest, expenses, costs and attorneys' fees chargeable to you in connection therewith, and all of your obligations to us as an indemnitor pursuant to the terms of this Agreement.

"**Obligor**" shall mean you and each other Person (including, any Guarantor or direct or indirect provider of collateral) primarily or secondarily, directly or indirectly, liable on, or providing collateral for, any of the Obligations.

"**Order**" shall mean any purchase order or equivalent document for the sale by you of goods or the rendition by you of services.

"Overadvance" shall have the meaning set forth in Section 8.8 hereof.

"**Overadvance Rate**" shall mean the rate which is three percent (3%) per annum in excess of the Effective Prime Rate.

"Payment Date" with respect to a Receivable shall mean the date which is three (3) Business Days after the Deposit Date thereof

"**Permitted Lien**" shall mean a lien or security interest in our favor, or to which we have specifically consented in writing, subject to any limitation set forth in such writing.

"**Person**" shall mean any individual, sole proprietorship, partnership, joint venture, trust, non-registered organization, association, corporation, limited liability company, government or any subdivision, agency or political subdivision thereof or any other entity.

"**Prime Rate**" shall mean the rate of interest from time to time publicly announced in New York City by the Bank as its prime rate. The Prime Rate may not be the lowest or best rate charged by the Bank.

"Prime Rate Loan" shall have the meaning set forth in Section 8.2 hereof.

"**Proceeds**" shall mean all proceeds (as set forth in Article 9 of the UCC), products, rents and profits of or from any and all of the Collateral and, to the extent not otherwise included in the foregoing; (i) all payments under any insurance, indemnity, warranty or guaranty with respect to any of the collateral, (ii) all payments in connection with any requisition, condemnation, seizure or forfeiture with respect to any of the Collateral, (iii) all claims and rights to recover for any past, present or future infringement or dilution of or injury to any Collateral; and (iv) all other amounts from time to time paid or payable under or with respect to any of the Collateral, including licensing and royalty fees.

"**Purchased Receivable**" shall mean a Receivable that we purchase from you pursuant to Section 7.2 hereof.

"**Receivable Availability**" shall have the meaning set forth in Section 8.1 hereof.

"**Receivables**" shall mean all Accounts, Instruments, Chattel Paper, Documents, Investment Property and General Intangibles arising from your sales of Inventory or performance of services, and the Proceeds thereof, and all Supporting Obligations, whether now existing or hereafter created, excepting only for Excluded Receivables.

"**Reserves**" shall mean any reasonable set asides, reductions or reserves which we may establish, from time to time, in our sole option and in our sole discretion in connection with any financial accommodations which we may make available to you in connection with this Agreement.

"**Special Account Schedule**" shall mean a schedule issued, from time to time, listing thereon surcharge commissions applicable to Receivables owing from the Customers listed thereon.

"**Standard Examiner Rate**" shall mean the per diem rate per examiner established by us from time to time. The Standard Examiner Rate on the date hereof is $850

"**Supporting Obligations**" shall have the meaning set forth in Article 9 of the UCC.

"**UCC**" shall mean the Uniform Commercial Code as the same may be in effect (subject to revision, from time to time) in the State of New York.

"**Working Capital**" shall mean the amount, if any, by which Current Assets exceed Current Liabilities.

YOU ACKNOWLEDGE THAT WE HAVE ADVISED YOU TO CONSULT WITH AN ATTORNEY PRIOR TO YOUR EXECUTION OF THIS AGREEMENT.

ROSENTHAL & ROSENTHAL, INC.

By: /s/ J. Michael Stanley

J. Michael Stanley
Managing Director

AGREED:
STEVEN MADDEN, LTD.

By: /s/ Arvind Dharia

Arvind Dharia
C.F.O./Secretary

15, Collection Agency

EXHIBITS TO COLLECTION AGENCY AGREEMENT*

*Each of the following agreements, which were filed as Exhibits 10.2 through 10.6 to Steven Madden, Ltd.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 16, 2009, include exhibits identical to Exhibits A and B of this Collection Agency Agreement:

1. Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Daniel Friedman & Associates, Inc.

2. Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Diva Acquisition Corp.

3. Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Steven Madden Retail, Inc.

4. Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Stevies, Inc.

5. Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and SML Acquisition Corp.

EXHIBIT A

This account and the merchandise it represents has been
assigned to and is PAYABLE ONLY to
ROSENTHAL & ROSENTHAL, INC.
P.O. BOX 88926, CHICAGO, ILLINOIS 60695-1926
Make check payable as above in United States Funds and
indicate name of seller.
Any claims against this invoice must be made promptly in
writing to Rosenthal & Rosenthal, Inc., specifying details.
No returns or adjustments will be recognized without the
written consent of Rosenthal & Rosenthal, Inc.

EXHIBIT B

Trademarks and Service Marks

The STEVE MADDEN and/or STEVE MADDEN plus Design trademarks and service marks have been registered in numerous International Classes in the United States (Int'l Cl. 25 for clothing and footwear; Int'l Cl. 18 for leather goods, such as handbags and wallets; Int'l Cl. 9 for eyewear; Int'l Cl. 14 for jewelry; Int'l Cl. 3 for cosmetics and fragrances; Int'l Cl. 20 for picture frames; Int'l Cl. 16 for paper goods; and Int'l Cl. 35 for retail store services). We also have pending trademark applications in the United States for the mark STEVE MADDEN and/or STEVE MADDEN plus Design in numerous international classes (Class 9 for CDs and Class 25 for sleepwear).

We also have trademark registrations in the United States for the marks EYESHADOWS BY STEVE MADDEN (Int'l Cl. 9 for eyewear), STEVEN M. (Int'l Class 25 for clothing and footwear); STEVEN BY STEVE MADDEN (Int'l Cl. 25 for footwear and Int'l Cl. 18 for small leather goods); NATURAL COMFORT (Int'l Cl. 25 for footwear); STEVE MADDEN LUXE (Int'l Cl. 25 for clothing and footwear); STEVEN (Int'l Cl. 3 for cosmetics and fragrances; Int'l Cl. 9 for eyewear; Int'l Cl. 14 for jewelry; Int'l Cl. 18 for bags; Int'l Cl. 25 for clothing and footwear; Int'l Cl. 26 for hair accessories; and Int'l Cl. 35 for retail store services); CIRCLE WITH ASTERISK DESIGN (in Class 25 for clothing and footwear); FIX (in Class 25 for footwear); FIX* (in Class 25 for footwear); STEVE MADDEN 217;S FIX (in Class 25 for clothing and footwear); and, STEVE MADDEN'S FIX AND DESIGN (in Class 25 for clothing and footwear). We also own a registration for the mark SOHO COBBLER plus Design in the U.S. in Class 25 for footwear.

We also have several pending applications in the U.S. for MADDEN in international classes (Class 14 for jewelry and watches, Class 18 for bags, and Class 25 for clothing and footwear). We also have pending applications in the U.S. for MADDEN BY STEVE MADDEN in Class 18 for bags.

Additionally, we have several pending trademark and service mark applications in the United States for various marks, MADDEN GIRL (in Class 18 for bags and in Class 25 for clothing and footwear); MADDEN GIRLZ (in Class 25 for clothing and footwear); MADDEN BOYZ (in Class 25 for clothing and footwear); MADDEN KIDZ for clothing and footwear); MADDEN NEW YORK (in Class 25 for clothing and footwear); MADDEN ACTIVE (in Class 25 for clothing and footwear); MADDEN SPORT (in Class 25 for clothing and footwear); STEVEN BY STEVE MADDEN (in Class 18 for bags and Class 25 for belts); FINA FIRENZE (in Class 18 for bags and in Class 25 for belts and footwear); STEVE MADDEN DESIGN PLUS PEACE LOVE SHOES (in Class 25 for footwear); PEACE LOVE SHOES (STANDARD CHARACTERS) (in Class 25 for footwear); PEACE LOVE SHOES LOGO (in Class 24 for towels and in Clas s 25 for footwear, clothing and belts); and, STEVE MADDEN DESIGN PLUS PEACE LOVE SHOES LOGO PLUS PEACE LOVE SHOES (in Class 25 for footwear).

We further own registrations for the STEVE MADDEN and/or STEVE MADDEN plus Design trademarks and service marks in various International Classes in Argentina, Armenia, Aruba, Australia, Azerbaijan, Bahrain, Belize, Brazil, Canada, Chile, China, Colombia, El Salvador, Estonia, Georgia, Guatemala, Hong Kong, Indonesia, Israel, Italy, Japan, Kazakhstan, Korea, Kyrgyzstan, Latvia, Lebanon, Lithuania, Malaysia, Mexico, Moldova, Netherland Antilles, New Zealand, the Netherlands, Nicaragua, Norway, Oman, Panama, Paraguay, the Philippines, Qatar, Russia, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, Turkey, Turkmenistan, Ukraine, the United Arab Emirates, Uzbekistan, the European Union, and the Benelux countries and has pending applications for registration of the STEVE MADDEN and/or STEVE MADDEN plus Design trademarks and service mark s in Argentina, Aruba, Bahamas, Belarus, Canada, China, Costa Rica, Ecuador, Egypt, Guatemala, Honduras, India, Indonesia, Jordan, Korea, Kuwait, Morocco, Oman, Peru, Saudi Arabia, Tajikistan, Turkey, Venezuela, and the United Arab Emirates.

Additionally, we own registrations for the STEVEN trademark and service mark in various International Classes in Australia, Bahrain, Belize, China, the Dominican Republic, El Salvador, the European Union, Hong Kong, Israel, Japan, Kuwait, Lebanon, Malaysia, New Zealand, Netherland Antilles, Norway, Panama, the Philippines, Qatar, Russia, Saudi Arabia, South Africa, Thailand, Taiwan, Turkey, and the United Arab Emirates and have pending applications for STEVEN trademark and service mark in Armenia, Azerbaijan, China, Columbia, Costa Rica, Egypt, Guatemala, India, Italy, Jordan, Korea, Malaysia, Nicaragua, Oman, Taiwan, Thailand, and Venezuela.

We further own registrations for the “torch stripe” design in Class 25 in the European Union and Panama, and China.

We further own registrations for the mark STEVEN BY STEVE MADDEN in various international classes in Aruba, Australia, China, the European Union, Hong Kong, Korea, New Zealand, and Taiwan and have pending applications for the mark STEVEN BY STEVE MADDEN in various international classes in Canada, China, Ecuador, Egypt, India, Israel, Korea, Taiwan, Turkey, Saudi Arabia, and Venezuela.

We further own registrations for the mark STEVE MADDEN’S FIX* in international class 25 in the European Union, Mexico, and Turkey and have pending applications for the mark STEVE MADDEN’S FIX* in international class 25 in Canada, China, Morocco, Panama and The United Arab Emirates.

We further have pending applications for the mark MADDEN GIRL in international class 25 in Egypt, India, Kuwait, Saudi Arabia and Turkey.

We further have pending applications for the mark NATURAL COMFORT in various international classes in Egypt, India, Kuwait, and Saudi Arabia.

We further own registrations for the mark SM NEW YORK and/or SM NEW YORK PLUS DESIGN in International Class 25 (clothing and footwear) in Aruba, Australia, Belize, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Hong Kong, Netherland Antilles, Nicaragua, New Zealand, Panama, Taiwan and have pending applications for registration of the SM NEW YORK and/or SM NEW YORK PLUS DESIGN mark in International Class 25 (clothing and footwear) in Columbia, Honduras, India, Indonesia, Kuwait, Saudi Arabia, South Africa, and Venezuela.

Additionally, we, through our Diva Acquisition Corp. subsidiary, own registrations for the DAVID AARON trademark and service mark in various International Classes in the United States (Int'l Cl. 25 for clothing and footwear; Int'l Cl. 18 for leather goods, such as handbags and wallets), and in Australia, Canada, the European Union, Hong Kong and South Africa in some or all of Classes 3, 18, and 25. Also, we own registrations for our DAVID AARON trademark in International Class 3 for perfume and cosmetics; International Class 9 for eyewear; International Class 14 for jewelry; International Class 16 for paper goods; International Class 18 for bags; International Class 24 for bed and bath products; International Class 25 for clothing and footwear and International Class 26 hair accessories in Korea.

We, through our Stevies, Inc. subsidiary, also own various registrations for the STEVIES and /or STEVIES plus Design trademark and service mark in a number of International Classes in the United States (Int'l Class 25 for clothing and footwear; Int'l Class 18 for leather goods, such as handbags and wallets; International Class 14 for jewelry; International Class 28 for toys; Int'l Class 16 for paper goods; Int'l Class 3 for perfume and cosmetics, Int'l Class 9 for CDs and eyewear; and Int'l Cl. 27 for rugs and carpets; and for STEVIES BY STEVE MADDEN in Class 14 for jewelry, Class 9 for eyewear, Class 3 for perfume and cosmetics, Class 25 for clothing and footwear, Class 28 for toys and games, Class 35 for retail services, Class 16 for stationery and notebooks, Class 18 for bags.

Additionally, Stevies, Inc. has pending trademark and service mark applications and/or existing registrations for the STEVIES and STEVIES plus Design marks in various International Classes in Aruba, Argentina, Australia, Bahrain, Brazil, Canada, China, Chile, Colombia, Costa Rica, Dominican Republic, Egypt, El Salvador, European Union, Guatemala, Hong Kong, Honduras, Indonesia, India, Israel, Japan, Korea, Kuwait, Lebanon, Malaysia, Mexico, Netherland Antilles, Nicaragua, New Zealand, Oman, Panama, Peru, Qatar, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, Turkey, the United Arab Emirates and Venezuela.

We believe that our trademarks have a significant value and are important to the marketing of our products. There can be no assurance, however, that we will be able to effectively obtain rights to our marks throughout all of the countries of the world. Moreover, no assurance can be given that others will not assert rights in, or ownership of, our trademarks and other proprietary rights of or that we will be able to successfully resolve such conflicts. Our failure to protect such rights from unlawful and improper appropriation may have a material adverse effect on our business, financial condition, results of operations and liquidity.

3.12(a) List of IP owned or used in SML

i. US Polo Assoc. brand, subject to license;
ii. Sesame Street brand, subject to license (terminated effective on or about May 12, 2009);
iii. Software listed in 3.11(b); and
iv. Tradenames used in business
    a. Shakedown Street
    b. Zone 88
    c. Sarné
    d. Dover Kidz
    e. Girls Luv Bags
    f. 35th Street Bags
    g. Petite Sac
    h. Sweettreats by Dover Kidz

Special Accounts Schedule

1% Surcharge

Customer

Burlington Coat Factory Warehouse Corp.

Exhibit 10.2

PURCHASE AND SALE AGREEMENT FOR DISTRESSED TRADES

TRANSACTION SPECIFIC TERMS

THIS PURCHASE AND SALE AGREEMENT FOR DISTRESSED TRADES is dated as of the Agreement Date and entered into by and between Seller and Buyer to govern the purchase and sale of the Loans, the Commitments (if any) and the other Transferred Rights, in accordance with the terms, conditions and agreements set forth in the LSTA Standard Terms and Conditions for Purchase and Sale Agreement for Distressed Trades published by the LSTA as of August 6, 2010 (the "Standard Terms"). The Standard Terms are incorporated herein by reference without any modification whatsoever except as otherwise agreed herein by the Parties and as specifically supplemented and modified by the terms and elections set forth in the Transaction Summary and Sections A through J below. The Standard Te rms and the Transaction Specific Terms together constitute a single integrated Purchase and Sale Agreement for Distressed Trades governing the Transaction. With respect to the Transaction, the Parties agree to be bound by the Standard Terms and the Transaction Specific Terms set forth herein.

TRANSACTION SUMMARY

Trade Date:	**August 26, 2010**
Agreement Date:	**August 26, 2010**
Seller:	**Paradox Lending LLC**
Buyer:	**BJ Acquisition LLC**
Credit Agreement:	**Loan and Security Agreement, dated as of August 20, 2007, by and among Betsey Johnson LLC, as Borrower, the lenders from time to time party thereto, and Paradox Syndication LLC, as Administrative Agent (the "Credit Agreement")**
Borrower:	**Betsey Johnson LLC**
Purchase Amount:	**$14,625,000.00 (principal amount outstanding of Loans held by Seller)**
Tranche:	**Term Loan**
CUSIP Number(s), if available:	**Not applicable**
Pre-Settlement Date Accruals Treatment:	**x Paid on Settlement Date ($419,250 of accrued fees and interest paid at the purchase rate set forth in the trade confirmation)** **o Trades Flat**
Type of Assignment:	**o Original Assignment** **x Secondary Assignment**
Immediate Prior Seller (if any):	**Not applicable**
Borrower in Bankruptcy:	**Yes o No x**
Delivery of Credit Documents:	**Yes x No o**
Netting Arrangements:	**Yes o No x**
Flip Representations:	**Yes o No o**
Step-Up Provisions:	**Yes o No x**
	Shift Date: Not applicable
Transfer Notice	**Yes o No x**

A. DEFINITIONS

Capitalized terms used in this Agreement shall have the respective meanings ascribed thereto in Section 1 of the Standard Terms, as supplemented by Section A of the Transaction Specific Terms and as otherwise may be provided in other provisions of this Agreement. Terms defined in the Credit Agreement and not otherwise defined in this Agreement shall have the same meanings in this Agreement as in the Credit Agreement. Except as otherwise expressly set forth herein, each reference herein to "the Agreement," "this Agreement," "herein," "hereunder" or "hereof" shall be deemed a reference to this Agreement. If there is any inconsistency between the Transaction Specific Terms and the Standard Terms, the Transaction Specific Terms shall govern and control.

In this Agreement:

"Agent" means Paradox Syndication LLC, as Administrative Agent under the Credit Agreement

"Assignment" means an Assignment and Assumption Agreement in the form attached hereto as Exhibit A.

"Bankruptcy Case" select one:
x none.
o means [the case under the Bankruptcy Code pending before the Bankruptcy Court in which Borrower is a debtor, In re _____, No. _____].

"Bankruptcy Court" select one:
x none.
o means [the United States Bankruptcy Court for the _____District of _____ (and, if appropriate, the United States District Court for that District)].

"Bar Date" select one:
x not applicable.
o none has been set.
o means [specify applicable date, if any].

"Buyer Purchase Price" select one:
x not applicable.
o means the purchase price payable by Buyer to Original Buyer pursuant to the Netting Letter (this applies if there are three (3) parties involved in the netting arrangement).
o means the purchase price payable by Buyer to Penultimate Buyer pursuant to the Netting Letter (this applies if there are four (4) or more parties involved in the netting arrangement).

"Commitments" select one:
x none.
o means [identify applicable commitment tranche(s) using Credit Agreement definitions] in the principal amount of $/£/€_____ [in each case specify the aggregate amount of the Loans, the Unfunded Commitments and the portion, if any, of the Commitments that is irrevocably "frozen" (i.e., that is not subject to future drawing)].

"Covered Prior Seller" select one:
x not applicable.
o means each Prior Seller that transferred the Loans and Commitments (if any) on or after the Shift Date [but prior to the transfer pursuant to which _____ transferred such Loans and Commitments (if any) on a distressed documentation basis pursuant to the Purchase and Sale Agreement for Distressed Trades dated as of _____, as set forth in the Annex].

"Filing Date" select one:
x none.
o means [identify date on which Borrower filed Bankruptcy Case].

"Loans" means Term Loans in the outstanding principal amount of $14,625,000.

"Netting Letter" select one:
x not applicable.
o means that certain Multilateral Netting Agreement in the form currently published by the LSTA dated on or as of the Agreement Date among Seller, Buyer [and] [,] Original Buyer [, Penultimate Buyer] and [describe any other parties to the Netting Letter]].

"Original Buyer" select one:
x not applicable.
o means [specify original buyer in the netting arrangement].

"Penultimate Buyer" select one:
x not applicable.
o none ("none" is applicable if there are only three (3) parties involved in the netting arrangement).
o means [_____].

"Required Consents" means the Agent's consent to each Assignment.

"Seller Purchase Price" select one:
x not applicable.
o means the purchase price payable by Original Buyer to Seller pursuant to the Netting Letter.

"Transfer Fee" means none.

"Unfunded Commitments" means $0.00.

B. SECTION 4 (SELLER'S REPRESENTATIONS AND WARRANTIES)

The following specified terms shall apply to the sections referenced in this Section B:

	Flat Representation	**Flip Representation**	**Step-Up Representation**
	If "No" is specified opposite both "Flip Representations" and "Step-Up Provisions" in the Transaction Summary, the following subsections of Section 4 shall apply:	If "Yes" is specified opposite "Flip Representations" in the Transaction Summary, the following subsections of Section 4 shall apply:	If "Yes" is specified opposite "Step-Up Provisions" in the Transaction Summary, the following subsections of Section 4 shall apply:
Section 4.1(d) (Title)	Section 4.1(d)(i)	Section 4.1(d)(ii)	Section 4.1(d)(i)
Section 4.1(e) (Proceedings)	Section 4.1(e)(i)	Section 4.1(e)(i)	Section 4.1(e)(ii)
Section 4.1(f) (Principal Amount)	Section 4.1(f)(i)	Section 4.1(f)(ii)	Section 4.1(f)(i)
Section 4.1(g) (Future Funding)	Section 4.1(g)(i)	Section 4.1(g)(ii)	Section 4.1(g)(iii)
Section 4.1(h) (Acts and Omissions)	Section 4.1(h)(i)	Section 4.1(h)(i)	Section 4.1(h)(ii)
Section 4.1(i) (Performance of Obligations)	Section 4.1(i)(i)	Section 4.1(i)(i)	Section 4.1(i)(ii)
Section 4.1(l) (Setoff)	Section 4.1(l)(i)	Section 4.1(l)(i)	Section 4.1(l)(ii)
Section 4.1(t) (Consents and Waivers)	Section 4.1(t)(i)	Section 4.1(t)(i)	Section 4.1(t)(ii)
Section 4.1(u) (Other Documents)	Section 4.1(u)(i)	Section 4.1(u)(i)	Section 4.1(u)(ii)
Section 4.1(v) (Proof of Claim)	Section 4.1(v)(i)	Section 4.1(v)(ii)	Section 4.1(v)(i)

Section 4.1(k) (Purchase Price); Netting Arrangements.

If "Yes" is specified opposite Netting Arrangements in the Transaction Summary, Section 4.1(k) shall be amended in its entirety as follows:

"(k) [intentionally omitted]."

Section 4.1(r) (Predecessor Transfer Agreements).

o Seller acquired the Transferred Rights from Immediate Prior Seller pursuant to Predecessor Transfer Agreements relating to par/near par loans.
o Seller acquired the Transferred Rights from Immediate Prior Seller pursuant to Predecessor Transfer Agreements relating to distressed loans.
o Seller acquired the Transferred Rights from Immediate Prior Seller pursuant to Predecessor Transfer Agreements relating to both par/near par loans and distressed loans.
x Not applicable.

Section 4.1(u) (Other Documents).

x None.
o The following: _____.

Section 4.1(v) (Proof of Claim).

o The Proof of Claim was duly and timely filed, on or prior to the Bar Date, by
  o the Agent on behalf of the Lenders.
  o Seller or a Prior Seller.
o The Bar Date specified in the Transaction Specific Terms has been set in the Bankruptcy Case and no Proof of Claim has been filed.
o No Bar Date has been set in the Bankruptcy Case and no Proof of Claim has been filed.
x Not applicable.

C. SECTION 5 (BUYER'S REPRESENTATIONS AND WARRANTIES)

C.1 Section 5.1(n) (Buyer Status).

x Buyer is not a Lender.
o Buyer is a Lender.
o Buyer is an Affiliate [substitute Credit Agreement defined term if different] (as defined in the Credit Agreement) of a Lender.
o Buyer is an Approved Fund [substitute Credit Agreement defined term if different] of a Lender.

C.2 If "Yes" is specified opposite "Delivery of Credit Documents" in the Transaction Summary, Buyer represents and warrants that it (i) was not a Lender on the Trade Date and (ii) requested copies of the Credit Documents from Seller on or prior to the Trade Date.

D. SECTION 6 (INDEMNIFICATION)

Section 6.1 (Seller's Indemnities); Step-Up Indemnities.

(i) If "Yes" is specified opposite "Step-Up Provisions" in the Transaction Summary, Seller's indemnities contained in Section 6.1(b) shall apply (and the alternate indemnities contained in Section 6.1(a) shall not apply).

(ii) If "No" is specified opposite "Step-Up Provisions" in the Transaction Summary, Seller's indemnities contained in Section 6.1(a) shall apply (and the alternate indemnities contained in Section 6.1(b) shall not apply).

E. SECTION 7 (COSTS AND EXPENSES)

o The Transfer Fee shall be paid by Seller to the Agent and the Purchase Price shall be increased by an amount equal to
o one-half thereof.
o other relevant fraction or percentage, _____, thereof.

o The Transfer Fee shall be paid by Buyer to the Agent and Buyer shall receive a credit to the Purchase Price equal to
o one-half thereof.
o other relevant fraction or percentage, _____, thereof.

o The Transfer Fee shall be paid and allocated in the manner specified in the Netting Letter.

x The Transfer Fee has been waived by the Agent and, accordingly, no adjustment to the Purchase Price shall be made in respect thereof.

o There is no Transfer Fee and, accordingly, no adjustment to the Purchase Price shall be made in respect thereof.

F. SECTION 8 (DISTRIBUTIONS; INTEREST AND FEES; PAYMENTS)

F.1 Section 8.2 (Distributions); Step-Up Distributions Covenant.

(i) If "Yes" is specified opposite "Step-Up Provisions" in the Transaction Summary, Seller's covenants contained in Section 8.2(b) shall apply (and the alternate covenants contained in Section 8.2(a) shall not apply).

(ii) If "No" is specified opposite "Step-Up Provisions" in the Transaction Summary, Seller's covenants contained in Section 8.2(a) shall apply (and the alternate covenants contained in Section 8.2(b) shall not apply).

G. Section 8.5 (Wire Instructions).

Seller's Wire Instructions:

See Purchase Price Letter

Buyer's Wire Instructions:

See Purchase Price Letter

H. SECTION 9 (NOTICES)

Seller's Address for Notices and Delivery:

Paradox Lending LLC
600 Lexington Avenue, 19th Floor
New York, NY 10022

Closing Contacts:	*Financial Information*
Primary Contact	Mr. Edward Hill Paradox Lending LLC 600 Lexington Avenue 19th Floor New York, NY 10022
Telephone No.:	(704) 927-3369
Fax No.:	(704) 921-2646
E-mail Address:	Ed.Hill@babcockbrown.com
Back Up Contact	Mr. Edward Hill Paradox Lending LLC 301 South College, Suite 3850 Charlotte, NC 28202
Telephone No.:	(704) 927-3369
Fax No.:	(704) 921-2646

Legal Contacts:	*Documentation Issues*
Contact:	Jonathan N. Helfat Otterbourg, Steindler, Houston & Rosen, P.C. 230 Park Avenue New York, NY 10169
Telephone No.:	212-905-3626
Fax No.:	917-368-7131
E-mail Address:	jhelfat@oshr.com

Operations Contacts:	*Borrowings, Paydowns, Interest, Fees, etc.*
Primary Contact	Mr. Edward Hill Paradox Lending LLC 600 Lexington Avenue, 19th Floor New York, NY 10022
Telephone No.:	212-230-0478
Fax No.:	212-935-8949
E-mail Address:	Ed.Hill@babcockbrown.com

Buyer's Address for Notices and Delivery:

BJ Acquisition LLC
52-16 Barnett Avenue
Long Island City, NY 11104

Closing Contacts:	*Financial Information*
Primary Contact	Ed Rosenfeld BJ Acquisition LLC 52-16 Barnett Avenue Long Island City, NY 11104
Telephone No.:	718-308-2263
E-mail Address:	EdRosenfeld@stevemadden.com
Back Up Contact	Awadhesh Sinha BJ Acquisition LLC 52-16 Barnett Avenue Long Island City, NY 11104
Telephone No.:	718-446-1800
E-mail Address:	AwadeshSinha@stevemadden.com

Legal Contacts:	*Documentation Issues*
Contact:	Neil Herman, Steve Navarro Morgan, Lewis & Bockius LLP 101 Park Avenue New York, NY 10178
Telephone No.:	212-309-6000
Fax No.:	212-309-6001
E-mail Address:	nherman@morganlewis.com, snavarro@morganlewis.com

Operations Contacts:	*Borrowings, Paydowns, Interest, Fees, etc.*
Contact:	Awadhesh Sinha BJ Acquisition LLC 52-16 Barnett Avenue Long Island City, NY 11104
Telephone No.:	718-446-1800
E-mail Address:	AwadeshSinha@stevemadden.com

I. SECTION 25 (JUDGMENT CURRENCY)

The exchange rate used for the conversion of amounts in any currency other than the Contractual Currency into amounts in the Contractual Currency shall be determined by reference to quotations from (if no election is made, Seller shall provide the quotations):

o Seller, or if Seller does not quote a rate of exchange on such currency, by a known dealer in such currency designated by Seller.
x Buyer, of if Buyer does not quote a rate of exchange on such currency, by a known dealer in such currency designated by Buyer.
o by a known dealer in such currency designated by the mutual agreement of the Parties.

J. SECTION 27 (ADDITIONAL PROVISIONS)

Additional Representations and Warranties of Seller. To Existing Agent's knowledge, Existing Agent has not received any written letters from the Borrower or counsel for the Borrower alleging that Existing Agent breached any of its representations, warranties, agreements or covenants in the Loan Agreement or in any of the other Loan Documents.

IN WITNESS WHEREOF, Seller and Buyer have executed this Agreement by their duly authorized officers or representatives as of the Agreement Date.

SELLER

PARADOX LENDING LLC

By: /s/ Edward Hill
Name: Edward Hill
Title: Senior Vice President

BUYER

BJ ACQUISITION LLC

By: /s/ Edward Rosenfeld
Name: Edward Rosenfeld
Title: Chief Executive Officer

ANNEX TO PURCHASE AND SALE AGREEMENT FOR DISTRESSED TRADES

1. If "Secondary Assignment" is specified opposite "Type of Assignment" in the Transaction Summary, list of Predecessor Transfer Agreements and principal amount, as of the settlement date with respect thereto, of the portion of the Loans and Commitments (if any) thereunder assigned hereby for purposes of Section 4.1(r) and Section 5.1(k)(i) hereof, and designation as to whether such Predecessor Transfer Agreements relate to par/near par loans or distressed loans.

   Not applicable.

2. List of Credit Agreement and any other Credit Documents delivered pursuant to Section 4.1(s) hereof.

   See Schedule 4.1(s) hereto

3. Description of Proof of Claim (if any).

   Not applicable.

4. Description of Adequate Protection Order (if any).

   Not applicable.

5. List any exceptions to Section 4.1(w) (Notice of Impairment).

   None.

6. The amount of any PIK Interest that accreted to the principal amount of the Loans on or after the Trade Date but on or prior to the Settlement Date is $0.00.

Schedule 4.1(s)
to
Purchase and Sale Agreement

Credit Documents

1. Loan and Security Agreement among Borrower, Agent and Lenders;

2. Term Notes by Borrower in favor of Lenders;

3. Limited Recourse Guaranty Agreement by B J Vines Inc. ("Parent") in favor of Agent;

4. Guaranty Agreement by Betsey Johnson and Chantal Bacon (collectively, the "Individual Guarantors" in favor of Agent;

5. UCC Financing Statements by Borrower in favor of the Agent;

6. Pledge Agreement by Parent in favor of Agent;

7. Pledge Agreement by Individual Guarantors in favor of Agent;

8. UCC Financing Statements by the Individual Guarantors and Parent in favor of Agent;

9. Membership interests of Borrower pledged by Parent and Individual Guarantors;

10. Intellectual Property Security Agreement by Borrower in favor of Agent;

11. Certificate of Borrower's Assistant Secretary;

12. Certificate of Parent's Secretary's;

13. Opinion of counsel;

14. Guaranty Agreement by Castanea Family Investments LLC, Castanea Family Holdings LLC and Castanea Partners Fund III, L.P. (collectively, "Castanea"), in favor of Agent;

15. UCC Financing Statements by Castanea in favor of Agent; and

16. Certificate of Castanea's Managers.

Exhibit A

Form of Assignment and Acceptance

THIS ASSIGNMENT AGREEMENT, dated as of the date set forth at the top of Attachment 1 hereto, by and between:

(1) The lender designated under item A of Attachment 1 hereto as the Assignor Lender ("Assignor Lender"); and

(2) The lender designated under item B of Attachment 1 hereto as the Assignee Lender ("Assignee Lender").

RECITALS

A. Assignor Lender is one of the Lenders which is a party to the Loan and Security Agreement, dated as of August 20, 2007 (as amended, supplemented or otherwise modified in accordance with its terms as of the date hereof, the "Loan and Security Agreement"), by and among Betsey Johnson LLC, a Delaware limited liability company (the "Borrower"), Assignor Lender and the other lenders parties thereto (collectively, the "Lenders"), and Paradox Syndication LLC, as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

B. Assignor Lender wishes to sell, and Assignee Lender wishes to purchase, (i) all of the Assignor Lender's rights and obligations in its capacity as a Lender under the Loan and Security Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor Lender under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor Lender (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Loan and Security Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor Lender to the Assignee Lender pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"), pursuant to Section 8.04(c) of the Loan and Security Agreement, in accordance with this Assignment Agreement and the terms and conditions set forth in the Purchase and Sale Agreement, dated as of the date set forth at the top of Attachment 1 hereto, between Assignor Lender and Assignee Lender (the "Purchase Agreement"), and all other agreements, documents, notes, instruments and guaranties executed and/or delivered in connection therewith or related thereto (as all of the foregoing may now exists or may hereafter be amended, modified, extended, renewed, restated or replaced, collectively, the "Purchase Documents").

AGREEMENT

The parties hereto hereby agree as follows:

1. Definitions. Except as otherwise defined in this Assignment Agreement, all capitalized terms used herein and defined in the Loan and Security Agreement have the respective meanings given to those terms in the Loan and Security Agreement.

2. Sale and Assignment. On the terms and subject to the conditions of this Assignment Agreement and the other Purchase Documents, Assignor Lender hereby agrees to sell, assign and delegate to Assignee Lender and Assignee Lender hereby agrees to purchase, accept and assume the rights, obligations and duties of a Lender under the Loan and Security Agreement and the other Credit Documents with a Term Loan and corresponding Proportionate Share as set forth under Column 1 opposite Assignee Lender's name on Attachment 1 hereto. Such sale, assignment and delegation shall become effective on the date designated in Attachment 1 hereto (the "Assignment Effective Date").

3. Payments After the Assignment Effective Date. From and after the Assignment Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee in accordance with the terms of the Purchase Documents.

4. Delivery of Notes. On or prior to the Assignment Effective Date, Assignor Lender will deliver to the Administrative Agent the Term Note (if any) payable to Assignor Lender.

5. Further Assurances. Each of the parties to this Assignment Agreement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents and do such further acts and things as such other party may reasonably request in order to effect the purposes of this Assignment Agreement and the other Purchase Documents.

6. Further Representations, Warranties and Covenants. Assignor Lender and Assignee Lender further represent and warrant to and covenant with each other, the Administrative Agent and the Lenders as follows:

(a) Assignor Lender is the legal and beneficial owner of the Assigned Interest free and clear of any adverse claim.

(b) Attachment 1 hereto sets forth administrative information with respect to Assignee Lender.

7. Effect of this Assignment Agreement. On and after the Assignment Effective Date, (a) Assignee Lender shall be a Lender with a Term Loan and corresponding Proportionate Share equal to that set forth under Column 2 opposite Assignee Lender's name on Attachment 1 hereto (without giving effect to the assignment of any other term loans entered into by Assignee Lender and any other Lender) and shall have the rights, duties and obligations of such a Lender under the Loan and Security Agreement and the other Credit Documents and (b) Assignor Lender shall be a Lender with a Term Loan and corresponding Proportionate Share equal to that set f orth under Column 2 opposite Assignor Lender's name on Attachment 1 hereto, and shall have the rights, duties and obligations of such a Lender under the Loan and Security Agreement and the other Credit Documents or, if the Term Loan of Assignor Lender has been reduced to $0, Assignor Lender shall cease to be a Lender.

8. Miscellaneous. This Assignment Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. Section headings in this Assignment Agreement are for convenience of reference only and are not part of the substance hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be executed by their respective duly authorized officers as of the date set forth in Attachment 1 hereto.

Assignor Lender

[_____]

By: _____
Name: _____
Title: Authorized Signatory

Assignee Lender

[_____]

By: _____
Name: _____
Title: _____

CONSENTED TO AND ACKNOWLEDGED BY:

PARADOX SYNDICATION LLC,
as the Administrative Agent

By: _____
Name: Edward Hill
Title: Senior Vice President

ACCEPTED FOR RECORDATION IN REGISTER:

PARADOX SYNDICATION LLC, as the Administrative Agent

By: _____
Name: Edward Hill
Title: Senior Vice President

ATTACHMENT 1
TO ASSIGNMENT AGREEMENT

NAMES, ADDRESSES, AMOUNT OF TERM LOAN AND PROPORTIONATE SHARE OF ASSIGNOR LENDER AND ASSIGNEE LENDER AND ASSIGNMENT EFFECTIVE DATE

Date: _____

A. ASSIGNOR LENDER	**Column 1** **Amount of Term Loan and Proportionate Share Transferred**[1, 2]	**Column 2** **Amount of Term Loan and Proportionate Share After Assignment**[1]
Wiring Instructions: [_____] ABA No.: [_____] For Credit to the Account of: [_____] Account No.:[_____] Reference No.:[_____]		

[1] To be expressed by a percentage rounded to the eighth digit to the right of the decimal point.

[2] Proportionate Share of the sum of the aggregate outstanding principal amount of all Term Loans, after giving effect to any prepayments or repayments on such date, as contemplated to be sold by Assignor Lender and purchased by Assignee Lender pursuant to this Assignment Agreement.

A. ASSIGNEE LENDER	**Column 1** **Amount of Term Loan and Proportionate Share Transferred [3, 4]**	**Column 2** **Amount of Term Loan and Proportionate Share After Assignment[1]**
Wiring Instructions: [_____] ABA No.: [_____] For Credit to the Account of: [_____] Account No.:[_____] Reference No.:[_____]		

[3] To be expressed by a percentage rounded to the eighth digit to the right of the decimal point. Column 2 is determined without giving effect to the assignment of any other term loans entered into by Assignee Lender and any other Lender.

[4] Proportionate Share of the sum of the aggregate outstanding principal amount of all Term Loans, after giving effect to any prepayments or repayments on such date, as contemplated to be sold by Assignor Lender and purchased by Assignee Lender pursuant to this Assignment Agreement.

SCHEDULE OF SUBSTANTIALLY IDENTICAL CONTRACTS

BJ Acquisition LLC, a wholly-owned subsidiary of Steven Madden, Ltd., is also a party to the following agreements, each of which, except as noted below, is identical to the above contract between BJ Acquisition LLC and Paradox Lending LLC:

1. Purchase and Sale Agreement for Distressed Trades dated August 26, 2010 between BJ Acquisition LLC and 72 Offshore Credit, Ltd.

- Page 1 - In the Transaction Summary, the Seller is "72 Offshore Credit, Ltd."; the Purchase Amount is "$7,800,000"; the amount indicated in Pre-Settlement Date Accruals Treatment is "$223,600.00".

- Page 2 - In the section entitled "Covered Prior Seller," the following language is deleted in its entirety without replacement: "on or after the Shift Date [but prior to the transfer pursuant to which _____ transferred such Loans and Commitments (if any) on a distressed documentation basis pursuant to the Purchase and Sale Agreement for Distressed Trades dated as of _____, as set forth in the Annex]."

- Page 3 - The amount indicated in the Loans section is "$7,800,000."

- Pages 6 and 7 - The "Seller's Address for Notices and Delivery" in Section 9 (Notices) contains the contact information of 72 Offshore Credit, Ltd.

- Signature Page - 72 Offshore Credit, Ltd. is the Seller signatory.

- Annex to Purchase and Sale Agreement for Distressed Trades - In Item 1, the sentence "Not applicable" is deleted and replaced with the following list of agreements:

    a. Assignment Agreement, dated as of August 20, 2007, by and between Paradox Syndication LLC and Crystal Capital Fund L.P., for the principal amount of $12,500,000 of par/near par loans.

    b. Assignment Agreement, dated as of December 10, 2007, by and between Crystal Capital Fund, L.P. and Crystal Capital Offshore Warehouse Ltd., for the principal amount of $5,000,000 of par/near par loans.

    c. Assignment Agreement, dated as of December 10, 2007, by and between Crystal Capital Fund, L.P. and Crystal Capital Fund, Ltd., for the principal amount of $3,000,000 of par/near par loans.

    d. Assignment Agreement, dated as of May 30, 2008, by and between Crystal Capital Fund, Ltd. and Crystal Capital Offshore Warehouse Ltd., for the principal amount of $3,000,000 of par/near par loans.

    e. Assignment Agreement, dated as of December 22, 2009, by and between Crystal Capital Offshore Warehouse Ltd. and Crystal Capital Fund, Ltd., for the principal amount of $7,840,000 of par/near par loans.

- Annex to Purchase and Sale Agreement for Distressed Trades contains the following footnote: "The Seller was formerly known as Crystal Capital Fund, Ltd."

2. Purchase and Sale Agreement for Distressed Trades dated August 26, 2010 between BJ Acquisition LLC and 72 Domestic Credit, L.P.

- Page 1 - In the Transaction Summary, the Seller is “72 Domestic Credit, L.P.”; the Purchase Amount is “$4,387,500”; the amount indicated in Pre-Settlement Date Accruals Treatment is “$125,775”.

- Page 2 - In the section entitled “Covered Prior Seller,” the following language is deleted in its entirety without replacement: “on or after the Shift Date [but prior to the transfer pursuant to which _____ transferred such Loans and Commitments (if any) on a distressed documentation basis pursuant to the Purchase and Sale Agreement for Distressed Trades dated as of _____, as set forth in the Annex].”

- Page 3 - The amount indicated in the Loans section is “$4,387,500.”

- Pages 6 and 7 - The “Seller’s Address for Notices and Delivery” in Section 9 (Notices) contains the contact information of 72 Domestic Credit, L.P.

- Signature Page - 72 Domestic Credit, L.P. is the Seller signatory.

- Annex to Purchase and Sale Agreement for Distressed Trades - In Item 1, the sentence “Not applicable” is deleted and replaced with the following list of agreements:

    a. Assignment Agreement, dated as of August 20, 2007, by and between Paradox Syndication LLC and Crystal Capital Fund, L.P., for the principal amount of $12,500,000 of par/near par loans.

    b. Assignment Agreement, dated as of September 20, 2007, by and between Crystal Capital Fund, L.P. and Crystal Capital Onshore Warehouse, LLC, for the principal amount of $3,500,000 of par/near par loans.

    c. Assignment Agreement, dated as of May 30, 2008, by and between Crystal Capital Fund, L.P. and Crystal Capital Onshore Warehouse LLC, for the principal amount of $1,000,000 of par/near par loans.

    d. Assignment Agreement, dated as of September 18, 2009, by and between Crystal Capital Onshore Warehouse LLC and Crystal Capital Fund, L.P., for the principal amount of $4,432,500 of par/near par loans.

- Annex to Purchase and Sale Agreement for Distressed Trades contains the following footnote: “The Seller was formerly known as Crystal Capital Fund, L.P.”

3. Purchase and Sale Agreement for Distressed Trades dated August 26, 2010 between BJ Acquisition LLC and Bridge CDO, LLC

- Page 1 - In the Transaction Summary, the Seller is “Bridge CDO, LLC,”; the Purchase Amount is “$4,875,000”; the amount indicated in Pre-Settlement Date Accruals Treatment is “$139,750”.

- Page 3 - The amount indicated in the Loans section is “$4,875,000.”

- Pages 6 and 7 - The “Seller’s Address for Notices and Delivery” in Section 9 (Notices) contains the contact information of Bridge CDO, LLC.

- Signature Page - Bridge CDO, LLC is the Seller signatory.

4. Purchase and Sale Agreement for Distressed Trades dated August 26, 2010 between BJ Acquisition LLC and Babson Capital Australia PTY Limited, as Trustee for the BCA Mezzanine Debt Trust

    - Page 1 - In the Transaction Summary, the Seller is “Babson Capital Australia PTY Limited, as Trustee for the BCA Mezzanine Debt Trust”; the Purchase Amount is “$9,750,000”; the amount indicated in Pre-Settlement Date Accruals Treatment is “$279,500”.

    - Page 3 - The amount indicated in the Loans section is “$9,750,000.”

    - Pages 6 and 7 - The “Seller’s Address for Notices and Delivery” in Section 9 (Notices) contains the contact information of Babson Capital Australia PTY Limited, as Trustee for the BCA Mezzanine Debt Trust.

    - Signature Page - Babson Capital Australia PTY Limited, as Trustee for the BCA Mezzanine Debt Trust is the Seller signatory.

5. Purchase and Sale Agreement for Distressed Trades dated August 26, 2010 between BJ Acquisition LLC and Roynat Business Capital Inc.

    - Page 1 - In the Transaction Summary, the Seller is “Roynat Business Capital Inc.,”; the Purchase Amount is “$7,312,500.00”; the amount indicated in Pre-Settlement Date Accruals Treatment is “$209,625.00”.

    - Page 3 - The amount indicated in the Loans section is “$7,312,500.”

    - Pages 6 and 7 - The “Seller’s Address for Notices and Delivery” in Section 9 (Notices) contains the contact information of Roynat Business Capital Inc.

    - Signature Page - Roynat Business Capital Inc. is the Seller signatory.

Exhibit 31.1

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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(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
November 9, 2010

Exhibit 31.2

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 control 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
November 9, 2010

Exhibit 32.1

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 September 30, 2010, 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:

(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
November 9, 2010

Exhibit 32.2

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 September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arvind Dharia, Chief Financial 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:

(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
November 9, 2010