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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

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)

(718) 446-1800
(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.0001 per share	The NASDAQ Stock Market LLC
Preferred Stock Purchase Rights	The NASDAQ Stock Market LLC

Securities Registered Pursuant to Section 12(g) of the Act: None

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

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

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 website, 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 x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 the definitions of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
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

The aggregate market value of the common equity held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers and directors are “affiliates” of the registrant) as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter, was $2,074,695,648 (based on the closing sale price of the registrant's common stock on that date as reported on The NASDAQ Global Select Market).

The number of outstanding shares of the registrant's common stock as of February 27, 2017 was 59,882,884 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

PART III INCORPORATES CERTAIN INFORMATION BY REFERENCE FROM THE REGISTRANT'S DEFINITIVE PROXY STATEMENT FOR THE REGISTRANT'S 2017 ANNUAL MEETING OF STOCKHOLDERS.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements” (as that term is defined in the federal securities laws), which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements with regard to future revenue, projected 2017 results, earnings, spending, margins, cash flow, customer orders, expected timing of shipment of products, inventory levels, future growth or success in specific countries, categories or market sectors, continued or expected distribution to specific retailers, liquidity, capital resources and market risk, strategies and objectives and other future events. More generally, forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or simply state future results, performance or achievements, and can be identified by the use of forward looking language such as “believe,” “anticipate,” “expect,” “estimate,” “intend,” “plan,” “project,” “will be,” “will continue,” “will result,” “could,” “may,” “might,” or any variations of such words with similar meanings. Factors that may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 1A of this Annual Report on Form 10-K.

Any such forward-looking statements are subject to risks and uncertainties, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based and could cause our actual results to differ materially from those projected in forward-looking statements. As such, we strongly caution you that these forward-looking statements are not guarantees of future performance or events. 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.

PART I

ITEM 1 BUSINESS
($ in thousands, except share and per share data)

Overview

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

Steven Madden, Ltd. was incorporated as a New York corporation on July 9, 1990, reincorporated under the same name in Delaware in November 1998 and completed its initial public offering in December 1993. Shares of Steven Madden, Ltd. common stock, $0.0001 par value per share, currently trade on the NASDAQ Global Select Market under the symbol “SHOO”. Our principal executive offices are located at 52-16 Barnett Avenue, Long Island City, NY 11104. Our telephone number is (718) 446-1800 and our website address is http://www.stevemadden.com.

We file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and information with the Securities and Exchange Commission (the “SEC”) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These reports, any amendments to such reports, and our proxy statements for our stockholders' meetings are available free of charge, on the "Investor Relations" section of our website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. We will provide paper copies of such filings free of charge upon request. The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information regarding the operation of the SEC's Public Reference Room is available by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding us, which is available at http://www.sec.gov.

We have a Code of Ethics for our Chief Executive Officer and our senior financial officers, as well as a Code of Business Conduct and Ethics specific to directors of the Company and a Code of Business Conduct and Ethics that is applicable to all of our employees, each of which are attached as exhibits to the 2014 Annual Report on Form 10-K filed with the SEC on February 26, 2015 and posted on our website, http://www.stevemadden.com. We will provide paper copies of these codes free of charge upon request. We intend to disclose on our website any amendments to, or waivers of, these codes that would otherwise be reportable on a current report on Form 8-K. Such disclosure would be posted within four business days following the date of the amendment or waiver.

Net sales for 2016 decreased 0.4% to $1,399,551 from $1,405,239 in 2015. Net income attributable to Steven Madden, Ltd. increased 7.1% to $120,911 in 2016 compared to $112,938 in 2015. Diluted earnings per share in 2016 increased to $2.03 per share on 59,556,000 diluted weighted average shares outstanding compared to $1.85 per share on 61,142,000 diluted weighted average shares outstanding in the prior year.

Product Distribution Segments

Our business is comprised of five distinct segments: Wholesale Footwear, Wholesale Accessories, Retail, First Cost and Licensing.

Our Wholesale Footwear segment is comprised of the following brands: Steve Madden Women's®, Madden Girl®, Steve Madden Men's®, Madden®, Dolce Vita®, DV by Dolce Vita®, Mad Love®, Steven by Steve Madden®, Report®, Superga® (under license), Betsey Johnson®, Betseyville®, Steve Madden Kids®, FREEBIRD by Steven®, Stevies®, B Brian Atwood®, Blondo®, Madden NYC and includes our International business and certain private label footwear business. Our Wholesale Accessories segment includes Big Buddha®, Madden NYC, Betsey Johnson®, Steve Madden®, Steven by Steve Madden®, Madden Girl®, Cejon®, B Brian Atwood® and Luv Betsey® accessories brands and includes our International business and certain private label accessories business. These trademarks are registered trademarks owned by us with the exception of Superga®, which is licensed to us by a third party. Steven Madden Retail, Inc., our wholly-owned retail subsidiary, operates Steve Madden, Steven and Superga retail stores along with one multi-branded SHOO by Steve Madden store offering a variety of the Company's brands, domestically and internationally, as well as Steve Madden, Superga, Betsey Johnson and Dolce Vita e-commerce websites. The First Cost segment represents activities of a subsidiary that earns commissions for serving as a buying agent for footwear products under private labels for many of the country's large mass-market merchandisers, shoe chains and other value priced retailers. Our Licensing segment is engaged in the licensing of the Steve Madden®, Steven by Steve Madden® and Madden Girl® trademarks for use in connection with the manufacture, marketing and sale of outerwear, hosiery, activewear, sleepwear, jewelry, watches, hair accessories, umbrellas, bedding, luggage, and men's leather accessories. We license the Stevies® trademark for use in connection with the manufacture, marketing and sale of outerwear exclusively to Target. In addition, we license our Betsey Johnson® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel, hosiery, swimwear, outerwear, sleepwear, activewear, jewelry, watches, bedding, luggage, stationary, umbrellas, and household goods. We also license our Dolce Vita® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel.

Wholesale Footwear Segment

Steve Madden Women's. We design, source and market our Steve Madden brand to department stores, specialty stores, luxury retailers, value priced retailers, national chains, mass merchants, online retailers and catalog retailers throughout the United States. The Steve Madden brand has become a leading life-style brand in the fashion conscious marketplace. Steve Madden Women's offers fashion forward footwear designed to appeal to customers (primarily women ages 16 to 35) seeking exciting, new footwear designs at affordable prices. New products for Steve Madden Women's are test marketed at Company-owned retail stores. Typically, within a few days, we can determine if the test product appeals to our customers. This enables us to use our flexible sourcing model to rapidly respond to changing trends and customer preferences, which we believe is essential for success in the fashion industry.

Madden Girl. We design, source and market a full collection of directional young women's shoes under the Madden Girl® brand. Madden Girl is geared for young women ages 16 to 23, and is an "opening price point" brand currently sold at major department stores, mid-tier retailers and specialty stores.

Steve Madden Men's. We design, source, and market a life style collection of men's footwear for the fashion forward man, ages 18 to 45 years old, under the Steve Madden® brand. Retail channels include major department stores, mid-tier department stores, better specialty stores, online retailers and independent shoe stores throughout the United States. Price points for Steve Madden Men's products range from $70 to $150 at retail.

Madden. The Madden® brand is a denim friendly collection of footwear designed to meet the ever evolving needs of the trend conscious male consumer, ages 13 to 35 years old. Madden products range from $45 to $90 and are sold to national specialty stores, better department stores, mid-tier department stores, online retailers and independent specialty stores.

Steven. We design, source and market women's fashion footwear under the Steven® trademark through major department stores, better footwear specialty stores and shopping networks throughout the United States as well as in our retail stores. Priced a tier above the Steve Madden brand, Steven products are designed to appeal principally to fashion conscious women, ages 25 to 45, who shop at department stores, footwear boutiques and shopping networks.

Stevies and Steve Madden Kids. Our Stevies® and Steve Madden Kids® brands are designed, sourced and marketed to appeal to young girls, ages 6 to 12. Our Stevies® brand is sold exclusively to Target, while our Steve Madden Kids® brand is distributed to department stores, specialty stores, online retailers and independent boutiques throughout the United States.

Betsey Johnson. On October 5, 2010, the Company acquired the Betsey Johnson® trademark and substantially all other intellectual property of Betsey Johnson LLC. Products branded under the Betsey Johnson shoe brand are distributed through department stores and online retailers.

Superga. On February 9, 2011, the Company entered into a license agreement with Basic Properties America Inc. and BasicNet S.p.A., for the use of the Superga® trademark in connection with the marketing and sale of footwear. Founded in Italy in 1911, Superga is recognized for its fashion sneakers in a wide range of colors, fabrics and prints for women, men and children.

FREEBIRD by Steven. We design, source, and market a full collection of handcrafted, Goodyear welted boots. The designs are inspired by vintage Americana and created using time-honored craftsmanship. The FREEBIRD by Steven® collection conveys a unique fashion life style that transcends multiple generations. FREEBIRD by Steven products are currently sold, at retail prices ranging from $195 to $450 at major department stores, mid-tier retailers, and specialty boutiques.

Report. The Report® brand was acquired in our May 2011 acquisition of Topline Corporation ("Topline") and its subsidiaries. The Report® brand is a junior women's footwear brand with price points ranging from $20 to $150. We design, manufacture, market and sell our Report branded products to major department stores, mid-tier department stores and independently-owned boutiques throughout the United States.

Mad Love. The Mad Love® brand is an exclusive beach-to-the-street life style brand created to appeal to women with a young attitude and active life style and marketed exclusively to Target.

Dolce Vita. In August 2014, the Company acquired the Dolce Vita® and DV® brands and other intellectual property assets in the acquisition of Dolce Vita Holdings, Inc. Dolce Vita® is a contemporary women's footwear brand with price points ranging from $120 to $350. Our Dolce Vita® brand products are distributed through major department stores, mid-tier department stores and independently-owned boutiques throughout the United States. The DV® brand has price points ranging from $20 to $75 and is currently distributed exclusively at Target.

Brian Atwood. In March 2014, the Company acquired the Brian Atwood® designer brand and the B Brian Atwood® contemporary brand from Brian Atwood IP Company LLC. Founded in 2011, Brian Atwood is known for luxury shoes manufactured in Italy. We design, manufacture, market and sell our Brian Atwood branded products primarily to major department stores throughout the United States.

Blondo. In January 2015, the Company acquired the intellectual property and related assets of Blondo, a fashion-oriented footwear brand specializing in waterproof leather boots, booties, shoes and sneakers. Founded over 100 years ago, Blondo products are sold to wholesale customers, including better department stores and specialty boutiques in both the United States and Canada.

International Division. The International division, utilizing the brands discussed above, markets products to better department stores, major department stores, mid-tier department stores, specialty stores, luxury retailers, value priced retailers, national chains, mass merchants and catalog retailers throughout the United States, Canada, Mexico, certain European nations, including Albania, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Kosovo, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Sweden and Switzerland, and Tunisia. In addition, the International division works through special distribution arrangements for the marketing and sales of our products in Asia, Australia, Europe (excluding the aforementioned nations), India, the Middle East, South and Central America and New Zealand.

Private label business. We design, source and market private label footwear primarily to mid-tier chains and mass market merchants. In addition, we design, source and market footwear for third party brands, such as Material Girl® and Candies®.

Wholesale Accessories Segment

Our Wholesale Accessories segment designs, sources and markets name brands (including our Steve Madden®, Steven by Steve Madden®, Madden Girl®, Betsey Johnson®, Madden NYC, Big Buddha®, B Brian Atwood® and Luv Betsey® brands) and private label fashion handbags and accessories to department stores, mass merchants, value priced retailers, online retailers and specialty stores throughout the United States, Canada, Mexico and our International distributor network. In addition, we market and sell cold weather accessories, fashion scarves, wraps and other trend accessories primarily under our Cejon®, Steve Madden®, Betsey Johnson® and Big Buddha® brand names and private labels to department stores and specialty stores.

Retail Segment

As of December 31, 2016, we owned and operated 189 retail stores including 129 Steve Madden full price stores, 52 Steve Madden outlet stores, two Steven stores, one Superga store, one SHOO by Steve Madden store offering a variety of the Company's brands and four e-commerce websites (Steve Madden, Superga, Betsey Johnson and Dolce Vita). In 2016, we opened nine new full price stores, twelve new outlet stores and closed one full price store in the United States. Steve Madden stores are located in major shopping malls and in urban street locations across the United States, Canada, Mexico and South Africa. Comparative store sales (sales of those stores, including the e-commerce websites, that were open for all of 2016 and 2015) increased 4% in fiscal year 2016 from the prior year. The Company excludes new locations from the comparable store base for the first year of operations. Stores that are closed for renovations are removed from the comparable store base.

We anticipate that the Retail segment can enhance the Company's overall sales and profitability while increasing recognition for our brands. Additionally, our retail stores enable us to evaluate the appeal of new products and designs to our customers and respond accordingly, which, in turn, strengthens the product development efforts of our two Wholesale segments. We expect to open seven to eight new retail stores and close one location in 2017.

First Cost Segment

The First Cost segment earns commissions for serving as a buying agent for footwear products under private labels for many of the large mass-market merchandisers, shoe chains and other mid-tier retailers. As a buying agent, we utilize our expertise and our relationships with shoe manufacturers to facilitate the production of private label shoes to customer specifications. We believe that operating in the private label, mass merchandising market provides us additional non-branded sales opportunities and leverages our overall sourcing and design capabilities. Our First Cost segment earns commissions serving as a buying agent for the procurement of women's, men's and children's footwear for large retailers, including Kohl's, Sears and K-Mart. In addition, by leveraging the strength of our Steve Madden brands and product designs, we have been able to partially recover our design, product and development costs from our suppliers.

Licensing Segment

We license our Steve Madden®, Steven by Steve Madden® and Madden Girl® trademarks for use in connection with the manufacture, marketing and sale of outerwear, hosiery, activewear, sleepwear, jewelry, watches, hair accessories, umbrellas, bedding, luggage, and men’s leather accessories. We license the Stevies® trademark for use in connection with the manufacture, marketing and sale of outerwear exclusively to Target. In addition, the Company licenses the Betsey Johnson® trademark for use in connection with the manufacture, marketing and sale of women's and children’s apparel, hosiery, swimwear, outerwear, sleepwear, activewear, jewelry, watches, bedding, luggage, stationary, umbrellas, and household goods. We also license the Dolce Vita® trademark for use in connection with the manufacture, marketing and sale of women's apparel. Most of our license agreements require the licensee to pay us a royalty based on actual net sales, a minimum royalty in the event that specified net sales targets are not achieved and a percentage of sales for advertising the brand.

See Note O to our Consolidated Financial Statements included in this Annual Report on Form 10-K for additional information relating to our five operating segments.

Product Design and Development

We have established a reputation for our creative designs, marketing and trendy products at affordable price points. Our future success will substantially depend on our ability to continue to anticipate and react swiftly to changing consumer demands. To meet this objective, we have developed what we believe is an unparalleled design process that allows us to recognize and respond quickly to changing consumer demands. Our design team strives to create designs that fit our image, reflect current or anticipated trends and can be manufactured in a timely and cost-effective manner. Most new Steve Madden products are tested in select Steve Madden retail stores. Based on these tests, among other things, management selects the Steve Madden products that are then offered for wholesale and retail distribution nationwide. We believe that our design and testing processes and flexible sourcing models provide the Steve Madden brands with a significant competitive advantage allowing us to mitigate the risk of incurring costs associated with the production and distribution of less desirable designs.

Product Sourcing and Distribution

We source each of our product lines separately based on the individual design, style and quality specifications of the products in such product lines. We do not own or operate manufacturing facilities; rather, we use agents and our own sourcing office to source our products from independently-owned manufacturers in China, Mexico, Brazil, India, Indonesia, Vietnam and Italy. We have established relationships with a number of manufacturers and agents in each of these countries. We have not entered into any long-term manufacturing or supply contracts. We believe that a sufficient number of alternative sources exist for the manufacture of our products.

We continually monitor the availability of the principal raw materials used in our footwear, which are currently available from a number of sources in various parts of the world. We track inventory flow on a regular basis, monitor sell-through data and incorporate input on product demand from wholesale customers. We use retailers' feedback to adjust the production of products on a timely basis, which helps reduce the close out of slow-moving products.

The manufacturers of our products are required to meet our quality, human rights, safety and other standard requirements. We are committed to the safety and well-being of the workers throughout our supply chain.

Our products are manufactured overseas and a majority of our products filling domestic orders are shipped via ocean freight carriers to ports in California, New Jersey and Texas with the greatest reliance on the California ports. To a lesser extent we rely on air and ground freight carriers for the shipping of products. Once our products arrive in the U.S., we distribute them mainly from four third-party distribution centers, two located in California, one located in Texas and one located in New Jersey. Our products are also distributed through two Company-operated distribution centers located in New Jersey and Canada. By utilizing distribution facilities specializing in distribution fulfillment to effect distribution to certain wholesale accounts, Steve Madden retail stores and Internet customers, we believe that our customers are served more promptly and efficiently. For our international markets, products for our businesses in Canada and Mexico are shipped to ports in the respective countries, and products for our overseas distributors are shipped to freight forwarders primarily in China where the distributor arranges for subsequent shipment.

Customers

Our wholesale customers consist principally of better department stores, major department stores, mid-tier department stores, national chains, mass merchants, value priced retailers, specialty stores, online retailers and catalog retailers. These customers include Target Corporation, Nordstrom, Inc., Macy's, Inc., The TJX Companies, Inc., Ross Stores, Inc., DSW, Inc., Wal-Mart Stores, Inc., Payless ShoeSource, Inc., Burlington Stores, Inc. and Dillard's, Inc. For the year ended December 31, 2016, Target Corporation represented 12.0% of net sales and 16.9% of total accounts receivable. The Company did not have any other customers who accounted for more than 10% of total net sales or 10% of total accounts receivable.

Distribution Channels

United States, Canada, Mexico, Europe and South Africa

We sell our products principally through department stores, specialty stores, online retailers, luxury retailers, national chains and mass merchants in the United States, Canada, Mexico, certain European nations including Albania, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Kosovo, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Sweden and Switzerland, and Tunisia. In addition, we sell our products in our Company-owned retail stores in the United States, Canada, Mexico and South Africa and on our e-commerce websites. For the year ended December 31, 2016, our Retail segment and our two Wholesale segments generated net sales of approximately $262,756 and $1,136,795, or 19% and 81% of our total net sales, respectively. Each of these distribution channels is described below.

Steve Madden, Steve Madden Outlet, Steven and Superga Retail Stores. As of December 31, 2016, we operated 129 Steve Madden full price stores within the United States, Canada, Mexico and South Africa. We also operated 52 Steve Madden outlet stores, two Steven stores, one Superga store and one SHOO by Steve Madden store within the United States. Our SHOO by Steve Madden store offers a variety of the Company's brands. The Company also operated four e-commerce websites (Steve Madden, Superga, Betsey Johnson and Dolce Vita). We believe that our retail stores will continue to enhance overall sales, profitability, and our ability to react swiftly to changing consumer trends. Our stores also serve as a marketing tool that allows us to strengthen brand recognition and to showcase selected items from our full line of branded and licensed products. Furthermore, our retail stores provide us with venues through which to test and introduce new products, designs and merchandising strategies. We often test new designs at our Steve Madden retail stores before scheduling them for mass production and wholesale distribution. In addition to these test marketing benefits, we have been able to leverage sales information gathered at Steve Madden retail stores to assist our wholesale customers in order placement and inventory management.

A typical Steve Madden store is approximately 1,500 to 2,000 square feet and is located in a mall or street location that we expect will attract the highest concentration of our core demographic, style-conscious customer base. The Steven and Superga stores, which are generally the same size as our Steve Madden stores, have a more sophisticated design and format styled to appeal to a more mature target audience. The typical outlet store is approximately 2,000 to 2,500 square feet and is located within outlet malls throughout the United States. In addition to carefully analyzing mall demographics and locations, we set profitability guidelines for each potential store site. Specifically, we target well trafficked sites at which the demographics fit our consumer profile and seek new locations where the projected fixed annual rent expense stays within our guidelines. By setting these guidelines, we seek to identify stores that will contribute to our overall profitability both in the near and longer terms.

Department Stores. We currently sell to over 2,500 doors of 17 department stores throughout the United States, Canada, Mexico and certain European nations. Our major accounts include Macy's, Inc., Nordstrom, Inc., Dillard's, Inc., Belk, Inc. and Lord & Taylor.

We provide merchandising support to our department store customers including, in-store fixtures and signage, supervision of displays and merchandising of our various product lines. Our wholesale merchandising effort includes the creation of in-store concept shops in which to showcase a broader collection of our branded products. These in-store concept shops create an environment that is consistent with our image and are designed to enable the retailer to display and sell a greater volume of our products per square foot of retail space. In addition, these in-store concept shops encourage longer term commitment by the retailer to our products and enhance consumer brand awareness.

In addition to merchandising support, our key account executives maintain weekly communications with their respective accounts to guide them in placing orders and to assist them in managing inventory, assortment and retail sales. We leverage our sell-through data gathered at our retail stores to assist department stores in allocating their open-to-buy dollars to the most popular styles in the product line and phasing out styles with weaker sell-through, which, in turn, reduces markdown exposure at season's end.

National chains and mass merchants. We currently sell to national chains and mass merchants throughout the United States, Canada, Mexico and certain European nations. Our major accounts include Target Corporation, Wal-Mart Stores, Inc., Kohl's Corporation, and The J.C. Penney Company.

Specialty Stores/Catalog Sales. We currently sell to specialty store locations throughout the United States, Canada, Mexico and certain European nations. Our major specialty store accounts include DSW, Inc., Famous Footwear, Journeys and Payless ShoeSource, Inc. We offer our specialty store accounts the same merchandising, sell-through and inventory tracking support offered to our department store accounts. Sales of our products are also made through various catalogs, such as Bloomingdale's and Victoria's Secret.

Off-Price. We currently sell to off-price retailers throughout the United States, Canada, Mexico and certain European nations. Our major accounts include The TJX Companies, Inc., Ross Stores, Inc. and Burlington Stores, Inc.

Internet Sales. We operate four Internet e-commerce website stores (Steve Madden, Superga, Betsey Johnson and Dolce Vita) where customers can purchase numerous styles of our Steve Madden Women's, Steven, Madden Men's, FREEBIRD by Steven, Superga, Betsey Johnson and Dolce Vita, as well as selected styles of Madden Girl, footwear and accessory products. We also sell to online retailers throughout the United States and Canada. Our major accounts include Zappos and Amazon.

International Distributors

In addition to the countries and territories mentioned above, our products are available in many other countries and territories worldwide via retail selling and distribution agreements. Under the terms of these agreements, the distributors and retailers purchase product from the Company and are generally required to open a minimum number of stores each year and to pay a fee for each pair of footwear purchased and an additional sales royalty as a percentage of sales or a predetermined amount per unit of sale. Most of the distributors are required to purchase a minimum number of our products within specified periods. The agreements currently in place expire on various dates through February 14, 2031 and include automatic renewals at the distributors' option provided certain conditions are met. These agreements are exclusive in their specific territories, which include Asia, Australia, Europe, India, the Middle East, South and Central America and New Zealand.

Competition

The fashion industry is highly competitive. We compete with specialty shoe and accessory companies as well as companies with diversified footwear product lines, such as Nine West, Jessica Simpson, Guess, Ugg and Aldo. Our competitors may have greater financial and other resources than we do. We believe effective advertising and marketing, favorable brand image, fashionable styling, high quality, value and fast manufacturing turnaround are the most important competitive factors and intend to continue to employ these elements in our business. However, we cannot be certain that we will be able to compete successfully against our current and future competitors, or that competitive pressures will not have a material adverse effect on our business, financial condition and results of operations.

Marketing and Sales

We have focused on creating an integrated brand building program to establish Steve Madden as a leading designer of fashion footwear for style-conscious young women and men. Principal marketing activities include social media and digital marketing efforts, public relations including product and brand placements in life style and fashion magazines and digital outlets, as well as personal appearances by our founder and Creative and Design Chief, Steve Madden, and in-store promotions. We continue to promote our e-commerce websites where customers can purchase Steve Madden Women's, Steven, Madden Men's, FREEBIRD by Steven, Superga, Betsey Johnson and Dolce Vita, as well as selected styles of Madden Girl, footwear and accessory products, as well as view exclusive content, participate in contests and "live chat" with customer service representatives. We also connect with our customers through social media forums including Twitter, Facebook and Instagram.

Management Information Systems (MIS) Operations

Sophisticated information systems are essential to our ability to maintain our competitive position and to support continued growth. Our wholesale information system is an Enterprise Resource Planning ("ERP") system. This integrated system supports our wholesale business in the areas of finance and accounting, manufacturing-sourcing, purchase order management, customer order management and inventory control. We completed the implementation of this new ERP system for our wholesale business in 2014. We completed the implementation of such ERP system in three of our acquired businesses in 2015 and in two of our acquired businesses in 2016. We are currently in the process of implementing the ERP system for one of our U.S.-based wholesale businesses and our Asia first-cost and sourcing operations. In 2014 we completed the implementation of a new warehouse management system that is utilized by our third-party logistics providers. During 2015 we implemented this warehouse management system in a company-owned warehouse. This warehouse management system interfaces with our ERP system. We continue to implement our business-to-consumer e-commerce software platform for more recently acquired businesses and brands. We are also currently implementing a point of sale system for our retail stores that is integrated with a retail inventory management/store replenishment system. Complimenting all of these systems are ancillary systems and third-party information processing services, including, among others, supply chain, business intelligence/data warehouse, Electronic Data Interchange, credit card processing and payroll. We undertake updates of all of these management information systems on a periodic basis in order to ensure that our functionality is continuously improved.

Intellectual Property

Trademarks

We consider our trademarks to be among our most valuable assets and have registered many of our marks in the United States and 94 other countries and in numerous International Classes. From time to time we adopt new trademarks and new logos and/or stylized versions of our trademarks in connection with the marketing of new product lines. We believe that these trademarks have significant value and are important for purposes of identifying the Company, the marketing of our products and the products of our licensees, distinguishing them from the products of others. What follows is a list of the trademarks we believe are most significant to our business:

Steve Madden®	Report®
Steven by Steve Madden®	Report Signature®
Steven®	R Design®
Madden Girl®	Brian Atwood®
Stevies®	B Brian Atwood®
Big Buddha®	Dolce Vita®
Betseyville®	DV BY DOLCE VITA®
Betsey Johnson®	DV®
LUV BETSEY plus Kiss Design®	Wild Pair®
LUV BETSEY by Betsey Johnson Design®	MadLove®
Blondo®	Betsey Johnson plus Kiss Logo®
Steve Madden plus Design®	Report Seattle®
Blondo Waterproof plus Heart Design®	R2®
SM New York®	Topline®
SM New York plus Design®	Dolcetta®
Madden Girl by Steve Madden®	DV8®
Steve Madden plus Heart Logo®	JD FISK®
Stevies plus Design®	B Blondo plus Design®
Big Buddha plus Design®	Studio B®
Big Buddha love big. Live Buddha plus Design®	Studio Blondo®
Betsey Johnson Too Too®	Blue By Betsey Johnson®

We act aggressively to register trademarks and we monitor their use in order to protect them against infringement. There can be no assurance, however, that we will be able to effectively obtain rights to our marks throughout all of the world. Moreover, no assurance can be given that others will not assert rights in, or ownership of, our marks and other proprietary rights or that we will be able to resolve any such conflicts successfully. Our failure to adequately protect our trademarks from unlawful and improper appropriation may have a material adverse effect on our business, financial condition, results of operations and liquidity.

Trademark Licensing

Our strategy for the continued growth of the Company's business includes expanding the Company's presence beyond footwear and accessories through the selective licensing of our brands. As of December 31, 2016, we license our Steve Madden®, Steven by Steve Madden® and Madden Girl® trademarks for use in connection with the manufacture, marketing and sale of outerwear, hosiery, activewear, sleepwear, jewelry, watches, hair accessories, umbrellas, bedding, luggage, and men’s leather accessories. We license the Stevies® trademark for use in connection with the manufacture, marketing and sale of outerwear exclusively to Target. In addition, the Company licenses the Betsey Johnson® trademark for use in connection with the manufacture, marketing and sale of women's and children’s apparel, hosiery, swimwear, outerwear, sleepwear, activewear, jewelry, watches, bedding, luggage, stationary, umbrellas, and household goods. We also license the Dolce Vita® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel. Most of our license agreements require the licensee to pay us a royalty based on actual net sales, a minimum royalty in the event that specified net sales targets are not achieved and a percentage of sales for advertising the brand.

In addition to the licensing of our trademarks, we also license the trademarks of third parties for use in connection with certain of our product lines. Through a license agreement with Basic Properties America Inc. and BasicNet S.p.A we have the right to use the Superga® trademark in connection with the marketing and sale of footwear through December 31, 2022. This licensing agreement requires us to make royalty and advertising payments to the licensor equal to a percentage of our net sales or a minimum royalty and advertising payment in the event that specified net sales targets are not achieved. See Notes A and N to our Consolidated Financial Statements included in this Annual Report on Form 10-K for additional disclosure regarding these licensing arrangements.

Employees

On February 1, 2017, we employed approximately 3,925 employees, of whom approximately 2,419 work on a full-time basis and approximately 1,506 work on a part-time basis. Most of our part-time employees work in the Retail segment. Approximately 2,652 of our employees are located in the United States, approximately 704 employees are located in Hong Kong and China, approximately 356 employees are located in Canada, approximately 144 employees are located in Mexico, approximately 60 employees are located in South Africa and approximately 9 employees are located in Europe. None of our employees are represented by a union. Our management considers relations with our employees to be good. The Company has never experienced a material interruption of its operations due to a labor dispute.

Seasonality

Historically, some of our businesses, including our Retail segment, have experienced holiday retail seasonality. In addition to seasonal fluctuations, our operating results fluctuate from quarter to quarter as a result of the timing of holidays, weather, the timing of larger shipments of footwear, market acceptance of our products, product mix, pricing and presentation of the products offered and sold, the hiring and training of additional personnel, inventory write downs for obsolescence, the cost of materials, the product mix among our wholesale, retail and licensing businesses, the incurrence of other operating costs and factors beyond our control, such as general economic conditions and actions of competitors.

Backlog

We had unfilled wholesale customer orders of approximately $337,000 and $295,000, as of February 1, 2017 and 2016, respectively. Our backlog at a particular time is affected by a number of factors, including seasonality, timing of market weeks and wholesale customer purchases of our core products through our open stock program. Accordingly, a comparison of backlog from period to period may not be indicative of eventual shipments.

ITEM 1A RISK FACTORS

You should carefully consider the risks and uncertainties we describe below and the other information in this Annual Report on Form 10-K before deciding to invest in, sell or retain shares of our common stock. These are not the only risks and uncertainties that we face. Other sections of this report may discuss factors that could adversely affect our business. The retail industry is highly competitive and subject to rapid change. There may be additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial, or that we have not predicted, which may also harm our business or adversely affect us. If any of these risks or uncertainties actually occurs, our business, financial condition, results of operations and liquidity could be materially harmed.

Risks Related to the Industry in Which the Company Operates

Constantly Changing Fashion Trends and Consumer Demands. Our success depends in significant part upon our ability to anticipate and respond to product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. There can be no assurance that our products will correspond to the changes in taste and demand or that we will be able to successfully market products that respond to such trends. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities as to others. In addition, misjudgments in merchandise selection could adversely affect our image with our customers resulting in lower sales and increased markdown allowances for customers which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Intense Fashion Industry Competition. The fashion footwear and accessories industry is highly competitive and barriers to entry are low. Our competitors include specialty companies as well as companies with diversified product lines. The recent market growth in the sales of fashion footwear and accessories has encouraged the entry of many new competitors and increased competition from established companies. Many of these competitors, including Nine West, Guess, Jessica Simpson, Ugg and Aldo, may have significantly greater financial and other resources than we do and there can be no assurance that we will be able to compete successfully with other fashion footwear and accessories companies. Increased competition could result in pricing pressures, increased marketing expenditures and loss of market share, and could have a material adverse effect on our business, financial condition, results of operations and liquidity. We believe effective advertising and marketing, favorable branding of the Steve Madden® and our other trademarks, fashionable styling, high quality and value are the most important competitive factors and we plan to continue to focus on these elements as we develop new products and businesses. Our inability to effectively advertise and market our products and respond to customer preferences could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Cyclical Nature of the Fashion Industry. The overall fashion industry is cyclical, and purchasing tends to decline during recessionary periods when disposable income is low. Likewise, purchases of contemporary shoes and accessories tends to decline during recessionary periods and also may decline at other times. There can be no assurance that we will be able to grow or even maintain our current level of revenues and earnings, or remain profitable in the future. Continuing slow growth in the international, national or regional economies and uncertainties regarding future economic prospects, among other things, could affect consumer spending habits. The volatility and disruption of global economic and financial market conditions that began in 2008 has caused lingering declines in consumer confidence and spending in the United States and internationally. A further deterioration or a continued weakness of economic and financial market conditions for an extended period of time could have a material adverse effect on our business, financial condition, results of operations and liquidity.

A Rapidly Changing Retail Industry. In recent years, the retail industry has experienced consolidation and other ownership changes. In the future, retailers in the United States and in foreign markets may further consolidate, undergo restructurings or reorganizations, or realign their affiliations, any of which could decrease the number of stores that carry our products or increase the ownership concentration within the retail industry. Also, online retail shopping is rapidly evolving, and we expect competition in the e-commerce market will intensify. As a greater portion of consumer expenditures with retailers occurs online and through mobile commerce applications, our brick-and-mortar retail customers who fail to successfully integrate their physical retail stores and digital retail may experience financial difficulties, including store closures, bankruptcies or liquidations. This could, in turn, substantially increase our credit risk and have a material adverse effect on our results of operations, financial condition and cash flows. Our future success will be determined, in part, on our ability to identify and capitalize on retail trends, including technology, e-commerce and other process efficiencies that will better service our customers. If we fail to compete successfully, our businesses, market share, results of operations and financial condition will be materially and adversely affected. While such changes in the retail industry to date have not had a material adverse effect on our business or financial condition, results of operations and liquidity, there can be no assurance as to the future effect of any such changes.

Economic Uncertainty. Our opportunities for long-term growth and profitability are accompanied by significant challenges and risks, particularly in the near term. Specifically, our business is dependent on consumer demand for our products. We believe that declining consumer confidence accompanied with the tightening of credit standards, higher energy and food prices and unemployment rates and a decrease in consumers' disposable income has negatively impacted the level of consumer spending for discretionary items during the years ended December 31, 2016, 2015 and 2014. A continued weak economic environment could have a negative effect on the Company's sales and results of operations during the year ending December 31, 2017 and thereafter.

Legal, Regulatory and Political Risks of a Global Economy. Our business is subject to risks associated with our operations in international markets, including the burdens of complying with foreign laws and regulations, unexpected changes in tariffs, taxes or regulatory requirements, and political unrest and corruption. Regulatory changes could limit the countries in which we sell or source our products or significantly increase the cost of operating in or obtaining materials originating from certain countries. In addition, political and economic changes or volatility, geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war, public corruption and other economic or political uncertainties could interrupt and negatively affect our business operations. All of these factors could result in increased costs or decreased revenues and could materially and adversely affect our product sales, financial condition and results of operations.

Recently, the leaders of our federal government have increasingly focused on efforts to discourage U.S. corporations from outsourcing manufacturing and production activities to foreign jurisdictions, including through the possibility of imposing tariffs or penalties on goods manufactured outside the United States to attempt to discourage these practices. It has also been suggested that the United States may materially modify or withdraw from some of its existing trade agreements. Any of these actions, if ultimately enacted, could necessitate changes in the way we conduct business that could adversely affect our results of operations or profitability.

We are subject to the U.S. Foreign Corrupt Practices Act, which generally prohibits the payment of bribes to foreign officials to assist in obtaining or retaining business. We are also subject to anti-corruption laws of the foreign countries in which we operate. While we have implemented policies and procedures that are designed to promote compliance with such laws, our employees, contractors and agents may take actions that violate our policies and procedures. Any such violation could result in sanctions or other penalties against the Company and have an adverse effect on our business, reputation and operating results.

In June 2016, voters in the United Kingdom approved an advisory referendum, commonly referred to as “Brexit”, to withdraw from the European Union. Brexit has created political and economic uncertainty, particularly in the United Kingdom and the European Union, that may endure for years. The withdrawal of the United Kingdom from the European Union could significantly disrupt the free movement of goods, services, and people between the United Kingdom and the European Union, and increase legal and regulatory complexities, all of which could lead to higher costs of conducting business in Europe. Brexit could also encourage similar referendums in other European countries in which we do business. The terms of the United Kingdom's withdrawal from the European Union are uncertain. Its consequences could adversely impact consumer and investor confidence, and the level of consumer purchases of discretionary items and retail products, including our products. All of these factors could materially adversely affect our business, results of operations, and financial condition.

Risks Related to Our Business

Dependence on Key Personnel. The growth and success of our Company since its inception more than a quarter century ago is attributable, to a significant degree, to the talents, skills and efforts of our founder and Creative and Design Chief, Steven Madden. An extended or permanent loss of the services of Mr. Madden could severely disrupt our business and have a material adverse effect on the Company. In addition to Mr. Madden, the Company depends on the contributions of the members of our senior management team. Our senior executives have substantial experience and expertise in our business and industry and have made significant contributions to our growth and success as well. Competition for executive talent in the apparel, footwear and accessories industries is intense. While our employment agreements with Mr. Madden and most of our senior executives include a non-compete provision in the event of the termination of employment, the non-compete periods are of limited duration. While we believe we have depth within our senior management team, if we lose the services of our Creative and Design Chief or any of our senior executives, and especially if any of these individuals joins a competitor or forms a competing company, our business and financial performance could be seriously harmed. A loss of the skills, industry knowledge, contacts and expertise of our Creative and Design Chief or any of our senior executives could cause a setback to our operating plan and strategy.

Dependence Upon Significant Customers. Our customers consist principally of better department stores, major department stores, mid-tier department stores, specialty stores, luxury retailers, value priced retailers, national chains, mass merchants and catalog retailers. Certain of our department store customers, including some under common ownership, account for significant portions of our wholesale business. We generally enter into a number of purchase order commitments with our customers for each of our lines every season and do not enter into long-term agreements with any of our customers. Therefore, a decision by a significant customer, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease the amount of merchandise purchased from us or to change its manner of doing business could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Risks Associated with Extending Credit to Customers. We sell our products primarily to retail stores across the United States and extend credit based on an evaluation of each customer's financial condition, usually without collateral. Various retailers, including some of our customers, have experienced financial difficulties as a result of the financial crisis that began in 2008, which has increased the risk of extending credit to such retailers. However, our losses due to bad debts have been limited. Pursuant to the terms of our collection agency agreement, our factor, Rosenthal & Rosenthal, Inc., currently assumes the credit risk related to approximately 72% of our trade accounts receivable. In addition, we have letters of credit for approximately 6% of our trade accounts receivable. Still, if any of our customers experience a shortage of liquidity, the risk that the customer's outstanding payables to us would not be paid could cause us to curtail business with the customer or require us to assume more credit risk relating to the customer's account payable.

Risks Associated with Expansion of Retail Business. Our continued growth depends to a significant degree on whether we are successful in further developing and marketing our brands, and creating new brands, product categories and businesses that are appealing to our customers. The operation of company-owned Steve Madden, Steven and Superga stores and outlets is a significant part of our growth strategy. During the year ended December 31, 2016, we opened nine new full price stores, twelve new outlet stores and closed one full price store in the United States. We have plans to open 6 to 10 new retail stores in 2017. Our future expansion plan includes the opening of stores in new geographic markets as well as strengthening existing markets. New markets have in the past presented, and will continue to present, competitive and merchandising challenges that are different from those faced by us in our existing markets. There can be no assurance that we will be able to open new stores, and if opened, that such new stores will be able to achieve sales and profitability levels consistent with management's expectations. Our retail expansion is dependent on the performance of our wholesale and retail operations, generally, as well as on a number of other factors, including our ability to:

- locate and obtain favorable store sites;
- negotiate favorable lease terms;
- hire, train and retain competent store personnel;
- anticipate the preferences of our retail customers in new geographic areas;
- successfully integrate new stores into our existing operations.

Past comparable store sales results may not be indicative of future results and there can be no assurance that our comparable store sales results will increase or even be maintained in the future.

Management of Growth. The size of our business continues to grow organically and as a result of business acquisitions. In order to gain from our acquisitions, we must be effective in integrating the businesses acquired into our overall operations. Further, the expansion of our operations has increased and will continue to increase the demand on our managerial, operational and administrative resources. In recent years, we have invested significant resources in, among other things, our management information systems and hiring and training of new personnel. However, in order to manage currently anticipated levels of future demand, we may be required to, among other things, expand our distribution facilities, establish relationships with new manufacturers to produce our product, and continue to expand and improve our financial, management and operating systems. We may experience difficulty integrating acquired businesses into our operations and may not achieve anticipated synergies from such integration. There can be no assurance that we will be able to manage future growth effectively and a failure to do so could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Disruptions to Product Delivery Systems and Associated Inventory Management Issues. A majority of our products for U.S. distribution are shipped to us via ocean freight carriers to ports in California, New Jersey and Texas with the greatest reliance on California ports. The trend-focused nature of the fashion industry and the rapid changes in customer preferences leave us vulnerable to risk of inventory obsolescence. Our reliance upon ocean freight transportation for the delivery of our inventory exposes us to various inherent risks, including port workers' union disputes and associated strikes, work slow-downs and work stoppages, severe weather conditions, natural disasters and terrorism, any of which could result in delivery delays and inefficiencies, increase our costs and disrupt our business. Any severe and prolonged disruption to ocean freight transportation could force us to use alternate and more expensive transportation systems, such as the California port workers' dispute in 2014, which caused us to re-route our merchandise by air transit. Efficient and timely inventory deliveries and proper inventory management are important factors in our operations. Inventory shortages can adversely affect the timing of shipments to customers and diminish sales and brand loyalty. Conversely, excess inventories can result in lower gross margins due to the excessive discounts and markdowns that may be necessary to reduce high inventory levels. Severe and extended delays in the delivery of our inventory or our inability to effectively manage our inventory could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Disruption of Information Technology Systems and Websites. We are heavily dependent upon our information technology systems to record and process transactions and manage and operate all aspects of our business ranging from product design and testing, production, forecasting, ordering, transportation, sales and distribution, invoicing and accounts receivable management, quick response replenishment, point of sale support and financial management reporting functions. In addition, we have e-commerce and other Internet websites. Given the nature of our business and the significant number of transactions that we engage in on an annual basis, it is essential that we maintain constant operation of our information technology systems and websites and that these systems and our websites operate effectively. We depend on our in-house information technology employees and third-parties including “cloud” service providers to maintain and periodically update and/or upgrade these systems and our websites to support the growth of our business. Despite our preventative efforts, our information technology systems and websites may be vulnerable from time to time to damage or interruption from events such as difficulties in replacing or integrating new systems or the systems of acquired businesses, computer viruses, security breaches and power outages. Cybersecurity attacks are becoming increasingly sophisticated and run the gamut from malicious software and ransomware to electronic security breaches to corruption of data and beyond. We are continually evaluating, improving and upgrading our information technology systems and websites in an effort to address these concerns. Any such problems or interruptions could result in loss of valuable business data, our customers' or employees' personal information, disruption of our operations and other adverse impacts to our business and require significant expenditures by us to remediate any such failure, problem or breach. In addition, we must comply with increasingly complex regulatory standards enacted to protect business and personal data and an inability to maintain compliance with these regulatory standards could subject us to legal risks and penalties.

We maintain $25 million of network-security insurance coverage, above a $250,000 deductible. This coverage and certain other insurance coverage may reduce our exposure to electronic data theft and sabotage.

Breach of Customer Privacy. A routine part of our business includes the gathering, processing and retention of sensitive and confidential information pertaining to our customers, employees and others. While we believe that our information security and information technology systems and websites allow for the secure storage and transmission of private information regarding our customers and others, including credit card information and personal identification information, we may not have the resources or technical sophistication to anticipate or prevent the rapidly-evolving and complex cyber-attacks being unleashed by increasingly sophisticated hackers and data thieves. As a result, our facilities and information technology systems, as well as those of our third party service providers, may be vulnerable to cyber-attacks and breaches, acts of vandalism, ransomware, software viruses and other similar types of malicious activities. Any actual or threatened cyber-attack may cause us to incur costs, including costs related to the hiring of additional computer experts, business interruption, engaging third party cyber security consultants and upgrading our information security technologies. We also may be vulnerable to data and security breaches by us or by persons with whom we have commercial relationships resulting from misplaced or lost data, programming or human error, or other similar events. Any compromise or breach of our information technology systems that results in the misappropriation, loss or other unauthorized disclosure of a customer's or other person’s confidential or proprietary information, whether by the Company or a third party service provider, could result in a loss of confidence and severely damage our reputation and relationship with our customers and others who entrust us with sensitive information, violate applicable privacy and other laws and adversely affect our business, as well as expose the Company to the risk of litigation and significant potential liability.

Foreign Sourcing and Manufacturing. Virtually all of our products are purchased through arrangements with a number of foreign manufacturers, primarily from China, Mexico, India, Brazil, Indonesia, Italy and Vietnam. During 2016, approximately 87% of our total purchases were from China. Risks inherent in foreign operations including work stoppages, transportation delays and interruptions, social unrest and political upheaval and changes in economic conditions, can result in the disruption of trade from the countries in which our manufacturers or suppliers are located, the imposition of additional regulations relating to imports, the imposition of additional duties, taxes and other charges on imports, significant fluctuations of the value of the dollar against foreign currencies, or restrictions on the transfer of funds, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. While we believe that we manage our exposure to the risk that any such economic or political condition will materially affect our ability to purchase products because we are aware of the availability of a variety of materials and alternative sources, we cannot be certain that we will be able to identify such alternative materials and/or sources without delay or without greater cost to us. Our inability to identify and secure alternative sources of supply in this situation could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Impact of Custom Duties and Other Import Regulations. Virtually all of our products are imported and subject to United States custom duties. The United States and the countries in which our products are produced or sold, from time to time, impose new quotas, duties, tariffs or other restrictions on imports or exports, may adversely adjust prevailing quotas, duties or tariff levels, or impose sanctions in the form of additional duties to remedy perceived illegal actions, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Manufacturers' Inability to Produce Our Goods in a Timely Manner or Meet Quality Standards. As is common in the footwear and accessories industries, we contract with foreign manufactures who produce virtually all of our products to our specifications. We do not own or operate any manufacturing facilities; therefore, we are dependent upon third parties for the manufacture of all of our products. The inability of a manufacturer to ship orders of our products in a timely manner or to meet our quality standards could cause us to miss the delivery date requirements of our customers for those items, which, in turn, could result in cancellation of orders, refusal to accept deliveries, a reduction in purchase prices and, ultimately, termination of a customer relationship, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

SEC rules relating to "conflict minerals" require the Company to incur additional expenses and could adversely affect our business. The SEC has promulgated final rules mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act requiring the disclosure of the use of tantalum, tin, tungsten and gold, known as "conflict minerals," included in products either manufactured by public companies or as to which public companies have contracted for the manufacture. These rules, adopted in an effort to prevent inadvertent support of armed conflict in the Democratic Republic of Congo and certain adjoining countries (collectively, the "DRC"), require companies to investigate their supply chains to determine whether these minerals are present in their products and, if so, from where the minerals originated. The rules also require disclosure and annual reporting as to whether or not conflict minerals, if used in the manufacture of the products offered, originated from the DRC. Compliance with these rules could adversely affect the sourcing, supply and pricing of materials used in our products. We currently require our manufacturers to comply with policies addressing legal and ethical concerns relating to labor, employment, political and social matters including restrictions on the use of conflict minerals. Violation of these policies by our manufacturers could harm our reputation, disrupt our supply chain and/or increase our cost of goods sold. Additionally, violation of any of these policies by our manufacturers could cause us to face disqualification as a supplier for our customers and suffer reputational challenges. Due to the complexity of our supply chain, compliance with the rules requires significant efforts from a cross-operational team and diverts our management and personnel and results in potential costs of additional staff. Any of the foregoing could adversely affect our sales, net earnings, business and financial condition and results of operations.

Difficulty in Locating Replacement Manufacturers. Although we enter into a number of purchase order commitments each season specifying a time frame for delivery, method of payment, design and quality specifications and other standard industry provisions, we do not have long-term contracts with any manufacturer. As a consequence, any of these manufacturing relationships may be terminated, by either party, at any time. In addition, we may seek replacement manufacturers for various reasons, including a significant increase in the prices we are required to pay to existing manufacturers of our goods. Although we believe that other facilities are available for the manufacture of our products, there can be no assurance that such facilities would be available to us on an immediate basis, if at all, or be able to meet our quality standards and delivery requirements, or that the costs charged to us by such manufacturers would not be significantly greater than those presently paid.

Manufacturers' Failure to Use Acceptable Labor Practices and Comply with Local Laws and Other Standards. Our products are manufactured by numerous independent manufacturers outside of the United States. We also have license agreements that permit our licensees to manufacture or contract to manufacture products using our trademarks. We impose, and require that our licensees impose, on these manufacturers environmental, health, and safety standards for the benefit of their labor force. In addition, we require these manufacturers to comply with applicable standards for product safety. However, we do not control our independent manufacturers or licensing partners or their labor, product safety and other business practices and, from time to time, our independent manufacturers may not comply with such standards or applicable local law or our licensees may not require their manufacturers to comply with such standards or applicable local law. The violation of such standards and laws by one of the independent manufacturers with whom we contract or by one of our licensing partners, or the divergence of a manufacturer's or a licensing partner's labor practices from those generally accepted as ethical in the United States, could harm our reputation, result in a product recall or require us to curtail our relationship with and locate a replacement for such manufacturer, which, as noted in the immediately preceding risk factor, could be challenging. Any of these events could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Seasonal and Quarterly Fluctuations. Our results of operations may fluctuate from quarter to quarter and are affected by a variety of factors, including:

- the timing of holidays;
- weather conditions;
- the timing of larger shipments of footwear;
- market acceptance of our products;
- the mix, pricing and presentation of the products offered and sold;
- the hiring and training of additional personnel;

- inventory write downs for obsolescence;
- the cost of materials;
- the product mix between wholesale, retail and licensing businesses;
- the incurrence of other operating costs; and
- factors beyond our control, such as general economic conditions and actions of competitors.

In addition, we expect that our sales and operating results may be significantly impacted by the opening of new retail stores and the introduction of new products. Accordingly, the results of operations in any quarter will not necessarily be indicative of the results that may be achieved for a full fiscal year or any future quarter.

Extreme or unseasonable weather conditions in locations in which we or our customers and suppliers are located could adversely affect our business. Our corporate headquarters and principal operational locations, including retail, distribution and warehousing facilities, may be subject to natural disasters and other severe weather and geological events that could disrupt our operations. The occurrence of such natural events may result in sudden disruptions in business conditions of the local economies affected, as well as of the regional and global economies, and may result in decreased demand for our products and disruptions in our management functions, sales channels and manufacturing and distribution networks, which could have a material adverse effect on our business, financial condition and results of operations. Extreme weather events and changes in weather patterns can also influence customer trends and shopping habits. Extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season may diminish demand for our seasonal merchandise. Heavy snowfall, hurricanes or other severe weather events in the areas in which our retail stores and the retail stores of our wholesale customers are located may decrease customer traffic in those stores and reduce our sales and profitability. If severe weather events force closure of or disrupt operations at the distribution centers we use for our merchandise, we could incur higher costs and experience longer lead times to distribute our products to our retail stores, wholesale customers or e-commerce customers. If prolonged, such extreme or unseasonable weather conditions could adversely affect our business, financial condition and results of operations.

Inadequate Trademark Protections. We believe that our trademarks and other proprietary rights are of major significance to our success and our competitive position and consider some of our trademarks, such as Steve Madden, to be integral to our business and among our most valuable assets. Accordingly, we devote substantial resources to the establishment and protection of our trademarks on a worldwide basis. Nevertheless, there can be no assurance that the actions taken by us to establish and protect our trademarks and other proprietary rights will be adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products on the basis that our products violate the trademarks and proprietary rights of others. Moreover, no assurance can be given that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve such conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States. Our failure to establish and then protect such proprietary rights from unlawful and improper utilization could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Litigation and Other Legal Proceedings. We are involved in various claims, litigations and other legal and regulatory proceedings and governmental investigations that arise from time to time in the ordinary course of our business. Due to the inherent uncertainties of litigation and such other proceedings and investigations, we cannot predict with accuracy the ultimate outcome of any such matters. An unfavorable outcome could have an adverse impact on our business, financial condition and results of operations and the amount of insurance coverage we maintain to address such matters may be inadequate to cover these or other claims. In addition, any significant litigation, investigation or proceeding, regardless of its merits, could divert financial and management resources that would otherwise be used to benefit our operations. See Item 3 “Legal Proceedings,” below for additional information regarding certain of the matters in which we are involved.

Declines in Our Stock Price Due to Inaccurate Predictions. The trading price of our common stock periodically may rise or fall based on the accuracy of predictions of our future performance. As one of our primary objectives, we strive to maximize the long-term strength, growth and profitability of our Company, rather than to achieve an earnings target in any particular fiscal quarter. We believe that this longer-term goal is in the best interests of the Company and our stockholders, but recognize that it may be helpful to our stockholders and potential investors for us to provide guidance as to our quarterly and annual forecast of net sales and earnings. While we endeavor to provide meaningful and considered guidance at the time it is provided and generally expect to provide updates to our guidance when we report our results each fiscal quarter, actual results may differ from our predictions as the guidance is based on assumptions and expectations that may or may not come to pass and, as such, we assume no responsibility to update any of our forward-looking statements at such times or otherwise. If and when we announce actual results that differ from those that have been predicted by us, the market price of our common stock could be adversely affected. Investors who rely on these predictions in making investment decisions with respect to our common stock do so at their own risk. We take no responsibility for any losses suffered as a result of such changes in the price of our common stock.

In addition, at any given time outside securities analysts may follow our financial results and issue reports that discuss our historical financial results and the analysts' predictions of our future performance, which our stockholders and potential investors may choose to rely on in making investment decisions. These analysts' predictions are based upon their own opinions and are often different from our own forecasts. Our stock price could decline if our results are below the estimates or expectations of these outside analysts.

Exposure to Foreign Currency Fluctuations. We make the majority of our purchases in U.S. dollars. However, we source substantially all of our products overseas and, as such, the cost of these products may be affected by changes in the value of the relevant currencies. Changes in currency exchange rates may also affect the relative prices at which we and our foreign competitors sell products in the same market. We use forward foreign exchange contracts to hedge material exposure to adverse changes in foreign exchange rates. However, no hedging strategy can completely insulate us from foreign exchange risk. We are also exposed to gains and losses resulting from the effect that fluctuations in foreign currency exchange rates have on the reported results in our financial statements due to the translation of operating results and financial position of our foreign subsidiaries. There can be no assurance that foreign currency fluctuations will not have a material adverse effect on our business, financial condition, results of operations and liquidity.

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 2 PROPERTIES

We lease space for our headquarters, our retail stores, showrooms and office facilities in various locations in the United States, as well as overseas. We own one improved real property parcel in Long Island City, New York. We believe that our existing facilities are in good operating condition and are adequate for our present level of operations. The following table sets forth information with respect to our key properties:

Location	Leased/Owned	Primary Use	Approximate Area Square Feet
Dongguan, Guangdong Province, China	Leased	Offices and sample production	166,800
Long Island City, NY	Leased	Executive offices	90,000
Bayonne, NJ	Leased	Warehouse	83,000
Montreal, Canada	Leased	Offices, warehouse	82,422
Bellevue, WA	Leased	Offices, Topline	41,500
New York, NY	Leased	Offices and showroom, Accessories	30,000
Putian City, Guangdong Province, China	Leased	Offices	13,800
New York, NY	Leased	Showroom	13,401
Seattle, Washington	Leased	Offices and showroom, Dolce Vita	10,537
New York, NY	Leased	Offices and showroom, Dolce Vita	10,000
Long Island City, NY	Leased	Storage	7,200
Kwai Chung, Hong Kong	Leased	Offices	3,800
Mexico City, Mexico	Leased	Offices, SM Mexico	3,520
Los Angeles, CA	Leased	Showroom, Steven	2,700
Long Island City, NY	Owned	Other	2,200
New York, NY	Leased	Apartments	1,800
New York, NY	Leased	Office	850
Dallas, Texas	Leased	Showroom	800

All of our retail stores are leased pursuant to leases that, under their original terms, extend for an average of ten years. Many of the leases contain rent escalation clauses to compensate for increases in operating costs and real estate taxes over the base year. The current terms of our retail store leases expire as follows:

Years Initial Lease Terms Expire	Number of Stores
2017	22
2018	13
2019	19
2020	12
2021	20
2022	20
2023	24
2024	18
2025	21
2026	15
2027	1

ITEM 3 LEGAL PROCEEDINGS
($ in thousands)

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

On November 21, 2011, U.S. Customs issued a pre-penalty notice to the Company in which it alleges that gross negligence by the Company resulted in an underpayment of duties with respect to certain pre-2002 buying agreements and claims that the Company owes $342 as an additional duty and $1,367 in monetary penalties. In its February 16, 2012 response to the pre-penalty notice, the Company submitted that it owes no additional duty and, further, did not through negligence or gross negligence fail to pay any duty or engage in conduct amounting to either gross negligence or negligence. The Company requested that U.S. Customs withdraw its proposal to issue a notice of penalty and take no further adverse action against the Company. In the event that U.S. Customs is not inclined to withdraw the pre-penalty notice after review of the Company's response, the Company has requested the opportunity to make an oral presentation to U.S. Customs prior to the issuance of a notice of penalty. On June 26, 2014, the Company's counsel met with U.S. Customs officials and, following the meeting, counsel submitted to U.S. Customs a letter and the Company's check in the amount of $342, representing the Company's Offer in Compromise of the proposed government claim. The Offer in Compromise was filed without any admission or acceptance by the Company with respect to the proposed claim. In the event that U.S. Customs determines to issue a notice of penalty, the Company intends to file a petition for relief requesting a reduction of the level of culpability and mitigation of the penalty amount assessed. The maximum total amount of damages, including penalty, related to this matter is estimated at approximately $1,700 for which the Company has accrued $1,248.

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 our financial position or results of operations or cash flows.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information. Our shares of common stock have traded on the NASDAQ Global Select Market since August 1, 2007 and were traded on the NASDAQ National Market prior to that date. The following table sets forth the range of high and low closing sales prices for our common stock during each fiscal quarter during the two-year period ended December 31, 2016 as reported by the NASDAQ Global Select Market. The trading volume of our securities fluctuates and may be limited during certain periods. As a result, the liquidity of an investment in our securities may be adversely affected.

Common Stock

	High	Low		High	Low
2016			**2015**		
Quarter ended March 31, 2016	$38.48	$27.80	Quarter ended March 31, 2015	$38.48	$29.33
Quarter ended June 30, 2016	$38.06	$31.68	Quarter ended June 30, 2015	$43.47	$36.93
Quarter ended September 30, 2016	$36.97	$32.69	Quarter ended September 30, 2015	$44.73	$35.68
Quarter ended December 31, 2016	$40.55	$32.30	Quarter ended December 31, 2015	$38.76	$29.98

Holders. As of February 27, 2017, there were 135 holders of record of our common stock.

Dividends. With the exception of a special cash dividend paid in November 2005 and in November 2006, we have not declared or paid any cash dividends in the past to the holders of our common stock. We intend to retain earnings, if any, for potential future dividends and to finance the development and expansion of our business. Future dividend policy will be subject to the discretion of our Board of Directors and will be contingent upon future earnings, if any, our financial condition, capital requirements, general business conditions, and other factors. Therefore, we can give no assurance that any cash dividends of any kind will be paid to holders of our common stock in the future.

Equity Compensation Plans. Information regarding our equity compensation plans as of December 31, 2016 is disclosed in Item 12, “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

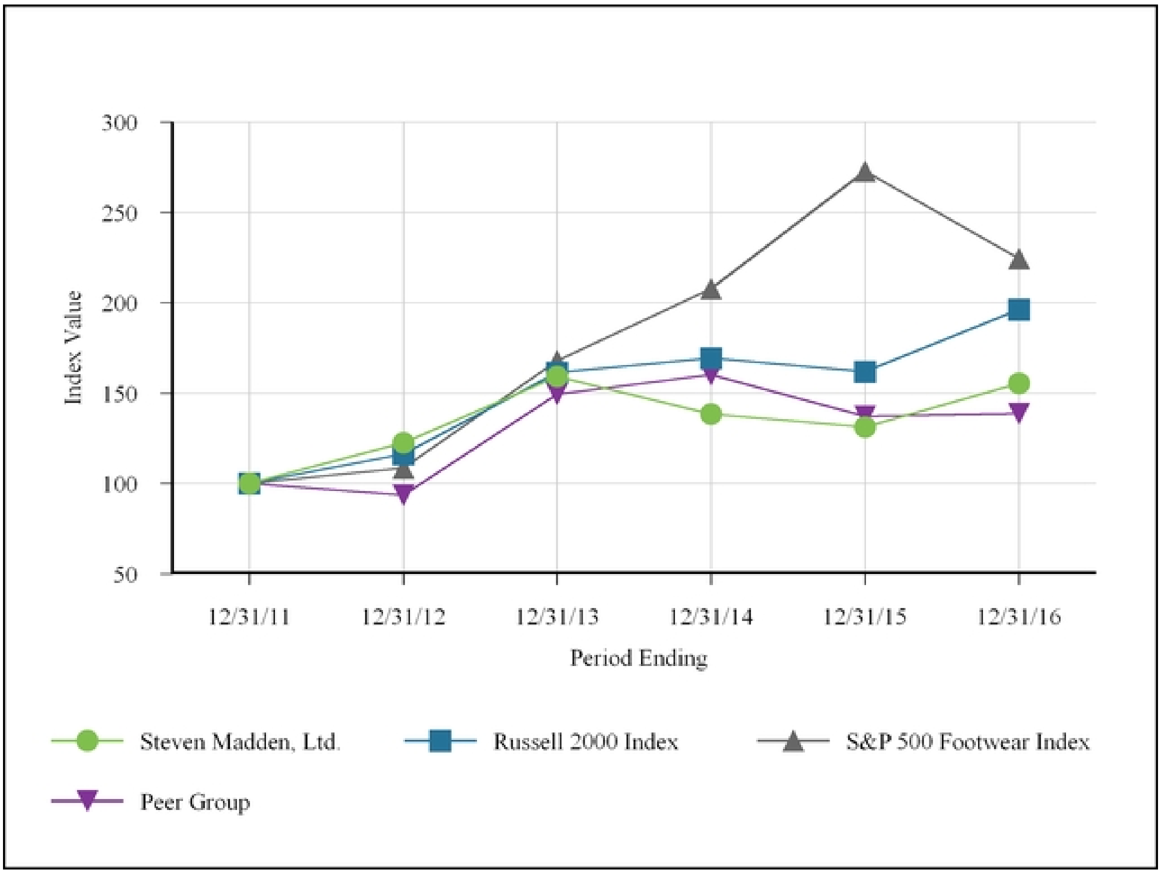
Issuer Repurchases of Equity Securities. The Company's Board of Directors authorized a share repurchase program (the "Share Repurchase Program") effective as of January 1, 2004. The Share Repurchase Program permits the Company to effect repurchases from time to time through a combination of open market repurchases or in privately negotiated transactions at such prices and times as are determined to be in the best interest of the Company. The Share Repurchase Program does not have a fixed expiration or termination date and may be modified or terminated by the Board of Directors at any time. On several occasions the Board of Directors has increased the amount authorized for repurchase, most recently on February 22, 2016 when the Board of Directors approved the continuation of the Share Repurchase Program for an additional $136 million. During fiscal year 2016, an aggregate of 2,141,823 shares of the Company's common stock were repurchased under the Share Repurchase Program, at an average per share price of $35.11, for an aggregate purchase price of approximately $75 million. At December 31, 2016, an aggregate of approximately $117 million remained available for future repurchases of our common stock under the Share Repurchase Program. The following table presents the total number of shares of the Company's common stock, $.0001 par value, purchased by the Company in the three months ended December 31, 2016, the average price paid per share and the approximate dollar value of the shares that still could have been purchased at the end of the fiscal period, pursuant to the Company's Share Repurchase Program.

Period	Total Number of Shares Purchased[(1)]		Average Price Paid per Share[(1)]	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs		Maximum Dollar Amount of Shares that May Yet Be Purchased Under the Plans or Programs
10/1/2016 - 10/31/2016	—	$	—	—	$	134,126
11/1/2016 - 11/30/2016	67,576	$	38.60	19,906	$	133,374
12/1/2016 - 12/31/2016	448,261	$	37.93	421,829	$	117,374
Total	515,837	$	38.02	441,735	$	117,374

(1) The Steven Madden, Ltd. 2006 Stock Incentive Plan provides the Company with the right to deduct or withhold, or require employees to remit to the Company, an amount sufficient to satisfy any applicable tax withholding obligations applicable to stock-based compensation awards. To the extent permitted, employees may elect to satisfy all or part of such withholding obligations by tendering to the Company previously owned shares or by having the Company withhold shares having a fair market value equal to the minimum statutory tax withholding rate that could be imposed on the transaction. Of the total number of shares purchased by the Company in the fourth quarter of 2016, 74,102 shares were withheld in connection with the settlement of vested restricted stock to satisfy tax withholding requirements.

Performance Graph. The following graph compares the yearly percentage change in the cumulative total stockholder return on our common stock during the period beginning on December 31, 2011, and ending on December 31, 2016, with the cumulative total return on the Russell 2000 Index, the S&P 500 Footwear Index and a peer group index. In 2016, the Company has decided that going forward the Company will remove the S&P 500 Footwear Index and replace it with a peer group index of companies believed to be engaged in similar businesses, as we believe the composition of the new peer group is more representative of our current business. The peer group index consists of six companies: Caleres, Inc., Crocs, Inc., Deckers Outdoor Corporation, Genesco Inc., Skechers U.S.A., Inc. and Wolverine World Wide, Inc.

The comparison assumes that $100 was invested on December 31, 2011 in our common stock and in the foregoing indices and assumes the reinvestment of dividends.



	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Steven Madden, Ltd.	$100.00	$122.52	$159.09	$138.39	$131.39	$155.43
Russell 2000 Index	$100.00	$116.35	$161.52	$169.42	$161.95	$196.45
S&P 500 Footwear Index	$100.00	$108.66	$167.88	$207.76	$272.97	$224.64
Peer Group	$100.00	$93.53	$149.43	$160.21	$137.38	$138.84

ITEM 6 SELECTED FINANCIAL DATA

The following selected financial data has been derived from our audited Consolidated Financial Statements. The Income Statement Data relating to 2016, 2015 and 2014, and the Balance Sheet data as of December 31, 2016 and 2015 should be read in conjunction with the information provided in Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” and the notes to our Consolidated Financial Statements appearing elsewhere in this Annual Report on Form 10-K.

INCOME STATEMENT DATA
Year Ended December 31,
(in thousands, except per share data)

	2016	2015	2014	2013	2012
Net sales	$ 1,399,551	$ 1,405,239	$ 1,334,951	$ 1,314,223	$ 1,227,072
Cost of sales	877,568	904,747	865,951	831,847	771,370
Gross profit	521,983	500,492	469,000	482,376	455,702
Commissions and licensing fee income - net	11,884	16,647	13,723	15,632	15,395
Operating expenses	(364,691)	(342,446)	(315,081)	(295,223)	(283,689)
Impairment charges	—	(3,045)	—	983	(8,432)
Income from operations	169,176	171,648	167,642	203,768	178,976
Interest income (expense) - net	2,488	2,191	3,074	4,100	3,018
Other income (expense) - net	(664)	(1,373)	677	1,083	2,193
Income before provision for income taxes	171,000	172,466	171,393	208,951	184,187
Provision for income taxes	49,726	58,811	58,764	75,666	64,623
Net income	121,274	113,655	112,629	133,285	119,564
Net (income) loss attributable to non-controlling interests	(363)	(717)	(749)	(1,278)	62
Net income attributable to Steven Madden, Ltd.	$ 120,911	$ 112,938	$ 111,880	$ 132,007	$ 119,626
Basic income per share	$2.12	$1.91	$1.82	$2.04	$1.85
Diluted income per share	$2.03	$1.85	$1.76	$1.98	$1.81
Basic weighted average shares of common stock	57,109	58,997	61,451	64,583	64,529
Effect of dilutive securities - options and restricted stock	2,447	2,145	2,225	2,253	1,726
Diluted weighted average shares of common stock outstanding	59,556	61,142	63,676	66,836	66,255

BALANCE SHEET DATA
At December 31,

	2016	2015	2014	2013	2012
Total assets	$ 973,047	$ 914,385	$ 911,235	$ 880,241	$ 804,039
Working capital	359,529	284,178	266,513	345,313	309,861
Noncurrent liabilities	48,848	60,923	64,115	46,898	43,161
Stockholders' equity	$ 741,072	$ 678,663	$ 669,529	$ 678,840	$ 626,400

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our Financial Condition and Results of Operations should be read in conjunction with our audited Consolidated Financial Statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K.

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

Steven Madden, Ltd. and its subsidiaries (collectively, the "Company", "we", "our", "us", as applicable) design, source, market and sell fashion-forward branded and private label footwear for women, men and children. In addition, we design, source, market and sell name brand and private label fashion handbags and accessories, through our Accessories Division. We market and sell our products through better department stores, major department stores, mid-tier department stores, specialty stores, luxury retailers, value priced retailers, national chains, mass merchants, online retailers, catalog retailers throughout the United States, Canada, Mexico, certain European nations, including Albania, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Kosovo, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Sweden and Switzerland, and Tunisia. In addition, our products are marketed through our retail stores and our e-commerce websites within the United States, Canada, Mexico and South Africa, and under special distribution arrangements in Asia, Australia, Europe, India, the Middle East, South and Central America and New Zealand. Our product line includes a broad range of contemporary styles designed to establish or capitalize on market trends, complemented by core product offerings. We have established a reputation for design creativity and our ability to offer quality products in popular styles at accessible price points, delivered in an efficient manner and time frame.

Our business is comprised of five distinct segments (Wholesale Footwear, Wholesale Accessories, Retail, First Cost and Licensing). Our Wholesale Footwear segment includes the following brands: Steve Madden Women's®, Madden Girl®, Steve Madden Men's®, Madden®, Report®, Dolce Vita®, DV by Dolce Vita®, Mad Love®, Steven by Steve Madden®, Superga® (under license), Betsey Johnson®, Betseyville®, Steve Madden Kids®, FREEBIRD by Steven®, Stevies®, B Brian Atwood®, Blondo®, Madden NYC and includes our International business and certain private label footwear business. Our Wholesale Accessories segment includes Big Buddha®, Madden NYC, Betsey Johnson®, Steve Madden®, Steven by Steve Madden®, Madden Girl®, Luv Betsey®, B Brian Atwood®, Cejon® accessories brands and includes our International business and certain private label accessories business. Steven Madden Retail, Inc., our wholly-owned retail subsidiary, operates Steve Madden, Steven, Superga and International retail stores, as well as Steve Madden, Superga, Betsey Johnson and Dolce Vita e-commerce websites. The First Cost segment represents activities of a subsidiary that earns commissions for serving as a buying agent for footwear products under private labels for many of the country's large mass-market merchandisers, shoe chains and other value priced retailers. Our Licensing segment is engaged in the licensing of the Steve Madden®, Steven by Steve Madden® and Madden Girl® trademarks for use in connection with the manufacture, marketing and sale of outerwear, hosiery, activewear, sleepwear, jewelry, watches, hair accessories, umbrellas, bedding, luggage and men's leather accessories. We license the Stevies® trademark for use in connection with the manufacture, marketing and sale of outerwear exclusively to Target. In addition, we license our Betsey Johnson® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel, hosiery, swimwear, outerwear, sleepwear, activewear, jewelry, watches, bedding, luggage, stationary, umbrellas and household goods. We also license our Dolce Vita® trademark for use in connection with the manufacture, marketing and sale of women's and children's apparel.

In April 2016, the Company formed a joint venture ("SM Europe") with SPM Shoetrade Holding B.V. through its subsidiary, Steve Madden Europe B.V. The Company is the majority interest holder in SM Europe and controls the joint venture. SM Europe is the exclusive distributor of the Company's products in Albania, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Kosovo, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Sweden, Switzerland, and Tunisia. Additionally, the Company had strong retail growth during the year with net sales increasing 9% to $262,756 compared to $240,312 in the prior year period. This increase reflects a comparable store sales, which represent sales of stores (including the e-commerce websites) that were in operation throughout 2016 and 2015, increase of 4% driven by better fashion trends and stronger product assortment coupled with a net increase of twenty stores year over year. Further, despite a challenging environment, the Company is pleased with the growth of the Steve Madden Women's, Dolce Vita and Blondo brands.

Subsequent to the end of the 2016 fiscal year, on January 30, 2017, the Company entered into an Equity Purchase Agreement (the "Purchase Agreement") with Schwartz & Benjamin, Inc., a New York corporation ("S&A"), B.D.S., Inc., a Delaware corporation ("B.D.S"), Quinby Ridge Enterprises LLC, a Delaware limited liability company ("QRE"), DANIELBARBARA Enterprises LLC, a New York limited liability company ("DBE" and, collectively with S&A, B.D.S. and QRE, "Schwartz &

Benjamin”), the owners of all of the issued and outstanding equity interests in Schwartz & Benjamin (the “Sellers”), and Daniel Schwartz, as designated agent for the Sellers, pursuant to which the Company purchased all of the outstanding equity interests in Schwartz & Benjamin from the Sellers. The purchase price payable to the Sellers in the acquisition consists of (i) $15,750 in cash paid at closing, subject to a post-closing working capital adjustment, plus (ii) a cash earn-out payment based on the performance of Schwartz & Benjamin in each of the next six years (beginning on February 1 and ending on January 31 of each year) equal to, in the case of earn-out years one through four, 40% of the EBITDA (as defined in the Purchase Agreement) of Schwartz & Benjamin and, in the case of earn-out years five and six, 75% of the EBITDA of Schwartz & Benjamin. The sum of $1,000 of the purchase price was deposited into escrow at closing to secure potential indemnification obligations of the Sellers. Schwartz & Benjamin, which was founded in 1923, engages in the design, sourcing and sale of branded and private label footwear and distributes it fashion footwear to wholesale customers, including better department stores and specialty boutiques, as well as the retail stores of its brand partners.

Key Performance Indicators and Statistics

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

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

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

Non-GAAP Measures

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

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

	Years Ended December 31 ($ in thousands)		
	2016	2015	2014
Net Income	$ 121,274	$ 113,655	$ 112,629
Add back:			
Provision for income taxes	49,726	58,811	58,764
Deduct:			
Other Income (expense) - net *	(664)	(1,373)	677
Interest, net	2,488	2,191	3,074
Adjusted EBIT	169,176	171,648	167,642
Add back:			
Depreciation and amortization	19,868	19,379	14,519
Loss on disposal of fixed assets	652	1,780	291
Adjusted EBITDA	189,696	192,807	182,452

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

Executive Summary

Net sales for 2016 slightly decreased by 0.4% to $1,399,551 from $1,405,239 in 2015. The net sales decrease is due to a decline in both the Wholesale Footwear segment and the Wholesale Accessories segment partially offset by an increase in our Retail segment. Net income increased 7.1% to $120,911 in 2016 compared to $112,938 in 2015. The Company's effective tax rate for 2016 decreased to 29.1% compared to 34.1% recorded in 2015 due primarily to the tax benefit received in connection with the early adoption of Accounting Standard Update No. 2016-09 ("ASU 2016-09"), Improvements to Employee Share-Based Payment Accounting, which changes the accounting for certain aspects of share-based payments to employees (refer to Note Q in the Consolidated Financial Statements) coupled with the planned reinvestment of foreign earnings in foreign locations. Diluted earnings per share in 2016 increased to $2.03 per share on 59,556,000 diluted weighted average shares outstanding compared to $1.85 per share on 61,142,000 diluted weighted average shares outstanding in the prior year.

In our Retail segment, same store sales (sales attributable to those stores, including the e-commerce websites, that were in operation throughout 2016 and 2015) increased 4%, and sales per square foot increased to $752 in 2016 compared to sales per square foot of $723 in 2015. As of December 31, 2016, we had 189 stores in operation, compared to 169 stores as of December 31, 2015. Our store increase was primarily related to the addition of nine full price stores and twelve outlet store locations partially offset by one full price store closing.

Our total inventory turnover was 8.2 times compared to 8.7 times in the comparable period of last year. Our accounts receivable average collection days were 66 days in 2016 compared to 67 days in 2015. As of December 31, 2016, we had $236,169 in cash, cash equivalents and marketable securities, no short or long-term debt and total stockholders' equity of $741,072. Working capital increased to $359,529 as of December 31, 2016, compared to $284,178 on December 31, 2015.

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

	Years Ended December 31 ($ in thousands)					
	2016		2015		2014	
CONSOLIDATED:						
Net sales	**$ 1,399,551**	**100.0%**	$ 1,405,239	100.0 %	$ 1,334,951	100.0%
Cost of sales	**877,568**	**62.7%**	904,747	64.4 %	865,951	64.9%
Gross profit	**521,983**	**37.3%**	500,492	35.6 %	469,000	35.1%
Other operating income – net of expenses	**11,884**	**0.8%**	16,647	1.2 %	13,723	1.0%
Operating expenses	**364,691**	**26.1%**	342,446	24.4 %	315,081	23.6%
Impairment charges	**—**	**—%**	(3,045)	(0.2)%	—	0.1%
Income from operations	**169,176**	**12.1%**	171,648	12.2 %	167,642	12.6%
Interest and other income – net	**1,824**	**0.1%**	818	0.1 %	3,751	0.3%
Income before income taxes	**171,000**	**12.2%**	172,466	12.3 %	171,393	12.8%
Net income attributable to Steven Madden, Ltd.	**120,911**	**8.6%**	112,938	8.0 %	111,880	8.4%
By Segment:						
WHOLESALE FOOTWEAR SEGMENT:						
Net sales	**$ 881,864**	**100.0%**	$ 898,364	100.0 %	$ 881,041	100.0%
Cost of sales	**602,028**	**68.3%**	632,542	70.4 %	621,277	70.5%
Gross profit	**279,836**	**31.7%**	265,822	29.6 %	259,764	29.5%
Operating expenses	**178,622**	**20.3%**	167,156	18.6 %	154,171	17.5%
Income from operations - before impairment charges	**101,214**	**11.5%**	98,666	11.0 %	105,593	12.0%
WHOLESALE ACCESSORIES SEGMENT:						
Net sales	**$ 254,931**	**100.0%**	$ 266,563	100.0 %	$ 246,608	100.0%
Cost of sales	**170,510**	**66.9%**	178,202	66.9 %	161,968	65.7%
Gross profit	**84,421**	**33.1%**	88,361	33.1 %	84,640	34.3%
Operating expenses	**45,389**	**17.8%**	48,683	18.3 %	45,867	18.6%
Income from operations - before impairment charges	**39,032**	**15.3%**	39,678	14.9 %	38,773	15.7%
RETAIL SEGMENT:						
Net sales	**$ 262,756**	**100.0%**	$ 240,312	100.0 %	$ 207,302	100.0%
Cost of sales	**105,030**	**40.0%**	94,003	39.1 %	82,706	39.9%
Gross profit	**157,726**	**60.0%**	146,309	60.9 %	124,596	60.1%
Operating expenses	**140,680**	**53.5%**	126,607	52.7 %	115,043	55.5%
Income from operations - before impairment charges	**17,046**	**6.5%**	19,702	8.2 %	9,553	4.6%
Number of stores	**189**		169		160	
FIRST COST SEGMENT:						
Other commission income – net of expenses	**$ 3,824**	**100.0%**	$ 6,795	100.0 %	$ 6,438	100.0%
LICENSING SEGMENT:						
Licensing income – net of expenses	**$ 8,060**	**100.0%**	$ 9,852	100.0 %	$ 7,285	100.0%

RESULTS OF OPERATIONS
($ in thousands)

Year Ended December 31, 2016 vs. Year Ended December 31, 2015

Consolidated:

Net sales for the year ended December 31, 2016 slightly decreased by 0.4% to $1,399,551 from $1,405,239 for fiscal year 2015. For the year ended December 31, 2016, gross margin as a percentage of net sales increased to 37.3% compared to 35.6% in the prior year primarily resulting from higher initial mark-ups, decreased markdown allowances, and reduced close-outs coupled with sales mix in the Wholesale Footwear segment. Operating expenses increased in 2016 to $364,691 from $342,446 in 2015. Operating expenses for the year ended December 31, 2015 included a benefit of $3,048 related to income arising from the early termination of our lease for our 5th Avenue, New York store, which was closed during the first quarter of 2015. Excluding this benefit, operating expenses in 2015 were $345,494. Excluding the aforementioned benefit, the increase in operating expenses in 2016 is primarily due to the increase in retail store locations, employee-related expenses, charges related to an increase in contingent liabilities related to the Dolce Vita acquisition and costs associated with our new joint venture in Europe. As a result, operating expenses as a percentage of sales increased to 26.1% in the year ended December 31, 2016 compared to 24.6%, excluding the aforementioned benefit, in the previous year. Commission and licensing fee income decreased to $11,884 in 2016 compared to $16,647 in 2015 primarily due to a decline in our First Cost segment. During the year ended December 31, 2016, income from operations decreased to $169,176 and net income attributable to Steven Madden, Ltd. increased to $120,911 compared to income from operations of $171,648 and net income attributable to Steven Madden, Ltd. of $112,938 in 2015. Net income attributable to Steven Madden, Ltd. for the year ended December 30, 2016 included a tax benefit of $5,244 related to the adoption of Accounting Standards Update No. 2016-09, Improvements to Employee Share-Based Payment Accounting, which changes the accounting for certain aspects of share-based payments to employees. Net income attributable to Steven Madden, Ltd. for the year ended December 30, 2015 included the $3,048 pre-tax benefit related to the closure of our 5th Avenue, New York store location as well as a pre-tax charge of $3,045 related to the partial impairment of our Wild Pair trademark.

Wholesale Footwear Segment:

Net sales generated by the Wholesale Footwear segment was $881,864, or 63.0%, and $898,364, or 63.9%, of our total net sales for the years ended December 31, 2016 and 2015, respectively. The decrease was driven by decreases in our private label business, international distributor business and our Madden Girl brand partially offset by increases in our Dolce Vita, Steve Madden Women's and Blondo brands.

Gross profit margin increased to 31.7% in 2016 from 29.6% in the prior year primarily resulting from higher initial mark-ups, decreased markdown allowances, and reduced close-outs coupled with sales mix. Operating expenses increased to $178,622 in 2016 compared to $167,156 in the same period of 2015 primarily due to charges related to an increase in contingent liabilities related to the Dolce Vita acquisition coupled with increases in employee-related expenses, advertising and promotion, and costs associated with our new joint venture in Europe. As a percentage of sales, operating expenses increased to 20.3% in 2016 from 18.6% in 2015 due to the increase in expenses discussed above coupled with deleverage on lower sales. Income from operations, excluding a pre-tax charge of $3,045 related to the partial impairment of our Wild Pair trademark in 2015, increased to $101,214 for the year ended December 31, 2016 compared to $98,666 for the year ended December 31, 2015.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for $254,931, or 18.2%, and $266,563, or 19.0%, of total Company net sales for the years ended December 31, 2016 and 2015, respectively. The decrease year over year is primarily driven by decreases in sales of Big Buddha handbags, cold weather accessories and belts partially offset by increases in sales of private label handbags.

Gross profit margin in the Wholesale Accessories segment remained flat at 33.1% in 2016 and 2015. In the year ended December 31, 2016, operating expenses decreased to $45,389 compared to $48,683 in the year ended December 31, 2015. As a percentage of sales, operating expenses decreased to 17.8% in 2016 from 18.3% in 2015 primarily due to the impact of the year-over-year benefit received for the reversal of contingent liabilities related to acquisitions in the third quarter of 2016 and 2015. Income from operations for the Wholesale Accessories segment decreased to $39,032 in 2016 compared to $39,678 in 2015.

<u>Retail Segment</u>:

Net sales generated by the Retail segment accounted for $262,756, or 18.8%, and $240,312, or 17.1%, of total Company net sales for the years ended December 31, 2016 and 2015, respectively, which represents a $22,444 or 9.3% increase, year over year. This growth is primarily due to the net addition of twenty stores from the prior year coupled with an increase in comparable store sales of 4.0% driven by strong fashion footwear trends and stronger product assortment. During 2016, we added nine full price stores and twelve outlets and closed one full price location. As a result, we had 189 retail stores as of December 31, 2016, compared to 169 stores as of December 31, 2015. The 189 stores currently in operation include 129 Steve Madden full price stores, 52 Steve Madden outlet stores, two Steven store, one Superga store, one multi-branded SHOO store and four e-commerce websites. Comparable store sales (sales of those stores, including the e-commerce websites, that were open for all of 2016 and 2015) for the year ended December 31, 2016 increased 4.0% when compared to the prior year. The Company excludes new locations from the comparable store base for the first year of operations. Stores that are closed for renovations are removed from the comparable store base. During the year ended December 31, 2016, gross margin decreased to 60.0% from 60.9% in 2015 primarily due to the impact of foreign currency fluctuations on our international operations. In 2016, operating expenses increased to $140,680 from $126,607 in 2015 primarily due to the incremental cost associated with new store openings and increases in employee-related and rent expenses in existing locations. Operating expenses in 2015 included a benefit of $3,048 related to income arising from the early termination of our lease for our 5th Avenue, New York store, which was closed during the first quarter of 2015. Excluding this benefit, operating expenses in 2015 were $129,655. Excluding the lease benefit in 2015, operating expenses as a percentage of sales decreased to 53.5% in 2016 from 54.0% in the prior year. For the year ended December 31, 2016, income from operations for the Retail segment decreased to $17,046 compared to $19,702 in the prior year. Excluding the benefit of $3,048 in 2015, income from operations for the Retail segment in 2015 was $16,654.

<u>First Cost Segment</u>:

Income for the First Cost segment, which includes net commission income and fees, decreased to $3,824 for the year ended December 31, 2016, compared to $6,795 in 2015 due to a reduction in business with certain private label footwear customers.

<u>Licensing Segment:</u>

During the year ended December 31, 2016, income for the Licensing segment decreased to $8,060 as compared to the prior year income of $9,852 primarily driven by the discontinuation of the Steve Madden eyewear licenses.

Year Ended December 31, 2015 vs. Year Ended December 31, 2014

<u>Consolidated</u>:

Net sales for the year ended December 31, 2015 increased by 5.3% to $1,405,239 from $1,334,951 for fiscal year 2014. For the year ended December 31, 2015, gross margin as a percentage of net sales increased to 35.6% compared to 35.1% in the prior year. Operating expenses increased in 2015 to $342,446 from $315,081 in 2014. Operating expenses, in 2015, included a benefit of $3,048 related to income arising from the early termination of our lease for our 5th Avenue, New York store, which was closed during the first quarter of 2015. Excluding this benefit, operating expenses were $345,494. Excluding the aforementioned benefit, the increase in operating expenses is primarily due to the increase in retail store locations and the impact of recent acquisitions, partially offset by the reversal of contingent liabilities. Operating expenses, excluding the aforementioned lease termination income, as a percentage of sales increased to 24.6% in the year ended December 31, 2015 compared to 23.6% in the previous year due to operating expense deleverage on lower organic sales. Commission and licensing fee income increased to $16,647 in 2015 compared to $13,723 in 2014. During the year ended December 31, 2015, income from operations increased to $171,648 and net income attributable to Steven Madden, Ltd. increased to $112,938 compared to income from operations of $167,642 and net income attributable to Steven Madden, Ltd. of $111,880 in 2014. Net income attributable to Steven Madden, Ltd. included the $3,048 pre-tax benefit related to the closure of our 5th Avenue, New York store location. Net income attributable to Steven Madden, Ltd. also included a pre-tax charge of $3,045 related to the partial impairment of our Wild Pair trademark, which was triggered by a decrease in expected sales stream from a significant customer.

<u>Wholesale Footwear Segment</u>:

Net sales generated by the Wholesale Footwear segment was $898,364, or 63.9%, and $881,041, or 66.0%, of our total net sales for the years ended December 31, 2015 and 2014, respectively. Excluding net sales attributable to the acquisitions of

Dolce Vita, SM Mexico and Blondo in each year, organic net sales decreased 6.4% to $791,468 in fiscal year 2015 compared to $845,827 in the prior year. The prior year amount of $881,041 was adjusted to exclude sales of SM Mexico as a distributor prior to our acquisition of SM Mexico, and Dolce Vita sales due to the partial period. Excluding acquisitions, the decrease in net sales in 2015 was driven by declines in both branded and private label footwear.

Gross profit margin slightly increased to 29.6% in 2015 from 29.5% in the prior year, primarily due to the impact of acquisitions. Excluding the impact of acquisitions, gross profit margin was 29.4% in 2015 compared to 30.1% in 2014. In the year ended December 31, 2015, operating expenses were $167,156 compared to $154,171 in the same period of 2014. As a percentage of sales, operating expenses increased to 18.6% in 2015 from 17.5% in 2014, due to deleverage from the organic sales decrease and acquisitions. Excluding the impact of acquisitions, operating expenses as a percentage of sales were 17.8% in 2015 and 17.3% in 2014. Income from operations for the Wholesale Footwear segment, excluding a pre-tax charge of $3,045 related to the partial impairment of our Wild Pair trademark, decreased to $98,666 for the year ended December 31, 2015 compared to $105,593 for the year ended December 31, 2014. Excluding acquisitions, income from operations for the Wholesale Footwear segment was $90,934 in 2015 compared to $107,866 in 2014.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for $266,563, or 19.0%, and $246,608, or 18.5%, of total Company net sales for the years ended December 31, 2015 and 2014, respectively. The increase year over year is primarily due to double digit increases in Betsey Johnson, Steve Madden and private label handbags partially offset by decreases in Big Buddha handbags, cold weather accessories and belts.

Gross profit margin in the Wholesale Accessories segment decreased to 33.1% in 2015 from 34.3% in the prior year primarily due to increased sales to value priced retailers and increased sales of private label handbags both of which have lower margins. In the year ended December 31, 2015, operating expenses increased to $48,683 compared to $45,867 in the year ended December 31, 2014. As a percentage of sales, operating expenses decreased to 18.3% in 2015 from 18.6% in 2014 due to the current year amounts including a favorable impact from a benefit received for the reversal of contingent liabilities. Income from operations for the Wholesale Accessories segment increased to $39,678 in 2015 compared to $38,773 in 2014.

Retail Segment:

Net sales generated by the Retail segment accounted for $240,312, or 17.1%, and $207,302, or 15.5%, of total Company net sales for the years ended December 31, 2015 and 2014, respectively, which represents a $33,010 or 15.9% increase, year over year. This growth is primarily due to an increase in comparable store sales of 11.2% driven by better fashion footwear trends, stronger product assortment and improvement in conversion rate, and the net addition of nine stores from the prior year. Excluding the acquisition of SM Mexico retail stores, net sales increased 12.0%. During 2015, we added seven full price stores and eight outlets and closed six full price locations. As a result, we had 169 retail stores as of December 31, 2015, compared to 160 stores as of December 31, 2014. The 169 stores in operation as of December 31, 2015 include 123 Steve Madden full price stores, 40 Steve Madden outlet stores, one Steven store, one Superga store and four e-commerce websites. Comparable store sales (sales of those stores, including the e-commerce websites, that were open for all of 2015 and 2014) for the year ended December 31, 2015 increased 11.2% when compared to the prior year. The Company excludes new locations from the comparable store base for the first year of operations. Stores that are closed for renovations are removed from the comparable store base. During the year ended December 31, 2015, gross margin increased to 60.9% from 60.1% in 2014 primarily due to decreased promotional activity compared to the prior year. In 2015, operating expenses increased to $126,607 from $115,043 in 2014 primarily due to the incremental cost associated with new store openings and the acquisition of SM Mexico. Operating expenses included a benefit of $3,048 related to income arising from the early termination of our lease for our 5th Avenue, New York store, which was closed during the first quarter of 2015. Excluding this benefit, operating expenses were $129,655. Excluding the lease benefit, operating expenses as a percentage of sales decreased to 54.0% in 2015 from 55.5% in the prior year. For the year ended December 31, 2015, income from operations for the Retail segment increased to $19,702 compared to $9,553 in the prior year. Excluding the benefit of $3,048 in the first quarter of 2015, income from operations for the Retail segment was $16,654.

First Cost Segment:

The First Cost segment generated income from operations of $6,795 for the year ended December 31, 2015, compared to $6,438 in 2014.

Licensing Segment:

During the year ended December 31, 2015, the Licensing segment generated income of $9,852 as compared to the prior year income of $7,285.

LIQUIDITY AND CAPITAL RESOURCES
($ in thousands)

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

Cash, cash equivalents and short-term investments totaled $165,610 and $104,838 at December 31, 2016 and December 31, 2015, respectively. Of the total cash, cash equivalents and short-term investments at December 31, 2016, $70,450, or approximately 43%, was held in our foreign subsidiaries and of the total cash, cash equivalents and short-term investments at December 31, 2015, $73,640, or approximately 70%, was held in our foreign subsidiaries. To date, deferred taxes have been estimated and accrued for all of our foreign subsidiary earnings that have not been determined to be indefinitely reinvested. As of December 31, 2016 and 2015, the cumulative total amount of earnings considered to be indefinitely reinvested of our foreign subsidiaries was $134,249 and $85,147, respectively. If such amounts were not indefinitely reinvested, the Company would incur approximately $26,615 in taxes that were not previously provided for in our consolidated statements of income. Management believes that our existing domestic and international cash, cash equivalents, short-term investments and cash flows from operations, which are not considered to be indefinitely reinvested, continue to be sufficient to fund our domestic operating activities. Therefore, we do not intend, nor do we foresee a need, to repatriate foreign earnings of $134,249 as of December 31, 2016, that were considered to be indefinitely reinvested and we do not believe there are any material implications or restrictions on our liquidity as a result of having a significant portion of our cash, cash equivalents and short-term investments held by our foreign subsidiaries.

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. (“Rosenthal”). The agreement 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 based, at our election, upon either the prime rate or LIBOR. The agreement can be terminated by the Company or Rosenthal at any time with 60 days’ prior written notice. As of December 31, 2016 we had no borrowings against this credit facility.

As of December 31, 2016, we had working capital of $359,529. We had cash and cash equivalents of $126,115, investments in marketable securities short and long term of $110,054 and we did not have any long-term debt.

We believe that based upon our current financial position and available cash, cash equivalents and marketable securities, we will meet all of our financial commitments and operating needs for at least the next 12 months.

OPERATING ACTIVITIES
($ in thousands)

Cash provided by operations was $153,604 in 2016 compared to cash provided by operations of $135,963 in the prior year. The primary source of cash was net income of $121,274 and increases in our accounts payable and accrued expenses of $15,324. The primary use of cash was an increase of inventories of $17,744.

INVESTING ACTIVITIES
($ in thousands)

During the year ended December 31, 2016, we invested $40,451 in marketable securities and received $52,215 from the maturities and sales of securities. We made capital expenditures of $15,897, principally for new stores and improvements to existing stores, systems enhancements and leasehold improvements to office space. Cash of $249 was received in the repayment of the note receivable from the seller of SM Canada.

FINANCING ACTIVITIES
($ in thousands)

During the year ended December 31, 2016, net cash used by financing activities was $95,453, which consisted of share repurchases of $86,005, payment of contingent liabilities related to acquisitions completed in prior years of $16,402 and cash paid of $3,759 to acquire the remaining minority interest in Madlove, LLC, partially offset by proceeds from the exercise of stock options of $10,713.

CONTRACTUAL OBLIGATIONS
($ in thousands)

Our contractual obligations as of December 31, 2016 were as follows:

	Payment due by period				
Contractual Obligations	**Total**	**2017**	**2018 - 2019**	**2020 - 2021**	**2022 and after**
Operating lease obligations	$ 248,258	$ 41,281	$ 73,034	$ 62,912	$ 71,031
Purchase obligations	200,460	200,460	—	—	—
Contingent payment liability	7,948	7,948	—	—	—
Other long-term liabilities (future minimum royalty payments)	6,270	1,270	2,000	2,000	1,000
Total	$ 462,936	$ 250,959	$ 75,034	$ 64,912	$ 72,031

At December 31, 2016, we had no open letters of credit for the purchase of inventory.

On January 3, 2012, the Company and its Creative and Design Chief, Steven Madden, entered into an amendment, dated as of December 31, 2011, to Mr. Madden’s then existing employment agreement with the Company. The amended agreement, which extends the term of Mr. Madden's employment through December 31, 2023, provides for a base salary of approximately $7,417 in 2013, approximately $9,667 in 2014, approximately $11,917 in 2015 and approximately $10,698 per annum for the period between January 1, 2016 through the expiration of the term of employment. The employment agreement provided Mr. Madden with the right, exercisable on certain specified dates in fiscal year 2012 only, to elect to receive a grant of restricted stock for a number of shares of the Company’s common stock valued at $40,000 in consideration for a reduction in his annual base salary in years subsequent to 2012 as follows: $4,000 in 2013, approximately $6,125 in 2014, approximately $8,250 in 2015 and approximately $7,026 per annum for the period between January 1, 2016 through the expiration of the employment agreement on December 31, 2023. On June 30, 2012, Mr. Madden exercised this right and on July 3, 2012 he was granted 1,893,342 restricted shares of the Company's common stock at the then market price of $21.13, which will vest in the same manner as the February 8, 2012 restricted stock grant received by Mr. Madden pursuant to the amended agreement. (See Note N to the Consolidated Financial Statements.) Accordingly, Mr. Madden's annual base salary was reduced as described above. In addition to the opportunity for cash bonuses at the sole discretion of the Board of Directors, Mr. Madden’s employment agreement entitles him to an annual life insurance premium payment as well as an annual stock option grant and the potential for an additional one-time stock option grant based on achievement of certain financial performance criteria. The employment agreement also provides for the elimination of interest accrued after December 31, 2011 on an outstanding loan in the original principal amount of $3,000 made by the Company to Mr. Madden, the extension of the maturity date of such loan until December 31, 2023, and the forgiveness of 1/10th of the principal amount of the loan, together with accrued interest, annually over a ten-year period commencing on December 31, 2014 for so long as Mr. Madden continues to be employed by the Company on each such December 31. As a result of the elimination of further interest accumulation, the outstanding principal and the accrued interest as of December 31, 2011 has been discounted to reflect imputed interest, which will be amortized over the remaining life of the loan.

The Company has employment agreements with certain executive officers, which provide for the payment of compensation aggregating approximately $3,217 in 2017, $2,652 in 2018, and $1,393 in 2019. In addition, some of these employment agreements provide for discretionary bonuses and some provide for incentive compensation based on various performance criteria as well as other benefits including stock related compensation.

Virtually all of our products are produced by independent manufacturers at overseas locations, the majority of which are located in China, with a small and growing percentage located in Mexico in addition to smaller amounts in India, Brazil, Indonesia Italy, and Vietnam. We have not entered into any long-term manufacturing or supply contracts with any of these foreign manufacturers. We believe that a sufficient number of alternative sources exist outside of the United States for the manufacture of our products. Purchases are made primarily in United States dollars.

INFLATION

We do not believe that inflation and price changes have had a significant effect on the Company's sales or profitability for the fiscal year ended December 31, 2016 and the prior two fiscal years. Historically, we have minimized the impact of product cost increases by increasing prices, changing suppliers and by improving operating efficiencies. However, no assurance can be given that we will be able to offset such inflationary cost increases in the future.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Consolidated Financial Statements included in this Annual Report on Form 10-K, which have been prepared in accordance with generally accepted accounting principles in the United States ("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 materially 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 Consolidated Financial Statements: allowance for bad debts, returns, and customer chargebacks; inventory valuation; valuation of intangible assets, litigation reserves, and contingent payment liabilities.

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 performance 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 and goodwill. Accounting Standards Codification ("ASC") Topic 350, "Intangible – Goodwill and Other", requires that goodwill and intangible assets with indefinite lives be tested for impairment at least annually. This pronouncement 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").

Indefinite-lived intangible assets and goodwill are assessed for impairment using either a qualitative or quantitative approach. We perform this annual assessment during our third quarter. Where we use the qualitative assessment, first we determine if, based on qualitative factors, it is more likely than not that an impairment exists. Factors considered include historical financial performance, macroeconomic and industry conditions and legal and regulatory environment. If the qualitative assessment indicates that it is more likely than not that an impairment exists, then a quantitative assessment is performed. The quantitative assessment requires an analysis of several estimates including future cash flows or income consistent with management's strategic business plans, annual sales growth rates and the selection of assumptions underlying a discount rate (weighted average cost of capital) based on market data available at the time.

In accordance with ASC Topic 360, long-lived assets, such as property, equipment, leasehold improvements and intangible assets subject to amortization, are reviewed for impairment annually or whenever events or changes in circumstances 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 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 its estimates. Such revisions in management's estimates of a contingent liability could materially impact our results of operation and financial position.

Contingent payment liabilities. The Company has completed acquisitions that require us to make contingent payments to the sellers based on the future financial performance of the acquired businesses over a period of from one to six years. The fair value of the contingent payments is estimated using the present value of management's projections of the financial results of the acquired business. Failure to correctly project the financial results of the acquired businesses could materially impact our results of operations and financial position.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
($ in thousands)

Our financing arrangements are subject to variable interest rates primarily based on the prime rate and LIBOR. An analysis of our collection agency agreement with Rosenthal can be found in the "Liquidity and Capital Resources" section under Part II, Item 7, and in Note C to the Consolidated Financial Statements included in this Annual Report on Form 10-K under the caption "Factor Receivable." As of December 31, 2016, we held marketable securities valued at approximately $110,054, which consisted primarily of corporate bonds and certificates of deposit. These securities are subject to interest rate risk and will decrease in value if interest rates increase. We currently have the ability to hold these securities until maturity.

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

During 2016, the Company entered into forward foreign exchange contracts. We performed a sensitivity analysis based on a model that measures the impact of a hypothetical change in foreign currency exchange rate to determine the effects that market risk exposures may have on the fair values of our forward foreign exchange contracts that were outstanding as of the year-end. As of December 31, 2016, a 10% appreciation or depreciation of the U.S. dollar against the exchange rates for foreign currencies under forward foreign exchange contracts would result in a net increase or decrease, respectively, in the fair value of our derivatives portfolio of approximately $27.

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

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated herein by reference to the Consolidated Financial Statements listed in response to Item 15 of Part IV of this Annual Report on Form 10-K.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15(b) of 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 year covered by this Annual Report on Form 10-K. 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 effective as of the end of the fiscal year covered by this Annual Report on Form 10-K.

Management's Annual Report on Internal Control Over Financial Reporting

Management of Steven Madden, Ltd. is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act).

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

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

With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness, as of the end of our fiscal year ended December 31, 2016, of our internal control over financial reporting based on the framework and criteria established in the 2013 Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation our management has concluded that, as of December 31, 2016, our internal control over financial reporting was effective.

Our independent registered public accounting firm, EisnerAmper LLP, has audited the Company's consolidated financial statements and the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. Their report appears in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting, identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 of the Exchange Act, that occurred during the fiscal quarter ended December 31, 2016, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B OTHER INFORMATION

On February 28, 2017, the Company issued a press release reporting its financial results for the fiscal quarter and fiscal year ended December 31, 2016, a copy of which is attached as Exhibit 99.01 to this Annual Report.

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required to be furnished pursuant to this Item will be set forth in our proxy statement for the 2017 Annual Meeting of Stockholders, and is incorporated herein by reference.

ITEM 11 EXECUTIVE COMPENSATION

The information required to be furnished pursuant to this Item will be set forth in our proxy statement for the 2017 Annual Meeting of Stockholders, and is incorporated herein by reference.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required to be furnished pursuant to this Item will be set forth in our proxy statement for the 2017 Annual Meeting of Stockholders, and is incorporated herein by reference.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required to be furnished pursuant to this Item will be set forth in our proxy statement for the 2017 Annual Meeting of Stockholders, and is incorporated herein by reference.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required to be furnished pursuant to this Item will be set forth in our proxy statement for the 2017 Annual Meeting of Stockholders, and is incorporated herein by reference.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statements Schedules
See Index to Consolidated Financial Statements included herein.

(b) Exhibits. See the exhibit index included herein.

SIGNATURES

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

DATE: February 28, 2017

STEVEN MADDEN, LTD.

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld
Chairman and Chief Executive Officer

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each of the undersigned constitutes and appoints Edward R. Rosenfeld and Arvind Dharia, and each of them, as attorneys-in-fact and agents, with full power of substitution and re-substitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that each of said attorney-in-fact or substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/S/ EDWARD R. ROSENFELD Edward R. Rosenfeld	Chairman, Chief Executive Officer and Director	February 28, 2017
/S/ ARVIND DHARIA Arvind Dharia	Chief Financial Officer and Chief Accounting Officer	February 28, 2017
/S/ AMELIA NEWTON VARELA Amelia Newton Varela	President and Director	February 28, 2017
/S/ PETER MIGLIORINI Peter Migliorini	Director	February 28, 2017
/S/ RICHARD P. RANDALL Richard P. Randall	Director	February 28, 2017
/S/ RAVI SACHDEV Ravi Sachdev	Director	February 28, 2017
/S/ THOMAS H. SCHWARTZ Thomas H. Schwartz	Director	February 28, 2017
/S/ ROSE LYNCH Rose Lynch	Director	February 28, 2017
/S/ ROBERT SMITH Robert Smith	Director	February 28, 2017

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Steven Madden, Ltd. and subsidiaries

We have audited the accompanying consolidated balance sheets of Steven Madden, Ltd. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016. We also have audited the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A of the Company's December 31, 2016 annual report on Form 10-K. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Steven Madden, Ltd. and subsidiaries as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company has maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

As discussed in Notes H and Q to the consolidated financial statements, effective January 1, 2016 the Company changed its method of accounting for share-based payments to employees due to the adoption of Accounting Standards Update No. 2016-09, “Improvements to Employee Share-Based Payment Accounting”.

/s/ EisnerAmper LLP

New York, New York
February 28, 2017

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 126,115**	$ 72,414
Accounts receivable, net of allowances of $1,622 and $2,306	**56,790**	43,173
Factor accounts receivable, net of allowances of $20,209 and $21,756	**144,168**	155,211
Inventories	**119,824**	102,080
Marketable securities – available for sale	**39,495**	32,424
Prepaid expenses and other current assets	**26,351**	21,799
Prepaid taxes	**15,928**	17,484
Deferred taxes	**13,985**	14,392
Total current assets	**542,656**	458,977
Note receivable – related party	**2,644**	2,990
Property and equipment, net	**72,381**	72,010
Deposits and other	**4,710**	5,088
Marketable securities – available for sale	**70,559**	88,465
Goodwill – net	**135,711**	137,097
Intangibles – net	**144,386**	149,758
Total Assets	**$ 973,047**	$ 914,385
LIABILITIES		
Current liabilities:		
Accounts payable	**$ 80,584**	$ 79,790
Accrued expenses	**86,635**	72,105
Contingent payment liability – current portion	**7,948**	16,763
Accrued incentive compensation	**7,960**	6,141
Total current liabilities	**183,127**	174,799
Contingent payment liability	—	8,012
Deferred rent	**14,578**	12,013
Deferred taxes	**31,638**	39,410
Other liabilities	**2,632**	1,488
Total Liabilities	**231,975**	235,722
Commitments, contingencies and other		
STOCKHOLDERS' EQUITY		
Preferred stock – $.0001 par value, 5,000 shares authorized; none issued; Series A Junior Participating preferred stock – $.0001 par value, 60 shares authorized; none issued	—	—
Common stock – $.0001 par value, 135,000 shares authorized, 86,417 and 85,263 shares issued, 60,410 and 61,693 shares outstanding	**6**	6
Additional paid-in capital	**353,443**	325,548
Retained earnings	**1,017,753**	896,842
Accumulated other comprehensive loss	**(31,751)**	(31,413)
Treasury stock – 26,007 and 23,570 shares at cost	**(598,584)**	(512,579)
Total Steven Madden, Ltd. stockholders' equity	**740,867**	678,404
Non-controlling interests	**205**	259
Total stockholders' equity	**741,072**	678,663
Total Liabilities and Stockholders' Equity	**$ 973,047**	$ 914,385

See accompanying notes to consolidated financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Statements of Income
(in thousands, except per share data)

	Years Ended December 31,		
	2016	2015	2014
Net sales	**$ 1,399,551**	$ 1,405,239	$ 1,334,951
Cost of sales	**877,568**	904,747	865,951
Gross profit	**521,983**	500,492	469,000
Commission and licensing fee income – net	**11,884**	16,647	13,723
Operating expenses	**(364,691)**	(342,446)	(315,081)
Impairment charges	**—**	(3,045)	—
Income from operations	**169,176**	171,648	167,642
Interest income (expense) - net	**2,488**	2,191	3,074
Other (expense) income - net	**(664)**	(1,373)	677
Income before provision for income taxes	**171,000**	172,466	171,393
Provision for income taxes	**49,726**	58,811	58,764
Net income	**121,274**	113,655	112,629
Net income attributable to non-controlling interests	**(363)**	(717)	(749)
Net income attributable to Steven Madden, Ltd.	**$ 120,911**	$ 112,938	$ 111,880
Basic net income per share	**$ 2.12**	$ 1.91	$ 1.82
Diluted net income per share	**$ 2.03**	$ 1.85	$ 1.76
Basic weighted average common shares outstanding	**57,109**	58,997	61,451
Effect of dilutive securities – options/restricted stock	**2,447**	2,145	2,225
Diluted weighted average common shares outstanding	**59,556**	61,142	63,676

See accompanying notes to consolidated financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
(in thousands)

	2016		
	Pre-tax amounts	**Tax benefit/(expense)**	**After-tax amounts**
Net income			**$ 121,274**
Other comprehensive income (loss):			
Foreign currency translation adjustment	**$ (2,147)**	**$ —**	**(2,147)**
Gain or (loss) on cash flow hedging derivatives	**797**	**(291)**	**506**
Unrealized gain (loss) on marketable securities	**2,052**	**(749)**	**1,303**
Total other comprehensive income (loss)	**$ 702**	**$ (1,040)**	**(338)**
Comprehensive income			**120,936**
Comprehensive income attributable to non-controlling interests			**(363)**
Comprehensive income attributable to Steven Madden, Ltd.			**$ 120,573**

	2015		
	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts
Net income			$ 113,655
Other comprehensive income (loss):			
Foreign currency translation adjustment	$ (18,734)	$ —	(18,734)
Gain or (loss) on cash flow hedging derivatives	1,962	(716)	1,246
Unrealized gain (loss) on marketable securities	(1,847)	674	(1,173)
Total other comprehensive income (loss)	$ (18,619)	$ (42)	(18,661)
Comprehensive income			94,994
Comprehensive income attributable to non-controlling interests			(717)
Comprehensive income attributable to Steven Madden, Ltd.			$ 94,277

	2014		
	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts
Net income			$ 112,629
Other comprehensive income (loss):			
Foreign currency translation adjustment	$ (6,238)	$ —	(6,238)
Gain or (loss) on cash flow hedging derivatives	(2,081)	803	(1,278)
Unrealized gain (loss) on marketable securities	2,362	(921)	1,441
Total other comprehensive income (loss)	$ (5,957)	$ (118)	(6,075)
Comprehensive income			106,554
Comprehensive income attributable to non-controlling interests			(749)
Comprehensive income attributable to Steven Madden, Ltd.			$ 105,805

See accompanying notes to consolidated financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity(in thousands)

	Common Stock					
	Shares		Amount		Additional Paid-in Capital		Retained Earnings
Balance - December 31, 2013	**67,336**	**$**	**7**	**$**	**247,858**	**$**	**672,044**
Share repurchases	(4,261)		(1)		—		—
Exercise of stock options	340		—		4,943		—
Tax benefit from stock-based compensation	—		—		2,978		—
Issuance of restricted stock	210		—		—		—
Stock-based compensation	—		—		19,260		—
Foreign currency translation adjustment	—		—		—		—
Unrealized holding gain (loss) on securities (net of tax expense of $921)	—		—		—		—
Cash flow hedge (net of tax benefit of $803)	—		—		—		—
Distributions to non-controlling interests, net	—		—		—		—
Non-controlling investment in JV	—		—		—		(20)
Net income	—		—		—		111,880
Balance - December 31, 2014	**63,625**		**6**		**275,039**		**783,904**
Share repurchases	(3,704)		—		—		—
Exercise of stock options	1,460		—		21,301		—
Tax benefit from stock-based compensation	—		—		10,510		—
Issuance of restricted stock	312		—		—		—
Stock-based compensation	—		—		18,698		—
Foreign currency translation adjustment	—		—		—		—
Unrealized holding gain (loss) on securities (net of tax benefit of $674)	—		—		—		—
Cash flow hedge (net of tax expense of $716)	—		—		—		—
Distributions to non-controlling interests, net	—		—		—		—
Non-controlling investment in JV	—		—		—		—
Net income	—		—		—		112,938
Balance - December 31, 2015	**61,693**		**6**		**325,548**		**896,842**
Share repurchases	(2,437)		—		—		—
Exercise of stock options	746		—		10,713		—
Issuance of restricted stock	408		—		—		—
Stock-based compensation	—		—		19,509		—
Foreign currency translation adjustment	—		—		—		—
Unrealized holding gain (loss) on securities (net of tax expense of $749)	—		—		—		—
Cash flow hedge (net of tax expense of $291)	—		—		—		—
Distributions to non-controlling interests, net	—		—		—		—
Acquisition of minority interest (net of tax benefit of $1,432)	—		—		(2,327)		—
Net income	—		—		—		120,911
Balance - December 31, 2016	**60,410**	**$**	**6**	**$**	**353,443**	**$**	**1,017,753**

See accompanying notes to consolidated financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Continued)
(in thousands)

	Accumulated Other Comprehensive Gain (Loss)	Treasury Stock		Non-controlling interest	Total Stockholders' Equity
		Shares	Amount		
Balance - December 31, 2013	**$ (6,677)**	**15,605**	**$ (234,715)**	**$ 323**	**$ 678,840**
Share repurchases	—	4,261	(142,227)	—	(142,228)
Exercise of stock options	—	—	—	—	4,943
Tax benefit from stock-based compensation	—	—	—	—	2,978
Issuance of restricted stock	—	—	—	—	—
Stock-based compensation	—	—	—	—	19,260
Foreign currency translation adjustment	(6,238)	—	—	—	(6,238)
Unrealized holding gain (loss) on securities (net of tax expense of $921)	1,441	—	—	—	1,441
Cash flow hedge (net of tax benefit of $803)	(1,278)	—	—	—	(1,278)
Distributions to non-controlling interests, net	—	—	—	(946)	(946)
Non-controlling investment in JV	—	—	—	148	128
Net income	—	—	—	749	112,629
Balance - December 31, 2014	**(12,752)**	**19,866**	**(376,942)**	**274**	**669,529**
Share repurchases	—	3,704	(135,637)	—	(135,637)
Exercise of stock options	—	—	—	—	21,301
Tax benefit from stock-based compensation	—	—	—	—	10,510
Issuance of restricted stock	—	—	—	—	—
Stock-based compensation	—	—	—	—	18,698
Foreign currency translation adjustment	(18,734)	—	—	—	(18,734)
Unrealized holding gain (loss) on securities (net of tax benefit of $674)	(1,173)	—	—	—	(1,173)
Cash flow hedge (net of tax expense of $716)	1,246	—	—	—	1,246
Distributions to non-controlling interests, net	—	—	—	(732)	(732)
Non-controlling investment in JV	—	—	—	—	—
Net income	—	—	—	717	113,655
Balance - December 31, 2015	**(31,413)**	**23,570**	**(512,579)**	**259**	**678,663**
Share repurchases	—	2,437	(86,005)	—	(86,005)
Exercise of stock options	—	—	—	—	10,713
Issuance of restricted stock	—	—	—	—	—
Stock-based compensation		—	—	—	19,509
Foreign currency translation adjustment	(2,147)	—	—	—	(2,147)
Unrealized holding gain (loss) on securities (net of tax expense of $749)	1,303	—	—	—	1,303
Cash flow hedge (net of tax expense of $291)	506	—	—	—	506
Distributions to non-controlling interests, net	—	—	—	(417)	(417)
Acquisition of minority interest (net of tax benefit of $1,432)	—	—	—	—	(2,327)
Net income	—	—	—	363	121,274
Balance - December 31, 2016	**$ (31,751)**	**26,007**	**$ (598,584)**	**$ 205**	**$ 741,072**

See accompanying notes to consolidated financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(in thousands)

	Years Ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities:			
Net income	**$ 121,274**	$ 113,655	$ 112,629
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	**19,509**	18,698	19,260
Tax benefit from stock-based compensation	**—**	(10,510)	(2,978)
Depreciation and amortization	**21,102**	20,757	15,077
Loss on disposal of fixed assets	**652**	1,780	291
Impairment charges	**—**	3,045	—
Deferred taxes	**(6,588)**	7,271	4,583
Accrued interest on note receivable – related party	**(63)**	(71)	(156)
Deferred rent expense and other liabilities	**2,565**	440	2,769
Realized loss (gain) on sale of marketable securities	**661**	(67)	(677)
Change in fair value of contingent liability	**(425)**	(5,576)	(2,139)
Changes, net of acquisitions, in:			
Accounts receivable	**(13,617)**	(11,071)	(144)
Factor accounts receivable	**11,043**	7,281	3,734
Notes receivable - related party	**409**	409	409
Inventories	**(17,744)**	(9,403)	(1,841)
Prepaid expenses, prepaid taxes, deposits and other	**(3,461)**	4,784	(294)
Accounts payable and accrued expenses	**15,324**	(8,643)	3,777
Accrued incentive compensation	**1,819**	468	(1,910)
Other liabilities	**1,144**	2,716	(61)
Net cash provided by operating activities	**153,604**	135,963	152,329
Cash flows from investing activities:			
Capital expenditures	**(15,897)**	(19,459)	(18,341)
Purchases of marketable securities	**(40,451)**	(48,891)	(137,348)
Repayment of notes receivable	**249**	466	893
Maturity/sale of marketable securities	**52,215**	43,353	128,663
Acquisitions, net of cash acquired	**—**	(9,129)	(81,885)
Net cash used in investing activities	**(3,884)**	(33,660)	(108,018)
Cash flows from financing activities:			
Proceeds from exercise of stock options	**10,713**	21,301	4,943
Purchase of noncontrolling interest	**(3,759)**	—	—
Tax benefit from the exercise of options	**—**	10,510	2,978
Payment of contingent liability	**(16,402)**	(6,270)	(8,475)
Common stock purchased for treasury	**(86,005)**	(135,637)	(142,228)
Net cash used by financing activities	**(95,453)**	(110,096)	(142,782)
Effect of exchange rate changes on cash and cash equivalents	**(566)**	(1,243)	(354)
Net increase (decrease) in cash and cash equivalents	**53,701**	(9,036)	(98,825)
Cash and cash equivalents – beginning of year	**72,414**	81,450	180,275
Cash and cash equivalents – end of year	**$ 126,115**	$ 72,414	$ 81,450
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	**$ 520**	$ 469	$ 211
Income taxes	**$ 55,384**	$ 39,424	$ 49,829

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2016, 2015 and 2014
($ in thousands, except share and per share data)

Note A – Summary of Significant Accounting Policies

[1] Organization:

Steven Madden, Ltd. a Delaware corporation, and its subsidiaries, design, source, market and sell name brand and private label women's, men's and children's shoes, worldwide through its wholesale and retail channels under the Steve Madden Women's, Steve Madden Men's, Madden, Madden Girl, Steven, FREEBIRD by Steven, Superga (under license), Dolce Vita and Betsey Johnson brand names and through its wholesale channels under the Stevies, Report, B Brian Atwood, Mad Love and Blondo brand names. In addition, the Company designs, sources, markets and sells name brand and private label handbags and accessories to customers worldwide through its Wholesale Accessories segment, including the Big Buddha, Betsey Johnson, Madden Girl, Betseyville, Cejon, Steve Madden, Steven by Steve Madden, Luv Betsey and B Brian Atwood accessories brands. Revenue is generated predominantly through the sale of the Company's brand name and private label merchandise and certain licensed products. At December 31, 2016 and 2015, the Company operated 189 (including four e-commerce websites) and 169 (including four e-commerce websites) retail stores, respectively. Revenue is subject to seasonal fluctuations. See Note O for operating segment information.

[2] Principles of consolidation:

The Consolidated Financial Statements include the accounts of Steven Madden, Ltd. and its wholly-owned subsidiaries Steven Madden Retail, Inc., Diva Acquisition Corp., Diva International, Inc., Madden Direct, Inc., Adesso Madden, Inc., Stevies, Inc., Daniel M. Friedman and Associates, Inc., Big Buddha, Inc., the Topline Corporation, Cejon, Inc., SML Holdings S.a.r.l., SML Canada Acquisition Corp., Madden International Ltd., DMF International Ltd., Asean Corporation Ltd., Dolce Vita Holdings, Inc., Trendy Imports S.A de C.V., Comercial Diecesiette S.A. de C.V., Maximus Designer Shoes S.A. de C.V., BA Brand Holdings LLC, BAI Holding, LLC and Mad Love LLC, a joint venture in which the Company acquired the remaining minority interest in 2016 (collectively the "Company"). The accounts of Dexascope Proprietary Ltd., a joint venture in South Africa in which the Company is the majority owner, BA Brand Holdings LLC, a joint venture in which the Company is the majority owner, and SPM Shoetrade Holding B.V., a joint venture in certain regions of Europe in which the Company is the majority owner, are included in the Consolidated Financial Statements with the other members' interests reflected in “Net (income) loss attributable to non-controlling interests” in the Consolidated Statements of Income and “Non-controlling interests” in the Consolidated Balance Sheets. All significant intercompany balances and transactions have been eliminated. Certain reclassifications were made to prior years' amounts to conform to the 2016 presentation.

[3] Use of Estimates:

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

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

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

Note A – Summary of Significant Accounting Policies (continued)

[4] Cash equivalents:

Cash equivalents at December 31, 2016 and 2015 amounted to approximately $3,309 and $2,242, respectively, and consisted of money market accounts held primarily at three brokerage companies. The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents.

[5] Marketable securities:

Marketable securities consist primarily of certificates of deposit and corporate bonds with maturities greater than three months and up to three years at the time of purchase as well as marketable equity securities. These securities, which are classified as available-for-sale, are carried at fair value, with unrealized gains and losses, net of any tax effect, reported in stockholders' equity as accumulated other comprehensive income (loss). These securities are classified as current and non-current marketable securities based upon their maturities. Amortization of premiums and discounts is included in interest income. For the years ended December 31, 2016 and 2015, the amortization of bond premiums totaled $1,234 and $1,375, respectively. The values of these securities may fluctuate as a result of changes in market interest rates and credit risk. The schedule of maturities at December 31, 2016 and 2015 are as follows:

	Maturities as of December 31, 2016		Maturities as of December 31, 2015	
	1 Year or Less	1 to 10 Years	1 Year or Less	1 to 10 Years
Corporate bonds	**$ 11,527**	**$ 70,559**	$ 11,240	$ 88,465
Certificates of deposit	**27,968**	**—**	21,184	—
Total	**$ 39,495**	**$ 70,559**	$ 32,424	$ 88,465

For the year ended December 31, 2016, losses of $661 were reclassified from Accumulated Other Comprehensive Income and recognized in the Consolidated Statements of Income in Other Income as compared to gains of $67 for the year ended December 31, 2015. At December 31, 2016, current marketable securities included unrealized losses of $279 and long-term marketable securities included unrealized gains of $89 and unrealized losses of $118. At December 31, 2015, current marketable securities included unrealized losses of $530 and long-term marketable securities included unrealized gains of $52 and unrealized losses of $1,133.

[6] 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.

[7] Property and equipment:

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed utilizing the straight-line method based on estimated useful lives ranging from three to ten years. Leasehold improvements are amortized utilizing the straight-line method over the shorter of their estimated useful lives or the remaining lease term. Impairment losses are recognized for long-lived assets, including definite-lived intangibles, used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are not sufficient to recover the assets' carrying amount. Impairment losses are measured by comparing the fair value of the assets to their carrying amount.

[8] Goodwill and intangible assets:

The Company's goodwill and indefinite lived intangible assets are not amortized, rather they are tested for impairment on an annual basis, or more often if events or circumstances change that could cause these assets to become impaired.

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

Note A – Summary of Significant Accounting Policies (continued)

During the first quarter of 2015, the Company recognized an impairment charge of $3,045 related to the Wild Pair trademark. The impairment was triggered by a loss of future anticipated cash flows. The Company completed its annual impairment tests on goodwill and its remaining intangible assets during the third quarter of 2016, and no impairments were recognized. Goodwill and indefinite-lived intangible assets are assessed for impairment using either a qualitative or quantitative approach. Where we use the qualitative assessment, first we determine if, based on qualitative factors, it is more likely than not that an impairment exists. Factors considered include historical financial performance, macroeconomic and industry conditions and legal and regulatory environment. If the qualitative assessment indicates
that it is more likely than not that an impairment exists, then a quantitative assessment is performed. The quantitative assessment requires an analysis of several estimates including future cash flows or income consistent with management's strategic business plans, annual sales growth rates and the selection of assumptions underlying a discount rate (weighted average cost of capital) based on market data available at the time. The Company amortizes its intangible assets with definite useful lives over their estimated useful lives and reviews these assets for impairment. The Company is currently amortizing its acquired intangible assets with definite useful lives over periods typically from two to ten years using the straight-line method.

[9] Net Income Per Share of Common Stock:

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the period, which does not include unvested restricted common stock subject to forfeiture. Diluted net income per share reflects: a) the potential dilution assuming shares of common stock were issued upon the exercise of outstanding in-the-money options and the proceeds thereof were used to purchase shares of the Company's common stock at the average market price during the period, and b) the vesting of granted nonvested restricted stock awards for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost not yet recognized attributable to future services using the treasury stock method, to the extent dilutive. For the years ended December 31, 2016, 2015 and 2014, options to purchase approximately 374,000, 26,000 and 290,000 shares of common stock, respectively, have been excluded in the calculation of diluted income per share as the result would have been anti-dilutive. For the years ended December 31, 2016, 2015 and 2014, all unvested restricted stock awards were dilutive.

[10] Comprehensive Income:

Comprehensive income is the total of net earnings and all other non-owner changes in equity. Comprehensive income for the Company includes net income, foreign currency translation adjustments, cash flow hedging and unrealized gains and losses on marketable securities. The accumulated balances for each component of other comprehensive loss attributable to the Company are as follows:

	2016	2015
Currency translation adjustment	**$ (31,634)**	$ (29,487)
Cash flow hedges, net of tax	**191**	(315)
Unrealized loss on securities, net of tax	**(308)**	(1,611)
Accumulated other comprehensive loss	**$ (31,751)**	$ (31,413)

[11] Advertising costs:

The Company expenses costs of print, radio and billboard advertisements as incurred. Advertising expenses included in operating expenses amounted to approximately $16,024 in 2016, $14,892 in 2015 and $13,872 in 2014.

Note A – Summary of Significant Accounting Policies (continued)

[12] Revenue Recognition:

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

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

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

[13] 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 a net basis (excluded from revenues). Taxes within the scope of this 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 records all taxes on a net basis.

[14] Sales Deductions:

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

Note A – Summary of Significant Accounting Policies (continued)

[15] Cost of Sales:

All costs incurred to bring finished products to the Company's distribution center or to the customers' freight forwarder 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 Consolidated Statements 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 Consolidated Statements of Income. The
Company's gross margins may not be comparable to those of other companies in the industry because 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.

[16] Warehouse and shipping costs:

The Company includes all warehouse and shipping costs for the Wholesale segment in the Operating Expenses line on the Consolidated Statements of Income. For the years ended December 31, 2016, 2015 and 2014, the total warehouse and distribution costs included in Operating Expenses were $27,079, $24,176 and $21,030 respectively. Since the Company's standard terms of sales are "FOB Steve Madden warehouse," the Company's wholesale customers absorb most shipping costs. Shipping costs to wholesale customers incurred by the Company are not considered significant and are included in the Operating Expense line in the Consolidated Statements of Income.

[17] Employee benefit plan:

The Company maintains a tax-qualified 401(k) plan which is available to each of the Company's eligible employees who elect to participate after meeting certain length-of-service requirements. The Company made discretionary matching contributions of 50% of employees' contributions up to a maximum of 6% of employees' compensation which vest to the employees over a period of time. Total matching contributions to the plan for 2016, 2015 and 2014 were approximately $1,633, $1,602 and $1,450, respectively.

[18] Derivative Instruments:

The Company uses derivative instruments to manage its exposure to cash-flow variability from foreign currency risk. Derivatives are carried on the balance sheet at fair value and included in prepaid expenses and other current assets or accrued expenses. The Company applies cash flow hedge accounting for its derivative instruments. Net derivative gains and losses attributable to derivatives subject to cash flow hedge accounting reside in accumulated other comprehensive income (loss) and will be reclassified to earnings in future periods as the economic transactions to which the derivatives relate affect earnings. See Note K - Derivative Instruments.

[19] Income Taxes:

The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits

Note A – Summary of Significant Accounting Policies (continued)

recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. See Note M - Income Taxes.

[20] Share-based Compensation:

The Company recognizes expense related to share-based payment transactions in which it receives employee services in exchange for equity instruments of the Company. Share-based compensation cost for restricted stock units ("RSUs") is measured based on the closing fair market value of the Company's common stock on the date of grant. Share-based compensation cost for stock options is measured at the grant date, based on the fair-value as calculated by the Black-
Scholes-Merton ("BSM") option-pricing model. The BSM option-pricing model incorporates various assumptions including expected volatility, estimated expected life and interest rates. The Company recognizes share-based compensation cost over the award's requisite service period. The Company recognizes a benefit from share-based compensation in the Consolidated Statements of Income if an incremental tax benefit is realized. See Note H - Stock- Based Compensation.

Note B – Acquisitions

Schwartz & Benjamin, Inc.

Subsequent to year end, in January 2017, the Company acquired all of the outstanding capital stock of Schwartz & Benjamin, Inc., B.D.S., Inc., Quinby Ridge Enterprises LLC and DANIELBARBARA Enterprises LLC (together, "Schwartz & Benjamin"). The purchase price payable to the Sellers in the acquisition consists of (i) $15,750 in cash paid at closing, subject to a post-closing working capital adjustment, plus (ii) a cash earn-out payment based on the performance of Schwartz & Benjamin in each of the next six years (beginning on February 1 and ending on January 31 of each year) equal to, in the case of earn-out years one through four, 40% of the EBITDA (as defined in the Purchase Agreement) of Schwartz & Benjamin and, in the case of earn-out years five and six, 75% of the EBITDA of Schwartz & Benjamin. The sum of $1,000 of the purchase price was deposited into escrow at closing to secure potential indemnification obligations of the Sellers. Founded in 1923, Schwartz & Benjamin specializes in the design, sourcing and sale of licensed and private label footwear and distributes its fashion footwear to wholesale customers, including better department stores and specialty boutiques, as well as the retail stores of its brand partners.

Madlove, LLC

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

SM Europe

In April 2016, the Company formed a joint venture ("SM Europe") with SPM Shoetrade Holding B.V. through its subsidiary, Steve Madden Europe B.V. The Company is the majority interest holder in SM Europe and controls the joint venture. SM Europe is the exclusive distributor of the Company's products in Albania, Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Kosovo, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania, Russia, Slovakia, Slovenia, Sweden, Switzerland, and Tunisia. As the Company controls the joint venture and is the majority interest holder in SM Europe, the assets, liabilities and results of operations of SM Europe are included in the Company's Consolidated Financial Statements. The other member's interest is reflected in "Net income attributable to noncontrolling interests" in the Consolidated Statements of Income and "Noncontrolling interests" in the Consolidated Balance Sheets.

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

Note B – Acquisitions (continued)

Blondo

On January 23, 2015 the Company acquired the trademarks and other intellectual property and related assets of Blondo, a fashion-oriented footwear brand specializing in waterproof leather boots, from Regence Footwear Inc. and 3074153 Canada Inc. for a purchase price of approximately $9,129. The purchase price has been allocated as follows:

Inventory	$	233
Other liabilities		(308)
Trademarks		7,196
Total fair value excluding goodwill		7,121
Goodwill		2,008
Net assets acquired	$	9,129

Note C – Factor Receivable

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. (“Rosenthal”) that became effective on September 15, 2009. The agreement can be terminated by the Company or Rosenthal at any time upon 60 days prior written notice. Under the agreement, the Company can request advances from Rosenthal in amounts of up to 85% of aggregate receivables submitted to Rosenthal. The agreement provides the Company with a $30,000 credit facility with a $15,000 sub-limit for letters of credit at an interest rate based, at the Company’s election, upon a calculation that utilizes either the prime rate minus 0.5% or LIBOR plus 2.5%. As of December 31, 2016, no borrowings or letters of credit were outstanding. As of December 31, 2015, there were borrowings of $0 and letters of credit of $337 were outstanding. The Company also pays Rosenthal a fee of 0.20% of the gross invoice amount submitted to Rosenthal. With respect to receivables related to the Company's private label business, the fee is 0.14% of the gross invoice amount. Rosenthal assumes the credit risk on a substantial portion of the receivables that the Company submits to it and, to the extent of any loans made to the Company, Rosenthal maintains a lien on the Company’s receivables to secure the Company’s obligations. Rosenthal services the collection of the Company's accounts receivable. Funds collected by Rosenthal are applied against advances owed to Rosenthal (if any), and the balance is due and payable to the Company, net of any fees. The allowance against “factor receivables” is a projected provision based on certain formulas and prior approvals for markdowns, allowances, discounts, advertising and other deductions that customers may deduct against their payments.

Note D – 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 stock options that were due to expire and to retain the underlying Company common stock. Mr. Madden executed a secured promissory note in favor of the Company, for which a securities brokerage account maintained by Mr. Madden with his broker serves as collateral security. None of the securities held in the securities brokerage account are shares of the Company's common stock. There have been successive amendments of the secured promissory note, the most recent of which occurred on April 8, 2016, at which time the secured promissory note was amended to substitute the collateral securing the secured promissory note from shares of the Company's common stock to the security interest in Mr. Madden's securities brokerage account. Previously, on January 3, 2012, in connection with an amendment of Mr. Madden’s employment contract, the secured promissory note was amended and restated to extend the maturity date of the obligation to December 31, 2023 and to eliminate the accrual of interest after December 31, 2011. Prior to its January 3, 2012 amendment and restatement, the secured promissory note was accruing interest at the rate of 6% per annum. In addition, the secured promissory note, as amended, provides that, commencing on December 31, 2014, and annually on each December 31 thereafter through the maturity date, one-tenth of the principal amount thereof, together with accrued interest, will be cancelled by the Company, provided that Mr. Madden continues to be employed by the Company on each such December 31. Contemporaneously, the Company will release its security interest in a portion of the securities held in Mr. Madden's securities brokerage account generally correlating to the amount of indebtedness cancelled on such date. As of December 31, 2011, $1,090 of interest has accrued on the principal amount of the loan evidenced by the secured promissory note related to the period prior to the elimination of the accrual of interest and has been reflected on the Company’s Consolidated Financial

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

Note D – Note Receivable – Related Party (continued)

Statements. Pursuant to the elimination of further interest accumulation under the secured promissory note, the outstanding principal amount of the loan and the accrued interest as of December 31, 2016 has been discounted to reflect imputed interest, which will be amortized over the remaining life of the loan. For the years ended December 31, 2016, 2015 and 2014 the Company also recorded a charge in the amount of $409 for each year, respectively, to write-off the required one-tenth of the principal amount of the secured promissory note, which was partially offset by imputed interest income of $63, $71 and $156, respectively.

Note E – Fair Value Measurement

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

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

The Company’s financial assets and liabilities, subject to fair value measurements, as of December 31, 2016 and 2015 are as follows:

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

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

Note E – Fair Value Measurement (continued)

		December 31, 2015		
		Fair Value Measurements Using Fair Value Hierarchy		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash equivalents	$ 2,242	$ 2,242	$ —	$ —
Current marketable securities – available for sale	32,424	32,424	—	—
Long-term marketable securities – available for sale	88,465	88,465	—	—
Total assets	$ 123,131	$ 123,131	$ —	$ —
Liabilities:				
Contingent consideration	24,775	—	—	24,775
Total liabilities	$ 24,775	$ —	$ —	$ 24,775

The majority of our level 3 balances consist of contingent consideration related to various acquisitions. The changes in our level 3 liabilities for the years ended December 31, 2016 and 2015 are as follows:

	Balance at January 1,	**Payments**	**Accrued Interest**	**Acquisitions**	**Change in estimate**	**Foreign Currency Translation**	**Balance at December 31,**
2016							
Liabilities:							
Contingent consideration	$ 24,775	(16,402)			(425)	—	$ 7,948
2015							
Liabilities:							
Contingent consideration	$ 38,633	(6,270)			(5,576)	(2,012)	$ 24,775

Forward contracts are entered into to manage the risk associated with the volatility of future cash flows denominated in foreign currencies. Fair value of these instruments are based on observable market transactions of spot and forward rates.

The Company has recorded a liability for potential contingent consideration in connection with the December 30, 2014 acquisition of all of the outstanding capital stock of Trendy Imports S.A. de C.V., Comercial Diecisiette S.A. de C.V., and Maximus Designer Shoes S.A. de C.V. (together "SM Mexico"). Pursuant to the terms of an earn-out agreement between the Company and the seller of SM Mexico, earn-out payments will be due annually to the seller of SM Mexico based on the financial performance of SM Mexico for each of the twelve-month periods ending on December 31, 2015 and 2016, inclusive. The fair value of the contingent payments was estimated using the present value of management's projections of the financial results of SM Mexico during the earn-out period. The current portion of the earn-out due, based on the twelve-month period ending December 31, 2016, approximates the recorded value. An earn-out payment of $3,482 for the period ended December 31, 2015 was paid to the seller of SM Mexico in the first quarter of 2016.

Note E – Fair Value Measurement (continued)

The Company has recorded a liability for potential contingent consideration in connection with the August 13, 2014 acquisition of all of the outstanding capital stock of Dolce Vita Holdings, Inc. ("Dolce Vita"). Pursuant to the terms of an earn-out agreement between the Company and the sellers of Dolce Vita, earn-out payments will be due annually to the sellers of Dolce Vita based on the financial performance of Dolce Vita for each of the twelve-month periods ending on September 30, 2015 and 2016, inclusive, provided that the aggregate minimum earn-out payment shall be no less than $5,000. The earn-out payment of $1,019 for the period ended September 30, 2015 was paid to the sellers of Dolce Vita in the fourth quarter of 2015. The fair value of the contingent payments was estimated using the present value of management’s projections of the financial results of Dolce Vita during the earn-out period. A final earn-out payment of $8,355 for the period ended September 30, 2016 was paid to the sellers of Dolce Vita in the fourth quarter of 2016.

The Company has recorded a liability for potential contingent consideration in connection with the February 21, 2012 acquisition of all of the assets of Steve Madden Canada Inc., Steve Madden Retail Canada Inc., Pasa Agency Inc. and Gelati Imports Inc. (collectively, “SM Canada”). Pursuant to the terms of an earn-out agreement between the Company and the seller of SM Canada, earn-out payments will be due annually to the seller of SM Canada based on the financial performance of SM Canada for each of the 12-month periods ending on March 31, 2013 through 2017, inclusive. The fair value of the contingent payments was estimated using the present value of management’s projections of the financial results of SM Canada during the earn-out period. An earn-out payment of $2,798 for the period ended March 31, 2016 was paid to the seller of SM Canada in the second quarter of 2016.

The Company has recorded a liability for potential contingent consideration in connection with the May 25, 2011 acquisition of all of the outstanding shares of the capital stock of Cejon, Inc. and Cejon Accessories, Inc. and all of the outstanding membership interests in New East Designs, LLC (together, “Cejon”). Pursuant to the terms of an earn-out agreement between the Company and the sellers of Cejon, earn-out payments will be made annually to the sellers of Cejon, based on the financial performance of Cejon for each of the twelve-month periods ending on June 30, 2012 through 2016, inclusive. The fair value of the contingent payments was estimated using the present value of management’s projections of the financial results of Cejon during the earn-out period. A final earn-out payment of $1,767 for the period ended June 30, 2016 was paid to the seller of Cejon in the third quarter of 2016.

Accounting guidance permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The accounting guidance 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.

The carrying value of certain financial instruments such as accounts receivable, factor accounts receivable and accounts payable approximates their fair values due to the short-term nature of their underlying terms. The fair values of investment in marketable securities available for sale are determined by reference to publicly quoted prices in an active market. Fair value of the notes receivable held by the Company approximates their carrying value based upon their imputed or actual interest rate, which approximates applicable current market interest rates.

Notes to Consolidated Financial Statements
December 31, 2016, 2015 and 2014
($ in thousands, except share and per share data)

Note F - Property and Equipment

The major classes of assets and total accumulated depreciation and amortization are as follows:

	Average Useful Life	December 31, 2016	December 31, 2015
Land and building		$ **767**	$ 767
Leasehold improvements		**79,165**	76,844
Machinery and equipment	**10 years**	**11,112**	8,557
Furniture and fixtures	**5 years**	**8,881**	7,769
Computer equipment and software	**3 to 5 years**	**57,855**	50,861
		157,780	144,798
Less accumulated depreciation and amortization		**(85,399)**	(72,788)
Property and equipment - net		$ **72,381**	$ 72,010

Depreciation and amortization expense related to property and equipment included in operating expenses amounted to approximately $14,346 in 2016, $13,237 in 2015 and $11,139 in 2014.

Note G – Goodwill and Intangible Assets

The following is a summary of the carrying amount of goodwill by segment as of December 31, 2016 and 2015:

	Wholesale Footwear	Wholesale Accessories	Retail	Net Carrying Amount
Balance at January 1, 2015	87,637	49,324	17,798	154,759
Acquisition of Blondo	2,008	—	—	2,008
Purchase accounting adjustment (1)	(14,665)	—	(1,916)	(16,581)
Translation and other	(1,962)	—	(1,127)	(3,089)
Balance at December 31, 2015	73,018	49,324	14,755	137,097
Translation and other	(757)	—	(629)	(1,386)
Balance at December 31, 2016	72,261	49,324	14,126	135,711

(1) Amount represents the final purchase price allocation of customer relationships related to the Dolce Vita acquisition originally recorded in goodwill, as well as the final purchase price allocation of customer relationships and re-acquired rights related to the SM Mexico acquisition originally recorded in goodwill.

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

Note G – Goodwill and Intangible Assets (continued)

The following table details identifiable intangible assets as of December 31, 2016 and 2015:

	2016				
	Estimated Lives	**Cost Basis**	**Accumulated Amortization (1)**	**Impairment (2)**	**Net Carrying Amount**
Trade names	6–10 years	$ 4,590	$ 3,335	$ —	$ 1,255
Customer relationships	10 years	41,509	21,341	—	20,168
License agreements	3–6 years	5,600	5,600	—	—
Non-compete agreement	5 years	2,440	2,426	—	14
Re-acquired right	2 years	4,200	4,200	—	—
Other	3 years	14	14	—	—
		58,353	36,916	—	21,437
Re-acquired right	indefinite	35,200	9,539	—	25,661
Trade names	indefinite	100,333	—	3,045	97,288
		$ 193,886	$ 46,455	$ 3,045	$ 144,386

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

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

	2015				
	Estimated Lives	**Cost Basis**	**Accumulated Amortization (1)**	**Impairment (2)**	**Net Carrying Amount**
Trade names	6–10 years	$ 4,590	$ 2,921	$ —	$ 1,669
Customer relationships	10 years	41,509	17,869	—	23,640
License agreements	3–6 years	5,600	5,600	—	—
Non-compete agreement	5 years	2,440	2,357	—	83
Re-acquired right	2 years	4,200	2,008	—	2,192
Other	3 years	14	14	—	—
		58,353	30,769	—	27,584
Re-acquired right	indefinite	35,200	10,314	—	24,886
Trade names	indefinite	100,333	—	3,045	97,288
		$ 193,886	$ 41,083	$ 3,045	$ 149,758

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

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

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

Note G – Goodwill and Intangible Assets (continued)

The amortization of intangible assets amounted to $5,522 for 2016, $6,145 for 2015 and $3,380 for 2014 and is included in operating expenses on the Company's Consolidated Statements of Income. The estimated future amortization expense for intangibles is as follows:

2017	$	3,216
2018		3,085
2019		3,014
2020		2,230
2021		1,564
Thereafter		8,328
Total	$	21,437

Note H – Stock-Based Compensation

In March 2006, the Board of Directors of the Company 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 Company's stockholders approved the Plan on May 26, 2006. The stockholders have subsequently approved successive amendments of the Plan, most recently on May 25, 2012, when the stockholders approved a third amendment to the Plan that increased the maximum number of shares that may be issued under the Plan to 23,466,000. The following table summarizes the number of shares of common stock authorized for use under the Plan, the number of stock-based awards granted (net of expired or cancelled awards) under the Plan and the number of shares of common stock available for the grant of stock-based awards under the Plan:

Common stock authorized	23,466,000
Stock-based awards, including restricted stock and stock options granted, net of expired or cancelled	(20,315,000)
Common stock available for grant of stock-based awards as of December 31, 2016	3,151,000

In accordance with accounting guidance relating to stock-based compensation, the Company records compensation for all awards to employees based on the fair value of options and restricted stock on the date of grant. Equity-based compensation is included in operating expenses on the Company's Consolidated Statements of Income. For the years ended December 31, 2016, 2015 and 2014, total equity-based compensation was as follows:

	Years Ended December 31,					
	2016		**2015**		**2014**	
Restricted stock	**$**	**16,494**	$	15,543	$	15,007
Stock options		**3,015**		3,155		4,253
Total	**$**	**19,509**	$	18,698	$	19,260

For the years ended December 31, 2015 and 2014, the Company classified cash flows of $10,510 and $2,978, respectively, resulting from the tax benefits from tax deductions in excess of the compensation costs recognized for those options (tax benefits) as financing cash flows. During the third quarter of 2016, the Company adopted Accounting Standards Update No. 2016-09 ("ASU 2016-09"), Improvements to Employee Share-Based Payment Accounting which changes the accounting for certain aspects of share-based

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

Note H – Stock-Based Compensation (continued)

payments to employees (refer to Note Q). As a result of the adoption of ASU 2016-09, the Company classifies cash flows resulting from tax benefits as operating cash flows for the year ended December 31, 2016. For the year ended December 31, 2016, the Company realized a tax benefit from stock-based compensation of $5,244.

Stock Options

The total intrinsic value of options exercised during 2016, 2015 and 2014 amounted to $16,983, $12,433 and $6,351 respectively. During the years ended December 31, 2016, 2015 and 2014, 322,022 options with a weighted average exercise price of $32.37, 455,528 options with a weighted average exercise price of $27.27 and 537,276 options with a weighted average exercise price of $21.19 vested, respectively. As of December 31, 2016, there were unvested options relating to 596,982 shares of common stock with a total of $3,276 of unrecognized compensation cost and an average vesting period of 1.5 years.

The Company uses the Black-Scholes-Merton option-pricing model to estimate the fair value of options granted, which requires several assumptions. The expected term of the options represents the estimated period of time until exercise and is based on the historical experience of similar awards. Expected volatility is based on the historical volatility of the Company's common stock. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. With the exception of special dividends paid in November 2005 and 2006, the Company historically has not paid regular cash dividends and thus the expected dividend rate is assumed to be zero. The following weighted average assumptions were used for stock options granted:

	2016	**2015**	**2014**
Volatility	**22% to 26%**	22% to 28%	27% to 32%
Risk-free interest rate	**0.86% to 1.90%**	0.99% to 1.60%	1.06% to 1.80%
Expected life in years	**3 to 5**	3 to 5	3 to 5
Dividend yield	**0.00%**	0.00%	0.00%
Weighted average fair value	**$7.11**	$8.81	$9.90

Activity relating to stock options granted under the Company's plans and outside the plans during the three years ended December 31, 2016 is as follows:

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

Note H – Stock-Based Compensation (continued)

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2014	3,373,000	$ 17.01		
Granted	489,500	34.69		
Exercised	(340,000)	14.57		
Expired/Forfeited	(94,500)	28.77		
Outstanding at December 31, 2014	3,428,000	19.48		
Granted	69,000	36.59		
Exercised	(1,460,000)	14.59		
Expired/Forfeited	(21,000)	28.49		
Outstanding at December 31, 2015	**2,016,000**	**23.51**		
Granted	**262,000**	**33.86**		
Exercised	**(746,000)**	**14.36**		
Expired/Forfeited	**(33,000)**	**30.59**		
Outstanding at December 31, 2016	**1,499,000**	**$ 29.72**	**3.3 years**	**$ 9,042**
Exercisable at December 31, 2016	**902,000**	**$ 27.02**	**2.5 years**	**$ 7,873**

The following table summarizes information about stock options at December 31, 2016:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	**Number Outstanding**	**Weighted Average Remaining Contractual Life (in Years)**	**Weighted Average Exercise Price**	**Number Exercisable**	**Weighted Average Exercise Price**
$14.99 to $20.07	323,167	1.0	$17.34	323,167	$17.34
$21.17 to $26.95	7,750	2.4	23.95	7,750	23.95
$27.03 to $30.72	377,444	3.1	29.33	246,885	29.24
$31.35 to $36.59	722,133	4.3	34.72	296,293	34.76
$36.68 to $41.95	68,506	4.2	38.18	27,905	38.15
	1,499,000	3.3	$29.72	902,000	$27.02

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

Note H – Stock-Based Compensation (continued)

Restricted Stock

The following table summarizes restricted stock activity during the three years ended December 31, 2016:

	Number of Shares	Weighted Average Fair Value at Grant Date
Outstanding at January 1, 2014	4,257,000	$ 24.24
Granted	182,000	34.88
Vested	(345,000)	24.11
Forfeited	(27,000)	29.34
Outstanding at December 31, 2014	4,067,000	24.69
Granted	361,000	35.71
Vested	(304,000)	23.24
Forfeited	(69,000)	34.23
Outstanding at December 31, 2015	**4,055,000**	**25.32**
Granted	**434,000**	**34.30**
Vested	**(276,000)**	**30.28**
Forfeited	**(22,000)**	**33.45**
Outstanding at December 31, 2016	**4,191,000**	**$ 25.93**

As of December 31, 2016, there was $69,606 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 period of 5.9 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. The fair value of the restricted stock that vested during the years ended December 31, 2016, 2015 and 2014 was $9,758, $6,980 and $8,317, respectively.

On January 3, 2012, the Company and its Creative and Design Chief, Steven Madden, entered into an amendment of Mr. Madden’s existing employment agreement, pursuant to which, on February 8, 2012, Mr. Madden was granted 1,463,057 restricted shares of the Company’s common stock at the then market price of $27.34, which will vest in equal annual installments over a seven-year period commencing on December 31, 2017 and, thereafter, on each December 31 through December 31, 2023, subject to Mr. Madden’s continued employment on each such vesting date. On June 30, 2012, Mr. Madden exercised his right under his employment agreement to receive an additional restricted stock award, and, on July 3, 2012, he was granted 1,893,342 restricted shares of the Company's common stock at the then market price of $21.13, which will vest in equal annual installments over a six-year period commencing on December 31, 2018 and, thereafter, on each December 31 through December 31, 2023, subject to Mr. Madden’s continued employment on each such vesting date. On August 8, 2016, pursuant to the employment agreement, Mr. Madden was granted an option to purchase 150,000 shares of the Company's common stock at an exercise price of $34.42 per share, which option is exercisable in equal quarterly installments commencing on November 8, 2016.

Note I - Preferred Stock

The Company has authorized 5,000,000 shares of preferred stock. The Board of Directors has designated 60,000 shares of such preferred stock as Series A Junior Participating Preferred Stock ("Series A Preferred"). Holders of the shares of Series A Preferred are entitled to dividends equal to 1,000 times dividends declared or paid on the Company's common stock. Each share of Series A Preferred entitles the holder to 1,000 votes on all matters submitted to the holders of common stock. The Series A Preferred has a liquidation preference of $1,000 per share, and is not redeemable by the Company. No shares of preferred stock have been issued.

Note J - Share Repurchase Program

The Company's Board of Directors authorized a share repurchase program (the "Share Repurchase Program"), effective as of January 1, 2004. The Share Repurchase Program does not have a fixed expiration or termination date and may be modified or terminated by the Board of Directors at any time. On several occasions the Board of Directors has increased the amount authorized for repurchase, most recently on February 22, 2016 when the Board of Directors approved the extension of the Share Repurchase Program for an additional $136,000 in repurchases of the Company's common stock. The Share Repurchase Program permits the Company to effect repurchases from time to time through a combination of open market repurchases or in privately negotiated transactions at such prices and times as are determined to be in the best interest of the Company. During the twelve months ended December 31, 2016, an aggregate of 2,141,823 shares of the Company's common stock was repurchased under the Share Repurchase Program, at an average price per share of $35.11, for an aggregate purchase price of approximately $75,196. As of December 31, 2016, approximately $117,374 remained available for future repurchases under the Share Repurchase Program.

The Steven Madden, Ltd. 2006 Stock Incentive Plan provides the Company with the right to deduct or withhold, or require employees to remit to the Company, an amount sufficient to satisfy any applicable tax withholding obligations applicable to stock-based compensation awards. To the extent permitted, employees may elect to satisfy all or part of such withholding obligations by tendering to the Company previously owned shares or by having the Company withhold shares having a fair market value equal to the minimum statutory tax withholding rate that could be imposed on the transaction. During the twelve months ended December 31, 2016, an aggregate of 295,362 shares were withheld in connection with the settlement of vested restricted stock to satisfy tax withholding requirements, at an average price per share of $36.60, for an aggregate purchase price of approximately 10,809.

Note K - Derivative Instruments

The Company uses derivative instruments, specifically, forward foreign exchange contracts, to manage the risk associated with the volatility of future cash flows. The forward foreign exchange contracts will be used to mitigate the impact of exchange rate fluctuations on forecasted purchases of inventory and are designated as cash flow hedging instruments. The Company enters into forward contracts with terms of no more than two years. As of December 31, 2016, $191 of gains related to cash flow hedges are recorded in accumulated other comprehensive income, net of taxes and are expected to be recognized in earnings at the same time the hedged items affect earnings. As of December 31, 2016, the fair value of the Company's foreign currency derivatives, which is included on the Consolidated Balance Sheet in other assets, was $273. As of December 31, 2015, $315 of losses related to cash flow hedges were recorded in accumulated other comprehensive income, net of taxes and were recognized in earnings at the same time the hedged items affected earnings. As of December 31, 2016 and 2015, none of the Company's hedging activities were considered ineffective and thus no gains and losses relating to ineffectiveness on its hedging activities were recognized in the Consolidated Statements of Income. For the year ended December 31, 2016 losses of $472 were reclassified from accumulated other comprehensive income and recognized in the Consolidated Statements of Income in cost of sales as compared to losses of $2,353 for the year ended December 31, 2015.

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

Note L - Operating Leases

The Company leases office, showroom, warehouse and retail facilities under noncancelable operating leases with terms expiring at various times through 2026. Future minimum annual lease payments under noncancelable operating leases consist of the following at December 31:

2017	$	41,281
2018		37,798
2019		35,236
2020		33,703
2021		29,209
Thereafter		71,031
Total	$	248,258

A majority of the retail store leases provide for contingent rental payments if gross sales exceed certain targets. In addition, many of the leases contain rent escalation clauses to compensate for increases in operating costs and real estate taxes. Rent expense for the years ended December 31, 2016, 2015 and 2014 was approximately $52,294, $47,710 and $43,608, respectively. Included in such amounts are contingent rents of $238, $157 and $84 in 2016, 2015 and 2014, respectively.

Rent expense is calculated by amortizing total base rental payments (net of any rental abatements, construction allowances and other rental concessions), on a straight-line basis, over the lease term. Accordingly, rent expense charged to operations differs from rent paid resulting in the Company recording deferred rent.

Note M - Income Taxes

The components of income before income taxes are as follows:

		2016		2015		2014
Domestic	**$**	**110,526**	$	81,785	$	85,988
Foreign		**60,474**		90,681		85,405
	$	**171,000**	$	172,466	$	171,393

The income tax provision (benefit) consists of the following:

		2016		2015		2014
Current:						
Federal	**$**	**47,655**	$	24,838	$	29,933
State and local		**6,063**		4,136		4,244
Foreign		**3,270**		13,960		15,167
		56,988		42,934		49,344
Deferred:						
Federal		**(7,050)**		16,976		10,229
State and local		**153**		1,961		(2,014)
Foreign		**(365)**		(3,060)		1,205
		(7,262)		15,877		9,420
	$	**49,726**	$	58,811	$	58,764

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

Note M - Income Taxes (continued)

A reconciliation between taxes computed at the federal statutory rate and the effective tax rate is as follows:

	December 31,		
	2016	2015	2014
Income taxes at federal statutory rate	**35.0 %**	35.0 %	35.0 %
Effects of foreign operations	**(5.3)**	(3.6)	(2.7)
Stock-based compensation	**(3.0)**	—	—
State and local income taxes - net of federal income tax benefit	**2.0**	1.7	1.1
Nondeductible items	**0.2**	0.1	0.2
Valuation allowance (reversal)	—	—	(0.1)
Other	**0.2**	0.9	0.8
Effective rate	**29.1 %**	34.1 %	34.3 %

The Company applies the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

In accordance with accounting guidance, the Company has opted to classify interest and penalties that would accrue according to the provisions of relevant tax law as income tax expense on the Consolidated Statements of Income. The Company determines the amount of interest expense to be recognized by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken on a tax return. The Company's tax years 2013 through 2016 remain open to examination by most taxing authorities. During 2016, the U.S. Internal Revenue Service ("IRS") commenced an audit of the Company's 2014 U.S. income tax return. As of December 31, 2016 the audit remains open and the Company is working with the IRS on open matters. Management believes that adequate provisions have been made for any adjustments that may result from the audit. The Company does not have any material unrecognized tax benefits recorded as of December 31, 2016 and 2015.

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

Note M - Income Taxes (continued)

The components of deferred tax assets and liabilities are as follows:

	December 31,	
	2016	2015
Current deferred tax assets (liabilities):		
Receivable allowances	**$ 8,800**	$ 7,932
Inventory	**2,202**	2,237
Unrealized loss	**—**	1,096
Accrued expenses	**751**	796
Other	**2,232**	2,331
Gross current deferred tax assets	**13,985**	14,392
Non-current deferred tax assets (liabilities)		
Depreciation and amortization	**(19,264)**	(16,045)
Deferred compensation	**17,569**	14,936
Unremitted earnings of foreign subsidiaries	**(31,262)**	(39,494)
Deferred rent	**5,327**	4,585
Amortization of goodwill	**(6,640)**	(3,749)
Unrealized loss	**177**	(80)
Net carryforwards	**1,172**	—
Other	**1,283**	437
	(31,638)	(39,410)
Net deferred tax (liabilities)	**$ (17,653)**	$ (25,018)

The Company's consolidated financial statements provide for any related tax liability on amounts that may be repatriated from foreign operations, aside from undistributed earnings of certain of the Company's foreign subsidiaries that are intended to be indefinitely reinvested in operations outside the U.S. The deferred tax liability of $31,262 and $39,494 for the years ended December 31, 2016 and 2015, respectively, reflects the amounts that may be repatriated from foreign operations. The total amount of indefinitely reinvested earnings of foreign subsidiaries as of December 31, 2016 and 2015 was $134,249 and $85,147, respectively. Accordingly, no provision has been made for United States income taxes that may become payable if those undistributed earnings of foreign subsidiaries are paid as dividends. If such amounts were not indefinitely reinvested, the Company would incur approximately $26,615 in taxes that were not previously provided for in our consolidated statements of income.

Note N – Commitments, Contingencies and Other

[1] Legal Proceedings:

(a) 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 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

Note N – Commitments, Contingencies and Other (continued)

in the case, including additional duties, interest and penalties, and believed that it was not likely to exceed $3,050, and accordingly, a liability 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, of Regulations and Rulings, under internal advice procedures. On September 20, 2010, U.S. Customs issued a ruling in the matter, concluding that the commissions paid by the Company pursuant to buying agreements entered into by the Company and one of its two buying agents under review were *bona fide* buying-agent commissions and, therefore, were non-dutiable. With respect to the second buying agent, U.S. Customs also ruled that beginning in February 2002, commissions paid by the Company were *bona fide* buying agent commissions and, therefore, were non-dutiable. However, U.S. Customs found that the Company's pre-2002 buying agreements with the second agent were legally insufficient to substantiate a buyer-buyer's agent relationship between the Company and the agent and that commissions paid to the second agent under such buying agreements, in fact, were dutiable. On the basis of the U.S. Customs ruling, the Company reevaluated the liability in the case and believes that it is not likely to exceed $1,248 and the liability was reduced from $3,050 to such amount as of September 30, 2010.

On November 21, 2011, U.S. Customs issued a pre-penalty notice to the Company in which it alleges that gross negligence by the Company resulted in an underpayment of duties with respect to certain pre-2002 buying agreements and claims that the Company owes $342 as an additional duty and $1,367 in monetary penalties. In its February 16, 2012 response to the pre-penalty notice, the Company submitted that it owes no additional duty and, further, did not through negligence or gross negligence fail to pay any duty or engage in conduct amounting to either gross negligence or negligence. The Company requested that U.S. Customs withdraw its proposal to issue a notice of penalty and take no further adverse action against the Company. In the event that U.S. Customs is not inclined to withdraw the pre-penalty notice after review of the Company's response, the Company has requested the opportunity to make an oral presentation to U.S. Customs prior to the issuance of a notice of penalty. On June 26, 2014, the Company's counsel met with U.S. Customs officials and, following the meeting, counsel submitted to U.S Customs a letter and the Company's check in the amount of $342, representing the Company's Offer in Compromise of the proposed government claim. The Offer in Compromise was filed without any admission or acceptance by the Company with respect to the proposed claim. In the event that U.S. Customs determines to issue a notice of penalty, the Company intends to file a petition for relief requesting a reduction of the level of culpability and mitigation of the penalty amount assessed. The maximum total amount of damages, including penalty, related to this matter is approximately $1,700 for which the Company has accrued $1,248.

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

[2] Employment agreements:

Robert Schmertz. On June 4, 2015, Robert Schmertz, the Company's Brand Director, submitted his resignation of employment to the Company effective immediately. A separation agreement dated June 4, 2015 between Mr. Schmertz and the Company provides to Mr. Schmertz, among other things, a severance of $381, which was paid to him at regular intervals from the date of his resignation through December 31, 2016.

Edward R. Rosenfeld. On December 31, 2015, the Company entered into a new employment agreement with Edward R. Rosenfeld, the Company's Chief Executive Officer and the Chairman of the Board of Directors, to replace an existing employment agreement that expired on December 31, 2015. The agreement, which expires on December 31, 2018, provides for an annual salary of $800 through December 31, 2016, $850 in 2017 and $900 in 2018. In addition, pursuant to his new employment agreement, on December 31, 2015, Mr. Rosenfeld received a grant of 75,000 shares of the Company's common stock subject to certain restrictions and, on February 5, 2016, a further grant of 75,000 shares of the Company's common stock subject to certain restrictions. The restricted shares received by Mr. Rosenfeld on December 31, 2015 and February 5, 2016 were issued under the Company's 2006 Stock Incentive Plan, as amended, and will vest

Note N – Commitments, Contingencies and Other (continued)

in equal annual installments over a five-year period commencing on December 1, 2016 and March 5, 2017, respectively. Additional compensation and bonuses, if any, are at the sole discretion of the Board of Directors.

Steven Madden. On January 3, 2012, the Company and its Creative and Design Chief, Steven Madden, entered into an amendment, dated as of December 31, 2011, to Mr. Madden's existing employment agreement with the Company (the “Amended Madden Agreement”). The Amended Madden Agreement, which extends the term of Mr. Madden's employment through December 31, 2023, provides for an annual base salary of approximately $9,667 in 2014, approximately $11,917 in 2015 and approximately $10,698 in 2016 and in each year thereafter through the end of the term of employment. Effective in 2012, the Amended Madden Agreement eliminates the annual cash bonuses payable to Mr. Madden based on EBITDA and the annual cash bonus in relation to new business contained in Mr. Madden's previously existing employment agreement and provides that all future cash bonuses will be at the sole discretion of the Company's Board of Directors. Further, the Amended Madden Agreement eliminates the annual non-accountable expense allowance of up to $200 provided to Mr. Madden under the previously existing employment agreement. Pursuant to the Amended Madden Agreement, on February 8, 2012, Mr. Madden was granted 1,463,056 restricted shares of the Company's common stock valued at approximately $40,000, which will vest in equal annual installments over seven years commencing on December 31, 2017 through December 31, 2023, subject to Mr. Madden's continued employment with the Company on each such vesting date. Pursuant to the Amended Madden Agreement, on June 30, 2012, Mr. Madden exercised his right to receive an additional restricted stock award and, on July 3, 2012, was granted 1,893,342 restricted shares of the Company's common stock, which will vest in the same manner as the February 8, 2012 grant. As consideration for the additional restricted stock grant, Mr. Madden's annual base salary in years subsequent to 2012 have been reduced as follows: approximately $6,125 in 2014, approximately $8,250 in 2015 and approximately $7,026 in 2016 and in each year thereafter through the end of the term of employment. In addition to the opportunity for discretionary cash bonuses, the Amended Madden Agreement entitles Mr. Madden to an annual life insurance premium reimbursement of up to $200, as well as an annual stock option grant and the potential for an additional one-time stock option grant based upon achievement of certain financial performance criteria. The Amended Madden Agreement also provides for the elimination of interest accrued after December 31, 2011 on an outstanding loan in the original principal amount of $3,000 made by the Company to Mr. Madden, the extension of the maturity date of such loan until December 31, 2023, and the forgiveness of 1/10th of the principal amount of the loan, together with accrued interest, annually over a ten-year period commencing on December 31, 2014 for so long as Mr. Madden continues to be employed by the Company on each such December 31st.

Arvind Dharia. On February 2, 2015, the Company and its Chief Financial Officer, Arvind Dharia, entered into an amendment of Mr. Dharia's existing employment agreement. The amendment, among other things, extends the term of Mr. Dharia's employment agreement until December 31, 2017 and increases his annual base salary to $582 effective January 1, 2015 through the remainder of the term. Pursuant to the amendment, on February 2, 2015, Mr. Dharia received a restricted stock award of 15,000 restricted shares of the Company's common stock, which will vest in substantially equal annual installments over a five-year period commencing on February 2, 2016 through February 2, 2020. The agreement, as amended, provides for an annual bonus to Mr. Dharia at the discretion of the Board of Directors.

Amelia Newton Varela. On December 30, 2016, the Company entered into a new employment agreement with Amelia Newton Varela, the Company’s President and a member of the Board of Directors of the Company, to replace an existing employment agreement that expired on December 31, 2016. The agreement, which expires on December 31, 2019, provides for an annual salary of $630 through December 31, 2017, $650 in 2018 and $670 in 2019. In addition, pursuant to her new employment agreement, on January 3, 2017, Ms. Varela was granted an option to purchase 100,000 shares of
the Company's common stock at an exercise price of $35.75. The option, which was granted under the Company’s 2006 Stock Incentive Plan, as amended, will vest in four equal annual installments on each anniversary of the date of grant, commencing on January 3, 2018. The agreement provides to Ms. Varela the opportunity for an annual performance-based bonus for the fiscal years ended December 31, 2017, 2018 and 2019.

Awadhesh Sinha. On December 30, 2016, the Company entered into a new employment agreement with Awadhesh Sinha, the Company's Chief Operating Officer, to replace an existing employment agreement that expired at the end of 2016. The new agreement, which remains in effect until December 31, 2019, provides for an annual salary of $681, $702, and

Note N – Commitments, Contingencies and Other (continued)

$723 for the three years ended December 31, 2017, 2018, and 2019 and provides to Mr. Sinha the opportunity for annual cash and share based incentive bonuses. In addition, pursuant to his new employment agreement, on January 3, 2017, Mr. Sinha received a grant of 28,169 shares of the Company's common stock subject to certain restrictions. The restricted
shares received by Mr. Sinha were issued under the Company's 2006 Stock Incentive Plan, as amended, and will vest in equal annual installments over a three-year period on each of December 15, 2017, December 15, 2018, and December 15, 2019.

Karla Frieders. On September 4, 2015, the Company entered into a new employment agreement with Karla Frieders in connection with Ms. Frieders' appointment to the newly-created position of Chief Merchandising Officer of the Company. The agreement, which remains in effect until February 28, 2017, provides to Ms. Frieders an annual salary of $440 throughout the term of the agreement and an annual performance-based bonus for the fiscal years ending December 31, 2015 and 2016 in an amount to be determined at the discretion of the Company.

Michael Paradise. On April 5, 2016, the Company entered into a new employment agreement with Michael Paradise, the Company's Executive Vice President - Legal Counsel. The agreement, which remains in effect until December 31, 2018, provides to Mr. Paradise an annual salary of $400 subject to periodic increases as determined by the Board of Directors, and an annual performance-based bonus for the fiscal years ending December 31, 2016, December 31, 2017 and December 31, 2018 in an amount to be determined at the discretion of the Company. The agreement also provides Mr. Paradise with a signing bonus in the amount of $250. In addition, pursuant to his employment agreement, on June 1, 2016, Mr. Paradise received a grant of 7,217 shares of the Company's common stock subject to certain restrictions. The restricted shares received by Mr. Paradise were issued under the Company's 2006 Stock Incentive Plan, as amended, and will vest in equal annual installments over a four-year period on each of June 1, 2017, June 1, 2018, June 1, 2019 and June 1, 2020.

[3] Letters of credit:

At December 31, 2016, the Company had no open letters of credit for the purchase of imported merchandise.

[4] License agreements:

On March 1, 2014, the Company entered into a license agreement with ABG Juicy Couture, LLC, under which the Company has the right to use the Juicy Couture® trademark in connection with the sale and marketing of women's footwear. The agreement requires the Company to pay the licensor a royalty equal to a percentage of net sales and a minimum royalty in the event that specified net sales targets are not achieved. The initial term of the agreement is effective through December 31, 2018. Subsequently, in February 2017, the initial agreement was amended to terminate, effective as of December 31, 2016.

On February 9, 2011, the Company entered into a license agreement with Basic Properties America Inc. and BasicNet S.p.A, under which the Company has the right to use the Superga® trademark in connection with the sale and marketing of women's footwear. The agreement requires the Company to pay the licensor a royalty equal to a percentage of net sales and a minimum royalty in the event that specified net sales targets are not achieved. The agreement was amended on April 11, 2013 to extend the term of the agreement through December 31, 2022.

Future minimum royalty payments are $1,270 for 2017 and $1,000 per year for years 2018 through 2022. Royalty expenses are included in the "cost of goods sold" section of the Company's Consolidated Statements of Income.

[5] Related Party Transactions:

On February 23, 2012, the Company entered into an agreement (the "2012 Consulting Agreement") with JLM Consultants, Inc., a company wholly-owned by John Madden, now deceased, formerly a director of the Company and the brother of Steven Madden, the Company's founder and Creative and Design Chief. The 2012 Consulting Agreement, replaced an

Note N – Commitments, Contingencies and Other (continued)

earlier consulting agreement between the Company and JLM Consultants, Inc. that had expired by its terms on December 31, 2005 but under which JLM Consultants, Inc. had continued to provide consulting services for the consideration provided therein. Under the 2012 Consulting Agreement, John Madden and JLM Consultants, Inc. provided consulting services to the Company with respect to the development of international sales of the Company. As a result of the passing of Mr. Madden on October 26, 2015, the 2012 Consulting Agreement terminated and the consulting services formerly provided by Mr. Madden and JLM Consultants under the 2012 Consulting Agreement are now being performed by employees of the Company. JLM Consultants, Inc. received no fees during 2016 and received fees and expenses of $1,373 and $1,240 in 2015 and 2014, respectively, pursuant to the 2012 Consulting Agreement. Subsequent to 2011, Mr. Madden no longer received fees for his service as a director of the Company.

[6] Concentrations:

The Company maintains cash and cash equivalents with various major financial institutions which at times are in excess of the amount insured. In addition, the Company's marketable securities are principally held at three brokerage companies.

During the year ended December 31, 2016, the Company did not purchase more than 10% of its merchandise from any single supplier. Total product purchases from China for the year ended December 31, 2016 were approximately 87%.

During the year ended December 31, 2015, the Company did not purchase more than 10% of its merchandise from any single supplier. Total product purchases from China for the year ended December 31, 2015 were approximately 90%.

During the year ended December 31, 2014, the Company did not purchase more than 10% of its merchandise from any single supplier. Total product purchases from China for the year ended December 31, 2014 were approximately 89%.

For the year ended December 31, 2016, Target, Inc. represented 12.0% of net sales and 16.9% of total accounts receivable. The Company did not have any other customers who accounted for more than 10% of total net sales or 10% of total accounts receivable.

For the year ended December 31, 2015, Target, Inc. represented 12.2% of net sales and 16.7% of total accounts receivable. The Company did not have any other customers who accounted for more than 10% of total net sales or 10% of total accounts receivable.

For the year ended December 31, 2014, Target, Inc. represented 10.5% of net sales and 12.8% of total accounts receivable. The Company did not have any customers who accounted for more than 10% of total net sales or 10% of total accounts receivable.

Purchases are made primarily in United States dollars.

[7] Valuation and qualifying accounts:

The following is a summary of the allowance for chargebacks and doubtful accounts related to accounts receivable and the allowance for chargebacks related to the amount due from factor:

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

Note N – Commitments, Contingencies and Other (continued)

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Year ended December 31, 2016				
Allowance for doubtful accounts	$ 200	$ 5	$ 61	$ 144
Allowance for chargebacks	19,040	67,649	67,551	19,138
Returns	4,822	5,169	7,442	2,549
Year ended December 31, 2015				
Allowance for doubtful accounts	203	162	165	200
Allowance for chargebacks	18,199	76,085	75,244	19,040
Returns*	5,160	5,868	6,206	4,822
Year ended December 31, 2014				
Allowance for doubtful accounts	119	234	150	203
Allowance for chargebacks	17,040	52,265	51,106	18,199
Returns*	$ 3,253	$ 5,648	$ 3,741	$ 5,160

* The return reserve does not take into consideration the Company's ability to resell returned products.

Note O – Operating Segment Information

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

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2016, 2015 and 2014
($ in thousands, except share and per share data)

Note O – Operating Segment Information (continued)

Year ended	Wholesale Footwear	Wholesale Accessories	Total Wholesale	Retail	First Cost	Licensing	Corporate	Consolidated
December 31, 2016:								
Net sales	**$ 881,864**	**$ 254,931**	**$ 1,136,795**	**$ 262,756**	**$ —**	**$ —**	**$ —**	**$ 1,399,551**
Gross profit	**279,836**	**84,421**	**364,257**	**157,726**	**—**	**—**	**—**	**521,983**
Commissions and licensing fees – net	**—**	**—**	**—**	**—**	**3,824**	**8,060**	**—**	**11,884**
Income from operations	**101,214**	**39,032**	**140,246**	**17,046**	**3,824**	**8,060**	**—**	**169,176**
Depreciation and amortization			**11,734**	**9,087**	**281**	**—**	**—**	**21,102**
Segment assets	**$ 611,145**	**$ 235,677**	**846,822**	**118,168**	**8,057**	**—**	**—**	**973,047**
Capital expenditures			**$ 5,990**	**$ 9,907**	**$ —**	**$ —**	**$ —**	**$ 15,897**
December 31, 2015:								
Net sales	$ 898,364	$ 266,563	$ 1,164,927	$ 240,312	$ —	$ —	$ —	$ 1,405,239
Gross profit	265,822	88,361	354,183	146,309	—	—	—	500,492
Commissions and licensing fees – net	—	—	—	—	6,795	9,852	$ —	16,647
Income from operations	95,621	39,678	135,299	19,702	6,795	9,852	—	171,648
Depreciation and amortization			12,624	7,897	236	—	—	20,757
Segment assets	$ 581,725	$ 209,213	790,938	107,661	15,786	—	—	914,385
Capital expenditures			$ 7,237	$ 12,222	$ —	$ —	$ —	$ 19,459
December 31, 2014								
Net sales	$ 881,041	$ 246,608	$ 1,127,649	$ 207,302	$ —	$ —	$ —	$ 1,334,951
Gross profit	259,764	84,640	344,404	124,596	—	—	—	469,000
Commissions and licensing fees – net	—	—	—	—	6,438	7,285	—	13,723
Income from operations	105,593	38,773	144,366	9,553	6,438	7,285	—	167,642
Depreciation and amortization			7,963	6,887	227	—	—	15,077
Segment assets	$ 581,799	$ 210,250	792,049	104,744	14,442	—	—	911,235
Capital expenditures			$ 10,188	$ 8,153	$ —	$ —	$ —	$ 18,341

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

Note O – Operating Segment Information (continued)

Revenues by geographic area are as follows:

	Year Ended December 31,		
	2016	2015	2014
Domestic (a)	**$ 1,258,983**	$ 1,255,668	$ 1,221,771
International	**140,568**	149,571	113,180
Total	**$ 1,399,551**	$ 1,405,239	$ 1,334,951

(a) Includes revenues of $315,566, $329,089 and $323,342 for the years ended 2016, 2015 and 2014 related to sales to U.S. customers where the title is transferred outside the U.S. and the sale is recorded by our International subsidiary.

Note P - Quarterly Results of Operations (unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2016 and 2015:

	March 31,	June 30,	September 30,	December 31,
2016:				
Net sales	**$ 329,357**	**$ 325,402**	**$ 408,384**	**$ 336,408**
Cost of sales	**213,155**	**204,357**	**253,876**	**206,180**
Gross profit	**116,202**	**121,045**	**154,508**	**130,228**
Commissions, royalty and licensing fee income - net	**2,171**	**2,826**	**5,358**	**1,529**
Net income attributable to Steven Madden, Ltd.	**$ 23,659**	**$ 24,737**	**$ 43,767**	**$ 28,748**
Net income per share:				
Basic	**$ 0.41**	**$ 0.43**	**$ 0.77**	**$ 0.51**
Diluted	**$ 0.39**	**$ 0.41**	**$ 0.74**	**$ 0.49**
2015:				
Net sales	$ 323,945	$ 323,582	$ 413,462	$ 344,250
Cost of sales	212,567	207,436	264,691	220,053
Gross profit	111,378	116,146	148,771	124,197
Commissions, royalty and licensing fee income - net	3,918	3,127	6,643	2,959
Net income attributable to Steven Madden, Ltd.	$ 19,824	$ 24,503	$ 42,885	$ 25,726
Net income per share:				
Basic	$ 0.33	$ 0.41	$ 0.73	$ 0.44
Diluted	$ 0.32	$ 0.40	$ 0.70	$ 0.43

Note Q - Recent Accounting Pronouncements

Recently Adopted

In March 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2016-09 ("ASU 2016-09"), Improvements to Employee Share-Based Payment Accounting, which changes the accounting for certain aspects of share-based payments to employees. The guidance requires the recognition in the income statement of the income tax effects of vested or settled awards. Further, the guidance requires that the recognition of anticipated tax windfalls/shortfalls be excluded in the calculation of assumed proceeds when applying the treasury stock method. The guidance also allows for the employer to repurchase more of an employee's shares for tax withholding purposes and not classify the award as a liability that requires valuation on a mark-to-market basis. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather

Note Q - Recent Accounting Pronouncements (continued)

than on an estimated basis. The guidance is effective in 2017 with early adoption permitted. The Company elected to adopt the provisions of ASU 2016-09 in the third quarter of 2016. According to the provisions of ASU 2016-09, if an entity adopts the provisions early, all adjustments should be reflected as of the beginning of the fiscal year of adoption. As a result of the adoption of this guidance in 2016, the Company recognized a tax benefit of $5,244 in the Consolidated Statements of Income for the year ended December 31, 2016. Lastly, the Company elected to not change its accounting policy to account for forfeitures as they occur and, as a result, the Company will continue to estimate forfeitures.

Not Yet Adopted

In January 2017, the FASB issued Accounting Standards Update 2017-04 ("ASU 2017-04"), Simplifying the Test for Goodwill Impairment. ASU 2017-04 changes the methodology of applying the quantitative approach during interim or annual impairment testing. The guidance is effective in fiscal years beginning after December 15, 2020. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update 2016-15 ("ASU 2016-15"), Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 clarifies how certain cash receipts and payments should be presented in the statement of cash flows. The guidance is effective in 2018 with early adoption permitted. We are currently evaluating the timing of adoption of this guidance, however, the guidance is not expected to have a material impact on our financial statements.

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

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

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

In November 2015, the FASB issued Accounting Standards Update 2015-17 ("ASU 2015-17"), Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. ASU 2015-17 simplifies current guidance and requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. ASU 2015-17 can be applied either prospectively or retrospectively and is effective for periods beginning after December 15, 2016, with early adoption permitted. The guidance will be effective for the Company's annual and interim reporting periods beginning January 1, 2017; however, the guidance is not expected to have a material impact on our financial statements.

Note Q - Recent Accounting Pronouncements (continued)

In July 2015, the FASB issued Accounting Standards Update 2015-11 ("ASU 2015-11"), Inventory (Topic 330): Simplifying the Measurement of Inventory, which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis and is effective for periods beginning after December 15, 2016, with early adoption permitted. The guidance will be effective for the Company’s annual and interim reporting periods beginning January 1, 2017; however, the guidance is not expected to have a material impact on our financial statements.

In May 2014, the FASB issued new accounting guidance, Accounting Standards Update No. 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers, on revenue recognition. The new standard provides for a single five-step model to be applied to all revenue contracts with customers as well as requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted, but not before the original effective date of the standard. The Company is currently evaluating the impact of the new guidance on our financial statements and related disclosures.

Exhibit Index

2.01	Stock Purchase Agreement dated August 13, 2014 among the Company, Dolce Vita Holdings, Inc., Evangelos C. Lamprou and Manuel N. Lucio (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on August 18, 2014)
2.02	Asset Purchase Agreement, dated as of January 20, 2012, among Steve Madden Canada Inc., Steve Madden Retail Canada Inc., Pasa Agency Inc., Gelati Imports Inc., the Company, SML Canada Acquisition Corp., 6798039 Canada Inc., 6798012 Canada Inc., 3574563 Canada Inc. and Thomas Alberga (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on January 26, 2012)
3.01	Certificate of Incorporation of Steven Madden, Ltd. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 filed with the SEC on August 8, 2013)
3.02	Amended & Restated By-Laws of Steven Madden, Ltd. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on March 28, 2008)
4.01	Specimen Certificate for shares of Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 filed with the SEC on August 8, 2013)
10.01	Third Amended and Restated Secured Promissory Note dated as of June 25, 2007 of Steven H. Madden to the Company (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 9, 2012)
10.02	First Allonge to Third Amended and Restated Secured Promissory Note made as of April 8, 2016 between the Company and Steven H. Madden (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016 filed with the SEC on May 6, 2016)
10.03	Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 2010 filed with the SEC on November 9, 2010)
10.04	Amendment to Collection Agency Agreement dated February 16, 2010 between Rosenthal & Rosenthal, Inc. and the Company (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2010 filed with the SEC on March 12, 2010)
10.05	Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Daniel Friedman & Associates, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
10.06	Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Diva Acquisition Corp. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
10.07	Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Steven Madden Retail, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
10.08	Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Stevies, Inc. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
10.09	Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and SML Acquisition Corp. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
10.10	Letter Agreement dated July 10, 2009 among Rosenthal & Rosenthal, Inc., the Company, Daniel Friedman & Associates, Inc., Diva Acquisition Corp., Steven Madden Retail, Inc., Stevies, Inc., and SML Acquisition Corp. (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
10.11	Guarantee dated July 10, 2009 of the Company, Daniel Friedman & Associates, Inc., Diva Acquisition Corp., Steven Madden Retail, Inc., Stevies, Inc., and SML Acquisition Corp. in favor of Rosenthal & Rosenthal, Inc. (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
10.12	Third Amended Employment Agreement dated July 15, 2005 between the Company and Steven Madden (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 20, 2005)
10.13	Amendment dated December 14, 2009 to Third Amended Employment Agreement between the Company and Steven Madden (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2009)

10.14	Amended and Restated Second Amendment dated as of December 31, 2011 to Third Amended Employment Agreement between the Company and Steven Madden (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2011 filed with the SEC on February 29, 2012)
10.15	Third Amendment dated April 8, 2016 to Third Amended Employment Agreement between the Company and Steven Madden (incorporated by reference to Exhibit 10.2 to the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016 filed with the SEC on May 6, 2016)
10.16	Employment Agreement dated January 1, 1998 between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.07 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2000 filed with the SEC on March 30, 2001)[#]
10.17	Amendment No. 1 dated June 29, 2001 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 99.4 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended June 30, 2001 filed August 14, 2001)[#]
10.18	Amendment No. 2 dated October 30, 2002 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 2002 filed with the SEC on November 14, 2002)[#]
10.19	Amendment No. 3 dated February 1, 2006 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 3, 2006)[#]
10.20	Amendment No. 4 dated October 7, 2009 to Employment Agreement of Arvind Dharia between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 13, 2009)[#]
10.21	Amendment No. 5 dated February 8, 2012 to Employment Agreement of Arvind Dharia between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2012)[#]
10.22	Amendment No. 6 dated February 2, 2015 to Employment Agreement of Arvind Dharia between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)[#]
10.23	Employment Agreement dated December 30, 2016 between the Company and Awadhesh Sinha (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2017)[#]
10.24	Employment Agreement dated March 11, 2015 between the Company and Robert Schmertz (incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 16, 2015)[#]
10.25	Employment Agreement dated January 10, 2014 between the Company and Amelia Newton Varela (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2017)[#]
10.26	Employment Agreement dated September 4, 2015 between the Company and Karla Frieders (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 10, 2015)[#]
10.27	Employment Agreement dated December 31, 2015 between the Company and Edward R. Rosenfeld (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2016)[#]
10.28	First Amendment dated May 16, 2016 to Employment Agreement dated December 31, 2015 between the Company and Edward R. Rosenfeld (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on May 16, 2016)[#]
10.29	Employment Agreement dated April 5, 2016 between the Company and Michael Paradise[#†]
10.30	2006 Stock Incentive Plan (Amended and Restated Effective May 22, 2009), amended by the Board on April 5, 2012 and approved and adopted by the Company's stockholders on May 25, 2012 (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed with the SEC on March 1, 2013)[#]
21.01	Subsidiaries of the Registrant[†]
23.01	Consent of EisnerAmper LLP[†]
24.01	Power of Attorney (included on signature page hereto)
31.01	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[†]
31.02	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[†]
32.01	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[†*]

32.02	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†*
99.01	Press Release, dated February 28, 2017, issued by Steven Madden, Ltd.†
101	The following materials from Steven Madden, Ltd.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text.*

† Filed herewith.

# Indicates management contract or compensatory plan or arrangement required to be identified pursuant to Item 15(b) of this Annual Report on Form 10-K.

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

STEVE MADDEN
Steven Madden, Ltd., 52-16 Barnett Ave. Long Island City, N.Y. 11104 Phone: 718.446.1800 Fax 718.446.5599

April 5, 2016

Michael Paradise, Esq.
24 Pheasant Lane
Woodbury, New York 11797

Dear Mr. Paradise:

This letter (the "Agreement") will set forth below the terms and conditions of your employment with Steven Madden, Ltd. (the "Company"):

1. Term of Agreement. On or about May 10, 2016 through December 31, 2018 unless sooner terminated in accordance with Paragraph 10 of this Agreement (the "Term"). At the expiration of the term of this Agreement, unless you are (a) notified that your employment shall be terminated, or (b) this Agreement is renewed in some form, your employment shall continue on an at-will basis, at the same terms as contained herein.

2. Position. Executive Vice President – General Counsel. You shall report to the Chief Executive Officer. You shall expend all of your working time to the Company and shall devote your best efforts, energy and skills to the Company and the promotion of its interests; you shall not take part in any activities detrimental to the best interests of the Company.

3. Salary and Benefits. $400,000 per annum (paid in accordance with normal Company practice) from the date you commence employment with us through December 31, 2018; provided that, your rate of salary will be subject to such periodic increases during the Term as may be determined by the Board of Directors of the Company or its compensation committee in their sole discretion. You will be eligible to participate in each of the Company's employee benefit plans that is made available either to the Company's employees or to the Company's senior executives and for which you satisfy applicable eligibility requirements.

4. Signing Bonus. You shall receive a signing bonus of $250,000 (net of any deductions required to be withheld by applicable laws and regulations), as provided for in the Sign-On Bonus Agreement executed in connection herewith and attached hereto.

5. Restricted Stock. On the first business day of the first month following the start of your employment (the "Grant Date"), you shall be granted shares of restricted stock in Steven Madden, Ltd., vesting 25% per year for four years commencing on the first anniversary of the Grant Date. The number of restricted shares to be issued shall be determined by dividing Two Hundred Fifty Thousand Dollars ($250,000) by the closing price of the common stock of the Company on the Grant Date.

6. Discretionary Bonus. You shall be eligible to receive a performance bonus for each of 2016, 2017 and 2018 in an amount to be determined by the Company in its absolute discretion. Such bonuses (net of any deductions required to be withheld by any applicable laws and regulations) shall be payable on or about March 15th of the following year and if this agreement terminates by its own terms and is not renewed, you shall still qualify for a bonus for the year you are terminated.

7. Car Allowance. You shall receive a car allowance of $1,000 per month.

8. Expenses. The Company shall promptly reimburse you for all reasonable and necessary business expenses you incur in connection with the business of the Company, which will include, but not be limited to, your costs of statutorily required continuing legal education, bar association dues, general counsel associations, subscriptions, law library materials and malpractice insurance (if necessary).

9. Vacation. You shall be entitled to a minimum of three weeks paid vacation or such greater amount as permitted by the CEO of the Company. You shall also be entitled to personal and sick days in accordance with Company policy applicable to senior executives.

10. Termination.

(a) Involuntary Termination. The Company has the right to terminate your employment at any time without Cause (as defined below) and you shall have the right to terminate your employment for Good Reason (as defined below). In the event the Company terminates your employment without Cause or you terminate for Good Reason, then the Term shall terminate immediately, and you shall be entitled to receive Salary payments described in Paragraph 3, at the regular intervals of payment, from the date of termination through the date this Agreement would have otherwise terminated but for the involuntary termination.

(b) Voluntary Termination by you or Termination for Cause. You shall have the right to terminate your employment at any time for any reason ("Voluntary Termination") and the Company shall have the right to terminate your employment at any time for "Cause" (as defined below), on written notice to you, setting forth in reasonable detail the facts and circumstances resulting in the Cause upon which such termination is based. In the event of a Voluntary Termination or a termination by the Company for Cause, the Term shall terminate immediately and you shall be entitled only to any accrued and unpaid Salary described in Paragraph 3 through the date of termination.

For the purposes of this Agreement, "Cause" shall mean:

(i) a material breach by you of your material duties or obligations to the Company which is not remedied to the reasonable satisfaction of the Company within twenty (20) days after the receipt by you of written notice of such breach from the Company;

(ii) you are convicted of, or enter a guilty or "no contest" plea with respect to a felony or a crime of moral turpitude (whether or not a felony);

(iii) you have an alcohol or substance abuse problem, which in the reasonable opinion of the Company materially interferes with your ability to perform your duties;

(iv) any act or acts of personal dishonesty, fraud, embezzlement, misappropriation or conversion intended to result in your personal enrichment at the expense of the Company, or any of its subsidiaries or affiliates, or any other material breach or violation of fiduciary duty owed to the Company, or any of its subsidiaries or affiliates;

(v) any grossly negligent act or omission or any willful and deliberate misconduct by you that results, or is likely to result, in material economic, or other harm, to the Company, or any of its subsidiaries or affiliates; or

(vi) you materially violate or pay fines, suffer sanctions or injunctive relief relating to (whether or not you are found to have violated) any federal or state securities laws, rules or regulations or the rules and regulations of any stock exchange on which the Company is listed or included.

For the purposes of this Agreement, “Good Reason” shall mean:

(i) a material reduction in your base salary without your prior written consent;

(ii) a material reduction in your authority, duties or responsibilities, without your prior written consent;

(iii) a material change in the geographic location at which you must perform services on a permanent basis; or

(iv) any material breach by the Company of the terms of this Agreement, which is not remedied within twenty (20) days after the receipt by the Company of written notice from you.

(c) Disability. You shall be considered to be “Disabled” if, in the Company’s reasonable opinion after receiving the written report of an independent physician selected by the Company, you are incapable, due to mental or physical disability, of performing the essential functions of your duties for a period of sixty (60) days (whether or not consecutive) during any period of one hundred twenty (120) days. In the event you shall become Disabled during the Term, the Company may terminate your employment and the Term and the Company shall have no further obligation or liabilities to you except that you shall be entitled to receive Salary payments described in Paragraph 3, at the regular intervals of payment, from the date of termination through the date six months after termination.

(d) Death. In the event of your death, your employment and the Term shall terminate immediately and the Company shall have no further obligation or liabilities to you or your estate except that your estate shall be entitled to receive Salary payments described in Paragraph 3, at the regular intervals of payment, from the date of termination through the date that is six months after termination.

(e) Change of Control. The term “Change of Control”, as used herein, shall mean when any person or group (excluding the Company or any of its affiliates) becomes the beneficial owner of securities representing 50% or more of the combined voting power of the Company’s then outstanding securities. If, during the period commencing 30 days prior to a Change of Control and ending 180 days after a Change of Control, you are terminated by the Company other than for Cause, you are entitled to receive an amount equal to the lesser of (i) the average amount of total compensation actually received by you for the preceding three calendar years multiplied by 3 or (ii) the maximum amount which is tax deductible to the Company under Internal Revenue Code Section 280G. The foregoing shall be in lieu of, and not in addition to, any other payments or compensation you would otherwise be entitled to hereunder as a result of your termination.

(f) Termination Payment. Provided the Company makes the payments required under this Agreement that are attributable to the termination of your employment, such payments shall be in full and complete satisfaction and release of any and all claims you or your beneficiaries, estate or legal representatives may have against the Company and/or its subsidiaries or affiliates hereunder. Notwithstanding anything contained in this Agreement, the Company shall have no obligation to make any payment to you under this Agreement unless and until you execute and deliver to the Company a general release from any and all liability and all applicable periods of time have expired such that the Company shall irrevocably be entitled to enjoy the benefits of the aforementioned release.

11. Non-Solicitation/Non-Competition Agreement. You recognize that the services to be performed by you hereunder are special and unique. In consideration of the compensation granted herein, you agree that for as long as you are receiving your Salary under this Agreement and, if you are terminated by the Company for Cause or if you quit or resign your position, through December 31, 2018, you shall not, directly or indirectly, anywhere in the United States, whether individually or as a principal officer, employee, partner, member, director or agent of, or consultant for, any person or entity: (i) become employed by, an owner of (other than passive ownership of up to 4.9% of any publicly traded company), or otherwise affiliated with, or furnish services to, any business that competes with the Company, (ii) solicit any business from any customers of the Company, or (iii) hire, offer to hire, entice away, or in any manner persuade or attempt to persuade any employee of the Company to discontinue his/her employment with the Company or any other party that has a business relationship with the Company to discontinue his/her/its business relationship with the Company.

12. Discoveries. You agree to disclose promptly in writing to the Board of Directors of the Company all ideas, processes, methods, devices, business concepts, inventions, improvements, discoveries, know-how and other creative achievements (hereinafter referred to collectively as “Discoveries”) to the extent such Discoveries have been reduced to practice, in whole or in part, whether or not the same or any part thereof is capable of being patented, trademarked, copyrighted, or otherwise protected, which you, while employed by the Company, conceive, make, develop, acquire or reduce to practice, whether acting alone or with others and whether during or after usual working hours, and which are related to the Company’s business or interests, or are used or usable by the Company, or arise out of or in connection with the duties performed by you. You hereby transfer and assign to the Company all right, title and interest in and such Discoveries that are conceived, made, developed, acquired or reduced to practice during your employment with the Company, including any and all domestic and foreign copyrights and patent and trademark rights therein and any renewals thereof. On request of the Company, You will, without any additional compensation, from time to time during, and after the expiration or termination of, the Term, execute such further instruments (including applications for copyrights, patents, trademarks and assignments thereof) and do all such other acts and things as may be deemed necessary or desirable by the Company to protect and/or enforce its rights in respect of such Discoveries. All reasonable expenses incurred by you in complying with the Company’s request and all expenses of filing or prosecuting any patent, trademark or copyright application shall be borne by the Company, but you shall cooperate in filing and/or prosecuting any such application.

13. Covenant Not to Disclose. You covenant and agree that you will not at any time during or after the Term, reveal, divulge or make known to any person (other than (i) to the Company, or (ii) in the

regular course of business of the Company) or use for your own account any confidential or proprietary records, data, processes, ideas, methods, devices, business concepts, inventions, discoveries, know-how, trade secrets or any other confidential or proprietary information whatsoever (the "Confidential Information") previously possessed or used by the Company or any of its subsidiaries or affiliates, (whether or not developed, devised or otherwise created in whole or in part by your efforts) and made known to you by reason of your employment by or affiliation with the Company. You further covenant and agree that you shall retain all such knowledge and information which you shall acquire or develop respecting such Confidential Information in trust for the sole benefit of the Company and its successors and assigns. Additionally, you agree that all right, title and interest in and to any discoveries, processes, ideas, methods and/or business concepts that you develop during the Term relating to the business of the Company are, and shall remain the property of the Company, and you hereby assign to the Company any right, title and interest you might otherwise claim therein.

14. Business Materials, Covenant to Report. All written materials, records and documents made by you or coming into your possession concerning the business or affairs of the Company shall be the sole property of the Company and, upon the termination or expiration of your employment with the Company or upon the request of the Company at any time, you shall promptly deliver the same to the Company and shall retain no copies thereof. You agree to render to the Company such reports of your activities or activities of others under your direction during the Term as the Company may request.

15. Governing Law; Injunctive Relief.

(a) The validity, interpretation, and performance of this Agreement shall be controlled by and construed under the laws of the State of New York, excluding choice of law rules thereof.

(b) You acknowledge and agree that, in the event you shall violate any of the restrictions of Paragraphs 11, 12, 13 or 14 hereof, the Company will be without an adequate remedy at law and will therefore be entitled to enforce such restrictions by temporary or permanent injunctive or mandatory relief in any court of competent jurisdiction without the necessity of proving damages or posting a bond or other security, and without prejudice to any other remedies which it may have at law or in equity. Each of you and the Company acknowledges and agrees that, in addition to any other state having proper jurisdiction, any such relief may be sought in, and for such purpose each of you and the Company consents to the jurisdiction of, the courts of the State of New York.

16. Assignment. This Agreement, as it relates to your employment, is a personal contract and your rights and interests hereunder may not be sold, transferred, assigned, pledged or hypothecated.

17. Notices. Any and all notices or other communications or deliveries required or permitted to be given or made pursuant to any of the provisions of this Agreement shall be deemed to have been duly given or made for all purposes when hand delivered or sent by certified or registered mail, return receipt requested and postage prepaid, overnight mail or courier, or facsimile, addressed, if to the Company, at the Company's offices, Attn: Chief Executive Officer, and if to you, at the address of your personal residence as maintained in the Company's records, or at such other address as any party shall designate by notice to the other party given in accordance with this Paragraph 17.

18. Entire Agreement. This Agreement represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof, supersedes all prior agreements between such parties with respect to the subject matter hereof, and cannot be amended, supplemented or modified orally, but only by an agreement in writing signed by the party against whom enforcement of any such amendment, supplement or modification is sought.

19. Execution in Counterparts; Signatures; Severability. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Facsimile or electronic mail signatures hereon shall constitute original signatures. If any provision of this Agreement as applied to any part or to any circumstance shall be adjudged by a court to be invalid or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of such provision in any other circumstances or the validity or enforceability of this Agreement.

20. Representation by Counsel; Interpretation. Each party acknowledges that it has been represented by counsel or has had the opportunity to be represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule or law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and is expressly waived by such parties. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intent of the parties hereto.

21. 409A.

(a) To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and Department of Treasury regulations and other interpretive guidance issued thereunder (together, "Section 409A"). Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation payable under this Agreement may be subject to Section 409A, the Company shall work in good faith with you to adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, including without limitation, actions intended to (A) exempt the compensation payable under this Agreement from Section 409A, and/or (B) comply with the requirements of Section 409A. Any right to a series of installment payments hereunder, including without limitation, any right to receive the Severance (if applicable), shall be treated as a right to a series of separate payments for purposes of Section 409A.

(b) To the extent that any payments or reimbursements provided to you under this Agreement are deemed to constitute compensation to the you to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Consultant's right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

(c) Notwithstanding anything to the contrary in this Agreement, no compensation or benefits shall be paid to you during the six (6)-month period following your "separation from service" (within the meaning of Section 409A) if the Company determines that paying such amounts at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six (6)-month period (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the your death), the Company shall pay you a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the you during such period (without interest).

STEVEN MADDEN, LTD.

Signature: By: /s/ EDWARD R. ROSENFELD___
Edward R. Rosenfeld, CEO

Counter-signature: /s/ MICHAEL PARADISE ___
Michael Paradise

ATTACHMENT "A"

Sign-On Bonus Agreement

Sign-On Bonus Agreement

Agreement (this "Agreement") dated as of April 5, 2016, by and between **Steven Madden, Ltd.**, a Delaware corporation, with offices at 52-16 Barnett Avenue, Long Island City, New York 11104 (the "Company") and **Michael Paradise**, with an address at 24 Pheasant Lane, Woodbury, New York 11797 (the "Employee").

Witnesseth:

Whereas, the Company desires to employ the Employee; and

Whereas, the Employee desires to work for the Company.

Now, Therefore, to induce the Employee to work for the Company and in consideration of the mutual covenants herein made, and other sufficient consideration, the parties agree as follows:

1. Pursuant to Paragraph 4 of the Employment Agreement dated April 5, 2016 between the Company and Employee (the "Employment Agreement"), the Company has agreed to deliver to the Employee the sum of $250,000, payable as soon as practicable, but no later than seven (7) days from the start of employment, less statutory withholdings and customary deductions (such payment being referred to herein as the "Sign-On Bonus").

2. The parties understand and agree that the Sign-On Bonus is intended to be a reward for the Employee's initial year of service to the Company and is in addition to his salary and other compensation paid or that may be paid to Employee in the initial year of his service.

3. The Employee covenants and agrees that in the event, within one (1) year of the date of Employee's first day of Employment with the Company, the employee voluntarily resigns from the employment of the Company other than for "Good Reason" (as defined in Section 10(b) of the Employment Agreement) or if the Employee's employment is terminated by the Company for "Cause" (as defined in Section 10(b) of the Employment Agreement), then (i) the Employee shall reimburse the Company the sum of the Sign-On Bonus, net of withholdings and customary deductions, or (ii) if not repaid in full pursuant to clause (i), the Company shall be entitled to deduct all or any portion of the net amount of the Sign-On Bonus from the Employee's wages or other sums due the Employee at the time of such resignation or termination.

4. This Agreement shall be binding upon and shall inure to the benefit of the Company and the Employee. The Employee may not assign this Agreement. This Agreement shall be governed by and shall be construed and interpreted in accordance with the laws of the State of New York (excluding its principles of conflicts of law).

In Witness Whereof, the parties hereto have caused this Agreement to be executed on the day and date first above written.

SUBSIDIARIES

NAME OF THE SUBSIDIARY	STATE OF INCORPORATION
Adesso-Madden, Inc.	New York
Big Buddha, Inc.	California
Cejon, Inc.	New Jersey
Daniel M. Friedman & Associates, Inc.	New York
Diva Acquisition Corp.	Delaware
Steven Madden Retail, Inc.	Delaware
Stevies, Inc.	Delaware
The Topline Corporation	Washington
SML Holdings S.a.r.l	Luxembourg
SML Canada Acquisition Corp.	Canada
Dolce Vita Holdings, Inc.	Washington
Madden International Ltd.	Hong Kong
Trendy Imports S.A. de C.V.	Mexico
Comercial Diecesiette S.A. de C.V.	Mexico
Maximus Designer Shoes	Mexico
BA Brand Holdings LLC	New York
BAI Holding, LLC	New York

EXHIBIT 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Steven Madden, Ltd. and subsidiaries on Form S3 (No. 333-91127), Form S-3/A (Nos. 333-46441 and 333-59295), Form S8 (Nos. 333-160520, 333-117667, 333-117666, 333-106746, 333-98067, 333-68712, 333-40924, 333-86903, 333-16381, 333-138584, and 333-184564) and Form S-8 POS (No. 033-94510) of our report dated February 28, 2017, on our audits of the consolidated financial statements as of December 31, 2016 and 2015 and for each of the years in the three-year period ended December 31, 2016, and the effectiveness of Steven Madden, Ltd.'s internal control over financial reporting as of December 31, 2016, which report is included in this Annual Report on Form 10-K.

/S/EisnerAmper LLP
New York, New York
February 28, 2017

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 Annual Report on Form 10-K of Steven Madden, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld
Chairman and Chief Executive Officer
February 28, 2017

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 Annual Report on Form 10-K of Steven Madden, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer
February 28, 2017

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 Annual Report of Steven Madden, Ltd. (the "Company") on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward R. Rosenfeld, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld
Chairman and Chief Executive Officer
February 28, 2017

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 Annual Report of Steven Madden, Ltd. (the “Company”) on Form 10-K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Arvind Dharia, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer
February 28, 2017

Steve Madden Announces Fourth Quarter and Full Year 2016 Results and Provides Initial Fiscal Year 2017 Sales and EPS Guidance

LONG ISLAND CITY, N.Y., February 28, 2017 - Steve Madden (Nasdaq: SHOO), a leading designer and marketer of fashion footwear and accessories for women, men and children, today announced financial results for the fourth quarter ended December 31, 2016, and provided initial fiscal year 2017 sales and EPS guidance.

For the Fourth Quarter 2016:

- Net sales decreased 2.3% to $336.4 million compared to $344.3 million in the same period of 2015.
- Gross margin expanded 260 basis points to 38.7% as compared to 36.1% in the same period last year.
- Operating expenses as a percentage of sales were 27.4% compared to 25.7% of sales in the same period of 2015.
- Operating income totaled $39.6 million, or 11.8% of net sales, compared with operating income of $38.7 million, or 11.2% of net sales, in the same period of 2015.
- Net income was $28.7 million, or $0.49 per diluted share, compared to $25.7 million, or $0.43 per diluted share, in the prior year's fourth quarter.

Edward Rosenfeld, Chairman and Chief Executive Officer, commented, "We are pleased to have delivered solid earnings results in the fourth quarter, with EPS at the high end of our guidance range, despite a challenging retail environment. While overall sales declined modestly due primarily to softness in our private label footwear and cold weather accessories businesses, we had outstanding top line growth in our core Steve Madden Women's wholesale business, and we also achieved strong gross margin improvement in both the wholesale footwear and wholesale accessories segments. As we look ahead, while we are cautious about the overall environment, we are pleased with the momentum in our core business and confident we can drive top and bottom line growth in 2017 and beyond."

Fourth Quarter 2016 Segment Results

Net sales for the wholesale business were $251.5 million in the fourth quarter of 2016 compared to $265.0 million in the fourth quarter of 2015. Sales declines in private label footwear, cold weather accessories and the international business were partially offset by strong growth in the Steve Madden Women's division. Gross margin in the wholesale business increased to 31.4% compared to 28.2% in last year's fourth quarter driven by strong improvement in both the wholesale footwear and wholesale accessories segments.

Retail net sales in the fourth quarter were $84.9 million compared to $79.3 million in the fourth quarter of the prior year. Same store sales increased 1.1% for the fourth quarter. Retail gross margin decreased to 60.5% in the fourth quarter of 2016 compared to 62.3% in the fourth quarter of 2015 due to the decision to proactively clear through slower-moving product, primarily casual boots and booties, as well as the negative impact of a stronger US dollar on the Company's international business.

During the fourth quarter, the Company opened two full price stores and one outlet location. The Company ended the quarter with 189 company-operated retail locations, including four Internet stores.

The effective tax rate for the fourth quarter of 2016 was 28.5% compared to 34.1% in the fourth quarter of the prior year.

Full Year Ended December 31, 2016

For the full year ended December 31, 2016, net sales decreased 0.4% to $1.40 billion from $1.41 billion in the prior year.

Net income was $120.9 million, or $2.03 per diluted share, for the year ended December 31, 2016, compared to net income of $112.9 million, or $1.85 per diluted share, for the year ended December 31, 2015. Net income in 2015 included an after-tax net benefit of $2.0 million related to early lease termination of the Company's 5th Avenue store location as well as an after-tax loss of $2.0 million related to the partial impairment of the Company's Wild Pair trademark.

Balance Sheet and Cash Flow

During the fourth quarter of 2016, the Company repurchased 515,837 shares of the Company's common stock for approximately $19.6 million, which includes shares acquired through the net settlement of employee stock awards.

As of December 31, 2016, cash, cash equivalents, and current and non-current marketable securities totaled $236.2 million.

Company Outlook

For fiscal year 2017, the Company expects that net sales will increase 8% to 10% over net sales in 2016. Diluted EPS for fiscal year 2017 is expected to be in the range of $2.12 to $2.18.

Conference Call Information

Interested stockholders are invited to listen to the fourth quarter earnings conference call scheduled for today, February 28, 2017, at 8:30 a.m. Eastern Time. The call will be broadcast live over the Internet and can be accessed by logging onto http://www.stevemadden.com. An online archive of the broadcast will be available within one hour of the conclusion of the call and will be accessible for a period of 30 days following the call. Additionally, a replay of the call can be accessed by dialing 1-844-512-2921 (U.S.) and 1-412-317-6671 (international) (international), passcode 7159169, and will be available until March 28, 2017.

About Steve Madden

Steve Madden designs, sources and markets fashion-forward footwear and accessories for women, men and children. In addition to marketing products under its own brands including Steve Madden®, Dolce Vita®, Betsey Johnson®, Report®, Big Buddha®, Brian Atwood®, Cejon®, Blondo® and Mad Love®, Steve Madden is the licensee of various brands, including Superga® for footwear in North America. Steve Madden also designs and sources products under private label brand names for various retailers. Steve Madden's wholesale distribution includes department stores, specialty stores, luxury retailers, national chains and mass merchants. Steve Madden also operates 189 retail stores (including Steve Madden's four Internet stores). Steve Madden licenses certain of its brands to fourth parties for the marketing and sale of certain products, including for ready-to-wear, outerwear, intimate apparel, hosiery, jewelry, luggage and bedding and bath products. For local store information and the latest Steve Madden booties, pumps, men's and women's boots, dress shoes, sandals and more, visit http://www.stevemadden.com/

Safe Harbor

This press release and oral statements made from time to time by representatives of the Company contain certain "forward looking statements" as that term is defined in the federal securities laws. The events described in forward looking statements may not occur. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of the Company's plans or strategies, projected or anticipated benefits from acquisitions to be made by the Company, or projections involving anticipated revenues, earnings or other aspects of the Company's operating results. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "intend," "estimate," and "continue," and their opposites and similar expressions are intended to identify forward looking statements. The Company cautions you that these statements concern current expectations about the Company's future results and condition and are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond the Company's control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors which may affect the Company's results include, but are not limited to, the risks and uncertainties discussed in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission. Any one or more of these uncertainties, risks and other influences could materially affect the Company's results of operations and financial condition and whether forward looking statements made by the Company ultimately prove to be accurate and, as such, the Company's actual results, performance and achievements could differ materially from those expressed or implied in these forward looking statements. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

STEVEN MADDEN, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS DATA

(In thousands, except per share amounts)

	Three Months Ended		Twelve Months Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Net sales	$ 336,408	$ 344,250	$ 1,399,551	$ 1,405,239
Cost of sales	206,180	220,053	877,568	904,747
Gross profit	130,228	124,197	521,983	500,492
Commission and licensing fee income, net	1,529	2,959	11,884	16,647
Operating expenses	92,117	88,456	364,691	342,446
Impairment charge	—	—	—	3,045
Income from operations	39,640	38,700	169,176	171,648
Interest and other income, net	707	547	1,824	818
Income before provision for income taxes	40,347	39,247	171,000	172,466
Provision for income taxes	11,514	13,382	49,726	58,811
Net income	28,833	25,865	121,274	113,655
Net income attributable to noncontrolling interest	85	139	363	717
Net income attributable to Steven Madden, Ltd.	$ 28,748	$ 25,726	$ 120,911	$ 112,938
Basic income per share	$ 0.51	$ 0.44	$ 2.12	$ 1.91
Diluted income per share	$ 0.49	$ 0.43	$ 2.03	$ 1.85
Basic weighted average common shares outstanding	56,428	58,186	57,109	58,997
Diluted weighted average common shares outstanding	58,902	60,028	59,556	61,142

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET DATA

(In thousands)

	As of	
	December 31, 2016 (Unaudited)	December 31, 2015
Cash and cash equivalents	$ 126,115	$ 72,414
Marketable securities (current & non current)	110,054	120,889
Accounts receivables, net	200,958	198,384
Inventories	119,824	102,080
Other current assets	56,264	53,675
Property and equipment, net	72,381	72,010
Goodwill and intangibles, net	280,097	286,855
Other assets	7,354	8,078
Total assets	$ 973,047	$ 914,385
Accounts payable	$ 80,584	$ 79,790
Contingent payment liability (current & non current)	7,948	24,775
Other current liabilities	94,595	78,246
Other long term liabilities	48,848	52,911
Total Steven Madden, Ltd. stockholders' equity	740,867	678,404
Noncontrolling interest	205	259
Total liabilities and stockholders' equity	$ 973,047	$ 914,385

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONDENSED CONSOLIDATED CASH FLOW DATA

(In thousands)

	Twelve Months Ended	
	December 31, 2016	December 31, 2015
Net cash provided by operating activities	$ 153,604	$ 135,963
Investing Activities		
Purchases of property and equipment	(15,897)	(19,459)
Acquisitions, net of cash acquired	—	(9,129)
Sales (purchases) of marketable securities, net	11,764	(5,538)
Repayment of notes receivable	249	466
Net cash used in investing activities	(3,884)	(33,660)
Financing Activities		
Common stock share repurchases for treasury	(86,005)	(135,637)
Purchase of noncontrolling interest	(3,759)	—
Payment of contingent liability	(16,402)	(6,270)
Proceeds from exercise of stock options	10,713	21,301
Tax benefit from the exercise of stock options	—	10,510
Net cash used in financing activities	(95,453)	(110,096)
Effect of exchange rate changes on cash and cash equivalents	(566)	(1,243)
Net increase (decrease) in cash and cash equivalents	53,701	(9,036)
Cash and cash equivalents - beginning of period	72,414	81,450
Cash and cash equivalents - end of period	$ 126,115	$ 72,414

Contact
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