SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): May 25, 2011

STEVEN MADDEN, LTD.

(Exact name of registrant as specified in its charter)

Delaware	**000-23702**	**13-3588231**
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. employer identification no.)

52-16 Barnett Avenue, Long Island City, New York	**11104**
(Address of principal executive offices)	(Zip code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

r Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

r Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

r Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

r Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On May 25, 2011, Steven Madden, Ltd. (the "Company") entered into a Stock Purchase Agreement (the "Purchase Agreement") whereby it purchased all of the outstanding stock of each of Cejon, Inc., a New Jersey corporation ("Cejon, Inc."), and Cejon Accessories, Inc., a New York corporation ("CAI"), from David Seeherman ("Seeherman"), the sole stockholder of each of Cejon, Inc. and CAI. Pursuant to the Purchase Agreement, the Company also purchased all of the outstanding membership interests in New East Designs, LLC, a Missouri limited liability company ("New East", and together with Cejon, Inc. and CAI, collectively, the "Cejon Entities"), from Cejon, Inc. and Kenneth Rogala ("Rogala" and, together with Seeherman, the "Sellers"). In connection with the closing of the transaction contemplated by the Purchase Agreement, the Company paid to the Sellers an aggregate of $30 million in cash, subject to adjustment, as consideration for each Seller's respective ownership interests in the Cejon Entities. In addition, the Sellers may be eligible to receive potential earn-out purchase price payments pursuant to an Earn-Out Agreement (as described below) based on the future performance of the Cejon Entities. The Stock Purchase Agreement contains customary representations, warranties, covenants and indemnification obligations. The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to such agreement, a copy of which is filed as Exhibit 10.1 hereto and incorporated herein by reference.

In connection with the Purchase Agreement, on May 25, 2011, the Company also entered into an Earn-Out Agreement with Seeherman, Rogala and each of the Cejon Entities (the "Earn-Out Agreement"). Pursuant to the Earn-Out Agreement, as additional consideration for the Sellers' respective ownership interests in the Cejon Entities, the Sellers will be eligible to receive certain earn-out purchase price payments in respect of each of the twelve month periods (i) beginning on July 1, 2011 and ending on June 30, 2012; (ii) beginning on July 1, 2012 and ending on June 30, 2013; (iii) beginning on July 1, 2013 and ending on June 30, 2014; (iv) beginning on July 1, 2014 and ending on June 30, 2015; and (v) beginning on July 1, 2015 and ending on June 30, 2016. The foregoing description of the Earn-Out Agreement does not purport to be complete and is qualified in its entirety by reference to such agreement, a copy of which is filed as Exhibit 10.2 hereto and incorporated herein by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets.

See Item 1.01 of this Current Report on Form 8-K.

Item 8.01. Other Events.

On May 26, 2011, the Company issued a press release pursuant to which it announced that it had acquired the Cejon Entities. A copy of the press release is filed as Exhibit 99.1 hereto and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
10.1	Stock Purchase Agreement, dated May 25, 2011, by and among Steven Madden, Ltd., David Seeherman, Cejon, Inc., and Kenneth Rogala.
10.2	Earn-Out Agreement, dated May 25, 2011, by and among Steven Madden, Ltd., David Seeherman, Cejon, Inc., Cejon Accessories, Inc., New East Designs, LLC, and Kenneth Rogala.
99.1	Press Release, dated May 26, 2011.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STEVEN MADDEN, LTD.

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

Date: May 26, 2011

Exhibit 10.1

EXECUTION VERSION

STOCK PURCHASE AGREEMENT

by and among

STEVEN MADDEN, LTD.,

The Sole Shareholder

of

CEJON ACCESSORIES, INC.

and

CEJON INC.,

and

The Members

of

NEW EAST DESIGNS, LLC

Dated as of May 25, 2011

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of May 25, 2011, is entered into by and among Steven Madden, Ltd., a Delaware corporation ("Madden"), David Seeherman ("Seller"), Cejon, Inc., a New Jersey corporation ("Cejon, Inc") and Kenneth Rogala ("KR").

RECITALS

WHEREAS, Seller owns all of the issued and outstanding shares of capital stock of Cejon, Inc. and all of the issued and outstanding shares of capital stock of Cejon Accessories, Inc., a New York corporation ("CAI");

WHEREAS, Cejon, Inc. and KR collectively own all of the issued and outstanding membership interests of New East Designs, LLC, a Missouri limited liability company ("New East", and together with Cejon, Inc. and CAI, collectively, the "Companies" and each individually, a "Company"); and

WHEREAS, Madden desires to acquire all of the issued and outstanding shares of capital stock of Cejon, Inc. and CAI and all of the issued and outstanding membership interests of New East, and each of Seller, Cejon, Inc. and KR (as applicable) desire to sell the same, on the terms and conditions contained herein and in the Earn-Out Agreement (as defined below).

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

ARTICLE I

Certain Definitions

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

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

"AAA" means the American Arbitration Association.

"Additional Working Capital Consideration" has the meaning set forth in Section 2.5(a).

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

"Affiliate Loans" means loans made to Affiliated Persons by any of the Companies.

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

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

"Balance Sheet" means the unaudited combined balance sheet of the Companies as of December 31, 2010.

"Bayonne Reserve Inventory" means any returned cold-weather Inventory located at the Companies' warehouse in Bayonne, New Jersey.

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

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

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

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

"Cejon, Inc." has the meaning set forth in the preamble.

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

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

"Closing Date Net Working Capital" has the meaning set forth in Section 2.4.

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

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

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

"Company IP Rights" means all Intellectual Property Rights used in the business of any of the Companies that are owned, used or held for use by any of the Companies.

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

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

"Confidentiality Agreement" means the agreement between Seller and Madden regarding confidentiality, as set forth in Section 4 of that certain Letter of Intent, dated January 12, 2011, by and among Seller, Madden and the other signatories thereto, as amended.

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

"Debt" means the aggregate amounts of long term and short term debt of the Companies, including, without limitation, (a) all indebtedness for borrowed money, (b) all obligations for the deferred purchase price of property or services, (c) all obligations evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Companies, (e) any amounts owing under capital leases, except with respect to the leases set forth on Section 1.1 of the Disclosure Schedule, (f) all obligations to purchase, redeem, retire, defease or otherwise make any payment in respect of any equity interests of any Company or any other Person or any warrants, rights or options to acquire such equity interests, (g) all obligations, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities in respect of obligations of the kind referred to in subsections (a) through (f) of this definition, (h) all guaranty obligations in respect of obligations of the kind referred to in subsections (a) through (g) above, (i) all obligations of the kind referred to in subsections (a) through (h) above secured by (or which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any lien on property (including, without limitation, accounts and contract rights) owned by any Company, whether or not such Company has assumed or become liable for the payment of such obligation, and (j) all debt of any partnership, unlimited liability company or unincorporated joint venture in which any Company is a general partner, member or a joint venturer, respectively (unless such Debt is expressly made non-recourse to such Company).

"Delivery Date" has the meaning set forth in Section 2.5(c).

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

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

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

"Dispute Notice" has the meaning set forth in Section 2.5(b).

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

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

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

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

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

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

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

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

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

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

"Estimated Additional Net Working Capital Consideration" has the meaning set forth in Section 2.4.

"Estimated Net Working Capital" has the meaning set forth in Section 2.4.

"Estimated Net Working Capital Refund" has the meaning set forth in Section 2.4.

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

"Final Determination" has the meaning set forth in Section 13.16(b).

"Final True-Up Balance Sheet" has the meaning set forth in Section 2.5(c).

"Financial Statements" means the unaudited combined balance sheets and statements of earnings, shareholders' equity and cash flows of Cejon, Inc. and CAI as of, and for each of the fiscal years ended, December 31, 2010, 2009 and 2008, respectively, and the unaudited balance sheets and statements of earnings, shareholders' equity and cash flows of New East as of, and for each of the fiscal years ended, December 31, 2010, 2009 and 2008.

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

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

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

"Hired Employees" shall have the meaning set forth in Section 8.2.

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

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

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

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

"Interests" has the meaning set forth in Section 2.1.

"Inventory" has the meaning set forth in Section 2.3.

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

"Knowledge" means, (i) in the case of Seller, Cejon, Inc. and CAI, the knowledge, after reasonable inquiry, of Seller; (ii) in the case of New East, the knowledge, after reasonable inquiry, of Seller and KR; and (iii) in the case of Madden, the knowledge of Edward Rosenfeld and Awadhesh Sinha.

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

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

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

"Landlord Consent Fees" has the meaning set forth in Section 6.5.

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

"License Agreement" means that certain License Agreement, dated as of September 21, 2006, between Madden and CAI, as the same may be amended from time to time.

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

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

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

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

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

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

"Net Working Capital Target" has the meaning set forth in Section 2.4.

"New East" has the meaning set forth in the recitals.

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

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

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

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

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

"Pre-Closing Working Capital Schedule" means the balance sheet attached hereto as Exhibit D.

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

"Post-Closing Working Capital Adjustment" has the meaning set forth in Section 2.5(d).

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

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

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

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

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

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

"Restricted Customer" has the meaning set forth in Section 6.11(b)(i).

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

"Revised True-Up Balance Sheet" has the meaning set forth in Section 2.5(b).

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

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

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

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

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

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

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

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

"Tax" or "Taxes" means taxes, fees, levies, duties, tariffs, imposts and governmental impositions or charges of any kind payable to any Governmental Body in any jurisdiction, including (i) income, franchise, profits, gross receipts, *ad valorem*, net worth, value added, sales, use, service, real or personal property, special assessments, capital stock, license, payroll, withholding, employment, estimated, social security, workers' compensation, unemployment compensation, utility, severance, production, excise, stamp, occupation, premiums, windfall profits, transfer and gains taxes, and (ii) interest, penalties, additional taxes and additions to tax imposed with respect thereto.

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

"True-Up Balance Sheet" means the balance sheet of the Companies as of the close of business on the True-Up Date.

"True-Up Date" has the meaning set forth in Section 2.5(a).

"True-Up Net Working Capital" has the meaning set forth in Section 2.5(a).

"True-Up Reserve Amounts" has the meaning set forth in Section 2.5(a).

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

"U.S. Customs" means the U.S. Bureau of Customs and Border Protection.

"Working Capital Refund" has the meaning set forth in Section 2.5(d)(ii).

ARTICLE II

Purchase and Sale

2.1 Purchase and Sale of Company Shares and Interests. Subject to and upon the terms and conditions hereinafter set forth, at the Closing, and in reliance upon the representations and warranties contained in this Agreement or made pursuant hereto, Seller hereby agrees to sell, assign, transfer and deliver to Madden, and Madden hereby agrees to purchase from Seller, all of the issued and outstanding shares of capital stock of Cejon, Inc. and all of the issued and outstanding shares of capital stock of CAI (collectively, the "Company Shares"), free and clear of all Encumbrances. Subject to and upon the terms and conditions hereinafter set forth, at the Closing, and in reliance upon the representations and warranties contained in this Agreement or made pursuant hereto, each of Cejon, Inc. and KR hereby agree to sell, assign, transfer and deliver to Madden, and Madden hereby agrees to purchase from Cejon, Inc. and KR, all of the issued and outstanding membership interests of New East as set forth in Section 2.1 of the Disclosure Schedule (the "Interests"), free and clear of all Encumbrances.

2.2 Cash Purchase Price.

(a) In consideration of the aforesaid sale, assignment, transfer and delivery of the Company Shares and Interests, Madden shall, (i) at the Closing, (A) pay or cause to be paid to Seller an amount, in cash, equal to the aggregate of (x) twenty-seven million seven hundred fifty thousand dollars ($27,750,000) *plus or minus*, as the case may be, (y) the Estimated Additional Net Working Capital Consideration or the Estimated Net Working Capital Refund (clauses (x) and (y) collectively, the "Seller Cash Purchase Price") and (B) pay or cause to be paid to KR an amount, in cash, equal to two million two hundred fifty thousand dollars ($2,250,000) (the "KR Cash Purchase Price" and together with the Seller Cash Purchase Price, the "Cash Purchase Price") and (ii) at such times as are set forth in the Earn-Out Agreement, pay to Seller and KR all amounts (collectively, the "Earn-Out Payment") required to be paid pursuant to the terms of the Earn-Out Agreement. The Seller Cash Purchase Price shall be subject to the Post-Closing Working Capital Adjustment as provided for in Section 2.5.

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

2.3 Closing Date Inventory. Section 2.3 of the Disclosure Schedule sets forth the amount and value of all of the inventory of each of the Companies as of the Closing Date (the "Inventory").

2.4 Estimated Working Capital Adjustment. Two Business Days prior to the Closing Date, Seller shall deliver to Madden the Pre-Closing Working Capital Schedule, which shall include an estimate of Net Working Capital as of the close of business on the Closing Date (the "Estimated Net Working Capital"). For the avoidance of doubt, the Estimated Net Working Capital set forth on the Pre-Closing Working Capital Schedule shall have been reduced by the dollar amount set forth on the Pre-Closing Working Capital Schedule on the line item titled "Reserve for net accrued expenses"; provided, however, that such reserve shall be replaced by actual amounts for purposes of calculation of the True-Up Balance Sheet and, accordingly, such reduction shall not be applied to the True-Up Net Working Capital. In the event the Estimated Net Working Capital exceeds five million dollars ($5,000,000) (the "Net Working Capital Target"), then, in accordance with Section 2.2, the Seller Cash Purchase Price shall be increased by the amount by which the Estimated Net Working Capital reflected on the Pre-Closing Working Capital Schedule exceeds the Net Working Capital Target (the "Estimated Additional Net Working Capital Consideration"). In the event that the Estimated Net Working Capital set forth on the Pre-Closing Working Capital Schedule is less than the Net Working Capital Target, then, in accordance with Section 2.2, the Seller Cash Purchase Price shall be reduced by the amount by which the Estimated Net Working Capital reflected on the Pre-Closing Working Capital Schedule is less than the Net Working Capital Target (the "Estimated Net Working Capital Refund").

2.5 Post-Closing Working Capital Adjustment.

(a) True-Up Balance Sheet. As promptly as practicable following the end of the twelve (12) month period immediately succeeding the Closing Date (the "True-Up Date"), but in any event within thirty (30) days after the True-Up Date, Madden shall prepare and deliver to Seller (i) the True-Up Balance Sheet, which shall be prepared as of the Closing Date on a basis consistent with the preparation of the Pre-Closing Date Working Capital Schedule, as adjusted as provided in clauses (v), (w), (x), (y) and (z) of this Section 2.5(a), and (ii) a calculation of Net Working Capital as of the close of business on the Closing Date based upon the True-Up Balance Sheet, as adjusted as provided in clauses (v), (w), (x), (y) and (z) of this Section 2.5(a) (the "True-Up Net Working Capital"), which shall explain in reasonable detail such calculation of the True-Up Net Working Capital. For purposes of the True-Up Balance Sheet, (v) the value of any Bayonne Reserve Inventory that is unsold as of the True-Up Date or that is subject to an existing order to ship such Inventory following the True-Up Date at a price less than cost for such Inventory as set forth on Section 2.3 shall be recorded on the True-Up Balance Sheet at zero, (w) the value of any Bayonne Reserve Inventory that is subject to an existing order to ship such Inventory following the True-Up Date at a price greater than or equal to cost for such Inventory as set forth on Section 2.3 of the Disclosure Schedule shall be recorded on the True-Up Balance Sheet at an amount equal to cost for such sold Inventory as set forth on Section 2.3 of the Disclosure Schedule, (x) the value of any Inventory other than the Bayonne Reserve Inventory that is unsold as of the True-Up Date shall be recorded on the True-Up Balance Sheet at an amount equal to cost (as set forth on Section 2.3 of the Disclosure Schedule) or market for such Inventory, whichever is lower, (y) the value for any Inventory (including the Bayonne Reserve Inventory) that has been sold as of the True-Up Date shall be recorded on the True-Up Balance Sheet at an amount equal to cost for such sold Inventory as set forth on Section 2.3 of the Disclosure Schedule, and (z) to the extent that any amounts are reserved for on the Pre-Closing Date Working Capital Schedule (e.g., reserves for returns, discounts and allowances), and the actual amount to which such reserves relate is known or knowable by Madden at the True-Up Date (the "True-Up Reserve Amounts"), the True-Up Balance Sheet shall be adjusted to reflect such True-Up Reserve Amounts.

(b) True-Up Balance Sheet Disputes. Seller may dispute the amount of the True-Up Net Working Capital reflected on the True-Up Balance Sheet by sending written notice (a "Dispute Notice") to Madden within thirty (30) days after Madden's delivery of the True-Up Balance Sheet and True-Up Net Working Capital calculation to Seller (such delivery date, the "Delivery Date"). The Dispute Notice shall identify, in reasonable detail, each disputed item on the True-Up Balance Sheet, specifying the amount of such dispute and setting forth the basis for such dispute. In the event of such a dispute, Madden and Seller shall attempt in good faith to reconcile the items identified in the Dispute Notice and any related items that may arise during the process described in this Section 2.5(b) (including providing information that is reasonably requested to the other party), and any resolution by them as to any disputed items shall be final, binding and conclusive on the parties and shall be evidenced by a writing signed by Madden and Seller, including a revised True-Up Balance Sheet (together with a revised calculation of the True-Up Net Working Capital based upon such revised True-Up Balance Sheet, the "Revised True-Up Balance Sheet") reflecting such resolution. If Madden and Seller are unable to reach such resolution within twenty (20) days after Seller's delivery of the Dispute Notice to Madden, then Madden and Seller shall promptly submit any remaining disputed items to an Independent Accounting Firm for final binding resolution. If any remaining disputed items are submitted to an Independent Accounting Firm for resolution (A) each party will furnish to the Independent Accounting Firm such workpapers and other documents and information relating to the remaining disputed items as the Independent Accounting Firm may reasonably request and are available to such party, and each party will be afforded the opportunity to present to the Independent Accounting Firm any material relating to the disputed items and to discuss the resolution of the disputed items with the Independent Accounting Firm; (B) each party will use its good faith commercially reasonable efforts to cooperate with the resolution process so that the disputed items can be resolved within forty-five (45) days after submission of the disputed items to the Independent Accounting Firm; (C) the determination by the Independent Accounting Firm, as set forth in a written notice to Madden and Seller (which written notice shall include a Revised True-Up Balance Sheet), shall, subject to the provisions of Section 2.5(c), be final, binding and conclusive on the parties absent manifest error; and (D) the fees and disbursements of the Independent Accounting Firm shall be allocated by the Independent Accounting Firm between Madden and Seller in the same proportion that the aggregate dollar amount of the disputed items submitted to the Independent Accounting Firm that are unsuccessfully disputed by Seller (as finally determined by the Independent Accounting Firm) bears to the total amount of all disputed items submitted to the Independent Accounting Firm. By way of illustration, if Seller disputes $500,000 of items, and the Independent Accounting Firm determines that Seller's position is correct as to $400,000 of the disputed items, then Madden would bear 80 percent and Seller would bear 20 percent of such fees and disbursements.

(c) Final True-Up Balance Sheet. The True-Up Balance Sheet, or, if one has been adopted pursuant to Section 2.5(b), the Revised True-Up Balance Sheet, shall be deemed to be final, binding and conclusive on Madden and Seller (the "Final True-Up Balance Sheet") upon the earliest of (A) the failure of Seller to deliver to Madden the Dispute Notice within thirty (30) days after the Delivery Date; (B) the resolution by Madden and Seller of all disputes, as evidenced by the Revised True-Up Balance Sheet; and (C) the resolution by the Independent Accounting Firm of all disputes, as evidenced by the Revised True-Up Balance Sheet. Any adjustment to the Seller Cash Purchase Price based on the Final True-Up Balance Sheet shall be made in accordance with Section 2.5(d).

(d) Post-Closing Working Capital Adjustment. Upon the Final True-Up Balance Sheet being deemed final, binding and conclusive pursuant to Section 2.5(c), an adjustment to the Seller Cash Purchase Price shall be made as follows (the "Post-Closing Working Capital Adjustment"):

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

(ii) In the event that the True-Up Net Working Capital reflected on the Final True-Up Balance Sheet is less than the Estimated Net Working Capital, then Seller shall be obligated to pay Madden on the Adjustment Payment Date the Working Capital Refund (as defined below) in immediately available funds, at Madden's option, by certified or official bank check or by wire transfer to an account specified, in writing, by Madden. The "Working Capital Refund" means the amount by which the True-Up Net Working Capital reflected on the Final True-Up Balance Sheet is less than the Estimated Net Working Capital.

ARTICLE III

Closing

3.1 Closing Date. Subject to the fulfillment or waiver by the beneficiary thereof of the agreements and conditions precedent set forth in Article IX and Article X, the closing of the transactions contemplated hereby (the "Closing") shall be held at any time simultaneous with or within three (3) days following the satisfaction or waiver of all conditions to closing set forth in Article IX and Article X of this Agreement, on such date as may be agreed upon by Madden and Seller, at 10:00 a.m., prevailing local time, at the offices of Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, NY 10036, or on such other date or at such other time or place as may be agreed to in writing by Madden and Seller. The date on which the Closing actually occurs is herein referred to as the "Closing Date."

3.2 Certain Actions at Closing. At the Closing:

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

(b) Seller and KR shall deliver, or caused to be delivered to Madden, evidence of the transfer of the Interests, accompanied by duly executed instruments of transfer;

(c) Madden shall remit the Seller Cash Purchase Price to the Purchase Price Accounts designated by Seller pursuant to the provisions of this Agreement;

(d) Madden shall remit the KR Cash Purchase Price to the Purchase Price Accounts designated by KR pursuant to the provisions of this Agreement;

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

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

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

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

ARTICLE IV

Representations and Warranties of Seller

Seller hereby represents and warrants to Madden as follows:

4.1 Organization and Good Standing. Each Company is a corporation or limited liability company (as applicable) duly organized, validly existing and in good standing under the laws of its jurisdiction of formation. Each Company has full company power and authority to own, lease or license its respective properties and to carry on its business as it is now being conducted. Each Company is duly qualified to transact business and is in good standing in each jurisdiction wherein the nature of the business done or the property owned, leased or operated by it requires such qualification, except where the failure to be so qualified would not be reasonably likely to have a Material Adverse Effect. Copies of the certificate of incorporation, bylaws, certificate of organization and/or operating agreement of each of the Companies, as the case may be (the "Organizational Documents") that have been made available to Madden are true, complete and accurate in all respects. The company minutes and company records of each of the Companies that have been made available to Madden are true, complete and accurate in all mutual respects. The capital stock register and transfer records of each of the Companies that have been made available to Madden are true, complete and accurate in all respects. Except as set forth in Section 4.1 of the Disclosure Schedule, none of the Companies has any direct or indirect subsidiaries and does not own any ownership or equity interest in any Person.

4.2 Capitalization.

(a) The capitalization of each of the Companies is as set forth in Section 2.1 of the Disclosure Schedule. The Company Shares are all of the issued and outstanding shares of Cejon, Inc. and CAI and have been duly authorized and are validly issued and outstanding, fully paid and non-assessable. The Interests are all of the issued and outstanding membership interests of New East and have been duly authorized and are validly issued and outstanding, and, following the consummation of the transactions contemplated hereby, Madden will have no obligation to make further payments for its purchase of the Interests by reason of its ownership of the Interests. Seller owns, beneficially and of record, and has valid and marketable title to, and the right to transfer to Madden, all of the Company Shares, free and clear of any and all Encumbrances. Cejon, Inc. owns, beneficially and of record, and has valid and marketable title to, and the right to transfer to Madden, 65% of the Interests, free and clear of any and all Encumbrances. At the Closing, Madden will own, and will have valid and marketable title to, all of the issued and outstanding shares of capital stock of Cejon, Inc. and CAI, and all of the issued and outstanding membership interests of New East, in each case free and clear of any and all Encumbrances. Except as set forth on Schedule 4.2(a), no Person other than Madden has any written or oral agreement, arrangement, understanding or option for, or any right or privilege (whether by law, preemption or contract) that is or is capable of becoming an agreement, arrangement, understanding or option for, the purchase or acquisition from any of the Companies or any Person of any shares of capital stock or other securities of any of the Companies.

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

4.3 Authorization.

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

(b) The Earn-Out Agreement has been duly executed and delivered by each of the Companies and, assuming due execution and delivery by the other parties thereto, constitutes a legal, valid and binding obligation of each of the Companies, enforceable against each of the Companies in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other laws affecting the rights of creditors generally and by general principles of equity.

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

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

(a) Except as set forth in Section 4.5(a) of the Disclosure Schedule, the Financial Statements (true, complete and accurate copies of which have been previously delivered to Madden) (i) have been prepared from the books and records of each of the Companies in accordance with GAAP applied on a consistent basis throughout the periods covered thereby and (ii) fairly present, in all material respects, the financial condition of each of the Companies as at their respective dates and the results of operations and cash flows of each of the Companies for the periods covered thereby. Except as set forth in Section 4.5(a) of the Disclosure Schedule, the statements of operations included in the Financial Statements do not include any item of special or non-recurring income, except as specifically identified therein.

(b) None of the Companies has any liabilities, debts or obligations (whether absolute, accrued, contingent or otherwise), other than those (i) set forth in Section 4.5(b) of the Disclosure Schedule, or (ii) which are reflected or reserved against on the Balance Sheet. Except as set forth in Section 4.5(b) of the Disclosure Schedule, since the date of the Balance Sheet, each of the Companies (i) has conducted its business in the ordinary course of business consistent with past practice and in a commercially reasonable manner, (ii) has not incurred any liabilities, debts or obligations (whether absolute, accrued, contingent or otherwise), except for liabilities incurred in the ordinary course of business consistent with past practice and in a commercially reasonable manner, which such liabilities are consistent with the representations and warranties contained in this Agreement and (iii) notwithstanding anything to the contrary in clause (i) or (ii) of this sentence, has not incurred any liability, debt or obligation (whether absolute, accrued, contingent or otherwise) to or of any Affiliated Person or made any Affiliate Loans. Since the date of the Balance Sheet, no event has occurred or facts or circumstances exist which, individually or in the aggregate, has had or is reasonably likely to result in a Material Adverse Effect.

(c) Section 4.5(c) of the Disclosure Schedule sets forth the terms of all return, markdown, promotion, co-op advertising and other similar programs and allowances currently offered by each of the Companies to any of their customers. As of the date hereof, none of the Companies has established reserves regarding the foregoing.

(d) Except as set forth in Section 4.5(d) of the Disclosure Schedule, the inventory reflected in the Financial Statements or thereafter acquired has been determined and valued in accordance with GAAP as reflected in the Financial Statements and the books and records of each of the Companies at the lower of cost or market. Except as set forth in Section 4.5(d) of the Disclosure Schedule: (i) the inventory of each of the Companies (whether raw materials, work-in-process, or other inventory) is salable in the ordinary course of business consistent with past practice without any material problems; (ii) the finished goods inventories of each of the Companies consist of items which are good and merchantable (as defined in the Uniform Commercial Code of the State of New York) at normal mark-up in the ordinary course of business consistent with past practice; and (iii) no previously sold inventory is subject to refunds materially in excess of that historically experienced by each of the Companies. All commitments or orders for work-in-process were entered into in the ordinary course of business consistent with past practice and in a commercially reasonable manner. None of the Companies sell any inventory on consignment such that unsold products would be subject to return or have title to or risk of loss with respect to any products in the possession of others.

4.6 Taxes.

(a) Except as set forth in Section 4.6(a) of the Disclosure Schedule, each of the Companies has timely filed with the appropriate taxing authorities all Returns required to be filed by it (taking into account any extension of time to file). The information on such Returns is complete and accurate. Each of the Companies has paid, or, where payment is not yet due, has established an adequate accrual on the Balance Sheet, in accordance with GAAP for the payment of all Taxes (whether or not shown on any Return) due and payable, except for any Taxes that result by reason of a 338(h)(10) Election or analogous elections made pursuant to Section 8.1(b). Except as set forth in Section 4.6(a) of the Disclosure Schedule, there are no liens for Taxes (other than for Permitted Encumbrances) upon the properties or assets of any of the Companies.

(b) Except as set forth in Section 4.6(b) of the Disclosure Schedule, no unpaid (or unreserved in accordance with GAAP) and unresolved deficiencies for Taxes have been claimed, proposed or assessed, in each case in writing, by any taxing authority or other Governmental Body with respect to any of the Companies for any Pre-Closing Period, and there are no pending or, to the Knowledge of Seller and the Companies, threatened audits, investigations, claims or assessments for or relating to any liability in respect of Taxes of or with respect to any of the Companies. Except as set forth in Section 4.6(b) of the Disclosure Schedule, none of the Companies has requested any extension of time within which to file any currently unfiled Returns in respect of any Taxes and no waiver or extension of a statutory period of limitations for the assessment of any Taxes is in effect with respect to any of the Companies.

(c) Except as set forth in Section 4.6(c) of the Disclosure Schedule, (i) except for any Taxes that result by reason of a 338(h)(10) Election made pursuant to Section 8.1(b), each of the Companies has made or will make provisions for all Taxes payable by it with respect to any Pre-Closing Period which have not been paid prior to the Closing Date and the provisions for Taxes with respect to each of the Companies for the Pre-Closing Period (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) are sufficient to cover the amount of such Taxes in full; (ii) each of the Companies has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party; (iii) all material elections with respect to Taxes affecting any of the Companies as of the date hereof are set forth in Section 4.6(c)(iii) of the Disclosure Schedule; (iv) there are no advance tax rulings in respect of any Tax issued to or pending between or with respect to any of the Companies and any taxing authority or any other written agreements with a taxing authority with regard to any Tax; (v) the tax year end for each of the Companies is December 31; (vi) none of the Companies is liable for Taxes of any other Person, and no Company is currently under any contractual obligation to or a party to any tax sharing agreement or any other agreement providing for payments by any of the Companies with respect to Taxes; (vii) none of the Companies is a party to any joint venture, partnership or other arrangement or contract which could be treated as a partnership for income tax purposes; (viii) none of the Companies has granted any Person a power of attorney with respect to Taxes; (ix) none of the Companies has entered into any sale leaseback or any leveraged lease transaction (x) none of the Companies, as of the Closing Date, has agreed and will not be required, as a result of a change in method of accounting or otherwise, to include any adjustment under any provision of U.S., state, local or foreign law in taxable income for any period after the Closing Date; (xi) Section 4.6(c)(xi) of the Disclosure Schedule contains a list of all jurisdictions in which each of the Companies is required to file any Returns, and no written claim has ever been made by a taxing authority in a jurisdiction where any of the Companies does not currently file Returns that such Company is or may be subject to taxation by that jurisdiction; (xii) none of the Companies has filed or been included in a combined, consolidated or unitary return (or substantial equivalent thereof) of any Person; (xiii) none of the Companies are obligated under any agreement with respect to industrial development bonds or other obligations with respect to which the excludability from gross income of the holder for Federal or state income tax purposes could be affected by the transactions contemplated hereunder; (xiv) none of the Companies has engaged in any transaction for which its participation is required to be disclosed under Treasury Regulation § 1.6011-4; and (xv) since inception, each of Cejon, Inc. and CAI has qualified for and has properly had in effect an election (which has not terminated) to be an S corporation within the meaning of Section 1361(a)(1) of the Code (and any corresponding provision of applicable state law), and New East has been taxed as a partnership for Tax purposes.

(d) Madden has received complete copies of (i) all federal, state, local and foreign income or franchise Returns of the Companies relating to the taxable periods since January 1, 2007 and (ii) any audit or similar report issued within the last three years relating to any Taxes due from or with respect to the Companies. Except as set forth in Section 4.6(d) of the Disclosure Schedule, all income and franchise Returns filed by or on behalf of the Companies have been examined by the relevant taxing authority or the statute of limitations with respect to such Returns has expired.

4.7 Real and Personal Property.

(a) Section 4.7(a) of the Disclosure Schedule contains a complete list by address of all real property owned, leased, operated or used by each of the Companies (collectively, the "Real Property"), indicating the nature of the interest of such Companies therein (collectively, the "Real Property Interests"). No litigation, condemnation, expropriation, eminent domain or similar proceeding affecting all or any portion of any Real Property is pending or, to the Knowledge of Seller and the Companies, threatened. Each of the Companies has furnished to Madden true, correct and complete copies of all documents relating to the Real Property Interests (collectively, the "Real Property Documents"). Except as set forth in Section 4.7(a) of the Disclosure Schedule, none of the Companies is a party to any oral agreements with respect to any Real Property Interest and there are no other oral agreements with respect to any Real Property Interest. Except as set forth in Section 4.7(a) of the Disclosure Schedule, no Real Property Document requires that the consent or approval of any third party be obtained in order to consummate the transactions contemplated by this Agreement, nor do such transactions violate any Real Property Document or cause any of the Companies to be in default under any Real Property Document. Except as set forth in Section 4.7(a) of the Disclosure Schedule, none of the Companies or Seller has given or received any notice of default under any Real Property Document, and none of the Companies or Seller is in default thereunder. Except as set forth in Section 4.7(a) of the Disclosure Schedule, no option to extend, renew, surrender, terminate or purchase arising under any Real Property Document has been exercised by any of the Companies or by any other party thereto. No guaranty or other undertaking with respect to the performance of any obligation arising under any Real Property Document has been delivered by any of the Companies. Except as set forth in Section 4.7(a) of the Disclosure Schedule, all service, management, leasing and other similar agreements with respect to any Real Property Interest and to which any of the Companies is a party are terminable upon no more than thirty (30) days' prior notice.

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

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

4.8 Intellectual Property.

(a) Except as set forth in Section 4.8(a) of the Disclosure Schedule, each of the Companies owns, or has the valid right to use or license, without Encumbrances, all Company IP Rights. The Company IP Rights are sufficient to conduct the business of each of the Companies as now conducted and as is expected to be conducted as of the Closing.

(b) Except as set forth in Section 4.8(b) of the Disclosure Schedule, the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not constitute a breach of any instrument or agreement governing any Company IP Rights, and will not alter, encumber, impair or extinguish any Company IP Rights or the right of Madden, to use, sell, license, dispose of or otherwise commercialize or exploit any Company IP Rights in the manner such Company IP Rights are currently used, sold, licensed, commercialized, or otherwise exploited by the Companies in the operation of the Companies' business as now conducted and as is expected to be conducted as of the Closing.

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

(d) Except as set forth in Section 4.8(d) of the Disclosure Schedule, (i) the conduct of the business of each of the Companies, as presently conducted, does not infringe or violate any Intellectual Property Rights of any Person, (ii) there is no pending or, to the Knowledge of Seller and the Companies, threatened claim or litigation contesting the validity, ownership, registrability, right to use or right to license any Company IP Rights, and (iii) to the Knowledge of Seller and the Companies, there is no valid or reasonable basis for any such claim, nor has any of the Companies or Seller received any notice asserting that any Company IP Rights or the proposed use, registration or license thereof infringes or otherwise violates, or will infringe or otherwise violate the rights of such Person.

(e) Except as set forth in Section 4.8(e)(i) of the Disclosure Schedule, each of the Companies has taken all reasonable and practicable steps to safeguard and maintain the secrecy and confidentiality of its trade secrets. Seller has made available to Madden true, complete and accurate copies of all agreements that any directors, officers, managers, employees, consultants or contractors of any of the Companies have executed regarding (i) the protection of proprietary information, and (ii) the assignment to any of the Companies of all Intellectual Property Rights arising from the services performed for any of the Companies by such persons. Except as set forth in Section 4.8(e)(ii) of the Disclosure Schedule, no current or prior directors, officers, employees, consultants or contractors of any of the Companies claim or, to the Knowledge of Seller and the Companies, have a right to claim an ownership interest in any Company IP Rights.

(f) Section 4.8(f) of the Disclosure Schedule contains a true, complete and correct list of all licenses and other agreements under which any of the Companies is granted rights in any Intellectual Property Rights of any Person (other than standard non-customized end user license agreements for off-the-shelf desktop software not in excess of $1,000 per seat) or under which any Person is granted rights in any Company IP Rights by any of the Companies. Except as set forth in Section 4.8(f) of the Disclosure Schedule, (i) all such licenses and agreements are valid and binding on the Companies and, to the Knowledge of Seller and the Companies, each other party thereto, and are in full force and effect in accordance with their terms; (ii) the consummation of the transactions contemplated by this Agreement will not give rise to any right in the other party thereto to terminate any such agreement; and (iii) none of the Companies, nor to the Knowledge of Seller and the Companies, any other party thereto, is in breach thereunder. The Companies are not in default of any license identified in Section 4.8(f) of the Disclosure Schedule, and, to the Knowledge of Seller and the Companies, the other party thereto is not in default of any such license. No written notice to terminate, in whole or part, any license identified in Section 4.8(f) of the Disclosure Schedule has been served, and to the Knowledge of Seller and the Companies, termination of no such license has been threatened.

(g) Except as set forth in Section 4.8(g) of the Disclosure Schedule, (i) no claim has been made, no action or proceeding has been filed, and neither the Seller nor the Companies have received any written communications alleging that the Companies have infringed, misappropriated, or otherwise violated or, by conducting the Companies' business, would infringe any third party Intellectual Property Rights, and (ii) to the Knowledge of Seller and the Companies, no Person is infringing, misappropriating, or otherwise violating any Company IP Rights.

(h) Section 4.8(h) of the Disclosure Schedule sets forth a list of (i) all patents and patent applications and all registrations and applications for trademarks, service marks, trade dress, copyrights, slogans, trade names, and internet domain names that are owned by any of the Companies, and (ii) all material unregistered and unapplied for trademarks, service marks, trade dress, slogans and copyrights comprising the Company IP Rights that any of the Companies have used in the last five (5) years. Where applicable, the following is provided for each item listed in Section 4.8(h) of the Disclosure Schedule: jurisdiction, registration/serial/other identification number, applicant/author/registrant name, filing/registration/issuance date, invention, title, goods/services, class, expiration date, registrar and status (including any rejections and the basis therefor. All applications and registrations listed in Section 4.8(h) of the Disclosure Schedule, unless otherwise indicated, are in full force and effect and have not been cancelled, expired, rejected or abandoned. Except as set forth in Section 4.8(h) of the Disclosure Schedule, there is no pending, existing or, to the Knowledge of Seller and the Companies, threatened opposition, interference, cancellation, proceeding or other legal or governmental proceeding before any court or Governmental Body against or involving the applications or registrations listed in Section 4.8(h) of the Disclosure Schedule.

4.9 Contracts and Agreements.

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

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

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

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

(iv) each agreement with sales or commission agents or sales representatives with a term of more than one (1) year or requiring payments in excess of $50,000 per annum or $75,000, in the aggregate;

(v) each agreement or commitment for the supply of products or services by any of the Companies to any other Person with a term of more than one (1) year (other than those that are terminable upon not more than thirty (30) days' notice by the applicable Companies without penalty) or involving payments in excess of $100,000 per annum or $150,000, in the aggregate;

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

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

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

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

(x) each lease (as lessor, lessee, sublessor or sublessee) of any tangible personal property requiring payment during its term or any extension or renewal thereof in excess of $50,000;

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

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

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

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

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

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

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

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

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

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

(xxi) each agreement (other than off-the-shelf, shrink-wrap, or click through software applications) with respect to any Company IP Rights or other Intellectual Property Right;

(xxii) each agreement or arrangement with respect to advertising (including co-op advertising), marketing, endorsement, sponsorship, social media strategy or implementation or any concept shops or in-store sales environments (i.e. shop in shops) for Seller, any Company, or any Company Product;

(xxiii) each agreement that obligates any of the Companies to indemnify a third party; and

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

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

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

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

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

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

4.13 Compliance with Law; Licenses; Customs.

(a) Except as set forth in Section 4.13(a) of the Disclosure Schedule, each of the Companies is and has been in compliance in all material respects with all applicable Laws governing the conduct or operation of its business, and with all of its Licenses. None of the Companies or Seller has received any notice of any violation of any such Law or License, and to the Knowledge of Seller and the Companies, no such violation has been threatened.

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

(c) The Companies are and always have been the importer of record for all products imported for sale and distribution by the Companies.

(d) Except as set forth in Section 4.13(d) of the Disclosure Schedule, notwithstanding and in addition to the foregoing, each of the Companies and, to the Knowledge of Seller and the Companies, the employees, agents and representatives of each of the Companies are, and at all times have been, in compliance in all material respects with all applicable Laws and regulations relating to importing and exporting, customs and national and international trade with respect to business conducted by each of the Companies or for which any of the Companies could be held liable, including, without limitation, the accuracy of all statements and representations made to any Governmental Body (including, but not limited to, U.S. Customs, the U.S. Department of Homeland Security, the U.S. Federal Trade Commission, and the U.S. Consumer Products Safety Commission), the timely and accurate filing of all reports, schedules and forms required to be filed with any Governmental Body and the timely and accurate reporting and payment of all duties, taxes, fees, payments or other governmental obligations.

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

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

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

(h) Except as set forth in Section 4.13(h) of the Disclosure Schedule, none of the Companies or Seller has received written notice of any pending audits, inquiries, investigations, claims, notices or demands for duties, fines, penalties, seizures, forfeitures, or liquidated damages by any Governmental Body (including, but not limited to, U.S. Customs, the U.S. Department of Homeland Security, the U.S. Federal Trade Commission, the U.S. Consumer Products Safety Commission, the U.S. Department of Justice, any Office of the U.S. Attorney or any other agency of the U.S. government) arising out of any transactions or importation of merchandise by or for any of the Companies and, to the Knowledge of Seller and the Companies, none of the Companies has committed any acts or omissions which could give rise to any such inquiry, investigation, claim, notice or demand.

4.14 Employees.

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

(b) Each of the Companies (i) is and has been in compliance in all material respects with all applicable Laws (including any legal obligation to engage in affirmative action), agreements and contracts relating to former, current, and prospective employees, independent contractors and "leased employees" (within the meaning of Section 414(n) of the Code) of each of the Companies, workplace practices, and terms and conditions of employment with such Companies or retention by such Companies, including all such Laws, agreements and contracts relating to wages, hours, collective bargaining, employment discrimination and human rights, immigration, disability, civil rights, fair labor standards, occupational safety and health, workers' compensation, pay equity, termination of employment or wrongful discharge and violation of the potential rights of such former, current, and prospective employees, independent contractors and leased employees, and (ii) has timely prepared and filed all appropriate forms (including U.S. Immigration and Naturalization Service Form I-9) required by any relevant Law or Governmental Body. None of the Companies is engaged in any unfair labor practice.

(c) No collective bargaining agreement with respect to the business of any of the Companies is currently in effect or being negotiated. None of the Companies has any obligation to negotiate any collective bargaining agreement, and, to the Knowledge of Seller and the Companies, no employees of any of the Companies desire to be covered by a collective bargaining agreement and there are no pending or threatened union organizing efforts in connection therewith.

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

(e) There is no representation or certification claim or petition pending before any labor agency or board (including the U.S. National Labor Relations Board) of which any of the Companies or Seller has been notified and, to the Knowledge of Seller and the Companies, no question concerning representation has been raised or threatened respecting the employees of any of the Companies. No union or employee bargaining agency has applied or, to the Knowledge of Seller or the Companies, threatened to apply to any labor agency or board to have any of the Companies declared a common, related or successor employer pursuant to any applicable Laws.

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

(g) There are no outstanding orders or charges against any of the Companies under any occupational health or safety Laws and, to the Knowledge of Seller and the Companies, none have been threatened. All material levies, assessments, penalties, fines, liens and surcharges made against each of the Companies pursuant to all applicable workers compensation Laws as of the date of the Balance Sheet have been paid or have been reserved for or accrued on the Balance Sheet by such Company and none of the Companies has, as of the Closing Date, been reassessed under any such Laws and there are no claims which may adversely affect the accident cost experience of any of the Companies. To the Knowledge of Seller and the Companies, no audit of any of the Companies is being performed or threatened pursuant to any workers' compensation Laws. There have been no levies, assessments or penalties pursuant to any applicable workers compensation Laws imposed or, to the Knowledge of Seller and the Companies, threatened against any of the Companies since the date of the Balance Sheet.

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

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

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

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

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

(m) Section 4.14(m) of the Disclosure Schedule accurately sets forth summaries of the significant terms and conditions of any and all arrangements (oral or written) between each of the Companies and sales representatives, sales agents, distributors, and any other independent contractors. Such arrangements are in full force and effect and are enforceable by the applicable Company in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights generally and by general principles of equity. Except as set forth in Section 4.14(m) of the Disclosure Schedule, none of the Companies is (with or without the lapse of time or the giving of notice, or both) in breach of or in default under, any of the foregoing, and, to the Knowledge of Seller and the Companies, no other party to any of such arrangements is (with or without the lapse of time or the giving of notice, or both) in breach of or in default under any of such arrangements.

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

4.15 Employee Benefit Plans.

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

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

(c) With respect to each Employee Benefit Plan currently in effect or for which any of the Companies may have any liability, each of the Companies has made available to Madden to the extent applicable, true and complete copies of (i) each Employee Benefit Plan including all amendments and written summaries of any unwritten plan or amendment, and related trust agreements, insurance and other contracts (including policies), (ii) the summary plan description, any summaries of material modifications, and all other plan related documents specifically requested, including copies of the most recent COBRA notices and election forms, and (iii) the most recent annual reports on Form 5500 with accompanying schedules and attachments, the most recent IRS opinion or determination letter, and the most recent audited financial statements and actuarial valuation reports.

(d) None of the Companies or any ERISA Affiliate maintains or contributes to or has ever maintained or contributed to an Employee Benefit Plan (including, without limitation, any "multiemployer plan" within the meaning of Section 3(37) of ERISA) subject to Title IV or Section 302 of ERISA and Section 412 of the Code and no condition exists as a result of which any of the Companies should have liability under any such sections. No Employee Benefit Plan is a "multiple employer plan" as described in Section 3(40) of ERISA or Section 413(c) of the Code.

(e) Except as set forth on Section 4.15(e) of the Disclosure Schedule, no event has occurred in connection with which any of the Companies or any Employee Benefit Plan, directly or indirectly, could be subject to any liability under ERISA or the Code.

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

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

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

(i) There are no material actions, claims (other than routine claims for benefits), lawsuits or arbitrations pending or threatened with respect to any Employee Benefit Plan or against any fiduciary of any Employee Benefit Plan, and to the Knowledge of Seller and the Companies, there are no facts that could give rise to any such actions, claims lawsuits or arbitrations. There are no pending or threatened investigations by any Governmental Body involving or relating to any Employee Benefit Plan, nor to the Knowledge of Seller and the Companies are there any facts that could give rise to liability in the event of such investigation.

(j) Each Employee Benefit Plan which is a "welfare plan" within the meaning of Section 3(1) of ERISA and which provides health, disability or death benefits is fully insured; none of the Companies is obligated to directly pay any such benefits or to reimburse any third Person payor for the payment of such benefits.

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

(l) Except as set forth in Section 4.15(l) of the Disclosure Schedule, none of the Companies has agreed or taken any steps to create any additional Employee Benefit Plans or to amend or modify any Employee Benefit Plan.

(m) Except as contemplated by this Agreement or as set forth in Section 4.15(m) of the Disclosure Schedule, the consummation of the transactions contemplated by this Agreement, either alone or in combination with any other event, will not result in (i) any payment (including, without limitation, severance, unemployment compensation, golden parachute, bonus payments or otherwise) becoming due to any current or former director, officer, employee or consultant of any of the Companies, (ii) any increase in the amount of compensation or benefits payable in respect of any director, officer, employee or consultant of any of the Companies, (iii) any acceleration of the vesting or timing of payment of any benefits or compensation payable in respect of any director, officer, employee or consultant of any of the Companies, or (iv) any "parachute payment" under Section 280G of the Code, whether or not such amount may be considered reasonable compensation for personal services rendered.

(n) No condition exists as a result of which any of the Companies could have any material liability, whether actual or contingent, including any obligation under any Employee Benefit Plan, as a result of or arising out of any misclassification of any person performing services for any of the Companies as an independent contractor or as the employee of a third party rather than as an employee of the Companies.

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

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

4.16 Environmental Matters.

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

(i) each of the Companies is and has been in compliance in all material respects with all applicable Environmental Laws;

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

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

(iv) none of the Companies has managed, handled, generated, manufactured, refined, recycled, discharged, emitted, buried, processed, produced, reclaimed, stored, treated, transported, or disposed of any Hazardous Substance, except in compliance with all Environmental Laws.

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

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

4.18 Absence of Certain Changes. Since the date of the Balance Sheet, each of the Companies has operated its business in the ordinary course consistent with past practice and in a commercially reasonable manner, and has maintained its relationships with customers, vendors, suppliers, employees, agents and others in a commercially reasonable manner, and there has not occurred any event, development or change, and no facts or circumstances exist, which, individually or in the aggregate, have had or could be reasonably expected to have a Material Adverse Effect. Without limiting the generality of the immediately preceding sentences, and except as set forth in Section 4.18 of the Disclosure Schedule, since the date of the Balance Sheet, none of the Companies has:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.20 Transactions with Affiliated Persons. Except as set forth in Section 4.20 of the Disclosure Schedule and except (i) for employment relationships between any of the Companies and employees of such Company, (ii) for remuneration by any of the Companies for services rendered as a director, officer or employee of any of the Companies, or (iii) as set forth in Section 4.20 of the Disclosure Schedule, reimbursement of expenses in the ordinary course of business consistent with past practice to directors, officers and employees, (A) none of the Companies has, and has not since its inception, in the ordinary course of business consistent with past practice or otherwise, directly or indirectly, purchased, leased or otherwise acquired any property or obtained any services from, or sold, leased or otherwise disposed of any property or furnished any services to, any Affiliated Person; (B) none of the Companies owes any amount to any Affiliated Person; (C) no Affiliated Person owes any amount to any of the Companies; and (D) no part of the property or assets of any Affiliated Person is used by any of the Companies in the conduct or operation of its business.

4.21 Customer and Supplier Relationships.

(a) Section 4.21(a) of the Disclosure Schedule lists the ten (10) largest customers of each of the Companies for the fiscal years ended December 31, 2008, 2009 and 2010. Except as set forth in Section 4.21(a) of the Disclosure Schedule, to the Knowledge of Seller and the Companies, there are no facts or circumstances (including the consummation of the transactions contemplated hereby) that are likely to result in the loss of any one customer or group of customers of any of the Companies or a material adverse change in the relationship of any of the Companies with such a customer or group of customers. Each of the Companies generally has a good relationship with each of its ten (10) largest customers.

(b) Section 4.21(b) of the Disclosure Schedule lists the top ten (10) largest suppliers of products to each of the Companies for the fiscal years ended December 31, 2008, 2009 and 2010. Except as set forth in Section 4.21(b) of the Disclosure Schedule, to the Knowledge of Seller and the Companies, there are no facts or circumstances (including the consummation of the transactions contemplated hereby) that are likely to result in the loss of any one supplier or group of suppliers of any of the Companies or a material adverse change in the relationship of any of the Companies with such a supplier or group of suppliers. Each of the Companies generally has a good relationship with each of its ten (10) largest suppliers.

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

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

4.24 Restrictions on Business Activities. Except as set forth in Section 4.24 of the Disclosure Schedule, there is no judgment, injunction, order or decree binding upon any of the Companies or Seller or, to the Knowledge of Seller and the Companies, threatened, that has or could reasonably be expected to have the effect of prohibiting or impairing the conduct of the business of any of the Companies as currently conducted or any business practice of any of the Companies, including the acquisition of property, the sale of products, the provision of services, the hiring of employees, and the solicitation of customers, in each case either individually or in the aggregate.

4.25 Payables. Except as set forth in Section 4.25 of the Disclosure Schedule, all accounts payable of each of the Companies have arisen in the ordinary course of business consistent with past practice. All items which are required by GAAP to be reflected as payables in the Financial Statements and on the books and records of each of the Companies are so reflected and have been recorded in accordance with GAAP and in a commercially reasonable manner. There has been no material adverse change since October 31, 2010 in the amount or delinquency of accounts payable of any of the Companies, either individually or in the aggregate.

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

4.27 Business Relations. Except as set forth in Section 4.27 of the Disclosure Schedule, none of the Companies is required to provide any bonding or any other financial security arrangements in connection with any transaction with any customer or supplier. Since October 31, 2010, none of the Companies or Seller has received any notice of any disruption (including delayed deliveries or allocations by suppliers) in the availability of any materials or products used in the business of any of the Companies, nor do any of them have reason to believe that any such disruption will occur in connection with the business of any of the Companies. There are no sole source suppliers of goods, equipment or services used by any of the Companies (other than public utilities) with respect to which practical alternative sources of supply are unavailable.

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

ARTICLE IVA

Representations and Warranties of KR

KR represents and warrants to Madden as follows:

4.1A Authorization. KR has full legal capacity to enter into and carry out KR's obligations under this Agreement and the Earn-Out Agreement, and to consummate the transactions contemplated hereby and thereby, and is not under any prohibition or restriction, contractual, statutory or otherwise, against doing so. Each of this Agreement and the Earn-Out Agreement has been duly executed and delivered by KR and, assuming due authorization, execution and delivery by the other parties thereto, constitutes legal, valid and binding obligations of KR, enforceable against KR in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other laws affecting the rights of creditors generally and by general principles of equity.

4.2A Capitalization. KR owns, beneficially and of record, and has valid and marketable title to, and the right to transfer to Madden, 35% of the Interests, free and clear of any and all Encumbrances. No Person other than Madden has any written or oral agreement, arrangement, understanding or option for, or any right or privilege (whether by law, preemption or contract) that is or is capable of becoming an agreement, arrangement, understanding or option for, the purchase or acquisition from KR of any of KR's ownership interest in New East.

4.3A No Conflicts; Consents. Neither the execution and delivery by KR of this Agreement or the Earn-Out Agreement, nor the consummation of the transactions contemplated hereby or thereby, will, with or without notice or lapse of time or both, directly or indirectly, (i) conflict with or violate the certificate of organization or operating agreement of New East, or resolutions of the directors, managers or equityholders of, New East, (ii) conflict with, violate, result in the breach of any term of, result in the acceleration of performance of any obligation under, constitute a default under, give any Person the right to cancel, terminate or modify, or require the consent or approval of or any notice to or filing with any third party or Governmental Body under (x) any note, mortgage, deed of trust, lease or other agreement or instrument to which KR or New East is a party or by which KR or New East or any of their respective properties or assets are bound, or (y) any Law, writ, injunction, or License of any Governmental Body having jurisdiction over KR, New East or their respective properties or assets, or (iii) create an Encumbrance on any of the membership interests or properties or assets of New East, including, without limitation, the Interests.

ARTICLE V

Representations and Warranties of Madden

Madden represents and warrants to Seller as follows:

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

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

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

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

5.5 Brokers and Finders. No broker, finder or financial advisor has been engaged by Madden in connection with the transactions contemplated by this Agreement.

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

ARTICLE VI

Covenants of Seller

Seller hereby covenant and agree as follows:

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

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

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

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

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

(iv) declare, set aside, make or pay any dividend or other distribution to any holder with respect to its capital stock or other securities;

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

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

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

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

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

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

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

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

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

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

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

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

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

(xviii) make capital expenditures or capital additions or betterments in amounts which exceed $5,000, in the aggregate;

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

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

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

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

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

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

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

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

6.3 [Intentionally omitted].

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

6.5 Consents and Approvals. Seller agrees to use his good faith commercially reasonable efforts to obtain, or to cause each of the Companies to obtain, as promptly as practicable, but not later than the Closing in any event, all consents, authorizations, approvals and waivers required in connection with the consummation of the transactions contemplated by this Agreement. Seller shall be responsible for and shall pay all fees associated with obtaining any landlord consents required under the Real Property Leases in connection with the consummation of the transactions contemplated by this Agreement (the “Landlord Consent Fees”).

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

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

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

6.9 Closing Date Debt. Seller shall cause each of the Companies to be free of any and all Debt as of the Closing Date.

6.10 [Intentionally omitted].

6.11 Non-Solicitation; Non-Compete.

(a) For a period of three (3) years following the expiration or termination of Seller's employment with Madden or any of its affiliates, Seller shall not, for himself or any other Person, directly or indirectly, (i) advise or encourage any employee (including any employees of any of the Companies), agent, consultant, representative, customer, licensor, vendor or supplier of Madden (including any of the Companies and any of their respective affiliates) to terminate his, her, or its relationship with Madden (including any of the Companies and any affiliate) or to reduce the amount of business customarily done with Madden (including any of the Companies and any affiliate), (ii) recruit, solicit or attempt to solicit or participate in the solicitation of or employ or otherwise engage any employee (including any employees of any of the Companies, Madden or any affiliate), agent, consultant or representative of Madden, any of the Companies or any affiliate, or otherwise advise or encourage any such person to become an employee, agent, representative or consultant of or to any other Person, or (iii) attempt to do or do any of the foregoing, or assist, permit, entice, induce, encourage or allow any of his affiliates or personnel or any other person or entity to do or attempt to do any activity which, were it done by Seller, would violate any provision of this Section 6.11(a); provided that this Section 6.11(a) shall not prohibit soliciting or recruiting generally in the public media (without specifically targeting such employees, agents, consultants or representatives).

(b) Seller acknowledges and recognizes the highly competitive nature of the business of the Companies and Madden. For a period of three (3) years following the expiration or termination of Seller's employment with Madden or any of its affiliates, Seller hereby agrees that neither he nor any of his affiliates will, for itself or any other person or entity, directly or indirectly:

(i) contact, solicit, attempt to solicit, participate in the solicitation of or do business (x) with any customer of Madden or any of the Companies or any of their respective affiliates (or such customer's respective affiliates) (each, a "Restricted Customer");

(ii) persuade or seek to persuade any Restricted Customer or any purchaser of services from any of the Companies, Madden or any of their respective affiliates to cease to do business or to reduce the amount of business which it has customarily done with such Company, Madden or any of their respective affiliates, as applicable, or contemplates doing with such Company, Madden or any of their respective affiliates;

(iii) take any action which is intended, or could reasonably be expected, to harm, disparage, defame, slander, or lead to unwanted or unfavorable publicity to any of the Companies, Madden or any of their respective affiliates, or otherwise take any action which might detrimentally affect the reputation, image, relationships or public view of such Company, Madden or any of their respective affiliates; or

(iv) attempt to do or do any of the foregoing, or assist, permit, entice, induce, encourage or allow any of his affiliates, members, stockholders, or personnel or any other person or entity to do or attempt to do any activity which, were it done by Seller, would violate any provision of this Section 6.11(b).

ARTICLE VII

Covenants of Madden

Madden hereby covenants and agrees as follows:

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

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

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

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

ARTICLE VIII

Certain Other Agreements

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

(a) Tax Returns and Cooperation.

(i) Seller shall, or shall use good faith commercially reasonable efforts to cause each of the Companies to, prepare and timely file all Returns and amendments thereto required to be filed by or for each of the Companies for all taxable periods ending on or before the Closing Date. If the due date (including extensions) to file any such Return is after the Closing Date and Seller by law is not authorized to sign such Returns on a Company's behalf, Madden shall provide a requisite power of attorney to sign such Returns to Seller not more than five (5) days after Madden's, such Company's or any affiliate's receipt of any such Returns from Seller. Madden will be given a reasonable opportunity to review and comment on all such Returns required to be filed after the date hereof, but in no event will Seller be required to make changes to the Returns based on Madden's comments.

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

(iii) Each of the Companies shall be liable for any and all Taxes imposed on any of the Companies relating to or apportioned to any taxable year or portion thereof beginning on or after the Closing Date and ending after the Closing Date. Seller shall be liable for any and all Taxes imposed on any of the Companies relating to or apportioned to any taxable year or portion thereof beginning prior to the Closing Date and ending prior the Closing Date. Madden shall cooperate fully with the Seller after the Closing Date in providing the Seller with tax, accounting and financial documents and information to enable the Seller to prepare and file Returns relating to any taxable year or portion thereof beginning prior to the Closing Date and ending prior to the Closing Date, including Returns described under Section 1362 of the Code.

(iv) Any Tax refunds that are received by Madden, any of the Companies or any affiliate thereof, and any amounts credited against Tax to which Madden, any of the Companies or any affiliate thereof become entitled, that relate to taxable periods (or portions thereof) ending on or before the Closing Date shall be for the account of Seller and Madden shall pay over to Seller any such refund or the amount of any such credit within ten (10) days after receipt or entitlement thereto. In addition, to the extent that a claim for refund or a proceeding results in a payment or credit against Tax by a taxing authority to Madden, any of the Companies or any affiliate thereof of any amount accrued on the most recent Balance Sheet, Madden shall pay such amount to Seller within ten (10) days after receipt or entitlement thereto. The amount of any such Tax refund or credit against Tax that must be paid by Madden to Seller shall be net of any costs incurred by Madden to obtain such refund or credit. In addition, if all or a portion of any Tax refund or credit against Tax must be returned by Madden to a taxing authority after Madden has paid Seller the amount of such refund or credit, Seller shall return to Madden the amount required to be returned to such taxing authority.

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

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

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

(viii) If in connection with any examination, investigation, audit or other proceeding in respect to any Return of any of the Companies, any Governmental Body issues to any of the Companies a written notice of deficiency, a notice of reassessment, or a proposed adjustment, Madden or such Company shall notify Seller of its receipt of such communication from the Governmental Body within twenty (20) days after receiving any such notice. If in connection with any examination, investigation, audit or other proceeding in respect to any Return of Seller that may affect a Company's or Madden's tax liability or obligations as a result of making a 338(h)(10) Election, any Governmental Body issues to Seller a written notice of deficiency, a notice of reassessment, or a proposed adjustment, Seller shall notify Madden and the Company of its receipt of such communication from the Governmental Body within twenty (20) days after receiving any such notice. Except as provided below, Seller shall, at his expense, have the right to control the contest of any such assessment, proposal, claim, reassessment, demand or other proceedings in connection with any Pre-Closing Period Return (other than a Straddle Period Return). Seller shall not compromise or settle any such contest or proceeding that relates to a Pre-Closing Period Return without the written consent of Madden (which consent shall not be unreasonably withheld or delayed), to the extent that such compromise or settlement could reasonably affect a Company and/or Madden for periods (or portions thereof) ending after the Closing Date or affect a Company's or Madden's tax liability or obligations as a result of making a 338(h)(10) Election. Notwithstanding anything in this Agreement to the contrary, if any examination, investigation, audit or other proceeding relates to a Straddle Period Return or, to the extent such examination, investigation, audit or other proceeding may affect a Company's or Madden's tax liability or obligations as a result of making a 338(h)(10) Election, Madden and/or the applicable Company shall participate in, control and resolve such examination, investigation, audit or other proceeding; provided, however, that if, with respect to a Straddle Period Return, such examination, investigation, audit or other proceeding relates to the portion of the taxable period ending on the Closing Date, then Seller may, at his expense, participate in such defense. Madden and/or the applicable Company shall not compromise or settle such contest or proceeding without the written consent of Seller, which consent shall not be unreasonably withheld or delayed.

(ix) If any Governmental Body reviews, examines, audits, investigates or requests information concerning any of the Companies relating to taxable periods (or portions thereof) ending on or before the Closing Date, Madden shall within twenty (20) days notify Seller of such review, examination, investigation, audit or request.

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

(i) At the request of Madden, Madden and Seller shall timely make a joint election under Section 338(h)(10) of the Code (a "338(h)(10) Election") with respect to the purchase of the Company Shares. Madden and Seller shall, at the request of Madden, make any analogous election with respect to state, local or foreign Taxes, to the extent that such election is separately available. Madden and Seller shall exchange completed and executed copies of (A) IRS Form 8023 and required schedules thereto and IES Form 8883 and (B) to the extent required, any similar forms with respect to state, local or foreign Taxes, which shall in each case be completed in a manner consistent with the Final Allocation (as defined below), as soon after the preparation of the Final Allocation as is reasonably practicable.

(ii) Unless Madden determines that it will not make a 338(h)(10) Election, Madden shall, within ninety (90) days after the Closing, determine and provide to Seller the allocation of the purchase price, as determined for United States federal income Tax purposes, among the assets deemed acquired for United States federal income Tax purposes assuming a 338(h)(10) Election was made with respect to the Company Shares (the "Final Allocation"). The Final Allocation shall be made in accordance with the Code and any applicable Treasury Regulations and any allocation to inventory will be equal to the fully adjusted tax basis. The Final Allocation shall be redetermined, consistent with the principles set forth above, upon the happening of any event reasonably requiring such redetermination, including, without limitation, any adjustments to taxable income, post-closing adjustments pursuant to Section 2.5(e) and the payment to Seller of the Earn-Out Payment pursuant to the Earn-Out Agreement. The Final Allocation, once determined, shall be annexed to this Agreement as Exhibit E, and any redetermination of the Final Allocation pursuant to the preceding sentence shall likewise be annexed to this Agreement with an appropriate designation. The Final Allocation (and any redetermination thereof) shall be binding on Seller and Madden for all Tax and financial reporting purposes.

(iii) Notwithstanding anything herein to the contrary, Madden shall reimburse Seller for the increased Taxes, if any, incurred by Seller with respect to the year in which the Closing occurs and/or any subsequent year, including after an IRS or other taxing authority audit, as a result of any 338(h)(10) Election or analogous elections made (taking into account the Final Allocation) (as grossed-up for additional Taxes of Seller on the receipt of such payment) such that Seller will receive the same after-tax proceeds with respect to the year in which the Closing occurs and/or any subsequent year as if Seller had sold stock and no 338(h)(10) Election or analogous elections had been made ("338(h)(10) Grossed-Up Payment"). Within thirty (30) days after determination of the Final Allocation, Seller shall provide to Madden a schedule, with supporting workpapers, which shall be based upon the Final Allocation, setting forth (A) the amount of Taxes incurred by Seller with respect to the year in which the Closing occurs from the sale of the Company Shares with respect to which a 338(h)(10) Election or analogous election is made (calculated both with and without taking into account a receipt of the 338(h)(10) Grossed-Up Payment) and (B) the amount of Taxes that would have been incurred by Seller with respect to the year in which the Closing occurs from the sale of such Company Shares determined as if no such election were made. In the event that Madden's payment of all or a portion of the 338(h)(10) Grossed-Up Payment (or portions thereof) to Seller occurs (or will occur) after the end of the year in which the Closing occurs (including the years in which the Earn-Out Payment is made), then Seller shall provide Madden with a recomputed schedule, with supporting workpapers, setting forth the amount of any additional Taxes incurred by Seller with respect to such year following the year in which the Closing occurs as a result of a 338(h)(10) Election or any analogous election. Unless Madden disputes the schedule by providing written notice to Seller within fifteen (15) days after the receipt thereof, Seller's schedules shall be final, binding and conclusive on the parties for all Tax purposes. If Madden and Seller cannot agree on the proper amount that Madden is required to pay Seller pursuant to this Section 8.1(b)(iii) within twenty (20) days after the provision of written notice to Seller, such dispute shall be settled, within thirty (30) days after its submission, by the Independent Accounting Firm, and the amount that the Independent Accounting Firm determines is required to be paid pursuant to this Section 8.1(b)(iii) shall be final, binding and conclusive on the parties for all Tax purposes. Madden and Seller shall submit the dispute to the Independent Accounting Firm within twenty (20) days after the receipt by Seller of the written objection. Seller's schedules and the determination of any amounts required to be paid pursuant to this Section 8.1(b)(iii) shall be consistent with and based upon, inter alia, the principles, statements and, if applicable, assumptions set forth in Exhibit E-1 attached hereto, which shall also be applied by the Independent Accounting Firm in settling any dispute hereunder. Madden shall pay the amounts required to be paid to Seller pursuant to this Section 8.1(b)(iii) no later than thirty (30) days prior to the date on which Seller is required to pay Taxes as a result of the 338(h)(10) Election or analogous election.

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

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

(c) Tax Treatment. Madden, Seller and KR agree to treat any payments made to Seller or KR under Section 2.2 of this Agreement as additional consideration for the purchase of stock and equity securities of the Companies (it being understood that a portion of such payments will be treated as interest under Section 483 of the Code and Section 1274 of the Code), and Madden, Seller and KR shall, and Madden shall cause the Companies to, report these payments as such on their respective federal, state and local tax returns (unless otherwise required under applicable law).

8.2 Employee Matters. On the Closing Date, Madden shall offer employment to those individuals listed under the heading "Hired Employees" in Section 8.2 of the Disclosure Schedule (the "Hired Employees"), which employment shall be on such terms and with such compensation and benefits as are comparable to similarly situated employees of Madden; provided that, to the extent that each such Hired Employee accepts employment with Madden, such Hired Employee shall initially receive compensation in an amount no less than the amount set forth opposite such Hired Employee's name on Section 8.2 of the Disclosure Schedule, and each such Hired Employee shall receive benefits based on the date such Hired Employee started employment at the Company as set forth opposite such Hired Employee's name on Schedule 8.2 of the Disclosure Schedule. Notwithstanding the foregoing, and without limiting the provisions of Section 13.7 hereof, this Section 8.2 shall not confer any rights or remedies upon any Person other than the parties hereto and their respective heirs, personal representatives, legatees, successors and permitted assigns.

ARTICLE IX

Conditions Precedent to Obligations of Madden

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

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

9.2 Compliance with Covenants. Each of Seller and KR shall have performed and observed in all material respects all covenants and agreements to be performed or observed by Seller or KR, as applicable, under this Agreement at or before the Closing.

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

9.4 Update Certificates. Madden shall have received (i) a favorable certificate from Seller, dated the Closing Date, signed by Seller, as to the matters set forth in Sections 9.1, 9.2 and 9.3, and (ii) a favorable certificate from KR, dated the Closing Date, signed by KR, as to the matters set forth in Sections 9.1 and 9.2.

9.5 [Intentionally omitted].

9.6 Certain Indebtedness. At or prior to the Closing, Seller shall have repaid, or caused to be repaid, all amounts outstanding (including any penalties or fees) pursuant to all Debt of the Companies, including the Debt set forth in Section 9.6 of the Disclosure Schedule such that all such Debt is fully discharged, and Madden shall have received evidence satisfactory to it of such repayment and discharge.

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

9.8 Consents of Third Parties. Except as set forth in Section 9.8 of the Disclosure Schedule, all consents from third parties to Contracts or otherwise that are required to be listed in Section 4.4 of the Disclosure Schedule in order to avoid a misrepresentation under Section 4.4 shall have been obtained in writing.

9.9 Landlord Consent Fees. Seller shall have paid, or caused to be paid, all Landlord Consent Fees.

9.10 FIRPTA Affidavit. Each of Seller and KR shall have provided to Madden a duly sworn affidavit dated as of the Closing Date that neither Seller, nor KR is not a "foreign person," setting forth Seller's and KR's taxpayer identification number and otherwise meeting the requirements of Section 1445(b)(2) of the Code and the Treasury Regulations promulgated thereunder.

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

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

9.13 Transaction Documents. Each of the Companies, Seller and KR shall have entered into each of the other Transaction Documents to which they are a party.

9.14 License Agreement. The License Agreement shall have been terminated by the mutual agreement of the parties thereto.

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

ARTICLE X

Conditions Precedent to Obligations of Seller

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

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

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

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

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

10.5 No Violation of Orders. No preliminary or permanent injunction or other order issued by any Governmental Body, nor any statute, rule, regulation, decree or executive order promulgated or enacted by any Governmental Body, that declares this Agreement invalid or unenforceable in any material respect or that prevents the consummation of the transactions contemplated hereby.

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

10.7 License Agreement. The License Agreement shall have been terminated by the mutual agreement of the parties thereto.

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

ARTICLE XI

Termination of Agreement

11.1 Conditions for Termination. This Agreement may be terminated:

(a) at any time prior to the Closing by mutual consent of Madden and Seller;

(b) by Madden if the Closing shall not have been consummated by forty-five (45) days after the date hereof, unless such failure of consummation shall be due to a material breach of any representation or warranty, or the nonfulfillment in any material respect, and failure to cure such nonfulfillment as set forth in clause (d) below, of any covenant or agreement contained herein on the part of Madden; or

(c) by Seller if the Closing shall not have been consummated by forty-five (45) days after the date hereof, unless such failure of consummation shall be due to a material breach of any representation or warranty, or the nonfulfillment in any material respect, and failure to cure such nonfulfillment as set forth in clause (d) below, of any covenant or agreement contained herein on the part of Seller; or

(d) by (i) Madden if Seller or KR fails to cure a material breach of any provision of this Agreement within fifteen (15) days after its receipt of written notice of such breach from Madden, or (ii) Seller if Madden fails to cure a material breach of any provision of this Agreement within fifteen (15) days after its receipt of written notice of such breach from the Seller, provided, however, that a party shall not be entitled to terminate this Agreement pursuant to this Section 11.1(d) if it is also in material breach of any provision of this Agreement.

11.2 Effect of Termination. Upon the termination of this Agreement for any reason, Madden and Seller shall have no liability or further obligations arising out of this Agreement, except for any liability resulting from any intentional breach of a representation, warranty or covenant contained in this Agreement prior to termination. Furthermore, the provisions of Sections 4.23, 5.5, this Section 11.2 and Article XIII shall survive any termination of this Agreement.

ARTICLE XII

Indemnification

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

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

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

12.2 Indemnification by Seller.

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

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

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

Any amount paid pursuant to this Section 12.2(a) shall be paid to Madden or, at Madden's election, to a Company or the Companies and shall be the amount required to put Madden or the Companies, as the case may be, in the position it or they would have been in had such representation, warranty, covenant or agreement not been breached; provided, however, that in no event will Seller be liable for consequential, special, indirect, exemplary or punitive damages on account of any indemnification obligation hereunder.

(b) Notwithstanding Section 12.2(a):

(i) Seller shall not have any obligation to indemnify the Madden Indemnified Parties from and against any Loss under clause (i) of Section 12.2(a) until the Madden Indemnified Parties have suffered aggregate Losses, by reason of all such breaches, in excess of one hundred and fifty thousand dollars ($150,000), in which event Seller shall indemnify the Madden Indemnified Parties with respect to the total amount of all Losses (subject to the limitations set forth in this Agreement); provided, that such threshold shall not apply to any Loss as a result of, arising from or in connection with a breach by Seller of a representation or warranty contained in Sections 4.1, 4.2, 4.3, 4.6, 4.20 or 4.23; and

(ii) Seller shall not have any obligation to indemnify the Madden Indemnified Parties from and against any Loss under clause (i) of Section 12.2(a) to the extent the aggregate Losses the Indemnified Parties have suffered by reason of all such breaches exceed eight million dollars ($8,000,000); provided that such aggregate limit shall not apply to any Loss as a result of, arising from or in connection with a breach by Seller of a representation or warranty contained in Sections 4.1, 4.2, 4.3, 4.6, 4.20 or 4.23.

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

12.3 Indemnification by Madden.

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

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

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

Any amount paid pursuant to this Section 12.3(a) shall be the amount required to put Seller in the position Seller would have been in had such representation, warranty, covenant or agreement not been breached; provided, however, that in no event will Madden be liable for consequential, special, indirect, exemplary or punitive damages on account of any indemnification obligation hereunder.

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

12.4 Additional Seller Indemnification.Seller shall indemnify and hold harmless the Madden Indemnified Parties from and against any and all Losses incurred or suffered by such Person as a result of or arising from each of (a) the claim by Star Fabrics, Inc. described in Section 4.8(d) of the Disclosure Schedule, (b) a defect in design, manufacture or the like with respect to any product of the Companies manufactured, produced, sold or distributed prior to the Closing Date, including the allegations of a scarf dying a consumer's skin and clothes described in Section 4.10 of the Disclosure Schedule, (c) any claim of an ownership interest or other rights in or to any Company IP Rights by any current or former employee of any of the Companies, and (d) the steamship guarantees listed in items 73-80 of Section 4.9(a) of the Disclosure Schedule until such time as all such steamship guarantees have been fully released in all respects.

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

12.6 Non-Assumption of Defense. If no indemnifying party is permitted or elects to assume the defense of any such claim by a third party or proceeding resulting therefrom, the indemnified party shall diligently defend against such claim or litigation in such manner as it may deem appropriate and, in such event, the indemnifying party or parties shall promptly reimburse the indemnified party for all reasonable out-of-pocket costs and expenses, legal or otherwise, incurred by the indemnified party and its affiliates in connection with the defense against such claim or proceeding, as such costs and expenses are incurred. Any counsel chosen by such indemnified party to conduct such defense must be reasonably satisfactory to the indemnifying party or parties, and only one counsel shall be retained to represent all indemnified parties in an action (except that if litigation is pending in more than one jurisdiction with respect to an action, one such counsel may be retained in each jurisdiction in which such litigation is pending). The indemnified party shall not settle or compromise any such claim without the written consent of the indemnifying party, which consent shall not be unreasonably withheld.

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

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

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

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

ARTICLE XIII

Miscellaneous

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13.16 Right of Set-Off.

(a) Notwithstanding any provision of this Agreement or the Earn-Out Agreement to the contrary, the parties hereby acknowledge and agree that, in addition to any other right hereunder or under the Earn-Out Agreement or otherwise, Madden shall have the right, but not the obligation, from time to time to set off against any amounts otherwise required to be paid by Madden to Seller and KR pursuant to this Agreement or the Earn-Out Agreement any amounts owed at such time by Seller to any of the Companies, Madden or any other Madden Indemnified Party under this Agreement (after giving effect to Section 12.2(b) of this Agreement) or the Earn-Out Agreement.

(b) If Madden elects to exercise its set-off rights hereunder against any amounts otherwise required to be paid by Madden to Seller and KR pursuant to this Agreement or the Earn-Out Agreement, it shall give Seller written notice of such election (the "Set-Off Notice"), which Set-Off Notice shall include the amount to be set-off and a reasonable description of the circumstances giving rise to Madden's entitlement to such set-off. Seller shall have thirty (30) days after receipt of such Set-Off Notice to review such Set-Off Notice (the "Set-Off Review Period"), and in the event that Seller has any objections or challenges to the exercise of the set-off right of Madden, Seller shall submit a single written notice of set-off dispute ("Notice of Set-Off Dispute") to Madden during such Set-Off Review Period, specifying in reasonable detail the nature of any asserted objections or challenges. In the event of any such dispute, Seller and Madden shall negotiate in good faith to resolve such dispute for thirty (30) days after receipt by Madden of the Notice of Set-Off Dispute. If Seller and Madden are unable to resolve such dispute within such 30-day period, Madden will not be entitled to set off any amounts until there is a final, non-appealable order or determination regarding the set-off dispute in accordance with Section 13.17 hereof (the "Final Determination"). If the Final Determination states that Madden was entitled to set-off any amounts (the "Determined Set-Off Amount"), then following the Final Determination, Seller shall pay to Madden the amount of interest earned on the Determined Set-Off Amount, calculated from the date that Madden could have set-off such Determined Set-Off Amount, at a rate per annum equal to the Prime Rate, calculated and payable monthly, compounded monthly.

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

13.17 Arbitration. Except as otherwise set forth in Section 2.5(b), if any dispute or difference of any kind whatsoever shall arise between the parties to this Agreement (each a "Disputing Party") in connection with or arising out of this Agreement, or the breach, termination or validity thereof (a "Dispute"), then, on the demand of any Disputing Party, the Dispute shall be finally and exclusively resolved by arbitration in accordance with the Commercial Arbitration Rules of the AAA (the "Rules") then in effect, except as modified herein. The arbitration shall be held, and the award shall be issued in, the State of New York. The arbitration shall be conducted by a panel of three (3) arbitrators chosen as follows within thirty (30) days after receipt by respondent of the demand for arbitration: (a) one arbitrator shall be chosen by Seller; (b) one arbitrator shall be chosen by Madden; and (c) a third neutral arbitrator shall be chosen by the mutual agreement of the arbitrators chosen by Seller and Madden. By agreeing to arbitration, the Disputing Parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitrators shall have full authority to grant provisional remedies and to direct the Disputing Parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any Disputing Party to respect the arbitrators' orders to that effect. Any arbitration proceedings, decisions or awards rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. In arriving at a decision, the arbitrators shall be bound by the terms and conditions of this Agreement and shall apply the governing law of this Agreement as designated in Section 13.9. The arbitrators are not empowered to award damages in excess of compensatory damages, and each Disputing Party hereby irrevocably waives any right to recover punitive, exemplary or similar damages with respect to any Dispute. The award shall provide that the fees and expenses of the arbitration (including the fees of the AAA, the fees and expenses of the arbitrators and attorneys' fees of the prevailing Disputing Party) shall be allocated based on the proportion that the aggregate amount of disputed items submitted to arbitration that are unsuccessfully disputed by each Disputed Party (as finally determined by the arbitrators) bears to the total amount of all disputed items submitted to arbitration. The award, which shall be in writing and shall, on the written request of any Disputing Party, state the findings of fact and conclusions of law upon which it is based, shall be final and binding on the Disputing Parties and shall be the sole and the exclusive remedy between the Disputing Parties regarding any claims, counterclaims, issues or accountings presented to the arbitral tribunal. Judgment upon any award may be entered in any court of competent jurisdiction located in the State of New York, and the parties hereby consent to the exclusive jurisdiction of the courts located in the State of New York. All arbitration proceedings and resulting arbitration awards shall be strictly confidential and shall not be disclosed by the Disputing Parties to anyone, except to the extent necessary to disclose to compel arbitration, enforce any arbitration award or for accounting and financial reporting or to comply with reporting obligations under applicable securities laws and regulations.

[Remainder of this page intentionally left blank.]

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

STEVEN MADDEN, LTD.

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

Address:
52-16 Barnett Ave.
Long Island City, New York 11104
Attention: Awadhesh Sinha
Facsimile No.: (718) 446-5599
with copies to:
Kramer Levin Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, New York 10036
Attention: James A. Grayer, Esq.
Facsimile No.: (212) 715-8000

SELLER

/s/ David Seeherman
David Seeherman

Address:

390 Fifth Avenue, Suite 602
New York, New York 10018
Facsimile No.:
with copies to:
Bryan Cave LLP
211 North Broadway, Suite 3600
St. Louis, MO 63102
Attention: John Welge, Esq.
Facsimile No.: (314) 552-8545

CEJON, INC.

By: /s/ David Seeherman
Name: David Seeherman
Title: CEO

Address:

390 Fifth Avenue, Suite 602
New York, New York 10018
Facsimile No.:
with copies to:
Bryan Cave LLP
211 North Broadway, Suite 3600
St. Louis, MO 63102
Attention: John Welge, Esq.
Facsimile No.: (314) 552-8545

KR

/s/ Kenneth Rogala
Kenneth Rogala

Address:
390 Fifth Avenue, Suite 602
New York, New York 10018
Facsimile No.:

Schedules and Exhibits to Stock Purchase Agreement

Disclosure Schedule

Section 1.1	Capital Leases
Section 2.1	Capitalization
Section 2.3	Closing Date Inventory
Section 4.1	Subsidiaries
Section 4.2(a)	Right for the Purchase of Stock
Section 4.4	Conflicts and Consents
Section 4.5(a)	Financial Statement Deficiencies; Special Income
Section 4.5(b)	Undisclosed Liabilities
Section 4.5(c)	Promotions and Allowances
Section 4.5(d)	Inventory
Section 4.6(a)	Late Tax Filings
Section 4.6(b)	Unpaid Tax Deficiencies; Audits
Section 4.6(c)	Miscellaneous Tax Representations
Section 4.6(c)(iii)	Material Tax Elections
Section 4.6(c)(xi)	Taxing Jurisdictions
Section 4.6(d)	Unexamined Returns
Section 4.7(a)	Real Property
Section 4.7(b)	Marketable Title
Section 4.8(a)	Intellectual Property Exceptions
Section 4.8(b)	Impairment of Company IP Rights
Section 4.8(c)	Royalties
Section 4.8(d)	Third Party Infringement
Section 4.8(e)(i)	Protection of Proprietary Information
Section 4.8(e)(ii)	Ownership Interest IP Claims
Section 4.8(f)	License Agreements
Section 4.8(g)	Infringement of Third Party and Company IP Rights
Section 4.8(h)	Intellectual Property Filings
Section 4.9(a)	Contracts
Section 4.10	Insurance
Section 4.11	Pending Litigation
Section 4.12	Condition and Sufficiency of Assets
Section 4.13(a)	Compliance with Laws
Section 4.13(b)	Licenses
Section 4.13(d)	Compliance with Customs Laws
Section 4.13(e)	Imported Goods Subject to Undisclosed Duties
Section 4.13(f)	Customs Records
Section 4.13(g)	Imported Goods Subject to Duties
Section 4.13(h)	Pending Government Audits and Inquiries
Section 4.14(a)	Employees
Section 4.14(f)	Employment Violations
Section 4.14(i)	Severance Obligations
Section 4.14(j)	Vacation Policy
Section 4.14(k)	Employment Agreements
Section 4.14(l)	Employee Employment Status

Section 4.14(m)	Arrangements with Independent Contractors
Section 4.15(a)	Employee Benefit Plans
Section 4.15(b)	Employment Agreements, Contracts and Employee Benefit Plans Subject to Section 409A
Section 4.15(e)	ERISA Liability
Section 4.15(l)	Modification of Employee Benefit Plans
Section 4.15(m)	Change in Control Payments
Section 4.15(o)	Employee Benefit Plan Maintenance Costs
Section 4.16(a)	Environmental Matters
Section 4.17	Bank Accounts; Powers of Attorney
Section 4.18	Certain Changes
Section 4.20	Transactions with Affiliated Persons
Section 4.21(a)	Customers
Section 4.21(b)	Suppliers
Section 4.23	Brokers, Finders, etc.
Section 4.24	Restrictions on Business Activities
Section 4.25	Payables
Section 4.26	Receivables
Section 4.27	Bonding and Financial Security Arrangements
Section 6.2	Conduct of Business
Section 8.2	Hired Employees
Section 9.6	Certain Indebtedness
Section 9.8	Required Consents

Exhibits

Exhibit A	Earn-Out Agreement
Exhibit B	KR Employment Agreement
Exhibit C	Seller Employment Agreement
Exhibit D	Pre-Closing Working Capital Schedule
Exhibit E	Final Allocation
Exhibit E-1	338(h)(10) Election Assumptions

Exhibit D

Pre-Closing Working Capital Schedule

Cejon
Pre-Closing Working Capital Schedule
(in 000's)

Inventory on hand as of May 13th	$ 3,628
As of May 19th:	
Inventory in transit	532
Accounts receivable for Cejon, Inc.	4,760
Less allowance	(1,385)
Net AR	3,375
Accounts receivable for New East	67
Accrued license fee payable to SM	(43)
Accrued bonus expense	(1,500)
Accounts payable:	
Cejon, Inc.	(930)
Cejon Accessories	(3)
New East	(324)
Working capital	4,802
Less reserve for net accrued expenses	(300)
Estimated Net Working Capital	4,502
Net Working Capital Target	5,000
Amount receivable from seller	$ (498)

Exhibit E-1

For the avoidance of doubt, the determination of the amount to be paid by Madden to Seller pursuant to Section 8.1(b)(iii) (the "Payment") shall be based, inter alia, on the following:

1. The Payment shall take into account any interest which may be imposed under Section 453A of the Code in respect of payments made pursuant to the Agreement, including Section 8.1(b)(iii) after the year in which the Closing occurs. Seller shall provide Madden with a schedule setting forth relevant information relating to any other installment obligations held by Seller.

2. Madden and Seller acknowledge that, pursuant to Treasury Regulation § 15A.453-1(b)(3)(i), none of the Companies shall recognize any gain on the date of the Closing with respect to all liabilities of such Company existing immediately prior to the Closing that constitute qualifying indebtedness (within the meaning of Treasury Regulation § 15A.453-1(b)(2)(iv)) to the extent of such Company's aggregate basis in its assets.

3. None of the Companies shall elect out of the installment method pursuant to Section 453(d) of the Code with respect to the deemed sale of its assets.

4. This schedule is subject to change based upon any change in Law.

Exhibit 10.2

EXECUTION VERSION

EARN-OUT AGREEMENT

by and among

STEVEN MADDEN, LTD.,

CEJON, INC.,

CEJON ACCESSORIES, INC.,

NEW EAST DESIGNS, LLC,

DAVID SEEHERMAN

and

KENNETH ROGALA

Dated as of May 25, 2011

EARN-OUT AGREEMENT

This EARN-OUT AGREEMENT (this "Agreement"), dated as of May 25, 2011 and effective as of the Closing Date (as defined below), if one occurs, is entered into by and among Steven Madden, Ltd., a Delaware corporation ("Purchaser"), David Seeherman ("Seller"), Cejon, Inc., a New Jersey corporation ("Cejon, Inc."), Cejon Accessories, Inc., a New York corporation ("CAI"), New East Designs, LLC, a Missouri limited liability company ("New East", and together with Cejon, Inc. and CAI, collectively, the "Companies" and each individually, a "Company") and Kenneth Rogala ("KR"). All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Stock Purchase Agreement (as defined below).

RECITALS

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

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

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

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

"2011 Additional Contingent Amount" shall have the meaning set forth in Section 3(a) hereof.

"2011 Additional Contingent Amount Cap" shall have the meaning set forth in Section 3(a) hereof.

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

"2011 Earn-Out Year" shall mean the twelve month period beginning on July 1, 2011 and ending on June 30, 2012.

"2011 Excess EBITA" shall have the meaning set forth in Section 3(a) hereof.

"2012 Additional Contingent Amount" shall have the meaning set forth in Section 3(b) hereof.

“2012 Additional Contingent Amount Cap” shall have the meaning set forth in Section 3(b) hereof.

“2012 Contingent Purchase Price Payment” shall have the meaning set forth in Section 2(b) hereof.

“2012 Earn-Out Year” shall mean the twelve month period beginning on July 1, 2012 and ending on June 30, 2013.

“2012 Excess EBITA” shall have the meaning set forth in Section 3(b) hereof.

“2013 Additional Contingent Amount” shall have the meaning set forth in Section 3(c) hereof.

“2013 Additional Contingent Amount Cap” shall have the meaning set forth in Section 3(c) hereof.

“2013 Contingent Purchase Price Payment” shall have the meaning set forth in Section 2(c) hereof.

“2013 Earn-Out Year” shall mean the twelve month period beginning on July 1, 2013 and ending on June 30, 2014.

“2013 Excess EBITA” shall have the meaning set forth in Section 3(c) hereof.

“2014 Additional Contingent Amount” shall have the meaning set forth in Section 3(d) hereof.

“2014 Additional Contingent Amount Cap” shall have the meaning set forth in Section 3(d) hereof.

“2014 Contingent Purchase Price Payment” shall have the meaning set forth in Section 2(d) hereof.

“2014 Earn-Out Year” shall mean the twelve month period beginning on July 1, 2014 and ending on June 30, 2015.

“2014 Excess EBITA” shall have the meaning set forth in Section 3(d) hereof.

“2015 Additional Contingent Amount” shall have the meaning set forth in Section 3(e) hereof.

“2015 Additional Contingent Amount Cap” shall have the meaning set forth in Section 3(e) hereof.

“2015 Contingent Purchase Price Payment” shall have the meaning set forth in Section 2(e) hereof.

"2015 Earn-Out Year" shall mean the twelve month period beginning on July 1, 2015 and ending on June 30, 2016.

"2015 Excess EBITA" shall have the meaning set forth in Section 3(e) hereof.

"AAA" shall mean the American Arbitration Association.

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

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

"Annual Earn-Out Amount" shall have the meaning set forth in Section 2(f) hereof.

"Applicable Contingent Purchase Price Payment Date" shall have the meaning set forth in Section 5(a) hereof.

"Boards of Directors" shall have the meaning set forth in Section 8(a) hereof.

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

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

"Cejon, Inc." shall have the meaning set forth in the preamble.

"Company" or "Companies" shall have the meaning set forth in the recitals.

"Contingent Purchase Price Payment" shall mean each of the 2011 Contingent Purchase Price Payment, the 2012 Contingent Purchase Price Payment, the 2013 Contingent Purchase Price Payment, the 2014 Contingent Purchase Price Payment and the 2015 Contingent Purchase Price Payment.

"Contingent Purchase Price Statement" shall have the meaning set forth in Section 4(a) hereof.

"Dispute" shall have the meaning set forth in Section 19 hereof.

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

"Disputing Party" shall have the meaning set forth in Section 19 hereof.

"Earn-Out Multiple" shall mean 5.

"Earn-Out Year" shall mean each of the 2011 Earn-Out Year, the 2012 Earn-Out Year, the 2013 Earn-Out Year, the 2014 Earn-Out Year and the 2015 Earn-Out Year.

"EBITA" shall mean net income of the Companies before interest, taxes, and amortization of intangibles. In computing EBITA, (u) the Companies shall be charged a royalty payment for each Earn-Out Year equal to six hundred and fifty dollars ($650,000), (v) the Companies shall be charged for direct services provided to the Companies by Purchaser or its Affiliates (other than the Companies) at commercially reasonable rates but shall not be charged any allocation of Purchaser's corporate overhead expenses; (w) no income or expense shall be included in respect of any extraordinary gains or losses (such as from the sale of real property, investments, securities or fixed assets), provided, however, that in no case shall the write-off of bad debts be deemed an extraordinary loss; (x) no income or expense shall be included in respect of any gains or losses as a result of changes in the balance of the liability recorded in relation to Earn-Out payments under SFAS 141(R) - Business Combinations as of subsequent reporting periods; and (y) three percent (3%) of the total amount of wholesale net sales of "Cejon" brand products sold by Purchaser (not through the Companies) shall be included as income, and (z) the cost basis for inventory shall be the amount set forth in Section 2.3 of the Disclosure Schedule to the Stock Purchase Agreement or, to the extent different, the amount as finally determined on the True-Up Balance Sheet, and in the event that such amount is increased on the books and records of the Company for GAAP purposes, or otherwise, such increase shall be removed for purposes of the calculation of EBITA.

"Final Contingent Purchase Price Statement" shall have the meaning set forth in Section 4(c) hereof.

"Final Financial Statements" shall have the meaning set forth in Section 4(c) hereof.

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

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

"Independent Accounting Firm" shall have the meaning set forth in Section 4(b).

"Intercompany Transaction" shall have the meaning set forth in Section 9 hereof.

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

"New East" shall have the meaning set forth in the recitals.

"Notice of Set-Off Dispute" shall have the meaning set forth in Section 6(b) hereof.

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

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

"Revised Contingent Purchase Price Statement" shall have the meaning set forth in Section 4(b) hereof.

"Revised Financial Statements" shall have the meaning set forth in Section 4(b) hereof.

"Rules" shall have the meaning set forth in Section 19 hereof.

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

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

"Set-Off Notice" shall have the meaning set forth in Section 6(b) hereof.

"Set-Off Review Period" shall have the meaning set forth in Section 6(b) hereof.

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

"Unused EBITA" shall have the meaning set forth in Section 3(b) hereof.

2. Contingent Purchase Price Calculation. Each Contingent Purchase Price Payment shall be payable in accordance with Section 5, as follows:

(a) 2011 Contingent Purchase Price Payment. The aggregate amount of the contingent purchase price payment payable to Seller and KR with respect to the 2011 Earn-Out Year (the "2011 Contingent Purchase Price Payment") shall equal the sum of (x) the applicable Annual Earn-Out Amount (as defined below) for the 2011 Earn-Out Year, *plus* (y) the 2011 Additional Contingent Amount (as defined below).

(b) 2012 Contingent Purchase Price Payment. The aggregate amount of the contingent purchase price payment payable to Seller and KR with respect to the 2012 Earn-Out Year (the "2012 Contingent Purchase Price Payment") shall equal the sum of (x) the applicable Annual Earn-Out Amount for the 2012 Earn-Out Year, *plus* (y) the 2012 Additional Contingent Amount (as defined below).

(c) 2013 Contingent Purchase Price Payment. The aggregate amount of the contingent purchase price payment payable to Seller and KR with respect to the 2013 Earn-Out Year (the "2013 Contingent Purchase Price Payment") shall equal the sum of (x) the applicable Annual Earn-Out Amount for the 2013 Earn-Out Year, *plus* (y) the 2013 Additional Contingent Amount (as defined below).

(d) 2014 Contingent Purchase Price Payment. The aggregate amount of the contingent purchase price payment payable to Seller and KR with respect to the 2014 Earn-Out Year (the "2014 Contingent Purchase Price Payment") shall equal the sum of (x) the applicable Annual Earn-Out Amount for the 2014 Earn-Out Year, *plus* (y) the 2014 Additional Contingent Amount (as defined below).

(e) 2015 Contingent Purchase Price Payment. The aggregate amount of the contingent purchase price payment payable to Seller and KR with respect to the 2015 Earn-Out Year (the "2015 Contingent Purchase Price Payment") shall equal the sum of (x) the applicable Annual Earn-Out Amount for the 2015 Earn-Out Year, *plus* (y) the 2015 Additional Contingent Amount (as defined below); provided, that in the event that EBITA for any given Earn-Out Year is less than eleven million dollars ($11,000,000), and the aggregate EBITA for all Earn-Out Years, collectively, is greater than or equal to fifty-five million dollars ($55,000,000), then the aggregate amount payable in respect of the 2015 Contingent Purchase Price Payment shall be the positive difference, if any, of twenty-five million dollars ($25,000,000) *minus* the total of all Contingent Purchase Price Payments paid or payable by Purchaser pursuant to Sections 2(a), 2(b), 2(c) and 2(d) hereof.

(f) As used in this Agreement, the term "Annual Earn-Out Amount" with respect to any given Earn-Out Year, shall mean the following:

(i) If EBITA for a given Earn-Out Year is greater than or equal to eleven million dollars ($11,000,000), then the Annual Earn-Out Amount for such Earn-Out Year shall be five million dollars ($5,000,000);

(ii) If EBITA for a given Earn-Out Year is greater than or equal to ten million dollars ($10,000,000) and less than eleven million dollars ($11,000,000), then the Annual Earn-Out Amount for such Earn-Out Year shall be 40% of the EBITA for such Earn-Out Year;

(iii) If EBITA for a given Earn-Out Year is greater than or equal to nine million three hundred and fifty thousand dollars ($9,350,000) and less than ten million dollars ($10,000,000), then the Annual Earn-Out Amount for such Earn-Out Year shall be 36% of the EBITA for such Earn-Out Year;

(iv) If EBITA for a given Earn-Out Year is greater than or equal to six million five hundred and forty-five thousand dollars ($6,545,000) and less than nine million three hundred and fifty thousand dollars ($9,350,000), then the Annual Earn-Out Amount for such Earn-Out Year shall be 27% of the EBITA for such Earn-Out Year; and

(v) If EBITA for a given Earn-Out Year is less than six million five hundred and forty-five thousand dollars ($6,545,000), then the Annual Earn-Out Amount for such Earn-Out Year shall be zero.

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

3. Additional Contingent Amount.

(a) 2011 Additional Contingent Amount. The Additional Contingent amount for the 2011 Earn-Out Year (the "2011 Additional Contingent Amount") shall equal the product of (x) the Earn-Out Multiple and (y) the amount by which EBITA for fiscal year 2011 exceeds twelve million one hundred thousand dollars ($12,100,000) (the "2011 Excess EBITA"); provided, that in no event shall the aggregate amount payable by Purchaser pursuant to this Section 3(a) be greater than six million six hundred thousand dollars ($6,600,000) (the "2011 Additional Contingent Amount Cap").

(b) 2012 Additional Contingent Amount. The Additional Contingent amount for the 2012 Earn-Out Year (the "2012 Additional Contingent Amount") shall equal the product of (x) the Earn-Out Multiple and (y) the amount by which EBITA for fiscal year 2012 *plus* the Unused EBITA (as defined herein) for the 2011 Earn-Out Year exceeds thirteen million three hundred and ten thousand dollars ($13,310,000) (the "2012 Excess EBITA"); provided, that in no event shall the aggregate amount payable by Purchaser pursuant to Sections 3(a) and 3(b) hereof, collectively, be greater than thirteen million two hundred thousand dollars ($13,200,000) (the "2012 Additional Contingent Amount Cap"). For purposes of this Section 3, the amount of "Unused EBITA" in any Earn-Out Year shall be the amount of EBITA for such Earn-Out Year in excess of the amount of EBITA necessary to reach the applicable Additional Contingent Amount Cap for such Earn-Out Year; provided, that any such EBITA amount used to reach an Additional Contingent Payment Cap in any Earn-Out Year shall not be included in any future calculation set forth in this Section 3.

(c) 2013 Additional Contingent Amount. The Additional Contingent amount for the 2013 Earn-Out Year (the "2013 Additional Contingent Amount") shall equal the product of (x) the Earn-Out Multiple and (y) the amount by which EBITA for fiscal year 2013 *plus* the Unused EBITA for the 2012 Earn-Out Year exceeds fourteen million six hundred and forty-one thousand dollars ($14,641,000) (the "2013 Excess EBITA"); provided, that in no event shall the aggregate amount payable by Purchaser pursuant to Sections 3(a), 3(b) and 3(c) hereof, collectively, be greater than nineteen million eight hundred thousand dollars ($19,800,000) (the "2013 Additional Contingent Amount Cap").

(d) 2014 Additional Contingent Amount. The Additional Contingent amount for the 2014 Earn-Out Year (the "2014 Additional Contingent Amount") shall equal the product of (x) the Earn-Out Multiple and (y) the amount by which EBITA for fiscal year 2014 *plus* the Unused EBITA for the 2013 Earn-Out Year exceeds sixteen million one hundred and five thousand dollars ($16,105,000) (the "2014 Excess EBITA"); provided, that in no event shall the aggregate amount payable by Purchaser pursuant to Sections 3(a), 3(b), 3(c) and 3(d) hereof, collectively, be greater than twenty-six million four hundred thousand dollars ($26,400,000) (the "2014 Additional Contingent Amount Cap").

(e) 2015 Additional Contingent Amount. The Additional Contingent amount for the 2015 Earn-Out Year (the "2015 Additional Contingent Amount") shall equal the product of (x) the Earn-Out Multiple and (y) the amount by which EBITA for fiscal year 2015 *plus* the Unused EBITA for the 2014 Earn-Out Year exceeds seventeen million seven hundred and fifteen thousand six hundred and ten dollars ($17,715,610) (the "2015 Excess EBITA"); provided, that in no event shall the aggregate amount payable by Purchaser pursuant to Sections 3(a), 3(b), 3(c), 3(d) and 3(e) hereof, collectively, be greater than thirty-three million dollars ($33,000,000).

4. Contingent Purchase Price Statement; Dispute.

(a) As promptly as practicable, but in any event within sixty (60) days after the end of each Earn-Out Year, Purchaser shall prepare and deliver to Seller (and the Companies shall provide Purchaser with all assistance as may be reasonably requested by Purchaser in connection with such preparation) (i) Financial Statements for such Earn-Out Year, (ii) a statement of the Contingent Purchase Price Payment for such Earn-Out Year, which shall explain in reasonable detail the calculations of EBITA for such Earn-Out Year (a "Contingent Purchase Price Statement") and (iii) reasonable supporting documentation sufficiently detailed to enable Seller to verify the amounts set forth in such Financial Statements and Contingent Purchase Price Statement.

(b) Seller may dispute such Financial Statements and/or Contingent Purchase Price Statement for such Earn-Out Year by sending a written notice (a "Dispute Notice") to Purchaser within sixty (60) days after Purchaser's delivery of all of the items specified in Section 4(a) to the Seller. The Dispute Notice shall identify each disputed item on the Financial Statements or Contingent Purchase Price Statement, specify the amount of such dispute and set forth in reasonable detail the basis for such dispute. In the event of any such disputes, Purchaser and Seller shall attempt, in good faith, to reconcile the items identified in the Dispute Notice and any related items that may arise during the process described in this Section 4(b) (including providing information that is reasonably requested to the other party), and any resolution by them as to any disputed items shall be final, binding and conclusive on the parties and shall be evidenced by a writing signed by Purchaser and Seller, including, as appropriate, revised Financial Statements ("Revised Financial Statements") and/or a revised Contingent Purchase Price Statement (a "Revised Contingent Purchase Price Statement") reflecting such resolution. If Purchaser and Seller are unable to reach such resolution within twenty (20) days after Seller's delivery of the Dispute Notice to Purchaser, then Purchaser and Seller shall promptly submit any remaining disputed items for final binding resolution to any independent accounting firm mutually acceptable to Purchaser and Seller (which accounting firm has not, within the prior twenty-four (24) months, provided services to Purchaser, Seller or any of the Companies or any Affiliate of any of them). If Purchaser and Seller are unable to agree upon an independent accounting firm within thirty (30) days, an independent accounting firm selected by Purchaser (which accounting firm has not, within the prior twenty-four (24) months, provided services to Purchaser or any of the Companies or any Affiliate of either of them) and an independent accounting firm selected by Seller (which accounting firm has not, within the prior twenty-four (24) months, provided services to Seller or any of the Companies or any Affiliate of either of them) shall select an independent accounting firm that has not, within the prior twenty-four (24) months, provided services to Purchaser, Seller or any of the Companies or any Affiliate of any of them. Such independent accounting firm mutually agreed upon by Purchaser and Seller or selected by the procedure referenced in the immediately preceding sentence, as the case may be, is hereinafter referred to as the "Independent Accounting Firm." If any remaining disputed items are submitted to an Independent Accounting Firm for resolution, (A) each party will furnish to the Independent Accounting Firm such workpapers and other documents and information relating to the remaining disputed items as the Independent Accounting Firm may request and are available to such party, and each party will be afforded the opportunity to present to the Independent Accounting Firm any material relating to the disputed items and to discuss the resolution of the disputed items with the Independent Accounting Firm; (B) each party will use its good faith commercially reasonable efforts to cooperate with the resolution process so that the disputed items can be resolved within forty-five (45) days after submission of the disputed items to the Independent Accounting Firm; (C) the determination by the Independent Accounting Firm, as set forth in a written notice to Purchaser and Seller (which written notice shall include, as appropriate, Revised Financial Statements and/or a Revised Contingent Purchase Price Statement), shall be final, binding and conclusive on the parties absent manifest error; and (D) the fees and disbursements of the Independent Accounting Firm shall be allocated by the Independent Accounting Firm between Purchaser and Seller in the same proportion that the aggregate dollar amount of the disputed items submitted to the Independent Accounting Firm that are unsuccessfully disputed by Seller (as finally determined by the Independent Accounting Firm) bears to the total amount of all disputed items submitted to the Independent Accounting Firm. By way of illustration, if Seller disputes $500,000 of items, and the Independent Accounting Firm determines that Seller's position is correct as to $400,000 of the disputed items, then Purchaser would bear 80 percent and Seller would bear 20 percent of such fees and disbursements.

(c) The Financial Statements for such Earn-Out Year and the Contingent Purchase Price Statement or, if either have been adopted pursuant to Section 4(b), the Revised Financial Statements and/or the Revised Contingent Purchase Price Statement, shall be deemed to be final, binding and conclusive on Purchaser and Seller ("Final Financial Statements" and "Final Contingent Purchase Price Statement") upon the earliest of (A) the failure of Seller to deliver to Purchaser the Dispute Notice within thirty (30) days after Purchaser's delivery to Seller of all of the items specified in Section 3(a) for such Earn-Out Year; (B) the resolution by Purchaser and Seller of all disputes, as evidenced by, as appropriate, Revised Financial Statements and/or a Revised Contingent Purchase Price Statement; and (C) the resolution by the Independent Accounting Firm of all disputes, as evidenced by, as appropriate, Revised Financial Statements and/or a Revised Contingent Purchase Price Statement. Any Contingent Purchase Price Payment based on Final Financial Statements and a Final Contingent Purchase Price Statement shall be made in accordance with Section 5 hereof.

5. Contingent Purchase Price Payments.

(a) Each Contingent Purchase Price Payment shall be paid and payable by Purchaser or the Companies with respect to each Earn-Out Year and shall be paid on a date or dates selected by Purchaser that results in the payment of such Contingent Purchase Price Payment in full on or before the tenth (10^{th}) Business Day after the date on which the Final Financial Statements and Final Contingent Purchase Price Statement are deemed final, binding and conclusive for such Earn-Out Year pursuant to Section 4(c) (such date, the "Applicable Contingent Purchase Price Payment Date") as follows: 92.5% of each Contingent Purchase Price Payment shall be paid to Seller; and (ii) 7.5% of each Contingent Purchase Price Payment shall be paid to KR. Each Contingent Purchase Price Payment shall be paid in cash and shall be made by wire transfer of immediately available funds to an account or accounts designated at least two (2) Business Days prior to the applicable payment date by Seller and KR in writing.

(b) Purchaser shall timely issue a 1099 with respect to 92.5% of each Contingent Purchase Price Payment to Seller as and to the extent required by law and shall timely issue a 1099 with respect to 7.5% of each Contingent Purchase Price Payment to KR as and to the extent required by law.

6. Set-Off Rights.

(a) Notwithstanding any provision of this Agreement to the contrary, the parties hereby acknowledge and agree that, in addition to any other right hereunder, Purchaser shall have the right, but not the obligation, from time to time to set off against any Contingent Purchase Price Payment required to be paid by Purchaser to Seller and KR pursuant to this Agreement any amounts owed at such time by Seller to any of the Companies or to Purchaser (or any of its Affiliates) hereunder or pursuant to the Stock Purchase Agreement (after giving effect to Section 12.2(b) of the Stock Purchase Agreement).

(b) If Purchaser elects to exercise its set-off rights hereunder against any amounts otherwise required to be paid by Purchaser to Seller and KR pursuant to this Agreement, it shall give Seller written notice of such election (the "Set-Off Notice") no later than the date on which the Final Financial Statements and Final Contingent Purchase Price Statement are deemed final, binding and conclusive pursuant to Section 4(d), which Set-Off Notice shall include the amount to be set off and a reasonable description of the circumstances giving rise to Purchaser's entitlement to such set-off. Seller shall have thirty (30) days after receipt of such Set-Off Notice to review such Set-Off Notice (the "Set-Off Review Period"), and in the event that Seller has any objections or challenges to the exercise of the set-off right of Purchaser, Seller shall submit a single written notice of set-off dispute ("Notice of Set-Off Dispute") to Purchaser during such Set-Off Review Period, specifying in reasonable detail the nature of any asserted objections or challenges. In the event that Seller does not submit a Notice of Set-Off Dispute within thirty (30) days of Purchaser's delivery of the Set-Off Notice, it shall be conclusively presumed that Seller and the Companies do not object to such Set-Off Notice and such Set-Off Notice shall be deemed to be final, binding and conclusive on the parties. In the event of any such dispute, Seller and Purchaser shall negotiate in good faith to resolve such dispute for thirty (30) days after receipt by Purchaser of the Notice of Set-Off Dispute. If Seller and Purchaser are unable to resolve such dispute within such 30-day period, Purchaser will not be entitled to set off any amounts until there is a final, non-appealable order or determination regarding the set-off dispute in accordance with Section 20 hereof (the "Final Determination"). If the Final Determination states that Purchaser was entitled to set-off any amounts (the "Determined Set-Off Amount"), then following the Final Determination, Seller shall pay to Purchaser the amount of interest earned on the Determined Set-Off Amount, calculated from the date that Purchaser could have set-off such Determined Set-Off Amount, at a rate per annum equal to the Prime Rate, calculated and payable monthly, compounded monthly.

(c) In the case of any such set-off by Purchaser pursuant to this Section 6, Seller's obligation to make such payment (or any portion thereof) shall be deemed satisfied and discharged to the extent of such set-off. The exercise of such right of set-off by Purchaser in good faith, whether or not finally determined to be justified, will not constitute a breach under this Agreement or the Stock Purchase Agreement.

7. Covenants of Purchaser. Purchaser hereby covenants and agrees that, from the Closing Date until the earlier of (i) the termination of this Agreement or (ii) the end of the 2015 Earn-Out Year, it will (x) maintain each of the Companies as a division of Purchaser, which will maintain appropriate accounting books and records necessary to calculate amounts payable hereunder, and (y) conduct the operation of the business of each Company in a commercially reasonable manner, taking into account the business of each of the Companies, Purchaser or any of its affiliate, taken as a whole.

8. Corporate Governance During Earn-Out Period. Seller and Purchaser agree that until the earlier of the termination of this Agreement or the end of the 2015 Earn-Out Year, the Companies shall be managed in accordance with the following provisions:

(a) The Board of Directors of each of CAI and Cejon, Inc. (the "Boards of Directors") shall consist of the same three (3) persons, and Purchaser will vote the common stock of CAI and the common stock of Cejon, Inc., respectively, owned by it in favor of the election of two (2) designees of Purchaser and one (1) designee of Seller, provided that during his term of employment with the Companies, the designee of Seller shall be himself. Except as specifically provided for in Sections 8(b) or 8(c) hereof, the Boards of Directors or their designee shall have authority to control all of the operations of the Companies.

(b) Notwithstanding the provisions of Section 8(a) to the contrary, the following actions shall not be taken without the mutual consent of Seller, on the one hand, and Purchaser or the Boards of Directors, on the other hand: (i) entering into any transaction with any Affiliate of Purchaser or the Companies or any officer or director of Purchaser or the Companies or their respective Affiliates (including family members), other than compensation arrangements in the ordinary course operations of the Companies consistent with past practice, (ii) voluntarily liquidating or dissolving the Companies, (iii) filing of a petition under bankruptcy or other insolvency laws, or admitting in writing that any of the Companies is bankrupt, insolvent or generally unable to pay its debts as they become due, (iv) issuing any capital stock or other securities of any of the Companies or granting any option or other right to acquire any capital stock or other securities of any of the Companies, (v) selling all or substantially all of the stock or assets of any of the Companies to a third party that is not a one-hundred percent (100%)-owned subsidiary of Purchaser or Purchaser itself (other than sales of inventory in the ordinary course of business consistent with such Company's past practices) or engaging in a merger transaction (other than mergers solely for the purpose of reincorporating any of the Companies in the state of Delaware), or (vi) ceasing the design, marketing, sale or distribution of accessories. For the avoidance of doubt, it is acknowledged and agreed among the parties hereto that the restrictions set forth in clause (v) above shall not apply to a sale of all or substantially all of the stock or assets of Purchaser or any Affiliate of Purchaser (other than the Companies) or the engagement by Purchaser or any Affiliate of Purchaser (other than the Companies) in any merger transaction. Furthermore, neither Purchaser nor any of the Companies may, or may cause any of its Affiliates to, take any action or enter into any transaction that is primarily intended to adversely affect any of the Contingent Purchase Price Payments payable under this Agreement, provided that such prohibition shall not restrict Purchaser or any of its Affiliates from manufacturing, selling and distributing any products, including accessories. Subject to the preceding sentence, Seller acknowledges and agrees that, (x) there is no assurance that Seller will receive any Contingent Purchase Price Payment and Purchaser, together with its Affiliates, shall not be obligated to take or refrain from taking any action to increase the likelihood that any Contingent Purchase Price Payment is earned, (y) Purchaser has not promised or projected any Contingent Purchase Price Payment, and (z) the parties solely intend the express provisions of this Agreement to govern their contractual relationship.

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

(d) Seller shall, subject to Purchaser's then existing policies, practices and procedures consistently applied to Purchaser and to all domestic subsidiaries or divisions of Purchaser, be responsible for: (i) the determination of the compensation and benefits payable to the Companies' employees, (ii) the strategic direction and budget of the Companies, (iii) the acceptance of new customers and termination of existing customers of the Companies, (iv) the hiring, promotion or termination of employees of the Companies, (v) the design, sale, marketing and distribution of products to historical and prospective customers of the Companies, and (vi) the termination of existing suppliers of the Companies or engagement of new suppliers for the Companies. Notwithstanding the foregoing, the Boards of Directors shall have the authority, in their sole discretion, to veto, modify or change any action taken or to be taken by the Companies with respect to any matter contained in this Section 8(d).

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

9. Intercompany Transactions and Other Activities During Earn-Out Period. For purposes of determining any Contingent Purchase Price Payment payable under this Agreement, Seller and Purchaser agree that until the earlier of the termination of this Agreement or the end of the 2015 Earn-Out Year, all transactions between the Companies, on the one hand, and Purchaser or any of its subsidiaries (excluding the Companies), on the other hand (each an "Intercompany Transaction"), shall be (a) for domestic retail stores and website transactions, at actual cost (including, to the extent incurred, freight, duty, warehousing and handling charges and tags, labeling, packaging, ticketing and other customary costs that increase the price of the goods), plus ten percent (10%) and (b) for the international division, at actual cost (including, to the extent incurred, freight, warehousing and handling charges and tags, labeling, packaging, ticketing and other customary costs that increase the price of the goods), plus four percent (4%).

10. Tax Treatment. Purchaser, Seller and KR agree to treat any payments made to Seller and KR under Sections 2 and 3 of this Agreement as additional consideration for the purchase of the stock and equity securities of the Companies (it being understood that a portion of such payments will be treated as interest under Section 483 of the Code and Section 1274 of the Code), and Purchaser, Seller and KR shall, and Purchaser shall cause the Companies to, report these payments as such on their respective federal, state and local tax returns (unless otherwise required under applicable law).

11. Term. This Agreement shall be effective on the Closing Date, if one occurs, and shall continue until the payment of all Contingent Purchase Price Payments pursuant to Section 5.

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

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

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

If to the Companies:

Cejon, Inc.
390 Fifth Avenue, Suite 602
New York, New York 10018
Attention: David Seeherman
Facsimile: (314) 259-2020

with copies to:

Bryan Cave LLP
211 North Broadway, Suite 3600
St. Louis, MO 63102
Attention: John Welge, Esq.
Facsimile No.: (314) 552-8545

If to Seller:

David Seeherman
390 Fifth Avenue, Suite 602
New York, New York 10018
Facsimile: (314) 259-2020

with copies to:

Bryan Cave LLP
211 North Broadway, Suite 3600
St. Louis, MO 63102
Attention: John Welge, Esq.
Facsimile No.: (314) 552-8545

If to KR:

Kenneth Rogala
390 Fifth Avenue, Suite 602
New York, New York 10018

If to Purchaser:

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

with copies to:

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

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

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

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

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

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

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

20. Arbitration. Except as otherwise set forth in Section 4(b) hereof, if any dispute or difference of any kind whatsoever shall arise between the parties to this Agreement (each a "Disputing Party") in connection with or arising out of this Agreement, or the breach, termination or validity thereof (a "Dispute"), then, on the demand of any Disputing Party, the Dispute shall be finally and exclusively resolved by arbitration in accordance with the Commercial Arbitration Rules of the AAA (the "Rules") then in effect, except as modified herein. The arbitration shall be held, and the award shall be issued in, the State of New York. The arbitration shall be conducted by a panel of three (3) arbitrators chosen as follows within thirty (30) days after receipt by respondent of the demand for arbitration: (a) one arbitrator shall be chosen by Seller; (b) one arbitrator shall be chosen by Purchaser; and (c) a third neutral arbitrator shall be chosen by the mutual agreement of the arbitrators chosen by Seller and Purchaser. By agreeing to arbitration, the Disputing Parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment, or other order in aid of arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies as may be available under the jurisdiction of a court, the arbitrators shall have full authority to grant provisional remedies and to direct the Disputing Parties to request that any court modify or vacate any temporary or preliminary relief issued by such court, and to award damages for the failure of any Disputing Party to respect the arbitrators' orders to that effect. Any arbitration proceedings, decisions or awards rendered hereunder and the validity, effect and interpretation of this arbitration agreement shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. In arriving at a decision, the arbitrators shall be bound by the terms and conditions of this Agreement and shall apply the governing law of this Agreement as designated in Section 14. The arbitrators are not empowered to award damages in excess of compensatory damages, and each Disputing Party hereby irrevocably waives any right to recover punitive, exemplary or similar damages with respect to any Dispute. The award shall provide that the fees and expenses of the arbitration (including the fees of the AAA, the fees and expenses of the arbitrators and attorneys' fees of the prevailing Disputing Party) shall be allocated based on the proportion that the aggregate amount of disputed items submitted to arbitration that are unsuccessfully disputed by each Disputed Party (as finally determined by the arbitrators) bears to the total amount of all disputed items submitted to arbitration. The award, which shall be in writing and shall, on the written request of any Disputing Party, state the findings of fact and conclusions of law upon which it is based, shall be final and binding on the Disputing Parties and shall be the sole and the exclusive remedy between the Disputing Parties regarding any claims, counterclaims, issues or accountings presented to the arbitral tribunal. Judgment upon any award may be entered in any court of competent jurisdiction located in the State of New York, and the parties hereby consent to the exclusive jurisdiction of the courts located in the State of New York. All arbitration proceedings and resulting arbitration awards shall be strictly confidential and shall not be disclosed by the Disputing Parties to anyone, except to the extent necessary to disclose to compel arbitration, enforce any arbitration award or for accounting and financial reporting or to comply with reporting obligations under applicable securities laws and regulations.

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

[Remainder of page intentionally left blank]

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

COMPANIES:

CEJON, INC.

By: /s/ David Seeherman
Name: David Seeherman
Title: CEO

CEJON ACCESSORIES, INC.

By: /s/ David Seeherman
Name: David Seeherman
Title: CEO

NEW EAST DESIGNS, LLC

By: /s/ David Seeherman
Name: David Seeherman
Title: Chairman

PURCHASER:

STEVEN MADDEN, LTD.

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

SELLER:

/s/ David Seeherman
David Seeherman

KR:

/s/ Kenneth Rogala
Kenneth Rogala

Exhibit 99.1

Steve Madden Completes Acquisition of Cejon

LONG ISLAND CITY, N.Y., May 26, 2011 (BUSINESS WIRE) — Steve Madden (Nasdaq: SHOO), a leading designer and marketer of fashion footwear and accessories for women, men and children, today announced that it has completed its acquisition of privately held Cejon, Inc., Cejon Accessories, Inc. and New East Designs, LLC (together, “Cejon”). Cejon is a market-leading designer and marketer of cold weather accessories, fashion scarves, wraps and other trend accessories.

The acquisition was completed for $30 million in cash subject to a working capital adjustment plus certain earn-out provisions based on financial performance through June 30, 2016. The transaction is expected to be immediately accretive, contributing approximately $0.07 - $0.09 in diluted EPS in its first full year under Steve Madden ownership after giving effect to the Company’s recently announced 3-for-2 stock split.

Founded in 1991 by David Seeherman, Cejon markets accessories primarily under the Cejon brand name, private labels and the Steve Madden brand name. Cejon has been a licensee of Steve Madden for cold weather and selected other fashion accessories since September 2006. Cejon distributes products to department stores, national chains, mass merchants and specialty stores. In 2010, net sales of Cejon totaled approximately $64 million (unaudited).

Edward Rosenfeld, Chairman and Chief Executive Officer of Steve Madden, commented, "The acquisition of Cejon enables us to further strengthen and expand our accessories platform. Cejon is truly a market leader in cold weather and other fashion accessories, and we believe it’s a great complement to our existing accessories business, which is primarily focused on handbags and belts. With its proven business model and substantial growth opportunities, Cejon is a great addition to our company.”

David Seeherman, Founder and Chief Executive Officer of Cejon, added, “We have had a long standing relationship with Steve Madden and are excited to begin working together in this new capacity. I’m proud of what we have built at Cejon but am convinced that the best is yet to come. I believe Cejon continues to have significant growth opportunity and am confident that Steve Madden is the ideal partner to help us reach our potential.”

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 owned brands including Steve Madden, Steven by Steve Madden, Madden Girl, Stevies, Betsey Johnson, Betseyville, Report, Report Signature, R2 by Report and Big Buddha, the Company is the licensee of various brands, including Olsenboye for footwear, handbags and belts, Elizabeth and James, Superga, l.e.i. and GLO for footwear and Daisy Fuentes for handbags. The Company also designs and sources products under private label brand names for various retailers. The Company's wholesale distribution includes department stores, specialty stores, luxury retailers, national chains and mass merchants. The Company also operates 87 retail stores (including the Company's three online stores). The Company licenses certain of its brands to third parties for the marketing and sale of certain products, including for ready-to-wear, outerwear, intimate apparel, eyewear, hosiery, jewelry, fragrance and bedding and bath products.

This press release contains forward looking statements as that term is defined in the federal securities laws. The events described in forward looking statements contained in this press release 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 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 related to the Company’s integration of Cejon as well as the risks and uncertainties discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. Any one or more of these uncertainties, risks and other influences could materially affect the Company's results of operations and whether forward looking statements made by the Company ultimately prove to be accurate. 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 from new information, future events or otherwise.

SOURCE: Steve Madden

Investor Relations:
ICR, Inc.
Jean Fontana
203-682-8200

http://www.icrinc.com