

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

FORM 10-Q

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

For the quarterly period ended March 31, 2016

or

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

For the transition period from _____ to _____

Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3588231

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

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

(Address of principal executive offices)

11104

(Zip Code)

(718) 446-1800

(Registrant's telephone number, including area code)

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

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

Smaller reporting company ☐

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

Yes ☐ No ☒

As of May 5, 2016, the latest practicable date, there were 61,835,087 shares of the registrant's common stock, \$.0001 par value, outstanding.

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PART I. FINANCIAL INFORMATION

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

Condensed Consolidated Balance Sheets
(in thousands)

	March 31, 2016	December 31, 2015	March 31, 2015
	(unaudited)		(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 70,905	\$ 72,414	\$ 50,455
Accounts receivable, net of allowances of \$2,144, \$2,306 and \$1,050	28,903	43,173	22,962
Factor accounts receivable, net of allowances of \$18,143, \$21,756 and \$19,626	188,233	155,211	192,120
Inventories	80,356	102,080	76,029
Marketable securities – available for sale	34,419	32,424	27,337
Prepaid expenses and other current assets	25,961	20,641	29,176
Prepaid taxes	14,548	17,484	11,332
Deferred taxes	14,342	14,392	14,094
Total current assets	457,667	457,819	423,505
Notes receivable	1,238	1,158	1,727
Note receivable – related party	2,903	2,990	3,244
Property and equipment, net	72,727	72,010	69,262
Deposits and other	4,748	5,088	7,593
Marketable securities – available for sale	87,575	88,465	90,907
Goodwill – net	138,096	137,097	143,719
Intangibles – net	150,546	149,758	151,899
Total Assets	\$ 915,500	\$ 914,385	\$ 891,856
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 86,831	\$ 79,790	\$ 99,314
Accrued expenses	47,409	72,105	44,421
Advances from factor	—	—	9,469
Contingent payment liability – current portion	16,351	16,763	11,455
Accrued incentive compensation	1,774	6,141	1,864
Total current liabilities	152,365	174,799	166,523
Contingent payment liability	4,941	8,012	27,605
Deferred rent	12,217	12,013	11,673
Deferred taxes	39,921	39,410	24,706
Other liabilities	2,390	1,488	658
Total Liabilities	211,834	235,722	231,165
Commitments, contingencies and other			
STOCKHOLDERS' EQUITY			
Preferred stock – \$.0001 par value, 5,000 shares authorized; none issued; Series A Junior Participating preferred stock – \$.0001 par value, 60 shares authorized; none issued	—	—	—
Common stock – \$.0001 par value, 135,000 shares authorized, 85,945, 85,263 and 84,882 shares issued, 61,983, 61,693 and 63,582 shares outstanding	6	6	6
Additional paid-in capital	337,850	325,548	304,923
Retained earnings	916,801	896,842	803,728
Accumulated other comprehensive loss	(24,725)	(31,413)	(18,632)
Treasury stock – 23,962, 23,570, and 21,300 shares at cost	(526,613)	(512,579)	(429,719)
Total Steven Madden, Ltd. stockholders' equity	703,319	678,404	660,306
Non-controlling interests	347	259	385
Total stockholders' equity	703,666	678,663	660,691
Total Liabilities and Stockholders' Equity	\$ 915,500	\$ 914,385	\$ 891,856

See accompanying notes to condensed consolidated financial statements - unaudited.

STEVEN MADDEN, LTD. AND SUBSIDIARIES
Condensed Consolidated Statements of Income

(unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Net sales	\$ 329,357	\$ 323,945
Cost of sales	213,155	212,567
Gross profit	116,202	111,378
Commission and licensing fee income – net	2,171	3,918
Operating expenses	(88,493)	(82,404)
Impairment charge	—	(3,045)
Income from operations	29,880	29,847
Interest and other (loss) income – net	(176)	496
Income before provision for income taxes	29,704	30,343
Provision for income taxes	9,505	10,408
Net income	20,199	19,935
Net income attributable to non-controlling interests	237	111
Net income attributable to Steven Madden, Ltd.	\$ 19,962	\$ 19,824
Basic net income per share	\$ 0.35	\$ 0.33
Diluted net income per share	\$ 0.33	\$ 0.32
Basic weighted average common shares outstanding	57,709	59,605
Effect of dilutive securities – options/restricted stock	2,061	2,473
Diluted weighted average common shares outstanding	59,770	62,078

See accompanying notes to condensed consolidated financial statements - unaudited.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(in thousands)

	Three Months Ended March 31, 2016		
	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts
Net income			\$ 20,199
Other comprehensive income (loss):			
Foreign currency translation adjustment	\$ 5,153	\$ —	5,153
Gain or (loss) on cash flow hedging derivatives	663	(242)	421
Unrealized gain (loss) on marketable securities	1,754	(640)	1,114
Total other comprehensive income (loss)	\$ 7,570	\$ (882)	6,688
Comprehensive income			26,887
Comprehensive income attributable to non-controlling interests			237
Comprehensive income attributable to Steven Madden, Ltd.			\$ 26,650

	Three Months Ended March 31, 2015		
	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts
Net income			\$ 19,935
Other comprehensive income (loss):			
Foreign currency translation adjustment	\$ (5,984)	\$ —	(5,984)
Gain or (loss) on cash flow hedging derivatives	(680)	248	(432)
Unrealized gain (loss) on marketable securities	842	(307)	535
Total other comprehensive income (loss)	\$ (5,822)	\$ (59)	(5,881)
Comprehensive income			14,054
Comprehensive income attributable to non-controlling interests			111
Comprehensive income attributable to Steven Madden, Ltd.			\$ 13,943

See accompanying notes to condensed consolidated financial statements - unaudited.

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

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	\$ 20,199	\$ 19,935
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	4,927	4,758
Tax benefit from stock-based compensation	(3,697)	(8,319)
Depreciation and amortization	5,201	4,525
Loss on disposal of fixed assets	—	609
Impairment charges	—	3,045
Deferred taxes	2,485	(1,998)
Accrued interest on note receivable - related party	(16)	(19)
Deferred rent expense and other liabilities	204	100
Realized gain (loss) on sale of marketable securities	(779)	96
Changes in fair value on contingent liability	—	427
Changes, net of acquisitions, in:		
Accounts receivable	14,270	9,140
Factor accounts receivable	(33,022)	(29,628)
Notes receivable - related party	103	103
Inventories	21,724	17,149
Prepaid expenses, prepaid taxes, deposits and other	1,501	(1,564)
Accounts payable and accrued expenses	(17,655)	(16,996)
Accrued incentive compensation	(4,367)	(3,809)
Other liabilities	902	—
Net cash provided by (used in) operating activities	<u>11,980</u>	<u>(2,446)</u>
Cash flows from investing activities:		
Capital expenditures	(4,384)	(3,669)
Purchases of marketable securities	(3,497)	(19,090)
Maturity/sale of marketable securities	4,534	21,521
Acquisitions, net of cash acquired	—	(9,129)
Net cash used in investing activities	<u>(3,347)</u>	<u>(10,367)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	3,678	16,807
Tax benefit from the exercise of options	3,697	8,319
Payment of contingent liability	(3,483)	—
Common stock purchased for treasury	(14,034)	(52,777)
Advances from factor	—	9,469
Net cash used in financing activities	<u>(10,142)</u>	<u>(18,182)</u>
Net decrease in cash and cash equivalents	(1,509)	(30,995)
Cash and cash equivalents – beginning of period	72,414	81,450
Cash and cash equivalents – end of period	\$ 70,905	\$ 50,455

See accompanying notes to condensed consolidated financial statements - unaudited.

Notes to Condensed Consolidated Financial Statements – Unaudited
March 31, 2016
(\$ in thousands except share and per share data)

Note A – Basis of Reporting

The accompanying unaudited condensed consolidated financial statements of Steven Madden, Ltd. and subsidiaries (the “Company”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the financial position of the Company and the results of its operations and cash flows for the periods presented. Certain adjustments were made to prior years' amounts to conform to the 2016 presentation. The results of operations for the three month period ended March 31, 2016 are not necessarily indicative of the operating results for the full year. These financial statements should be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2015 included in the Annual Report of Steven Madden, Ltd. on Form 10-K filed with the SEC on February 26, 2016.

Note B – Use of Estimates

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

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

Note C – Factor Receivable

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. (“Rosenthal”) that became effective on September 15, 2009. The agreement can be terminated by the Company or Rosenthal at any time upon 60 days prior written notice. Under the agreement, the Company can request advances from Rosenthal of up to 85% of aggregate receivables submitted to Rosenthal. The agreement provides the Company with a \$30,000 credit facility with a \$15,000 sub-limit for letters of credit at an interest rate based, at the Company's election, upon a calculation that utilizes either the prime rate minus 0.5% or LIBOR plus 2.5%. As of March 31, 2016, no borrowings or letters of credit were outstanding. The Company also pays Rosenthal a fee based on a percentage of the gross invoice amount submitted to Rosenthal. With respect to receivables related to our private label business, the fee is 0.14% of the gross invoice amount. With respect to all other receivables, the fee is 0.20% of the gross invoice amount. Rosenthal assumes the credit risk on a substantial portion of the receivables that the Company submits to it and, to the extent of any loans made to the Company, Rosenthal maintains a lien on all of the Company's receivables to secure the Company's obligations.

Note D – Notes Receivable

As of March 31, 2016 and December 31, 2015, Notes Receivable were comprised of the following:

	March 31, 2016	December 31, 2015
Note receivable from seller of SM Canada	\$ 1,238	\$ 1,158

In connection with the Company's February 21, 2012 acquisition of all of the assets comprising the footwear, handbags and accessories wholesale and retail businesses of Steve Madden Canada Inc., Steve Madden Retail Canada Inc., Pasa Agency Inc.

Notes to Condensed Consolidated Financial Statements – Unaudited
March 31, 2016
(\$ in thousands except share and per share data)

Note D – Notes Receivable (continued)

and Gelati Imports Inc. (collectively, "SM Canada"), which had been the Company's sole distributor in Canada since 1994, the Company provided an interest-free loan to the seller of SM Canada in the principal amount of \$3,107 Canadian dollars (which converted to approximately \$3,085 in U.S. dollars at the time of the acquisition). The loan is payable in five annual installments due on dates that correspond with the five annual earn-out payment dates under the acquisition agreement (to the extent such contingent consideration is earned as a result of SM Canada's financial performance in the earn-out periods; see Note F). The note was recorded net of the imputed interest, which is being amortized to income over the term of the note.

Any earn-out payment not achieved with respect to an earn-out period may result in less than the entire principal amount of the loan being repaid. In such event the unpaid annual installment of the principal amount of the loan will be forgiven.

Note E – Marketable Securities

Marketable securities consist primarily of certificates of deposit and corporate bonds with maturities greater than three months and up to ten years at the time of purchase as well as marketable equity securities. These securities, which are classified as available-for-sale, are carried at fair value, with unrealized gains and losses, net of any tax effect, reported in stockholders' equity as accumulated other comprehensive income (loss). These securities are classified as current and non-current marketable securities based upon their maturities. Amortization of premiums and discounts is included in interest income. For the three months ended March 31, 2016, the amortization of bond premiums totaled \$308 compared to \$345 for the comparable period in 2015. The values of these securities may fluctuate as a result of changes in equity values, market interest rates and credit risk. The schedule of maturities at March 31, 2016 and December 31, 2015 are as follows:

	Maturities as of March 31, 2016		Maturities as of December 31, 2015	
	1 Year or Less	1 to 10 Years	1 Year or Less	1 to 10 Years
Corporate bonds	\$ 13,303	\$ 87,575	\$ 11,240	\$ 88,465
Certificates of deposit	21,116	—	21,184	—
Total	\$ 34,419	\$ 87,575	\$ 32,424	\$ 88,465

For the three months ended March 31, 2016, losses of \$779 were reclassified from accumulated other comprehensive income and recognized in the income statement in other income compared to gains of \$96 for the comparable period in 2015. For the three months ended March 31, 2016, current marketable securities included unrealized losses of \$443 and long-term marketable securities included unrealized gains of \$296 and unrealized losses of \$350. For the comparable period in 2015, current marketable securities included unrealized gains of \$2 and unrealized losses of \$47 while long-term marketable securities included unrealized gains of \$226 and unrealized losses of \$86.

Note F – Fair Value Measurement

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

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

Notes to Condensed Consolidated Financial Statements – Unaudited
March 31, 2016
(\$ in thousands except share and per share data)

Note F – Fair Value Measurement (continued)

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

	Fair value	March 31, 2016		
		Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 2,756	\$ 2,756	\$ —	\$ —
Current marketable securities – available for sale	34,419	34,419	—	—
Note receivable – related party	2,903	—	—	2,903
Note receivable from seller of SM Canada	1,238	—	—	1,238
Long-term marketable securities – available for sale	87,575	87,575	—	—
Forward contracts	72	—	72	—
Total assets	\$ 128,963	\$ 124,750	\$ 72	\$ 4,141
Liabilities:				
Contingent consideration	21,292	—	—	21,292
Total liabilities	\$ 21,292	\$ —	\$ —	\$ 21,292

	Fair value	December 31, 2015		
		Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$ 2,242	\$ 2,242	\$ —	\$ —
Current marketable securities – available for sale	32,424	32,424	—	—
Note receivable – related party	2,990	—	—	2,990
Note receivable from seller of SM Canada	1,158	—	—	1,158
Long-term marketable securities – available for sale	88,465	88,465	—	—
Total assets	\$ 127,279	\$ 123,131	\$ —	\$ 4,148
Liabilities:				
Contingent consideration	24,775	—	—	24,775
Total liabilities	\$ 24,775	\$ —	\$ —	\$ 24,775

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements – Unaudited
March 31, 2016
(\$ in thousands except share and per share data)

Note F – Fair Value Measurement (continued)

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

	Balance at January 1,	Payments	Accrued Interest	Acquisitions	Change in estimate	Foreign Currency Translation	Balance at March 31,
2016							
Assets:							
Note receivable – related party	\$ 2,990	(103)	16				\$ 2,903
Note receivable – SM Canada	\$ 1,158					80	\$ 1,238
Liabilities:							
Contingent consideration	\$ 24,775	(3,483)					\$ 21,292
	Balance at January 1,	Payments	Accrued Interest	Acquisitions	Change in estimate	Foreign Currency Translation	Balance at December 31,
2015							
Assets:							
Note receivable – related party	\$ 3,328	(409)	71				\$ 2,990
Note receivable – SM Canada	\$ 1,878	(466)				(254)	\$ 1,158
Liabilities:							
Contingent consideration	\$ 38,633	(6,270)			(5,576)	(2,012)	\$ 24,775

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

For the note receivable due from related party (see Note I) and due from the sellers of SM Canada (see Note D), the carrying value was determined to be the fair value, based upon their actual and imputed interest rates, which approximate current market interest rates.

The Company has recorded a liability for potential contingent consideration in connection with the December 30, 2014 acquisition of all of the outstanding capital stock of Trendy Imports S.A. de C.V., Comercial Diecisiete S.A. de C.V. and Maximus Designer Shoes S.A. de C.V. (together, "SM Mexico"). Pursuant to the terms of an earn-out agreement between the Company and the seller of SM Mexico, earn-out payments, if achieved, are due annually to the seller of SM Mexico based on the financial performance of SM Mexico for each of the twelve-month periods ending on December 31, 2015 and 2016, inclusive. The fair value of the contingent payments was estimated using the present value of management's projections of the financial results of SM Mexico during the earn-out period. The current portion of the earn-out due based on the twelve-month period ending December 31, 2015 approximates the recorded value. An earn-out payment of \$3,483 for the period ended December 31, 2015 was paid to the seller of SM Mexico in the first quarter of this year.

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

**Notes to Condensed Consolidated Financial Statements – Unaudited
March 31, 2016
(\$ in thousands except share and per share data)**

Note F – Fair Value Measurement (continued)

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

The Company has recorded a liability for potential contingent consideration in connection with the May 25, 2011 acquisition of all of the outstanding shares of capital stock of Cejon, Inc. and Cejon Accessories, Inc. and all of the outstanding membership interests in New East Designs, LLC (collectively, "Cejon"). Pursuant to the terms of an earn-out agreement between the Company and the sellers of Cejon, earn-out payments, if achieved, are made annually to the sellers of Cejon, based on the financial performance of Cejon for each of the twelve-month periods ending on June 30, 2012 through 2016, inclusive. The fair value of the contingent payments was estimated using the present value of management's projections of the financial results of Cejon during the earn-out period.

Accounting guidance permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The accounting guidance also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that chose different measurement attributes for similar assets and liabilities. The Company has elected not to measure any eligible items at fair value.

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

Note G – Revenue Recognition

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

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

The Company licenses its Steve Madden®, Steven by Steve Madden®, Madden Girl® and Stevies® trademarks for use in connection with the manufacture, marketing and sale of outerwear, hosiery, activewear, sleepwear, jewelry, watches, hair accessories, umbrellas, bedding, luggage, and men's leather accessories. In addition, the Company licenses the Betsey Johnson® and Dolce Vita® trademarks for use in connection with the manufacture, marketing and sale of women's and children's apparel, hosiery, swimwear, outerwear, sleepwear, activewear, jewelry, watches, bedding, luggage, stationary, umbrellas, and household goods. The license agreements require the licensee to pay the Company a royalty and, in substantially all of the agreements, an advertising fee based on the higher of a minimum or a net sales percentage as defined in the various agreements. In addition, under the terms of retail selling agreements, most of the Company's international distributors are required to pay the Company a royalty

Notes to Condensed Consolidated Financial Statements – Unaudited
March 31, 2016
(\$ in thousands except share and per share data)

Note G – Revenue Recognition (continued)

based on a percentage of net sales, in addition to a commission and a design fee on the purchases of the Company’s products. Licensing revenue is recognized on the basis of net sales reported by the licensees, or the minimum guaranteed royalties, if higher.

In substantially all of the Company’s license agreements, the minimum guaranteed royalty is earned and receivable on a quarterly basis.

Note H – Sales Deductions

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

Note I – Note Receivable – Related Party

On June 25, 2007, the Company made a loan to Steve Madden, its Creative and Design Chief and a principal stockholder of the Company, in the amount of \$3,000 in order for Mr. Madden to satisfy a personal tax obligation resulting from the exercise of stock options that were due to expire and to retain the underlying Company common stock. Mr. Madden executed a secured promissory note in favor of the Company, for which a securities brokerage account maintained by Mr. Madden with his broker serves as collateral security. None of the securities held in the securities brokerage account are shares of the Company's common stock. There have been successive amendments of the secured promissory note, the most recent of which occurred on April 8, 2016, at which time the secured promissory note was amended to substitute the collateral securing the secured promissory note from shares of the Company's common stock to the security interest in Mr. Madden's securities brokerage account. Previously, on January 3, 2012, in connection with an amendment of Mr. Madden’s employment contract, the secured promissory note was amended and restated to extend the maturity date of the obligation to December 31, 2023 and eliminate the accrual of interest after December 31, 2011. Prior to its January 3, 2012 amendment and restatement, the secured promissory note was accruing interest at the rate of 6% per annum. In addition, the secured promissory note provides that, commencing on December 31, 2014, and annually on each December 31 thereafter through the maturity date, one-tenth of the principal amount thereof, together with accrued interest, will be cancelled by the Company, provided that Mr. Madden continues to be employed by the Company on each such December 31. Contemporaneously, the Company will release its security interest in a portion of the securities held in Mr. Madden's securities brokerage account generally correlating to the amount of indebtedness cancelled on such date. As of December 31, 2011, \$1,090 of interest has accrued on the principal amount of the loan evidenced by the secured promissory note related to the period prior to the elimination of the accrual of interest and has been reflected on the Company’s Condensed Consolidated Financial Statements. Pursuant to the elimination of further interest accumulation under the secured promissory note, the outstanding principal amount of the loan and the accrued interest as of March 31, 2016 has been discounted to reflect imputed interest, which will be amortized over the remaining life of the loan. For the year ended December 31, 2015, the Company also recorded a charge in the amount of \$409 to write-off the required one-tenth of the principal amount of the secured promissory note, which was partially offset by accrued imputed interest of \$71.

Note J – Share Repurchase Program

The Company's Board of Directors authorized a share repurchase program (the “Share Repurchase Program”), effective as of January 1, 2004. The Share Repurchase Program does not have a fixed expiration or termination date and may be modified or terminated by the Board of Directors at any time. On several occasions the Board of Directors has increased the amount authorized for repurchase. The Share Repurchase Program permits the Company to effect repurchases from time to time through a combination of open market repurchases or in privately negotiated transactions at such prices and times as are determined to be in the best interest of the Company. On February 22, 2016, the Board of Directors approved the extension of the Share Repurchase Program for an additional \$136,000 in repurchases of the Company's common stock. During the three months ended March 31, 2016, an aggregate of 391,685 shares of the Company's common stock were repurchased under the Share Repurchase Program, at an average

Notes to Condensed Consolidated Financial Statements – Unaudited
March 31, 2016
(\$ in thousands except share and per share data)

Note J – Share Repurchase Program (continued)

price per share of \$35.83, for an aggregate purchase price of approximately \$14,034. As of March 31, 2016, approximately \$186,054 remained available for future repurchases under the Share Repurchase Program.

Note K – Net Income Per Share of Common Stock

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the period, which does not include unvested restricted common stock subject to forfeiture of 4,113,000 shares for the three months ended March 31, 2016, compared to 4,069,000 shares for the three months ended March 31, 2015. Diluted net income per share reflects: (a) the potential dilution assuming shares of common stock were issued upon the exercise of outstanding in-the-money options and the proceeds thereof were used to purchase shares of the Company’s common stock at the average market price during the period, and (b) the vesting of granted non-vested restricted stock awards for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost not yet recognized attributable to future services using the treasury stock method, to the extent dilutive. For the three months ended March 31, 2016, options to purchase approximately 363,000 shares of common stock have been excluded in the calculation of diluted net income per share as compared to 259,000 shares that were excluded for the three months ended March 31, 2015, as the result would have been antidilutive. For the three months ended March 31, 2016 and 2015, all unvested restricted stock awards were dilutive.

Note L – Equity-Based Compensation

In March 2006, the Company’s Board of Directors approved the Steven Madden, Ltd. 2006 Stock Incentive Plan (the “Plan”) under which nonqualified stock options, stock appreciation rights, performance shares, restricted stock, other stock-based awards and performance-based cash awards may be granted to employees, consultants and non-employee directors. The stockholders approved the Plan on May 26, 2006. On May 25, 2007, the stockholders approved an amendment to the Plan to increase the maximum number of shares that may be issued under the Plan from 4,050,000 to 5,231,250. On May 22, 2009, the stockholders approved an amendment and restatement of the Plan that, among other things, increased the maximum number of shares that may be issued under the Plan to 13,716,000. On May 25, 2012, the stockholders approved an amendment to the Plan that increased the maximum number of shares that may be issued under the Plan to 23,466,000. The following table summarizes the number of shares of common stock authorized for use under the Plan, the number of stock-based awards granted (net of expired or cancelled awards) under the Plan and the number of shares of common stock available for the grant of stock-based awards under the Plan:

Common stock authorized	23,466,000
Stock-based awards, including restricted stock and stock options granted, net of expired or cancelled	(19,864,000)
Common stock available for grant of stock-based awards as of March 31, 2016	3,602,000

Notes to Condensed Consolidated Financial Statements – Unaudited
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Note L – Equity-Based Compensation (continued)

Total equity-based compensation for the three months ended March 31, 2016 and 2015 is as follows:

	Three Months Ended March 31,	
	2016	2015
Restricted stock	\$ 4,143	\$ 3,760
Stock options	784	998
Total	\$ 4,927	\$ 4,758

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

Stock Options

Cash proceeds and intrinsic values related to total stock options exercised during the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended March 31,	
	2016	2015
Proceeds from stock options exercised	\$ 3,678	\$ 16,807
Intrinsic value of stock options exercised	\$ 11,030	\$ 27,446

During the three months ended March 31, 2016, options to purchase approximately 214,328 shares of common stock with a weighted average exercise price of \$31.63 vested. During the three months ended March 31, 2015, options to purchase approximately 298,527 shares of common stock with a weighted average exercise price of \$26.73 vested. As of March 31, 2016, there were unvested options relating to 493,009 shares of common stock outstanding with a total of \$4,235 of unrecognized compensation cost and an average vesting period of 0.94 years.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of options granted, which requires several assumptions. The expected term of the options represents the estimated period of time until exercise and is based on the historical experience of similar awards. Expected volatility is based on the historical volatility of the Company's common stock. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. With the exception of special dividends paid in November of 2005 and 2006, the Company historically has not paid regular cash dividends and thus the expected dividend rate is assumed to be zero. The following weighted average assumptions were used for stock options granted during the three months ended March 31, 2016 and 2015:

	2016	2015
Volatility	22.2% to 26.2%	23.7% to 28.3%
Risk free interest rate	1.20% to 1.73%	0.99% to 1.60%
Expected life in years	3.8 to 5.0	4.1 to 5.1
Dividend yield	0.00%	0.00%
Weighted average fair value	\$7.26	\$8.48

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements – Unaudited

March 31, 2016

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

Note L – Equity-Based Compensation (continued)

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

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2016	2,016,000	\$ 23.51		
Granted	63,500	31.91		
Exercised	(410,000)	9.00		
Cancelled/Forfeited	(16,000)	29.27		
Outstanding at March 31, 2016	1,653,500	27.36	3.4 years	\$ 16,012
Exercisable at March 31, 2016	1,161,000	24.66	2.8 years	\$ 14,373

Restricted Stock

The following table summarizes restricted stock activity during the three months ended March 31, 2016 and 2015:

	2016		2015	
	Number of Shares	Weighted Average Fair Value at Grant Date	Number of Shares	Weighted Average Fair Value at Grant Date
Non-vested at January 1,	4,055,000	\$ 25.32	4,067,000	\$ 24.69
Granted	273,000	34.06	191,000	35.80
Vested	(126,000)	29.51	(135,000)	21.23
Forfeited	—	—	—	—
Non-vested at March 31,	4,202,000	\$ 25.81	4,123,000	\$ 22.84

As of March 31, 2016, the Company had \$75,510 of total unrecognized compensation cost related to restricted stock awards granted under the Plan. This cost is expected to be recognized over a weighted average of 6.60 years. The Company determines the fair value of its restricted stock awards based on the market price of its common stock on the date of grant.

On January 3, 2012, the Company and its Creative and Design Chief, Steven Madden, entered into an amendment of Mr. Madden's existing employment agreement, pursuant to which, on February 8, 2012, Mr. Madden was granted 1,463,057 restricted shares of the Company's common stock at the then market price of \$27.34, which will vest in equal annual installments over a seven-year period commencing on December 31, 2017 and, thereafter, on each December 31 through December 31, 2023, subject to Mr. Madden's continued employment on each such vesting date. Pursuant to the contract, on June 30, 2012, Mr. Madden exercised his right to receive an additional restricted stock award, and, on July 3, 2012, he was granted 1,893,342 restricted shares of the Company's common stock at the then market price of \$21.13, which will vest in the same manner as the aforementioned grant.

Notes to Condensed Consolidated Financial Statements – Unaudited
March 31, 2016
(\$ in thousands except share and per share data)

Note M – Acquisitions*Blondo*

On January 23, 2015 the Company acquired the trademarks and other intellectual property and related assets of Blondo, a fashion-oriented footwear brand specializing in waterproof leather boots, from Regence Footwear Inc. and 3074153 Canada Inc. for a purchase price of approximately \$9,129. During the first quarter of 2016 and prior to January 23, 2016, the Company finalized the allocation of the purchase price for Blondo. The final allocation of the purchase price is as follows:

Inventory	\$	233
Trademarks		7,196
Total fair value excluding goodwill		7,429
Goodwill		1,700
Net assets acquired	\$	9,129

Note N – Goodwill and Intangible Assets

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

	Wholesale				
	Footwear	Accessories	Retail	Net Carrying Amount	
Balance at January 1, 2016	\$ 73,018	\$ 49,324	\$ 14,755	\$ 137,097	
Acquisitions	—	—	—	—	
Purchase accounting adjustment	—	—	—	—	
Translation and other	598	—	401	999	
Balance at March 31, 2016	\$ 73,616	\$ 49,324	\$ 15,156	\$ 138,096	

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements – Unaudited
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(\$ in thousands except share and per share data)

Note N – Goodwill and Intangible Assets (continued)

The following table details identifiable intangible assets as of March 31, 2016:

	Estimated Lives	Cost Basis	Accumulated Amortization (1)	Impairment (2)	Net Carrying Amount
Trade names	6–10 years	\$ 4,590	\$ 3,026	\$ —	\$ 1,564
Customer relationships	10 years	41,509	18,477	—	23,032
License agreements	3–6 years	5,600	5,600	—	—
Non-compete agreement	5 years	2,440	2,361	—	79
Re-acquired right	2 years	4,200	2,532	—	1,668
Other	3 years	14	14	—	—
		58,353	32,010	—	26,343
Re-acquired right	indefinite	35,200	8,285	—	26,915
Trademarks	indefinite	100,333	—	3,045	97,288
		\$ 193,886	\$ 40,295	\$ 3,045	\$ 150,546

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

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

The estimated future amortization expense of purchased intangibles as of March 31, 2016 is as follows:

2016 (remaining nine months)	\$ 4,164
2017	3,327
2018	3,192
2019	3,118
2020	2,307
Thereafter	10,235
	<u>\$ 26,343</u>

Note O – Derivative Instruments

The Company uses derivative instruments, specifically, forward foreign exchange contracts, to manage the risk associated with the volatility of future cash flows denominated in Mexican pesos. The foreign exchange contracts are used to mitigate the impact of exchange rate fluctuations on forecasted purchases of inventory from Mexico and are designated as cash flow hedging instruments. As of March 31, 2016, the fair value of the Company's foreign currency derivatives, which is included on the Condensed Consolidated Balance Sheets in other assets, is \$72. As of March 31, 2016, \$106 of gains related to cash flow hedges are recorded in accumulated other comprehensive loss, net of taxes and are expected to be recognized in earnings at the same time the hedged items affect earnings. As of March 31, 2015, \$1,993 of losses related to cash flow hedges were recorded in accumulated other comprehensive loss, net of taxes. As of March 31, 2016, the Company's hedging activities were considered effective and, thus, no ineffectiveness from hedging activities were recognized in the Condensed Consolidated Statements of Income. For the three months ended March 31, 2016, losses of \$362 were reclassified from accumulated other comprehensive income and recognized in the income statement in cost of sales, as compared to losses of \$214 for the three months ended March 31, 2015.

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Note P – Commitments, Contingencies and Other

Legal proceedings:

Information regarding certain specific legal proceedings in which the Company is involved is contained in Part 1, Item 3, and in Note O to the notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Unless otherwise indicated in this report, all proceedings discussed in the earlier reports which are not indicated therein as having been concluded, remain outstanding as of March 31, 2016.

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

Note Q – Operating Segment Information

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

STEVEN MADDEN, LTD. AND SUBSIDIARIES

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March 31, 2016

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

Note Q – Operating Segment Information (continued)

As of and for the three months ended,	Wholesale Footwear		Wholesale Accessories		Total Wholesale		Retail		First Cost		Licensing		Consolidated	
March 31, 2016														
Net sales to external customers	\$	228,922	\$	46,879	\$	275,801	\$	53,556	\$	—	\$	—	\$	329,357
Gross profit		70,923		15,204		86,127		30,075		—		—		116,202
Commissions and licensing fees – net		—		—		—		—		585		1,586		2,171
Income from operations		26,252		4,296		30,548		(2,839)		585		1,586		29,880
Segment assets	\$	583,241	\$	94,178		677,419		156,183		81,898		—		915,500
Capital expenditures					\$	1,417	\$	2,967	\$	—	\$	—	\$	4,384
March 31, 2015														
Net sales to external customers	\$	222,895	\$	53,317	\$	276,212	\$	47,733	\$	—	\$	—	\$	323,945
Gross profit		67,679		17,517		85,196		26,182		—		—		111,378
Commissions and licensing fees – net		—		—		—		—		1,528		2,390		3,918
Income from operations		21,758		5,647		27,405		(1,476)		1,528		2,390		29,847
Segment assets	\$	566,127	\$	141,896		708,023		144,744		39,089		—		891,856
Capital expenditures					\$	2,191	\$	1,478	\$	—	\$	—	\$	3,669

Revenues by geographic area for the three months ended March 31, 2016 and 2015 are as follows:

	Three Months Ended March 31,	
	2016	2015
Domestic (a)	\$ 299,394	\$ 293,976
International	29,963	29,969
Total	\$ 329,357	\$ 323,945

(a) Includes revenues of \$87,930 and \$84,744 for the three months ended March 31, 2016 and 2015, respectively, related to sales to U.S. customers where the title is transferred outside the U.S. and the sale is recorded by our International business.

Note R – Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update No. 2016-02, Leases, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 with early adoption permitted. Under Accounting Standards Update 2016-02, lessees will be required to recognize for all leases, at the commencement date of the lease, a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In January 2016, the FASB issued Accounting Standards Update 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. Accounting Standards Update 2016-01 generally

**Notes to Condensed Consolidated Financial Statements – Unaudited
March 31, 2016
(\$ in thousands except share and per share data)**

Note R – Recent Accounting Pronouncements (continued)

requires companies to measure investments in equity securities, except those accounted for under the equity method, at fair value and recognize any changes in fair value in net income. The new guidance must be applied using a modified-retrospective approach and is effective for periods beginning after December 15, 2017 and early adoption is not permitted. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In November 2015, the FASB issued Accounting Standards Update 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. Accounting Standards Update 2015-17 simplifies current guidance and requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. Accounting Standards Update 2015-17 can be applied either prospectively or retrospectively and is effective for periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In September 2015, the FASB issued Accounting Standards Update 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. Accounting Standards Update 2015-16 is effective for periods beginning after December 15, 2015, including interim periods within those fiscal years. The new guidance must be applied prospectively to adjustments to provisional amounts that occur after the effective date, with early adoption permitted. The Company has adopted this guidance and there is no material impact on its financial statements.

In July 2015, the FASB issued Accounting Standards Update 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. Accounting Standards Update 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new guidance must be applied on a prospective basis and is effective for periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, Amendments to the Consolidation Analysis, which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 with early adoption permitted. Accounting Standards Update No. 2015-02 amends the assessment of whether a limited partnership or an LLC is a variable interest entity; the effect that fees paid to a decision maker have on the consolidation analysis; how variable interests held by a reporting entity's related parties or de facto agents affect its consolidation conclusion; and for entities other than limited partnerships or LLCs, clarifies how to determine whether the equity holders as a group have power over an entity. The Company has adopted this guidance and there is no material impact on its financial statements.

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

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

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

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

This Quarterly Report contains certain “forward-looking statements” as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Quarterly Report may not occur. Generally, forward-looking statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words “may”, “will”, “expect”, “believe”, “anticipate”, “project”, “plan”, “intend”, “estimate”, and “continue”, and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors that may affect our results include, but are not limited to, the risks and uncertainties discussed in our Annual Report on Form 10-K for the year ended December 31, 2015. Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

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

Steven Madden, Ltd. and its subsidiaries (collectively, the “Company”) design, source, market and sell fashion-forward name brand and private label footwear for women, men and children and name brand and private label fashion handbags and accessories. We also license our trademarks for use in connection with the manufacture, marketing and sale of various products to our licensees. Our products are marketed through our retail stores and our e-commerce websites, as well as better department stores, major department stores, mid-tier department stores, specialty stores, luxury retailers, value priced retailers, national chains, mass market merchants and catalog retailers throughout the United States, Canada, Mexico and South Africa. In addition, we have special distribution arrangements for the marketing and sale of our products in Asia, Australia, Europe, India, the Middle East, South and Central America and New Zealand. We offer a broad range of updated styles designed to establish or complement and capitalize on market trends. We have established a reputation for design creativity and our ability to offer quality products in popular styles at affordable prices, delivered in an efficient manner and time frame.

Key Performance Indicators and Statistics

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

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

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

Non-GAAP Measures

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

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

	Year-To-Date Period Ended (\$ in thousands)		
	March 31, 2016	December 31, 2015	March 31, 2015
Net Income	\$ 20,199	\$ 113,655	\$ 19,935
Add back:			
Provision for income taxes	9,505	58,811	10,408
Deduct:			
Other (Loss) Income	(779)	(1,373)	96
Interest, net	603	2,191	400
Adjusted EBIT	29,880	171,648	29,847
Add back:			
Depreciation and amortization	5,201	20,757	4,525
Loss on disposal of fixed assets	—	1,780	609
Adjusted EBITDA	\$ 35,081	\$ 194,185	\$ 34,981

Executive Summary

Net sales for the quarter ended March 31, 2016 increased 1.7% to \$329,357 from \$323,945 in the same period of last year. Net income attributable to Steven Madden, Ltd. increased 0.7% to \$19,962 in the first quarter of 2016 compared to \$19,824 in the same period of last year. The effective tax rate for the first quarter of 2016 decreased to 32.0% compared to 34.3% in the first quarter of last year primarily due to planned permanent investment of foreign earnings in foreign locations. Diluted earnings per share increased to \$0.33 per share on 59,770 diluted weighted average shares outstanding compared to \$0.32 per share on 62,078 diluted weighted average shares outstanding in the first quarter of last year.

Our inventory turnover (calculated on a trailing twelve-month average) for the quarter ended March 31, 2016 and 2015 was 8.6 times and 9.8 times, respectively. Our total company accounts receivable average collection was flat at 61 days in the first quarter of 2016 and 2015. As of March 31, 2016, we had \$192,899 in cash, cash equivalents and marketable securities, no long-term debt and total stockholders' equity of \$703,666. Working capital increased to \$305,302 as of March 31, 2016, compared to \$256,982 on March 31, 2015.

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

Selected Financial Information
Three Months Ended March 31,
(\$ in thousands)

	2016		2015	
<u>CONSOLIDATED:</u>				
Net sales	\$	329,357	100.0 %	\$ 323,945 100.0 %
Cost of sales		213,155	64.7 %	212,567 65.6 %
Gross profit		116,202	35.3 %	111,378 34.4 %
Commission and licensing fee income – net of expenses		2,171	0.7 %	3,918 1.2 %
Operating expenses		88,493	26.9 %	82,404 25.4 %
Impairment charge		—	— %	3,045 0.9 %
Income from operations		29,880	9.1 %	29,847 9.2 %
Interest and other income – net		(176)	(0.1)%	496 0.2 %
Income before income taxes		29,704	9.0 %	30,343 9.4 %
Net income attributable to Steven Madden, Ltd.		19,962	6.1 %	19,824 6.1 %
By Segment:				
<u>WHOLESALE FOOTWEAR SEGMENT:</u>				
Net sales	\$	228,922	100.0 %	\$ 222,895 100.0 %
Cost of sales		157,999	69.0 %	155,216 69.6 %
Gross profit		70,923	31.0 %	67,679 30.4 %
Operating expenses		44,671	19.5 %	42,876 19.2 %
Income from operations - before impairment charges		26,252	11.5 %	24,803 11.1 %
<u>WHOLESALE ACCESSORIES SEGMENT:</u>				
Net sales	\$	46,879	100.0 %	\$ 53,317 100.0 %
Cost of sales		31,675	67.6 %	35,800 67.1 %
Gross profit		15,204	32.4 %	17,517 32.9 %
Operating expenses		10,908	23.3 %	11,870 22.3 %
Income from operations - before impairment charges		4,296	9.2 %	5,647 10.6 %
<u>RETAIL SEGMENT:</u>				
Net sales	\$	53,556	100.0 %	\$ 47,733 100.0 %
Cost of sales		23,481	43.8 %	21,551 45.1 %
Gross profit		30,075	56.2 %	26,182 54.9 %
Operating expenses		32,914	61.5 %	27,658 57.9 %
Income (loss) from operations - before impairment charges		(2,839)	(5.3)%	(1,476) (3.1)%
Number of stores		171		158
<u>FIRST COST SEGMENT:</u>				
Other commission income – net of expenses	\$	585	100.0 %	\$ 1,528 100.0 %
<u>LICENSING SEGMENT:</u>				
Licensing income – net of expenses	\$	1,586	100.0 %	\$ 2,390 100.0 %

RESULTS OF OPERATIONS
(\$ in thousands)

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

Consolidated:

Net sales for the three months ended March 31, 2016 increased 1.7% to \$329,357 compared to \$323,945 in the same period of last year. Gross margin increased to 35.3% from 34.4% due primarily to decreased closeout activity in the Wholesale Footwear segment, lower promotional activity in the Retail segment and sales mix between Wholesale and Retail segments. Operating expenses increased in the first quarter of this year to \$88,493 from \$82,404 in the first quarter of last year. Operating expense in the first three months ended March 31, 2015 included a benefit of \$3,048 related to income arising from the early termination of our lease for our 5th Avenue, New York store, which was closed during the first quarter of 2015. Excluding this benefit, operating expenses were \$85,452. Excluding the aforementioned benefit, the increase in operating expenses versus the prior year period is the result of overall increases in sales, wholesale and retail sales mix changes and the impact of new retail store locations. Operating expenses as a percentage of sales were 26.9% for the first quarter of 2016 compared to 25.4% in the first quarter of 2015 due to deleverage on sales and the impact of wholesale and retail sales mix. Commission and licensing fee income for the first quarter of 2016 decreased to \$2,171 compared to \$3,918 achieved in the first quarter of 2015. The effective tax rate for the first quarter of 2016 decreased to 32.0% compared to 34.3% in the first quarter of last year due primarily to planned permanent investment of foreign earnings in foreign locations. Net income attributable to Steven Madden, Ltd. for the first quarter of 2016 increased to \$19,962 compared to net income for the first quarter of 2015 of \$19,824.

Wholesale Footwear Segment:

Net sales from the Wholesale Footwear segment accounted for \$228,922, or 69.5%, and \$222,895, or 68.8%, of our total net sales for the first quarter of 2016 and 2015, respectively. The increase in net sales primarily relates to strong increases in our Steve Madden Women's and Dolce Vita brands.

Gross profit margin in the Wholesale Footwear segment was 31.0% for the first quarter of 2016 compared to 30.4% for the first quarter of 2015, the increase resulting from decreased closeout activity. Operating expenses increased to \$44,671 in the first quarter of 2016 from \$42,876 in the same period of last year. As a percentage of net sales, operating expenses increased slightly to 19.5% in the first quarter of 2016 compared to 19.2% in the same period of 2015.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for \$46,879, or 14.2%, and \$53,317, or 16.5%, of total net sales for the Company in the first quarter of 2016 and 2015, respectively. This 12.1% decrease in net sales in the first quarter of 2016 is attributable to double digit declines in our branded handbag business.

Gross profit margin in the Wholesale Accessories segment decreased to 32.4% in the first quarter of this year from 32.9% in the same period in 2015, primarily due to softness in the branded handbag category and an increase in sales mix to lower margin private label customers. In the first quarter of 2016, operating expenses decreased to \$10,908 compared to \$11,870 in the same period of last year. As a percentage of net sales, operating expenses were 23.3% in the first quarter of 2016 compared to 22.3% in the same period of 2015. The increase as a percentage of sales is a result of deleverage from overall sales decrease. Income from operations for the Wholesale Accessories segment decreased 23.9% to \$4,296 for the first quarter of 2016 compared to \$5,647 for the same period of last year.

Retail Segment:

In the first quarter of 2016, net sales from the Retail segment accounted for \$53,556, or 16.3%, of our total net sales compared to \$47,733, or 14.7%, of our total net sales in the same period last year, which represents a \$5,823, or 12.2%, increase. The increase in net sales reflects the net addition of 13 retail stores since the first quarter of 2015, as well as a 10.7% increase in comparable store sales, which was driven by strong fashion footwear trends, stronger product assortment and improvement in conversion rate. We added 16 new stores and closed 3 stores during the twelve months ended March 31, 2016. As a result, we had 171 retail stores as of March 31, 2016 compared to 158 stores as of March 31, 2015. The 171 stores currently in operation include 124 Steve Madden® stores, 41 Steve Madden® outlet stores, one Steven® store, one Superga® store and four e-commerce websites. Comparable store sales (sales of those stores, including the e-commerce websites, that were open throughout the first quarter of 2016 and 2015) increased 10.7% on a constant currency basis when compared to the prior year period. The Company excludes new locations from the comparable store base for the first twelve months of operations. Stores that are closed for renovations are removed from the comparable store base. In the first quarter of 2016, gross margin increased to 56.2% from 54.9% in the same period of 2015, primarily due to decreased promotional activity. In the first quarter of 2016, operating expenses increased to \$32,914, or 61.5%, of net sales compared to \$27,658, or 57.9%, of net sales in the first quarter of last year. Operating expenses in the three months ended March 31, 2015 included a benefit of \$3,048 related to income arising from the early termination of our lease for our 5th Avenue, New York store, which was closed during the first quarter of 2015. Excluding this benefit, operating expenses were \$30,706 or 64.3% of net sales. Excluding the aforementioned benefit, the increase in operating expense versus the prior year period is the result of the impact of new retail store locations. The decrease as a percent of net sales reflects leverage on sales driven by same store sales growth. Losses from operations for the Retail segment were \$2,839 in the first quarter of this year compared to losses of \$1,476 in the same period of last year.

First Cost Segment:

The First Cost segment which includes net commission income and fees decreased to \$585 for the first quarter of 2016 compared to \$1,528 for the comparable period of 2015 due to a reduction in business with certain private label footwear customers.

Licensing Segment:

Net licensing income decreased to \$1,586 for the first quarter of 2016 compared to \$2,390 for the comparable period of 2015, primarily driven by customer order timing shifts and the discontinuation of the Steve Madden eyewear license.

LIQUIDITY AND CAPITAL RESOURCES**(\$ in thousands)**

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

Cash, cash equivalents and short-term investments totaled \$105,324 and \$104,838 at March 31, 2016 and December 31, 2015, respectively. Of the total cash, cash equivalents and short-term investments at March 31, 2016, \$68,140, or approximately 65%, was held in our foreign subsidiaries and of the total cash, cash equivalents and short-term investments at December 31, 2015, \$73,640, or approximately 70%, was held in our foreign subsidiaries. To date, deferred taxes have been estimated and accrued for foreign subsidiary earnings that have not been determined to be indefinitely reinvested. As of March 31, 2016, the cumulative total amount of earnings considered to be indefinitely reinvested of our foreign subsidiaries was \$85,147. If such amounts were not indefinitely reinvested, the Company would incur approximately \$17,531 in taxes that were not previously provided for in our condensed consolidated statements of income. Management believes that our existing domestic and international cash, cash equivalents, short-term investments and cash flows from operations, which are not considered to be indefinitely reinvested, continue to be sufficient to fund our operating activities. Therefore, we do not intend, nor do we foresee a need, to repatriate foreign earnings of \$85,147 as of March 31, 2016, that were considered to be indefinitely reinvested and we do not believe there are any material implications or restrictions on our liquidity as a result of having a significant portion of our cash, cash equivalents and short-term investments held by our foreign subsidiaries.

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. (“Rosenthal”) that became effective on September 15, 2009. The agreement can be terminated by the Company or Rosenthal at any time upon 60 days' prior written notice. Under the agreement, the Company can request advances from Rosenthal of up to 85% of the aggregate receivables submitted to

Rosenthal. The agreement provides the Company with a \$30,000 credit facility with a \$15,000 sub-limit for letters of credit at an interest rate based, at the Company’s election, upon a calculation that utilizes either the prime rate or LIBOR. The Company also pays Rosenthal a fee based on a percentage of the gross invoice amount submitted to Rosenthal. With respect to receivables related to our First Cost segment and private label business, the fee is 0.14% of the gross invoice amount. For all other receivables, the fee is 0.20% of the gross invoice amount. Rosenthal assumes the credit risk on a substantial portion of the receivables that the Company submits to it. To the extent of any loans made to the Company, Rosenthal maintains a lien on all of the Company’s receivables to secure the Company’s obligations.

As of March 31, 2016, we had working capital of \$305,302, cash and cash equivalents of \$70,905 and investments in marketable securities of \$121,994.

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

OPERATING ACTIVITIES
(\$ in thousands)

Cash provided by operations was \$11,980 for the three months of 2016 compared to cash used by operations of \$2,446 in the same period of last year. The primary sources of cash were net income of \$20,199, as well as a decrease in inventories and accounts receivable. These cash sources were partially offset by uses of cash related to factor receivables, accrued expenses and accrued incentive compensation.

INVESTING ACTIVITIES
(\$ in thousands)

During the three months ended March 31, 2016, we invested \$3,497 in marketable securities and received \$4,534 from the maturities and sales of marketable securities. We also made capital expenditures of \$4,384, principally for improvements to existing stores, systems enhancements, new stores and leasehold improvements to office space.

FINANCING ACTIVITIES
(\$ in thousands)

During the three months ended March 31, 2016, net cash used for financing activities was \$10,142, which consisted of the repurchase of shares of common stock for an aggregate purchase price of approximately \$14,034 (see Note J to the Condensed Consolidated Financial Statements contained in this Quarterly Report) and payment of contingent liabilities of \$3,483, partially offset by the tax benefit from the exercise of stock options of \$3,697, and proceeds from the exercise of stock options of \$3,678.

CONTRACTUAL OBLIGATIONS
(\$ in thousands)

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

Contractual Obligations	Total	Payment due by period			
		Remainder of 2016	2017-2018	2019-2020	2020 and after
Operating lease obligations	\$ 243,644	\$ 29,686	\$ 70,719	\$ 60,637	\$ 82,602
Purchase obligations	218,264	218,264	—	—	—
Contingent payment liabilities	21,292	13,344	7,948	—	—
Other long-term liabilities (future minimum royalty payments)	7,260	750	2,510	2,000	2,000
Total	\$ 490,460	\$ 262,044	\$ 81,177	\$ 62,637	\$ 84,602

At March 31, 2016, we had open letters of credit for the purchase of inventory of approximately \$14.

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

The Company has employment agreements with certain executive officers, which provide for the payment of compensation aggregating approximately \$2,313 in the remainder of 2016, \$1,506 in 2017 and \$900 in 2018. In addition, some of these employment agreements provide for discretionary bonuses and some provide for incentive compensation based on various performance criteria as well as other benefits including stock options.

In connection with our acquisition of Steve Madden Canada Inc., Steve Madden Retail Canada Inc., Pasa Agency Inc. and Gelati Imports Inc. (collectively, "SM Canada") on February 21, 2012, we are subject to potential earn-out payments to the seller of SM Canada based on the annual performance of SM Canada for each of the twelve-month periods ending on March 31, 2013 through 2017, inclusive. We made the third earn-out payment of \$2,894, based on the performance of SM Canada during the twelve-month period ended on March 31, 2015, to the seller of SM Canada during the second quarter of 2015. In connection with our acquisition of Cejon Inc, Cejon Accessories, Inc. and New East Designs, LLC (collectively "Cejon") on May 25, 2011, we are subject to potential earn-out payments to the seller of Cejon based on the annual performance of Cejon for each of the twelve-month periods ending on June 30, 2012 through 2016, inclusive. The fourth earn-out payment of \$2,357 was made to the seller of Cejon in the fourth quarter of 2015. In connection with our acquisition of Dolce Vita Holdings, Inc. ("Dolce Vita") on August 13, 2014, we are subject to potential earn-out payments to the sellers of Dolce Vita based on the performance of Dolce Vita in each of the twelve month periods ending on September 30, 2015 and 2016 equal to 50% of Dolce Vita's EBITDA in each such year; provided that the aggregate minimum earn-out payments for the entire two-year earn-out period shall be no less than \$5,000. The first earn-out payment of \$1,019 was made to the sellers of Dolce Vita in the fourth quarter of 2015. In connection with our acquisition of SM Mexico on December 30, 2014, we are subject to potential earn-out payments to the seller of SM Mexico based on the annual performance of SM Mexico for each of the twelve-month periods ending on December 31, 2015 and 2016. The first earn-out payment of \$3,483 was made in the first quarter of 2016.

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

INFLATION

We do not believe that inflation had a significant effect on our sales or profitability in the three months ended March 31, 2016. Historically, we have minimized the impact of product cost increases by increasing prices, changing suppliers and by improving operating efficiencies. However, no assurance can be given that we will be able to offset any such inflationary cost increases in the future.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. Estimates by their nature are based on judgments and available information. Our estimates are made based upon historical factors, current circumstances and the experience and judgment of management. Assumptions and estimates are evaluated on an ongoing basis and we may employ outside experts to assist in evaluations. Therefore, actual results could materially differ from those estimates under different assumptions and conditions. Management believes the following critical accounting estimates are more significantly affected by judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements: allowance for bad debts, returns, and customer chargebacks; inventory valuation; valuation of intangible assets, litigation reserves, and contingent payment liabilities. Further, the policies currently utilized are constantly applied with prior periods.

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

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

Valuation of intangible assets and goodwill. Accounting Standards Codification ("ASC") Topic 350, "Intangible – Goodwill and Other", requires that goodwill and intangible assets with indefinite lives no longer be amortized, but rather be tested for impairment at least annually. This pronouncement also requires that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with ASC Topic 360, "Property, Plant and Equipment" ("ASC Topic 360").

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

In accordance with ASC Topic 360, long-lived assets, such as property, equipment, leasehold improvements and intangible assets subject to amortization, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the

carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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

Contingent payment liabilities. Since February 2012, the Company has completed five acquisitions, four of which continue to require the Company to potentially make contingent payments to the sellers of the acquired businesses based on the future financial performance of the acquired businesses over a period of one or two years, as applicable. The fair value of the contingent payments was estimated using the present value of management's projections of the financial results of the acquired business. Failure to correctly project the financial results of the acquired businesses could materially impact our results of operations and financial position.

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

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

As of March 31, 2016, we held marketable securities valued at \$121,994, which consist primarily of certificates of deposit and corporate bonds. The values of these securities may fluctuate as a result of changes in equity values, market interest rates and credit risk. We have the ability to hold these investments until maturity. In addition, any decline in interest rates would be expected to reduce our interest income.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding certain specific legal proceedings in which the Company is involved is contained in Part 1, Item 3, and in Note O to the notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Unless otherwise indicated in this report, all proceedings discussed in the earlier report which are not indicated therein as having been concluded, remain outstanding as of March 31, 2016.

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

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

The following table presents the total number of shares of the Company's common stock, \$.0001 par value, purchased by the Company in the three months ended March 31, 2016, the average price paid per share and the approximate dollar value of shares that still could have been purchased at the end of the fiscal period, pursuant to the Company's Share Repurchase Program. See also Note J to the Condensed Consolidated Financial Statements. During the three months ended March 31, 2016, there were no sales by the Company of unregistered shares of the Company's common stock.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Dollar Amount of Shares that May Yet Be Purchased Under the Plans or Programs
1/1/2016 - 1/31/2016	740	\$ 30.30	740	\$ 64,105
2/1/2016 - 2/29/2016	2,048	\$ 32.30	2,048	\$ 200,000
3/1/2016 - 3/31/2016	388,897	\$ 35.86	388,897	\$ 186,054
Total	391,685	\$ 35.83	391,685	\$ 186,054

ITEM 6. EXHIBITS

10.1	First Allonge to Third Amended and Restated Secured Promissory Note made as of April 8, 2016 between Steven H. Madden and the Company†
10.2	Third Amendment to Third Amended Employment Agreement dated as of April 8, 2016 between Steven Madden and the Company†
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	The following materials from Steven Madden, Ltd.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text*

† Filed herewith.

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

Signatures

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

DATE: May 6, 2016

STEVEN MADDEN, LTD.

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld

Chairman and Chief Executive Officer

/s/ ARVIND DHARIA

Arvind Dharia

Chief Financial Officer and Chief Accounting Officer

10.1	First Allonge to Third Amended and Restated Secured Promissory Note made as of April 8, 2016 between Steven H. Madden and the Company†
10.2	Third Amendment to Third Amended Employment Agreement dated as of April 8, 2016 between Steven Madden and the Company†
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	The following materials from Steven Madden, Ltd.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text*

† Filed herewith.

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

FIRST ALLONGE

TO

THIRD AMENDED AND RESTATED SECURED PROMISSORY NOTE

THIS FIRST ALLONGE TO THIRD AMENDED AND RESTATED SECURED PROMISSORY NOTE (this “**Allonge**”) is made as of April 8, 2016 by and between STEVEN H. MADDEN, an individual (the “**Borrower**”) and STEVEN MADDEN, LTD., a Delaware corporation (the “**Holder**”).

WITNESSETH:

WHEREAS, on January 3, 2012, in connection with an amendment of the Borrower’s employment agreement, the Borrower executed and delivered to the order of Holder a Third Amended and Restated Secured Promissory Note (as amended, restated or otherwise modified from time to time, the “**Note**”) in the original principal amount of Three Million and 00/100 Dollars (\$3,000,000.00); and

WHEREAS, paragraph 9 of the Note sets forth the pledge by the Borrower of shares of common stock of the Holder owned by the Borrower as collateral security for the obligations evidenced by the Note; and

WHEREAS, the Holder and the Borrower have agreed to substitute the pledged shares of common stock of the Holder with securities (other than securities of the Holder) held by the Borrower in a securities brokerage account; and

WHEREAS, the Borrower and the Holder desire to modify and amend paragraph 9 of the Note to reflect such substitution of collateral security for the obligations evidenced by the Note, pursuant to and in accordance with this Allonge.

NOW, THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Note is amended and revised as follows (all capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Note):

1. Amendments to Note.

Paragraph 9 of the Note is hereby amended and restated in its entirety as follows:

“9. To secure the Borrower’s payment and performance of all of the Borrower’s obligations hereunder, the Borrower and the Corporation shall enter into a Security Agreement, pursuant to which the Borrower shall grant to the Corporation a first priority continuing security interest in and assign and transfer to the Corporation a securities brokerage account maintained by the Borrower and all securities entitlements carried therein and all proceeds thereof (collectively, the “Collateral”). The Collateral shall be subject to the control of the Corporation pursuant to a duly executed control agreement among the Borrower, the Corporation and the Borrower’s broker, which agreement shall be in form and substance acceptable to the Corporation in its sole discretion. Until the Borrower’s obligations under this Note are satisfied in full, the Borrower shall not offer, sell, contract to sell, transfer or otherwise dispose of or encumber the Collateral without the Corporation’s prior written consent. Except as modified by this Note, all amounts owed to the Corporation by the Borrower under the Original Notes are hereby ratified and affirmed and shall hereafter continue to be evidenced by this Note, and the security interest in the Collateral granted pursuant to the Original Notes shall remain continuously perfected, in effect and uninterrupted from the initial date of grant thereof, and nothing contained in this Note shall operate as a waiver of any right, power or remedy of the Corporation under any provision of the Original Notes or otherwise.”

2. Miscellaneous.

- (a) This Allonge shall be and remain attached to the Note and shall be an integral part thereof.
- (b) This Allonge may be executed in counterparts, such counterparts together constituting but one and the same agreement.

- (c) In the event of any conflict or inconsistency between the Note and this Allonge, this Allonge shall control.
- (d) This Allonge may not be changed or terminated except by an agreement in writing signed by the Borrower and Holder.
- (e) This Allonge shall be binding upon the parties hereto and their respective heirs, successors and assigns.
- (f) If any term, covenant or condition of this Allonge shall be held to be invalid, illegal or unenforceable in any respect, this Allonge shall be construed without such provision.
- (g) This Allonge shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.
- (h) Except as provided herein, the terms and provisions and covenants of the Note are in all other respects hereby ratified and confirmed and shall remain in full force and effect.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the Borrower and the Holder have executed this Allonge as of the day and year first above written.

/s/ Steven H. Madden
STEVEN H. MADDEN

STEVEN MADDEN, LTD.

By: /s/ Arvind Dharia
Name: Arvind Dharia
Title: Chief Financial Officer

**THIRD AMENDMENT
TO THIRD AMENDED EMPLOYMENT AGREEMENT**

This Third Amendment, dated as of April 8, 2016 (this “**Third Amendment**”), is made to that certain Third Amended Employment Agreement (as further described below) by and between Steven Madden, Ltd., a Delaware corporation (the “**Corporation**”), and Steven Madden (the “**Employee**”).

WITNESSETH:

WHEREAS, the Corporation and the Employee are parties to that certain Third Amended Employment Agreement executed as of July 15, 2005 and effective as of July 1, 2005, as amended by Amendment, dated as of December 14, 2009, as further amended by Second Amendment, dated as of December 31, 2011, and as further amended by Amended and Restated Second Amendment, dated as of December 31, 2011 (collectively, the “**Employment Agreement**”), a copy of which is attached hereto as Exhibit A; and

WHEREAS, in paragraph (a) of Section 4.13 of the Employment Agreement the Corporation and the Employee, among other things, acknowledge the Employee’s indebtedness to the Corporation in the principal amount of \$3,000,000, which indebtedness is evidenced by a promissory note substantially in the form of Exhibit C to the Employment Agreement (the “**Note**”) and secured by a pledge of shares of common stock of the Corporation owned by the Employee; and

WHEREAS, the Corporation and the Employee have agreed to substitute the pledged shares of common stock of the Corporation securing the Employee’s obligations under the Note with securities (other than securities of the Corporation) held by the Employee in a securities brokerage account; and

WHEREAS, the Corporation and the Employee desire to amend and restate paragraph (a) of Section 4.13 of the Employment Agreement to reflect such substitution of collateral security.

NOW, THEREFORE, in consideration of the agreement of the parties contained herein and for ten dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Effective as of the date of this Amendment, the Employment Agreement is amended as follows:

a. Paragraph (a) of Section 4.13 (Cancellation of Indebtedness) of the Employment Agreement shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

“(a) Amended and Restated Promissory Note. The Corporation and the Employee acknowledge that the Employee is indebted to the Corporation in the principal amount of Three Million Dollars (\$3,000,000.00), plus accrued interest thereon, pursuant to a Third Amended and Restated Secured Promissory Note (as amended by First Allonge dated as of April 8, 2016 and as further amended, restated or otherwise modified from time to time, the “**Promissory Note**”). As set forth in the Promissory Note, effective January 1, 2012, interest on the principal amount of the Promissory Note ceases to be applicable and no longer accrues. The Promissory Note, which matures and becomes due and payable on December 31, 2023, is secured by a first priority, continuing security interest in a securities brokerage account maintained by the Employee, together with all securities entitlements carried therein and all proceeds thereof (the “**Collateral**”). Commencing on December 31, 2014 and continuing, annually, on each December 31 through December 31, 2023, one-tenth (1/10th) of the aggregate principal amount under the Promissory Note together with all accrued interest thereon shall be cancelled by the Corporation, and, concurrently with each such annual cancellation, the Corporation shall release a portion of the Collateral to be determined by the Board of Directors, in its sole discretion, generally to correlate with the amount cancelled without leaving the Corporation inadequately secured; provided, in each case, that the Employee continues to be employed by the Corporation on each such December 31st.”

2. Except as modified hereby, all other terms and conditions of the Employment Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment as of the date first set forth above.

STEVEN MADDEN, LTD.

Date: April 8, 2016 By: /s/ Arvind Dharia
Name: Arvind Dharia
Title: Chief Financial Officer

Date: April 8, 2016 /s/ Steven Madden
STEVEN MADDEN

EXHIBIT A

Employment Agreement

See attached.

**AMENDED AND RESTATED SECOND AMENDMENT
TO THIRD AMENDED EMPLOYMENT AGREEMENT**

This Amended and Restated Second Amendment, dated as of December 31, 2011 (this “Amended and Restated Second Amendment”), is made to that certain Second Amendment to Third Amended Employment Agreement (the “Second Amendment”) by and between Steven Madden, Ltd., a Delaware corporation (the “Corporation”), and Steven Madden (the “Employee”).

W I T N E S S E T H:

WHEREAS, the Corporation and the Employee are parties to that certain Third Amended Employment Agreement executed as of July 15, 2005 and effective as of July 1, 2005, as amended by Amendment, dated as of December 14, 2009 (collectively, the “Employment Agreement”), a copy of which is attached hereto as Exhibit A; and

WHEREAS, the Corporation believes it to be in the best interests of the Corporation to extend the term of the Employment Agreement to further secure the services of the Employee and to make certain other modifications to the terms of the Employee’s employment and the Employee is agreeable to such extension and modifications; and

WHEREAS, the Corporation and the Employee entered into the Second Amendment to the Employment Agreement which inadvertently did not delete Section 4.6 of the Employment Agreement as intended by the parties; and

WHEREAS, the Corporation and the Employee desire to delete Section 4.6 of the Employment Agreement dealing with an expense allowance for Mr. Madden in Section 1(f) below, and, given the recent execution of the Second Amendment and the limited nature of this revision, wish to do this in this Amended and Restated Amendment by effecting such change in Section 1(f) below leaving all other provisions unchanged;

NOW, THEREFORE, in consideration of the agreement of the parties contained herein and for ten dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Effective as of the date of this Amendment, the Employment Agreement is amended as follows:

a. Section 3 of the Employment Agreement shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

“Section 3. TERM OF EMPLOYMENT. The term of the Employee’s employment, unless sooner terminated as provided herein, shall commence on the Effective Date of this Third Amended Employment Agreement and end on December 31, 2023 (the “Term”).”

b. Section 4.1 of the Employment Agreement shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

“4.1 BASE SALARY. During the first six years and six months of the Term through December 31, 2011, the Corporation shall pay to the Employee an annual base salary of Six Hundred Thousand Dollars (\$600,000.00) for his services hereunder (less such deductions as shall be required to be withheld by applicable laws and regulations) which base salary shall be increased in each of the third and fifth years of this Agreement by seven (7.0%) percent on a compound basis reflecting an agreed upon cost of living adjustment. Thereafter, commencing on January 1, 2012, the Corporation shall pay to the Employee an annual base salary of Five Million Four Hundred Sixteen Thousand Six Hundred Sixty-Seven Dollars (\$5,416,667.00) for his services hereunder which base salary shall be adjusted annually as set forth on Exhibit B attached hereto and made a part hereof (in each case, less such deductions as shall be required to be withheld by applicable laws and regulations), provided, however, that such annual base salary shall be amended in accordance with the terms hereof in the event that the Employee elects the Additional Restricted Shares Amendment (as hereinafter defined) pursuant to Section 4.12(c) hereof.”

c. Section 4.3 of the Employment Agreement shall be amended such that the first sentence thereof shall be deleted in its entirety and in lieu thereof the following sentences shall be inserted with the remainder of the Section remaining unchanged:

"4.3 ANNUAL BONUS. For each fiscal year of the Term from the Effective Date through December 31, 2011, the Corporation shall pay to the Employee a cash bonus in an amount determined by the Board of Directors, which amount shall be not less than two (2.0%) percent of the Corporation's earnings for such fiscal year before interest, tax, depreciation and amortization (the "Cash Bonus"); provided, however, that the Cash Bonus payable to the Employee for the fiscal year ending December 31, 2011 shall be calculated exclusive of earnings generated from acquisitions made in such fiscal year including, without limitation, the acquisitions of The Topline Corporation and Cejon, Inc. Any Cash Bonus paid to the Employee after December 31, 2011 shall be at the sole discretion of the Board of Directors. "

d. Section 4.4 of the Employment Agreement shall be amended such that the first sentence thereof shall be deleted in its entirety and in lieu thereof the following sentences shall be inserted with the remainder of the Section remaining unchanged:

"Subject to the availability of shares under the Corporation's 1999 Stock Plan (the "1999 Plan") or any successor plan and to compliance with the HSR Act (as hereinafter defined), on or about the date of the Corporation's annual meeting (but not later than June 30th) for each year of the Term (beginning in 2006) (each, a "Grant Date"), the Employee shall be eligible for an option ("Annual Option") to purchase shares of common stock of the Corporation in an amount equal to not less than 100% of the largest aggregate amount of annual option grants to any other continuing full-time employee of the Corporation over the twelve (12) months up to and including the applicable Grant Date or otherwise with respect to the same option period (excluding sign-on or other grants outside of the ordinary course of such employee's employment) (the "Base Amount"); provided, however, that the Board of Directors may determine, if consistent with the opinion of a qualified outside compensation consultant, that Employee is eligible to receive options to purchase between 100% and 150% of the Base Amount; provided, further, that from and after December 31, 2011, the Annual Option to which the Employee shall be eligible shall reflect a number of shares determined as the greater of (i) the Base Amount and (ii) 100,000 shares, subject to the immediately preceding proviso allowing the Board of Directors the discretion to grant an option equal to 150% of the Base Amount if greater than 100,000 shares; provided, further, however, that approval by the Corporation's shareholders shall be required if Employee is to receive options to purchase in excess of 150% of the Base Amount. The Employee and the Corporation acknowledge that exercise of any Annual Option may subject the Employee and/or the Corporation to the filing requirements of the HSR Act. If any approval or waiting period under the HSR Act shall be required prior to the Employee being able to exercise any Annual Option, then the Corporation and the Employee agree to promptly make all necessary notifications or other filings required by the HSR Act and to cooperate with one another to supply promptly any information and documentation that may be required or requested by the Department of Justice or the Federal Trade Commission pursuant to the HSR Act. The Corporation shall pay applicable filing fees and reasonable attorneys' fees of the Employee incurred in connection with the preparation and filing of all documentation required or requested pursuant to the HSR Act. The Employee and the Corporation acknowledge and agree that, to the extent that the HSR Act is applicable to the exercise of the Annual Option, the issuance of the shares subject to the Annual Option shall be conditioned upon and subject to compliance with the HSR Act."

e. Section 4.7 of the Employment Agreement shall be amended by adding at the end thereof the following sentence:

"In addition, the Company shall pay on behalf of the Employee and for the Employee's benefit the premiums related to the Employee's personal life insurance policy in an amount not to exceed \$200,000.00 per year."

f. Each of Section 4.6 and 4.8 of the Employment Agreement shall be deleted in its entirety and in lieu thereof the word "Reserved." shall be inserted.

g. Section 4.10 of the Employment Agreement shall be amended so that the first sentence thereof shall be deleted in its entirety and in lieu thereof the following shall be inserted with the remainder of the Section remaining unchanged:

"4.10 NEW BUSINESS BONUS. For each fiscal year of the Term from the Effective Date through December 31, 2011, the Corporation shall pay to the Employee a cash bonus in respect of new business (as hereinafter defined) in an amount to be determined by the Board of Directors, which amount shall not be less than two and one-half (2.5%) percent of new business gross direct revenues (i.e., direct revenues from new business as hereinafter defined except new business license or other fee income) and not less than ten (10.0%) percent of all license or other fee income above Two Million Dollars (\$2,000,000.00); provided, however, that the cash bonus payable to the Employee in respect of new business for the fiscal year ending December

31, 2011 shall be calculated exclusive of revenues generated from acquisitions made in such fiscal year including, without limitation, the acquisitions of the Topline Corporation and Cejon, Inc. For the avoidance of doubt, no cash bonus in respect of new business shall be payable to the Employee with respect to any fiscal year of the Term after December 31, 2011.”

h. A new Section 4.12 shall be added to the Employment Agreement, immediately following Section 4.11, which shall read as follows:

“4.12 GRANTS OF RESTRICTED STOCK.

(a) Grant of Restricted Stock. Subject to the availability of shares of common stock of the Corporation reserved for issuance under the Steven Madden, Ltd. 2006 Stock Incentive Plan (the “Plan”) and compliance with the HSR Act (as hereinafter defined), as applicable, as contemplated by Section 4.12(e) hereof, on the first business day of January, 2012 on which the Corporation’s common stock is traded (the “Restricted Shares Grant Date”), the Corporation shall grant to the Employee a restricted stock award for a number of shares (the “Restricted Shares”) of common stock of the Corporation under the Plan determined as hereinafter set forth which Restricted Shares shall be subject to certain restrictions including, without limitation, that the Employee will not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Restricted Shares except as set forth under the Plan or the restricted stock agreement to be entered into by the Corporation and the Employee at the time of the grant. The Restricted Shares to be issued to the Employee shall be valued at Forty Million Dollars (\$40,000,000.00) and the number of Restricted Shares to be issued shall be determined by dividing Forty Million Dollars (\$40,000,000.00) by the closing price of the common stock of the Corporation on the Restricted Shares Grant Date; provided, however, that, in the event that the Corporation does not have a sufficient number of shares of common stock available for such issuance under its charter or the Plan, the Board of Directors, in its sole discretion, shall determine a reasonable lesser number of shares to issue as of the Restricted Shares Grant Date, provided that, the Corporation shall undertake to amend the Corporation’s charter to increase the number of authorized shares or to increase the number of shares available for issuance under the Plan, as applicable, to allow for further issuance of Restricted Shares to the Employee to equal the aggregate value of Forty Million Dollars (\$40,000,000.00) and, in each case, subject to receipt of stockholder approval therefor and, the number of Restricted Shares to be issued, in such event, shall be determined by dividing the difference of Forty Million Dollars minus the dollar value of the Restricted Shares theretofore issued to the Employee by the closing price of the common stock of the Corporation on the actual date of issuance (i.e. the first business day on which the Corporation’s common stock is traded following receipt of the applicable stockholder approval). In the event that compliance with the HSR Act, to the extent required, shall not have occurred by the Restricted Shares Grant Date, the issuance of the Restricted Shares shall not occur until the first business day on which the Corporation’s common stock is traded following receipt of the applicable approval or the lapse or termination of the applicable waiting period associated with such compliance and the number of Restricted Shares to be issued, in such event, shall be determined by dividing Forty Million Dollars (\$40,000,000.00) by the closing price of the common stock of the Corporation on the actual date of issuance (i.e. the first business day on which the Corporation’s common stock is traded following receipt of the applicable approval or the lapse or termination of the applicable waiting period).

(b) Vesting of Restricted Shares. Vesting of the Restricted Shares shall occur in equal annual installments over seven years commencing on December 31, 2017, on which date the first one-seventh (1/7th) of the Restricted Shares shall vest and continuing to vest thereafter on each December 31 through December 31, 2023; provided, however, in each case, that the Employee continues to be employed by the Corporation on each such date through December 31, 2023. Notwithstanding the foregoing, the Restricted Shares shall immediately vest, in full, upon the occurrence of any of the following events: (i) the Employee’s death, (ii) the Employee’s Total Disability (as hereinafter defined) and (iii) a Change of Control (as hereinafter defined) of the Corporation, provided, however, in each case, that the Employee continues to be employed by the Corporation on the date of the occurrence of such event. The grant shall be evidenced by, and subject to the additional terms and conditions contained in, the Plan and the associated restricted stock agreement.

(c) Additional Restricted Shares Amendment. The Employee shall have the right to elect a further amendment to this Agreement (the “Additional Restricted Shares Amendment”) providing for (i) an additional grant to the Employee of restricted shares (the “Additional Restricted Shares”) of common stock of the Corporation under the Plan (or a successor plan) valued at Forty Million Dollars (\$40,000,000.00) which Additional Restricted Shares shall be subject to certain restrictions including, without limitation, that the

Employee will not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Additional Restricted Shares except as set forth under the Plan (or such successor plan) or the restricted stock agreement to be entered into by the Corporation and the Employee at the time of the grant and (ii) an adjustment of the Employee's base salary from and after December 31, 2012 as set forth on Exhibit B attached hereto and made a part hereof (in each case, less such deductions as shall be required to be withheld by applicable laws and regulations). The Employee shall have the right to elect the Additional Restricted shares Amendment on any of June 30, September 30 or December 31, 2012 (the "Election Date") by providing written notice of such election to the Corporation on such date. The number of Additional Restricted Shares to be issued to the Employee shall be determined by dividing Forty Million Dollars (\$40,000,000.00) by the closing price of the common stock of the Corporation on the first business day on which the Corporation's common stock is traded following the Election Date (the "Additional Restricted Shares Grant Date"); provided, however, that, in the event that the Corporation does not have a sufficient number of shares of common stock available for such issuance under its charter or the Plan (or any successor plan), the Board of Directors, in its sole discretion, shall determine a reasonable lesser number of shares to issue as of the Additional Restricted Shares Grant Date, provided that, the Corporation shall undertake to amend the Corporation's charter to increase the number of authorized shares or to increase the number of shares available for issuance under the Plan (or any successor plan), as applicable, to allow for further issuance of Additional Restricted Shares to the Employee to equal the aggregate value of Forty Million Dollars (\$40,000,000.00) and, in each case, subject to receipt of stockholder approval therefor, and the number of Additional Restricted Shares to be issued, in such event, shall be determined by dividing the difference of Forty Million Dollars (\$40,000,000.00) minus the dollar value of the Additional Restricted Shares theretofore issued to the Employee by the closing price of the common stock of the Corporation on the actual date of issuance (i.e. the first business day on which the Corporation's common stock is traded following receipt of stockholder approval). The issuance of the Additional Restricted Shares shall be subject to compliance with the HSR Act (as hereinafter defined), as contemplated by Section 4.12(e) hereof. In the event that compliance with the HSR Act, to the extent required, shall not have occurred by the Election Date, the issuance of the Additional Restricted Shares shall not occur until the first business day on which the Corporation's common stock is traded following receipt of the applicable approval or the lapse or termination of the applicable waiting period associated with such compliance and the number of Additional Restricted Shares to be issued, in such event, shall be determined by dividing Forty Million Dollars (\$40,000,000.00) by the closing price of the common stock of the Corporation on the actual date of issuance (i.e. the first business day on which the Corporation's common stock is traded following receipt of the applicable approval or the lapse or termination of the applicable waiting period).

(d) Vesting of Additional Restricted Shares. Vesting of the Additional Restricted Shares shall occur in equal annual installments over six years commencing on December 31, 2018, on which date the first one-sixth (1/6th) of the Additional Restricted Shares shall vest and continuing to vest thereafter on each December 31 through December 31, 2023; provided, however, in each case, that the Employee continues to be employed by the Corporation on each such date through December 31, 2023. Notwithstanding the foregoing, the Additional Restricted Shares shall immediately vest, in full, upon the occurrence of any of the following events: (i) the Employee's death, (ii) the Employee's Total Disability (as hereinafter defined) and (iii) a Change of Control (as hereinafter defined) of the Corporation, provided, however, in each case, that the Employee continues to be employed by the Corporation on the date of the occurrence of such event. The grant shall be evidenced by, and subject to the additional terms and conditions contained in, the Plan and the associated restricted stock agreement.

(e) Implications of Hart-Scott-Rodino Antitrust Improvements Act of 1976. The Employee and the Corporation acknowledge that the restricted stock award of Restricted Shares and the possible restricted stock award of Additional Restricted Shares may subject the Employee and/or the Corporation to the filing requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"). If any approval or waiting period under the HSR Act shall be required prior to the Employee being able to accept the grant, then the Corporation and the Employee agree to promptly make all necessary notifications or other filings required by the HSR Act and to cooperate with one another to supply promptly any information and documentation that may be required or requested by the Department of Justice or the Federal Trade Commission pursuant to the HSR Act. The Corporation shall pay applicable filing fees and reasonable attorneys' fees of the Employee incurred in connection with the preparation and filing of all documentation required or requested pursuant to the HSR Act. The Employee and the Corporation acknowledge and agree that, to the extent that the HSR Act is applicable to the restricted stock award contemplated hereby, the issuance of the Restricted Shares and the Additional Restricted Shares, as applicable, shall be conditioned upon and subject to compliance with the HSR Act.

(f) Rule 144. With a view toward making available to the Employee the benefits of certain rules and regulations of the Securities and Exchange Commission (the “Commission”) that may permit the sale of the Restricted Shares and the Additional Restricted Shares, once vested, to the public without registration, the Corporation agrees to:

(i) make and keep current public information available, within the meaning of Rule 144 or any similar or analogous rule promulgated under the Securities Act of 1933, as amended (the “Act”), until such date as all of the Restricted Shares and the Additional Restricted Shares shall have been resold;

(ii) file one or more registration statements on Commission Form S-8 (or any successor or analogous form with respect to the registration of securities issuable under an employee benefit plan) with respect to the registration of securities issuable under the Plan (or any successor or additional plan under which the Restricted Shares or Additional Restricted Shares are issued) and maintain the effectiveness of such registration statements until such date as all Restricted Shares or Additional Restricted Shares have been issued pursuant to such registration statements; and

(iii) maintain the registration of the Corporation’s common stock under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), use its reasonable best efforts to maintain the listing of such common stock on a National Securities Exchange (as such term is defined in the Exchange Act), and file with the Commission, in a timely manner, all reports and other documents required of the Corporation under the Act and the Exchange Act.”

i. A new Section 4.13 shall be added to the Employment Agreement, immediately following new Section 4.12, which shall read as follows:

“4.13. CANCELLATION OF INDEBTEDNESS.

(a) Amended and Restated Promissory Note. The Corporation and the Employee acknowledge that the Employee is indebted to the Corporation in the principal amount of Three Million Dollars (\$3,000,000.00), plus accrued interest thereon, pursuant to a Second Amended and Restated Secured Promissory Note, dated April 6, 2009 (the “Promissory Note”). Pursuant to the terms of the Promissory Note, among other things, (i) principal under the Promissory Note bears interest at the rate of six percent (6.0%) per annum, (ii) the Promissory Note matures on June 30, 2015 and (iii) the Employee’s obligations under the Promissory Note are secured by a pledge of 315,000 shares (the “Pledged Shares”) of common stock of the Corporation owned by the Employee. The terms of the Promissory Note shall be amended and an amended and restated promissory note substantially in the form of Exhibit C attached hereto (the “Restated Promissory Note”) shall be executed by the Employee reflecting the following: (a) the term of the Restated Promissory Note shall be extended through December 31, 2023; (b) effective January 1, 2012, interest on the principal amount under the Restated Promissory Note shall cease to be applicable and shall no longer accrue; and (c) commencing on December 31, 2014 and continuing, annually, on each December 31 through December 31, 2023, one-tenth (1/10th) of the aggregate principal amount under the Restated Promissory Note together with all accrued interest thereon shall be cancelled by the Corporation, and, concurrently with each such annual cancellation, the Corporation shall release a number of the Pledged Shares to be determined by the Board of Directors, in its sole discretion, generally to correlate with the amount cancelled without leaving the Corporation inadequately secured; provided, in each case, that the Employee continues to be employed by the Corporation on each such December 31st.

(b) Effect of Death, Total Disability, Change of Control, Resignation or Termination. In the event of the Employee’s death, Total Disability or a Change of Control, cancellation of all amounts payable under the Restated Promissory Note shall be accelerated such that no amounts shall be payable under the Restated Promissory Note and the Restated Promissory Note shall be deemed paid in full, provided, in each case, that the Employee continues to be employed by the Corporation on the date of the occurrence of such event. In the event that the Employee resigns from the Corporation with Good Reason or is terminated from his employment with the Corporation without Cause prior to the expiration of the Term, all amounts remaining due under the Restated Promissory Note shall bear interest at the rate of six percent (6.0%) per annum from the date of such termination of employment and such amounts shall remain due and payable in accordance with the terms of the Restated Promissory Note. In the event that the Employee resigns from the Corporation without Good Reason or is terminated from his employment with the Corporation For Cause, all amounts

then due under the Restated Promissory Note shall be accelerated and become due and payable to the Corporation immediately.”

- j. A new Section 4.14 shall be added to the Employment Agreement, immediately following new Section 4.13, which shall read as follows:

“4.14 EPS OPTION GRANT.

(a) Earnings Per Share Option Grant. Subject to the availability of shares of common stock of the Corporation reserved for issuance under the Plan or any successor plan and to compliance with the HSR Act, in the event that the Corporation shall achieve earnings per share on a fully-diluted basis equal to \$3.00 (the “Target EPS”) as to any fiscal year ending December 31, 2015 or after, the Corporation shall grant to the Employee on March 1 of the year immediately succeeding the fiscal year in which the Target EPS are achieved an option to purchase 500,000 shares of common stock of the Corporation (the “EPS Option”).

(b) Terms of EPS Option. The EPS Option shall have a term of seven years and shall vest in equal annual installments of 20% (or as to 100,000 shares each year) over a five-year period following the date of grant commencing on the first anniversary of the date of grant and shall be exercisable after vesting at a price equal to the closing price of the common stock of the Corporation on the first business day on which the Corporation’s common stock is traded immediately preceding the date of grant; provided, however, that if the Employee ceases to be an employee of the Corporation, the term of the EPS Option shall be shortened in accordance with the Plan or any successor plan under which the EPS Option is granted. The EPS Option shall only be granted to the Employee once during the Term notwithstanding that the Corporation may achieve the EPS Target in numerous fiscal years during the Term and, notwithstanding anything to the contrary contained herein, if the Employee is not actively engaged in the duties of Creative and Design Chief for at least six months out of the twelve months immediately preceding the close of the fiscal year in which the Target EPS is achieved, the Corporation shall not be required to grant the EPS Option.

(c) Insufficient Shares. In the event that the Corporation does not have a sufficient number of shares of common stock available for grant of the EPS Option under the Plan, or any successor plan or under its charter for issuance of shares subject to the EPS Option upon exercise, the Corporation shall undertake to increase the number of shares available for issuance under the Plan or any successor plan or amend the Corporation’s charter to increase the number of authorized shares, as applicable, to allow for the grant of the EPS Option under the Plan or such successor plan, or for issuance of shares subject to the EPS Option upon exercise, in each case, subject to receipt of stockholder approval therefor.

(d) Implications of the Hart-Scott-Rodino Antitrust Improvements Act of 1976. In the event that compliance with the HSR Act shall be required prior to exercise of all or any portion of the EPS Option, the Corporation and the Employee agree to promptly make all necessary notifications or other filings required by the HSR Act and to cooperate with one another to supply promptly any information and documentation that may be required or requested by the Department of Justice or the Federal Trade Commission pursuant to the HSR Act. The Corporation shall pay applicable filing fees and reasonable attorneys’ fees of the Employee incurred in connection with the preparation and filing of all documentation required or requested pursuant to the HSR Act. The Employee and the Corporation acknowledge and agree that, to the extent that the HSR Act is applicable to the exercise of the EPS Option contemplated hereby, the exercise of the EPS Option shall be conditioned upon and subject to compliance with the HSR Act.”

- k. Section 5.3 of the Employment Agreement shall be amended so that the last sentence thereof shall be deleted in its entirety and in lieu thereof the following shall be inserted with the remainder of the Section remaining unchanged:

“Such amount shall be payable in installments as follows: (i) fifty (50%) percent of the amount due pursuant to the terms of this Section 5.3 upon termination of the Agreement and (ii) fifty (50%) percent in equal annual installments beginning on the later of the January 2 immediately following such termination and January 2, 2018, and each January 2 thereafter until December 31, 2023.”

- l. Section 5.5(a)(ii) of the Employment Agreement shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted with the remainder of the Section remaining unchanged:

“(ii) the Corporation shall make a lump sum cash payment to the Employee within ten (10) days of the date of termination in an amount equal to (i) the amount of compensation that is accrued and unpaid through the date of termination pursuant to Section 4 of this Agreement plus (ii) the sum of Thirty-Five Million Dollars (\$35,000,000.00).”

m. Section 5.6 of the Employment Agreement shall be amended by adding at the end thereof the following sentence:

“Notwithstanding the foregoing, a Change of Control shall be deemed not to have occurred until there shall have occurred a “change in the ownership or effective control of the corporation, or in the ownership of a substantial portion of the assets of the corporation, within the meaning of Internal Revenue Code (“Code”) Section 409A(a)(2)(v).”

n. Section 5.5(b)(i) of the Employment Agreement shall be amended by adding at the end thereof the following sentence:

“Any Gross Up Payment shall be determined promptly after the event or series of events that give rise to the excise tax under Section 4999 (but not later than 30 days after any such event), and shall be paid to the Employee in a single sum within 30 days after the Corporation’s determination of the Gross Up Payment under this Section 5.5(b)(i).”

o. Section 5.8 of the Employment Agreement shall be amended so that the first sentence thereof shall be deleted in its entirety and in lieu thereof the following shall be inserted with the remainder of the Section remaining unchanged:

“Payment of severance hereunder pursuant to Section 5.3 or Section 5.5 is conditioned on Employee’s executing within 30 days following the event or condition giving rise to a severance payment, and not revoking, a general release in such form as shall be reasonably requested by the Corporation.”

p. A new Section 5.9 shall be added to the Employment Agreement, immediately following Section 5.8, which shall read as follows:

“5.9 REQUIRED DELAY IN PAYMENTS. In the event that the Employee is a “specified employee”, within the meaning of Internal Revenue Code Section 409A(a)(2)(B), no distribution of deferred compensation that is subject to the requirements of Internal Revenue Code Section 409A, by reason of separation from service, shall be made before the date which is six months after the date of separation from service (or, if earlier, the date of death of the Employee), except as further set forth under such Section 409A(a)(2)(B).”

q. Section 6.1 of the Employment Agreement shall be amended so that the first sentence thereof shall be deleted in its entirety and in lieu thereof the following shall be inserted with the remainder of the Section remaining unchanged:

“In the event that the Employee has not had a separation from employment (by reason of disability or otherwise) but is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than three months under an accident and health plan covering employees of the Corporation, and before Employee has become “Rehabilitated” (as hereinafter defined), a majority of the unaffiliated members of the Board of Directors may vote to determine that Employee is mentally or physically incapable or unable to continue to perform such regular and customary duties of employment and upon the date of such majority vote, Employee shall be deemed to be suffering from a “Total Disability.” ”

2. Except as modified hereby, all other terms and conditions of the Employment Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Second Amendment as of the date first set forth above.

STEVEN MADDEN, LTD.

Date: February 16, 2012 By: /s/ Edward R. Rosenfeld
Name: Edward R. Rosenfeld
Title: Chief Executive Officer

Date: February 16, 2012 /s/ Steven Madden
STEVEN MADDEN

EXHIBIT A

Employment Agreement

See attached.

EXHIBIT B

Base Salary

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2023</u>
Basic Base					
Salary	\$5,416,667	\$7,416,667	\$9,666,667	\$11,916,667	\$10,697,917
Under Additional Restricted Shares					
Amendment	\$5,416,667	\$4,000,000	\$6,125,000	\$ 8,250,000	\$ 7,026,042

EXHIBIT C

Form of Promissory Note

See attached.

AMENDMENT TO THIRD AMENDED EMPLOYMENT AGREEMENT

This Amendment dated as of December 14, 2009 (this "Amendment") to that certain Third Amended Employment Agreement by and between Steven Madden, Ltd., a Delaware corporation (the "Company"), and Steven Madden (the "Employee").

WITNESSETH:

WHEREAS, the Company and the Employee are parties to that certain Third Amended Employment Agreement executed as of July 15, 2005 and effective as of July 1, 2005 (the "Employment Agreement"), a copy of which is attached hereto as Exhibit A; and

WHEREAS, the Company believes it to be in the best interests of the Company to extend the term of the Employment Agreement to further secure the services of the Employee for five years beyond the term reflected in the Employment Agreement and the Employee is agreeable to such extension;

NOW, THEREFORE, in consideration of the agreement of the parties contained herein and for ten dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged,, and intending to be legally bound, the parties hereto agree as follows:

1. Effective as of the date of this Amendment, the Employment Agreement is amended as follows:
 - a. Section 3 of the Employment Agreement shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

"Section 3. TERM OF EMPLOYMENT. The term of Employee's employment, unless sooner terminated as provided herein, shall commence on the Effective Date of this Third Amended Employment Agreement and end on December 31, 2019 (the "Term")."

2. Except as modified hereby, all other terms and conditions of the Employment Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment of date first set forth above.

STEVEN MADDEN, LTD.

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

/s/ Steven Madden
STEVEN MADDEN

THIRD AMENDED EMPLOYMENT AGREEMENT

THIRD AMENDED EMPLOYMENT AGREEMENT, executed as of July 15, 2005, with an effective date of July 1, 2005, by and between STEVEN MADDEN, LTD., a Delaware corporation with offices at 52-16 Barnett Avenue, Long Island City, N.Y. 11104 (the "Corporation"), and STEVEN MADDEN, an individual residing at 175 East 73rd Street, New York, New York 10021 ("Employee").

WITNESSETH:

WHEREAS, Employee is the founder of the Corporation and has been the Creative and Design Chief since July 1, 2001 and prior thereto had been the Chief Executive Officer and a director of the Corporation from its inception through May 21, 2001 and has previously served as President and Chairman of the Board of the Corporation;

WHEREAS, the Corporation entered into an employment agreement with Employee dated as of September 1, 1993, which employment agreement was amended by an amended employment agreement dated as of July 29, 1997 and amended as of February 28, 2000, and which employment agreement was further amended by a Second Amended Employment Agreement dated as of May 21, 2001 and amended by the Stipulation and Agreement of Compromise, Settlement and Release dated July 16, 2003 relating to certain derivative actions referred to therein (the "Prior Employment Agreement", which Prior Employment Agreement has a term ending on June 30, 2012;

WHEREAS, the Corporation and Employee believe that it is in the best interests of the Corporation for Employee to continue his duties as Creative and Design Chief;

WHEREAS, the Corporation recognizes that Employee's talents and abilities are unique and have been integral to the success of the Corporation and that Employee's contribution to the growth and success of the Corporation will be substantial and the Corporation desires to provide for the continued employment of Employee over an extended period of time and to make employment arrangements that will reinforce and encourage Employee's attention, dedication and creative talents to the Corporation;

WHEREAS, the Corporation and Employee recognize that the Corporation's trademarks and/or service marks and other proprietary rights, including the rights it owns with respect to Employee's name, in whole or in part, and any derivations thereof, in plain block letters, stylized letters, logo formats or signature formats ("Employee's Name"), are critically important to the Corporation's success and its competitive position in the future; and

WHEREAS, the Corporation and Employee wish to amend and restate the Prior Employment Agreement in order to, among other things, (i) provide that Employee continue in the position of Creative and Design Chief, (ii) extend the term of Employee's employment by the Corporation and (iii) modify and amend the compensation and other provisions of the Prior Employment Agreement including to decrease Employee's base salary and amend the bonus provisions.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises, terms, provisions and conditions set forth in this Agreement, the parties hereby agree as follows:

Section 1. EMPLOYMENT. The Corporation hereby employs Employee and Employee hereby accepts such employment, as an employee of the Corporation, subject to the terms and conditions set forth in this Agreement.

Section 2. DUTIES. Employee shall serve as the Creative and Design Chief of the Corporation and shall properly perform such duties as may be assigned to him from time to time by the Chief Executive Officer of the Corporation, including (i) managing the design and creative function of the Corporation, (ii) recommending the hiring of and managing designers and creative personnel, including artists for shoes, apparel, accessories and other products, (iii) coordinating the artistic and promotional aspects of the Corporation's business and (iv) representing the Corporation in the fashion industry. During the Term (as hereinafter defined) of this Agreement, Employee shall devote substantially all of his business time and efforts to the performance of his duties hereunder unless otherwise authorized by the Board of Directors of the Corporation (the "Board of Directors"). Employee shall not engage in any other significant business activity that would detract from his ability to perform services to the Corporation.

Section 3. TERM OF EMPLOYMENT. The term of Employee's employment, unless sooner terminated as provided herein, shall be for a period of ten (10) years commencing on the date of this Third Amended Employment Agreement and ending ten (10) years thereafter (the "Term").

Section 4. COMPENSATION OF EMPLOYEE.

4.1 BASE SALARY. During the Term, the Corporation shall pay to Employee an annual base salary of Six Hundred Thousand Dollars (\$600,000.00) for his services hereunder, less such deductions as shall be required to be withheld by applicable law and regulations. The annual base salary shall for each of the third, fifth, seventh and ninth years of this Agreement increase by seven (7%) percent on a compound basis as an agreed upon cost of living adjustment. The Board of Directors may increase (but not decrease) Employee's base salary at any time. Employee's base salary, as in effect at any time, is hereinafter referred to as the "Base Salary."

4.2 TIME OF PAYMENT. Employee's Base Salary shall be paid in substantially equal installments on a basis consistent with the Corporation's payroll practices for the Corporation's employees.

4.3 ANNUAL BONUS. For each fiscal year that occurs during the Term, the Corporation shall pay Employee a cash bonus in an amount determined by the Board of Directors, which amount shall be not less than two percent (2%) of the Corporation's earnings for such fiscal year before interest, tax, depreciation and amortization (the "Cash Bonus"). Employee's Cash Bonus for any fiscal year shall be based on audited financial statements of the Corporation for such fiscal year and shall be paid to Employee no later than April 15 of the year immediately following such fiscal year. The Corporation shall not be required to pay, and Employee shall not be entitled to demand, a Cash Bonus for any fiscal year that Employee is not actively engaged in the duties of Creative and Design Chief for at least six months, provided, however, that Employee shall be entitled to demand a pro-rated Cash Bonus for any fiscal year in which he is actively engaged in the duties of Creative and Design Chief for at least six (6) months which Cash Bonus shall be prorated in accordance with the number of full calendar months during such fiscal year that Employee was actively engaged in the duties of Creative and Design Chief.

4.4 ANNUAL STOCK OPTION GRANT. Subject to the availability of shares under the Corporation's 1999 Stock Plan (the "1999 Plan") or any other qualified or non-qualified stock incentive plan designated by the Board of Directors and approved by the Corporation's stockholders, on or about the date of the Corporation's annual meeting (but not later than June 30th) for each year of the Term (beginning in 2006) (each, a "Grant Date"). Employee shall be eligible for an option ("Annual Option") to purchase shares of common stock of the Corporation in an amount equal to not less than 100% of the largest aggregate amount of annual option grants to any other continuing full-time employee of the Corporation over the twelve (12) months up to and including the applicable Grant Date or otherwise with respect to the same option period (excluding sign-on or other grants outside of the ordinary course of such employee's employment) (the "Base Amount"); provided, however, that the Board of Directors may determine, if consistent with the opinion of a qualified outside compensation consultant, that Employee is eligible to receive options to purchase between 100% and 150% of the Base Amount; provided further, however, that approval by the Corporation's shareholders shall be required if Employee is to receive options to purchase in excess of 150% of the Base Amount. All Annual Options shall be subject to the final approval of the Board of Directors. The Annual Options granted pursuant to this Agreement shall be granted pursuant to the 1999 Stock Plan or any other qualified or non-qualified stock incentive plan designated by the Board of Directors, which other plan has been approved by the stockholders of the Corporation. The Annual Options shall vest quarterly over the one-year period following the Grant Date and shall be exercisable after vesting at a price equal to the closing price of the common stock of the Corporation on the Grant Date for a period of five years from the Grant Date, provided, however, that if Employee ceases to be an employee of the Corporation, the exercise period shall be shortened in accordance with the stock plan under which the Annual Option was granted. Notwithstanding anything to the contrary herein, if Employee is not actively engaged in the duties of Creative and Design Chief for at least six months out of the twelve months immediately preceding a Grant Date, the Corporation shall not be required to grant, and Employee shall not be eligible to receive, an Annual Option on such Grant Date.

4.5 EXPENSES. During the Term, the Corporation shall promptly reimburse Employee for all reasonable and necessary travel expenses and other disbursements incurred by Employee on behalf of the Corporation, in performance of Employee's duties hereunder, assuming Employee has received prior approval for such travel expenses and disbursements by the Corporation to the extent possible, consistent with corporate practice with respect to the reimbursement of expenses incurred by the Corporation's employees.

4.6 NON-ACCOUNTABLE EXPENSE ALLOWANCE. The Corporation shall provide to Employee an annual Two Hundred Thousand Dollar (\$200,000) non-accountable expense allowance (the "Non-Accountable Expense Allowance"), which amount will be payable in equal monthly installments. The Corporation shall not be required to pay, and Employee shall not be entitled to demand, the Non-Accountable Expense Allowance for any month that Employee is not actively engaged in the duties of Creative and Design Chief.

4.7 BENEFITS. During the period that Employee is actively engaged in the duties of Creative and Design Chief, Employee shall be entitled to participate in such pension, profit sharing, group insurance, option plans, hospitalization, and group health and benefit plans and all other benefits and plans as the Corporation provides to its employees.

4.8 DEFERRAL OF COMPENSATION. Notwithstanding anything to the contrary in this Agreement, any remuneration under this Agreement or any other agreements to which the Corporation and Employee are parties in respect of employment that is not deductible for any taxable year of the Corporation because of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), will be deferred until the first day that any excess remuneration becomes deductible under Section 162(m) or by virtue of its repeal or amendment. Any such deferred payment will bear interest at the prime rate plus one beginning with the date such payment is first deferred. Notwithstanding any provision in this Agreement to the contrary, this Section 4.8 shall survive the termination of this Agreement.

4.9 LOANS TO EMPLOYEE. From time to time during the Term, at Employee's request, Employee may borrow funds from the Corporation, provided, that, at any time the aggregate amount of any such borrowings shall not exceed the amount of Employee's remuneration that has been deferred pursuant to Section 4.8. Employee shall be required to pay interest on such borrowings at a rate equal to the prime rate plus one and such borrowings will be subject to any additional terms and conditions as reasonably determined by the Board of Directors.

4.10 NEW BUSINESS BONUS. For each fiscal year that occurs during the Term, the Corporation shall pay Employee a cash bonus in respect of new business (as hereinafter defined) in an amount to be determined by the Board of Directors, which amount shall not be less than two and one-half (2.5%) percent of new business gross direct revenues (i.e., direct revenues from new business as hereinafter defined except new business license or other fee income) and not less than ten (10%) percent of all license or other fee income above two million (\$2,000,000.00) dollars. For the purposes of this paragraph, the term new business shall mean business that the Corporation is not engaged in as of the date hereof, including, but not limited to, business from or associated with (i) new lines, labels or brands, whether they be licensed or owned by the Corporation and whether they are part of or replace an existing division or are part of a new division (e.g., a new line, label or brand sold by the Corporation to department stores and/or mid-tier retailers, including a Steve Madden diffusion line, label or brand), (ii) the expansion into categories of products not presently part of the Corporation's products and (iii) the expansion internationally into territories not presently sold by the Corporation; provided, however, that new business shall in no event include any line, label or brand that exists as of the date hereof, even if the name thereof shall be changed. Employee's New Business Bonus for any fiscal year shall be determined, in good faith, by the Compensation Committee of the Board of Directors, in consultation with the Corporation's Chief Executive Officer and Chief Financial Officer, based on audited financial statements of the Corporation for such fiscal year and the Corporation's accounting books and records (such determination (the "Committee Amount") to be set forth in a written notice sent to Employee at least 30 days prior to the payment of such bonus), and shall be paid to Employee no later than April 15 of the year immediately following such fiscal year. In the event that Employee objects to the calculation of the New Business Bonus for any fiscal year, Employee shall set forth his objection, in reasonable detail, in a written notice sent to the Corporation within 30 business days, whereupon the Corporation shall cause such calculation to be reviewed by Brian Ziegler of the firm of Certilman Balin or such other person as shall be mutually agreed upon by the parties hereto (the "Third Party") within 30 business days of the receipt of such objection notice. The Third Party shall report to the Corporation, in writing, his calculation of the New Business Bonus amount (the "Third Party's Amount"), and if the Third Party's Amount is within 5% of the Committee Amount, Employee shall pay the cost of such review and the amount of the New Business Bonus shall remain unchanged. If the Third Party's Amount differs from the Committee Amount by 5% or more, then the Corporation shall pay the cost of such review and the amount of the New Business Bonus shall be adjusted to equal the Third Party's Amount (it being agreed that if the New Business Bonus shall have already been paid to Employee, in the case of a decrease in the amount thereof, Employee shall remit the difference to the Corporation, and in the case of an increase in the amount thereof, the Corporation shall pay Employee the difference, in each case, promptly, and, in any event, within 30 business days.

4.11 EFFECT OF RESTATEMENTS. In the event that the Corporation's financials are restated for any time period for which Employee pursuant to Section 4.3 or Section 4.10, upon the written request of the Compensation Committee, Employee shall promptly refund to the Corporation such amount as the Compensation Committee in good faith determines that Employee would not have been entitled to if the restated financials had been the financials on the basis of which the bonus had been paid (net of any taxes previously paid by Employee thereon with respect to which, in the reasonable opinion of counsel to Employee, Employee is time-barred from seeking a refund).

Section 5. TERMINATION.

5.1 DEATH OR TOTAL DISABILITY.

(a) Death. This Agreement shall terminate upon the death of Employee; provided, however, that the Corporation shall continue to pay to the estate of Employee the Base Salary as set forth in Section 4.1 hereof for the twelve (12) month period immediately subsequent to the date of Employee's death.

(b) Total Disability. In the event Employee is discharged due to a "Total Disability" (as defined in Section 6.1 below), then this Agreement shall be deemed terminated and the Corporation shall be released from all obligations to Employee with respect to this Agreement, except obligations accrued prior to such termination and as provided in Section 6.2 hereof.

5.2 TERMINATION FOR CAUSE: EMPLOYEE'S RESIGNATION. In the event Employee is discharged "For Cause" (as defined below) or in the event Employee resigns (other than pursuant to Section 5.5 hereof), then upon such occurrence, this Agreement shall be deemed terminated and the Corporation shall be released from all obligations to Employee with respect to this Agreement, except obligations accrued prior to such termination.

5.3 TERMINATION OTHER THAN FOR CAUSE. In the event Employee is discharged other than "For Cause" or other than due to his death or "Total Disability," then the Corporation shall pay Employee the balance of his Base Salary that would have been paid by the Corporation pursuant to Section 4.1 hereof over the full Term of the Agreement if the Corporation had not terminated this Agreement. Such amount shall be payable in installments as follows: (i) fifty (50%) percent of the amount due pursuant to the terms of this Section 5.3 upon termination of the Agreement and (ii) fifty (50%) percent in equal annual installments beginning on the June 30th immediately following such termination and each June 30th thereafter until June 30, 2015.

5.4 "FOR CAUSE". As used herein, the term "For Cause" shall mean:

(a) the conviction of, or pleading guilty or nolo contendere to, any crime, whether or not involving the Corporation constituting a felony in the jurisdiction involved, which the Board of Directors, in its sole discretion, determines may have a material injurious effect on the Corporation;

(b) the conviction of any crime involving moral turpitude or fraud; or

(c) gross negligence or willful misconduct in the conduct of Employee's duties or willful or repeated failure or refusal to perform such duties as may be delegated to Employee by the Chief Executive Officer which are consistent with Employee's position, and that as to any conduct concerning this subsection (c), such conduct is not corrected by Employee within fourteen (14) days following receipt by Employee of written notice from the Chief Executive Officer, such notice to state with specificity the nature of the breach, failure or refusal, gross negligence or willful misconduct related to Employee's employment with the Corporation.

5.5 TERMINATION UPON CHANGE OF CONTROL.

(a) If, during the period commencing 120 days prior to a Change of Control and ending on the first anniversary of a Change of Control, Employee's employment shall have been terminated by the Corporation (other than for Cause) or by Employee for Good Reason or if within 30 days following a Change of Control Employee shall terminate his employment with or without Good Reason:

(i) all unvested options to acquire stock of the Corporation held by Employee shall vest on the date of termination;

(ii) the Corporation shall make a lump sum cash payment to Employee within ten (10) days of the date of termination in an amount equal to (i) the amount of compensation that is accrued and unpaid through the date of termination pursuant to Section 4 of this Agreement and (ii) an amount equal to the product of (A) the number of years remaining in the Term of this Agreement (but not less than 5) and (B) the sum of (w) the Base Salary for the 12-month period ended on the preceding December 31 (or for the 12-month period ending on December 31, 2002, if greater), (x) the amount of the Annual Bonus earned pursuant to Section 4.3 (paid or accrued or which should have been paid or accrued) for the 12-month period ended on the preceding December 31 (or for the 12-month period ended on December 31, 2002, if greater), (y) the non-accountable expense allowance pursuant to Section 4.6 for the 12-month period ended on the preceding December 31 and (z) the amount of the New Business Bonus earned pursuant to Section 4.10 (paid or accrued or which should have been paid or accrued) for the 12-month period ended on the preceding December 31 (or for the 12-month period ending on December 31 during this Agreement in which the Employee received the greatest New Business Bonus, if greater).

(b)(i) In the event that any payment (or portion thereof) payable to Employee (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Corporation) is determined to be subject to an excise tax under Section 4999 of the Code (an "Excise Tax"), the Corporation shall pay to Employee an additional amount (the "Gross Up Payment") which shall be equal to the sum of (1) the amount of the Excise Tax, plus (2) the amount of any interest, penalties or additions to tax which are imposed in connection with the imposition or collection of the Excise Tax, plus (3) the amount of all Federal, State or local income, excise or other taxes imposed on Employee by reason of the payments described in clause (1), clause (2) and this clause (3). For purposes of computing the Gross Up Payment, Employee shall be deemed to be subject to tax at the highest marginal rate under all applicable tax laws for the year in which the Gross Up Payment is made.

(ii) All computations under this Section 5.5(b) shall be initially made by the Corporation and the Corporation shall provide written notice thereof to Employee in sufficient time to timely file all applicable tax returns. Upon Employee's request, the Corporation shall provide Employee with sufficient data to enable Employee or his representative to independently compute the Gross Up Payment. If Employee gives written notice to the Corporation of any objection to the Corporation's initial computation of the Gross Up Payment within 60 days of Employee's receipt of written notice thereof, the dispute shall be resolved by tax counsel selected by the independent auditors of the Corporation. The Corporation shall pay all fees and expenses of such tax counsel. Pending resolution by tax counsel, the Corporation shall pay Employee the Gross Up Payment determined by it in good faith; if the dispute is resolved in favor of Employee, the Corporation shall make such additional payment as may be required within 60 days after tax counsel's determination.

(iii) The determination by such tax counsel shall be conclusive and binding upon all parties, other than the Internal Revenue Service, a court of competent jurisdiction, or another duly empowered government agency (a "Tax Authority"). In the event that a Tax Authority finally determines that an additional Excise Tax is owed by Employee, the Corporation shall promptly make an additional Gross Up Payment, determined as provided herein, with respect to such additional Excise Tax. If the Excise Tax paid by Employee is finally determined by a Tax Authority to exceed the amount required to have been paid, then Employee shall promptly repay any excess Gross Up Payment to the Corporation.

5.6 "CHANGE OF CONTROL". As used herein, the term "Change of Control" shall mean:

(a) When any "person" as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as used in Section 13(d) and 14(d) thereof including a "group" as defined in Section 13(d) of the Exchange Act, but excluding the Corporation or any subsidiary or any affiliate of the Corporation or any employee benefit plan sponsored or maintained by the Corporation or any subsidiary of the Corporation (including any trustee of such plan acting as trustee), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Corporation representing a majority of the combined voting power of the Corporation's then outstanding securities; or

(b) When, during any period of twenty-four (24) consecutive months, the individuals who, at the beginning of such period, constitute the Board of Directors (the "Incumbent Directors") cease for any reason other than death to constitute at least a majority thereof provided, however, that a director who was not a director at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such director was elected by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually ('because they were directors at the beginning of such 24-month period) or through the operation of this proviso; or

(c) The occurrence of a transaction requiring stockholder approval for the acquisition of the Corporation by an entity other than the Corporation or a subsidiary or an affiliated company of the Corporation through purchase of assets, or by merger, or otherwise.

5.7 "GOOD REASON" As used herein, the term "Good Reason" shall mean the occurrence of any of the following:

(a) the assignment to Employee, without his consent, of any duties inconsistent in any substantial and negative respect with his positions, duties, responsibilities and status with the Corporation as contemplated hereunder, if not remedied by the Corporation within thirty (30) days after receipt of written notice thereof from Employee;

(b) any removal of Employee, without his consent, from any positions Employee held as contemplated hereunder (except in connection with the termination of Employee's employment by the Corporation For Cause or on account of Total Disability pursuant to the requirements of this Agreement or during any temporary removal due to disability so long as the Corporation continues to pay Employee the Base Salary hereunder), if not remedied by the Corporation within thirty (30) days after receipt of written notice thereof from Employee;

(c) a reduction by the Corporation of Employee's Base Salary as in effect as contemplated hereunder or a reduction in any formula used in computing Employee's compensation pursuant to Section 4 of this Agreement, except in connection with the termination of Employee's employment by the Corporation For Cause or due to Total Disability pursuant to the requirements of this Agreement;

(d) any termination of Employee's employment by the Corporation during the Term that is not effected pursuant to the requirements of this Agreement;

(e) any material breach by the Corporation of the terms of this Agreement that is not remedied by the Corporation within thirty (30) days after receipt of written notice thereof from Employee;

(f) the relocation of Employee's work location, without Employee's consent, to a place more than seventy five (75) miles from the location set forth herein; or

(g) failure by any successor to the Corporation to expressly assume all obligations of the Corporation under this Agreement, which failure is not remedied by the Corporation within thirty (30) days after receipt of written notice thereof from Employee.

5.8 RELEASE. Payment of severance hereunder pursuant to Section 5.3 or Section 5.5 is conditioned on Employee's executing and not revoking a general release in such form as shall be reasonably requested by the Corporation. The Corporation shall also execute a similar release in favor of Employee.

Section 6. DISABILITY.

6.1 TOTAL DISABILITY. In the event that after Employee has failed, due to a disability, to have performed his regular and customary duties during a period of one hundred eighty (180) consecutive days (including weekends and holidays) or for any two hundred seventy (270) days (including weekends and holidays) out of any three hundred and sixty (360) day period, and before Employee has become "Rehabilitated" (as defined below) a majority of the unaffiliated members of the Board of Directors may vote to determine that Employee is mentally or physically incapable or unable to continue to perform such regular and customary duties of employment and upon the date of such majority vote, Employee shall be deemed to be suffering from a "Total Disability." As used herein, the term "Rehabilitated" shall mean such time as Employee is willing, able and commences to devote his time and energies to the affairs of the Corporation to the extent and manner that he did so prior to his disability.

6.2 PAYMENT DURING DISABILITY. In the event Employee is unable to perform his duties hereunder by reason of a disability in accordance with the provisions of Section 6.1 above, the Corporation shall continue to pay Employee his Base Salary pursuant to Section 4.1 during the continuance of any such disability. Upon a determination of any Total Disability pursuant to the provisions of Section 6.1 above, the Corporation shall pay to Employee his Base Salary pursuant to Section 4.1 for the twelve (12) month period immediately subsequent to the date of determination of Total Disability.

Section 7. VACATIONS. Employee shall be entitled to a vacation of four (4) weeks per year, during which period his Base Salary shall be paid in full. Employee shall take his vacation at such time or times as Employee and the Corporation shall determine is mutually convenient.

Section 8. DISCLOSURE OF CONFIDENTIAL INFORMATION. Employee recognizes that he has had and will continue to have access to secret and confidential information regarding the Corporation or any of its affiliates, including, but not limited to, confidential information and trade secrets concerning the Corporation's (or any of its affiliate's) working methods, processes, business and other plans, programs, designs, marketing, promotion, sales activities, trading, investment, products, know-how, costs, credit and financial data, manufacturing processes, financing methods, profit formulas, customer names, customer requirements and supplier names. Employee acknowledges that such information is of great value to the Corporation, is the sole property of the Corporation, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Corporation herein, Employee will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any information acquired by Employee during the course of his employment, which is treated as confidential by the Corporation, including but not limited to its customer list, and not otherwise in the public domain. The provisions of this Section 8 shall survive Employee's employment hereunder.

Section 9. COVENANT NOT TO COMPETE.

(a) Employee recognizes that the services to be performed by him hereunder are special, unique and extraordinary. The parties confirm that it is reasonably necessary for the protection of the Corporation that Employee agree, and accordingly, Employee does hereby agree that, except as provided in Subsection (c) below, he shall not, directly or indirectly, at any time during the "Restricted Period" within the "Restricted Area" (as those terms are defined in Section 9(d) below), engage in any Competitive Business (as defined in Section 9(d) below), either on his own behalf or as an officer, director, stockholder, partner principal, trustee, investor, consultant, associate, employee, owner, agent, creditor, independent contractor, co venturer of any third party or in any other relationship or capacity.

(b) Employee hereby agrees that he will not directly or indirectly, for or on behalf of himself or any third party, at any time during the Restricted Period (i) solicit any customers of the Corporation or (ii) solicit, employ or engage, or cause, encourage or authorize, directly or indirectly, to be employed or engaged, for or on behalf of himself or any third party, any employee or agent of the Corporation or any of its subsidiaries.

(c) This Section 9 shall not be construed to prevent Employee from owning, directly and indirectly, in the aggregate, an amount not exceeding one percent (1%) of the issued and outstanding voting securities of any class of any corporation whose voting capital stock is traded on a national securities exchange or in the over-the-counter market.

(d) The term "Restricted Period" as used in this Section 9 shall mean the period commencing on the date hereof and ending on the later of (1) June 30, 2015 or (ii) the date which is twelve (12) months after the date Employee is no longer employed by the Corporation. The term "Restricted Area" as used in this Section 9 shall mean anywhere in the world. The term "Competitive Business" as used in this Agreement shall mean the design, manufacture, sale, marketing or distribution of (i) branded or designer footwear, apparel, accessories and other products in the categories of products sold by, or under license from, the Corporation or any of its affiliates, (ii) jewelry and other giftware, (iii) cosmetics, fragrances and other health and beauty care items, (iv) housewares, furniture, home furnishings and related products and (v) other branded products related to fashion, cosmetics or lifestyle.

(e) During and after Employee's employment with the Corporation, Employee shall not disparage or otherwise make negative statements with regard to the Corporation, its past or then present officers, directors, employees, agents, representatives or products or services. The Corporation shall direct its employees, officers and directors not to disparage or make negative statements with regard to Employee. The foregoing shall not apply in the case of a termination For Cause nor shall it apply to prohibit truthful testimony in connection with legal process.

(f) The provisions of this Section 9 shall survive the termination of Employee's employment as provided hereunder.

(g) Notwithstanding anything elsewhere contained herein, in the event Employee is no longer employed by the Corporation then Employee may work for any organization in any business that acts as an agent to sell and/or create products, as long as Employee sells and/or creates products solely and exclusively for the Corporation, and the same shall not be considered a violation of Employee's covenants hereunder.

Section 10. USE AND REGISTRATION OF EMPLOYEE'S NAME.

(a) CONSENT. The Corporation and Employee recognize that the Corporation's trademarks and/or service marks and other proprietary rights, including its rights to Employee's Name, are important to the Corporation's success and its competitive position. In addition to any previous assignments, Employee consents to the use of Employee's Name as trademarks, service marks, corporate names and/or Internet domain name addresses of the Corporation (the "Marks"). Without limitation, Employee specifically consents to the registration by the Corporation of Employee's Name as the Corporation's Marks in perpetuity in any and all countries and jurisdictions throughout the world.

(b) ASSIGNMENT. To the extent not previously assigned to the Corporation, Employee hereby sells, transfers and assigns to the Corporation and any successors or assignees of the Corporation, the exclusive right, title and interest to Employee's Name, including the good will attached thereto, to use in connection with a Competitive Business. Employee acknowledges that as between Employee and the Corporation, the Corporation shall be deemed the sole owner of all right, title and interest in and to Employee's Name throughout the world. Employee retains the right to the use of Employee's Name for all non-commercial purposes and for use in connection with any business that is not a Competitive Business.

(c) ADDITIONAL DOCUMENTS. Each of the Corporation and Employee hereby agree to execute any consent or similar form that the other reasonably believes is necessary to evidence and/or effectuate the rights granted under this Section. Employee agrees that from time to time, at the request of the Corporation or its successors, assignees or related companies, he shall, without the payment of additional consideration, execute such additional documents as are required or useful in obtaining

registrations for any of the Marks that incorporate Employee's Name, in whole or in part, in any country or jurisdiction. In furtherance of the Corporation's rights in and to Employee's Name and to the Marks, Employee grants the Corporation an irrevocable power of attorney to execute any and all documents as may be necessary or appropriate to effectuate such rights and confirm the Corporation's ownership and registration rights in and to Employee's Name and the Marks.

(d) ADDITIONAL RESTRICTIONS. Employee agrees never to challenge the Corporation's ownership of Employee's Name, or the validity of the Corporation's ownership of the Marks or of any registration or application for registration thereof. Employee agrees that he shall not at any time use Employee's Name, the Marks, or any other trademark, service mark, tradename, corporate name or domain name, or any other form of indicator of source, which is confusingly similar to Employee's name or any derivative thereof or to the Marks, except for (i) the personal use of Employee's name (ii) the use of Employee's name in any business that is not a Competitive Business and (iii) uses which are specifically permitted in writing by the Corporation.

(e) The obligations of this Section shall survive the termination of this Agreement.

Section 11. INTELLECTUAL PROPERTY. All designs, copyright and other intellectual property created by or at the direction of Employee in the course of his employment by the Corporation shall be and remain the property of the Corporation without further act of either party. All copyrightable works that Employee creates shall be considered "works made for hire." Employee shall, at the reasonable request of the Corporation, execute such documents as may be necessary to confirm or evidence the Corporation's ownership of such property. The obligations of this Section shall survive the termination of this Agreement.

Section 12. REASONABLENESS OF COVENANTS. Employee acknowledges that he has carefully read and considered all the terms and conditions of this Agreement, including the restraints imposed upon him pursuant to Sections 8, 9, 10, and 11 hereof. Employee agrees that said restraints are necessary for the reasonable and proper protection of the Corporation and its subsidiaries and affiliates, and that each and every one of the restraints is reasonable in respect to subject matter, length of time, geographic area and otherwise. Employee further acknowledges that, in the event any provision of Sections 8, 9, 10 and 11 hereof shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area, too great a range of activities or otherwise, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

Section 13. MISCELLANEOUS.

13.1 ENFORCEMENT OF COVENANTS. The parties hereto agree that Employee is obligated under this Agreement to render personal services during the Term of a special, unique, unusual, extraordinary and intellectual character, thereby giving this Agreement peculiar value, and in the event of a breach of any covenant of Employee herein, the injury or imminent injury to the value and goodwill of the Corporation's business could not be reasonably or adequately compensated in damages in an action at law. Employee therefore agrees that the Corporation, in addition to any other remedies available to it shall be entitled to seek specific performance, preliminary and permanent injunctive relief or any other equitable remedy against Employee, without the posting of a bond, in the event of any breach or threatened breach by Employee of any provision of this Agreement (including, but not limited to, the provisions of Sections 8, 9, 10, and 11). Without limiting the generality of the foregoing, if Employee breaches any provision of Section 8, 9, 10, or 11 hereof, such breach will entitle the Corporation to enjoin Employee from disclosing any confidential information to any Competitive Business, to enjoin such Competitive Business from receiving confidential information from Employee or using any such confidential information, and/or to enjoin Employee from rendering personal services to or in connection with such Competitive Business. Subject to Section 13.12, the rights and remedies of the parties hereto are cumulative and shall not be exclusive, and each party shall be entitled to pursue all legal and equitable rights and remedies and to secure performance of the obligations and duties of the other under this Agreement, and the enforcement of one or more of such rights and remedies by a party shall in no way preclude such party from pursuing, at the same time or subsequently, any and all other rights and remedies available to it.

13.2 SEVERABILITY. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction or by a governmental agency, the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

13.3 NO DURESS; CONSULTATION OF COUNSEL. Employee hereby represents and warrants that Employee has entered into this Agreement voluntarily and not as a result of coercion, duress or undue influence. In addition, Employee

hereby represents and warrants that Employee has read and fully understands the terms of this Agreement and has consulted with an attorney prior to executing this Agreement, including with respect to Section 12 hereof.

13.4 ASSIGNMENTS. Neither Employee nor the Corporation may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other, except the Corporation may transfer its rights and duties in connection with a sale of all or substantially all of its assets or in connection with a business combination (subject to Section 5.5 hereof) and the Corporation may, at any time sell, assign or license the rights held by the Corporation with respect to Employee's Name as set forth under Section 10 hereof.

13.5 ENTIRE AGREEMENT; AMENDMENT. This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to Employee's employment by the Corporation, supersedes all prior understandings and agreements, whether oral or written, between Employee and the Corporation, including, but not limited to, the Prior Employment Agreement, and shall not be amended, modified or changed except by an instrument in writing executed by Employee and by an expressly authorized officer of the Corporation.

13.6 WAIVER. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of either party to require the performance of any term or obligation of this Agreement, or the waiver by either party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

13.7 BINDING EFFECT. This Agreement shall inure to the benefit of, be binding upon and enforceable against the parties hereto and their respective successors, heirs, beneficiaries and permitted assigns.

13.8 HEADINGS. The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

13.9 NOTICES. Any and all notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or by private overnight mail service (e.g., Federal Express) to the party at the address set forth above or to such other address as either party may hereafter give notice of in accordance with the provisions hereof. Notices shall be deemed given on the sooner of the date actually received or the third business day after sending.

13.10 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to such State's conflicts of laws principles and, subject to Section 13.12, each of the parties hereto irrevocably consents to the jurisdiction and venue of the federal and state courts located in the State of New York, County of New York.

13.11 COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.12 ARBITRATION. In the event of any dispute under or relating to any term of this Agreement (other than Sections 8, 9, 10 and 11), or the breach, validity or legality thereof, it is agreed that the same shall be submitted to binding arbitration before one arbitrator in New York City, New York pursuant to the rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. This arbitration provision shall remain in full force and effect in perpetuity notwithstanding the nature of any claim or defense hereunder.

13.13 IRC SECTION 409A. The parties agree that the intent of the parties is that the provisions of this Agreement be in full compliance with Internal Revenue Code Section 409A. Accordingly, the parties shall promptly amend this Agreement as necessary to bring the provisions of this Agreement into full compliance with the provisions of such Section and, in any event, the parties agree that this Agreement shall be administered and interpreted in full compliance with such Section.

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

STEVE MADDEN, LTD.

/s/ JAMIESON KARSON
Title: CEO

Name: Jamieson A. Karson

/s/ STEVEN MADDEN

STEVEN MADDEN

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

I, Edward R. Rosenfeld, certify that:

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

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld

Chairman and Chief Executive Officer

May 6, 2016

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

I, Arvind Dharia, certify that:

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

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer and Chief Accounting Officer
May 6, 2016

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

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

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

/s/ EDWARD R. ROSENFELD

Edward R. Rosenfeld

Chairman and Chief Executive Officer

May 6, 2016

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

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

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

/s/ ARVIND DHARIA

Arvind Dharia

Chief Financial Officer and Chief Accounting Officer

May 6, 2016