

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

FORM 10-Q

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

For the quarterly period ended June 30, 2001

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

For the transition period from _____ to _____

For Quarter Ended June 30, 2001 Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of Registrant as specified in its charter)

Delaware

13-3588231

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

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

11104

(Address of principal executive offices)

(Zip Code)

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

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

Yes [X] No []

Class Outstanding as of August 13, 2001
Common Stock 11,761,105

STEVEN MADDEN, LTD.
FORM 10-Q
QUARTERLY REPORT
June 30, 2001

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands)

	June 30, 2001 (unaudited)	December 31, 2000
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,849	\$ 35,259
Accounts receivable - net of allowances of \$508 and \$774	1,271	2,417
Due from factor - net of allowances of \$1,026 and \$866	28,127	15,155
Inventories	20,031	15,824
Prepaid expenses and other current assets	3,010	1,289
Deferred taxes	1,300	1,300
	-----	-----
Total current assets	80,588	71,244
Property and equipment, net	15,176	15,600
Deferred taxes	2,462	2,462
Deposits and other	202	222
Cost in excess of fair value of net assets acquired		
- net of accumulated amortization of \$645 and \$575	2,135	2,205
	-----	-----
	\$ 100,563	\$ 91,733
	=====	=====
LIABILITIES		
Current liabilities:		
Current portion of lease payable	\$ 103	\$ 128
Accounts payable	5,330	9,502
Accrued expenses	4,091	4,178
Accrued bonuses	518	229
	-----	-----
Total current liabilities	10,042	14,037
Deferred rent	1,156	1,074
Lease payable, less current portion	24	56
	-----	-----
	11,222	15,167
	-----	-----
Contingencies (Note D)		
STOCKHOLDERS' EQUITY		
Common stock - \$.0001 par value, 60,000 shares authorized, 12,849 and 12,307 issued and outstanding	1	1
Additional paid-in capital	51,326	46,688
Retained earnings	46,838	38,765
Unearned compensation	(833)	(897)
Treasury stock at cost - 1,245 shares	(7,991)	(7,991)
	-----	-----
	89,341	76,566
	-----	-----
	\$ 100,563	\$ 91,733
	=====	=====

See notes to financial statements.

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Consolidated Statements of Operations

(unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net sales	\$ 59,563	\$ 48,057	\$ 112,958	\$ 92,166
Cost of sales	34,245	27,123	65,559	53,048
Gross profit	25,318	20,934	47,399	39,118
Commission and licensing fee income	1,235	1,130	2,369	2,134
Operating expenses	(19,226)	(15,995)	(36,641)	(30,415)
Income from operations	7,327	6,069	13,127	10,837
Interest and other income, net	342	471	843	1,007
Gain on sale of marketable securities				230
Income before provision for income taxes	7,669	6,540	13,970	12,074
Provision for income taxes	3,246	2,797	5,897	5,149
Net income	\$ 4,423	\$ 3,743	\$ 8,073	\$ 6,925
Basic income per share	\$.38	\$.32	\$.71	\$.60
Diluted income per share	\$.34	\$.28	\$.63	\$.52
Weighted average common shares outstanding - basic	11,496	11,627	11,329	11,566
Effect of dilutive securities - options and warrants	1,567	1,593	1,463	1,658
Weighted average common shares outstanding - diluted	13,063	13,220	12,792	13,224

See notes to financial statements.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

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

	Six Months Ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 8,073	\$ 6,925
Adjustments to reconcile net income to net cash used in operating activities:		
Issuance of compensatory stock options	655	
Depreciation and amortization	1,739	1,368
Deferred compensation	64	191
Provision for bad debts	(106)	248
Gain on sale of marketable securities		(230)
Deferred rent expense	82	120
Changes in:		
Accounts receivable	1,412	(1,093)
Due from factor	(13,132)	(4,174)
Inventories	(4,207)	(6,269)
Prepaid expenses and other assets	(1,701)	(1,334)
Accounts payable and accrued expenses	(3,970)	(3,610)
	-----	-----
Net cash used in operating activities	(11,091)	(7,858)
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(1,245)	(5,117)
Sale/maturity of investment securities		487
	-----	-----
Net cash used in investing activities	(1,245)	(4,630)
	-----	-----
Cash flows from financing activities:		
Proceeds from options and warrants exercised	3,983	2,749
Purchase of treasury stock		(5,776)
Repayment of lease obligations	(57)	(59)
	-----	-----
Net cash provided by (used in) financing activities	3,926	(3,086)
	-----	-----
Net decrease in cash and cash equivalents	(8,410)	(15,574)
Cash and cash equivalents - beginning of period	35,259	37,361
	-----	-----
Cash and cash equivalents - end of period	\$ 26,849	\$ 21,787
	=====	=====

See notes to financial statements.

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Notes to Financial Statements
June 30, 2001

NOTE A - BASIS OF REPORTING

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles 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 Steven Madden, Ltd. and subsidiaries (the "Company") as of June 30, 2001, and the results of their operations and cash flows for the six-month and three-month periods then ended. The results of operations for the six-month and three-month periods ended June 30, 2001 are not necessarily indicative of the operating results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2000 included in the Annual Report of Steven Madden, Ltd. on Form 10-K.

NOTE B - INVENTORIES

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

NOTE C - NET INCOME PER SHARE OF COMMON STOCK

Basic income per share is based on the weighted average number of common shares outstanding during the year. Diluted income per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and warrants and the proceeds thereof were used to purchase outstanding common shares.

NOTE D - PENDING LITIGATION

[1] Class action litigation:

On or about August 9, 2000, several class action lawsuits were commenced in the United States District Court for the Eastern District of New York against the Company, Steven Madden personally, and, in some of the actions, the Company's President and its Chief Financial Officer.

On December 8, 2000, the court consolidated these actions and appointed a lead plaintiff and approved the plaintiff as lead counsel. On February 26, 2001, the plaintiff served a consolidated amended complaint.

The amended complaint generally alleges that the Company and the individual defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements, and failing to disclose material adverse information relating to among other things, certain matters and allegations concerning Mr. Madden. The plaintiff seeks an unspecified amount of damages, costs and expenses on behalf of the plaintiff and all other purchasers of the Company's common stock during the period June 21, 1997 through June 20, 2000. On April 19, 2001, all of the defendants served motions to dismiss the consolidated amended complaint. The plaintiffs have indicated that they intend to file a second amended consolidated complaint by August 31, 2001. Defendants accordingly will withdraw, without prejudice, their previously filed motions and then have 45 days after service of the new pleading to file their responses. The Company believes that it has substantial defenses to the claims. The resulting liability, if any, cannot presently be determined.

NOTE D - PENDING LITIGATION (CONTINUED)

[2] Derivative action:

On or about September 26, 2000, a shareholders derivative action was commenced in the United States District Court for the Eastern District of New York, captioned, Herrera v. Steven Madden and Steven Madden, Ltd. The Company is named as a nominal defendant in the action. The complaint seeks to recover alleged damages on behalf of the Company from Mr. Madden's June 20, 2000 indictment and to require him to disgorge certain profits, bonuses and stock option grants he received from the Company. On January 3, 2001, the plaintiff filed an amended complaint. On February 2, 2001, both the Company and Mr. Madden filed motions to dismiss the amended complaint because of the plaintiff's failure to make a prelitigation demand upon the Company's Board of Directors. Following completion of the briefing on the motions, the Court granted plaintiff's request to file a second amended complaint by September 17, 2001, which will have the effect of deferring consideration of defendant's pending motions. The resulting liability, if any, cannot presently be determined.

[3] Other matters:

On June 20, 2000, Steven Madden, the Company's former Chairman and Chief Executive Officer, was indicted in the United States District Courts for the Southern District and Eastern District of New York. The indictments alleged that Mr. Madden engaged in securities fraud and money laundering activities. In addition, the Securities and Exchange Commission filed a complaint in the United States District Court for the Eastern District of New York alleging that Mr. Madden violated Section 17(a) of the Securities Exchange Act of 1934, as amended. On May 23, 2001, Steven Madden entered into a plea agreement with the U.S. Attorney's Office related to the federal charges filed against him. In addition, Mr. Madden reached a separate settlement agreement with the Securities and Exchange Commission regarding the allegations contained in its complaint. As a result, Mr. Madden resigned as the Company's Chief Executive Officer and as a member of the Company's Board of Directors effective July 1, 2001. Mr. Madden has agreed to serve as the Company's Creative and Design Chief, a non-executive position. It is expected that Mr. Madden will be sentenced in September 2001 and will return to work for the Company as its Creative and Design Chief following his incarceration. Under the settlement agreement with the Securities and Exchange Commission, Mr. Madden has agreed to not serve as an officer or director of a publicly traded company for 7 years.

Neither the indictments nor the Securities and Exchange Commission complaint allege any wrongdoing by the Company or its other officers and directors. In connection with Steven Madden relinquishing his position as Chief Executive Officer of the Company, the Company entered into an amended employment agreement with Steven Madden and new employment agreements with Charles Koppelman (pursuant to which Mr. Koppelman will serve as the Company's Executive Chairman of the Board of Directors) and Jamieson Karson (pursuant to which Mr. Karson will serve as the Company's Chief Executive Officer and Vice Chairman of the Board of Directors).

On March 14, 2001, the Company became aware that the Securities and Exchange Commission had issued a formal order of investigation with respect to trading in the Company's securities. The Company has reason to believe that the staff is investigating possible securities law violations by persons trading in the Company's securities prior to June 20, 2000 who may have been in possession of alleged material, nonpublic information. As previously disclosed on Form 4's filed with the Securities and Exchange Commission, certain officers and directors of the Company sold shares of the Company's common stock during 1999 and the first half of 2000. Each of such officers and directors has denied having knowledge of any material, nonpublic information prior to engaging in such transactions. The ultimate effects of this matter, if any, cannot be reasonably determined at this time.

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

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

Statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this document as well as statements made in press releases and oral statements that may be made by the Company or by officers, directors or employees of the Company acting on the Company's behalf that are not statements of historical or current fact constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other unknown factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes", "belief", "expects", "intends", "anticipates" or "plans" to be uncertain forward-looking statements. The forward looking statements contained herein are also subject generally to other risks and uncertainties that are described from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission.

The following table sets forth information on operations for the periods indicated:

	Percentage of Net Revenues			

	Six Months Ended			

	June 30			

	(\$ in thousands)			
Consolidated:	2001		2000	
- - - - -	----		----	
Net Sales	\$112,958	100%	\$92,166	100%
Cost of Sales	65,559	58	53,048	58
Other Operating Income	2,369	2	2,134	2
Operating Expenses	36,641	32	30,415	33
Income from Operations	13,127	12	10,837	12
Interest and Other Income (Expense) Net	843	1	1,007	1
Gain on sale of Marketable Securities	---	---	230	0
Income Before Income Taxes	13,970	12	12,074	13
Net Income	8,073	7	6,925	8

Percentage of Net Revenues

Six Months Ended

June 30

(\$ in thousands)

By Segment	2001		2000	
WHOLESALE DIVISIONS:				

Steven Madden, Ltd.				

Net Sales	\$47,684	100%	\$43,206	100%
Cost of Sales	30,195	63	27,132	63
Other Operating Income	532	1	564	1
Operating Expenses	12,251	26	11,697	27
Income from Operations	5,770	12	4,941	11
l.e.i. Footwear:				

Net Sales	\$18,801	100%	\$18,298	100%
Cost of sales	12,064	64	11,806	65
Operating Expenses	4,209	22	3,423	19
Income from Operations	2,528	13	3,069	17
Madden Mens:				

Net Sales	\$2,790	100%	---	---
Cost of sales	1,838	66	---	---
Operating Expenses	979	35	---	---
Loss from Operations	(27)	(1)	---	---
Diva Acquisition Corp:				

Net Sales	\$3,630	100%	\$1,747	100%
Cost of sales	2,767	76	1,266	72
Operating Expenses	792	22	523	30
Income (Loss) from Operations	71	2	(42)	(2)
Stevies Inc.:				

Net Sales	\$4,892	100%	\$1,416	100%
Cost of sales	3,104	63	884	62
Other Operating Income	207	4	42	3
Operating Expenses	1,112	23	445	31
Income from Operations	883	18	130	9
STEVEN MADDEN RETAIL INC.:				

Net Sales	\$35,161	100%	\$27,500	100%
Cost of Sales	15,591	44	11,961	44
Operating Expenses	16,458	47	13,353	49
Income from Operations	3,112	9	2,186	8

Percentage of Net Revenues

 Six Months Ended

June 30

(\$ in thousands)

By Segment (Continued)

ADESSO MADDEN INC.:	2001		2000	
(FIRST COST)	-----		-----	
Other Operating Revenue	\$1,630	100%	\$1,528	100%
Operating Expenses	840	52	975	64
Income from Operations	790	48	553	36

Percentage of Net Revenues

 Three Months Ended

June 30

(\$ in thousands)

	2001		2000	
	----		----	
Consolidated:				

Net Sales	\$59,563	100%	\$48,057	100%
Cost of Sales	34,245	57	27,123	56
Other Operating Income	1,235	2	1,130	2
Operating Expenses	19,226	32	15,995	33
Income from Operations	7,327	12	6,069	13
Interest and Other Income (Expense) Net	342	1	471	1
Income Before Income Taxes	7,669	13	6,540	14
Net Income	4,423	7	3,743	8
By Segment				
WHOLESALE DIVISIONS:				

Steven Madden, Ltd.				

Net Sales	\$24,608	100%	\$21,186	100%
Cost of sales	15,527	63	13,276	63
Other Operating Income	310	1	313	1
Operating Expenses	5,944	24	5,551	26
Income from Operations	3,447	14	2,672	13
l.e.i. Footwear:				

Net Sales	\$9,056	100%	\$8,566	100%
Cost of sales	5,728	63	5,368	63
Operating Expenses	2,336	26	1,598	19
Income from Operations	992	11	1,600	19
Madden Mens:				

Net Sales	\$1,880	100%	---	---
Cost of sales	1,247	66	---	---
Operating Expenses	620	33	---	---
Income from Operations	13	1	---	---
Diva Acquisition Corp.:				

Net Sales	\$1,851	100%	\$667	100%
Cost of sales	1,524	82	540	81
Operating Expenses	405	22	329	49
Loss from Operations	(78)	(4)	(201)	(30)
Stevies Inc.:				

Net Sales	\$2,099	100%	\$1,416	100%
Cost of Sales	1,329	63	884	62
Other Operating Income	103	5	6	0
Operating Expenses	547	26	329	23
Income from Operations	326	16	209	15

Percentage of Net Revenues

 Three Months Ended

June 30

(\$ in thousands)

By Segment (Continued)

Steven Madden Retail Inc.:	2001		2000	
-----	----		----	
Net Sales	\$20,069	100%	\$16,222	100%
Cost of Sales	8,890	44	7,056	44
Operating Expenses	8,886	44	7,682	47
Income from Operations	2,293	11	1,484	9

ADESSO MADDEN INC.:

(FIRST COST)				
Other Operating Revenue	\$822	100%	\$811	100%
Operating Expenses	488	59	506	62
Income from Operations	334	41	305	38

RESULTS OF OPERATIONS

(\$ in thousands)

Six Months Ended June 30, 2001 vs. Six Months Ended June 30, 2000

Consolidated:

Sales for the six month period ended June 30, 2001 were \$112,958 or 23% higher than the \$92,166 in the comparable period of 2000. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) a 28% increase in retail sales and a 4% increase in same store sales. (iii) a 108% increase in sales from the Diva Acquisition Corp Wholesale Division, (iv) a 245% increase in sales from the Stevies wholesale division which commenced shipping in the second quarter of 2000, (v) revenue of \$2,790 from the Company's New Madden Mens Wholesale Division which commenced shipping in the first quarter of 2001, (vi) an increase in the number of Steve Madden and Stevies concept shops located in major department stores and specialty stores, and (vii) an increase in public awareness with respect to the Company's brands. In turn, increased sales have enabled the Company to expand its advertising and in-store concept efforts, all of which have contributed to the continuing increase in sales. Consolidated gross profit as a percentage of sales in the first six months of 2001 remains consistent with the first six months of 2000.

Selling, general and administrative (SG&A) expenses increased to \$36,641 in 2001 from \$30,415 in 2000. The increase in SG&A is due primarily to a 31% increase in payroll, officers' bonuses and payroll-related expenses from \$10,880 in 2000 to \$14,279 in 2001. Also, selling and designing expenses increased by 28% from \$4,304 in 2000 to \$5,500 in 2001. This is due in part to an increase in sales in the current period and to the Company's increased focus on selling and designing activities. The increase in the number of retail outlets and expanded corporate office

and warehouse facilities resulted in an increase in occupancy, telephone, utilities, warehouse, printing/supplies and depreciation expenses by 25% from \$6,889 in 2000 to \$8,611 in 2001.

Income from operations for 2001 was \$13,127 which represents an increase of \$2,290 or 21% over the income from operations of \$10,837 in 2000. Net income increased by 17% to \$8,073 in 2001 from \$6,925 in 2000.

Wholesale Divisions:

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Sales from the Steve Madden Wholesale Division ("Madden Wholesale") accounted for \$47,684 or 42%, and \$43,206 or 47%, of total sales in 2001 and 2000, respectively. The increase in sales were driven by the expansion of our sneaker classification with the continuation of platform bottom classics and the addition of closed-toe open-back varieties. Also, sales were driven by the addition of new concept shops, ending the six months with approximately 1,300 concept shops compared to 950 in the first six months of 2000. Gross profit as a percentage of sales in first six months of 2001 remains the same as first six months of 2000. Operating expenses increased to \$12,251 in 2001 from \$11,697 in 2000 due to payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Madden Wholesale income from operations was \$5,770 in 2001 compared to income from operations of \$4,941 in 2000.

Sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale") accounted for \$18,801 or 17%, and \$18,298 or 20%, of total sales in 2001 and 2000, respectively. During the first quarter of 2001, l.e.i. Wholesale and the planning department focused on key item flow by door with the ultimate goal of increasing inventory turns and profitability. The result of this effort caused revenues to be increased by 3% during the first six months of 2001 compared to first six months of 2000. In preparation for back to school, by the end of second quarter of 2001 l.e.i. Wholesale expanded its distribution and now sells in over 3800 doors versus approximately 3000 doors last year. The focus of the l.e.i. expansion was in the specialty store channel. The l.e.i. brand rolled out its first 20 concept shops in the second quarter of 2001. Gross profit as a percentage of sales increased slightly from 35% in 2000 to 36% in 2001 due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to \$4,209 in 2001 from \$3,423 due to increases in payroll and payroll-related expenses. Additionally, advertising and marketing expenses increased due to the Company's expanded marketing strategy. Income from operations for l.e.i. Wholesale was \$2,528 in 2001 compared to income from operations of \$3,069 in 2000.

The Company's new Madden Mens Wholesale Division ("Madden Mens Wholesale") commenced shipping in the first quarter of 2001. Madden Mens Wholesale generated revenue of \$2,790 for the first six months of 2001. The Company is pleased by the market's acceptance of the new Mens line, particularly in the sport casual classification. Key items have already been identified and for the third quarter of 2001, the Company will be prepared to offer an EDI open stock replenishment program on eleven best selling styles. Madden Mens Wholesale is planning to roll out its in-store concept shop program in the fall of 2001.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for \$3,630 or 3%, and \$1,747 or 2%, of total sales in 2001 and 2000, respectively. The Company believes that the increase in sales were driven by placements of its new product line in major department stores, specialty stores, and specialty catalogues, such as Bloomingdale's by Mail. Also, sales were driven by key styles including bowling inspired casuals, casual loafers and closed-toe open-back styles. Gross profit as a percentage of sales decreased from 28% in 2000 to 24% in 2001 as under performing carryover inventory was cleared at lower gross margins. Operating expenses increased to \$792 in 2001 from \$523 in 2000 due to increases in payroll and payroll-related expenses. Income from operations from Diva Wholesale was \$71 in 2001 compared to a loss from operations of \$42 in 2000.

Sales from the Stevies Wholesale Division ("Stevies Wholesale") which commenced shipping in the second quarter of 2000 accounted for \$4,892 or 4%, and \$1,416 or 2%, of total sales in 2001 and 2000, respectively. Stevies Wholesale now sells in over 1,800 doors including the Limited Too, Journey's kids stores, Filenes, Foley's, Dillard's and Macys, as well as independent footwear stores, such as StrideRite and Jacobsons. As of June 30, 2001 Stevies Wholesale ended with more than 900 concept shops. Gross profit as a percentage of sales decreased from 38% in 2000 to 37% in 2001 as spring markdowns were taken in the second quarter of 2001 compared to the second quarter of 2000 during which no markdowns were taken because of recent brand roll out. Operating expenses increased to \$1,112 in 2001 from \$445 due to increases in payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Income from operations for Stevies Wholesale was \$883 in 2001 compared to income from operations of \$130 in 2000.

Retail Division:

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Sales from the Retail Division accounted for \$35,161 or 31% and \$27,500 or 30% of total revenues in 2001 and 2000, respectively. This increase in Retail Division sales is primarily due to the increase in the number of Steve Madden retail stores. During the second quarter of 2001, the Company closed one of its smallest and least productive stores located in Coconut Grove, Florida, and is considering sites located in the South Beach area of Miami Beach. As of June 30, 2001, there were 67 Steve Madden retail stores compared to 57 stores as of June 30, 2000. Additionally, same store sales for the period ended June 30, 2001 increased 4% over the same period of 2000. This increase in same store sales was driven by the expansion of our sneaker classification. Revenues from the internet store for the first six months ended June 30, 2001 were in excess of \$2,000, showing an increase of 67% over the same period of 2000. Gross profit as a percentage of sales remained consistent in 2001 with 2000. Operating expenses increased to \$16,458 or 47% of sales in 2001 from \$13,353 or 49% of sales in 2000. This increase was due to increases in payroll and payroll-related expenses such as incentive bonuses for store managers and the corporate retail management team, marketing and operating expenses for the internet store, occupancy, printing and depreciation expenses as a result of opening 11 additional stores since June 30, 2000. Income from operations from the retail division was \$3,112 in 2001 compared to income from operations of \$2,186 in 2000.

Adesso-Madden Division:

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Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of \$1,630 for the six month period ending June 30, 2001 which represents a 7% increase over commission revenues of \$1,528 during the same period in 2000. This division continues to grow in accounts such as Walmart, Target and Payless. Operating expenses decreased to \$840 in 2001 from \$975 in 2000 primarily due to decreases in commission and related expenses. Income from operations from Adesso-Madden was \$790 in 2001 compared to income from operations of \$553 in 2000.

Three Months Ended June 30, 2001 vs. Three Months Ended June 30, 2000

Consolidated:

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Sales for the three month period ended June 30, 2001 were \$59,563 or 24% higher than the \$48,057 in the comparable period of 2000. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) a 24% increase in retail sales and a 4% increase in same store sales (iii) a 178% increase in sales from the Diva Acquisition Corp Wholesale Division, (iv) a 48% increase in sales from the Stevies wholesale division, (v) revenue of \$1,880 from the Company's New Madden Mens Wholesale Division which commenced shipping in the first quarter of 2001, (vi) an increase in the number of Steve Madden and Stevies

concept shops located in major department stores and specialty stores, and (vii) an increase in public awareness with respect to the Company's brands. In turn, increased sales have enabled the Company to expand its advertising and in store concept efforts, all of which have contributed to the continuing increase in sales.

Consolidated gross profit as a percentage of sales decreased from 44% in 2000 to 43% in 2001 as under performing carryover inventory in both retail and wholesale were cleared at lower gross margins.

Selling, general and administrative (SG&A) expenses increased to \$19,226 in 2001 from \$15,995 in 2000. The increase in SG&A is due primarily to a 37% increase in payroll, officers' bonuses and payroll-related expenses from \$5,692 in 2000 to \$7,794 in 2001. Also, selling and designing expenses increased by 63% from \$1,732 in 2000 to \$2,820 in 2001. This is due in part to an increase in sales in the current period and to the Company's increased focus on selling and designing activities. The increase in the number of retail outlets and expanded corporate office facilities resulted in an increase in occupancy, utilities, and depreciation expenses by 29% from \$2,604 in 2000 to \$3,369 in 2001.

Income from operations for 2001 was \$7,327 which represents an increase of \$1,258 or 21% over the income from operations of \$6,069 in 2000. Net income increased by 18% to \$4,423 in 2001 from \$3,743 in 2000.

Wholesale Divisions:

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Sales from the Steve Madden Wholesale Division ("Madden Wholesale") accounted for \$24,608 or 41%, and \$21,186 or 44%, of total sales in 2001 and 2000, respectively. The increase in sales were driven by the expansion of our sneaker classification with the continuation of platform bottom classics and the addition of closed-toe open-back varieties. Also, sales were driven by the addition of new concept shops, ending the quarter with approximately 1,300 concept shops compared to 950 in the second quarter of 2000. Gross profit as a percentage of sales in second quarter of 2001 remains consistent with the second quarter of 2000. Operating expenses increased to \$5,944 in 2001 from \$5,551 in 2000 due to payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Madden Wholesale income from operations was \$3,447 in 2001 compared to income from operations of \$2,672 in 2000.

Sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale") accounted for \$9,056 or 15%, and \$8,566 or 18%, of total sales in 2001 and 2000, respectively. The increase in sales were driven by the key styles which include cork wedges, wood looks and anything with raffia uppers. Gross profit as a percentage of sales in the second quarter of 2001 remains consistent with the second quarter of 2000. Operating expenses increased to \$2,336 in 2001 from \$1,598 due to increases in payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Income from operations for l.e.i. Wholesale was \$992 in 2001 compared to income from operations of \$1,600 in 2000.

The Company's new Madden Mens Wholesale Division ("Madden Mens Wholesale") commenced shipping in the first quarter of 2001. Madden Mens Wholesale generated revenue of \$1,880 for the second quarter of 2001.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for \$1,851 or 3%, and \$667 or 1%, of total sales in 2001 and 2000, respectively. The Company believes that the increase in sales were driven by placements of its new product line in major department stores, specialty stores, and specialty catalogues, such as Bloomingdale's by Mail. Gross profit as a percentage of sales decreased from 19% in 2000 to 18% in 2001 as under performing carryover inventory was

cleared at lower gross margins. Operating expenses increased to \$405 in 2001 from \$329 in 2000 due to increases in payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Loss from operations from Diva Wholesale was \$78 in 2001 compared to a loss from operations of \$201 in 2000.

Sales from the Stevies Wholesale Division ("Stevies Wholesale") accounted for \$2,099 or 4%, and \$1,416 or 3%, of total sales in 2001 and 2000, respectively. The increase in sales were driven by key styles including closed toe open back casuals, glitter sneakers and raffia sandals. As of June 30, 2001 Stevies Wholesale ended with more than 900 concept shops. Gross profit as a percentage of sales decreased from 38% in 2000 to 37% in 2001 as spring markdowns were taken in the second quarter of 2001 compared to the second quarter of 2000 during which no markdowns were taken because of recent brand roll out. Operating expenses increased to \$547 in 2001 from \$329 due to increases in payroll and payroll-related expenses. Income from operations for Stevies Wholesale was \$326 in 2001 compared to income from operations of \$209 in 2000.

Retail Division:

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Sales from the Retail Division accounted for \$20,069 or 34% and \$16,222 or 34% of total revenues in 2001 and 2000, respectively. This increase in Retail Division sales is primarily due to the increase in the number of Steve Madden retail stores. During the second quarter of 2001, the Company closed one of its smallest and least productive stores located in Coconut Grove, Florida, and is considering sites located in the South Beach area of Miami Beach. As of June 30, 2001, there were 67 Steve Madden retail stores compared to 57 stores as of June 30, 2000. Additionally, same store sales for the period ended June 30, 2001 increased 4% over the same period of 2000. This increase in same store sales was driven by the expansion of our sneaker classification. Revenues from the internet store for the second quarter of 2001 were in excess of \$1,000 showing an increase of 60% over the same period of 2000. Gross profit as a percentage of sales in the second quarter of 2001 remains consistent with the second quarter of 2000. Operating expenses increased to \$8,886 or 44% of sales in 2001 from \$7,682 or 47% of sales in 2000. This increase was due to increases in payroll and payroll-related expenses such as incentive bonuses for store managers and the corporate retail management team, marketing and operating expenses for the internet store, occupancy, printing, and depreciation expenses as a result of opening 11 additional stores since June 30, 2000. Income from operations from the retail division was \$2,293 in 2001 compared to income from operations of \$1,484 in 2000.

Adesso-Madden Division:

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Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of \$822 for the three month period ending June 30, 2001 which represents a 1% increase over commission revenues of \$811 during the same period in 2000. This division continues to grow in accounts such as Walmart, Target and Payless. Operating expenses decreased to \$488 in 2001 from \$506 in 2000 primarily due to decreases in commission and related expenses. Income from operations from Adesso-Madden was \$334 in 2001 compared to income from operations of \$305 in 2000.

LICENSE AGREEMENTS

Revenues from licensing increased by 22% to \$739 in first six months of 2001 from \$606 in first six months of 2000. This increase was primarily driven by increases in licensing income from leather sportswear and sunglasses. As of June 30, 2001, the Company had 6 license partners covering 6 product categories for its Steve Madden brand. Also, as of June 30, 2001, the Company had 6 license partners covering 6 product categories for its Stevies brand. The product categories include handbags, hosiery, sunglasses, belts, watches and outerwear. In order to enhance the performance of the Company's licensing business, in January 2001

the Company engaged Jassin O'Rourke Group, LLC, a consulting firm specializing in marketing, management and licensing for the apparel industry. In February 2001, the Company signed termination agreements with respect to jewelry and hair accessories for both the Steve Madden(R) and Stevies(TM) brands, and sportswear for the Stevies(TM) brand.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$70,546 at June 30, 2001 compared to \$48,508 in working capital at June 30, 2000. This represents an increase of \$22,038. This increase in working capital is primarily due to the Company's net income and proceeds received from the exercise of options.

OPERATING ACTIVITIES

During the six month period ended June 30, 2001, cash used by operating activities was \$11,091. Uses of cash arose principally from an increase in factored accounts receivable of \$13,132, an increase in inventory of \$4,207, an increase in prepaid expenses and other assets of \$1,701 and a decrease in accounts payable and accrued expenses of \$3,970. Cash was provided principally by net income of \$8,073.

The Company has lease agreements for office, warehouse, and retail space, expiring at various times through 2011. Future obligations under these lease agreements total approximately \$49,000.

The Company has employment agreements with eight officers as of June 30, 2001 providing for aggregate annual salaries of approximately \$2,100 subject to annual bonuses and annual increases as may be determined by the Company's Board of Directors. In addition, as part of four of the employment agreements, the Company is committed to pay incentive bonuses based on income before interest, depreciation and taxes to certain officers.

The Company's customers consist principally of department stores and specialty stores, including shoe boutiques. Presently, the Company's Wholesale Division sells approximately sixty two percent (62%) of its products to department stores, including Federated Department Stores (Bloomingdales, Bon Marche, Burdines, Macy's and Rich's), May Department Stores (Famous Barr, Filene's, Foley's, Hecht's, Kaufmann's, Meier & Frank, Lord & Taylor and Robinsons May), Dillard's, Dayton-Hudson and Nordstrom and approximately thirty eight percent (38%) to specialty stores, including Journey's, Wet Seal and The Buckle and catalog retailers, including Victoria's Secret and Fingerhut. Federated Department Stores and May Department Stores presently account for approximately twenty one percent (21%) and eighteen percent (18%) of the Company's Wholesale Division sales, respectively.

A significant portion of the Company's product is supplied from foreign manufacturers, the majority of which are located in Brazil, China, Italy and Mexico. Although the Company has not entered into any manufacturing contracts with any of these foreign companies, the Company believes that a sufficient number of alternative sources exist outside of the United States for the manufacture of its products if current suppliers need to be replaced. In addition, the Company currently makes approximately ninety five percent (95%) of its purchases in U.S. dollars.

CAPITAL IMPROVEMENT ACTIVITIES

During the six month period ended June 30, 2001, the Company used cash of \$1,245 primarily for leasehold improvements on retail stores and corporate office space and for a new point of sale computer system for the retail stores.

FINANCING ACTIVITIES

During the six month period ended June 30, 2001, the Company received \$3,983 from the sale of

its common stock in connection with exercise of stock options. On February 29, 2000, the Company announced a 1,500,000 stock repurchase program. As of June 30, 2001, the Company repurchased 900,000 shares of the Company's common stock at a total cost of \$6,076 under this program. The Company has not repurchased any common stock during 2001.

INFLATION

The Company does not believe that inflation has had a material adverse effect on sales or income during the past several years. Competitive pressures could limit the extent to which such costs could be passed along in the form of increased prices. As such, inflationary price increases in goods or operating costs could adversely affect the profitability of the Company's operations.

RECENT DEVELOPMENTS

On June 20, 2000, Steven Madden, the Company's former Chairman and Chief Executive Officer, was indicted in the United States District Courts for the Southern District and Eastern District of New York. The indictments alleged that Mr. Madden engaged in securities fraud and money laundering activities. In addition, the Securities and Exchange Commission filed a complaint in the United States District Court for the Eastern District of New York alleging that Mr. Madden violated Section 17(a) of the Securities Exchange Act of 1934, as amended. On May 23, 2001, Steven Madden entered into a plea agreement with the U.S. Attorney's Office related to the federal charges filed against him. In addition, Mr. Madden reached a separate settlement agreement with the Securities and Exchange Commission regarding the allegations contained in its complaint. As a result, Mr. Madden resigned as the Company's Chief Executive Officer and as a member of the Company's Board of Directors effective July 1, 2001. Mr. Madden has agreed to serve as the Company's Creative and Design Chief, a non-executive position. It is expected that Mr. Madden will be sentenced in September 2001 and will return to work for the Company as its Creative and Design Chief following his incarceration. Under the settlement agreement with the Securities and Exchange Commission, Mr. Madden has agreed to not serve as an officer or director of a publicly traded company for 7 years.

Neither the indictments nor the Securities and Exchange Commission complaint allege any wrongdoing by the Company or its other officers and directors. In connection with Steven Madden relinquishing his position as Chief Executive Officer of the Company, the Company entered into an amended employment agreement with Steven Madden and new employment agreements with Charles Koppelman (pursuant to which Mr. Koppelman will serve as the Company's Executive Chairman of the Board of Directors) and Jamieson Karson (pursuant to which Mr. Karson will serve as the Company's Chief Executive Officer and Vice Chairman of the Board of Directors).

On March 14, 2001, the Company became aware that the Securities and Exchange Commission had issued a formal order of investigation with respect to trading in the Company's securities. The Company has reason to believe that the Staff is investigating possible securities law violations by persons trading in the Company's securities prior to June 20, 2000 who may have been in possession of alleged material, non-public information. As previously disclosed on Form 4's filed with the Securities and Exchange Commission, certain officers and directors of the Company sold shares of the Company's common stock during 1999 and the first half of 2000. Each of such officers and directors has denied having knowledge of any material, non-public information prior to engaging in such transactions.

Part II

Item 1. Legal Proceedings

Except as set forth below, no material legal proceedings are pending to which the Company or any of its property is subject.

As of May 9, 2001, eight putative securities fraud class action lawsuits have been commenced in the United States District Court for the Eastern District of New York against the Company, Steven Madden and, in five of the actions, Rhonda J. Brown and Arvind Dharia. These actions are captioned: Wilner v. Steven Madden, Ltd., et al., 00 CV 3676 (filed June 21, 2000); Connor v. Steven Madden, et al., 00 CV 3709 (filed June 22, 2000); Blumenthal v. Steven Madden, Ltd., et al., 00 CV 3709 (filed June 23, 2000); Curry v. Steven Madden, Ltd., et al., 00 CV 3766 (filed June 26, 2000); Dempster v. Steven Madden Ltd., et al., 00 CV 3702 (filed June 30, 2000); Salafia v. Steven Madden, Ltd., et al., 00 CV 4289 (filed July 24, 2000); Fahey v. Steven Madden, Ltd., et al., 00 CV 4712 (filed August 11, 2000); Process Engineering Services, Inc. v. Steven Madden, Ltd., et al., 00 CV 5002 (filed August 22, 2000). By Order dated December 8, 2000, the Court consolidated these eight actions, appointed Process Engineering, Inc., Michael Fasci and Mark and Libby Adams as lead plaintiffs and approved their selection of lead counsel. On February 26, 2001, Plaintiffs served a Consolidated Amended Complaint. The amended complaint principally alleges that the Company and the individual defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under the 1934 Act by issuing false and misleading statements, and failing to disclose material adverse information, generally relating to matters arising from Mr. Madden's June 2000 indictment. The plaintiffs seek an unspecified amount of damages, costs and expenses on behalf of themselves and all other purchasers of the Company's common stock during the period June 21, 1997 through June 20, 2000. The Company believes it has substantial defenses to the claims. On April 19, 2001, all of the defendants served motions to dismiss the Consolidated Amended Complaint. Plaintiffs have indicated that they intend to file a second amended consolidated Complaint by August 31, 2001. Defendants accordingly will withdraw without prejudice their previously filed motions and then have 45 days after service of the new pleading to file their responses. The Company believes that it has substantial defense to the claims. The resulting liability, if any, cannot presently be determined.

On or about September 26, 2000, a putative shareholders derivative action was commenced in the United States District Court for the Eastern District of New York, captioned Herrera v. Steven Madden and Steven Madden, Ltd., 00 CV 5803 (JG). The Company is named as a nominal defendant in the action. The complaint seeks to recover alleged damages on behalf of the Company from Mr. Madden arising from his June 2000 indictment and to require him to disgorge certain profits, bonuses and stock option grants he received. On January 3, 2001, plaintiff filed an Amended Shareholder's Derivative Complaint. On February 2, 2001, both the Company and Mr. Madden filed motions to dismiss the Amended Complaint because of plaintiff's failure to make a pre-litigation demand upon the Company's board of directors. Following completion of briefing on the motions, the court granted plaintiffs' request to file a second amended Complaint by September 17, 2001 which will have the effect of deferring consideration of defendants' pending motions. The resulting liability, if any, cannot presently be determined.

On March 14, 2001, the Company became aware that the Securities and Exchange Commission had issued a formal order of investigation with respect to trading in the Company's securities. The Company has reason to believe that the Staff is investigating possible securities law violations by persons trading in the Company's securities prior to June 20, 2000 who may have been in possession of alleged material, non-public information. As previously disclosed on Form 4's filed with the Securities and Exchange Commission, certain officers and directors of the Company sold shares of the Company's common stock during 1999 and the first half of 2000. Each of such officers and directors has denied having knowledge of any material, non-public information prior to engaging in such transactions.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

1. Second Amended Employment Agreement dated as of May 21, 2001 by and between the Company and Steven H. Madden.
2. Employment Agreement dated as of May 21, 2001 by and between the Company and Charles Koppleman.
3. Employment Agreement dated as of May 21, 2001 by and between the Company and Jamieson Karson.
4. Amendment No. 1 to Employment Agreement dated as of June 29, 2001 by and between the Company and Arvind Dharia.
5. Employment Agreement dated as of June 29, 2001 by and between Adesso-Madden, Inc. and Gerald Mongeluzo.
6. Employment Agreement dated as of June 29, 2001 by and between Steven Madden Retail, Inc. and Mark Jankowski.

(b) Reports on Form 8-K

1. Reports on Form 8-K filed with the Securities and Exchange Commission on May 24, 2001 with respect to Item 5.

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.

STEVEN MADDEN, LTD

/s/ Arvind Dharja

Arvind Dharja
Chief Financial Officer

DATE: August 14, 2001

SECOND AMENDED EMPLOYMENT AGREEMENT

SECOND AMENDED EMPLOYMENT AGREEMENT, dated as of May 21, 2001, 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 300 Mercer Street, New York, New York 10003 ("Employee").

WITNESSETH:

WHEREAS, Employee is the founder of the Corporation and has been the Chief Executive Officer and a director of the Corporation since its inception 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 was amended by an amended employment agreement dated as of July 29, 1997 and amended as of February 28, 2000 (the "Prior Employment Agreement"), which Prior Employment Agreement has a term ending on December 31, 2009;

WHEREAS, the Corporation and Employee believe that it is in the best interests of the Corporation for Employee to assume the duties of 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 future 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 take on the position of Creative and Design Chief, (ii) provide for stricter restrictions on Employee's ability to compete with, or solicit employees from, the Corporation and (iii) set forth the respective rights of the Corporation and Employee to Employee's Name;

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 artists for shoes, apparel, accessories and other products, (iii) coordinating the artistic and promotional aspects (but not the financial aspects) of the advertising and marketing activities of the Corporation and (iv) 'representing' the Corporation in the fashion industry. During the Term 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 July 1, 2001 and ending on June 30, 2011 (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 Seven Hundred Thousand Dollars (\$700,000) for his services hereunder, less such deductions as shall be required to be withheld by

applicable law and regulations. 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 (the "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 ("EBITDA"). The determination of EBITDA for any fiscal year shall give effect to all bonuses (including the bonus provided for in this Section 4.3) accrued or payable for such fiscal year to Employee and all other employees of the Corporation. 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 months, which Cash Bonus shall be pro-rated 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 approval by the Corporation's stockholders of the Amendment of the Corporation's 1999 Stock Plan (the "1999 Plan") and subject to availability of shares under such 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 2002) (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 150% of the largest aggregate amount of annual option grants to any other continuing full-time employee of the Corporation (excluding sign-on or other grants outside of the ordinary course of such employee's employment) over the twelve (12) months up to and including the applicable Grant Date or otherwise with respect to the same option period, provided, however, that 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 Corporation's 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 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.

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 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, 2011.

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.

The Corporation acknowledges that Employee is currently involved in discussions with certain governmental authorities related to an ongoing investigation that may result in his being unavailable to the Corporation for a period of time, and the Corporation agrees that (i) such investigation and any actions, proceedings, pleadings or convictions resulting from such investigation and (ii) any inability of Employee to perform services as a result of any settlement or determination relating to such investigation, shall not be deemed grounds for termination "For Cause."

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:

(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) three (3) times the total compensation received by Employee pursuant to Sections 4.1, 4.3 and 4.6 of this Agreement for the preceding 12-month period ending December 31.

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(b) In the event that any payment (or portion thereof) to Employee under Section 5.5(a) is determined to constitute an "excess parachute payment," under Sections 280G and 4999 of the Code, the following calculations shall be made:

(i) The after-tax value to Employee of the payments under Section 5.5(a) without any reduction; and

(ii) the after-tax value to Employee of the payments under Section 5.5(a) as reduced to the maximum amount (the "Maximum Amount") which may be paid to Employee without any portion of the payments constituting an "excess parachute payment".

If after applying the agreed upon calculations set forth above, it is determined that the after-tax value determined under clause (ii) above is greater than the after-tax value determined under clause (i) above, the payments to Employee under Section 5.5(a) shall be reduced to the Maximum Amount.

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), 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.

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 for a period of one hundred eighty (180) consecutive days or for any two hundred seventy (270) days out of any three hundred and sixty (360) day period, and before Employee has become "Rehabilitated" (as hereinbelow 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." 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 in the 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, prior to the time such disability is deemed a Total 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, products, know-how, costs, marketing, promotion, sales activities, trading, investment, 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 (i) June 30, 2011 or (ii) the date which is twelve (12) months after the date Employee is no longer employed by the Corporation, provided, however, that in the event Employee's employment is terminated pursuant to Section 5.5, the "Restricted Period" shall mean the period commencing on the date hereof and ending on the date which is twelve (12) months after the date Employee's employment is so terminated. 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) The provisions of this Section 9 shall survive the termination of Employee's employment as provided 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 competing business, to enjoin such competing business from receiving Employee or using any such confidential information, and/or to enjoin Employee from rendering personal services to or in connection with such competing business. 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 HEADING. 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 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.

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

STEVEN MADDEN, LTD.

By: /s/ CHARLES KOPPELMAN

Name: Charles Koppelman
Title: Chairman of the Board

/s/ STEVEN MADDEN

Steven Madden

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of May 21, 2001, 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 CHARLES KOPPELMAN, an individual residing at 34 Glenwood Road, Roslyn Harbor, New York 11756 ("Executive").

WITNESSETH:

WHEREAS, Executive has served as a director of the Corporation since 1998 and is currently the acting Chairman of the Board of Directors of the Corporation;

WHEREAS, the Corporation and Executive believe that it is in the best interests of the Corporation for Executive to assume the duties of Executive Chair;

WHEREAS, in connection with Executive's service as Chairman, pursuant to a letter dated July 25, 2000 (the "Option Letter"), the Corporation agreed to grant Executive an option to purchase 75,000 shares of common stock of the Corporation at an exercise price of \$7.00 per share on May 31, 2001 and the Corporation agreed to grant Executive an option to purchase 75,000 shares of common stock of the Corporation on each of the following dates: May 31, 2002, May 31, 2003 and May 31, 2004;

WHEREAS, in connection with Executive's assumption of the duties of Executive Chair, the Corporation and Executive desire to terminate the Corporation's obligation to grant Executive options pursuant to the Option Letter (except for the Corporation's obligation to grant Executive options on May 31, 2001) and the Corporation agrees to grant Executive options to acquire common stock of the Corporation as provided for herein; and

WHEREAS, subject to the terms and considerations hereinafter set forth, the Corporation wishes to employ Executive in the positions set forth herein and Executive wishes to accept such employment.

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 Executive and Executive hereby accepts such employment, as an executive of the Corporation, subject to the terms and conditions set forth in this Agreement.

Section 2. DUTIES. Executive shall serve as Executive Chairman of the Corporation's Board of Directors and shall properly perform such duties as may be assigned to him from time to time by the Board of Directors of the

Corporation. If requested by the Corporation's Board of Directors, Executive shall serve on any committee of the Corporation's Board of Directors without additional compensation. During the Term of this Agreement, Executive shall devote a substantial amount of his business time and efforts to the performance of his duties hereunder as requested by the Board of Directors.

Section 3. TERM OF EMPLOYMENT. The term of Executive's employment, unless sooner terminated as provided herein, shall be for a period of two (2) years commencing July 1, 2001 and ending on June 30, 2003 (the "Term").

Section 4. COMPENSATION OF EXECUTIVE.

4.1 BASE SALARY. During the Term, the Corporation shall pay to Executive an annual base salary of One Hundred Twenty Five Thousand Dollars (\$125,000) for his services hereunder, less such deductions as shall be required to be withheld by applicable law and regulations. Executive's base salary, as in effect at any time, is hereinafter referred to as the "Base Salary."

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

4.3 STOCK OPTION GRANTS.

(a) INITIAL OPTIONS. The Corporation agrees that, on the date of the Corporation's next annual meeting, Executive shall be granted options to acquire 100,000 shares of common stock of the Corporation (the "Initial Options"). The grant of the Initial Options is conditioned upon

approval by the Corporation's stockholders of the Amendment of the Corporation's 1999 Stock Plan. The Initial Options (i) shall be granted pursuant to the Corporation's 1999 Stock Plan (ii) shall vest quarterly over the one year period following the date of grant and (iii) shall be exercisable after vesting at an exercise price equal to the closing market price on the trading day immediately prior to the Corporation's next annual meeting for the five year period following the date of grant, provided, however, that if Executive ceases to be either an employee or director of the Corporation, the exercise period shall be shortened in accordance with the Corporation's 1999 Stock Plan.

(b) INITIAL STOCK GRANT. On the date of the Corporation's next annual meeting, the Corporation shall grant Executive 10,000 shares of restricted common stock (the "Restricted Shares"). The restrictions on twenty five percent (25%) of the Restricted Shares shall lapse, and such Restricted Shares shall become unrestricted, at the end of each of the four quarters following the date of grant. In the event Executive ceases to be either an employee or director of the Corporation, the ownership of any Restricted Shares granted pursuant to this Section 4.3(b) that have not become unrestricted prior to the date that Executive ceases to be either an employee or director of the Corporation shall revert to the Corporation.

(c) OPTIONS PURSUANT TO OPTION LETTER. The Corporation agrees that pursuant to the Option Letter, on May 31, 2001, Executive shall be granted options to acquire 75,000 shares of common stock of the Corporation (the "Letter Options"). The grant of the Letter Options is conditioned upon approval by the Corporation's stockholders of the Amendment of the Corporation's 1999

Stock Plan. The Letter Options (i) shall be granted pursuant to the Corporation's 1999 Stock Plan, (ii) shall vest on May 31, 2001 and (iii) shall be exercisable at an exercise price of \$7 for a period of five years from the date of grant, provided, however, that if Executive ceases to be either an employee or director of the Corporation, the exercise period shall be shortened in accordance with the Corporation's 1999 Stock Plan.

(d) TERMINATION OF OPTION LETTER; GRANT OF ANNUAL OPTIONS. The Corporation and Executive agree that, except for the obligation to grant options pursuant to Section 4.3(c), all obligations of the Corporation pursuant to the Option Letter shall be terminated and in lieu thereof, the Corporation agrees to make an annual option grant (each, an "Annual Option") to Executive on the following terms:

(i) an option to acquire 100,000 shares shall be granted on the date the Corporation's annual meeting is held in each of 2002, 2003, 2004 (each, a "Grant Date");

(ii) the Annual Options granted pursuant to this Agreement shall be granted pursuant to the Corporation's 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;

(iii) 25% of each Annual Option will vest at the end of each of the four full calendar quarters after the applicable Grant Date;

(iv) the exercise price for the Annual Options shall be the lesser of (i) the closing market price on the applicable Grant Date or (ii) \$13.50; and

(v) each Annual Option shall be exercisable after vesting for a period of five years from the Grant Date, provided, however, that if Executive ceases to be either an employee or director of the Corporation, the exercise period shall be shortened in accordance with the stock plan under which the Annual Option was granted.

In the event Executive ceases to be either an employee or director of the Corporation any Annual Option not yet granted pursuant to this Section 4.3(d) shall be forfeited as of the date Executive ceases to be either an employee or director of the Corporation, provided, however, that if Executive's employment shall have been terminated (or not extended) (i) by the Corporation other than For Cause or (ii) by Executive for Good Reason, then, in either case, any Annual Option not yet granted pursuant to this Section 4.3(d) shall be deemed to have been granted as of the date prior to the date of such termination.

4.4 EXPENSES. During the Term, the Corporation shall promptly reimburse Executive for all reasonable and necessary travel expenses and other disbursements incurred by Executive on behalf of the Corporation in performance of Executive's duties hereunder, assuming Executive 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 senior executives.

4.5 NON-ACCOUNTABLE EXPENSE ALLOWANCE. The Corporation shall provide to Executive an annual One Hundred Twenty Five Thousand Dollar (\$125,000) non-accountable expense allowance, which amount will be payable on a monthly basis.

4.6 BENEFITS. During the Term, Executive 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 senior executives.

Section 5. TERMINATION.

5.1 DEATH OR TOTAL DISABILITY. This Agreement shall terminate upon Executive's death or "Total Disability" (as defined in Section 6.1 below), and the Corporation shall be released from all obligations to Executive with respect to this Agreement, except obligations accrued prior to such termination.

5.2 TERMINATION FOR OTHER THAN DEATH OR DISABILITY. In the event Executive resigns or this Agreement is terminated (by either party) for any reason or due to a Change of Control (as set forth in Section 5.3 hereof), then upon such occurrence, this Agreement shall be deemed terminated and the Corporation shall be released from all obligations to Executive with respect to this Agreement, except obligations that accrued prior to such termination.

5.3 CHANGE OF CONTROL. In the event of a Change of Control of the Corporation, (i) all outstanding unvested options granted to Executive prior to such Change of Control shall immediately vest, (ii) if Executive is an employee or director of the Corporation at the time of such Change of Control, all Annual Options which have not been granted pursuant to Section 4.3(d) prior to such Change of Control shall immediately be granted and vest and (iii) the exercise price of all outstanding unexercised options granted pursuant to Section 4 of this Agreement shall be reduced to \$7.00.

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 an injurious effect on the Corporation;

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

(c) gross negligence or willful misconduct in the conduct of Executive's duties or willful or repeated failure or refusal to perform such duties as may be delegated to Executive by the Office of the Chair (or, if no Office of the Chair exists, by the Board of Directors) which are consistent with Executive's position, and that as to any conduct concerning this subsection (c), such conduct is not corrected by Executive within fourteen (14) days following receipt by Executive of written notice from the Office of the Chair (or, if no Office of the Chair exists, from the Board of Directors), such notice to state with specificity the nature of the breach, failure or refusal, gross negligence or willful misconduct related to Executive's employment with the Corporation.

5.5 "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.

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

(a) the assignment to Executive, 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 Executive;

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

(c) a reduction by the Corporation of Executive's Base Salary as in effect as contemplated hereunder or a reduction in any formula used in computing Executive's compensation pursuant to Section

4 of this Agreement, except in connection with the termination of Executive's employment by the Corporation For Cause or due to Total Disability pursuant to the requirements of this Agreement;

(d) any termination of Executive'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 Executive;

(f) the relocation of Executive's work location, without Executive'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 Executive.

Section 6. DISABILITY.

6.1 TOTAL DISABILITY. In the event that after Executive has failed, due to a disability, to have performed his regular and customary duties for a period of ninety (90) consecutive days or for any one hundred eighty (180) days out of any three hundred and sixty (360) day period, and before Executive has become "Rehabilitated" (as hereinbelow defined) a majority of the members of the Board of Directors of the Corporation, exclusive of Executive, may vote to determine that Executive 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, Executive shall be deemed to be suffering from a "Total Disability." As used herein, the term "Rehabilitated" shall mean such time as Executive is willing, able and commences to devote his time and energies to the affairs of the Corporation to the extent and in the manner that he did so prior to his disability.

6.2 PAYMENT DURING DISABILITY. In the event Executive is unable to perform his duties hereunder by reason of a disability, prior to the time such disability is deemed a Total Disability in accordance with the provisions of Section 6.1 above, the Corporation shall continue to pay Executive his Base Salary pursuant to Section 4.1 during the continuance of any such disability.

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

Section 8. DISCLOSURE OF CONFIDENTIAL INFORMATION. Executive 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, products, know-how, costs, marketing, promotion, sales activities, trading, investment, credit and

financial data, manufacturing processes, financing methods, profit formulas, customer names, customer requirements and supplier names. Executive 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, Executive will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any information acquired by Executive 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 Executive's employment hereunder.

Section 9. COVENANT NOT TO COMPETE.

(a) Executive 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 Executive agree, and accordingly, Executive does hereby agree that, except as provided in Subsection (c) below, he shall not, directly or indirectly:

(i) at any time during the Term of this Agreement within the Restricted Area (as 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; and

(ii) at any time during the twelve (12) month period following the date Executive is no longer employed by the Corporation, engage in the design, manufacture, sale, marketing or distribution of branded or designer footwear, 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) Executive hereby agrees that he will not, directly or indirectly, for or on behalf of himself or any third party, at any time during the Term of this Agreement (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 Executive 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 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 branded or designer footwear.

Section 10. MISCELLANEOUS.

10.1 ENFORCEMENT OF COVENANTS. The parties hereto agree that Executive 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 Executive 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. Executive 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 Executive, without the posting of a bond, in the event of any breach or threatened breach by Executive of any provision of this Agreement (including, but not limited to the provisions of Sections 8 and 9). Without limiting the generality of the foregoing, if Executive breaches any provision of Section 8 or 9 hereof, such breach will entitle the Corporation to enjoin Executive from disclosing any confidential information to any competing business and/or to enjoin such competing business from using any such confidential information. 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.

10.2 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, 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.

10.3 ASSIGNMENTS. Neither Executive 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 5.3 hereof).

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

10.5 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.

10.6 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.

10.7 HEADING. 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.

10.8 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.

10.9 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 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.

10.10 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.

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

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chief Executive Officer

/s/ CHARLES KOPPELMAN

Charles Koppelman

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of May 21, 2001, 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 JAMIESON KARSON, an individual residing at 940 Browers Point Branch, Woodmere, New York, 11598 ("Executive").

WITNESSETH:

WHEREAS, subject to the terms and considerations hereinafter set forth, the Corporation wishes to employ Executive in the positions set forth herein and Executive wishes to accept such employment.

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 Executive and Executive hereby accepts such employment, as an executive of the Corporation, subject to the terms and conditions set forth in this Agreement.

Section 2. DUTIES. Executive shall serve as Chief Executive Officer and Vice Chairman of the Corporation's Board of Directors (the "Board of Directors") and shall properly perform such duties as may be assigned to him from time to time by the Office of the Chair (or, if no Office of the Chair exists, by the Board of Directors). If requested by the Office of the Chair (or, if no Office of the Chair exists, by the Board of Directors), Executive shall serve on any committee of the Board of Directors without additional compensation. During the Term of this Agreement, Executive 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. Executive 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 Executive's employment, unless sooner terminated as provided herein, shall be for a period of three (3) years commencing July 1, 2001 and ending on June 30, 2004 (as may be extended from time to time, the "Term"). The Term shall be automatically extended for successive one year periods thereafter unless the Corporation notifies Executive in writing of its intention not to so extend the Term at least three (3) months prior to the end of the original or any extended Term.

Section 4. COMPENSATION OF EXECUTIVE.

4.1 BASE SALARY. Corporation shall pay to Executive an annual base salary for his services hereunder of Three Hundred Seventy Five Thousand Dollars (\$375,000), less such deductions as shall be required to be

withheld by applicable law and regulations. On each July 1st during the Term (commencing on July 1, 2002), Executive shall be entitled to receive a 10% increase in his base salary if the Corporation's net income (as reported by the Corporation in its quarterly and annual reports filed with the Securities Exchange Commission) (the "Net Income") for the four (4) calendar quarters ending on the most recent June 30th is greater than the Net Income for the four (4) calendar quarters ending on the preceding June 30th. Executive's base salary, as in effect at any time, is hereinafter referred to as the "Base Salary."

4.2 TIME OF PAYMENT. Executive's Base Salary shall be paid in substantially equal installments on a basis consistent with the Corporation's payroll practices for senior executives. The Corporation shall determine whether Executive is entitled to an increase in Base Salary pursuant to Section 4.1 above as promptly as practicable after each June 30th during the Term and any such increase shall be paid retroactively to July 1st of such year.

4.3 ANNUAL BONUS. The Corporation shall pay Executive a \$100,000 cash bonus for fiscal year 2001, which bonus shall be paid no later than April 15, 2002 and pro-rated for the actual number of months in fiscal year 2001 that Executive is employed under this Agreement. For each fiscal year that occurs during the Term (other than fiscal year 2001), the Corporation shall pay Executive a cash bonus in an amount determined by the Board of Directors, which amount shall be not less than four percent (4%) of the increase in the Corporation's earnings before interest, tax, depreciation and amortization ("EBITDA") for such fiscal year over the EBITDA of the prior fiscal year (the "Cash Bonus"). The determination of EBITDA for any fiscal year shall give effect

to all bonuses (including the bonus provided for in this Section 4.3) accrued or payable for such fiscal year to Executive and all other employees of the Corporation. Executive'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 Executive no later than April 15 of the year immediately following such fiscal year.

4.4 INITIAL STOCK OPTION GRANT. The Corporation agrees that, on the date of the Corporation's next annual meeting, Executive shall be granted options to acquire 100,000 shares of common stock of the Corporation (the "Initial Options"). The grant of the Initial Options is conditioned upon approval by the Corporation's stockholders of the Amendment of the Corporation's 1999 Stock Plan. The Initial Options (i) shall be granted pursuant to the Corporation's 1999 Stock Plan, (ii) shall vest quarterly over one year from the date of grant and (iii) shall be exercisable after vesting at an exercise price equal to the closing market price on the trading day immediately prior to the Corporation's next annual meeting for the five year period following the date of grant, provided, however, that if Executive ceases to be either an employee or director of the Corporation, the exercise period shall be shortened in accordance with the Corporation's 1999 Stock Plan.

4.5 INITIAL STOCK GRANT. On the date of the Corporation's next annual meeting, the Corporation shall grant Executive 10,000 shares of restricted common stock (the "Restricted Shares"). The restrictions on twenty five percent (25%) of the Restricted Shares shall lapse, and such Restricted Shares shall become unrestricted, at the end of each of the four full calendar quarters following the date of the Corporation's next annual meeting. In the event Executive ceases to be either an employee or director of the Corporation, the ownership of any Restricted Shares granted pursuant to this Section 4.5 that

have not become unrestricted prior to the date that Executive ceases to be either an employee or director of the Corporation shall revert to the Corporation.

4.6 ANNUAL STOCK OPTION GRANT. Subject to the approval by the Corporation's stockholders of the Amendment of the Corporation's 1999 Stock Plan (the "1999 Plan") and subject to availability of shares under such 1999 Plan or any other qualified or non-qualified stock incentive plan designated by the Board of Directors and approved by the 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 2002) (each, a "Grant Date"), Executive shall be granted an option ("Annual Option") to purchase a number of shares of common stock of the Corporation equal to the dollar amount of the Cash Bonus Executive received for the previous fiscal year, provided, however, that in no event shall the number of shares subject to any Annual Option be greater than 100,000. The Annual Options granted pursuant to this Agreement shall be granted pursuant to the Corporation's 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 Executive ceases to be either an employee or director of the Corporation, the exercise period shall be shortened in accordance with the stock plan under which the Annual Option was granted.

4.7 EXPENSES. During the Term, the Corporation shall promptly reimburse Executive for all reasonable and necessary travel expenses and other disbursements incurred by Executive on behalf of the Corporation in performance of Executive's duties hereunder, assuming Executive 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 senior executives.

4.8 AUTOMOBILE ALLOWANCE. The Corporation shall, at the direction of Executive, either reimburse Executive for, or directly pay the costs of, Executive's use of an automobile in connection with the performance of his duties hereunder during the Term of this Agreement and all usual expenditures in connection therewith; i.e., fuel, insurance, parking, customary maintenance and repairs, etc., provided, however, that expenses either reimbursed or paid pursuant to this Section shall not exceed Ten Thousand Dollars (\$10,000) for any year.

4.9 BENEFITS. During the Term, Executive 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 senior executives.

4.10 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 Executive 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 4.10 shall survive the termination of this Agreement.

4.11 LOANS TO EXECUTIVE. From time to time during the Term, at Executive's request, Executive may borrow funds from the Corporation, provided, that, at any time the aggregate amount of any such borrowings shall not exceed the amount of Executive's remuneration that has been deferred pursuant to Section 4.10. Executive 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.

Section 5. TERMINATION.

5.1 DEATH OR TOTAL DISABILITY.

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

(b) Total Disability. In the event Executive 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 Executive 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; EXECUTIVE'S RESIGNATION. In the event Executive is discharged "For Cause" (as defined below) or in the event Executive 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 Executive with respect to this Agreement, except obligations accrued prior to such termination.

5.3 TERMINATION OTHER THAN FOR CAUSE. In the event (i) Executive is discharged other than "For Cause" or due to his death or "Total Disability," or (ii) the Corporation notifies Executive that the Corporation has elected to not extend the Term of this Agreement as provided in Section 3, then the Corporation shall pay the following amount to Executive: the product of (i) Executive's Base Salary on the date of such termination (or, in the case of a non-extension, the date on which the Term of this Agreement would expire after such non-extension) plus the Cash Bonus paid (or payable) to Executive for the fiscal year ending on the December 31 immediately preceding the date of such termination (or, in the case of a non-extension, the date on which the Term of this Agreement would expire after such non-extension) (if such immediately preceding fiscal year is 2001, plus \$100,000) multiplied by (ii) the greater of (A) the number of years (and fractions of years) remaining on the Term or (B) two. Such amount shall be paid over a two year period from the date of termination (or, in the case of a non-extension, from the date on which the Term of this Agreement would expire after such non-extension) in substantially equal installments on a basis consistent with the payroll schedule applied to Executive during the Term of this Agreement. Notwithstanding anything to the

contrary herein, the Corporation will have no obligation to make any payments to Executive in connection with the Corporation's election not to extend the Term beyond Executive's 60th birthday.

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 an injurious effect on the Corporation;

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

(c) gross negligence or willful misconduct in the conduct of Executive's duties or willful or repeated failure or refusal to perform such duties as may be delegated to Executive by the Office of the Chair (or, if no Office of the Chair exists, by the Board of Directors) which are consistent with Executive's position, and that as to any conduct concerning this subsection (c), such conduct is not corrected by Executive within fourteen (14) days following receipt by Executive of written notice from the Office of the Chair (or, if no Office of the Chair exists, from the Board of Directors), such notice to state with specificity the nature of the breach, failure or refusal, gross negligence or willful misconduct related to Executive'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, Executive's employment shall have been terminated by the Corporation (other than For Cause) or by Executive for Good Reason:

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

(ii) the Corporation shall make a lump sum cash payment to Executive 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) three (3) times the total compensation received by Executive pursuant to Sections 4.1 and 4.3 of this Agreement for the preceding 12-month period ending December 31.

(b) In the event that any payment (or portion thereof) to Executive under Section 5.5(a) is determined to constitute an "excess parachute payment," under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended, the following calculations shall be made:

(i) The after-tax value to Executive of the payments under Section 5.5(a) without any reduction; and

(ii) the after-tax value to Executive of the payments under Section 5.5(a) as reduced to the maximum amount (the "Maximum Amount") which may be paid to Executive without any portion of the payments constituting an "excess parachute payment".

If after applying the agreed upon calculations set forth above, it is determined that the after-tax value determined under clause (ii) above is greater than the after-tax value determined under clause (i) above, the payments to Executive under Section 5.5(a) shall be reduced to the Maximum Amount.

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 Executive, 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 Executive;

- (b) any removal of Executive, without his consent, from any positions or offices Executive held as contemplated hereunder (except in connection with the termination of Executive's employment by the Corporation For Cause or on account of Total Disability pursuant to the requirements of this Agreement), if not remedied by the Corporation within thirty (30) days after receipt of written notice thereof from Executive;
- (c) a reduction by the Corporation of Executive's Base Salary as in effect as contemplated hereunder or a reduction in any formula used in computing Executive's compensation pursuant to Section 4 of this Agreement, except in connection with the termination of Executive's employment by the Corporation For Cause or due to Total Disability pursuant to the requirements of this Agreement;
- (d) any termination of Executive'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 Executive;
- (f) the relocation of Executive's work location, without Executive'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 Executive.

Section 6. DISABILITY.

6.1 TOTAL DISABILITY. In the event that after Executive has failed, due to a disability, to have performed his regular and customary duties for a period of ninety (90) consecutive days or for any one hundred eighty (180) days out of any three hundred and sixty (360) day period, and before Executive has become "Rehabilitated" (as hereinbelow defined) a majority of the members of the Board of Directors, exclusive of Executive, may vote to determine that Executive 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, Executive shall be deemed to be suffering from a "Total Disability." As used herein, the term "Rehabilitated" shall mean such time as Executive is willing, able and commences to devote his time and energies to the affairs of the Corporation to the extent and in the manner that he did so prior to his disability.

6.2 PAYMENT DURING DISABILITY. In the event Executive is unable to perform his duties hereunder by reason of a disability, prior to the

time such disability is deemed a Total Disability in accordance with the provisions of Section 6.1 above, the Corporation shall continue to pay Executive 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 Executive 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. Executive shall be entitled to a vacation of four (4) weeks per year, during which period his Base Salary shall be paid in full. Executive shall take his vacation at such time or times as Executive and the Corporation shall determine is mutually convenient.

Section 8. DISCLOSURE OF CONFIDENTIAL INFORMATION. Executive 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, products, know-how, costs, marketing, promotion, sales activities, trading, investment, credit and financial data, manufacturing processes, financing methods, profit formulas, customer names, customer requirements and supplier names. Executive 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, Executive will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any information acquired by Executive 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 Executive's employment hereunder.

Section 9. COVENANT NOT TO COMPETE.

(a) Executive 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 Executive agree, and accordingly, Executive 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 such 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. The Corporation acknowledges that Executive is currently a ten percent (10%) stockholder of Jackarle, Inc., a privately-held, New York retail apparel corporation and the Corporation agrees that such ownership interest does not violate the restrictions set forth in this Section 9(a).

(b) Executive 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 Executive 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 of Executive's actual employment hereunder plus twenty-four (24) months after the date Executive 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) The provisions of this Section 9 shall survive the termination of Executive's employment as provided hereunder.

Section 10. REASONABLENESS OF COVENANTS. Executive 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 and 9 hereof. Executive 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. Executive further acknowledges that, in the event any provision of Sections 8 and 9 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 11. MISCELLANEOUS.

11.1 ENFORCEMENT OF COVENANTS. The parties hereto agree that Executive 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 Executive 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. Executive 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 Executive, without the posting of a bond, in the event of any breach or threatened breach by Executive of any provision of this Agreement (including, but not limited to the provisions of Sections 8 and 9). Without limiting the generality of the foregoing, if Executive breaches any provision of Section 8 or 9 hereof, such breach will entitle the Corporation to enjoin Executive from disclosing any

confidential information to any competing business, to enjoin such competing business from receiving Executive or using any such confidential information, and/or to enjoin Executive from rendering personal services to or in connection with such competing business. 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.

11.2 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, 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.

11.3 ASSIGNMENTS. Neither Executive 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).

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

11.5 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.

11.6 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.

11.7 HEADING. 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.

11.8 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.

11.9 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 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.

11.10 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.

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

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chief Executive Officer

/s/ JAMIESON KARSON

Jamieson Karson

This Amendment No. 1 dated as of June 29, 2001 (this "Amendment") to that certain Employment Agreement, by and between Steven Madden, Ltd., a Delaware corporation (the "Company"), and Arvind Dharia (the "Executive").

W I T N E S S E T H:

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WHEREAS, the Company and the Executive are parties to that certain Employment Agreement dated as of January 1, 1998, a copy of which is attached hereto as Exhibit A (the "Original Agreement"); and

WHEREAS, the Executive and the Company desire to amend the Original Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Effective as of the date hereof, the Original Agreement is hereby amended as follows:

A. The first sentence of Section 3 shall be deleted in its entirety and in lieu thereof the following sentence shall be inserted:

"The term of this Agreement, unless sooner terminated in accordance with the provisions set forth herein, shall be for the period commencing on the date hereof and terminating on December 31, 2005 (the "Term")."

B. The last sentence (marked by brackets) of Section 3 shall be deleted in its entirety.

C. Section 4.1 shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

"Section 4.1. Salary.

The Company shall pay to Executive an annual base salary of (i) One Hundred Sixty Nine Thousand Four Hundred Dollars (\$169,400) until September 30, 2001, (ii) Two Hundred Thousand Dollars (\$200,000) from October 1, 2001 through December 31, 2002, (iii) Two Hundred Twenty Thousand Dollars (\$220,000) from January 1, 2003 through December 31, 2003, (iv) Two Hundred Thirty Four Thousand Dollars (\$234,000) from

January 1, 2004 through December 31, 2004 and (v) Two Hundred Forty Thousand Dollars (\$240,000) from January 1, 2005 through December 31, 2005, less such deductions as shall be required to be withheld by applicable laws and regulations. Executive's base salary, as in effect at any time is hereinafter referred to as the "Base Salary." The Base Salary payable to Executive shall be paid at such regular weekly, biweekly or semi-monthly time or times as the Company makes payment of its regular payroll in the regular course of business."

D. Section 4.2 shall be deleted in its entirety and the following paragraphs shall be inserted in lieu thereof:

"Section 4.2. Bonuses.

(a) Options. Subject to the approval by the stockholders of the most recent amendment to the Company's 1999 Stock Plan (as amended, the "1999 Plan") and subject to availability of shares under such 1999 Plan or any other qualified or non-qualified stock incentive plan designated by the Board of Directors and approved by the stockholders of the Company, the Executive shall receive an option to purchase 40,000 shares of Common Stock (the "Annual Option") on June 30, 2001 and every June 30th of each year during the Term (each, a "Grant Date"). The Annual Options shall vest quarterly commencing on the Grant Date and on the last day of each fiscal quarter thereafter. The exercise price shall be equal to the lesser of (i) the average closing bid price of the Company's shares of Common Stock as reported by the Nasdaq Stock Market or such other exchange on which the Common Stock shall be listed on the Grant Date or (ii) June 30th of the year in which the Grant Date shall occur, if the Grant Date shall not be June 30th. The vested Annual Options shall be exercisable at any time after the Grant Date for a period of seven (7) years following the Grant Date.

(b) Signing Bonus. On the date of this Amendment, the Company shall pay to the Executive a cash bonus equal to Fifty Thousand Dollars (\$50,000).

(c) Annual Cash Bonus. Within ninety (90) days following the end of each calendar year beginning December 31st, 2001 and every calendar year thereafter during the Term, the Company shall pay Executive an annual cash bonus equal to one and one-half percent (1.5%) of the increase in the Company's earnings before interest, tax, depreciation and amortization ("EBITDA") for such fiscal year over the EBITDA of the prior fiscal year based on audited financial statements of the Company for such fiscal year; provided however, in no event shall the annual cash bonus exceed the Base Salary for such year. The determination of EBITDA for any fiscal year shall give effect to all bonuses (including the bonus provided for in this Section 4.2) accrued or payable for such fiscal year to Executive and all other employees of the Company. Additionally, if as of the end of any calendar quarter, for such calendar quarter and the immediately preceding three (3) calendar quarters the Company has had sales of \$300,000,000 or more, Executive shall receive a bonus of Fifty Thousand Dollars (\$50,000) promptly after the end of such calendar quarter; provided, however, in no event shall Executive receive pursuant to this section

more than one (1) such fifty thousand dollars (\$50,000) bonus in any given calendar year."

E. Section 4.3 shall be amended by deleting "\$500" and inserting in lieu thereof "\$800".

F. Section 4.4 shall be amended by adding the following sentence at the end of the Section:

"During the Term of this Agreement, the Company shall pay life insurance premiums on behalf of the Executive of approximately Eighty Thousand Dollars (\$80,000) per year. All right, title and interest in and to such life insurance, including but not limited to the cash value, surrender value and any other value attributable to such policy shall be the property of the Executive."

G. Section 5.2 shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

"Section 5.2 Termination Due To Total Disability.

Subject to Section 6.2 hereof, in the event Executive is discharged due to his "Total Disability" (as this term is defined below), then this Agreement shall be deemed terminated and the Company shall be released from all obligations to Executive with respect to this Agreement, except obligations accrued prior to such termination and those obligations provided in Section 6.2 hereof."

H. Section 5.3. shall be deleted in its entirety and in lieu thereof the following paragraphs shall be inserted:

"Section 5.3. For Cause

As used herein, the term "For Cause" shall only mean: (i) a deliberate and intentional breach by Executive of a substantial and material duty and responsibility under this Agreement that results in material harm to the Company unless such breach is committed with reasonable belief that such breach was not contrary to the best interests of the Company, and is not remedied, if capable of being remedied, within thirty (30) days after receipt of written notice by certified mail return receipt requested from the Company specifying such breach; (ii) Executive's conviction of, or pleading guilty or nolo contendere to, any crime, constituting a felony in the jurisdiction involved, which the Board of Directors, in its sole discretion, determines shall cause material change to the reputation or financial position of the Company; (iii) the conviction of Executive of any crime involving moral turpitude; which the Board of Directors, in its sole discretion, determines shall cause material harm to the Company, or (iv) gross negligence or willful misconduct in the conduct of Executive's duties or willful or refusal to perform such duties as may be delegated to Executive which are

consistent with Executive's position as in effect just prior to such delegation, and that as to any conduct concerning this subsection such conduct is not corrected by Executive within thirty (30) days following receipt by Executive of written notice from the Board of Directors, such notice to state with specificity the nature of the breach, failure or refusal, gross negligence or willful misconduct related to Executive's employment with the Company.

In the event that the Executive is discharged "For Cause" or Executive resigns for any reason, this Agreement shall be deemed terminated and the Company shall be released from all obligations to Executive with respect to this Agreement, except obligations accrued prior to such termination."

I. Section 5.4 shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

"Section 5.4. Termination Other Than For Cause, Death or Due To Total Disability.

Subject to the terms and conditions of this Agreement, the Company may terminate Executive other than For Cause upon thirty (30) days' prior written notice to Executive by certified mail return receipt requested ("Notice of Termination"). In the event Executive is discharged other than "For Cause" or due to his death or Total Disability, then such termination shall be effective thirty (30) days from Executive's receipt of the Notice of Termination (the "Termination Date"). Such Notice of Termination shall properly set forth the Company's agreement to pay to Executive the following amount: the product of (i) Executive's Base Salary on the effective date of such termination plus the bonus paid or payable (pursuant to Section 4.2(c)) to Executive for the fiscal year ended on the December 31st immediately preceding the Termination Date, multiplied by (ii) the number of years (and fraction of years) remaining in the Term. In addition, Executive shall be entitled to continue to receive, for what would have been the balance of the Term, the amount payable to him or on his account pursuant to Section 4.4. Such amounts shall be payable to Executive by the Company in two (2) installments as follows: (i) fifty percent (50%) on January 1st immediately following the Termination Date and, (ii) the remaining fifty percent (50%) balance one (1) year after.

J. Section 5.5 shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

"Section 5.5. Change of Control

(a) If a Change of Control (as defined below) occurs without the Executive's prior written consent, the Executive shall have the right to terminate this Agreement. At least ten (10) days prior to any such proposed Change of Control, the Company shall notify Executive of its

intention to effect such Change of Control, and the Executive shall thereupon have five (5) days from the actual receipt of such notice to give his intention to terminate this Agreement in the event of the Change of Control. If Executive shall give notice of his intention to terminate this Agreement in the event of the Change of Control, this Agreement shall be deemed terminated as of the effective date of the event constituting the Change of Control and the Executive shall receive in cash, within ten (10) days of termination, (i) any compensation accrued and unpaid pursuant to Section 4 of this Agreement, (ii) an amount equal to the balance of Executive's Base Salary that would have been paid by the Company pursuant to Section 4.1 hereof over the full Term of this Agreement as if the Agreement had not been terminated, (iii) the amount payable to him on his account pursuant to Section 4.4 of this Agreement, and (iv) an amount equal to Executive's bonus, if any, for the preceding 12-month period ended December 31st (paid pursuant to Section 4.2(c)), multiplied by the remaining years (including any fractional years) left under this Agreement since the date such bonus was determined by the Board of Directors; provided, however, in no event will the amount payable pursuant to this clause (a) be greater than three (3) times the total compensation received by Executive pursuant to Sections 4.1, 4.2, 4.4 of this Agreement for the preceding twelve (12) month period ending December 31st or less than one and one-half (1.5) times the total compensation so received by Executive during such period.

(b) In the event that any payment (or portion thereof) to Executive under Section 5.5(a) is determined to constitute an "excess parachute payment," under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended, the following calculations shall be made:

- (i) The after-tax value to Executive of the payments under Section 5.5(a) without any reduction; and
- (ii) The after-tax value to Executive of the payments under Section 5.5(a) as reduced to the maximum amount (the "Maximum Amount") which may be paid to Executive without any portion of the payments constituting an "excess parachute payment".

If after applying the agreed upon calculations set forth above, it is determined that the after-tax value determined under clause (ii) above is greater than the after-tax value determined under clause (i) above, the payments to Executive under Section 5.5(a) shall be reduced to the Maximum Amount."

1. Section 6.2 shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

"Section 6.2. Payment During Disability.

In the event Executive is unable to perform his duties hereunder by reason of a disability, prior to the time such disability is deemed a Total Disability in accordance with the provisions of Section 6.1 above, the Company shall continue to pay Executive his benefits including salary pursuant to this Agreement during the continuance of any such disability. Upon a determination of any Total Disability pursuant to the provisions of Section 6.1 above, the Company shall pay to Executive his Base Salary pursuant to this Agreement for the twelve (12) month period immediately subsequent to the date of determination of Total Disability."

2. As herein modified, all of the terms and provisions of the Original Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the day first above written.

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chief Executive Officer

/s/ ARVIND DHARIA

Arvind Dharia

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of June 29, 2001, by and between Adesso-Madden, Inc., a New York corporation (the "Company"), and Gerald Mongeluzo, an individual residing at 30 Redwood Drive, East Hills, New York 11576 (the "Executive").

W I T N E S E T H :
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WHEREAS, the Company has retained the services of the Executive since September 1995; and

WHEREAS, the Company desires to continue to retain the services of the Executive, and the Executive desires to continue to render services to the Company, upon the terms and conditions hereinafter set forth; and

WHEREAS, the parties elect to terminate all prior arrangements, agreements and understandings between the Company and the Executive with respect to Executive's employment with the Company and replace such arrangements, agreements, and understandings with this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties mutually agree as follows:

Section 1. Employment. The Company hereby employs Executive and the Executive hereby accepts such employment, as the President of the Company, subject to the terms and conditions set forth in this Agreement.

Section 2. Duties. The Executive shall serve as the President of the Company and shall properly perform such duties as may be lawfully assigned to him from time to time by the Board of Directors of the Company and the Chief

Executive Officer of Steven Madden, Ltd., the parent corporation of the Company ("SML"). The Board of Directors of the Company shall be comprised of three (3) directors as follows: the Executive; the Chief Executive Officer of SML; and the Chief Financial Officer of SML. If requested by the Company, the Executive shall serve on the Board of Directors of the Company or SML or any committee thereof without additional compensation. During the term of this Agreement, the Executive shall devote all of his business time to the performance of his duties hereunder unless otherwise authorized by the Board of Directors. The Executive is entitled to four (4) weeks paid vacation during each year of the Term (as hereinafter defined).

Section 3. Term of Employment. The term of the Executive's employment shall be for a period of thirty six (36) months commencing on the date hereof (the "Term"), subject to earlier termination by the parties pursuant to Section 6 hereof.

Section 4. Compensation of Executive.

4.1 Salary. The Company shall pay to Executive (i) an annual base salary of three hundred thousand dollars (\$300,000) during the first year of the Term, (ii) an annual base salary of three hundred fifteen thousand dollars (\$315,000) during the second year of the Term, and (iii) an annual base salary of three hundred thirty thousand dollars (\$330,000) during the third year of the Term, less such deductions as shall be required to be withheld by applicable law and regulations (the "Base Salary"). All salaries payable to Executive shall be paid at such regular time or times as the Company makes payment of its regular payroll in the regular course of business, but in no case shall it be less than bi-weekly.

4.2 Cash Performance Bonus. During the term of this Agreement, the Executive shall be entitled to receive a cash performance bonus based upon increases in the Company's net pre-tax profit as reported in the

Company's year-end financial statements ("Net Profit"). By April 15, 2002, 2003 and 2004, the Company shall pay to the Executive a cash bonus equal to four percent (4%) of the amount by which Net Profit for the fiscal year ending on the most recent December 31st exceeds Net Profit for the fiscal year ending on the preceding December 31st (the "Annual Cash Bonus"). For example, if Net Profit for the year ending December 31, 2001 equals \$3,000,000, and Net Profit for the year ending December 31, 2000 was \$1,000,000, the Executive would be entitled to receive an Annual Cash Bonus equal to \$80,000 ($\$3,000,000 - \$1,000,000 = \$2,000,000 \times .04 = \$80,000$).

4.3 Stock Option Bonus. On each of June 30, 2001, 2002 and 2003, SML shall grant to the Executive stock options (the "Options") to purchase 34,000, 33,000 and 33,000 shares of SML common stock, respectively. The Options shall (i) be exercisable for a period of 7 years following the date of grant, (ii) be issued in accordance with the terms and conditions of the Company's stock plan, (iii) vest quarterly over a one (1) year period commencing on the date of grant and (iv) have an exercise price equal to the closing bid price of SML's shares of common stock on the date of grant as reported by The Nasdaq Stock Market (or other principal exchange on which the SML shares of common stock are traded). The Company shall use its best efforts to issue the Options as incentive stock options.

4.4 Signing Bonus. Upon execution of this Agreement, the Company shall pay to the Executive a signing bonus equal to \$35,000 payable in immediately available funds, less such withholding as required by applicable laws and regulations.

4.5 Expenses. During the Term, the Company shall, in accordance with the policies and practices established by the Company and SML, reimburse the Executive for all reasonable and necessary travel expenses and other disbursements incurred by the Executive on behalf of the Company, in performance of the Executive's duties hereunder. In addition, the Company shall provide the Executive with a monthly auto lease allowance in an amount not to exceed \$850 per month.

4.6 Benefits. The Executive shall be permitted during the Term to participate in any hospitalization or disability insurance plans, health programs, pension plans, bonus plans or similar benefits that may be available to other executives of SML to the extent the Executive is eligible under the terms of such plans or programs. The Company agrees to provide the Executive with a paid health insurance plan.

5. Death or Disability of the Executive. If the Executive (i) dies or (ii) is incapacitated or disabled by accident, sickness or otherwise so as to render the Executive mentally or physically incapable of performing the services required to be performed under this Agreement for a period of 120 consecutive days or 180 days in any period of 360 consecutive days (a "Disability"), the Company may, at the time or during the period of such Disability, at its option, terminate the employment of the Executive under this Agreement immediately upon giving the Executive written notice to that effect.

6. Termination.

(a) The Company may terminate the employment of the Executive and all of the Company's obligations under this Agreement at any time for Cause (as hereinafter defined) by giving the Executive notice of such termination, with reasonable specificity of the details thereof. "Cause" shall mean any of the following: (i) failure or neglect, by the Executive to perform the duties of the Executive's position which failure or neglect has a material adverse effect on the Company; (ii) failure of the Executive to obey lawful orders given by the Board of Directors and such failure has a material adverse effect on the Company; (iii) material misconduct by the Executive in connection with the performance of his duties; (iv) commission by the Executive of an act involving moral turpitude, dishonesty, theft or unethical business conduct, or

conduct which materially impairs or injures the reputation of, or harms, the Company or SML; (v) disloyalty by the Executive, including without limitation, aiding a competitor; (vi) failure by the Executive to devote his full business time and best efforts to the Company's business and affairs; (vii) failure by the Executive to work exclusively for the Company; (viii) failure to cooperate in any investigation by the Company; (ix) any material breach of this Agreement or Company rules; or (x) the Executive's abuse of alcohol or other drugs or controlled substances. A termination pursuant to this Section 6(a) shall take effect 20 days after the giving of written notice to the Executive unless the Executive shall, during such 20-day period, remedy to the reasonable satisfaction of the Board of Directors of the Company the misconduct, disregard, abuse or breach specified in such notice; provided, however, that such termination shall take effect immediately upon the giving of such notice if the Board of Directors of the Company shall, in its reasonable discretion, have determined that such misconduct, disregard, abuse or breach is not remediable (which determination shall be stated in such notice).

(b) The Company may terminate the employment of the Executive and all of the Company's obligations under this Agreement (except as hereinafter provided) at any time during the Term without Cause by giving the Executive written notice of such termination, to be effective 30 days following the giving of such written notice.

(c) The Executive may terminate this Agreement by delivering written notice to the Company within thirty (30) days following (i) the effective date of a Change of Control (as hereinafter defined) or (ii) an event constituting Good Reason (as hereinafter defined).

As used herein, the term "Change of Control" shall mean: (i) when any "person" as defined in Section 3(a)(9) of the Securities and 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 SML or any subsidiary or any affiliate of SML or any employee benefit plan sponsored or maintained by SML or any subsidiary of SML (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 SML representing 50% or more of the combined voting power of SML's then outstanding securities; or (ii) 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 (iii) the occurrence of a transaction requiring stockholder approval under Delaware law for the acquisition of SML by an entity other than SML or a subsidiary or an affiliated company of SML through purchase of assets, or by merger, or otherwise.

As used herein, the term "Good Reason" shall mean (i) a material breach by the Company or SML of its obligations under this Agreement, or (ii) a material diminution of the duties of the Executive.

For convenience of reference, the date upon which any termination of the employment of the Executive pursuant to Sections 5 or 6 shall be effective shall be hereinafter referred to as the "Termination Date".

7. Effect of Termination of Employment.

(a) Upon the termination of the Executive's employment for Cause, neither the Executive nor the Executive's beneficiaries or estate shall have any further rights to compensation under this Agreement or any claims against the Company arising out of this Agreement, except the right to receive (i) the unpaid portion of the Base Salary provided for in Section 4.1, earned through the Termination Date (the "Unpaid Salary Amount"), (ii) reimbursement for any expenses for which the Executive shall not have theretofore been reimbursed, as provided in Section 4.5 (the "Expense Reimbursement Amount"), (iii) the Additional Payments (as hereinafter defined) less an amount equal to the actual costs and damages sustained by the Company as a result of, or related to, the actions by the Executive constituting Cause and (iv) all Options vested as of the Termination Date (the "Vested Options").

(b) Upon the termination of the Executive's employment as a result of the Executive's death or Disability, neither the Executive nor the Executive's beneficiaries or estate shall have any further rights to compensation under this Agreement or any claims against the Company arising out of this Agreement, except the right to receive (i) the Unpaid Salary Amount, (ii) the Expense Reimbursement Amount (iii) accrued and unpaid amounts owed to the Executive under Section 4.2 hereof through the Termination Date, including a pro-rata entitlement to such amounts equal to the award to which the Executive would have been entitled at the end of the applicable fiscal period pro-rated for the period of the Executive's employment during such fiscal period (collectively, the "Additional Payments"), (iv) severance compensation equal to the Base Salary for a period of three (3) months, (v) the Additional Payments and (vi) the Vested Options.

(c) Upon the termination of the Executive's employment by the Company without Cause and not as a result of a Disability, or by the Executive for Good Reason neither the Executive nor the Executive's beneficiaries or estate shall have any further rights to compensation under this Agreement or any claims against the Company arising out of this Agreement, except the Executive shall have the right to receive (i) the Unpaid Salary Amount, (ii) the Expense Reimbursement Amount, (iii) severance compensation equal to the Base Salary for the greater of (a) the remaining term of this Agreement (as if this Agreement was not terminated) and (b) twelve (12) months, all of which is payable within thirty (30) days following the Termination Date, (iv) the Additional Payments, (v) the Additional Payments and (vi) the Vested Options.

(d) Upon the termination of this Agreement by the Executive in accordance with Section 6(c) following a Change of Control, neither the Executive nor the Executive's beneficiaries or estate shall have any further rights to compensation under this Agreement or any claims against the Company arising out of this Agreement, except the Executive shall have the right to receive (i) the Unpaid Salary Amount, (ii) the Expense Reimbursement Amount, (iii) severance compensation equal to the greater of (x) the Base Salary for the remaining term of this Agreement (as if this Agreement was not terminated) and (y) the Base Salary then in effect for a period of twelve (12) months, (iv) the Additional Payments and (v) the Vested Options.

8. Confidential Information; Inventions. (a) Executive recognizes that he has had and will continue to have access to secret and confidential information regarding the Company, including but not limited to its customer list, products, know-how, and business plans. Executive acknowledges that such information is of great value to the Company, is the sole property of the Company, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Company herein, Executive will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any information acquired by Executive during the course of his employment, which is treated as confidential by the Company, including but not limited to its customer list, not otherwise in the public domain, other than in the ordinary course of business during his employment hereunder. The provisions of this Section 8 shall survive Executive's employment hereunder.

(b) The Company has hired the Executive to work full time so that anything the Executive produces during the Term and in connection with his performance under this Agreement is the property of the Company. Any writing, invention, design, system, process, development or discovery conceived, developed, created or made by the Executive, alone or with others, during the period of his employment hereunder and applicable to the business of the Company, whether or not patentable, registrable, or copyrightable shall become the sole and exclusive property of the Company.

(c) The Executive shall disclose the same promptly and completely to the Company and shall, during the period of his employment hereunder and at any time and from time to time hereafter, (i) execute all documents requested by the Company for vesting in the Company the entire right, title and interest in and to the same, (ii) execute all documents requested by the Company for filing such applications for and procuring patents, trademarks, service marks or copyrights as the Company, in its sole discretion, may desire to prosecute, and (iii) give the Company all assistance it may reasonably require, including the giving of testimony in any suit, action, investigation or other proceeding, in order to obtain, maintain and protect the Company's right therein and thereto.

9. Covenant Not To Compete.

(a) Executive 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 Company that Executive agree, and accordingly, Executive does hereby agree, that he shall not, directly or indirectly, at any time during the term of the Agreement and the "Restricted Period" (as defined in Section 9(e) below):

- (i) except as provided in Subsection (d) below, be engaged in the manufacturing, sourcing, sale, marketing or distribution of footwear products or provide technical assistance, advice or counseling regarding the footwear industry to any competitor of the Company or SML or transact business, either on his own behalf or as an officer, director, stockholder, partner, consultant, associate, employee, owner, agent, creditor, independent contractor, or co-venturer of any third party with any such competitor; or
- (ii) employ or engage, or cause or authorize, directly or indirectly, to be employed or engaged, for or on behalf of herself or any third party, any employee or agent of Company or any affiliate thereof.

(b) Executive hereby agrees that he will not, directly or indirectly, for or on behalf of himself or any third party, at any time during the term of the Agreement and during the Restricted Period solicit any customers of the Company or any affiliate thereof in a manner which directly or indirectly competes with the Company.

(c) If any of the restrictions contained in this Section 9 shall be deemed to be unenforceable by reason of the extent, duration or geographical scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, geographical scope, or other provisions hereof, and in its reduced form this Section shall then be enforceable in the manner contemplated hereby.

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

(e) The term "Restricted Period," as used in this Section 9, shall mean the period of Executive's actual employment hereunder plus twelve (12) months thereafter.

(f) The provisions of this Section 9 shall survive the end of the Restricted Period as provided in Section 9(e) hereof.

(g) In the event that the Executive breaches the terms and provisions of Section 9(a)(i) above, the Company may terminate all unvested options comprising the Option Bonus and shall be the Company's sole remedy hereunder.

10. Miscellaneous.

10.1 Representations and Warranties of the Executive.

The Executive hereby represents and warrants to the Company as follows: (i) the Executive has the legal capacity and unrestricted right to execute and deliver this Agreement and to perform all of his obligations hereunder; (ii) the execution and delivery of this Agreement by the Executive and the performance of his obligations hereunder will not violate or be in conflict with any fiduciary or other duty, instrument, agreement, document, arrangement or other understanding to which the Executive is a party or by which he is or may be bound or subject; and (iii) the Executive is not a party to any instrument, agreement, document, arrangement or other understanding with any person (other than the Company) requiring or restricting the use or disclosure of any confidential information or the provision of any employment, consulting or other services. The Executive agrees to indemnify the Company for any costs, liabilities or expenses incurred by the Company as a result of a breach by the Executive of this Section 10.1.

10.2 Injunctive Relief. Executive acknowledges that the services to be rendered under the provisions of this Agreement are of a special, unique and extraordinary character and that it would be difficult or impossible to replace such services. Accordingly, Executive agrees that any breach or

threatened breach by him of Section 8 or Section 9 of this Agreement shall entitle the Company, in addition to all other legal remedies available to it, to apply to any court of competent jurisdiction to seek to enjoin such breach or threatened breach. The parties understand and intend that each restriction agreed to by Executive hereinabove shall be construed as separable and divisible from every other restriction, that the unenforceability of any restriction shall not limit the enforceability, in whole or in part, of any other restriction, and that one or more or all of such restrictions may be enforced in whole or in part as the circumstances warrant. In the event that any restriction in this Agreement is more restrictive than permitted by law in the jurisdiction in which Company seeks enforcement thereof, such restriction shall be limited to the extent permitted by law.

10.3 Assignments. Neither Executive nor the Company may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other.

10.4 Entire Agreement. This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to Executive's employment by Company, supersedes all prior understandings and agreements, whether oral or written, between the Executive and Company, and shall not be amended, modified or changed except by an instrument in writing executed by the party to be charged. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

10.5 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.

10.6 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.

10.7 Notices. 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.

10.8 Governing Law; Jurisdiction. 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 provisions. Each of the parties hereto hereby irrevocably consents and submits to the exclusive jurisdiction of the Supreme Court of the State of New York, in New York County, and of the United States District Court for the Southern District of New York in connection with any suit, action or other proceeding concerning the interpretation of this Agreement or enforcement of Sections 8 or 9 of this Agreement. The Executive waives and agrees not to assert any defense that the court lacks jurisdiction, venue is improper, inconvenient forum or otherwise. The Executive waives the right to a jury trial and agrees to accept service of process by certified mail at the Executive's last known address.

10.9 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 of the same instrument.

10.10 Separability. If any of the restrictions contained in this Agreement shall be deemed to be unenforceable by reason of the extent, duration or geographical scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, geographical scope, or other provisions hereof, and in its reduced form this Agreement shall then be enforceable in the manner contemplated hereby.

10.11 Post Employment Obligations. (a) All records, files, lists, including computer generated lists, drawings, documents, equipment and similar items relating to the Company's business which the Executive shall prepare or receive from the Company shall remain the Company's sole and exclusive property. Upon termination of this Agreement, the Executive shall promptly return to the Company all property of the Company in his possession.

The Executive further represents that he will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Company. The Executive additionally represents that, upon termination of his employment with the Company, he will not retain in his possession any such software, documents or other materials.

(b) The Executive agrees that during his employment he shall, at the request of the Company, render all assistance and perform all lawful acts that the Company considers necessary or advisable in connection with any litigation involving the Company or any director, officer, employee, shareholder, agent, representative, consultant, client or vendor of the Company. In addition, following the Executive's employment with the Company, the Executive shall provide the assistance and perform the acts set forth in the preceding sentence at such times as are reasonably acceptable to him.

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

ADESSO MADDEN, INC.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chief Executive Officer

/s/ GERALD MONGELUZO

Gerald Mongeluzo

With respect to Sections 4.3 and 4.6 only:
STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chief Executive Officer

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of June 29, 2001, by and between STEVEN MADDEN RETAIL, INC., a Delaware corporation with offices at 52-16 Barnett Avenue, Long Island City, N.Y. 11104 (the "Corporation"), and MARK JANKOWSKI, an individual residing at 41 River Terrace, Apt. #2405, New York, New York 10282 ("Employee").

W I T N E S S E T H:
- - - - -

WHEREAS, the Corporation, a wholly-owned retail subsidiary of Steven Madden, Ltd. (the "Parent Corporation") operates, on behalf of the Parent Corporation, various Steve Madden(R) and David Aaron(R) retail stores as well as the Parent Corporation's outlet stores, e-commerce websites and production of shoes for the Parent Corporation's wholesale division (the "Wholesale Division").

WHEREAS, subject to the terms and considerations hereinafter set forth, the Corporation wishes to employ Employee in the positions set forth herein and Employee wishes to accept such employment.

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

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

Section 2. DUTIES. During the Term, Employee shall serve as President of the Corporation and shall perform such duties as may be assigned to him from time to time by the Chief Executive Officer of the Parent Corporation. During the Term 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 Chief Executive Officer of the Parent Corporation. 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 three (3) years commencing July 1, 2001 and ending on June 30, 2004 (as may be extended from time to time, the "Term").

Section 4. COMPENSATION OF EMPLOYEE.

4.1 BASE SALARY. The Corporation shall pay to Employee an annual base salary for his services hereunder of: (i) Three Hundred Thousand Dollars (\$300,000) until June 30, 2002, (ii) Three Hundred Twenty Five Thousand

Dollars (\$325,000) from July 1, 2002 through June 30, 2003, and (iii) Three Hundred Fifty Thousand Dollars (\$350,000) from July 1, 2003 through June 30, 2004, less such deductions as shall be required to be withheld by applicable law and regulations. Employee's base salary, as in effect at any time, is hereinafter referred to as the "Base Salary." Employee's Base Salary shall be paid in substantially equal installments on a basis consistent with the Corporation's payroll practices for employees in similar positions.

4.2 ADDITIONAL COMPENSATION.

(a) Options. Subject to the approval by the stockholders of the most recent amendment to the Parent Corporation's 1999 Stock Plan (as amended, the "1999 Plan") and subject to availability of shares under such 1999 Plan or any other qualified or non-qualified stock incentive plan designated by the Board of Directors of the Parent Corporation and approved by the stockholders of the Parent Corporation, the Employee shall receive an option to purchase 34,000 shares of Common Stock of the Parent Corporation on July 15, 2001 and an option to purchase 33,000 shares of Common Stock of the Parent Corporation every July 15th of each year thereafter (each, an "Annual Option") during the Term (each, a "Grant Date"). The Annual Options shall vest quarterly commencing on the Grant Date and on the last day of each fiscal quarter thereafter. The exercise price shall be equal to the average closing bid price of the Parent Corporation's shares of Common Stock as reported by the Nasdaq Stock Market or such other exchange on which the Common Stock of the Parent Corporation shall be listed on, during the five (5) business day period (i) before the Grant Date, or (ii) on July 15th of the year in which the Grant Date shall occur, if the Grant Date shall not be July 15th. The vested Annual Options shall be exercisable at any time after the Grant Date for a period of [seven

(7)] years following the Grant Date.

(b) Signing Bonus. The Corporation shall pay to the Employee a one-time cash bonus equal to One Hundred Thousand Dollars (\$100,000), of which Fifty Thousand Dollars (\$50,000) shall be payable on July 1, 2001 and Fifty Thousand Dollars (\$50,000) shall be payable on October 1, 2001, provided that Employee shall be employee by the Corporation on such date.

(c) Annual Cash Bonus. Within ninety (90) days following the end of each calendar year beginning December 31st, 2001 and every calendar year thereafter during the Term, the Corporation shall pay Employee an annual cash bonus equal to (i) three percent (3%) of the increase in the Corporation's earnings before interest and tax ("EBIT") for such fiscal year over the EBIT of the prior fiscal year based on audited financial statements of the Corporation for such fiscal year and (ii) one percent (1%) of the increase in the EBIT allocable to the Parent Corporation's Wholesale Division for such fiscal year over the EBIT of the Wholesale Division for the prior fiscal year based on audited financial statements of the Parent Corporation for such fiscal year (the "Annual Cash Bonus"), provided, however, in no event shall the Annual Cash Bonus exceed the Base Salary for such year. The determination of EBIT for any fiscal year shall give effect to all bonuses (including the bonus provided for in this Section 4.2) accrued or payable for such fiscal year to Employee and all other employees of the Corporation or the Parent Corporation, respectively.

(d) Incentive Bonus. Employee shall receive a bonus as follows: (i) Ten Thousand Dollars (\$10,000) if there is an increase of the total sales of the Comparable Stores in any given calendar quarter over the same calendar quarter in the immediately preceding year equal to or greater than ten percent (10%), or, alternatively, (ii) if the increase of the total sales of the Comparable Stores in any given calendar quarter over the same calendar quarter in the immediately preceding year is equal to or greater than twenty percent (20%), Twenty Thousand Dollars (\$20,000). Each bonus received by Employee pursuant to this Section 4.2(d) is hereinafter referred to as an "Incentive Bonus." The Incentive Bonus shall be paid within forty-five (45) days from the end of such calendar quarter. In no event shall the total aggregate of Employee's Incentive Bonuses exceed Eighty Thousand Dollars (\$80,000) in any given calendar year. As used herein, "Comparable Stores" shall mean those retail stores which are owned and operated by the Company in both relevant calendar quarters.

4.3 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 policy relating to reimbursement of business expenses as in effect from time to time and as such policy may be amended from time to time.

4.4 AUTOMOBILE ALLOWANCE. The Corporation shall, at the direction of Employee, either reimburse Employee for, or directly pay the costs of, Employee's use of an automobile in connection with the performance of his duties hereunder during the Term of this Agreement and all usual expenditures in connection therewith; i.e., fuel, insurance, parking, customary maintenance and repairs, etc., provided, however, that expenses either reimbursed or paid pursuant to this Section shall not exceed Seven Hundred and Fifty Dollars (\$750) for any month.

4.5 BENEFITS. During the Term, 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 employees in similar positions.

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. Subject to Section 6.2 hereof, 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, 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 due to his death or "Total Disability," then the Corporation shall pay the following amount to Employee: (i) the amount of compensation that is accrued and unpaid through the date of termination pursuant to Section 4 of this Agreement and (ii) the product of (A) Employee's Base Salary on the date of such termination plus the Annual Cash Bonus paid (or payable) to Employee for the fiscal year ending on the December 31 immediately preceding the date of such termination multiplied by (B) the number of years (and fractions of years) remaining on the Term. Such amount shall be paid to Employee by the Corporation in two (2) installments as follows: (i) fifty percent (50%) on January 1st immediately following the date of such termination, and (ii) the remaining fifty percent (50%) balance one (1) year after.

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 or the Parent Corporation, constituting a felony in the jurisdiction involved, which the Board of Directors of the Parent Corporation, in its sole discretion, determines may have an injurious effect on the Corporation or the Parent Corporation;

(b) the conviction of any crime involving moral turpitude; 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 of the Parent Corporation (or, if no Chief Executive Officer of the Parent Corporation exists, by the Board of Directors of the Parent Corporation) 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 of the Parent Corporation (or, if no Chief Executive Officer of the Parent Corporation exists, from the Board of Directors of the Parent Corporation), 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), 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) the product of (A) Employee's Base Salary on the date of such termination plus the Annual Cash Bonus paid (or payable) to Employee for the fiscal year ending on the December 31st, immediately preceding the date of such termination, multiplied by (B) the number of years (and fraction of years) remaining on the Term; provided, however, in the no event will the amount payable pursuant to this Section 5.5(a) be less than the Base Salary so received by Employee for the twelve (12) month period immediately preceding the date of such termination.

(b) In the event that any payment (or portion thereof) to Employee under Section 5.5(a) is determined to constitute an "excess parachute payment," under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended, the following calculations shall be made:

(i) The after-tax value to Employee of the payments under Section 5.5(a) without any reduction; and

(ii) the after-tax value to Employee of the payments under Section 5.5(a) as reduced to the maximum amount (the "Maximum Amount") which may be paid to Employee without any portion of the payments constituting an "excess parachute payment".

If after applying the agreed upon calculations set forth above, it is determined that the after-tax value determined under Section 5.5(b)(ii) above is greater than the after-tax value determined under Section 5.5(b)(i) above, the payments to Employee under Section 5.5(a) shall be reduced to the Maximum Amount.

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, the Parent Corporation or any subsidiary or any affiliate of the Corporation or the Parent Corporation or any employee benefit plan sponsored or maintained by the Corporation, the Parent Corporation or any subsidiary of the Corporation or the Parent 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 or the Parent Corporation representing a majority of the combined voting power of the Corporation's or the Parent 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 of the Parent Corporation (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 or of the Parent Corporation by an entity other than the Corporation, the Parent Corporation or a subsidiary or an affiliated company of the Corporation or the Parent Corporation through purchase of assets, or by merger, or otherwise.

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 for a period of ninety (90) consecutive days or for any one hundred eighty (180) days out of any three hundred and sixty (360) day period, and before Employee has become "Rehabilitated" (as hereinbelow defined) a majority of the members of the Board of Directors of the Parent Corporation 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 in the 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, prior to the time such disability is deemed a Total 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 three (3) 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 or Chief Executive Officer of the Parent 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, the Parent Corporation or any of their affiliates, including, but not limited to, confidential information and trade secrets concerning the Corporation's or the Parent Corporation's (or any of their affiliate's) working methods, processes, business and other plans, programs, designs, products, know-how, costs, marketing, promotion, sales activities, trading, investment, 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 and the Parent Corporation, is the sole property of the Corporation or the Parent Corporation, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Corporation or the Parent 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 or the Parent 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 and the Parent Corporation that Employee agree, and accordingly, Employee does hereby agree that, except as provided in Section 9(c) below, he shall not, directly or indirectly, at any time during the Restricted Period within the Restricted Area (as such 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, the Parent Corporation or of any of their subsidiaries 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, the Parent Corporation or any of their 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 of Employee's actual employment hereunder plus 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) The provisions of this Section 9 shall survive the termination of Employee's employment as provided hereunder.

Section 10. 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 and 9 hereof. Employee agrees that said restraints are necessary for the reasonable and proper protection of the Corporation, the Parent 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 and 9 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 11. MISCELLANEOUS.

11.1 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 or the Parent Corporation's business could not be reasonably or adequately compensated in damages in an action at law. Employee therefore agrees that the Corporation and/or the Parent 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 and 9). Without limiting the generality of the foregoing, if Employee breaches any provision of Section 8 or 9 hereof, such breach will entitle the Corporation and/or the Parent Corporation to enjoin Employee from disclosing any Confidential Information to any competing business, to enjoin such competing business from receiving Employee or using any such Confidential Information, and/or to enjoin Employee from rendering personal services to or in connection with such competing business. 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.

11.2 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, 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.

11.3 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).

11.4 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, 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.

11.5 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.

11.6 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.

11.7 HEADING. 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.

11.8 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.

11.9 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 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.

11.10 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.

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

Corporation:

STEVEN MADDEN RETAIL, INC.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chief Executive Officer

Employee:

/s/ MARK JANKOWSKI

Mark Jankowski

Acknowledged and Understood:

Parent Corporation:

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chief Executive Officer