

STEVEN MADDEN, LTD.  
Form 10-K/A  
November 09, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K/A  
(Amendment No. 1)  
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2017

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-23702  
STEVEN MADDEN, LTD.  
(Exact name of registrant as specified in its charter)  
Delaware 13-3588231  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Edgar Filing: STEVEN MADDEN, LTD. - Form 10-K/A

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

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes  No

The aggregate market value of the common equity held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers and directors are "affiliates" of the registrant) as of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, was \$2,341,862,448 (based on the closing sale price of the registrant's common stock on that date as reported on The NASDAQ Global Select Market).

The number of outstanding shares of the registrant's common stock as of February 27, 2018 was 58,782,009 shares.

**DOCUMENTS INCORPORATED BY REFERENCE:**

**PART III INCORPORATES CERTAIN INFORMATION BY REFERENCE FROM THE REGISTRANT'S DEFINITIVE PROXY STATEMENT FOR THE REGISTRANT'S 2018 ANNUAL MEETING OF STOCKHOLDERS.**

---

TABLE OF CONTENTS

EXPLANATORY NOTE	<u>1</u>
PART I	
<u>ITEM 1A RISK FACTORS</u>	<u>1</u>
PART II	
<u>ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	<u>9</u>
<u>ITEM 9A CONTROLS AND PROCEDURES</u>	<u>9</u>
PART IV	
<u>ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	<u>11</u>

---

Explanatory Note

This Amendment No. 1 on Form 10-K/A (this “Amendment No. 1”) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “Original Filing”) of Steven Madden, Ltd. (the “Company”). The purpose of this Amendment No. 1 is to revise the Original Filing as follows: (i) revise the disclosure on the effectiveness of our disclosure controls and procedures and the disclosure on our internal control over financial reporting in Part II, Item 9A to reflect management’s conclusion that our internal control over financial reporting and disclosure controls and procedures were not effective at December 31, 2017 due to a material weakness identified subsequent to the issuance of the Original Filing; (ii) revise the Report of our Independent Registered Public Accounting Firm of EisnerAmper LLP (“Eisner”) regarding the effectiveness of our internal control over financial reporting (the “Auditor’s Report”) contained in Part II, Item 8; and (iii) include a related risk factor in Part I, Item 1A. This Amendment No. 1 in no way revises or restates the Company’s consolidated financial statements included in the Original Filing.

Subsequent to the Company’s Original Filing, as the result of an inspection by the Public Company Accounting Oversight Board of Eisner’s audit of the Company, Eisner asked us to re-evaluate certain internal controls related to information technology general controls for information systems that are relevant to the preparation of financial statements. As a result of this re-evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have subsequently concluded that a material weakness in our internal control over financial reporting was present and that our disclosure controls and procedures were not effective as of December 31, 2017.

Management’s subsequent determination that a material weakness existed in the Company’s internal control over financial reporting did not result in a restatement of the Company’s consolidated financial statements included in the Original Filing, and accordingly, the Company’s management has concluded that the consolidated financial statements and other financial information included in the Original Filing fairly present in all material respects the Company’s financial condition, results of operations, and cash flows as of, and for, the periods presented. Eisner’s Report on the Company’s consolidated financial statements appears in Part II, Item 8 of this Amendment No. 1. However, based on the foregoing, both management’s assessment and Eisner’s report on internal control over financial reporting as of December 31, 2017, included in the Original Filing should no longer be relied upon and the Company’s management has determined that, in light of the material weakness, the Company’s disclosure controls and procedures were not effective at a reasonable assurance level as of December 31, 2017, March 31, 2018, June 30, 2018, and September 30, 2018.

In accordance with applicable rules of the SEC, we have included herein the entire text of Part I, Item 1A and Part II, Item 8 of the Original Filing despite the fact that there have been no changes to the text of such items other than the changes stated in the first paragraph above. Additionally, there have been no changes to the XBRL data filed in Exhibit 101 of the Original Filing. Other than as described above and the inclusion herewith of new certifications by management, a new consent of Eisner and related revisions to the List of Exhibits contained in Part IV, Item 15, this Amendment No. 1 speaks only as of March 1, 2018, the date of the Original Filing, and does not amend, supplement or update any information contained in the Original Filing to give effect to any subsequent events. Accordingly, this Amendment No. 1 should be read in conjunction with the Original Filing and our reports filed subsequent to the Original Filing. The Company will also be filing amendments to its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2018 and, June 30, 2018 to address such matters and to reflect the conclusions of management that internal control over financial reporting and disclosure controls and procedures were not effective as of the end of the period covered by each report.

\* \* \*

PART I  
ITEM 1A. RISK FACTORS

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

## Risks Related to the Industry in which the Company Operates

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

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

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

**A Rapidly Changing Retail Industry.** In recent years, the retail industry has experienced consolidation and other ownership changes. In the future, retailers in the United States and in foreign markets may further consolidate, undergo restructurings or reorganizations, or realign their affiliations, any of which could decrease the number of stores that carry our products or our licensees' products or increase the ownership concentration within the retail industry. Changing shopping patterns, including the rapid expansion of online retail shopping, have adversely affected customer traffic in mall and outlet centers, particularly in North America. We expect competition in the e-commerce market will intensify. As a greater portion of consumer expenditures with retailers occurs online and through mobile commerce applications, our brick-and-mortar retail customers who fail to successfully integrate their physical retail stores and digital retail may experience financial difficulties, including store closures, bankruptcies or liquidations. A continuation or worsening of these trends could cause financial difficulties for one or more of our major customers, which, in turn, could substantially increase our credit risk and have a material adverse effect on our results of operations, financial condition and cash flows. Our future success will be determined, in part, on our ability to manage

the impact of the rapidly changing retail environment and identify and capitalize on retail trends, including technology, e-commerce and other process efficiencies that will better service our customers. If we fail to compete successfully, our businesses, market share, results of operations and financial condition will be materially and adversely affected. While such changes in the retail industry to date have not had a material adverse effect on our business or financial condition, results of operations and liquidity, there can be no assurance as to the future effect of any such changes.

Economic Uncertainty. Our opportunities for long-term growth and profitability are accompanied by significant challenges and risks, particularly in the near term. Specifically, our business is dependent on consumer demand for our products and the purchase of our products by consumers is largely discretionary. We believe that declining consumer confidence accompanied with the tightening of credit standards, higher energy and food prices and unemployment rates and a decrease in consumers' disposable income has negatively impacted the level of consumer spending for discretionary items during the years ended December 31, 2017, 2016 and 2015. In addition, economic factors such as inflation, higher labor costs, increased transportation costs and

higher healthcare and insurance costs may increase our costs of sales and operating expenses. Changes in economic conditions may have a negative effect on the Company's sales and results of operations during the year ending December 31, 2018 and thereafter.

Legal, Regulatory and Political Risks of a Global Economy. As a result of our large and growing international operations, we are subject to risks associated with our operations in international markets as a result of a number of factors, many of which are beyond our control. These risks include, among other things:

- the challenge of managing broadly dispersed foreign operations;
- inflationary pressures and economic changes or volatilities in foreign economies;
- the burdens of complying with the laws and regulations of the U.S. and foreign nations;
- additional or increased customs duties, tariffs, taxes and other charges on imports or exports;
- political corruption or instability;
- geopolitical regional conflicts, terrorist activity, political unrest, civil strife, acts of war;
- local business practices that do not conform to legal or ethical guidelines;
- anti-American sentiment in foreign countries in which we operate;
- delays in receipts of our products at our distribution centers due to labor unrest, increasing security requirements or other factors at U.S. or other ports;
  - significant fluctuations in the value of the dollar against foreign currencies;
- increased difficulty in protecting our intellectual property in foreign nations;
- restrictions on the transfer of funds between the U.S. and foreign nations; and
- natural disasters in areas in which our businesses, customers, suppliers and licensees are located.

All of these factors could disrupt or limit the countries in which we sell or source our products or significantly increase the cost of operating in or obtaining materials originating from certain countries, result in decreased revenues and could materially and adversely affect our product sales, financial condition and results of operations.

Following the November 2016 U.S. election, the leaders of the U.S. government have increasingly focused on efforts to discourage U.S. corporations from outsourcing manufacturing and production activities to foreign jurisdictions, including through the possibility of imposing tariffs or penalties on goods manufactured outside the United States to attempt to discourage these practices. Changes in tax policy or trade regulations, such as the recently passed Tax Cuts and Jobs Act in the United States, material modifications or withdrawal from existing trade agreements, including the United States' withdrawal from or significant renegotiation of the North America Free Trade Agreement (NAFTA), the disallowance of tax deductions on imported merchandise, or the imposition of new tariffs on imported products, could necessitate changes in the way we conduct business, including our product sourcing operations, and have a material adverse effect on our business and results of operations.

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



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

Changes in Tax Laws Could Have an Adverse Effect Upon Our Financial Results. We are subject to income tax requirements in various jurisdictions in the United States and internationally. Legislation or other changes in the tax laws of the jurisdictions where we do business could increase our liability and adversely affect our after-tax profitability. In the United States, the Tax Cuts and Jobs Act, which was enacted on December 22, 2017, could have a significant impact on our effective tax rate, net deferred tax assets and cash tax expenses. Among other things, the Tax Cuts and Jobs Act reduces the U.S. corporate statutory tax rate, eliminates or limits deduction of several expenses which were previously deductible, requires a minimum tax on earnings generated by foreign subsidiaries, imposes a mandatory deemed repatriation tax on undistributed historic earnings of foreign

subsidiaries and permits a tax-free repatriation of foreign earnings through a dividends-received deduction. We are currently evaluating the overall impact of the Tax Cuts and Jobs Act on our effective tax rate and balance sheet, but expect that the impact may be significant for our fiscal year 2018 and future periods.

Other jurisdictions are contemplating changes or have unpredictable enforcement activity. Increases in applicable tax rates, implementation of new taxes, changes in applicable tax laws and interpretations of these tax laws and actions by tax authorities in jurisdictions in which we operate could reduce our after tax income and have an adverse effect on our results of operations.

We May Be Subject to Additional Tax Liabilities as a Result of Audits by Various Taxing Authorities. We are subject to the tax laws and regulations of numerous jurisdictions as a result of our international operations. These tax laws and regulations are highly complex and significant judgment and specialized expertise is required in evaluating and estimating our worldwide provision for income taxes. We are subject to audit by the taxing authorities in each jurisdiction where we conduct our business., and any one of these jurisdictions may assess additional taxes against us as a result of an audit. Although we believe our tax estimates are reasonable, and we undertake to prepare our tax filings in accordance with all applicable tax laws, the final determination with respect to any tax audits, and any related litigation, could be materially different from our estimates or from our historical tax provisions and accruals. The outcome of any audit or audit-related litigation could have a material adverse effect on our operating results or cash flows in the periods for which that determination is made, and may require a restatement of prior financial reports. In addition, future period earnings may be adversely impacted by litigation costs, settlement payments or interest or penalty assessments.

#### Risks Related to Our Business

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

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

**Risks Associated with Extending Credit to Customers.** We sell our products primarily to retail stores across the United States and extend credit based on an evaluation of each customer's financial condition, usually without collateral. Various retailers, including some of our customers, have experienced financial difficulties, which has increased the risk of extending credit to such retailers. However, our losses due to bad debts have been limited. Pursuant to the terms of our collection agency agreement, our factor, Rosenthal & Rosenthal, Inc., currently assumes the credit risk related to approximately 84% of our trade accounts receivable. In addition, we have letters of credit for approximately 3% of our trade accounts receivable. Still, if any of our customers experience a shortage of liquidity, the risk that the customer's outstanding payables to us would not be paid could cause us to curtail business with the customer or require us to assume more credit risk relating to the customer's account payable.

**Risks Associated with Expansion of Retail Business.** Our continued growth depends to a significant degree on whether we are successful in further developing and marketing our brands, and creating new brands, product categories and businesses that are appealing to our customers. The operation of company-owned Steve Madden, Steven and Superga stores and outlets is a significant part of our growth strategy. During the year ended December 31, 2017, we opened 13 new full price stores, six new outlet stores and closed two full price stores in the United States. We have plans to open 11 to 13 new retail stores and close 8 to

10 locations in 2018. Our future expansion plan includes the opening of stores in new geographic markets as well as strengthening existing markets. New store openings involve substantial investments. New markets have in the past presented, and will continue to present, competitive and merchandising challenges that are different from those faced by us in our existing markets. There can be no assurance that we will be able to open new stores, and if opened, that such new stores will be able to achieve sales and profitability levels consistent with management's expectations. Our retail expansion is dependent on the performance of our wholesale and retail operations, generally, as well as on a number of other factors, including our ability to:

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

Past comparable store sales results may not be indicative of future results and there can be no assurance that our comparable store sales results will increase or even be maintained in the future. Also, as we expand the number of our retail stores, we run the risk that our wholesale customers will perceive that we are increasingly competing directly with them, which may lead them to reduce or terminate purchases of our products.

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

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

**Disruption of Information Technology Systems and Websites.** We are heavily dependent upon our information technology systems to record and process transactions and manage and operate all aspects of our business ranging

from product design and testing, production, forecasting, ordering, transportation, sales and distribution, invoicing and accounts receivable management, quick response replenishment, point of sale support and financial management reporting functions. In addition, we have e-commerce websites. Given the nature of our business and the significant number of transactions in which we engage on an annual basis, it is essential that we maintain constant operation of our information technology systems and websites and that these systems and our websites operate effectively. We depend on our in-house information technology employees and third-parties including “cloud” service providers to maintain and periodically update and/or upgrade these systems and our websites to support the growth of our business. Despite our preventative efforts, our information technology systems and websites may, from time to time, be vulnerable to damage or interruption from events such as difficulties in replacing or integrating the systems of acquired businesses, computer viruses, security breaches and power outages. Cybersecurity attacks are becoming increasingly sophisticated and run the gamut from malicious software and ransomware to electronic security breaches to corruption of data and beyond. We are continually evaluating, improving and upgrading our information technology systems and websites in an effort to address these concerns. Any such problems or interruptions could result in loss of valuable business data, our customers' or employees' personal

information, disruption of our operations and other adverse impacts to our business and require significant expenditures by us to remediate any such failure, problem or breach. In addition, we must comply with increasingly complex regulatory standards enacted to protect business and personal data and an inability to maintain compliance with these regulatory standards could subject us to legal risks and penalties.

We maintain \$40 million of network-security insurance coverage, above a \$250,000 deductible. This coverage and certain other insurance coverage may reduce our exposure to electronic data theft and sabotage. While we maintain other insurance coverage aimed at addressing certain of these other risks, there can be no assurance that depending upon the nature of the issue presented, we will have insurance coverage available or that the amounts of coverage will be adequate.

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

**Foreign Sourcing and Manufacturing.** Virtually all of our products are purchased through arrangements with a number of foreign manufacturers, primarily from China, Italy, Brazil, Mexico, India and Vietnam. During 2017, approximately 93% of our total purchases were from China. Risks inherent in foreign operations including work stoppages, transportation delays and interruptions, social unrest and political upheaval and changes in economic conditions, can result in the disruption of trade from the countries in which our manufacturers or suppliers are located, the imposition of additional regulations relating to imports, the imposition of additional duties, taxes and other charges on imports, significant fluctuations of the value of the dollar against foreign currencies, or restrictions on the transfer of funds, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity. Although we believe that we manage our exposure to the risk that any such economic or political condition will materially affect our ability to purchase products because we are aware of the availability of a variety of materials and alternative sources, we cannot be certain that we will be able to identify such alternative materials and/or sources without delay or without greater cost to us. Our inability to identify and secure alternative sources of supply in this situation could have a material adverse effect on our business, financial condition, results of operations and liquidity.

**Impact of Custom Duties and Other Import Regulations.** Virtually all of our products are imported and subject to United States custom duties. In addition, over time we have increased our sales of products outside of the United

States. The United States and the countries in which our products are produced or sold, from time to time, may impose new quotas, duties, tariffs or other restrictions on imports or exports, may adversely adjust prevailing quotas, duties or tariff levels, or may impose sanctions in the form of additional duties to remedy perceived illegal actions. The current political landscape has introduced greater uncertainty with respect to future tax and trade regulations for United States companies like ours with significant business and sourcing operations outside the United States. We cannot predict whether, and to what extent, there may be changes to international trade agreements or whether quotas, duties, tariffs, exchange controls or other restrictions will be changed or imposed by the United States or by other countries. If we or our suppliers or licensees are unable to source raw materials or finished goods from the countries where we or they wish to purchase them, either because of such regulatory changes or for any other reason, or if the cost of doing so should increase, it could have a material adverse effect on our business, financial condition, results of operations and liquidity.

**Manufacturers' Inability to Produce Our Goods in a Timely Manner or Meet Quality Standards.** As is common in the footwear and accessories industries, we contract with foreign manufactures who produce virtually all of our products to our specifications. We do not own or operate any manufacturing facilities; therefore, we are dependent upon third parties for the

manufacture of all of our products. The inability of a manufacturer to ship orders of our products in a timely manner or to meet our quality standards could cause us to miss the delivery date requirements of our customers for those items, which, in turn, could result in cancellation of orders, refusal to accept deliveries, a reduction in purchase prices and, ultimately, termination of a customer relationship, any of which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

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

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

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



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

- the timing of holidays;
- weather conditions;
- the timing of larger shipments of product;
- market acceptance of our products;
- the mix, pricing and presentation of the products offered and sold;
- the hiring and training of additional personnel;
- inventory write downs for obsolescence;
- the cost of materials;
- the product mix between wholesale, retail and licensing businesses;
- the incurrence of other operating costs; and

factors beyond our control, such as general economic conditions, declines in consumer confidence and actions of competitors.

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

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

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

**Our Licensees' Conduct Could Harm our Business.** We license to others the rights to produce and market certain products that are sold under our trademarks. Although we retain significant control over our licensees' products and advertising, we rely on our licensees for operational and financial control over their businesses. If the quality, image or distribution of our licensed products diminish, customer acceptance of and demand for our brands and products could decline. This could materially and adversely affect our business and results of operations. In fiscal year 2017, approximately 76% of our net royalties were derived from our top five licensed product lines. A decrease in customer demand for any of these product lines could have a material adverse effect on our results of operations and financial condition. Although we believe that in most circumstances we could replace existing licensees if necessary, our inability to do so effectively or for any period of time could adversely affect our revenues and results of operations.

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

**Declines in Our Stock Price Due to Inaccurate Predictions.** The trading price of our common stock periodically may rise or fall based on the accuracy of predictions of our future performance. As one of our primary objectives, we strive to maximize the long-term strength, growth and profitability of our Company, rather than to achieve an earnings target in any particular fiscal

quarter. We believe that this longer-term goal is in the best interests of the Company and our stockholders, but recognize that it may be helpful to our stockholders and potential investors for us to provide guidance as to our quarterly and annual forecast of net sales and earnings. Although we endeavor to provide meaningful and considered guidance at the time it is provided and generally expect to provide updates to our guidance when we report our results each fiscal quarter, actual results may differ from our predictions as the guidance is based on assumptions and expectations that may or may not come to pass and, as such, we assume no responsibility to update any of our forward-looking statements at such times or otherwise. If and when we announce actual results that differ from those that have been predicted by us, the market price of our common stock could be adversely affected. Investors who rely on these predictions in making investment decisions with respect to our common stock do so at their own risk. We take no responsibility for any losses suffered as a result of such changes in the price of our common stock.

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

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

#### New Risk Factor in this Amendment No. 1

We have identified a material weakness in our internal control over financial reporting, which, if not fully remediated in a timely manner, could result in material misstatements in our financial statements. As disclosed in Part II, Item 9A, "Controls and Procedures," we have identified a material weakness in our internal control over financial reporting related to certain control deficiencies in our information technology general controls as a result of ineffective risk assessment relative to certain of our processes and procedures. A "material weakness" refers to a deficiency or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant's financial statements will not be prevented or detected on a timely basis. As a result of the material weakness, we concluded that our internal control over financial reporting and related disclosure controls and procedures were not effective as of December 31, 2017. As of November 8, 2018, management of the Company believes that it has implemented remediation measures sufficient to have fully remediated the material weakness in the Company's internal control over financial reporting that existed at December 31, 2017; however, we cannot guarantee that these steps have been or will be sufficient to remediate the deficiencies or that we will not have a material weakness in the future. If our remedial measures are insufficient to address the material weakness or if additional material weaknesses arise in the future, our interim or annual financial statements may contain material misstatements or omissions and we could be required to restate our financial results.

## PART II

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required by this Item is incorporated herein by reference to the consolidated financial statements listed in response to Item 15 of Part IV of this Amendment No. 1 to our Annual Report on Form 10-K.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

As required by Rule 13a-15(b) of the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2017, the end of our fiscal year. Previously, based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our

disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of the end of the fiscal year covered by our Annual Report on Form 10-K. Subsequent to the filing of our Form 10-K for the period ended December 31, 2017, as a result of an inspection by the Public Company Accounting Oversight Board of our independent public accounting firm, EisnerAmper LLP (“Eisner”), relating to its audit of the Company, Eisner asked us to re-evaluate certain internal controls related to information technology general controls for information systems that are relevant to the preparation of financial statements. As a result of this re-evaluation, our Chief Executive Officer and Chief Financial Officer have subsequently concluded that a material weakness in our internal control over financial reporting was present and that our disclosure controls and procedures were not effective as of December 31, 2017.

As a result of the material weakness identified, we performed additional analysis and other post-closing procedures intended to ensure our consolidated financial statements were prepared in accordance with U.S. GAAP.

Notwithstanding the material weakness in our internal control over financial reporting, management has concluded that the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the period ended December 31, 2017, fairly present in all material respects our financial position, results of operations and cash flows as of, and for, the periods presented. Eisner’s report on the Company’s consolidated financial statements appears in this Amendment No. 1 to the December 31, 2017 Annual Report on Form 10-K/A.

Management’s Annual Report on Internal Control Over Financial Reporting

Management of Steven Madden, Ltd. is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act). Our internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by the board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (1) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

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

With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness, as of the end of our fiscal year ended December 31, 2017, of our internal control over financial reporting based on the framework and criteria established in the 2013 Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that our internal control over financial reporting was not effective as of December 31, 2017. A material weakness is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the registrant’s financial statements will not be prevented or detected on a timely basis.

We did not design and implement effective control over risk assessment with regard to certain processes and procedures commensurate with our financial reporting requirements which we determined to be a material weakness. Specifically, we did not design and maintain adequate information technology general controls (ITGCs) for information systems that are relevant to the preparation of financial statements in the following areas:

administrative user access to the Company's wholesale, retail and operating systems to ensure appropriate segregation of duties and to adequately restrict access to financial applications and data; and program change management controls to ensure that information technology program and data changes affecting financial IT applications and underlying accounting records were tested, approved and implemented appropriately.

This material weakness could impact the effectiveness of IT-dependent controls, such as automated controls that address the risk of a material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports, and result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

The effectiveness of our internal control over financial reporting as of December 31, 2017, has been audited by Eisner, and their opinion is stated in their report which is included in this Amendment No. 1 to the December 31, 2017 Annual Report on Form 10-K/A.

#### Remediation of Material Weakness

As of the date of this Amendment No. 1, management believes that it has implemented measures sufficient to fully remediate each of the deficiencies resulting in the material weakness. Specific remedial actions undertaken by management have included, without limitation:

- rationalizing access privileges for all system users;
- documenting the assignment of access privileges and the rationale for allowing access for each authorized user;
- implementing controls that require the periodic re-evaluation of user access privileges, including administrative access; and
- enhancing system monitoring controls to confirm the adequacy of program change management controls.

However, remedial controls must operate for a sufficient period of time for a definitive conclusion, through testing, that the deficiencies have been fully remediated and, as such, we can give no assurance that the measures we have undertaken have fully remediated the material weakness that we have identified or that additional material weaknesses will not arise in the future. We will continue to monitor the effectiveness of these and other processes, procedures, and controls and will make any further changes that management determines to be appropriate.

#### Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of 2017 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

#### PART IV

##### ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

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



SIGNATURES

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

Dated: November 9, 2018

STEVEN MADDEN, LTD.

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

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Reports of Independent Registered Public Accounting Firm	<u>F-1</u>
<u>Consolidated Balance Sheets</u> as of December 31, 2017 and 2016	<u>F-4</u>
<u>Consolidated Statements of Income</u> for the years ended December 31, 2017, 2016 and 2015	<u>F-5</u>
<u>Consolidated Statements of Comprehensive Income</u> for the years ended December 31, 2017, 2016 and 2015	<u>F-6</u>
<u>Consolidated Statements of Changes in Stockholders' Equity</u> for the years ended December 31, 2017, 2016 and 2015	<u>F-7</u>
<u>Consolidated Statements of Cash Flows</u> for the years ended December 31, 2017, 2016 and 2015	<u>F-9</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-10</u>

---

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Steven Madden, Ltd. and Subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017 and 2016, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2018 (November 9, 2018 as to the effects of the material weakness described in Management's Annual Report on Internal Control Over Financial Reporting), expressed an adverse opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 1995.

/s/ EisnerAmper LLP

EISNERAMPER LLP  
New York, New York  
March 1, 2018

F-1

---

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Internal Control over Financial Reporting

We have audited Steven Madden, Ltd. and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2017, based on criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, because of the effect of the material weakness described in the following paragraph on the achievement of the objectives of the control criteria, Steven Madden, Ltd. and Subsidiaries has not maintained effective internal control over financial reporting as of December 31, 2017, based on criteria established in the Internal Control - Integrated Framework (2013) issued by COSO.

In our report dated March 1, 2018, we expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting. As described in the following paragraph, the Company subsequently identified a material weakness in its internal control over financial reporting. Accordingly, management has revised its assessment about the effectiveness of the Company's internal control over financial reporting, and our present opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017 as expressed herein, is different from that expressed in our previous report.

A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness in the risk assessment process specific to certain information technology general controls for information systems that are relevant to the preparation of financial statements has been identified and included in management's assessment. This material weakness was considered in determining the nature, timing, and extent of the audit tests applied in our audit of the December 31, 2017 financial statements, and this report does not affect our report dated March 1, 2018 on those financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of Steven Madden, Ltd. and Subsidiaries' as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and our report dated March 1, 2018 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was

maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### Definition and Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being

F-2

---

made only in accordance with authorizations of management and directors of the entity; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

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

/s/ EisnerAmper LLP

EISNERAMPER LLP

New York, New York

March 1, 2018 (November 9, 2018 as to the effects of the material weakness)

F-3

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Consolidated Balance Sheets

(in thousands)

	December 31,	
	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 181,214	\$ 126,115
Accounts receivable, net of allowances of \$1,973 and \$1,622	39,473	56,790
Factor accounts receivable, net of allowances of \$26,213 and \$20,209	201,436	144,168
Inventories	110,324	119,824
Marketable securities – available for sale	64,027	39,495
Prepaid expenses and other current assets	19,538	26,351
Prepaid taxes	29,506	15,928
Total current assets	645,518	528,671
Note receivable – related party	2,289	2,644
Property and equipment, net	71,498	72,381
Deferred taxes	6,370	1,813
Deposits and other	2,121	4,710
Marketable securities – available for sale	29,523	70,559
Goodwill – net	148,538	135,711
Intangibles – net	151,304	144,386
Total Assets	\$ 1,057,161	\$ 960,875
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 66,955	\$ 80,584
Accrued expenses	120,624	86,635
Income taxes payable	1,566	—
Contingent payment liability – current portion	7,000	7,948
Accrued incentive compensation	10,467	7,960
Total current liabilities	206,612	183,127
Contingent payment liability	3,000	—
Deferred rent	16,033	14,578
Deferred taxes	3,602	19,466
Other liabilities	18,982	2,632
Total Liabilities	248,229	219,803
Commitments, contingencies and other		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock – \$.0001 par value, 5,000 shares authorized; none issued; Series A Junior	—	—
Participating preferred stock – \$.0001 par value, 60 shares authorized; none issued	—	—
Common stock – \$.0001 par value, 135,000 shares authorized, 87,306 and 86,417 shares issued, 58,698 and 60,410 shares outstanding	6	6
Additional paid-in capital	390,723	353,443
Retained earnings	1,135,701	1,017,753
Accumulated other comprehensive loss	(25,613 )	(31,751 )
Treasury stock – 28,608 and 26,007 shares at cost	(697,996 )	(598,584 )
Total Steven Madden, Ltd. stockholders' equity	802,821	740,867
Non-controlling interests	6,111	205
Total stockholders' equity	808,932	741,072



Total Liabilities and Stockholders' Equity	\$1,057,161	\$960,875
--	-------------	-----------

See accompanying notes to consolidated financial statements

F-4

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Consolidated Statements of Income

(in thousands, except per share data)

	Years Ended December 31,		
	2017	2016	2015
Net sales	\$1,546,098	\$1,399,551	\$1,405,239
Cost of sales	968,357	877,568	904,747
Gross profit	577,741	521,983	500,492
Commission and licensing fee income – net	14,259	11,788	16,565
Operating expenses	(421,216 )	(364,595 )	(342,364 )
Impairment charges	(1,000 )	—	(3,045 )
Income from operations	169,784	169,176	171,648
Interest income (expense) - net	2,548	2,488	2,191
Other (expense) income - net	(5 )	(664 )	(1,373 )
Income before provision for income taxes	172,327	171,000	172,466
Provision for income taxes	53,189	49,726	58,811
Net income	119,138	121,274	113,655
Net income attributable to non-controlling interests	(1,190 )	(363 )	(717 )
Net income attributable to Steven Madden, Ltd.	\$117,948	\$120,911	\$112,938
Basic net income per share	\$2.14	\$2.12	\$1.91
Diluted net income per share	\$2.04	\$2.03	\$1.85
Basic weighted average common shares outstanding	55,157	57,109	58,997
Effect of dilutive securities – options/restricted stock	2,673	2,447	2,145
Diluted weighted average common shares outstanding	57,830	59,556	61,142

See accompanying notes to consolidated financial statements

F-5

STEVEN MADDEN, LTD. AND SUBSIDIARIES  
 Consolidated Statements of Comprehensive Income  
 (in thousands)

	2017		
	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts
Net income			\$ 119,138
Other comprehensive income (loss):			
Foreign currency translation adjustment	\$6,836	—	6,836
(Loss) on cash flow hedging derivatives	(1,282	) 468	(814 )
Unrealized gain on marketable securities	183	(67	) 116
Total other comprehensive income	\$5,737	\$ 401	6,138
Comprehensive income			125,276
Comprehensive income attributable to non-controlling interests			(1,190 )
Comprehensive income attributable to Steven Madden, Ltd.			\$ 124,086
	2016		
	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts
Net income			\$ 121,274
Other comprehensive income (loss):			
Foreign currency translation adjustment	\$(2,147 )	\$ —	(2,147 )
Gain on cash flow hedging derivatives	797	(291	) 506
Unrealized gain on marketable securities	2,052	(749	) 1,303
Total other comprehensive (loss)	\$702	\$ (1,040	) (338 )
Comprehensive income			120,936
Comprehensive income attributable to non-controlling interests			(363 )
Comprehensive income attributable to Steven Madden, Ltd.			\$ 120,573
	2015		
	Pre-tax amounts	Tax benefit/(expense)	After-tax amounts
Net income			\$ 113,655
Other comprehensive income (loss):			
Foreign currency translation adjustment	\$(18,734)	\$ —	(18,734 )
Gain on cash flow hedging derivatives	1,962	(716	) 1,246
Unrealized (loss) on marketable securities	(1,847	) 674	(1,173 )
Total other comprehensive (loss)	\$(18,619)	\$ (42	) (18,661 )
Comprehensive income			94,994
Comprehensive income attributable to non-controlling interests			(717 )
Comprehensive income attributable to Steven Madden, Ltd.			\$ 94,277

See accompanying notes to consolidated financial statements



STEVEN MADDEN, LTD. AND SUBSIDIARIES  
 Consolidated Statements of Changes in Stockholders' Equity  
 (in thousands)

	Common Stock		Additional	Retained
	Shares	Amount	Paid in Capital	Earnings
Balance - December 31, 2014	63,625	\$ 6	\$275,039	\$783,904
Share repurchases	(3,704 )	—	—	—
Exercise of stock options	1,460	—	21,301	—
Tax benefit from stock-based compensation	—	—	10,510	—
Issuance of restricted stock	312	—	—	—
Stock-based compensation	—	—	18,698	—
Foreign currency translation adjustment	—	—	—	—
Unrealized holding (loss) on securities (net of tax benefit of \$674)	—	—	—	—
Cash flow hedge (net of tax expense of \$716)	—	—	—	—
Distributions to non-controlling interests, net	—	—	—	—
Non-controlling investment in JV	—	—	—	—
Net income	—	—	—	112,938
Balance - December 31, 2015	61,693	6	325,548	896,842
Share repurchases	(2,437 )	—	—	—
Exercise of stock options	746	—	10,713	—
Issuance of restricted stock	408	—	—	—
Stock-based compensation	—	—	19,509	—
Foreign currency translation adjustment	—	—	—	—
Unrealized holding gain on securities (net of tax expense of \$749)	—	—	—	—
Cash flow hedge (net of tax expense of \$291)	—	—	—	—
Distributions to non-controlling interests, net	—	—	—	—
Acquisition of Minority Interest (net of tax benefit of \$1,432)	—	—	(2,327 )	—
Net income	—	—	—	120,911
Balance - December 31, 2016	60,410	6	353,443	1,017,753
Share repurchases	(2,601 )	—	—	—
Exercise of stock options	655	—	16,433	—
Issuance of restricted stock	234	—	—	—
Stock-based compensation	—	—	20,847	—
Foreign currency translation adjustment	—	—	—	—
Unrealized holding gain on securities (net of tax expense of \$67)	—	—	—	—
Cash flow hedge (net of tax benefit of \$468)	—	—	—	—
Non-controlling investment in JV	—	—	—	—
Net income	—	—	—	117,948
Balance - December 31, 2017	58,698	\$ 6	\$390,723	\$1,135,701
See accompanying notes to consolidated financial statements				

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

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

(in thousands)

	Accumulated Other Comprehensive Gain (Loss)	Treasury Stock Shares	Treasury Stock Amount	Non-controlling interest	Total Stockholders' Equity
Balance - December 31, 2014	\$ (12,752 )	19,866	\$(376,942)	\$ 274	\$ 669,529
Share repurchases	—	3,704	(135,637 )	—	(135,637 )
Exercise of stock options	—	—	—	—	21,301
Tax benefit from stock-based compensation	—	—	—	—	10,510
Issuance of restricted stock	—	—	—	—	—
Stock-based compensation	—	—	—	—	18,698
Foreign currency translation adjustment	(18,734 )	—	—	—	(18,734 )
Unrealized holding (loss) on securities (net of tax benefit of \$674)	(1,173 )	—	—	—	(1,173 )
Cash flow hedge (net of tax expense of \$716)	1,246	—	—	—	1,246
Distributions to non-controlling interests, net	—	—	—	(732 )	(732 )
Non-controlling investment in JV	—	—	—	—	—
Net income	—	—	—	717	113,655
Balance - December 31, 2015	(31,413 )	23,570	(512,579 )	259	678,663
Share repurchases	—	2,437	(86,005 )	—	(86,005 )
Exercise of stock options	—	—	—	—	10,713
Issuance of restricted stock	—	—	—	—	—
Stock-based compensation	—	—	—	—	19,509
Foreign currency translation adjustment	(2,147 )	—	—	—	(2,147 )
Unrealized holding gain on securities (net of tax expense of \$749)	1,303	—	—	—	1,303
Cash flow hedge (net of tax expense of \$291)	506	—	—	—	506
Distributions to non-controlling interests, net	—	—	—	(417 )	(417 )
Acquisition of Minority Interest (net of tax benefit of \$1,432)	—	—	—	—	(2,327 )
Net income	—	—	—	363	121,274
Balance - December 31, 2016	(31,751 )	26,007	(598,584 )	205	741,072
Share repurchases	—	2,601	(99,412 )	—	(99,412 )
Exercise of stock options	—	—	—	—	16,433
Issuance of restricted stock	—	—	—	—	—
Stock-based compensation	—	—	—	—	20,847
Foreign currency translation adjustment	6,836	—	—	—	6,836
Unrealized holding gain on securities (net of tax expense of \$67)	116	—	—	—	116
Cash flow hedge (net of tax benefit of \$468)	(814 )	—	—	—	(814 )
Non-controlling investment in JV	—	—	—	4,716	4,716
Net income	—	—	—	1,190	119,138
Balance - December 31, 2017	\$ (25,613 )	28,608	\$(697,996)	\$ 6,111	\$ 808,932

See accompanying notes to consolidated financial statements



## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

(in thousands)

	Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income	\$ 119,138	\$ 121,274	\$ 113,655
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	20,847	19,509	18,698
Tax benefit from stock-based compensation	—	—	(10,510 )
Depreciation and amortization	21,389	21,102	20,757
Loss on disposal of fixed assets	1,455	652	1,780
Impairment charges	1,000	—	3,045
Deferred taxes	(19,274 )	(6,588 )	7,271
Accrued interest on note receivable – related party	(54 )	(63 )	(71 )
Deferred rent expense and other liabilities	1,455	2,565	440
Realized loss (gain) on sale of marketable securities	(5 )	661	(67 )
Change in fair value of contingent liability	(11,206 )	(425 )	(5,576 )
Bad debt expense from bankruptcy	5,470	—	—
Changes, net of acquisitions, in:			
Accounts receivable	22,683	(13,617 )	(11,071 )
Factor accounts receivable	(57,268 )	11,043	7,281
Notes receivable - related party	409	409	409
Inventories	21,135	(17,744 )	(9,403 )
Prepaid expenses, prepaid taxes, deposits and other	2,403	(3,461 )	4,784
Accounts payable and accrued expenses	9,501	15,324	(8,643 )
Accrued incentive compensation	2,507	1,819	468
Other liabilities	16,350	1,144	2,716
Net cash provided by operating activities	157,935	153,604	135,963
Cash flows from investing activities:			
Capital expenditures	(14,775 )	(15,897 )	(19,459 )
Purchases of marketable securities	(61,209 )	(40,451 )	(48,891 )
Repayment of notes receivable	221	249	466
Maturity/sale of marketable securities	79,141	52,215	43,353
Acquisitions, net of cash acquired	(16,795 )	—	(9,129 )
Net cash used in investing activities	(13,417 )	(3,884 )	(33,660 )
Cash flows from financing activities:			
Proceeds from exercise of stock options	16,433	10,713	21,301
Purchase of noncontrolling interest	—	(3,759 )	—
Tax benefit from the exercise of options	—	—	10,510
Payment of contingent liability	(7,359 )	(16,402 )	(6,270 )
Common stock purchased for treasury	(99,412 )	(86,005 )	(135,637 )
Net cash used by financing activities	(90,338 )	(95,453 )	(110,096 )
Effect of exchange rate changes on cash and cash equivalents	919	(566 )	(1,243 )
Net increase (decrease) in cash and cash equivalents	55,099	53,701	(9,036 )
Cash and cash equivalents – beginning of year	126,115	72,414	81,450
Cash and cash equivalents – end of year	\$ 181,214	\$ 126,115	\$ 72,414



Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$24	\$222	\$328
Income taxes	\$61,979	\$55,384	\$39,424

See accompanying notes to consolidated financial statements.

F-9

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

#### Note A – Summary of Significant Accounting Policies

##### [1] Organization:

Steven Madden, Ltd. a Delaware corporation, and its subsidiaries, design, source, market and sell name brand and private label women's, men's and children's shoes, worldwide through its wholesale and retail channels under the Steve Madden Women's, Steve Madden Men's, Madden, Madden Girl, Steven, FREEBIRD by Steven, Superga (under license), Dolce Vita and Betsey Johnson brand names and through its wholesale channels under the Stevies, Report, B Brian Atwood, Mad Love and Blondo brand names and, under license, the Kate Spade and Avec Les Filles brand names. The Company had a design and production agreement with Rebecca Minkoff and a joint venture with Alice & Olivia, both of which were terminated as of December 31, 2017.

In addition, the Company designs, sources, markets and sells name brand and private label handbags and accessories to customers worldwide through its Wholesale Accessories segment, including the Big Buddha, Betsey Johnson, Madden Girl, Betseyville, Cejon, Steve Madden, Steven by Steve Madden, Luv Betsey, B Brian Atwood, DKNY (under license) and Donna Karan (under license) accessories brands. Revenue is generated predominantly through the sale of the Company's brand name and private label merchandise and certain licensed products. At December 31, 2017 and 2016, the Company operated 206 (including four e-commerce websites) and 189 (including four e-commerce websites) retail stores, respectively. Revenue is subject to seasonal fluctuations. See Note O for operating segment information.

##### [2] Principles of consolidation:

The consolidated financial statements include the accounts of Steven Madden, Ltd. and its wholly-owned subsidiaries Steven Madden Retail, Inc., Diva Acquisition Corp., Diva International, Inc., Madden Direct, Inc., Adesso Madden, Inc., Stevies, Inc., Daniel M. Friedman and Associates, Inc., Big Buddha, Inc., the Topline Corporation, Cejon, Inc., SML Holdings S.a.r.l., SML Canada Acquisition Corp., Madden International Ltd., DMF International Ltd., Asean Corporation Ltd., Dolce Vita Holdings, Inc., Trendy Imports S.A de C.V., Comercial Diecesiette S.A. de C.V., Maximus Designer Shoes S.A. de C.V., BA Brand Holdings LLC, BAI Holding, LLC, Mad Love LLC (formerly a joint venture in which the Company acquired the remaining minority interest in 2016) and Schwartz & Benjamin, Inc. (collectively the "Company"). The accounts of (i) Dexascope Proprietary Ltd., a joint venture in South Africa in which the Company is the majority owner, (ii) BA Brand Holdings LLC, a joint venture in which the Company is the majority owner, (iii) SPM Shoetrade Holding B.V., a joint venture in certain regions of Europe in which the Company is the majority owner, (iv) SM (Jiangsu) Co., Ltd., a joint venture in which the Company controls all of the significant participating rights and (v) SM Dolce Limited, a joint venture in which the Company is the majority interest holder, are included in the consolidated financial statements with the other members' interests reflected in "Net (income) loss attributable to non-controlling interests" in the Consolidated Statements of Income and "Non-controlling interests" in the Consolidated Balance Sheets. All significant intercompany balances and transactions have been eliminated. Certain reclassifications were made to prior years' amounts to conform to the 2017 presentation.

##### [3] Use of Estimates:

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant areas involving management estimates include allowances for bad debts, returns and customer chargebacks, inventory valuation, valuation of intangible assets, litigation reserves and contingent payment liabilities. The Company provides reserves on trade accounts receivables and factor receivables for future customer chargebacks and markdown allowances, discounts, returns and other miscellaneous compliance-related deductions that relate to the current period sales. The Company evaluates anticipated chargebacks by reviewing several performance indicators of its major customers.

F-10

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note A – Summary of Significant Accounting Policies (continued)

These performance indicators, which include retailers' inventory levels, sell-through rates and gross margin levels, are analyzed by management to estimate the amount of the anticipated customer allowance.

## [4] Cash equivalents:

Cash equivalents at December 31, 2017 and 2016 amounted to approximately \$58,436 and \$3,309, respectively, and consisted of money market accounts. The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents.

## [5] Marketable securities:

Marketable securities consist primarily of certificates of deposit and corporate bonds with maturities greater than three months and up to four years at the time of purchase. These securities, which are classified as available-for-sale, are carried at fair value, with unrealized gains and losses, net of any tax effect, reported in stockholders' equity as accumulated other comprehensive income (loss). These securities are classified as current and non-current marketable securities based upon their maturities. Amortization of premiums and discounts is included in interest income. For the years ended December 31, 2017 and 2016, the amortization of bond premiums totaled \$983 and \$1,234, respectively. The values of these securities may fluctuate as a result of changes in market interest rates and credit risk. The schedule of maturities at December 31, 2017 and 2016 are as follows:

	Maturities as of December 31, 2017		Maturities as of December 31, 2016	
	1 Year or Less	1 to 4 Years	1 Year or Less	1 to 4 Years
Corporate bonds	\$11,979	\$29,523	\$11,527	\$70,559
Certificates of deposit	52,048	—	27,968	—
Total	\$64,027	\$29,523	\$39,495	\$70,559

For the year ended December 31, 2017, gains of \$5 were reclassified from Accumulated Other Comprehensive Income and recognized in the Consolidated Statements of Income in Other Income as compared to losses of \$661 for the year ended December 31, 2016. At December 31, 2017, current marketable securities included unrealized losses of \$106 and unrealized gains of \$1 while long-term marketable securities included unrealized gains of \$3 and unrealized losses of \$90. At December 31, 2016, current marketable securities included unrealized losses of \$279 and long-term marketable securities included unrealized gains of \$89 and unrealized losses of \$118.

## [6] Inventories:

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

## [7] Property and equipment:

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

F-11

---

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note A – Summary of Significant Accounting Policies (continued)

[8] Goodwill and intangible assets:

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

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2017-04, "Intangibles - Goodwill and Other" (Topic 350) "Simplifying the Test for Goodwill Impairment". Under the amendments in this update, indefinite-lived intangible assets and goodwill are assessed for impairment by performing a qualitative assessment which evaluates relevant events or circumstances in order to determine whether it is more likely than not that the fair value of an intangible asset or reporting unit is less than its carrying amount. The factors that are considered include historical financial performance, macroeconomic and industry conditions and legal and regulatory environment. If it is more likely than not that the fair value of the intangible asset or reporting unit is less than its carrying amount, the fair value of the intangible asset or reporting unit is compared with its carrying amount and, if the fair value of the intangible asset or reporting unit is less than its carrying amount, an impairment is recognized equal to the amount by which the carrying value of the intangible asset or reporting unit exceeds its fair value, not to exceed the carrying amount. The guidance is effective in fiscal years beginning after December 15, 2020. The Company adopted the new guidance in the second quarter of 2017. During the fourth quarter of 2017, the Company recognized an impairment charge of \$1,000 related to the Wild Pair trademark. The impairment was triggered by a loss of future anticipated cash flows. The Company completed its annual impairment tests on goodwill and its remaining indefinite-lived intangible assets during the third quarter of 2017, and no other impairments were recognized.

The Company amortizes its intangible assets with definite useful lives over their estimated useful lives and reviews these assets for impairment when there is a triggering event. The Company is currently amortizing its acquired intangible assets with definite useful lives over periods typically from two to ten years using the straight-line method.

[9] Net Income Per Share of Common Stock:

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the period, which does not include unvested restricted common stock subject to forfeiture. Diluted net income per share reflects: a) the potential dilution assuming shares of common stock were issued upon the exercise of outstanding in-the-money options and the proceeds thereof were used to purchase shares of the Company's common stock at the average market price during the period, and b) the vesting of granted nonvested restricted stock awards for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost not yet recognized attributable to future services using the treasury stock method, to the extent dilutive. For the years ended December 31, 2017, 2016 and 2015, options to purchase approximately 9,000, 374,000 and 26,000 shares of common stock, respectively, have been excluded in the calculation of diluted income per share as the result would have been anti-dilutive. For the years ended December 31, 2017, 2016 and 2015, all unvested restricted stock awards were dilutive.

[10] Comprehensive Income:

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

F-12

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note A – Summary of Significant Accounting Policies (continued)

	2017	2016
Currency translation adjustment	\$(24,798)	\$(31,634)
Cash flow hedges, net of tax	(623 )	191
Unrealized loss on securities, net of tax	(192 )	(308 )
Accumulated other comprehensive loss	\$(25,613)	\$(31,751)

## [11] Advertising costs:

The Company expenses costs of print, radio and billboard advertisements as incurred. Advertising expenses included in operating expenses amounted to approximately \$19,629 in 2017, \$16,024 in 2016 and \$14,892 in 2015.

## [12] Revenue Recognition:

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

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

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



royalty based on a percentage of net sales, in addition to a commission and a design fee on the purchases of the Company's products. In substantially all of the Company's license agreements, the minimum guaranteed royalty is earned and receivable on a quarterly basis. Licensing revenue is recognized on the basis of net sales reported by the licensees, or the minimum guaranteed royalties, if higher.

F-13

---

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note A – Summary of Significant Accounting Policies (continued)

[13] Taxes Collected From Customers:

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

[14] Sales Deductions:

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

[15] Cost of Sales:

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

[16] Warehouse and shipping costs:

The Company includes all warehouse and shipping costs for the Wholesale segment in the Operating Expenses line on the Consolidated Statements of Income. For the years ended December 31, 2017, 2016 and 2015, the total warehouse and distribution costs included in Operating Expenses were \$32,395, \$27,079 and \$24,176 respectively. Since the Company's standard terms of sales are "FOB Steve Madden warehouse," the Company's wholesale customers absorb most shipping costs. Shipping costs to wholesale customers incurred by the Company are not considered significant and are included in the Operating Expense line in the Consolidated Statements of Income.

[17] Employee benefit plan:

The Company maintains a tax-qualified 401(k) plan which is available to each of the Company's eligible employees who elect to participate after meeting certain length-of-service requirements. The Company made discretionary

matching contributions of 50% of employees' contributions up to a maximum of 6% of employees' compensation which vest to the employees over a period of time. Total matching contributions to the plan for 2017, 2016 and 2015 were approximately \$1,819, \$1,633 and \$1,602, respectively.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note A – Summary of Significant Accounting Policies (continued)

[18] Derivative Instruments:

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

[19] Income Taxes:

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

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. See Note M - Income Taxes.

[20] Share-based Compensation:

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

Note B – Acquisitions

SM Dolce Limited

In September 2017, the Company formed a joint venture ("SM Taiwan") with Dolce Limited through its subsidiary, SM Dolce Limited. The Company is the majority interest holder in SM Taiwan and controls all of the significant participating rights of the joint venture. SM Taiwan is the exclusive distributor of the Company's products in Taiwan.

As the Company controls all of the significant participating rights of the joint venture and is the majority interest holder in SM Taiwan, the assets, liabilities and results of operations of SM Taiwan are consolidated and included in the Company's consolidated financial statements. The other member's interest is reflected in "Net income attributable to noncontrolling interests" in the Consolidated Statements of Income and "Noncontrolling interests" in the Consolidated Balance Sheets.

SM (Jiangsu) Co., Ltd.

In September 2017, the Company formed a joint venture ("SM China") with Xuzhou C. banner Footwear, Ltd. through its subsidiary, SM (Jiangsu) Co., Ltd. The Company controls all of the significant participating rights of the joint venture. SM China is the exclusive distributor of the Company's products in China. As the Company controls all of the significant participating rights of

F-15

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note B – Acquisitions (continued)

the joint venture in SM China, the assets, liabilities and results of operations of SM China are consolidated and included in the Company's consolidated financial statements. The other member's interest is reflected in "Net income attributable to noncontrolling interests" in the Consolidated Statements of Income and "Noncontrolling interests" in the Consolidated Balance Sheets.

## Schwartz &amp; Benjamin

In January 2017, the Company acquired all of the outstanding capital stock of each of Schwartz & Benjamin, Inc., B.D.S., Inc., Quinby Ridge Enterprises LLC and DANIELBARBARA Enterprises LLC (collectively, "Schwartz & Benjamin"). Founded in 1923, Schwartz & Benjamin specializes in the design, sourcing and sale of licensed and private label footwear and distributes its fashion footwear to wholesale customers, including department stores and specialty boutiques, as well as the retail stores of its brand partners. The total purchase price for the acquisition was approximately \$37,112, which included a cash payment at closing of \$17,396 less a working capital adjustment of \$901, plus potential earn-out payments based on the achievement of certain earnings targets for each of the twelve month periods ending on January 31, 2018 through 2023, inclusive. The fair value of the contingent payments was estimated using the present value of the payments based on management's projections of the financial results of Schwartz & Benjamin during the earn-out period and was finalized at \$20,617. On November 27, 2017, the Company entered into an amendment to the equity purchase agreement with the sellers of Schwartz & Benjamin to change the manner of calculating the earn-out and to provide for payments based on the performance of certain specified license agreements. In connection with this amendment, the Company reduced the earn-out liability from \$20,617 to \$10,000 and recorded a credit to operating expenses in the amount of \$10,617.

The transaction was accounted for using the acquisition method required by GAAP. Accordingly, the assets and liabilities of Schwartz & Benjamin were recorded at their fair values, and the excess of the purchase price over the fair value of the assets acquired and liabilities assumed, including identified intangible assets, was recorded as goodwill. The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The purchase price has been allocated as follows:

Inventory	\$11,635
Accounts receivable	10,836
Trademarks	4,630
Customer relations	5,210
Fixed assets	3,281
Prepays and other assets	2,063
Accounts payable	(7,756 )
Accrued expenses	(4,669 )
Total fair value excluding goodwill	25,230
Goodwill	11,882
Net assets acquired	\$37,112

Contingent consideration classified as a liability will be remeasured at fair value at each reporting date, until the contingency is resolved, with changes recognized in earnings. The goodwill related to this transaction is expected to be deductible for tax purposes over 15 years.

Note C – Factor Receivable

The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. (“Rosenthal”) that became effective on September 15, 2009. The agreement can be terminated by the Company or Rosenthal at any time upon 60 days prior written notice.

F-16

---

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note C – Factor Receivable (continued)

Under the agreement, the Company can request advances from Rosenthal in amounts of up to 85% of aggregate receivables submitted to Rosenthal. The agreement provides the Company with a \$30,000 credit facility with a \$15,000 sub-limit for letters of credit at an interest rate based, at the Company's election, upon a calculation that utilizes either the prime rate minus 0.5% or LIBOR plus 2.5%. As of December 31, 2017 and 2016, no borrowings or letters of credit were outstanding. The Company also pays Rosenthal a fee of 0.20% of the gross invoice amount submitted to Rosenthal. With respect to receivables related to the Company's private label business, the fee is 0.14% of the gross invoice amount. Rosenthal assumes the credit risk on a substantial portion of the receivables that the Company submits to it and, to the extent of any loans made to the Company, Rosenthal maintains a lien on the Company's receivables to secure the Company's obligations. Rosenthal services the collection of the Company's accounts receivable. Funds collected by Rosenthal are applied against advances owed to Rosenthal (if any), and the balance is due and payable to the Company, net of any fees. The allowance against "factor receivables" is a projected provision based on certain formulas and prior approvals for markdowns, allowances, discounts, advertising and other deductions that customers may deduct against their payments.

Note D – Note Receivable – Related Party

On June 25, 2007, the Company made a loan to Steve Madden, its Creative and Design Chief and a principal stockholder of the Company, in the amount of \$3,000 in order for Mr. Madden to satisfy a personal tax obligation resulting from the exercise of stock options that were due to expire and to retain the underlying Company common stock. The loan, as amended, is secured by non-company securities held in Mr. Madden's brokerage account. The Company has agreed to forgive a portion of the note as long as Mr. Madden remains an employee of the Company through the note's maturity on December 31, 2023. For the years ended December 31, 2017, 2016 and 2015 the Company also recorded a charge in the amount of \$409 for each year, respectively, to write-off the required one-tenth of the principal amount of the secured promissory note, which was partially offset by imputed interest income of \$55, \$63 and \$71, respectively.

Note E – Fair Value Measurement

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

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



F-17

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note E – Fair Value Measurement (continued)

The Company's financial assets and liabilities, subject to fair value measurements, as of December 31, 2017 and 2016 are as follows:

	Fair value	December 31, 2017 Fair Value Measurements Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents	\$58,436	\$58,436	\$—	\$—
Current marketable securities – available for sale	64,027	64,027	—	—
Long-term marketable securities – available for sale	29,523	29,523	—	—
Total assets	\$151,986	\$151,986	\$—	\$—
Liabilities:				
Contingent consideration	\$10,000	\$—	\$—	\$10,000
Forward contracts	783	—	783	—
Total liabilities	\$10,783	\$—	\$783	\$10,000

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

F-18

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note E – Fair Value Measurement (continued)

Our level 3 balance consists of contingent consideration related to the Schwartz & Benjamin acquisition. The changes in our level 3 liabilities for the years ended December 31, 2017 and 2016 are as follows:

	Balance at January 1,	Payments	Accrued Interest	Acquisitions	Change in estimate	Foreign Currency Translation	Balance at December 31,
2017							
Liabilities:							
Contingent consideration	\$7,948	(7,359 )	—	20,617	(11,206 )	—	\$ 10,000
2016							
Liabilities:							
Contingent consideration	\$24,775	(16,402 )	—	—	(425 )	—	\$ 7,948

The change in estimate of the contingent consideration as of December 31, 2017 and 2016 of \$11,206 and \$425 has been reflected as a reduction in operating expenses on the Consolidated Statement of Income.

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

The Company has recorded a liability for potential contingent consideration in connection with the January 30, 2017 acquisition of Schwartz & Benjamin. Pursuant to the terms of an earn-out provision contained in the equity purchase agreement, as amended, between the Company and the sellers of Schwartz & Benjamin, earn-out payments are based on the performance of certain specified license agreements. The fair value of the contingent payments was estimated using the present value of the payments based on management's projections of the financial results of Schwartz & Benjamin during the earn-out period.

The Company recorded a liability for potential contingent consideration in connection with the December 30, 2014 acquisition of all of the outstanding capital stock of Trendy Imports S.A. de C.V., Comercial Diecisiete S.A. de C.V., and Maximus Designer Shoes S.A. de C.V. (together "SM Mexico"). Pursuant to the terms of an earn-out agreement between the Company and the seller of SM Mexico, earn-out payments were due annually to the seller of SM Mexico based on the financial performance of SM Mexico for each of the twelve-month periods ending on December 31, 2015 and 2016, inclusive. The fair value of the contingent payments was estimated using the present value of management's projections of the financial results of SM Mexico during the earn-out period. The first earn-out payment of \$3,482 for the period ended December 31, 2015 was paid to the seller of SM Mexico in the first quarter of 2016. The earn-out payment of \$4,618 for the period ended December 31, 2016 was paid to the seller of SM Mexico in 2017.

The Company recorded a liability for potential contingent consideration in connection with the February 21, 2012 acquisition of all of the assets of Steve Madden Canada Inc., Steve Madden Retail Canada Inc., Pasa Agency Inc. and Gelati Imports Inc. (collectively, "SM Canada"). Pursuant to the terms of an earn-out agreement between the Company

and the seller of SM Canada, earn-out payments were due annually to the seller of SM Canada based on the financial performance of SM Canada for each of the 12-month periods ending on March 31, 2013 through 2017, inclusive. The fair value of the contingent payments was estimated using the present value of management's projections of the financial results of SM Canada during the earn-out period. The final earn-out payment of \$2,741 for the period ended March 31, 2017 was paid to the seller of SM Canada in 2017.

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

The carrying value of certain financial instruments such as accounts receivable, factor accounts receivable and accounts payable approximates their fair values due to the short-term nature of their underlying terms. The fair values of investment in marketable

F-19

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note E – Fair Value Measurement (continued)

securities available for sale are determined by reference to publicly quoted prices in an active market. Fair value of the notes receivable held by the Company approximates their carrying value based upon their imputed or actual interest rate, which approximates applicable current market interest rates.

## Note F - Property and Equipment

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

	Average Useful Life	December 31,	
		2017	2016
Land and building		\$767	\$767
Leasehold improvements		81,554	79,165
Machinery and equipment	10 years	7,132	11,112
Furniture and fixtures	5 years	8,629	8,881
Computer equipment and software	3 to 5 years	58,448	57,855
		156,530	157,780
Less accumulated depreciation and amortization		(85,032 )	(85,399 )
Property and equipment - net		\$71,498	\$72,381

Depreciation and amortization expense related to property and equipment included in operating expenses amounted to approximately \$15,160 in 2017, \$14,346 in 2016 and \$13,237 in 2015.

## Note G – Goodwill and Intangible Assets

The following is a summary of the carrying amount of goodwill by segment as of December 31, 2017 and 2016:

	Wholesale			Net
	Footwear	Accessories	Retail	Carrying
				Amount
Balance at January 1, 2016	\$73,018	\$ 49,324	\$14,755	\$137,097
Translation and other	(757 )	—	(629 )	(1,386 )
Balance at December 31, 2016	72,261	49,324	14,126	135,711
Acquisition of Schwartz & Benjamin	11,882	—	—	11,882
Translation and other	719	—	226	945
Balance at December 31, 2017	\$84,862	\$ 49,324	\$14,352	\$148,538

F-20

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note G – Goodwill and Intangible Assets (continued)

The following table details identifiable intangible assets as of December 31, 2017 and 2016:

	2017				
	Estimated Lives	Cost Basis	Accumulated Amortization (1)	Impairment (2)	Net Carrying Amount
Trade names	6–10 years	\$9,220	\$ 4,760	\$ —	\$4,460
Customer relationships	10 years	47,019	24,127	—	22,892
License agreements	3–6 years	5,600	5,600	—	—
Non-compete agreement	5 years	2,440	2,375	—	65
Re-acquired right	2 years	4,200	4,200	—	—
Other	3 years	14	14	—	—
		68,493	41,076	—	27,417
Re-acquired right	indefinite	35,200	7,601	—	27,599
Trade names	indefinite	100,333	—	4,045	96,288
		\$204,026	\$ 48,677	\$ 4,045	\$151,304

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

(2) An initial impairment charge of \$3,045 was recorded in the first quarter of 2015, and a final impairment charge of \$1,000 was recorded in the fourth quarter of 2017 related to the Company's Wild Pair trademark. The impairment was triggered by a loss of future anticipated cash flows from a significant customer.

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

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



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

F-21

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note G – Goodwill and Intangible Assets (continued)

The amortization of intangible assets amounted to \$5,245 for 2017, \$5,522 for 2016 and \$6,145 for 2015 and is included in operating expenses on the Company's Consolidated Statements of Income. The estimated future amortization expense for intangibles is as follows:

2018	\$4,621
2019	4,547
2020	3,721
2021	2,095
2022	1,563
Thereafter	10,870
Total	\$27,417

## Note H – Stock-Based Compensation

In March 2006, the Board of Directors of the Company approved the Steven Madden, Ltd. 2006 Stock Incentive Plan (the "Plan") under which nonqualified stock options, stock appreciation rights, performance shares, restricted stock, other stock-based awards and performance-based cash awards may be granted to employees, consultants and non-employee directors. The Company's stockholders approved the Plan on May 26, 2006. The stockholders have subsequently approved successive amendments of the Plan, most recently on May 25, 2012, when the stockholders approved a third amendment to the Plan that increased the maximum number of shares that may be issued under the Plan to 23,466,000. The following table summarizes the number of shares of common stock authorized for use under the Plan, the number of stock-based awards granted (net of expired or cancelled awards) under the Plan and the number of shares of common stock available for the grant of stock-based awards under the Plan:

Common stock authorized	23,466,000
Stock-based awards, including restricted stock and stock options granted, net of expired or cancelled	(21,818,000)
Common stock available for grant of stock-based awards as of December 31, 2017	1,648,000

In accordance with accounting guidance relating to stock-based compensation, the Company records compensation for all awards to employees based on the fair value of options and restricted stock on the date of grant. Equity-based compensation is included in operating expenses on the Company's Consolidated Statements of Income. For the years ended December 31, 2017, 2016 and 2015, total equity-based compensation was as follows:

	Years Ended December		
	31,		
	2017	2016	2015
Restricted stock	\$16,616	\$16,494	\$15,543
Stock options	4,231	3,015	3,155
Total	\$20,847	\$19,509	\$18,698

F-22

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note H – Stock-Based Compensation (continued)

For the year ended December 31, 2015, the Company classified cash flows of \$10,510 resulting from the tax benefit from tax deductions in excess of the compensation costs recognized for those options (tax benefits) as financing cash flows. During the third quarter of 2016, the Company adopted Accounting Standards Update No. 2016-09 ("ASU 2016-09"), Improvements to Employee Share-Based Payment Accounting which changes the accounting for certain aspects of share-based payments to employees (refer to Note Q). As a result of the adoption of ASU 2016-09, the Company classifies cash flows resulting from tax benefits as operating cash flows for the years ended December 31, 2017 and 2016. For the years ended December 31, 2017 and 2016, the Company realized a tax benefit from stock-based compensation of \$4,019 and \$5,244, respectively.

## Stock Options

The total intrinsic value of options exercised during 2017, 2016 and 2015 amounted to \$9,936, \$16,983 and \$12,433 respectively. During the years ended December 31, 2017, 2016 and 2015, 409,522 options with a weighted average exercise price of \$34.02, 322,022 options with a weighted average exercise price of \$32.37 and 455,528 options with a weighted average exercise price of \$27.27 vested, respectively. As of December 31, 2017, there were unvested options relating to 1,241,187 shares of common stock with a total of \$8,426 of unrecognized compensation cost and an average vesting period of 3.2 years.

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

	2017	2016	2015
Volatility	23% to 26%	22% to 26%	22% to 28%
Risk-free interest rate	1.48% to 1.99%	0.86% to 1.90%	0.99% to 1.60%
Expected life in years	3 to 5	3 to 5	3 to 5
Dividend yield	0.00%	0.00%	0.00%
Weighted average fair value	\$8.91	\$7.11	\$8.81

F-23

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note H – Stock-Based Compensation (continued)

Activity relating to stock options granted under the Company's plans and outside the plans during the three years ended December 31, 2017 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2015	3,428,000	\$ 19.48		
Granted	69,000	36.59		
Exercised	(1,460,000)	14.59		
Expired/Forfeited	(21,000 )	28.49		
Outstanding at December 31, 2015	2,016,000	23.51		
Granted	262,000	33.86		
Exercised	(746,000 )	14.36		
Expired/Forfeited	(33,000 )	30.59		
Outstanding at December 31, 2016	1,499,000	29.72		
Granted	1,062,000	37.55		
Exercised	(655,000 )	24.73		
Expired/Forfeited	(9,000 )	35.23		
Outstanding at December 31, 2017	1,897,000	\$ 35.80	4.9 years	\$ 20,680
Exercisable at December 31, 2017	656,000	\$ 33.67	3.1 years	\$ 8,540

The following table summarizes information about stock options at December 31, 2017:

Range of Exercise Price	Options Outstanding			Weighted Average Exercise Price	Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price		Number Exercisable	Weighted Average Exercise Price
\$19.70 to \$26.95	9,051	1.2		\$22.71	9,056	\$22.71
\$27.03 to \$29.45	80,309	1.8		28.64	80,352	28.64
\$30.19 to \$33.99	263,045	3.1		31.60	181,717	31.66
\$34.06 to \$38.05	1,359,071	5.3		36.53	328,974	35.25
\$38.96 to \$43.30	185,524	6.0		40.11	55,901	39.96
	1,897,000	4.9		\$35.80	656,000	\$33.67



## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note H – Stock-Based Compensation (continued)

## Restricted Stock

The following table summarizes restricted stock activity during the three years ended December 31, 2017:

	Number of Shares	Weighted Average Fair Value at Grant Date
Outstanding at January 1, 2015	4,067,000	\$ 24.69
Granted	361,000	35.71
Vested	(304,000 )	23.24
Forfeited	(69,000 )	34.23
Outstanding at December 31, 2015	4,055,000	25.32
Granted	434,000	34.30
Vested	(276,000 )	30.28
Forfeited	(22,000 )	33.45
Outstanding at December 31, 2016	4,191,000	25.93
Granted	275,000	37.67
Vested	(508,000 )	30.58
Forfeited	(42,000 )	35.47
Outstanding at December 31, 2017	3,916,000	\$ 26.05

As of December 31, 2017, there was \$63,140 of total unrecognized compensation cost related to restricted stock awards granted under the Plan. This cost is expected to be recognized over a weighted average period of 5.4 years.

The Company determines the fair value of its restricted stock awards based on the market price of its common stock on the date of grant. The fair value of the restricted stock that vested during the years ended December 31, 2017, 2016 and 2015 was \$21,549, \$9,758 and \$6,980, respectively.

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



then market price of \$21.13, which vests in equal annual installments over a six-year period commencing on December 31, 2018 and, thereafter, on each December 31 through December 31, 2023, subject to Mr. Madden's continued employment on each such vesting date. On July 20, 2017, pursuant to the employment agreement, Mr. Madden was granted an option to purchase 150,000 shares of the Company's common stock at an exercise price of \$40.15 per share, which option is exercisable in equal quarterly installments commencing on October 20, 2017. On March 1, 2017, pursuant to his employment agreement, Mr. Madden was granted an option to purchase 750,000 shares of the Company's common stock at an

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

#### Note H – Stock-Based Compensation (continued)

exercise price of \$37.35 per share, which option is exercisable in equal annual installments over a five-year period commencing on the first anniversary of the grant date.

#### Note I - Preferred Stock

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

#### Note J - Share Repurchase Program

The Company's Board of Directors authorized a share repurchase program (the “Share Repurchase Program”), effective as of January 1, 2004. The Share Repurchase Program does not have a fixed expiration or termination date and may be modified or terminated by the Board of Directors at any time. On several occasions the Board of Directors has increased the amount authorized for repurchase, most recently on July 28, 2017 when the Board of Directors approved the extension of the Share Repurchase Program for an additional \$200,000 in repurchases of the Company's common stock. The Share Repurchase Program permits the Company to effect repurchases from time to time through a combination of open market repurchases or in privately negotiated transactions at such prices and times as are determined to be in the best interest of the Company. During the twelve months ended December 31, 2017, an aggregate of 2,253,802 shares of the Company's common stock was repurchased under the Share Repurchase Program, at an average price per share of \$37.62, for an aggregate purchase price of approximately \$84,783. As of December 31, 2017, approximately \$180,861 remained available for future repurchases under the Share Repurchase Program.

The Steven Madden, Ltd. 2006 Stock Incentive Plan provides the Company with the right to deduct or withhold, or require employees to remit to the Company, an amount sufficient to satisfy any applicable tax withholding obligations applicable to stock-based compensation awards. To the extent permitted, employees may elect to satisfy all or part of such withholding obligations by tendering to the Company previously owned shares or by having the Company withhold shares having a fair market value equal to the minimum statutory tax withholding rate that could be imposed on the transaction. During the twelve months ended December 31, 2017, an aggregate of 346,820 shares were withheld in connection with the settlement of vested restricted stock to satisfy tax withholding requirements, at an average price per share of \$42.18, for an aggregate purchase price of approximately \$14,629.

#### Note K - Derivative Instruments

The Company uses derivative instruments, specifically, forward foreign exchange contracts, to manage the risk associated with the volatility of future cash flows. The forward foreign exchange contracts will be used to mitigate the impact of exchange rate fluctuations on forecasted purchases of inventory and are designated as cash flow hedging instruments. The Company enters into forward contracts with terms of no more than two years. As of December 31, 2017, \$623 of losses related to cash flow hedges are recorded in accumulated other comprehensive income, net of

taxes and are expected to be recognized in earnings at the same time the hedged items affect earnings. As of December 31, 2017, the fair value of the Company's foreign currency derivatives, which is included on the Consolidated Balance Sheet in accrued expenses, was \$783. As of December 31, 2016, \$191 of gains related to cash flow hedges were recorded in accumulated other comprehensive income, net of taxes and were recognized in earnings at the same time the hedged items affected earnings. As of December 31, 2017 and 2016, none of the Company's hedging activities were considered ineffective and thus no gains and losses relating to ineffectiveness on its hedging activities were recognized in the Consolidated Statements of Income. For the year ended December 31, 2017 losses of \$57 were reclassified from accumulated other comprehensive income and recognized in the Consolidated Statements of Income in cost of sales as compared to losses of \$472 for the year ended December 31, 2016.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note L - Operating Leases

The Company leases office, showroom, warehouse and retail facilities under noncancelable operating leases with terms expiring at various dates through 2030. Future minimum annual lease payments under noncancelable operating leases consist of the following at December 31:

2018	\$44,629
2019	40,510
2020	38,005
2021	32,440
2022	26,720
Thereafter	66,972
Total	\$249,276

A majority of the retail store leases provide for contingent rental payments if gross sales exceed certain targets. In addition, many of the leases contain rent escalation clauses to compensate for increases in operating costs and real estate taxes. Rent expense for the years ended December 31, 2017, 2016 and 2015 was approximately \$56,027, \$52,294 and \$47,710, respectively. Included in such amounts are contingent rents of \$424, \$238 and \$157 in 2017, 2016 and 2015, respectively.

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

Note M - Income Taxes

The components of income before income taxes are as follows:

	2017	2016	2015
Domestic	\$124,472	\$110,526	\$81,785
Foreign	47,855	60,474	90,681
	\$172,327	\$171,000	\$172,466

F-27

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note M - Income Taxes (continued)

The components of provision for income taxes for all periods presented were as follows:

	2017	2016	2015
Current:			
Federal	\$56,836	\$47,655	\$24,838
State and local	5,746	6,063	4,136
Foreign	10,773	3,270	13,960
	73,355	56,988	42,934
Deferred:			
Federal	(22,061 )	(7,050 )	16,976
State and local	800	153	1,961
Foreign	1,095	(365 )	(3,060 )
	(20,166 )	(7,262 )	15,877
	\$53,189	\$49,726	\$58,811

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Tax Act") was signed into law making significant changes to the Internal Revenue Code of 1986, as amended. Changes include, but are not limited to, a reduction in the U.S. corporate statutory tax rate from 35% to 21% effective for tax years beginning after December 31, 2017, the transition from a worldwide tax system to a territorial regime, and a one-time transition tax on the deemed repatriation of cumulative foreign earnings as of December 31, 2017. The Company has calculated its best estimate of the impact of the Tax Act in its year end income tax provision in accordance with its understanding of the Tax Act and guidance available as of the filing of this Annual Report on Form 10-K, and as a result recorded \$7,599 as an additional net income tax benefit in the fourth quarter of 2017, the period in which the legislation was enacted. The provisional amount related to the remeasurement of certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future resulted in a \$2,315 expense. The provisional amount, comprised of a one-time transition tax on the mandatory deemed repatriation of foreign earnings, resulted in a \$9,914 benefit (consisting of a \$21,994 tax expense, offset by a \$31,908 tax benefit from reversal of existing deferred tax liability on unremitted earnings of foreign subsidiaries) based on cumulative foreign earnings of \$310,134. In accordance with Staff Accounting Bulletin No. 118, any adjustments to these provisional amounts will be reported as a component of the Income Tax Provision (Benefit) during the reporting period in which any such adjustments are determined, all of which will be reported no later than the fourth quarter of 2018. The Company continues to evaluate the impacts of the Tax Act on its indefinite reinvestment assertion, as further discussed below.

The Company is subject to the provisions of the FASB ASC 740-10, Income Taxes, which requires that the effect on deferred tax assets and liabilities of a change in tax rates be recognized in the period the tax rate change was enacted. However, in December of 2017, the SEC staff issued Staff Accounting Bulletin 118 which provides that companies that have not completed their accounting for the effects of the Tax Act but can determine a reasonable estimate of those effects should include a provisional amount based on their reasonable estimate in their financial statements. The Company, as explained below, has made reasonable estimates in order to account for the effects of the Tax Act.

Although the \$7,599 net benefit represents what the Company believes is a reasonable estimate of the impact of the income tax effects of the Tax Act as of December 31, 2017, it should be considered provisional. In light of the complexity of the Tax Act, the Company anticipates additional interpretive guidance from the U.S. Treasury and adjustments during the one year measurement period are probable. Once the Company finalizes certain tax positions when it files its 2017 U.S. tax return it will be able to conclude whether any further adjustments are required to its deferred tax balances in the U.S., as well as to the total liability associated with the one-time mandatory tax.

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note M - Income Taxes (continued)

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

	December 31,		
	2017	2016	2015
Income taxes at federal statutory rate	35.0 %	35.0 %	35.0 %
Effects of foreign operations	(4.5 )	(5.3 )	(3.6 )
Stock-based compensation	(2.2 )	(3.0 )	—
State and local income taxes - net of federal income tax benefit	2.0	2.0	1.7
Nondeductible items	0.5	0.2	0.1
Impact of tax reform	(4.4 )	—	—
Receivable Adjustment	2.7	—	—
Other	1.8	0.2	0.9
Effective rate	30.9 %	29.1 %	34.1 %

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

	December 31,	
	2017	2016
Deferred taxes assets		
Receivable allowances	7,315	8,800
Inventory	901	2,202
Unrealized loss	321	177
Accrued expenses	1,796	751
Deferred compensation	11,071	17,569
Deferred rent	3,737	5,327
Net carryforwards	300	1,172
Other	3,842	3,515
Gross deferred tax assets	29,283	39,513
Deferred tax liabilities		
Depreciation and amortization	(16,210)	(19,264 )
Unremitted earnings of foreign subsidiaries	(2,422 )	(31,262 )
Amortization of goodwill	(7,883 )	(6,640 )
Gross deferred tax liabilities	(26,515)	(57,166 )
Net deferred tax assets (liabilities)	\$2,768	\$(17,653)



STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note M - Income Taxes (continued)

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

In accordance with accounting guidance, the Company has opted to classify interest and penalties that would accrue according to the provisions of relevant tax law as income tax expense on the Consolidated Statements of Income. The Company determines the amount of interest expense to be recognized by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken on a tax return. The Company's tax years 2014 through 2017 remain open to examination by most taxing authorities. During 2017, the U.S. Internal Revenue Service ("IRS") completed its audit of the Company's 2014 U.S. income tax return. The Company does not have any material unrecognized tax benefits recorded as of December 31, 2017 and 2016.

The Company's consolidated financial statements provide for any related tax liability on amounts that may be repatriated from foreign operations, aside from undistributed earnings of certain of the Company's foreign subsidiaries that are intended to be indefinitely reinvested in operations outside the U.S. The deferred tax liability of \$2,422 at December 31, 2017 reflects the withholding and state and local tax on amounts that may be repatriated from foreign operations. The Company continues to analyze the impact of the Tax Act on its indefinite reinvestment assertion, and as of December 31, 2017 has recorded a provisional estimate for the potential taxes related to the one-time mandatory tax.

Note N – Commitments, Contingencies and Other

[1] Legal Proceedings:

In the ordinary course of business, the Company has various pending cases involving contractual disputes, employee-related matters, distribution matters, product liability claims, trademark infringement and other matters. In the opinion of management, after consulting with legal counsel, the liabilities, if any, resulting from these legal proceedings should not have a material impact on the Company's financial condition, results of operations or cash flows. It is the policy of management to disclose the amount or range of reasonably possible losses in excess of recorded amounts.

[2] Employment agreements:

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

were issued under the Company's 2006 Stock Incentive Plan, as amended, and vest in equal annual installments over a five-year period commencing on December 1, 2016 and March 5, 2017, respectively. Additional compensation and bonuses, if any, are at the sole discretion of the Board of Directors.

Steven Madden. On January 3, 2012, the Company and its Creative and Design Chief, Steven Madden, entered into an amendment, dated as of December 31, 2011, to Mr. Madden's then existing employment agreement with the Company. The amended agreement, which extends the term of Mr. Madden's employment through December 31, 2023, provides, among other things, for a base salary of approximately \$7,026 per annum for the period between January 1, 2016 through the expiration of the term of employment. Also under the amended agreement, Mr. Madden received the right, exercisable on certain specified dates in fiscal year 2012 only, to elect to receive a grant of restricted stock for a number of shares of the Company's common stock valued at \$40,000 in consideration for certain specified reductions in his annual base salary

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note N – Commitments, Contingencies and Other (continued)

in years subsequent to 2012. Mr. Madden exercised this right and, on July 3, 2012, he was granted 1,893,342 restricted shares of the Company's common stock at the then market price of \$21.13, which shares vest in the same manner as the February 8, 2012 restricted stock grant received by Mr. Madden pursuant to the amended agreement. (See Note N to the Consolidated Financial Statements.) Further, in addition to the opportunity for cash bonuses at the sole discretion of the Board of Directors, Mr. Madden's amended agreement entitles him to an annual life insurance premium payment as well as an annual stock option grant. The amended agreement also provides Mr. Madden the potential for an additional one-time stock option award for 750,000 shares of the Company's common stock (the "EPS Option") in the event that the Company achieves earnings per share on a fully-diluted basis equal to \$2.00 as to any fiscal year ending December 31, 2015 or thereafter, which performance criteria was achieved for the fiscal year ended December 31, 2016 and, as such, on March 1, 2017, Mr. Madden was granted the EPS Option at an exercise price of \$37.35 per share. The EPS Option vests in equal annual installments over a five-year period commencing on the first anniversary of the grant date.

Arvind Dharia. On February 2, 2015, the Company and its Chief Financial Officer, Arvind Dharia, entered into an amendment of Mr. Dharia's existing employment agreement. The amendment, among other things, increased his annual base salary to \$582 effective January 1, 2015 through the remainder of the term of the employment agreement, which ends on December 31, 2018. Pursuant to the amendment, on February 2, 2015, Mr. Dharia received a restricted stock award of 15,000 restricted shares of the Company's common stock, which vests in substantially equal annual installments over a five-year period commencing on February 2, 2016 through February 2, 2020. The agreement, as amended, provides for an annual bonus to Mr. Dharia at the discretion of the Board of Directors.

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

Awadhesh Sinha. On December 30, 2016, the Company entered into a new employment agreement with Awadhesh Sinha, the Company's Chief Operating Officer, to replace an existing employment agreement that expired at the end of 2016. The new agreement, which remains in effect through December 31, 2019, provides for an annual salary of \$702, and \$723 for the years ended December 31, 2018, and 2019, respectively, and provides to Mr. Sinha the opportunity for annual cash and share based incentive bonuses. In addition, pursuant to his new employment agreement, on January 3, 2017, Mr. Sinha received a grant of 28,169 shares of the Company's common stock subject to certain restrictions. The restricted shares received by Mr. Sinha were issued under the Company's 2006 Stock Incentive Plan, as amended, and vest in equal annual installments over a three-year period on each of December 15, 2017, December 15, 2018, and December 15, 2019.

Karla Frieders. On April 11, 2017, the Company entered into a new employment agreement with Karla Frieders, the Company's Chief Merchandising Officer, to replace an existing employment agreement which expired on February 28, 2017. The agreement, which remains in effect through April 30, 2020, provides to Ms. Frieders an annual salary of \$550 for the period commencing on April 11, 2017 and ending on April 30, 2018; \$570 for the period commencing on May 1, 2018 and ending on April 30, 2019; and \$590 for the period commencing on May 1, 2019 and ending on April 30, 2020; and an annual performance-based bonus for the fiscal years ending December 31, 2017, 2018 and 2019 in an amount to be determined at the discretion of the Company. In addition, pursuant to her new employment agreement, on April 11, 2017, Ms. Frieders received a grant of 20,000 shares of the Company's common stock subject to certain restrictions. The restricted shares received by Ms. Frieders were issued under the Company's 2006 Stock Incentive Plan, as amended, and vest in equal annual installments over a five-year period commencing on April 1, 2018 and ending on April 1, 2022.

F-31

---

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note N – Commitments, Contingencies and Other (continued)

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

[3] Letters of credit:

At December 31, 2017, the Company had no open letters of credit for the purchase of imported merchandise.

[4] License agreements:

On January 30, 2017, the Company acquired all of the outstanding capital stock of Schwartz & Benjamin, which holds licenses to manufacture, market and sell footwear with the Kate Spade® and Avec Les Filles® trademarks. The license agreements require Schwartz & Benjamin to pay the licensor a royalty equal to a percentage of net sales and a minimum royalty in the event that specified net sales targets are not achieved. The license agreements extend through December 31, 2020.

In August 2017, the Company entered into a license agreement with Donna Karan Studio LLC for the right to manufacture, market and sell women's belts with the DKNY® and Donna Karan® brands. The agreement, unless extended, expires on December 31, 2020. The agreement requires that the Company pay the licensor a royalty equal to a percentage of net sales and a minimum royalty in the event that specified net sales targets are not achieved.

On March 1, 2014, the Company entered into a license agreement with ABG Juicy Couture, LLC, under which the Company has the right to use the Juicy Couture® trademark in connection with the sale and marketing of women's footwear. The agreement requires the Company to pay the licensor a royalty equal to a percentage of net sales and a minimum royalty in the event that specified net sales targets are not achieved. The agreement terminated on December 31, 2017.

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

Future minimum royalty payments are \$4,078 for 2018, \$10,060 for 2019 through 2020 and \$2,000 for 2021 through 2022. Royalty expenses are included in the "cost of goods sold" section of the Company's Consolidated Statements of

Income.

[5] Concentrations:

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

During the year ended December 31, 2017, the Company did not purchase more than 10% of its merchandise from any single supplier. Total product purchases from China for the year ended December 31, 2017 were approximately 93%.

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

F-32

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note N – Commitments, Contingencies and Other (continued)

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

For the year ended December 31, 2017, Target Corporation represented 13.4% of total accounts receivable and Wal-Mart Stores, Inc. represented 14.6% of total accounts receivable. The Company did not have customers who accounted for more than 10% of total net sales or any other customers who accounted for more than 10% of total accounts receivable.

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

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

Purchases are made primarily in United States dollars.

## [6] Valuation and qualifying accounts:

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

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Year ended December 31, 2017				
Allowance for doubtful accounts	\$ 144	\$ 15,070	\$ 14,598	\$ 616
Allowance for chargebacks	19,138	83,076	76,766	25,448
Returns	2,549	8,750	9,177	2,122
Year ended December 31, 2016				
Allowance for doubtful accounts	200	5	61	144
Allowance for chargebacks	19,040	67,649	67,551	19,138
Returns*	4,822	5,169	7,442	2,549
Year ended December 31, 2015				
Allowance for doubtful accounts	203	162	165	200
Allowance for chargebacks	18,199	76,085	75,244	19,040
Returns*	\$ 5,160	\$ 5,868	\$ 6,206	\$ 4,822

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

F-33

---



STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note O – Operating Segment Information

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

F-34

---

## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note O – Operating Segment Information (continued)

Year ended	Wholesale Footwear	Wholesale Accessories	Total Wholesale	Retail	First Cost	Licensing	Consolidated
December 31, 2017:							
Net sales	\$ 1,017,557	\$ 256,295	\$ 1,273,852	\$ 272,246	\$ —	\$ —	—\$ 1,546,098
Gross profit	332,367	80,729	413,096	164,645	—	—	577,741
Commissions and licensing fees – net	—	—	—	—	5,159	9,100	14,259
Income from operations	133,014	23,637	156,651	(1,126)	5,159	9,100	169,784
Depreciation and amortization			11,287	9,645	457	—	21,389
Segment assets	\$ 784,334	\$ 138,720	923,054	122,111	11,996	—	1,057,161
Capital expenditures			\$ 5,590	\$ 9,185	\$ —	\$ —	—\$ 14,775
December 31, 2016:							
Net sales	\$ 881,864	\$ 254,931	\$ 1,136,795	\$ 262,756	\$ —	\$ —	—\$ 1,399,551
Gross profit	279,835	84,422	364,257	157,726	—	—	521,983
Commissions and licensing fees – net	—	—	—	—	3,728	8,060	11,788
Income from operations	110,039	31,562	141,601	15,787	3,728	8,060	169,176
Depreciation and amortization			11,734	9,087	281	—	21,102
Segment assets	\$ 648,738	\$ 186,075	834,813	118,168	7,894	—	960,875
Capital expenditures			\$ 5,990	\$ 9,907	\$ —	\$ —	—\$ 15,897
December 31, 2015							
Net sales	\$ 898,363	\$ 266,564	\$ 1,164,927	\$ 240,312	\$ —	\$ —	—\$ 1,405,239
Gross profit	265,822	88,361	354,183	146,309	—	—	500,492
Commissions and licensing fees – net	—	—	—	—	6,713	9,852	16,565
Income from operations	104,836	32,612	137,448	17,635	6,713	9,852	171,648
Depreciation and amortization			12,624	7,897	236	—	20,757
Segment assets	\$ 604,015	\$ 187,895	791,910	106,823	15,652	—	914,385
Capital expenditures			\$ 7,237	\$ 12,222	\$ —	\$ —	—\$ 19,459

Revenues by geographic area are as follows:

	Year Ended December 31,		
	2017	2016	2015
Domestic (a)	\$ 1,383,841	\$ 1,258,973	\$ 1,255,709
International	162,257	140,578	149,530
Total	\$ 1,546,098	\$ 1,399,551	\$ 1,405,239

(a) Includes revenues of \$329,107, \$312,491 and \$331,481 for the years ended 2017, 2016 and 2015 related to sales to U.S. customers where the title is transferred outside the U.S. and the sale is recorded by our International subsidiary.



## STEVEN MADDEN, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

## Note P - Quarterly Results of Operations (unaudited)

The following is a summary of the quarterly results of operations for the years ended December 31, 2017 and 2016:

March 31, June 30, September 30, December 31,

2017:

Net sales	\$ 366,387	\$ 374,148	\$ 441,193	\$ 364,370
Cost of sales	233,669	234,751	275,303	224,634
Gross profit	132,718	139,397	165,890	139,736
Commissions, royalty and licensing fee income - net	3,927	2,166	4,745	3,421
Net income attributable to Steven Madden, Ltd.	\$ 20,158	\$ 28,964	\$ 44,229	\$ 24,597
Net income per share:				
Basic	\$ 0.36	\$ 0.53	\$ 0.81	\$ 0.45
Diluted	\$ 0.35	\$ 0.50	\$ 0.77	\$ 0.43

2016:

Net sales	\$ 329,357	\$ 325,402	\$ 408,384	\$ 336,408
Cost of sales	213,155	204,357	253,876	206,180
Gross profit	116,202	121,045	154,508	130,228
Commissions, royalty and licensing fee income - net	2,171	2,826	5,358	1,529
Net income attributable to Steven Madden, Ltd.	\$ 23,659	\$ 24,737	\$ 43,767	\$ 28,748
Net income per share:				
Basic	\$ 0.41	\$ 0.43	\$ 0.77	\$ 0.51
Diluted	\$ 0.39	\$ 0.41	\$ 0.74	\$ 0.49

## Note Q - Recent Accounting Pronouncements

## Recently Adopted

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2017-04 ("ASU 2017-04"), "Simplifying the Test for Goodwill Impairment." ASU 2017-04 changes the methodology of applying the quantitative approach during interim or annual impairment testing. The guidance is effective in fiscal years beginning after December 15, 2020 with early adoption permitted. The Company adopted the provisions of ASU 2017-04 in the second quarter of 2017; the adoption did not have a material impact on the Company's financial statements.

In July 2015, the FASB issued Accounting Standards Update 2015-11 ("ASU 2015-11"), "Inventory (Topic 330): Simplifying the Measurement of Inventory", which changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 defines net realizable value as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Company adopted the provisions of ASU 2015-11 in the first quarter of 2017; the adoption did not have a material impact on the Company's financial statements.

In November 2015, the FASB issued Accounting Standards Update 2015-17 ("ASU 2015-17"), "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes." ASU 2015-17 simplifies current guidance and requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet. The Company adopted the provisions of ASU 2015-17 in the first quarter of 2017 under the retrospective approach and, as such, the

Company reclassified \$13,985 of deferred taxes from current to non-current on our balance sheet as of December 31, 2016.

F-36

---

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note Q - Recent Accounting Pronouncements (continued)

Not Yet Adopted

In February 2018, the FASB issued Accounting Standards Update No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"), which allows for stranded tax effects in accumulated other comprehensive income resulting from the U.S. Tax Cuts and Jobs Act to be reclassified to retained earnings. ASU 2018-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact of adopting the new standard and does not expect the new standard to have a material impact on the Company's financial position or results of operations.

In August 2017, the FASB issued Accounting Standards Update 2017-12 ("ASU 2017-12"), "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." ASU 2017-12 changes the recognition and presentation requirements of hedge accounting. The guidance provides new alternatives for applying hedge accounting to additional hedging strategies and measuring the hedged item in fair value hedges of interest rate risk, as well as applies new alternatives for reducing the cost and complexity of applying hedge accounting by easing the requirements for effectiveness testing, hedge documentation and application of the critical terms match method, and reducing the risk of material error correction if a company applies the shortcut method inappropriately. The guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2018 and early adoption is permitted any time after the issuance of the ASU, including in an interim period. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update 2016-15 ("ASU 2016-15"), "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 clarifies how certain cash receipts and payments should be presented in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years with early adoption permitted. We will adopt the guidance when it becomes effective in the first quarter of 2018; the guidance is not expected to have a material impact on our financial statements.

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

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 ("ASU 2016-02"), "Leases," which is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 with early adoption permitted. Under ASU 2016-02, lessees will be required to recognize for all leases with terms longer than twelve months, at the commencement date of the lease, a lease liability, which is a lessee's obligation to make lease payments arising from a lease measured on a discounted basis, and a right-to-use asset, which is an asset that represents the lessee's right to use or control the use of a specified asset for the lease term. Leases will be classified as

either finance or operating, with classification affecting the pattern of expense recognition. The Company is currently evaluating the effect that the new guidance will have on its financial statements and related disclosures and, although the analysis is not complete, it is expected to have a material impact on the consolidated financial statements.

In January 2016, the FASB issued Accounting Standards Update 2016-01 ("ASU 2016-01"), "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 generally requires companies to measure investments in equity securities, except those accounted for under the equity method, at fair value and recognize any changes in fair value in net income. The new guidance must be applied using a modified-retrospective approach and is effective for periods beginning after December 15, 2017 and early adoption is not permitted. We will adopt the guidance when it becomes effective in the first quarter of 2018; the guidance is not expected to have a material impact on our financial statements.

In May 2014, the FASB issued new accounting guidance, Accounting Standards Update No. 2014-09 ("ASU 2014-09"), "Revenue from Contracts with Customers," on revenue recognition. The new standard provides for a single five-step model to be applied to



STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017, 2016 and 2015

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

Note Q - Recent Accounting Pronouncements (continued)

all revenue contracts with customers as well as requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017, and the Company plans to adopt the provisions of the new standard in the first quarter of 2018 using the cumulative effect adjustment approach. The Company is utilizing a comprehensive approach to assess the impact of the guidance on each of our operating segments' revenue streams, including assessment of our performance obligations, principal versus agent considerations and variable consideration. Additionally, the Company is evaluating the impact of the new guidance on disclosures, as well as the impact on controls to support the recognition. Based on the foregoing, at the current time the Company does not believe the adoption to have a material impact on its consolidated financial statements as the Company's current revenue recognition policies are in-line with the principles of the new guidance.

Exhibit Index

- 2.1 Equity Purchase Agreement, dated January 30, 2017, among the Company, Schwartz & Benjamin, Inc., B.D.S., Inc., Quinby Ridge Enterprises LLC, DANIELBARBARA Enterprises LLC, the Sellers party thereto, and Daniel Schwartz, as agent for the Sellers (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on January 31, 2017).
- 2.2 First Amendment to Equity Purchase Agreement, dated November 21, 2017, to Equity Purchase Agreement, dated January 30, 2017, among the Company, Schwartz & Benjamin, Inc., B.D.S., Inc., Quinby Ridge Enterprises LLC, DANIELBARBARA Enterprises LLC, the Sellers party thereto, and Daniel Schwartz, as agent for the Sellers †
- 3.01 Certificate of Incorporation of Steven Madden, Ltd. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 filed with the SEC on August 8, 2013)
- 3.02 Amended & Restated By-Laws of Steven Madden, Ltd. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on March 28, 2008)
- 4.01 Specimen Certificate for shares of Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 filed with the SEC on August 8, 2013)
- 10.01 Third Amended and Restated Secured Promissory Note dated as of June 25, 2007 of Steven H. Madden to the Company (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 9, 2012)
- 10.02 First Allonge to Third Amended and Restated Secured Promissory Note made as of April 8, 2016 between the Company and Steven H. Madden (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016 filed with the SEC on May 6, 2016)
- 10.03 Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and the Company (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 2010 filed with the SEC on November 9, 2010)
- 10.04 Amendment to Collection Agency Agreement dated February 16, 2010 between Rosenthal & Rosenthal, Inc. and the Company (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2010 filed with the SEC on March 12, 2010)
- 10.05 Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Daniel Friedman & Associates, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
- 10.06 Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Diva Acquisition Corp. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
- 10.07 Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Steven Madden Retail, Inc. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
- 10.08 Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and Stevies, Inc. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
- 10.09 Collection Agency Agreement dated July 10, 2009 between Rosenthal & Rosenthal, Inc. and SML Acquisition Corp. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)
- 10.10 Letter Agreement dated July 10, 2009 among Rosenthal & Rosenthal, Inc., the Company, Daniel Friedman & Associates, Inc., Diva Acquisition Corp., Steven Madden Retail, Inc., Stevies, Inc., and SML Acquisition Corp. (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on

July 16, 2009)

10.11 Guarantee dated July 10, 2009 of the Company, Daniel Friedman & Associates, Inc., Diva Acquisition Corp., Steven Madden Retail, Inc., Stevies, Inc., and SML Acquisition Corp. in favor of Rosenthal & Rosenthal, Inc. (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2009)

10.12 Third Amended Employment Agreement dated July 15, 2005 between the Company and Steven Madden (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 20, 2005)

10.13 Amendment dated December 14, 2009 to Third Amended Employment Agreement between the Company and Steven Madden (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 17, 2009)

---

- Amended and Restated Second Amendment dated as of December 31, 2011 to Third Amended Employment Agreement between the Company and Steven Madden (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2011 filed with the SEC on February 29, 2012)
- 10.14
- Third Amendment dated April 8, 2016 to Third Amended Employment Agreement between the Company and Steven Madden (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016 filed with the SEC on May 6, 2016)
- 10.15
- Employment Agreement dated January 1, 1998 between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.07 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2000 filed with the SEC on March 30, 2001)#
- 10.16
- Amendment No. 1 dated June 29, 2001 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 99.4 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended June 30, 2001 filed August 14, 2001)#
- 10.17
- Amendment No. 2 dated October 30, 2002 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended September 30, 2002 filed with the SEC on November 14, 2002)#
- 10.18
- Amendment No. 3 dated February 1, 2006 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 3, 2006)#
- 10.19
- Amendment No. 4 dated October 7, 2009 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 13, 2009)#
- 10.20
- Amendment No. 5 dated February 8, 2012 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2012)#
- 10.21
- Amendment No. 6 dated February 2, 2015 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)#
- 10.22
- Amendment No. 7 dated as of May 15, 2017 to Employment Agreement between the Company and Arvind Dharia (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2017)#
- 10.23
- Employment Agreement dated December 30, 2016 between the Company and Awadhesh Sinha (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2017)#
- 10.24
- First Amendment dated as of May 15, 2017 to Employment Agreement dated as of December 30, 2016 between the Company and Awadhesh Sinha (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2017)#
- 10.25
- Employment Agreement dated December 30, 2016 between the Company and Amelia Newton Varela (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2017)#
- 10.26
- First Amendment dated as of May 15, 2017 to Employment Agreement dated December 30, 2016 between the Company and Amelia Newton Varela (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2017)#
- 10.27
- Employment Agreement dated April 11, 2017 between the Company and Karla Frieders (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 2017 filed with the SEC on May 9, 2017)#
- 10.28
- Employment Agreement dated December 31, 2015 between the Company and Edward R. Rosenfeld (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2016)#
- 10.29

10.30 First Amendment dated May 16, 2016 to Employment Agreement dated December 31, 2015 between the Company and Edward R. Rosenfeld (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2016)#

10.31 Employment Agreement dated April 5, 2016 between the Company and Michael Paradise (incorporated by reference to Exhibit 10.29 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2016 filed with the SEC on February 28, 2017)#

10.32 First Amendment dated as of May 15, 2017 to Employment Agreement dated April 5, 2016 between the Company and Michael Paradise (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on May 16, 2017)#

---

10.33 2006 Stock Incentive Plan (Amended and Restated Effective May 22, 2009), amended by the Board of Directors of the Company on April 5, 2012 and approved and adopted by the Company's stockholders on May 25, 2012 (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed with the SEC on March 1, 2013)#

21.01 Subsidiaries of the Registrant†

23.01 Consent of EisnerAmper LLP†

24.01 Power of Attorney (included on the signature page of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed with the SEC on March 1, 2018)

31.01 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†

31.02 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002†

32.01 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†\*

32.02 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002†\*

99.01 Press Release, dated February 27, 2018, issued by Steven Madden, Ltd.†

The following materials from Steven Madden, Ltd.'s Annual Report on Form 10-K/A for the fiscal year ended December 31, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text.\*

Filed herewith.

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

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