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

FORM 10-Q

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

For the quarterly period ended June 30, 2000

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

For the transition period from ___________________ to ____________________

For Quarter Ended JUNE 30, 2000 Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of Registrant as specified in its charter)

DELAWARE	13-3588231
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

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

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

Yes [X] No [ ]

CLASS	OUTSTANDING AS OF AUGUST 10, 2000
COMMON STOCK	12,298,259

STEVEN MADDEN, LTD.
FORM 10-Q
QUARTERLY REPORT
JUNE 30, 2000

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	JUNE 30, 2000 (Unaudited)	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,787	$ 37,361
Investments	257	
Accounts receivable - net of allowances of $925 and $886	2,261	1,207
Due from factor - net of allowances of $833 and $624	16,111	12,146
Inventories	16,427	10,158
Prepaid expenses and other current assets	2,231	867
Deferred taxes	800	800
Total current assets	59,617	62,796
Property and equipment, net	14,931	11,114
Deferred taxes	1,612	1,612
Deposits and other	240	269
Cost in excess of fair value of net assets acquired - net of accumulated amortization of $506 and $436	2,275	2,344
	$ 78,675	$ 78,135
LIABILITIES		
Current liabilities:		
Current portion of lease payable	$ 114	$ 116
Accounts payable	7,674	6,542
Accrued expenses	2,804	2,528
Income tax payable	4,957	
Accrued bonuses	517	577
Total current liabilities	11,109	14,720
Deferred rent	897	777
Lease payable, less current portion	146	203
	12,152	15,700
Contingencies (Note D)		
STOCKHOLDERS' EQUITY		
Common stock - $.0001 par value, 60,000 shares authorized, 12,298 and 11,798 issued and outstanding	1	1
Additional paid-in capital	45,655	42,906
Retained earnings	29,646	22,722
Unearned compensation	(1,088)	(1,279)
Treasury stock at cost - 1,200 and 345 shares	(7,691)	(1,915)
	66,523	62,435
	$ 78,675	$ 78,135

See notes to financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share date)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
Net sales	$ 48,057	$ 38,056	$ 92,166	$ 64,787
Cost of sales	27,123	21,888	53,048	37,677
Gross profit	20,934	16,168	39,118	27,110
Commission and licensing fee income	1,130	802	2,134	1,493
Operating expenses	(15,995)	(13,019)	(30,415)	(22,372)
Income from operations	6,069	3,951	10,837	6,231
Interest income, net	471	158	1,007	332
Gain on sale of marketable securities			230	
Income before provision for income taxes	6,540	4,109	12,074	6,563
Provision for income taxes	2,797	1,745	5,149	2,788
NET INCOME	$ 3,743	$ 2,364	$ 6,925	$ 3,775
BASIC INCOME PER SHARE	$0.32	$0.22	$0.60	$0.35
DILUTED INCOME PER SHARE	$0.28	$0.19	$0.52	$0.31
Weighted average common shares outstanding - basic income per share	11,627	10,683	11,566	10,677
Effect of potential common shares from exercise of options and warrants	1,593	1,511	1,658	1,391
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED INCOME PER SHARE	13,220	12,194	13,224	12,068

See notes to financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	SIX MONTHS ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 6,925	$ 3,775
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Issuance of compensatory stock options		474
Depreciation and amortization	1,368	880
Deferred compensation	191	191
Provision for bad debts	248	152
Gain on sale of marketable securities	(230)	
Deferred rent expense	120	184
Changes in:		
Accounts receivable	(1,093)	2
Due from factor	(4,174)	(5,970)
Inventories	(6,269)	(371)
Prepaid expenses and other assets	(1,334)	(1,072)
Accounts payable and accrued expenses	(3,610)	5,294
Net cash (used in) provided by operating activities	(7,858)	3,539
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5,117)	(2,502)
Sale/maturity of investment securities	487	499
Net cash used in investing activities	(4,630)	(2,003)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from options and warrants exercised	2,749	983
Purchase of treasury stock	(5,776)	(678)
Repayment of lease obligations	(59)	(23)
Net cash (used in) provided by financing activities	(3,086)	282
NET INCREASE IN CASH AND CASH EQUIVALENTS	(15,574)	1,818
Cash and cash equivalents - beginning of quarter	37,361	14,642
CASH AND CASH EQUIVALENTS - END OF QUARTER	$ 21,787	$ 16,460

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE A - BASIS OF REPORTING

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the financial position of Steven Madden, Ltd. and subsidiaries (the "Company") as of June 30, 2000, and the results of their operations and cash flows for the six month and three-month periods then ended. The results of operations for the six month and three-month periods ended June 30, 2000 are not necessarily indicative of the operating results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and related disclosures for the year ended December 31, 1999 included in the Annual Report of Steven Madden, Ltd. on Form 10-K.

NOTE B - INVENTORIES

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

NOTE C - NET INCOME PER SHARE OF COMMON STOCK

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

NOTE D - PENDING LITIGATION

[1] MAGNUM FASHIONS, INC.:

On or about May 25, 1999, Magnum Fashion, Inc. ("Magnum") and WK Maxy Industries, Ltd. ("WK") commenced an arbitration proceeding (the "Arbitration") against the Company. In the claim filed as part of the arbitration, Magnum alleged, that it was fraudulently induced to enter into a license agreement, dated as of February 1, 1997, with the Company pursuant to which Magnum licensed the Company's "Steve Madden" trademark for handbag and related products. WK alleged that it was fraudulently induced into providing a guaranty of Magnum's obligations under license. Based on this and other allegations, Magnum and WK have sought to be released from their financial obligations to the Company under the license and guaranty, respectively. Magnum is also seeking damages that it has estimated to be in excess of $5,000,000.

On July 7, 1999, the Company submitted its answer to the claim and filed a counterclaim. In addition to denying the claims asserted by Magnum and WK, the Company asserted a claim against Magnum and WK for the balance of the minimum royalty due under the license. The Company also asserted additional claims against Magnum and WK based on improper sales made during the term of the license and improper liquidation of its inventory following termination of the license. Magnum and WK have denied the counterclaims. Initial hearings were held in April 2000 and additional hearings are scheduled through September 2000.

The Company believes that the Company has meritorious defenses against the claims asserted by Magnum and WK. Accordingly, the Company intends to vigorously contest Magnum's claims and to pursue its counterclaims.

NOTE D - PENDING LITIGATION (CONTINUED)

[2] LEE N' GI:

On or about October 27, 1999, the Company commenced an action against Lee N' Gi, the exclusive marketing and distribution agent for Magnum, in which it claimed that Lee N' Gi had wrongfully induced Magnum to breach its obligation under the aforementioned license between the Company and Magnum. The Company is seeking damages of $3,000,000.

On or about December 14, 1999, Lee N' Gi served an answer denying the allegations and counterclaimed that the Company had breached or wrongfully terminated the license to its detriment. Lee N' Gi seeks damages of $2,000,000 on its counterclaim. The Company answered the counterclaim denying the allegations. The action is in preliminary stages. The Company believes that it has meritorius defenses against the Lee N' Gi counterclaim and intends to vigorously contest these counterclaims.

[3] CLASS ACTION LITIGATION:

As of August 9, 2000, six putative class action lawsuits have been commenced in the United States District Court for the Eastern District of New York against the Company, Mr. Madden and, in three of the actions, Rhonda J. Brown, the Company's President and Chief Operating Officer, and Arvind Dharia, the Company's Chief Financial Officer. These actions are captioned: WILNER v. STEVEN MADDEN, LTD., ET AL., 00 CV 3676 (filed June 21, 2000); CONNOR v. STEVEN MADDEN, ET AL., 00 CV 3709 (filed June 22, 2000); BLUMENTHAL v. STEVEN MADDEN, LTD., et al., 00 CV 3709 (filed June 23, 2000); CURRY v. STEVEN MADDEN, LTD., et al., 00 CV 3766 (filed June 26, 2000); DEMPSTER v. STEVEN MADDEN LTD., et al., 00 CV 3702 (filed June 30, 2000); SALAFIA v. STEVEN MADDEN, LTD., et al., 00 CV 4289 (filed July 24, 2000). The complaints generally allege that the Company and the individual defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements, and failing to disclose material adverse information relating, among other things, to the matters and allegations concerning Mr. Madden. The plaintiffs seek an unspecified amount of damages, costs and expenses on behalf of themselves and all other purchasers of the Company's common stock either during the period June 21, 1997 through June 20, 2000 or the period November 3, 1999 through June 20, 2000 (depending upon the particular action). Although the Company has not yet answered or otherwise responded to these complaints, the Company believes that it has substantial defenses to the claims.

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

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

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

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

PERCENTAGE OF NET REVENUES
SIX MONTHS ENDED
JUNE 30
($ in thousands)

CONSOLIDATED:	2000		1999	
Net Sales	$92,166	100%	$64,787	100%
Cost of Sales	53,048	58	37,677	58
Other Operating Income	2,134	2	1,493	2
Operating Expenses	30,415	33	22,372	35
Income from Operations	10,837	12	6,231	10
Interest Income (Expense) Net	1,007	1	332	1
Gain on sale of Marketable Securities	230	0	---	--
Income Before Income Taxes	12,074	13	6,563	10
Net Income	6,925	8	3,775	6

PERCENTAGE OF NET REVENUES
SIX MONTHS ENDED
JUNE 30
($ in thousands)

By Segment	2000		1999	
WHOLESALE DIVISIONS:				
STEVEN MADDEN, LTD.				
Net Sales	$43,206	100%	$30,133	100%
Cost of Sales	27,132	63	18,691	62
Other Operating Income	564	1	328	1
Operating Expenses	11,697	27	10,055	33
Income from Operations	4,941	11	1,715	6
l.e.i. FOOTWEAR:				
Net Sales	$18,298	100%	$11,759	100%
Cost of sales	11,806	65	7,890	67
Operating Expenses	3,423	19	2,228	19
Income from Operations	3,069	17	1,641	14
DIVA ACQUISITION CORP:				
Net Sales	$1,747	100%	$3,426	100%
Cost of sales	1,266	72	2,306	67
Operating Expenses	523	30	694	20
Income (Loss) from Operations	(42)	(2)	426	12
STEVIES INC.:				
Net Sales	$1,416	100%	---	--
Cost of sales	884	62	---	--
Other Operating Income	42	3	---	--
Operating Expenses	445	31	---	--
Income from Operations	130	9	---	--
STEVEN MADDEN RETAIL INC.:				
Net Sales	$27,500	100%	$19,469	100%
Cost of Sales	11,961	44	8,790	45
Operating Expenses	13,353	49	8,578	44
Income from Operations	2,186	8	2,101	11

PERCENTAGE OF NET REVENUES
SIX MONTHS ENDED
JUNE 30
($ in thousands)

By Segment (Continued)

ADESSO MADDEN INC.: (FIRST COST)	2000		1999	
Other Operating Revenue	$1,528	100%	$1,165	100%
Operating Expenses	975	64	817	70
Income from Operations	553	36	348	30

PERCENTAGE OF NET REVENUES
THREE MONTHS ENDED
JUNE 30
($ in thousands)

CONSOLIDATED:	2000		1999	
Net Sales	$48,056	100%	$38,056	100%
Cost of Sales	27,123	56	21,888	58
Other Operating Income	1,130	2	802	2
Operating Expenses	15,994	33	13,019	34
Income from Operations	6,069	13	3,951	10
Interest Income (Expense) Net	470	1	158	0
Gain on sale of Marketable Securities	--	--	--	--
Income Before Income Taxes	6,540	14	4,109	11
Net Income	3,753	8	2,364	6

By Segment

WHOLESALE DIVISIONS:

STEVEN MADDEN, LTD.				
Net Sales	$21,185	100%	$17,877	100%
Cost of Sales	13,276	63	10,985	61
Other Operating Income	313	1	187	1
Operating Expenses	5,550	26	6,200	35
Income from Operations	2,672	13	879	5
l.e.i. FOOTWEAR:				
Net Sales	$8,566	100%	$6,381	100%
Cost of sales	5,368	63	4,180	66
Operating Expenses	1,598	19	1,251	20
Income from Operations	1,600	19	950	15
DIVA ACQUISITION CORP:				
Net Sales	$667	100%	$1,971	100%
Cost of sales	540	81	1,296	66
Operating Expenses	329	49	426	22
Income (Loss) from Operations	(201)	(30)	249	13

PERCENTAGE OF NET REVENUES
THREE MONTHS ENDED
JUNE 30
($ in thousands)

By Segment (Continued)	2000		1999	
STEVIES INC.:				
Net Sales	$1,416	100%	---	--
Cost of Sales	884	62	---	--
Other Operating Income	6	0	---	--
Operating Expenses	329	23	---	--
Income from Operations	209	15	---	--
STEVEN MADDEN RETAIL INC.:				
Net Sales	$16,222	100%	$11,827	100%
Cost of Sales	7,056	44	5,427	46
Operating Expenses	7,682	47	4,760	40
Income from Operations	1,484	9	1,640	14
ADESSO MADDEN INC.:				
(FIRST COST)				
Other Operating Revenue	$811	100%	$615	100%
Operating Expenses	506	62	382	62
Income from Operations	305	38	233	38

RESULTS OF OPERATIONS
(# in thousands)
SIX MONTHS ENDED JUNE 30, 2000 VS. SIX MONTHS ENDED JUNE 30, 1999

CONSOLIDATED:

Sales for the six month period ended June 30, 2000 were $92,166 or 42% higher than the $64,787 in the comparable period of 1999. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) an increase in reorders from existing customers, (iii) a 41% increase in retail sales due to the opening of additional Steve Madden retail stores during first and second quarters of 2000 and increases in same store sales, (iv) an increase in sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale"), and (v) an increase in the number of Steve Madden concept shops located in major department stores. In turn, increased sales have enabled the Company to expand its advertising and in store concept efforts, all of which have generally contributed to the expansion of public awareness of the Company's brands and the continuing increase in sales. Also in the first quarter, the Company introduced a new brand, Stevies(TM). Stevies(TM) is a fashion brand which targets girls ages 6-9 and "tweens" ages 10-12. The Company's new Stevies Wholesale Division ("Stevies Wholesale") commenced shipping to department stores throughout the country in the second quarter of 2000. Stevies Wholesale generated revenue of $1,416 for the six month period ended June 30, 2000. Also as of second quarter of 2000, seven licenses in 10 product classifications were signed for the Stevies(TM) brand with shipments to begin for the back to school season. The web site for Stevies at www.stevies.com went live in March of 2000.

Consolidated gross profit as a percentage of sales in first six months of 2000 increased to 42.4% as compared 41.8% for the first six months of 1999.

Selling, general and administrative (SG&A) expenses increased to $30,415 in 2000 from $22,372 in 1999. The increase in SG&A is due primarily to a 25% increase in payroll and payroll related expenses from $8,733 in 1999 to $10,880 in 2000. Also, selling, designing and licensing costs increased by 31% from $6,048 in 1999 to $7,947 in 2000. This is due in part to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. The increase in the number of retail outlets and expanded office facilities resulted in an increase in occupancy, telephone, utilities, computer, printing/supplies and depreciation expenses by 46% from $4,493 in 1999 to $6,564 2000.

Income from operations for 2000 was $10,837 which represents an increase of $4,606 or 74% over the income from operations of $6,231 in 1999. Net income increased by 83% to $6,925 in 2000 from $3,775 in 1999.

WHOLESALE DIVISIONS:

Sales from the Steve Madden Wholesale Division ("Madden Wholesale") accounted for $43,206 or 46.9%, and $30,133 or 46.5%, of total sales in 2000 and 1999, respectively. This increase in sales is due to an increase in reorders from existing customers and an increase in the number of Steve Madden concepts shops located in major department stores. Gross profit as a percentage of sales decreased from 38% in 1999 to 37% in 2000 due to higher than normal markdowns experienced in the second quarter of 2000 plus we increased our testing of more products such as sandals and boots. Operating expenses increased to $11,697 in 2000 from $10,055 in 1999. This increase is due to an increase in payroll and payroll related expenses principally due to the hiring of additional management personnel. Additionally, selling, designing and licensing costs increased due to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. Madden Wholesale income from operations was $4,941 in 2000 compared to income from operations of $1,715 in 1999.

Sales from the l.e.i. Wholesale ("l.e.i. Wholesale") accounted for $18,298 or 20%, and $11,759 or 18%, of total sales in 2000 and 1999, respectively. The increase in sales is due to the addition of new "l.e.i. Wholesale" accounts and an increase in reorders from existing customers. As of June 30, 2000, l.e.i footwear sold in over 3000 doors, in the United States, primarily in department stores, including Macy's East, Burdines, Rich's, Hecht's, Filene's, Foley's, Dayton Hudson, Belk and JC Penney's, and in specialty store chains, such as Journey's. Gross profit as a percentage of sales increased from 33% in 1999 to 35% in 2000 due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $3,423 in 2000 from $2,228 in 1999 due to increases in occupancy and payroll and payroll related expenses. Additionally, sales commissions, selling, designing and licensing costs increased due to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. Income from operations from l.e.i. Wholesale was $3,069 in 2000 compared to income from operations of $1,641 in 1999.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $1,747 or 2%, and $3,426 or 5%, of total sales in 2000 and 1999, respectively. The Company believes that the decrease in sales is primarily due to business being slow. The Company also believes that the introduction of a new management team in the second quarter of 2000 for Diva and the implementation of certain modifications to Diva's business will enhance operations in the future. Gross profit as a percentage of sales decreased from 33% in 1999 to 28% in 2000 for the reasons stated above. Operating expenses decreased to $523 in 2000 from $694 in 1999 due to the decrease in sales commission expenses as a result of the decrease in sales and to decreases in selling and designing expenses. Loss from operations from Diva was $42 in 2000 compared to income from operations of $426 in 1999.

The Company's new Stevies, Inc., Wholesale Division ("Stevies Wholesale") commenced shipping to department stores throughout the country in the second quarter of 2000. Stevies Wholesale generated revenue of $1,416 for the six months period ended June 30, 2000. There have been substantial product reorders and the Company is committed to the business going forward. Income from operations was $209 in 2000.

RETAIL DIVISION:

Sales from the Retail Division accounted for $27,500 and $19,469 of total revenues in 2000 and 1999, respectively. This increase in Retail Division sales is primarily due to the increase in number of Steve Madden retail stores to 57 as of June 30, 2000 compared to 39 Steve Madden retail stores as of June30, 1999. Same store sales for the first six months ended June 30, 2000 increased 7.5% over the same period of 1999. This increase in same store sales is due to the Company's ability to reorder bestsellers, test new products such as athletic inspired casuals, sneakers, cork bottom sandals and wood bottom casuals. Revenues from the internet store increased by 242% to $1,252 for six months ended June 30, 2000 from $366 for six months ended June 30, 1999. The Company expects sales generated through its website at www.stevenmadden.com to continue to increase as the Company makes additional styles available for sale on its website and usage of the internet continues to grow. Gross profit as a percentage of sales increased from 54.9% in 1999 to 56.5% in 2000 primarily due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $13,353 or 49% of sales in 2000 from $8,578 or 44% of sales in 1999. This increase was due to increases in payroll and payroll related expenses such as incentive bonuses for store managers and the corporate retail management team, marketing and operating expenses for the internet store, occupancy, printing, computer and depreciation expenses as a result of opening 18 additional stores since June 30, 1999. Income from operations from the retail division was $2,186 in 2000 compared to income from operations of $2,101 in 1999.

ADESSO-MADDEN DIVISION:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $1,528 for the period ended June 30, 2000 which represents a 31.1% increase over commission revenues of $1,165 in 1999. This increase was primarily due to the growth in accounts such as Walmart, Parade of Shoes, Sears, Famous Footwear, Payless, Bass, MarMaxx, Bakers, and Target and the growth in key classifications such as sandals, slides and dress shoes. Operating expenses increased to $975 in 2000 from $817 in 1999 due to increases in selling and designing expenses. Income from operations from Adesso-Madden was $553 in 2000 compared to income from operations of $348 in 1999.

THREE MONTHS ENDED JUNE 30, 2000 VS. THREE MONTHS ENDED JUNE 30, 1999

CONSOLIDATED:

Sales for the three months period ended June 30, 2000 were $48,056 or 26% higher than the $38,056 in the comparable period of 1999. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) an increase in reorders from existing customers, (iii) a 37% increase in retail sales due to the opening of additional Steve Madden retail stores during first quarter and second quarters of 2000, (iv) an increase in sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale"), and (v) an increase in the number of Steve Madden concept shops located in major department stores. In turn, increased sales have enabled the Company to expand its advertising and in store concept efforts, all of which have contributed to the continuing increase in sales. Also in the first quarter, the Company introduced a new brand, Stevies(TM). Stevies(TM) is a fashion brand which targets girls ages 6-9 and "tweens" ages 10-12. The Stevies brand commenced shipping to department stores throughout the country in the second quarter of 2000 and generated revenues of $1,416 for the three months period ended June 30, 2000. Also as of second quarter of 2000, seven licenses in 10 product classifications were signed for the Stevies(TM) brand with shipments to begin for the back to school season. The web site for Stevies at www.stevies.com went live in March of 2000.

Consolidated gross profit as a percentage of sales increased from 42.5% in 1999 to 43.6% in 2000 due to a change in the product mix, balanced sourcing and improved inventory management.

Selling, general and administrative (SG&A) expenses increased to $15,994 in 2000 from $13,019 in 1999. The increase in SG&A is due primarily to a 12% increase in payroll, officers' bonuses and payroll related expenses from $5,105 in 1999 to $5,692 in 2000. Also, the increase in the number of retail outlets and expanded office facilities resulted in an increase in occupancy, telephone, utilities, computer, printing/supplies and depreciation expenses by 50% from $2,369 in 1999 to $3,553 in 2000. Selling, designing and licensing costs increased to $4,012 in 2000 from $3,844 in 1999.

Income from operations for 2000 was $6,069 which represents an increase of $2,118 or 54% over the income from operations of $3,951 in 1999. Net income increased by 59% to $3,753 in 2000 from $2,364 in 1999.

WHOLESALE DIVISIONS:

Sales from the Steve Madden Wholesale Division ("Madden Wholesale") accounted for $21,185 or 44%, and $17,877 or 47%, of total sales in 2000 and 1999, respectively. This increase in sales is due to an increase in reorders from existing customers and an increase in the number of Steve Madden concepts shops located in major department stores. Gross profit as a percentage of sales decreased from 39% in 1999 to 37% in 2000 due to a higher than normal markdown experienced in the second quarter of 2000. Operating expenses decreased to $5,550 in 2000 from $6,200 in 1999 due to decreases in selling, designing marketing and advertising expenses. Madden Wholesale income from operations was $2,672 in 2000 compared to income from operations of $879 in 1999.

Sales from the l.e.i. Wholesale ("l.e.i. Wholesale") accounted for $8,566 or 18%, and $6,381 or 17%, of total sales in 2000 and 1999, respectively. The increase in sales is due to the addition of new "l.e.i. Wholesale" accounts and an increase in reorders from existing customers. l.e.i footwear now sells in over 3000 doors in the United States, primarily in department stores, including Macy's East, Burdines, Rich's, Hecht's, Filene's, Foley's, Dayton Hudson, Belk and JC Penney's, and in specialty store chains, such as Journey's. Gross profit as a percentage of sales increased from 34% in 1999 to 37% in 2000 due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $1,598 in 2000 from $1,251 in 1999 due to increases in licensing fees and payroll and payroll related expenses. Additionally, selling and designing costs increased due to an increase in sales in the current period and to the Company's increased focus on selling and designing activities. Income from operations for l.e.i. Wholesale was $1,600 in 2000 compared to income from operations of $950 in 1999.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $667 or 1%, and $1,971 or 5%, of total sales in 2000 and 1999, respectively. The Company believes that the decrease in sales is primarily due to business being slow. The Company also believes that the introduction of a new management team in the second quarter of 2000 for Diva and the implementation of certain modifications to Diva's business will enhance operations in the future. Gross profit as a percentage of sales decreased from 34% in 1999 to 19% in 2000 for the reasons stated above. Operating expenses decreased to $329 in 2000 from $426 in 1999 due to the decrease in sales and to decreases in selling and designing expenses. Loss from operations from Diva was $201 in 2000 compared to income from operations of $249 in 1999.

The Company's new Stevies, Inc, Wholesale Division ("Stevies Wholesale") commenced shipping to department stores throughout the country in the second quarter of 2000. Stevies Wholesale generated revenue of $1,416 for the three months period ended June 30, 2000. There have been substantial product reorders and the Company is committed to the business going forward. Income from operations was $209 in 2000.

RETAIL DIVISION:

Sales from the Retail Division accounted for $16,222 or 34% and $11,827 or 31% of total revenues in 2000 and 1999, respectively. The increase in Retail Division sales is primarily due to the increase in number of Steve Madden retail stores to 57 in the second quarter of 2000 compared to 39 Steve Madden retail stores in the second quarter of 1999. Same store sales for the quarter ended June 30, 2000 increased by only 2% over the same period of 1999. (This 2% increase in the second quarter of 2000 compared to the 7.5% increase in the six months ended June 30, 2000 was due to the cooler than normal weather experienced in the northeast region of our country during the months of May and June. The northeast stores comprise over 65% of the Company's retail business). This increase in same store sales was driven by our ability to reorder bestsellers, test new products such as athletic inspired casuals, sneakers, cork bottom sandals and wood bottom casuals. Revenues from the internet store increased by 163% to $652 in second quarter of 2000 from $248 in second quarter of 1999. The Company expects sales generated through its website at www.stevenmadden.com to continue to increase as the Company makes additional styles available for sale on its website and usage of the internet continues to grow. Gross profit as a percentage of sales increased from 54.1% in 1999 to 56.5% in 2000 primarily due to changes in the product mix, balanced sourcing and improved inventory management. Operating expenses for the Retail Division increased to $7,682 or 47% of sales in 2000 from $4,760 or 40% of sales in 1999. This increase is due to increases in payroll and payroll related expenses such as incentive bonuses for store managers and the corporate retail management team, marketing and operating expenses for the internet store, occupancy, printing, computer and depreciation expenses as a result of opening 18 additional stores since June 30, 1999 to June 30, 2000. Income from operations from the retail division was $1,484 in 2000 compared to income from operations of $1,640 in 1999.

ADESSO-MADDEN DIVISION:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $811 for the period ended June 30, 2000 which represents a 31.9% increase over commission revenues of $615 in 1999. This increase was primarily due to the growth in accounts such as Walmart, Parade of Shoes, Sears, Famous Footwear, Payless, Bass, MarMaxx, Bakers and Target and the growth in key classifications such as sandals, slides and dress shoes. Operating expenses increased to $506 in 2000 from $382 in 1999 due to increases in payroll and payroll related expenses. Income from operations from Adesso-Madden was $305 in 2000 compared to income from operations of $233 in 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $48,508 at June 30, 2000 compared to $36,843 in working capital from June 30, 1999. This represents an increase of $11,665. This increase in working capital is primarily due to increases in cash and inventories levels due to increases in revenues.

During the six months period ended June 30, 2000, the Company received $2,745 from the sale of its common stock in connection with exercise of stock options. The Company also repurchased 855,000 shares of the Company's common stock at a total cost of $5,776. On February 29, 2000, the Company announced a $1,500,000 stock repurchase program.

The Company's customers consist principally of department stores and specialty stores, including shoe boutiques. Presently, the Company's Wholesale Division sells approximately sixty percent (60%) of its products to department stores, including Federated Department Stores (Bloomingdales, Bon Marche, Burdines, Macy's and Rich's), May Department Stores (Famous Barr, Filene's, Foley's, Hecht's, Kaufmann's, Meier & Frank, Lord & Taylor and Robinsons May), Dillard's, Dayton-Hudson and Nordstorm and approximately forty percent (40%) to specialty stores, including Journey's, Wet Seal and The Buckle and catalog retailers, including Victoria's Secret and Fingerhut. Federated Department Stores and May Department Stores presently account for approximately twenty one percent (21%) and fifteen percent (15%) of the Company's Wholesale Division sales, respectively.

OPERATING ACTIVITIES

During the six month period ended June 30, 2000, cash used in operating activities was $7,858. Uses of cash arose principally from an increase in factored accounts receivable of $4,174, an increase in inventory of $6,269 and a decrease in accounts payable and accrued expenses of $3,610. Cash was provided principally by net income of $6,925.

The Company has lease agreements for office, warehouse, and retail space, expiring at various times through 2011. Future obligations under these lease agreements total approximately $45,500.

The Company has employment agreements with various officers currently providing for aggregate annual salaries of approximately $1,700 subject to annual bonuses and annual increases as may be determined by the Company's Board of Directors. In addition, as part of the employment agreements, the Company is committed to pay incentive bonuses based on income before interest, depreciation and taxes to certain officers.

A significant portion of the Company's product is supplied from foreign manufacturers, the majority of which are located in Brazil, China, Italy and Mexico. Although the Company has not entered into long-term manufacturing contracts with any of these foreign companies, the

Company believes that a sufficient number of alternative sources exist outside of the United States for the manufacture of its products if current suppliers need to be replaced. In addition, because the Company deals with U.S. currency for all transactions and intends to continue to do so, the Company believes there should be no foreign exchange considerations.

CAPITAL IMPROVEMENT ACTIVITIES

During the six months period ended June 30, 2000, the Company used cash of $5,117 to make leasehold improvements on new retail stores, office space and to acquire the POS computer system for the retail stores.

STOCK OPTION AND REPURCHASE ACTIVITIES

During the six months period ended June 30, 2000, the Company received $2,749 from the sale of its common stock in connection with exercise of stock options. The Company also repurchased 855,000 shares of the Company's common stocks at a total cost of $5,776. On February 29, 2000, the Company announced a $1,500,000 stock repurchase program.

LICENSE AGREEMENTS

Revenues from licensing increased by 85% to $606 in the first six months of 2000 from $328 in first six months of 1999. This increase was driven by increases in licensing income from leather sportswear, jewelry and sunglasses. As of June 30, 2000, the Company had 7 license partners covering 10 product categories for its Steve Madden brand. Also during the first quarter of 2000, the Company initiated 7 licensing agreements in 10 product categories for its Stevies brand. The product categories include handbags, hosiery, sunglasses, hair, fashion accessories, belts and jewelry. The Company is exploring additional licensing opportunities for both its Steve Madden and Stevies brands.

As of March 15, 2000, the Company and its sportswear licensee, Iron Will Group, Inc. executed a Termination Agreement with respect to that certain License Agreement dated as of January 1, 1999. Iron Will Group is an affiliate of Jordache Enterprises. The Termination Agreement required that Iron Will terminate its sale and distribution of Steve Madden Sportswear products on or before June 15, 2000. The Company is currently focusing on its leather sportswear which goods are produced and sold by its outerwear licensee. The Company is actively pursuing the engagement of a new sportswear licensee and continues to produce footwear products for the mass merchandise market under the Jordache brand name pursuant to a separate license agreement with Jordache Enterprises.

CERTAIN RECENT DEVELOPMENTS

On June 20, 2000, Steven Madden, the Company's former Chairman and current Chief Executive Officer, was indicted in the Southern District and Eastern District of New York. The indictments allege that Mr. Madden engaged in securities fraud and money laundering activities. In addition, the Securities and Exchange Commission filed a complaint in the United States District Court for the Eastern District of New York alleging that Mr. Madden violated Section 17(a) of the Securities Act of 1933, as amended, and Section 10(b) of the Securities Exchange Act of 1934, as amended.

Neither the indictments nor the SEC complaint alleges any wrongdoing by the Company or its other officers and directors. Mr. Madden has denied any improper conduct and has advised the Company that he will vigorously defend himself against any and all charges. See Part II, Legal Proceedings.

On June 21, 2000, Steven Madden temporarily resigned as Chairman of the Board of Directors and the Company appointed Charles Koppelman as acting Chairman of the Board. Mr. Koppelman has been a director of the Company since June 1998. Mr. Madden continues to serve as the Company's Chief Executive Officer.

INFLATION

The Company does not believe that inflation has had a material adverse effect on sales or income during the past several years. Increases in supplies or other operating costs could adversely affect the Company's operations. However, the Company believes it could increase prices to offset increases in costs of goods sold or other operating costs.

PART II

ITEM 1. LEGAL PROCEEDINGS.

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

MAGNUM FASHIONS INC., ET AL. V. STEVEN MADDEN, LTD. On or about May 25, 1999, Magnum Fashions, Inc. ("Magnum") and WK Maxy Industries, Ltd. ("WK") commenced an arbitration proceeding (the "Arbitration") against the Company before the American Arbitration Association ("AAA"). In the Statement of Claim filed as part of the Arbitration (and as subsequently amended on June 25, 1999), Magnum has alleged, inter alia, that it was fraudulently induced to enter into a license agreement, dated as of February 1, 1997, with the Company pursuant to which Magnum licensed the Company's "Steve Madden" trademark for handbag and related products (the "Handbag License"). Similarly, WK alleged that it was fraudulently induced into providing a guaranty ("Guaranty") of Magnum's obligations under the Handbag License. In addition to the fraudulent inducement claim, Magnum asserted claims of fraudulent nondisclosure, negligent misrepresentation, mutual mistake, wrongful termination, failure of consideration and defamation. Based on those allegations, Magnum and WK have sought to be released from their financial obligations to the Company under the Handbag License and Guaranty, respectively, and Magnum has also sought damages that it subsequently estimated to be in excess of $5 million.

On July 7, 1999, the Company submitted its Answer and Counterclaims in the Arbitration. In addition to denying the claims asserted by Magnum and WK, the Company asserted a claim against Magnum and WK for the balance of the minimum royalty due under the Handbag License. The Company also asserted additional claims against Magnum and WK based on improper sales made during the term of the Handbag License and Magnum's improper liquidation of its inventory following termination of the Handbag License. Magnum and WK have denied the Company's counterclaims. Initial hearings were held in April 2000 and additional hearings are scheduled in September and October 2000.

The Company believes that it has meritorius defenses to the the claims asserted by Magnum and WK. Accordingly, the Company intends to vigorously contest Magnum's positions in this proceeding and to pursue its claims in such actions.

STEVEN MADDEN, LTD. V. LEE 'N GI On or about October 27, 1999, the Company commenced an action in the New York State Supreme Court, New York County entitled STEVEN MADDEN, LTD. V. LEE N' GI, Index No. 121900/99 (the "Lee N' Gi Action"), currently pending in the Supreme Court of the State of New York, County of New York, in which it claimed that Lee N' Gi, the exclusive marketing and distribution agent for Magnum Fashion, Inc. ("Magnum"), had wrongfully induced Magnum to breach its obligations under the Handbag License between the Company and Magnum. The Company is seeking damages of $3,000,000. On or about December 14, 1999, Lee N' Gi served an Answer and Counterclaim in which it denied the allegations in the Company's complaint and claimed that the Company had breached or wrongfully terminated the Handbag License to its detriment. Lee N' Gi seeks damages of $2,000,000 on its counterclaim. On or about December 21, 1999, the Company served a Reply to Counterclaim in which it denied Lee N' Gi's allegations.

As of August 9, 2000, six putative class action lawsuits have been commenced in the United States District Court for the Eastern District of New York against the Company, Mr. Madden and, in three of the actions, Rhonda J. Brown, the Company's President and Chief

Operating Officer, and Arvind Dharia, the Company's Chief Financial Officer. These actions are captioned: WILNER v. STEVEN MADDEN, LTD., ET AL., 00 CV 3676 (filed June 21, 2000); CONNOR v. STEVEN MADDEN, ET AL., 00 CV 3709 (filed June 22, 2000); BLUMENTHAL v. STEVEN MADDEN, LTD., ET AL., 00 CV 3709 (filed June 23, 2000); CURRY v. STEVEN MADDEN, LTD., ET AL., 00 CV 3766 (filed June 26, 2000); DEMPSTER v. STEVEN MADDEN LTD., ET AL., 00 CV 3702 (filed June 30, 2000); SALAFIA v. STEVEN MADDEN, LTD., ET AL., 00 CV 4289 (filed July 24, 2000). The complaints generally allege that the Company and the individual defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements, and failing to disclose material adverse information relating, among other things, to the matters and allegations concerning Mr. Madden. The plaintiffs seek an unspecified amount of damages, costs and expenses on behalf of themselves and all other purchasers of the Company's common stock either during the period June 21, 1997 through June 20, 2000 or the period November 3, 1999 through June 20, 2000 (depending upon the particular action). Although the Company has not yet answered or otherwise responded to these complaints, the Company believes that it has substantial defenses to the claims. "See Part I, Recent Developments."

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On May 12, 2000, the Company held its Annual Meeting of Stockholders where the stockholders of the Company approved the following proposals:

(a) ELECTION OF DIRECTORS. The following directors to the Board of Directors of the Company were reelected for a term of one (1) year, each receiving 9,525,856 votes in favor of his/her election (80.2% of the shares outstanding): (i) Rhonda Brown; (ii) Steven Madden; (iii) Arvind Dharia; (iv) John Basile; (v) Charles Koppelman; (vi) John L. Madden; (vii) Peter Migliorini; and (viii) Les Wagner.

(b) 1999 STOCK PLAN. An amendment to the Company's 1999 Stock Plan was approved by the stockholders of the Company (6,332,218 votes for, 3,584,658 votes against, and 4,435 votes withheld).

(c) APPOINTMENT OF AUDITORS. The appointment of Richard A. Eisner & Company, LLP, as independent auditors of the Company, for fiscal year 2000 was approved by the stockholders of the Company (9,891,536 votes for, 24,850 votes against, and 4,925 votes withheld).

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(b) Reports on Form 8-K.

(1) Current Report on Form 8-K filed with the Securities and Exchange Commission on June 28, 2000 with respect to Item 5.

SIGNATURE

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

STEVEN MADDEN, LTD

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer

DATE: AUGUST 14, 2000

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