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, 1999

(_) 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, 1999   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 July 29, 1999
Common Stock	11,110,543

STEVEN MADDEN, LTD.
FORM 10-Q
QUARTERLY REPORT
JUNE 30, 1999

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	JUNE 30, 1999 (UNAUDITED)	DECEMBER 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,460,000	$ 14,642,000
Investments		499,000
Accounts receivable - net of allowances of $470,000 and $462,000	914,000	924,000
Due from factor - net of allowances of $495,000 and $351,000	15,183,000	9,357,000
Inventories	8,342,000	7,971,000
Prepaid advertising	428,000	896,000
Prepaid expenses and other current assets	3,590,000	2,091,000
Deferred taxes	534,000	534,000
Total current assets	45,451,000	36,914,000
Property and equipment, net	10,682,000	8,991,000
Deferred taxes	293,000	293,000
Deposits and other	288,000	247,000
Cost in excess of fair value of net assets acquired - net of accumulated amortization of $367,000 and $297,000	2,414,000	2,483,000
	$ 59,128,000	$ 48,928,000
LIABILITIES		
Current liabilities:		
Current portion of lease payable	$ 133,000	$ 106,000
Accounts payable and accrued expenses	8,475,000	3,181,000
Total current liabilities	8,608,000	3,287,000
Deferred rent	569,000	385,000
Lease payable, less current portion	246,000	296,000
	9,423,000	3,968,000
Contingencies (Note D)		
STOCKHOLDERS' EQUITY		
Common stock - $.0001 par value, 60,000,000 shares authorized, 11,108,068 and 10,940,643 issued and outstanding	1,000	1,000
Additional paid-in capital	38,058,000	36,601,000
Retained earnings	15,031,000	11,256,000
Unearned compensation	(1,470,000)	(1,661,000)
Treasury stock at cost - 345,204 and 270,204 shares	(1,915,000)	(1,237,000)
	49,705,000	44,960,000
	$ 59,128,000	$ 48,928,000

See notes to financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
Net sales	$ 38,056,000	$ 18,733,000	$ 64,787,000	$ 35,244,000
Cost of sales	21,888,000	11,200,000	37,677,000	20,685,000
Gross profit	16,168,000	7,533,000	27,110,000	14,559,000
Commission and licensing fee income	802,000	779,000	1,493,000	1,543,000
Operating expenses	(13,019,000)	(6,681,000)	(22,372,000)	(13,132,000)
Income from operations	3,951,000	1,631,000	6,231,000	2,970,000
Interest income (expense), net	158,000	(46,000)	332,000	(72,000)
Income before provision for income taxes	4,109,000	1,585,000	6,563,000	2,898,000
Provision for income taxes	1,745,000	704,000	2,788,000	1,244,000
NET INCOME	$ 2,364,000	$ 881,000	$ 3,775,000	$ 1,654,000
BASIC INCOME PER SHARE	$0.22	$0.10	$0.35	$0.19
DILUTED INCOME PER SHARE	$0.19	$0.08	$0.31	$0.16
Weighted average common shares outstanding - basic income per share	10,683,291	8,671,875	10,677,596	8,544,971
Effect of potential common shares from exercise of options and warrants	1,510,347	2,241,663	1,390,604	2,028,391
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED INCOME PER SHARE	12,193,638	10,913,538	12,068,200	10,573,362

See notes to financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED JUNE 30	
	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,775,000	$ 1,654,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Issuance of compensatory stock options	474,000	142,000
Depreciation and amortization	880,000	628,000
Deferred compensation	191,000	74,000
Provision for bad debts	152,000	97,000
Deferred rent expense	184,000	151,000
Changes in:		
Accounts receivable - nonfactored	2,000	(55,000)
Due from factor	(5,970,000)	(1,858,000)
Inventories	(371,000)	(1,768,000)
Prepaid expenses and other assets	(1,072,000)	(186,000)
Accounts payable and accrued expenses	5,294,000	(1,616,000)
Net cash provided by (used in) operating activities	3,539,000	(2,737,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,502,000)	(1,273,000)
Sale of investment securities	499,000	1,991,000
Payments in connection with acquisition of business		(19,000)
Net cash (used in) provided by investing activities	(2,003,000)	699,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from options exercised	983,000	2,483,000
Purchase of treasury stock	(678,000)	
Payment of lease obligations	(23,000)	(35,000)
Net cash provided by financing activities	282,000	2,448,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,818,000	410,000
Cash and cash equivalents - beginning of quarter	14,642,000	3,887,000
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 16,460,000	$ 4,297,000
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in connection with acquisition of business		$ 668,000

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

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, 1999, 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, 1999 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, 1998 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

On or about May 25, 1999, Magnum Fashions, Inc. ("Magnum"), a former licensee for handbags and related products, commenced an arbitration proceeding against the Company before the American Arbitration Association. Magnum alleges in its Statement of Claim, inter alia, that it was fraudulently induced to enter into a license agreement, dated as of February 1, 1997, with the Company as well as fraudulent nondisclosure, negligent misrepresentation, mutual mistake, wrongful termination, failure of consideration and defamation. Based on the allegations, Magnum seeks to be released from its financial obligations to the Company under the license agreement and seeks damages in an unstated amount. In addition to denying the claims asserted by Magnum, the Company has asserted a claim against Magnum for the balance of the minimum royalty due under the license agreement. The Company believes that the claims asserted by Magnum are entirely without merit, and intends to prosecute its claims vigorously.

On or about March 13, 1998, the Company and Stav Efrat were sued by Ooga Associated Corp. ("Ooga"), a design and construction firm previously engaged by the Company to design and construct certain of the Company's retail shoe stores. In this action, which is pending in the Supreme Court of New York, County of New York, Ooga principally alleges that (i) the Company breached an oral contract pursuant to which it engaged Ooga to exclusively design and build the Company's retail shoe stores, (ii) the Company induced Mr. Efrat, an officer and director of Ooga, to breach his fiduciary duties to Ooga by improperly employing his services, and (iii) the Company misappropriated Ooga's trade secrets by impermissibly using store designs and concepts owned by Ooga. In its lawsuit, Ooga seeks damages consisting of amounts based on its prospective earnings under the alleged oral contract with the Company, its lost earnings on certain projects it claims to have abandoned or forgone in reliance on the alleged oral contract with the Company, and on the value of the designs and concepts allegedly misappropriated by the Company and also seeks an injunction prohibiting the Company from using Ooga's designs or other proprietary information, from employing any Ooga employees or interfering with Ooga's contractual relationships with its customers. On October 22, 1998, the Court orally dismissed Ooga's breach of contract claims and on January 7, 1999, the Court suspended the action based on the failure of Ooga to be present for a mandatory court conference. The action is subject to being revived upon application by Ooga within a one year period. The Company believes that Ooga's claims are completely without merit, and intends to vigorously contest its lawsuit.

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

CONSOLIDATED:	1999		1998	
Net Sales	$64,787,000	100%	$35,244,000	100%
Cost of Sales	37,677,000	58	20,685,000	59
Other Operating Income	1,493,000	2	1,543,000	4
Operating Expenses	22,372,000	35	13,132,000	37
Income from Operations	6,231,000	10	2,970,000	8
Interest Income (Expense) Net	332,000	1	(72,000)	0
Income Before Income Taxes	6,563,000	10	2,898,000	8
Net Income	3,775,000	6	1,654,000	5

By Segment	PERCENTAGE OF NET REVENUES SIX MONTHS ENDED JUNE 30 1999		1998	
WHOLESALE DIVISIONS:				
STEVEN MADDEN, LTD.				
Net Sales	$30,133,000	100%	$22,302,000	100%
Cost of Sales	18,691,000	62	13,790,000	62
Other Operating Income	328,000	1	175,000	1
Operating Expenses	10,055,000	33	6,840,000	31
Income from Operations	1,715,000	6	1,847,000	8
DIVA ACQUISITION CORP.				
Net Sales	$3,426,000	100%	$2,849,000	100%
Cost of Sales	2,306,000	67	2,336,000	82
Operating Expenses	694,000	20	678,000	24
Income (Loss) from Operations	426,000	12	(165,000)	(6)
l.e.i. FOOTWEAR:				
Net Sales	$11,759,000	100%	---	--
Cost of sales	7,890,000	67	---	--
Operating Expenses	2,228,000	19	---	--
Income from Operations	1,641,000	14	---	--
STEVEN MADDEN RETAIL INC.:				
Net Sales	$19,469,000	100%	$10,093,000	100%
Cost of Sales	8,790,000	45	4,559,000	45
Operating Expenses	8,578,000	44	4,924,000	49
Income from Operations	2,101,000	11	610,000	6
ADESSO MADDEN INC.: (FIRST COST)				
Other Operating Income	$1,165,000	100%	$1,368,000	100%
Operating Expenses	817,000	70	690,000	50
Income from Operations	348,000	30	678,000	50

PERCENTAGE OF NET REVENUES
THREE MONTHS ENDED
JUNE 30

CONSOLIDATED:	1999		1998	
Net Sales	$38,056,000	100%	$18,733,000	100%
Cost of Sales	21,888,000	58	11,200,000	60
Other Operating Income	802,000	2	779,000	4
Operating Expenses	13,019,000	34	6,681,000	36
Income from Operations	3,951,000	10	1,631,000	9
Interest Income (Expense) Net	158,000	0	(46,000)	0
Income Before Income Taxes	4,109,000	11	1,585,000	8
Net Income	2,364,000	6	881,000	5
By Segment				
WHOLESALE DIVISIONS:				
STEVEN MADDEN, LTD.				
Net Sales	$17,877,000	100%	$12,003,000	100%
Cost of Sales	10,985,000	61	7,615,000	63
Other Operating Income	187,000	1	94,000	1
Operating Expenses	6,200,000	35	3,254,000	27
Income from Operations	879,000	5	1,228,000	10
DIVA ACQUISITION CORP.				
Net Sales	$1,971,000	100%	$920,000	100%
Cost of Sales	1,296,000	66	911,000	99
Operating Expenses	426,000	22	313,000	34
Income (Loss) from Operations	249,000	13	(304,000)	(33)
l.e.i. FOOTWEAR:				
Net Sales	$6,381,000	100%	---	--
Cost of sales	4,180,000	66	---	--
Operating Expenses	1,251,000	20	---	--
Income from Operations	950,000	15	---	--

By Segment (Continued)	PERCENTAGE OF NET REVENUES THREE MONTHS ENDED JUNE 30 1999		1998	
STEVEN MADDEN RETAIL INC.:				
Net Sales	$11,827,000	100%	$5,810,000	100%
Cost of Sales	5,427,000	46	2,674,000	46
Operating Expenses	4,760,000	40	2,741,000	47
Income (Loss) from Operations	1,640,000	14	395,000	7
ADESSO MADDEN INC.: (FIRST COST)				
Other Operating Income	$615,000	100%	$685,000	100%
Operating Expenses	382,000	62	373,000	54
Income from Operations	233,000	38	312,000	46

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 1999 VS. SIX MONTHS ENDED JUNE 30, 1998

CONSOLIDATED:

Sales for the six month period ended June 30, 1999 were $64,787,000 or 84% higher than the $35,244,000 recorded in the comparable period of 1998. The increase in sales is due to several factors including additional wholesale accounts, increased reorders, EDI size replenishment, increased retail sales due to the opening of twelve additional stores and three outlet stores during 1998 which were not open full comparable period, three additional retail stores and one additional outlet store in the first quarter of 1999 and two additional retail stores in the second quarter of 1999. Also, the Company's new l.e.i. Wholesale Division ("l.e.i. Wholesale") was launched in the third quarter of 1998 shipping to department stores throughout the country. l.e.i. Wholesale generated revenue of $11,759,000 for the six month period ended June 30, 1999. As a result of additional distribution, management feels that "Steve Madden" as a brand name has increased in popularity nationwide. 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.

Gross profit as a percentage of sales increased from 41% in 1998 to 42% in 1999. This increase was due to the changing product mix, balanced sourcing, inventory management and EDI replenishment.

Selling, general and administrative (SG&A) expenses increased to $22,372,000 in 1999 from $13,132,000 in 1998. The increase in SG&A is due primarily to a 62% increase in payroll, officers bonuses and payroll related expenses from $5,382,000 in 1998 to $8,733,000 in 1999. Additionally, selling, designing and licensing costs increased by 130% from $2,627,000 in 1998 to $6,048,000 in 1999. 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 57% from $2,854,000 in 1998 to $4,493,000 in 1999.

Income from operations for 1999 was $6,231,000 which represents an increase of $3,261,000 or 110% over the income from operations of $2,970,000 in 1998. Net income increased by 128% to $3,775,000 in 1999 from $1,654,000 in 1998.

WHOLESALE DIVISIONS:

Sales from the Steve Madden Wholesale Division ("Madden Wholesale"), accounted for $30,133,000 or 47% and $22,302,000 or 63% of total sales in the six month period ended June 30, 1999 and 1998, respectively. Gross profit as a percentage of sales remains the same in the Madden Wholesale Division. Operating expenses increased to $10,055,000 in 1999 from $6,840,000 in 1998. This increase is due to an increase in payroll and payroll related expenses principally due to the hiring of additional management personnel and an increase in occupancy expenses due to additional warehouse space needed for expanding EDI size replenishment inventory. 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 $1,715,000 in 1999 compared to income from operations of $1,847,000 in 1998.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $3,426,000 or 5%, and $2,849,000 or 8%, of total sales in the six month period ended June 30, 1999 and 1998, respectively. Gross profit as a percentage of sales increased from 18% in 1998 to 33% in 1999 due to the changing product mix, balanced sourcing and inventory management. Operating expenses increased to $694,000 in 1999 from $678,000 in 1998 due to increases in occupancy, computer, payroll and payroll related expenses. Income from operations from Diva was $426,000 in 1999 compared to loss from operations of $165,000 in 1998.

The Company's new l.e.i. Wholesale Division ("l.e.i. Wholesale") commenced shipping to department stores throughout the country in third quarter of 1998. l.e.i. Wholesale generated revenue of $11,759,000 for the six month period ended June 30, 1999. l.e.i has been well received during the first and second quarters of 1999. l.e.i. is sold primarily in department stores, including Macy's - east and west, Burdines, Rich's, Hecht's, Filene's, Foley's, Dayton Hudson, Belk and Penney's. l.e.i is also being well received in specialty store chains such as Wet Seal and Journey's. l.e.i now sells in over 2000 doors in the United States.

RETAIL DIVISION:

Sales from the Retail Division accounted for $19,469,000 or 30% and $10,093,000 or 29% of total revenues in 1999 and 1998, respectively. The increase in Retail Division sales is primarily due to the Company's opening of twelve additional stores and three outlet stores during 1998, three additional retail stores and one additional outlet store during first quarter of 1999 and two additional retail stores in the second quarter of 1999. Same store sales for the six month period ended June 30, 1999 increased by 22% over the same period of 1998. This increase in same store sales was driven our ability to reorder best selling sandals, test new products including sandals in natural materials and wood bottoms and new classifications such as, slippers. Also, during the first quarter of 1999, the Company completed it's internet fulfillment site and expanded the number of workstations at the Long Island City offices dedicated to Internet sales. The actual number of hits were (7.1 million), unique users (110,000) and the conversion rate (3.2%) during the first quarter and in the second quarter the actual number of hits were (10.2 million), unique users (138,000) and the conversion rate (3.2%). As the Company offers additional styles through its stevenmadden.com site, business continues to grow. Additionally, the Company announced during the second quarter of 1999 that the Company signed an agreement with America Online, the world's leading interactive service, to sell footwear and apparel through AOL's new shopping destination, Shop @ AOL. The Company's e-commerce traffic and sales continue to outperform internal expectations, with second quarter e-commerce sales results more than 100% above the previous quarter and the Company believes that this alliance with AOL will further help to develop the Company into a dominant e-commerce player in the footwear industry. Gross profit as a percentage of sales remains the same in the Retail Division. Selling, general and administrative expenses for the Retail Division increased to $8,578,000 in 1999 from $4,924,000 in 1998. This increase is due to increases in payroll and related expenses, occupancy, printing, computer and depreciation expenses as a result of opening twelve additional stores and three outlet stores during 1998, four retail stores and one retail outlet store in the first quarter of 1999 and two additional retail stores in the second quarter of 1999. Income from operations from the retail division was $2,101,000 in 1999 compared to income from operations of $610,000 in 1998.

ADESSO-MADDEN DIVISION:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $1,165,000 for the six month period ended June 30, 1999 which represents a decrease from the commission revenues of $1,368,000 in 1998 due to a shift by JC Penneys from ordering goods through Adesso Madden to ordering goods from l.e.i. wholesale. However, Adesso-Madden, the Company's first cost division, continues to expand its business by introducing additional styles in Kmart and through Mel Disco and Target - as well as, our new first cost brand Jordache. During the first quarter of 1999, the Company received orders from Walmart for women and girls styles of the Jordache footwear collection. The first shipments of Jordache shoes to be made in July of 1999. Operating expenses increased to $817,000 in 1999 from $690,000 in 1998 due to increases in occupancy, computer, payroll and payroll related expenses. Income from operations from Adesso-Madden was $348,000 in 1999 compared to income from operations of $678,000 in 1998.

THREE MONTHS ENDED JUNE 30, 1999 VS. THREE MONTHS ENDED JUNE 30, 1998

CONSOLIDATED:

Sales for the three month period ended June 30, 1999 were $38,056,000 or 103% higher than the $18,733,000 recorded in the comparable period of 1998. The increase in sales is due to several factors including additional wholesale accounts, increased reorders, EDI size replenishment, increased retail sales due to the opening of twelve additional stores and three outlet stores during 1998 which were not open full comparable period, three additional retail stores and one additional outlet store in the first quarter of 1999 and two additional retail stores in the second quarter of 1999. Also, the Company's new l.e.i. Wholesale Division ("l.e.i. Wholesale") was launched in the third quarter of 1998 shipping to department stores throughout the country. l.e.i. Wholesale generated revenue of $6,381,000 for the three month period ended June 30, 1999. As a result of additional distribution, management feels that "Steve Madden" as a brand name has increased in popularity nationwide. 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.

Gross profit as a percentage of sales increased from 40% in 1998 to 42% in 1999. Increased sales volume has allowed the Company to purchase in larger volume, resulting in a lower cost per pair. Also, the increase was due to balanced sourcing, inventory management, EDI replenishment and the increase in l.e.i. Wholesale Division sales.

Selling, general and administrative (SG&A) expenses increased to $13,019,000 in 1999 from $6,681,000 in 1998. The increase in SG&A is due primarily to a 76% increase in payroll, officers bonuses and payroll related expenses from $2,907,000 in 1998 to $5,105,000 in 1999. Additionally, selling, designing and licensing costs increased by 271%

from 1,033,000 in 1998 to $3,834,000 in 1999. 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 68% from $1,414,000 in 1998 to $2,369,000 in 1999.

Income from operations for 1999 was $3,951,000 which represents an increase of $2,320,000 or 142% over the income from operations of $1,631,000 in 1998. Net income increased by 168% to $2,364,000 in 1999 from $881,000 in 1998.

WHOLESALE DIVISIONS:

Sales from the Steve Madden Wholesale Division ("Madden Wholesale"), accounted for $17,877,000 or 47% and $12,003,000 or 64% of total sales in the three month period ended June 30, 1999 and 1998, respectively. Gross profit as a percentage of sales increased from 37% in 1998 to 39% in 1999 in the Madden Wholesale Division. Operating expenses increased to $6,200,000 in 1999 from $3,254,000 in 1998. This increase is due to an increase in payroll and payroll related expenses principally due to the hiring of additional management personnel and an increase in occupancy expenses due to additional warehouse space needed for expanding EDI size replenishment inventory. 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 $879,000 in 1999 compared to income from operations of $1,228,000 in 1998.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $1,971,000 or 5%, and $920,000 or 5%, of total sales in the three month period ended June 30, 1999 and 1998, respectively. Gross profit as a percentage of sales increased from 1% in 1998 to 34% in 1999 due to the purchase of a higher percentage of shoes from overseas suppliers, resulted in a lower cost per pair in 1999 compared to 1998. Operating expenses increased to $426,000 in 1999 from $313,000 in 1998 due to increases in occupancy, computer and payroll and payroll related expenses. Income from operations from Diva was $249,000 in 1999 compared to loss from operations of $304,000 in 1998.

The Company's new l.e.i. Wholesale Division ("l.e.i. Wholesale") commenced shipping to department stores throughout the country in third quarter of 1998. l.e.i. Wholesale generated revenue of $6,381,000 for the three month period ended June 30, 1999. l.e.i has been well received during the first and second quarters of 1999. l.e.i. is sold primarily in department stores, including Macy's - east and west, Burdines, Rich's, Hecht's, Filene's, Foley's, Dayton Hudson, Belk and Penney's. l.e.i is also being well received in specialty store chains such as Wet Seal and Journey's. l.e.i now sells in over 2000 doors in the United States.

RETAIL DIVISION:

Sales from the Retail Division accounted for $11,827,000 or 31% and $5,810,000 or 31% of total revenues in 1999 and 1998, respectively. The increase in Retail Division sales is primarily due to the Company's opening of twelve additional stores and three outlet stores during 1998, three additional retail stores and one additional outlet store during first quarter of 1999 and two additional retail stores in the second quarter of 1999. Same store sales for the three month period ended June 30, 1999 increased by 30% over the same period of 1998. This increase in same store sales was driven our ability to reorder best selling sandals, test new products including sandals in natural materials and wood bottoms and new classifications such as, slippers. In the first quarter of 1999, the Company completed it's internet fulfillment site and expanded the number of workstations at the Long Island City offices dedicated to Internet sales. The actual number of hits were (7.1 million), unique users (110,000) and the conversion rate (3.2%) during the first quarter and in the second quarter the actual number of hits were (10.2 million), unique users (138,000) and the conversion rate (3.2%). As the Company offers additional styles through its stevenmadden.com site, business continues to grow. Additionally, the Company announced during the second quarter of 1999 that the Company signed an agreement with America Online, the world's leading interactive service, to sell footwear and apparel through AOL's new shopping destination, Shop @ AOL. The Company's e-commerce traffic and sales continue to outperform internal expectations, with second quarter e-commerce sales results more than 100% above the previous quarter and the Company believes that this alliance with AOL will further help to develop into the dominant e-commerce player in the footwear industry. Gross profit as a percentage of sales remains the same in the Retail Division. Selling, general and administrative expenses for the Retail Division increased to $4,760,000 in 1999 from $2,741,000 in 1998. This increase is due to increases in payroll and related expenses, occupancy, printing, computer and depreciation expenses as a result of opening twelve additional stores and three outlet stores during 1998, four retail stores and one retail outlet store in the first quarter of 1999 and two additional retail stores in the second quarter of 1999. Income from operations from the retail division was $1,640,000 in 1999 compared to income from operations of $395,000 in 1998.

ADESSO-MADDEN DIVISION:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $615,000 for the three month period ended June 30, 1999 which represents a decrease from the commission revenues of $685,000 in 1998 due to a shift by JC Penneys from ordering goods through Adesso Madden to ordering goods from l.e.i. wholesale. However, Adesso-Madden, the Company's first cost division, continues to expand its business by introducing additional styles in Kmart and through Mel Disco and Target - as well as, our new first cost brand Jordache. During the first quarter of 1999, the Company received orders from Walmart for women and girls styles of the Jordache footwear collection. The first shipments of Jordache shoes to be made in July of 1999. Operating expenses increased to $382,000 in 1999 from $373,000 in 1998 due to increases in occupancy, computer and payroll and payroll related expenses. Income from operations from Adesso-Madden was $233,000 in 1999 compared to income from operations of $312,000 in 1998.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $36,843,000 at June 30, 1999 which represents an increase of $16,528,000 in working capital from June 30,1998.

The Company's customers purchasing shoes consist principally of department stores and specialty stores, including shoe boutiques. Presently, the Company 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 and Robinsons May), Dillard's, Dayton-Hudson and Nordstorm 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 Nordstorm's presently account for approximately twenty percent (20%) and seventeen percent (17%) of the Company's Wholesale Division sales, respectively.

OPERATING ACTIVITIES

During the six month period ended June 30, 1999, cash provided by operating activities was $3,539,000. Uses of cash arose principally from an increase in accounts receivable factored of $5,970,000, an increase in inventory of $371,000 and an increase in prepaid expenses and other assets of $1,072,000. Cash was provided principally by an increase in accounts payable and accrued expenses of $5,294,000.

The Company has lease agreements for office, warehouse, and retail space, expiring at various times through 2010. Future obligations under these lease agreements total approximately $35,000,000.

The Company has employment agreements with various officers currently providing for aggregate annual salaries of approximately $1,585,000, 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.

The Company continues to increase its supply of products from foreign manufacturers, the majority of which are located in Brazil 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.

INVESTING ACTIVITIES

During the six month period ended June 30, 1999, the Company used cash of $2,502,000 to acquire computer equipment and make leasehold improvements on new retail stores, warehouse space and office space.

FINANCING ACTIVITIES

During the six month period ended June 30, 1999, the Company received $983,000 from the exercise of options.

LICENSE AGREEMENTS

As of January 1, 1999, an affiliate of the Jordache organization became the Company's new jeanswear and sportswear licensee and the first shipments of Steve Madden sportswear and jeanswear collections were delivered in June 1999. By June 30, 1999, the Company had eight license partners covering ten product categories. The Company is exploring additional licensing opportunities.

In addition, as of January 1, 1999, the Company entered into a license agreement with the Jordache organization pursuant to which the Company was granted the exclusive license to use the Jordache trademark on women and girls footwear in the mass channels of distribution, such as Walmart. The Company hopes that this license arrangement will increase the revenue of its Adesso Madden subsidiary beginning July 1999.

YEAR 2000

The Company recognizes that a challenging problem exists in that many computer systems worldwide do not have the capability of recognizing the year 2000 or the years thereafter. As of July 1999, the Company believes it became year 2000 enabled with all systems. This "year 2000 Computer Problem" creates risk for the Company from unforeseen problems in its own computer systems and from third parties with whom the Company deals. Such failures of the Company and/or third parties' computer systems could have a material adverse effect on the Company and its business in the future.

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

On or about May 25, 1999, Magnum Fashions, Inc. ("Magnum"), a former licensee for handbags and related products, commenced an arbitration proceeding against the Company before the American Arbitration Association. Magnum alleges in its Statement of Claim, inter alia, that it was fraudulently induced to enter into a license agreement, dated as of February 1, 1997, with the Company as well as fraudulent nondisclosure, negligent misrepresentation, mutual mistake, wrongful termination, failure of consideration and defamation. Based on the allegations, Magnum seeks to be released from its financial obligations to the Company under the license agreement and seeks damages in an unstated amount. In addition to denying the claims asserted by Magnum, the Company has asserted a claim against Magnum for the balance of the minimum royalty due under the license agreement. The Company believes that the claims asserted by Magnum are entirely without merit, and intends to prosecute its claims vigorously.

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

On June 4, 1999, 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 elected for a term of one (1) year, each receiving 8,826,974 votes in favor of his/her election (80.6% 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: The Company's 1999 Stock Plan covering 400,000 shares of Common Stock was approved by the stockholders of the Company (6,679,878 votes for, 2,140,064 votes against, and 12,182 votes withheld).

(c) APPOINTMENT OF AUDITORS: The appointment of Richard A Eisner & Company, LLP, as independent auditors of the Company, for fiscal year 1999 was approved by the stockholders of the Company (8,807,057 votes for, 21,400 votes against, and 3,667 votes withheld).

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 2, 1999

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STEVEN MADDEN, LTD.
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