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 September 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 September 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 November 08, 1999
Common Stock	11,507,018

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30, 1999 (UNAUDITED)	DECEMBER 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,423,000	$ 14,642,000
Investments		499,000
Accounts receivable - net of allowances of $599,000 and $462,000	1,297,000	924,000
Due from factor - net of allowances of $575,000 and $351,000	18,853,000	9,357,000
Inventories	11,580,000	7,971,000
Prepaid advertising		896,000
Prepaid expenses and other current assets	1,062,000	2,091,000
Deferred taxes	534,000	534,000
Total current assets	51,749,000	36,914,000
Property and equipment, net	11,719,000	8,991,000
Deferred taxes	293,000	293,000
Deposits and other	270,000	247,000
Cost in excess of fair value of net assets acquired - net of accumulated amortization of $401,000 and $297,000	2,379,000	2,483,000
	$ 66,410,000	$ 48,928,000
LIABILITIES		
Current liabilities:		
Current portion of lease payable	$ 130,000	$ 106,000
Accounts payable and accrued expenses	10,879,000	3,181,000
Total current liabilities	11,009,000	3,287,000
Deferred rent	682,000	385,000
Lease payable, less current portion	219,000	296,000
	11,910,000	3,968,000
Contingencies (Note D)		
STOCKHOLDERS' EQUITY		
Common stock - $.0001 par value, 60,000,000 shares authorized, 11,299,343 and 10,940,643 issued and outstanding	1,000	1,000
Additional paid-in capital	39,309,000	36,601,000
Retained earnings	18,479,000	11,256,000
Unearned compensation	(1,374,000)	(1,661,000)
Treasury stock at cost - 345,204 and 270,204 shares	(1,915,000)	(1,237,000)
	54,500,000	44,960,000
	$ 66,410,000	$ 48,928,000

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
Net sales	$ 48,963,000	$ 23,991,000	$ 113,750,000	$ 59,235,000
Cost of sales	28,962,000	13,908,000	66,639,000	34,593,000
Gross profit	20,001,000	10,083,000	47,111,000	24,642,000
Commission and licensing fee income	896,000	992,000	2,389,000	2,535,000
Operating expenses	(15,014,000)	(7,872,000)	(37,386,000)	(21,004,000)
Income from operations	5,883,000	3,203,000	12,114,000	6,173,000
Interest income (expense), net	169,000	40,000	501,000	(32,000)
Income before provision for income taxes	6,052,000	3,243,000	12,615,000	6,141,000
Provision for income taxes	2,604,000	1,363,000	5,392,000	2,607,000
NET INCOME	$ 3,448,000	$ 1,880,000	$ 7,223,000	$ 3,534,000
BASIC INCOME PER SHARE	$ .32	$ .19	$ 0.67	$ .39
DILUTED INCOME PER SHARE	$ .27	$ .17	$ 0.59	$ .33
Weighted average common shares outstanding - basic income per share	10,810,750	9,948,378	10,722,468	9,017,914
Effect of potential common shares from exercise of options and warrants	1,803,687	1,409,624	1,548,571	1,781,127
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED INCOME PER SHARE	12,614,437	11,358,002	12,271,039	10,799,041

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,223,000	$ 3,534,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,393,000	959,000
Deferred compensation	287,000	196,000
Provision for bad debts	361,000	124,000
Issuance of compensatory stock options	474,000	142,000
Deferred rent expense	297,000	274,000
Changes in:		
Accounts receivable	(510,000)	180,000
Due from factor	(9,720,000)	(5,394,000)
Inventories	(3,609,000)	(878,000)
Prepaid expenses and other assets	1,902,000	497,000
Accounts payable and accrued expenses	7,698,000	(665,000)
Net cash provided by (used in) operating activities	5,796,000	(1,031,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,017,000)	(2,605,000)
Sale of investment securities	499,000	1,991,000
Payments in connection with acquisition of business		(19,000)
Net cash used in investing activities	(3,518,000)	(633,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from options and warrants exercised	2,234,000	13,075,000
Repayment of lease obligations	(53,000)	(61,000)
Purchase of treasury stock	(678,000)	(18,000)
Net cash provided by financing activities	1,503,000	12,996,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,781,000	11,332,000
Cash and cash equivalents - beginning of period	14,642,000	3,887,000
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 18,423,000	$ 15,219,000
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in connection with acquisition of business		$ 668,000

STEVEN MADDEN, LTD. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 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 September 30, 1999, and the results of their operations and cash flows for the nine month and three-month periods then ended. The results of operations for the nine month and three-month periods ended September 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 Fashion, 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

NOTE D - PENDING LITIGATION (CONTINUED)

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 NINE MONTHS ENDED SEPTEMBER 30			
CONSOLIDATED:	1999		1998	
Net Sales	$113,750,000	100%	$ 59,235,000	100%
Cost of Sales	66,639,000	59	34,593,000	58
Other Operating Income	2,389,000	2	2,535,000	4
Operating Expenses	37,386,000	33	21,004,000	35
Income from Operations	12,114,000	11	6,173,000	10
Interest Income (Expense) Net	501,000	0	(32,000)	0
Income Before Income Taxes	12,615,000	11	6,141,000	10
Net Income	7,223,000	6	3,534,000	6

PERCENTAGE OF NET REVENUES
NINE MONTHS ENDED
SEPTEMBER 30

By Segment	1999		1998	
WHOLESALE DIVISIONS:				
STEVEN MADDEN, LTD.				
Net Sales	$ 54,288,000	100%	$ 37,506,000	100%
Cost of Sales	34,142,000	63	23,342,000	62
Other Operating Income	531,000	1	391,000	1
Operating Expenses	16,657,000	31	10,724,000	29
Income from Operations	4,020,000	7	3,831,000	10
DIVA ACQUISITION CORP.				
Net Sales	$ 5,614,000	100%	$ 3,726,000	100%
Cost of Sales	3,773,000	67	3,001,000	81
Operating Expenses	1,113,000	20	995,000	27
Income (Loss) from Operations	728,000	13	(270,000)	(7)
L.E.I. FOOTWEAR:				
Net Sales	$ 21,293,000	100%	$ 722,000	100%
Cost of sales	13,910,000	65	454,000	63
Operating Expenses	4,377,000	21	250,000	35
Income from Operations	3,006,000	14	18,000	2
STEVEN MADDEN RETAIL INC.:				
Net Sales	$ 32,555,000	100%	$ 17,281,000	100%
Cost of Sales	14,814,000	46	7,796,000	45
Operating Expenses	13,998,000	43	8,043,000	47
Income from Operations	3,743,000	11	1,442,000	8
ADESSO MADDEN INC.:				
(FIRST COST)				
Other Operating Income	$ 1,858,000	100%	$ 2,144,000	100%
Operating Expenses	1,241,000	67	992,000	46
Income from Operations	617,000	33	1,152,000	54

PERCENTAGE OF NET REVENUES
THREE MONTHS ENDED
SEPTEMBER 30

CONSOLIDATED:	1999		1998	
Net Sales	$ 48,963,000	100%	$ 23,991,000	100%
Cost of Sales	28,962,000	59	13,908,000	58
Other Operating Income	896,000	2	992,000	4
Operating Expenses	15,014,000	31	7,872,000	33
Income from Operations	5,883,000	12	3,203,000	13
Interest Income (Expense) Net	169,000	0	40,000	0
Income Before Income Taxes	6,052,000	12	3,243,000	13
Net Income	3,448,000	7	1,880,000	8

By Segment

WHOLESALE DIVISIONS:

STEVEN MADDEN, LTD.				
Net Sales	$ 24,155,000	100%	$ 15,204,000	100%
Cost of Sales	15,451,000	64	9,552,000	63
Other Operating Income	203,000	1	216,000	1
Operating Expenses	6,602,000	27	3,924,000	26
Income from Operations	2,305,000	10	1,944,000	13

DIVA ACQUISITION CORP.				
Net Sales	$ 2,188,000	100%	$ 877,000	100%
Cost of Sales	1,467,000	67	665,000	76
Operating Expenses	419,000	19	317,000	36
Income (Loss) from Operations	302,000	14	(105,000)	(12)

L.E.I. FOOTWEAR:				
Net Sales	$ 9,534,000	100%	$ 722,000	100%
Cost of sales	6,020,000	63	454,000	63
Operating Expenses	2,149,000	23	210,000	29
Income from Operations	1,365,000	14	58,000	8

	PERCENTAGE OF NET REVENUES THREE MONTHS ENDED SEPTEMBER 30			
	1999		1998	
By Segment (Continued)				
STEVEN MADDEN RETAIL INC.:				
Net Sales	$13,086,000	100%	$ 7,188,000	100%
Cost of Sales	6,024,000	46	3,237,000	45
Operating Expenses	5,420,000	41	3,119,000	43
Income (Loss) from Operations	1,642,000	13	832,000	12
ADESSO MADDEN INC.:				
(FIRST COST)				
Other Operating Income	$ 693,000	100%	$ 776,000	100%
Operating Expenses	424,000	61	302,000	39
Income from Operations	269,000	39	474,000	61

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 1999 VS. NINE MONTHS ENDED SEPTEMBER 30, 1998

CONSOLIDATED:

Sales for the nine month period ended September 30, 1999 were $113,750,000 or 92% higher than the $59,235,000 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 for the full comparable period and ten additional retail stores and two additional outlet stores in 1999 and increased sales from l.e.i. Wholesale Division ("l.e.i. wholesale"- was launched in the third quarter of 1998). Additionally, during third quarter of 1999 the Steven Madden Wholesale Division increased its EDI open stock shipments by 155% versus third quarter last year. Over 130,000 pairs of shoes were sold by replenishing best selling styles by size every week. EDI replenishment accounted for 18% of the Steve Madden wholesale business for the third quarter versus 7% last year. 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 decreased from 42% in 1998 to 41% in 1999 due to rapid growth of Company's l.e.i. product line, which generally has lower selling prices per pair and lower gross margin. Also, the decrease was due to a change in the product mix in Madden Wholesale in 1999 compared to 1998.

Selling, general and administrative (SG&A) expenses increased to $37,386,000 in 1999 from $21,004,000 in 1998. The increase in SG&A is due primarily to a 60% increase in payroll, officers bonuses and payroll related expenses from $8,591,000 in 1998 to $13,704,000 in 1999. Additionally, selling, designing and licensing costs increased by 140% from $10,365,000 in 1998 to $4,312,000 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, legal, printing/supplies and depreciation expenses by 70% from $4,965,000 in 1998 to $8,454,000 in 1999. In addition, in August 1999, the Company paid $600,000 to a former principal of the underwriter of the Company's initial public offering. Such payment was made in settlement of a dispute regarding an option issued in connection with the Company's initial public offering in December 1993.

Income from operations for 1999 was $12,114,000 which represents an increase of $5,941,000 or 96% over the income from operations of $6,173,000 in 1998. Net income increased by 104% to $7,223,000 in 1999 from $3,534,000 in 1998.

WHOLESALE DIVISIONS:
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Sales from the Steve Madden Wholesale Division ("Madden Wholesale"), accounted for $54,288,000 or 48% and $37,506,000 or 63% of total sales in the nine month period ended September 30, 1999 and 1998, respectively. Gross profit as a percentage of sales decreased from 38% in 1998 to 37% in 1999 due to a change in the product mix in Madden Wholesale in 1999 compared to 1998. Operating expenses increased to $16,657,000 in 1999 from $10,724,000 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 $4,020,000 in 1999 compared to income from operations of $3,831,000 in 1998.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $5,614,000 or 5%, and $3,726,000 or 6%, of total sales in the nine month period ended September 30, 1999 and 1998, respectively. The increase in sales is due to additional accounts and increased reorders in the third quarter of 1999. Gross profit as a percentage of sales increased from 19% in 1998 to 33% in 1999 due to a change in the product mix, balanced sourcing and inventory management. Operating expenses increased to $1,113,000 in 1999 from $995,000 in 1998 due to increases in occupancy, computer, payroll and payroll related expenses. Income from operations from Diva was $728,000 in 1999 compared to a loss from operations of $270,000 in 1998.

Sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale"- was launched in the third quarter of 1998) accounted for $21,293,000 or 19%, and $722,000 or 1%, of total sales in the nine month period ended September 30, 1999 and 1998, respectively. l.e.i. is sold primarily in department stores, including Macy's - east, Burdines, Rich's, Hecht's, Filene's, Foley's, Dayton Hudson, Belk and Penney's. l.e.i. is also sold in specialty store chains such as Wet Seal and Journey's. l.e.i now sells in over 2400 doors in the United States. Gross profit as a percentage of sales decreased from 37% in 1998 to 35% in 1999 due to rapid growth of l.e.i. product line, which generally has lower selling prices per pair and lower gross margin. Operating expenses increased to $4,377,000 in 1999 from $250,000 in 1998 due to increases in occupancy, computer, payroll and payroll related expenses. Income from operations from l.e.i. was $3,006,000 in 1999 compared to income from operations of $18,000 in 1998.

RETAIL DIVISION:
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Sales from the Retail Division accounted for $32,555,000 or 29 % and $17,281,000 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 and ten additional retail stores and two additional outlet stores in 1999. Same store sales for the nine month period ended September 30, 1999 increased by 23% over the same period of 1998. This increase in same store sales was driven by the Company's ability to reorder best sellers. While sneakers were a negative in most competitor's stores, the Company's basic sneakers sales were strong and it was the Company's best style during third quarter of 1999. Also, increases in same store sales were driven by the Company's ability to continue to supply new styles in sandals during July and August and actively testing new products including boots in animal prints. 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 31.9 million, unique users were 386,400 and the conversion rate was 2.4% for the nine month period ended September 30, 1999. As the Company offers additional styles through its stevenmadden.com site, business continues to grow. As previously announced, the Company signed an agreement with America Online, to sell footwear and apparel through AOL's new shopping destination, Shop @ AOL. The site for apparel went live in mid August and for footwear went live at the end of September. Since going live, the Company has experienced a 153% growth in hits and a 14% growth in unique users. Gross profit as a percentage of sales decreased from 55% in 1998 to 54% in 1999 was due to a change in the product mix in the Retail Division in 1999 compared to 1998. Selling, general and administrative expenses for the Retail Division increased to $13,998,000 in 1999 from $8,043,000 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 and ten additional retail stores and two additional retail outlet stores in 1999. Income from operations from the retail division was $3,743,000 in 1999 compared to income from operations of $1,442,000 in 1998.

ADESSO-MADDEN DIVISION:
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Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $1,858,000 for the nine month period ended September 30, 1999 which represents a decrease from the commission revenues of $2,144,000 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 Jordache footwear, the Company's new first cost brand. 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 footwear were delivered in July 1999. Operating expenses increased to $1,241,000 in 1999 from $992,000 in 1998 due to increases in occupancy, computer, payroll and payroll related expenses. Income from operations from Adesso-Madden was $617,000 in 1999 compared to income from operations of $1,152,000 in 1998.

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

CONSOLIDATED:
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Sales for the three month period ended September 30, 1999 were $48,963,000 or 104% higher than the $23,991,000 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 for the full comparable period and ten additional retail stores and two additional outlet stores in 1999 and increased sales from l.e.i. Wholesale Division ("l.e.i. wholesale"- was launched in the third quarter of 1998). Additionally, during third quarter of 1999 the Steven Madden Wholesale Division increased its EDI open stock shipments by155% versus third quarter last year. Over 130,000 pairs of shoes were sold by replenishing best selling styles by size every week. EDI replenishment accounted for 18% of the Steve Madden wholesale business for the third quarter versus 7% last year. 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 decreased from 42% in 1998 to 41% in 1999 due to a change in the product mix in Madden Wholesale in 1999 compared to 1998.

Selling, general and administrative (SG&A) expenses increased to $15,014,000 in 1999 from $7,872,000 in 1998. The increase in SG&A is due primarily to a 55% increase in payroll, officers bonuses and payroll related expenses from $3,209,000 in 1998 to $4,971,000 in 1999. Additionally, selling, designing and licensing costs increased by 156% from 1,684,000 in 1998 to $4,317,000 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, legal, printing/supplies and depreciation expenses by 101% from $1,841,000 in 1998 to $3,699,000 in 1999. In addition, in August 1999, the Company paid $600,000 to a former principal of the underwriter of the Company's initial public offering. Such payment was made in settlement of a dispute regarding an option issued in connection with the Company's initial public offering in December 1993.

Income from operations for 1999 was $5,883,000 which represents an increase of $2,680,000 or 84% over the income from operations of $3,203,000 in 1998. Net income increased by 83 % to $3,448,000 in 1999 from $1,880,000 in 1998.

WHOLESALE DIVISIONS:
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Sales from the Steve Madden Wholesale Division ("Madden Wholesale"), accounted for $24,155,000 or 49% and $15,204,000 or 63% of total sales in the three month period ended September 30, 1999 and 1998, respectively. Gross profit as a percentage of sales decreased from 37% in 1998 to 36% in 1999 due to a change in the product mix in Madden Wholesale in 1999 compared to 1998. Operating expenses increased to $6,602,000 in 1999 from $3,924,000 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 $2,305,000 in 1999 compared to income from operations of $1,944,000 in 1998.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $2,188,000 or 4%, and $877,000 or 4%, of total sales in the three month period ended September 30, 1999 and 1998, respectively. The increase in sales is due to additional accounts and increased reorders in the third quarter of 1999. Gross profit as a percentage of sales increased from 24% in 1998 to 33% 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 $419,000 in 1999 from $317,000 in 1998 due to increases in occupancy, computer and payroll and payroll related expenses. Income from operations from Diva was $302,000 in 1999 compared to loss from operations of $105,000 in 1998.

Sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale"- was launched in the third quarter of 1998) accounted for $9,534,000 or 19%, and $722,000 or 3%, of total sales in the three month period ended September 30, 1999 and 1998, respectively. l.e.i. is sold primarily in department stores, including Macy's - east, Burdines, Rich's, Hecht's, Filene's, Foley's, Dayton Hudson, Belk and Penney's. l.e.i is also sold in specialty store chains such as Wet Seal and Journey's. l.e.i now sells in over 2,400 doors in the United States. Gross profit as a percentage of sales remains the same in l.e.i. Division. Operating expenses increased to $2,149,000 in 1999 from $210,000 in 1998 due to increases in occupancy, computer, payroll and payroll related expenses. Income from operations from l.e.i. was $1,365,000 in 1999 compared to income from operations of $58,000 in 1998.

RETAIL DIVISION:
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Sales from the Retail Division accounted for $13,086,000 or 27% and $7,188,000 or 30% 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 and ten additional retail stores and two additional outlet stores in 1999. Same store sales for the three month period ended September 30, 1999 increased by 25% over the same period of 1998. This increase in same store sales was driven by the Company's ability to reorder best sellers. While sneakers were a negative in most competitor's stores, the Company's basic sneakers sales were strong and it was the Company's best style during third quarter of 1999. Also, increases in same store sales was driven by the Company's ability to continue to supply new styles in sandals during July and August and actively testing new products including boots in animal prints. 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 over 14 million, unique users were 138,400 and the conversion rate was 3.0% for the three month period ended September 30, 1999. As the Company offers additional styles through its stevenmadden.com site, business continues to grow. As previously announced, 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 site for apparel went live in mid August and for footwear went live at the end of September. Since going live, the Company has experienced a 153% growth in hits and a 14% growth in unique users. Gross profit as a percentage of sales decreased from 55% in 1998 to 54% in 1999 was due to a change in the product mix in the Retail Division in 1999 compared to 1998. Selling, general and administrative expenses for the Retail Division increased to $5,420,000 in 1999 from $3,119,000 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 and ten retail stores and two additional retail outlet stores in 1999. Income from operations from the retail division was $1,642,000 in 1999 compared to income from operations of $832,000 in 1998.

ADESSO-MADDEN DIVISION:

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Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $693,000 for the three month period ended September 30, 1999 which represents a decrease from the commission revenues of $776,000 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 jordache footwear, the Company's new first cost brand. 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 footwear were delivered in July 1999. Operating expenses increased to $424,000 in 1999 from $302,000 in 1998 due to increases in occupancy, computer and payroll and payroll related expenses. Income from operations from Adesso-Madden was $269,000 in 1999 compared to income from operations of $474,000 in 1998.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $40,740,000 and Stockholders' Equity of $54,400,000 at September 30, 1999.

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 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 nine month period ended September 30, 1999, cash provided by operating activities was $5,796,000. Uses of cash arose principally from an increase in factored accounts receivable of $9,720,000 and an increase in inventory of $3,609,000. Cash was provided principally by an increase in accounts payable and accrued expenses of $7,698,000 and net income of $7,223,000.

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 $40,000,000.

The Company has employment agreements with various officers currently providing for aggregate annual salaries of approximately $1,600,000, 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
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During the nine month period ended September 30, 1999, the Company used cash of $4,017,000 to acquire computer equipment and make leasehold improvements on new retail stores, warehouse space and office space.

FINANCING ACTIVITIES

During the nine month period ended September 30, 1999, the Company received $2,234,000 from the exercise of options.

LICENSE AGREEMENTS

As of January 1, 1999, an affiliate of Jordache 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. As of September 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 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 first shipments of Jordache footwear were delivered in 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

MAGNUM FASHIONS, INC. AND WK MAXY INDUSTRIES, LTD. V. STEVEN MADDEN, LTD.

As disclosed in the Company's 10-Q for the quarter ending June 30, 1999, the claimants in this pending arbitration seek to be released from their financial obligations to the Company under a certain license agreement and related guaranty. Magnum further seeks damages arising from its claims for, inter alia, fraudulent inducement and breach of contract. In September 1999, Magnum disclosed that it claims damages in the amount of $5 million.

The Company continues to believe that Magnum's claims are entirely without merit, and that the license agreement at issue was breached by Magnum and not by the Company. Accordingly, the Company intends to vigorously defend Magnum's claims and to vigorously prosecute its claims for compensation against Magnum and WK Maxy.

STEVEN MADDEN, LTD. V. LEE N' GI

On October 28, 1999, the Company commenced an action in the Supreme Court for the State of New York against Lee N' Gi, a new York partnership, alleging that Lee N' Gi wrongfully induced Magnum Fashions, Inc. to breach its obligations to the Company under a certain license agreement relating to the use of the Company's "Steven Madden" trademark in connection with the sale of handbags and similar products. The Company seeks damages from Lee N' Gi for the lost profits the Company would have derived from the Magnum license but for Magnum's breach.

The Company is in the process of obtaining jurisdiction over the defendant, and intends to prosecute its claim vigorously.

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: November 10, 1999

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