

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

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

For the transition period from _____ to _____

Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of Registrant as specified in its charter)

Delaware

13-3588231

(State or other jurisdiction of 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 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No .

As of May 9, 2003, the latest practicable date, there were 12,890,705 shares of common stock, \$.0001 par value, outstanding.

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STEVEN MADDEN, LTD.

FORM 10-Q

QUARTERLY REPORT

March 31, 2003

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PART I. FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands)

	March 31, 2003	December 31, 2002	March 31, 2002
	----- (unaudited)	-----	----- (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 44,614	\$ 56,713	\$ 33,186
Accounts receivable, net of allowances of \$402, \$497 and \$291	3,616	3,039	2,588
Due from factor, net of allowances of \$1,903, 1,718 and \$1,443	32,525	22,373	36,287
Inventories	24,051	19,445	15,608
Marketable securities - available for sale	6,088	500	511
Prepaid expenses and other current assets	2,412	1,651	6,484
Deferred taxes	1,633	1,633	1,223
	-----	-----	-----
Total current assets	114,939	105,354	95,887
Property and equipment, net	17,360	17,073	15,616
Deferred taxes	3,699	3,699	3,019
Deposits and other	296	298	302
Marketable securities - available for sale	20,701	22,010	5,703
Cost in excess of fair value of net assets acquired, net of accumulated amortization of \$714	2,066	2,066	2,066
	-----	-----	-----
	\$ 159,061	\$ 150,500	\$ 122,593
	=====	=====	=====
LIABILITIES			
Current liabilities:			
Current portion of capital lease obligations	\$ 9	\$ 14	\$ 42
Accounts payable	9,575	9,044	7,543
Accrued expenses	9,961	7,134	4,230
Accrued incentive compensation	1,340	2,701	674
	-----	-----	-----
Total current liabilities	20,885	18,893	12,489
Deferred rent	1,635	1,532	1,353
	-----	-----	-----
	22,520	20,425	13,842
	-----	-----	-----
Commitments, contingencies and other			
STOCKHOLDERS' EQUITY			
Preferred stock - \$.0001 par value, 5,000 shares authorized; none issued; Series A Junior Participating preferred stock - \$.0001 par value, 60 shares authorized; none issued			
Common stock - \$.0001 par value, 60,000 shares authorized, 14,104, 14,016 and 13,653 shares issued, 12,859, 12,771 and 12,408 outstanding			
	1	1	1
Additional paid-in capital	73,194	70,683	62,806
Retained earnings	75,771	70,722	54,975
Unearned compensation	(4,561)	(3,476)	(1,040)
Other comprehensive gain:			
Unrealized gain on marketable securities	127	136	
Treasury stock - 1,245 shares at cost	(7,991)	(7,991)	(7,991)
	-----	-----	-----
	136,541	130,075	108,751
	-----	-----	-----
	\$ 159,061	\$ 150,500	\$ 122,593
	=====	=====	=====

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Statements of Operations
(unaudited)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2003	2002
Net sales:		
Wholesale	\$ 57,592	\$ 47,835
Retail	21,106	18,776
	-----	-----
	78,698	66,611
	-----	-----
Cost of sales:		
Wholesale	37,836	31,529
Retail	9,897	8,541
	-----	-----
	47,733	40,070
	-----	-----
Gross profit:		
Wholesale	19,756	16,306
Retail	11,209	10,235
	-----	-----
	30,965	26,541
Commission and licensing fee income	1,690	1,244
Operating expenses	(24,392)	(20,932)
	-----	-----
Income from operations	8,263	6,853
Interest income, net	442	204
	-----	-----
Income before provision for income taxes	8,705	7,057
Provision for income taxes	3,656	2,964
	-----	-----
Net income	\$ 5,049	\$ 4,093
	=====	=====
Basic income per share	\$.39	\$.33
	=====	=====
Diluted income per share	\$.36	\$.30
	=====	=====
Basic weighted average common shares outstanding	12,789	12,352
Effect of dilutive securities - options	1,083	1,188
	-----	-----
Diluted weighted average common shares outstanding	13,872	13,540
	=====	=====

See notes to financial statements

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

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

	Three Months Ended March 31,	
	2003	2002
	-----	-----
Cash flows from operating activities:		
Net income	\$ 5,049	\$ 4,093
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	1,343	802
Non-cash compensation	774	462
Provision for bad debts	90	90
Deferred rent expense	103	54
Realized gain on marketable securities	(9)	
Changes in:		
Accounts receivable	(482)	(550)
Due from factor	(10,337)	(13,560)
Inventories	(4,606)	210
Prepaid expenses and other assets	(759)	2,213
Accounts payable and other accrued expenses	1,997	(5,702)
	-----	-----
Net cash used in operating activities	(6,837)	(11,888)
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(1,630)	(711)
Purchase of marketable securities	(10,942)	(6,214)
Sale/redemption of marketable securities	6,663	
	-----	-----
Net cash used in investing activities	(5,909)	(6,925)
	-----	-----
Cash flows from financing activities:		
Proceeds from options and warrants exercised	652	1,835
Repayment of lease obligations	(5)	(15)
	-----	-----
Net cash provided by financing activities	647	1,820
	-----	-----
Net decrease in cash and cash equivalents	(12,099)	(16,993)
Cash and cash equivalents - beginning of period	56,713	50,179
	-----	-----
Cash and cash equivalents - end of period	\$ 44,614	\$ 33,186
	=====	=====

See notes to financial statements

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NOTE A - BASIS OF REPORTING

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America 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 March 31, 2003, and the results of its operations and cash flows for the three-month period then ended. The results of its operations for the three-month period ended March 31, 2003 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, 2002 included in the Annual Report of Steven Madden, Ltd. on Form 10-K.

NOTE B - MARKETABLE SECURITIES

Marketable securities consist primarily of corporate bonds which have strong credit ratings and maturities greater than three months and up to five years at the time of purchase. These securities, which are classified as available-for-sale, are carried at fair value, with unrealized gains and losses, net of any tax effect, reported in shareholders' equity as accumulated other comprehensive income (loss). Amortization of premiums and discounts are included in interest income and are not material. The values of these securities may fluctuate as a result of changes in market interest rates and credit risk.

NOTE C - INVENTORIES

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

NOTE D - REVENUE RECOGNITION

Wholesale revenue is recognized upon shipment. Allowances for estimated discounts and allowances are recognized when sales are recorded. Commission revenue is recognized when title of product transfers to the customer. Retail sales are recognized when the payment is received from customers and are recorded net of returns. Licensing revenue is recognized on the basis of net sales reported by the licensee.

NOTE E - NET INCOME PER SHARE OF COMMON STOCK

Basic income per share is based on the weighted average number of common shares outstanding during the period. Diluted income per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and the proceeds thereof were used to purchase outstanding common shares. Diluted income per share also reflects the vested portion of shares, granted to employees, which have not yet been issued.

NOTE F - STOCK-BASED COMPENSATION

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" encourages the use of the fair value based method of accounting for stock-based employee compensation. Alternatively, SFAS No. 123 allows entities to continue to apply the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees", and related interpretations and provide pro forma disclosures of net income (loss) and earnings (loss) per share, as if the fair value based method of accounting had been applied to employee awards. The Company has elected to continue to apply the provisions of APB Opinion 25 and provide the disclosures required by SFAS No. 123 and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", which was released in December 2002 as an amendment of SFAS No. 123. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all awards.

	Three Months Ended March 31,	
	2003	2002
Reported net income	\$ 5,049	\$ 4,093
Stock-based employee compensation included in reported net income, net of tax	83	249
Stock-based employee compensation determined under the fair value based method, net of tax	(564)	(392)
Pro forma net income	\$ 4,568	\$ 3,950
Basic income per share:		
As reported	\$ 0.39	\$ 0.33
Pro forma	\$ 0.36	\$ 0.32
Diluted income per share:		
As reported	\$ 0.36	\$ 0.30
Pro forma	\$ 0.33	\$ 0.29

NOTE G - COMMITMENTS, CONTINGENCIES AND OTHER

[1] Indictment:

On June 20, 2000, Steven Madden, the Company's former Chairman and Chief Executive Officer, was indicted in the United States District Courts for the Southern District and Eastern District of New York. The indictments alleged that Mr. Madden engaged in securities fraud and money laundering activities. In addition, the Securities and Exchange Commission filed a complaint in the United States District Court for the Eastern District of New York alleging that Mr. Madden violated Section 17(a) of the Securities Exchange Act of 1934, as amended. On May 21, 2001, Steven Madden entered into a plea agreement with the U.S. Attorney's Office, pursuant to which he pled guilty to four of the federal charges filed against him. In addition, Mr. Madden reached a separate settlement agreement with the Securities and Exchange Commission regarding the allegations contained in its complaint. As a result, Mr. Madden resigned as the Company's Chief Executive Officer and as a member of the Company's Board of Directors effective July 1, 2001. Mr. Madden has agreed to serve as the Company's Creative and Design Chief, a non-executive position. On April 4, 2002, Mr. Madden was sentenced in the United States District Court for the Southern District of New York to forty one (41) months' imprisonment in connection with two of the federal charges to which he pled guilty. On May 3, 2002, Mr. Madden was sentenced in the United States District court for the Eastern District of New York to forty one (41) months' imprisonment in connection with the remaining two charges to which he pled guilty. The sentences will run concurrently.

NOTE G - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

[1] Indictment: (continued)

Under the settlement agreement with the SEC, Mr. Madden has agreed to not serve as an officer or director of a publicly traded company for 7 years. Neither the indictments nor the SEC complaint allege any wrongdoing by the Company or its other officers and directors. Mr. Madden began serving his sentence in September of 2002.

In December 2001, the Company purchased a loss mitigation policy to cover costs in connection with the class action litigation and shareholder derivative actions described below. The policy covers the Company's anticipated damages and legal costs in connection with such lawsuits. The Company is obligated to pay for damages and costs in excess of the policy limits. The cost of the policy was \$6,950,000.

[2] Class action litigation:

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

A settlement in principle of these actions has been reached, subject to execution of definitive settlement documentation, notices to class members, a hearing and approval by the District Court. The tentative settlement is within the limits of insurance coverage described above.

[3] Shareholder derivative actions:

On or about September 26, 2000, a shareholder derivative action was commenced in the United States District Court for the Eastern District of New York, captioned, *Herrera v. Steven Madden and Steven Madden, Ltd.* An agreement in principle has been reached to resolve all claims in this action, subject to execution of definitive documentation, such notice to the Company's shareholders (if any) as may be required by the District Court, and approval by the District Court. The Company believes, after consultation with counsel, that its defense costs and certain attorneys' fees in connection with this action will be subject to coverage by the Company's insurance as supplemented by the loss mitigation policy described above.

On or about November 28, 2001, a shareholder derivative complaint was filed in the United States District Court for the Eastern District of New York, captioned *Herrera v. Karson, et al.* Named as defendants therein are the Company and certain of the Company's present and/or former directors. An agreement in principle has been reached to resolve all claims in this action, subject to execution of definitive documentation, such notice to the Company's shareholders (if any) as may be required by the District Court, and approval by the District Court. The Company believes, after consultation with counsel, that its defense costs and certain attorneys' fees in connection with this action will be subject to coverage by the Company's insurance as supplemented by the loss mitigation policy described above.

The Company and certain of the Company's present and/or former directors have been named in an action commenced in the United States District Court for the Eastern District of New York by the Safeco Surplus Lines Insurance Company captioned, *Safeco Surplus Lines Ins. Co. v. Steven Madden Ltd., et al.* The complaint principally seeks rescission of the excess insurance policy issued by Safeco to the Company for the February 4, 2000 to June 13, 2001 period and an order declaring that Safeco does not owe any indemnity obligation to the Company or any of its officers and directors in connection with the shareholder class action and derivative cases referred to above. The ultimate outcome of this matter cannot presently be determined.

NOTE G - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

[4] SEC investigation:

In March 2001, the Company became aware that the SEC issued a formal order of investigation with respect to trading in the Company's securities. The SEC is investigating possible securities law violations. Certain current and former officers and directors of the Company sold shares of the Company's common stock prior to Mr. Madden's indictment in June 2000, as previously disclosed on Form 4s filed with the SEC. The ultimate effects of this matter, if any, cannot reasonably be determined at this time.

[5] Other actions:

- (a) On or about January 22, 2002, an action was commenced against the Company in the United States District Court for the District of Oregon, captioned Adidas America, Inc. and Adidas Salomon AG v. Steven Madden, Ltd. and Steven Madden Retail, Inc. The complaint seeks injunctive relief and unspecified monetary damages for trademark infringement, trademark dilution, unfair competition and deceptive trade practices arising from the Company's use of four stripes as a design element on footwear. On or about September 3, 2002, Adidas commenced a second action against the Company in the United States District Court for the District of Oregon, captioned Adidas America, Inc. and Adidas Salomon AG v. Steven Madden, Ltd. and Steven Madden Retail, Inc. The second complaint seeks the same injunctive relief and unspecified monetary damages for various trademark infringement claims arising from the Company's use of two stripes as a design element on footwear. The Company believes it has substantial defenses to the claims asserted in both lawsuits and has filed answers denying the allegations of infringement in both cases. Both cases were consolidated before a single judge. Discovery is continuing and trial is scheduled to begin in July 2003. Court-ordered non-binding mediation is scheduled for May 2003. The ultimate outcome of this matter cannot be presently determined.
- (b) On October 4, 2002, Skechers U.S.A., Inc. and Skechers U.S.A., Inc. II ("Skechers") filed suit against Steven Madden Ltd. and R.S.V. Sport, Inc. in the United States District Court for the Central District of California. Skechers alleges claims for patent infringement, federal unfair competition, federal antidilution violation, California unfair competition, California antidilution violation, and common law unfair competition. Skechers seeks unspecified monetary damages. The Company has not yet answered or otherwise responded to the complaint, but believes that it has substantial defenses to the claims asserted in the lawsuit. The ultimate outcome of this matter cannot presently be determined.
- (c) On September 6, 2002, Ron Owen filed an action against Steven Madden Retail, Inc., which action is pending in the United States District Court for the Northern District of Texas - Dallas Division. The plaintiff alleges a cause of action for breach of contract and seeks unspecified monetary damages. On October 10, 2002, the Company answered the complaint. The Company has also asserted a counterclaim against Mr. Owen. The Company believes that it has substantial defenses to the claims asserted in the lawsuit. The ultimate outcome of this matter cannot presently be determined.

In connection with the above litigations, the Company has accrued \$1,200,000. Management, based on the advice of counsel, believes such provision is adequate in the circumstances.

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 and the Company's Report on Form 10-K for 2002.

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:

Selected Financial Information

Three Months Ended

March 31

(\$ in thousands)

	2003		2002	
Consolidated:				
Net Sales	\$78,698	100%	\$66,611	100%
Cost of Sales	47,733	61	40,070	60
Gross Profit	30,965	39	26,541	40
Other Operating Income	1,690	2	1,244	2
Operating Expenses	24,392	31	20,932	32
Income from Operations	8,263	10	6,853	10
Interest and Other Income Net	442	1	204	0
Income Before Income Taxes	8,705	11	7,057	10
Net Income	5,049	6	4,093	6

Selected Financial Information

 Three Months Ended

March 31

(\$ in thousands)

2003

2002

By Segment

WHOLESALE DIVISIONS:

Steven Madden, Ltd. (Madden Women's)

Net Sales	\$28,895	100%	\$22,881	100%
Cost of Sales	19,080	66	15,545	68
Gross Profit	9,815	34	7,336	32
Other Operating Income	563	2	321	1
Operating Expenses	6,843	24	6,003	26
Income from Operations	3,535	12	1,654	7

l.e.i. Footwear:

Net Sales	\$14,865	100%	\$11,575	100%
Cost of sales	9,520	64	7,501	65
Gross Profit	5,345	36	4,074	35
Operating Expenses	3,543	24	2,778	24
Income from Operations	1,802	12	1,296	11

Madden Men's:

Net Sales	\$ 8,341	100%	7,449	100%
Cost of sales	5,573	67	4,703	63
Gross Profit	2,768	33	2,746	37
Operating Expenses	2,084	25	1,401	19
Income from Operations	684	8	1,345	18

Diva Acquisition Corp:

Net Sales	\$ 2,456	100%	\$ 2,485	100%
Cost of sales	1,714	70	1,646	66
Gross Profit	742	30	839	34
Operating Expenses	661	27	535	22
Income from Operations	81	3	304	12

Stevies Inc.:

Net Sales	\$ 3,035	100%	\$ 3,445	100%
Cost of sales	1,949	64	2,134	62
Gross Profit	1,086	36	1,311	38
Other Operating Income	9	0	9	0
Operating Expenses	628	21	745	21
Income from Operations	467	15	575	17

RETAIL DIVISION:

Steven Madden Retail Inc.:

Net Sales	\$21,106	100%	\$18,776	100%
Cost of Sales	9,897	47	8,541	45
Gross Profit	11,209	53	10,235	55
Operating Expenses	10,045	47	8,942	48
Income from Operations	1,164	6	1,293	7
Number of Stores	82		73	

Selected Financial Information

 Three Months Ended

March 31

(\$ in thousands)

2003

2002

By Segment (Continued)

ADESSO MADDEN INC.:

 (FIRST COST)

Other Operating Revenue	\$1,118	100%	\$ 914	100%
Operating Expenses	588	53	528	58
Income from Operations	530	47	386	42

RESULTS OF OPERATIONS

(\$ in thousands)

Three months Ended March 31, 2003 vs. Three Months Ended March 31, 2002

Consolidated:

 Total net sales for the three-month period ended March 31 2003 increased by \$12,087 or 18% to \$78,698 as compared to \$66,611 from the comparable period of 2002. The increase in sales was partially due to a \$6,014 or 26% increase in sales from the Madden Women's Wholesale Division ("Madden Women's"), as well as double-digit percentage gains in the Company's Steve Madden Men's and l.e.i. Wholesale Divisions and sales gains of 12% (\$2,330) in the Retail Division. Sales gains were attributable to greater acceptance of the Company's product offerings and to an increase in the Company's brand recognition as well as addition of two retail stores during the quarter ended March 31, 2003.

Total gross profit as a percentage of sales decreased to 39% in 2003 from 40% in 2002. The decrease was primarily due to greater promotional activities required to clear fall inventories at retail and due to the change in product mix in the Wholesale Division in 2003 compared to 2002.

Operating expenses increased to \$24,392 in 2003 from \$20,932 in 2002. Total operating expenses when expressed as a percentage of sales decreased to 31% in 2003 compared to 32% in 2002. The increase in dollars resulted from costs associated with growth in overall business as well as provision for management incentives. Advertising and marketing related expenses increased to \$1,233 in 2003 from \$1,100 in 2002 because of the Company's increased focus in this area. Selling, designing and licensing expenses also increased to \$3,150 in 2003 from \$2,770 in 2002 because the of overall growth in sales and the Company's increased concentration in its design and licensing areas. Additionally, other operating expenses increased to \$6,560 in 2003 from \$4,795 in 2002 partially because the Company opened 2 additional retail stores during the first quarter of 2003 and because of the growth in the Company's wholesale

segments. Also, total legal expenses in 2003 increased to \$702 from \$187 in 2002 because of incremental legal and defense costs.

Income from operations for 2003 was \$8,263, an increase of \$1,410 or 21% from \$6,853 in 2002. Net income increased by 23% to \$5,049 in 2003 from \$4,093 in 2002. The increase in income resulted principally from a growth in sales.

Wholesale Divisions:

- -----

Steven Madden Ltd. (Madden Women's, l.e.i. Footwear and Madden Men's):

Sales from Madden Women's Wholesale Division ("Madden Women's") accounted for \$28,895 or 37%, and \$22,881 or 34%, of total sales in 2003 and 2002, respectively. The increase in sales was driven by the sales of key styles including the Hi-Jo boot and wood bottom sandals. Gross profit as a percentage of sales increased to 34% in 2003 from 32% in 2002 primarily due to changes in product mix and balanced sourcing. Operating expenses increased to \$9,815 in 2003 from \$7,336 in 2002 due to higher costs associated with the growth in Madden Women's as well as the increase in management incentives. Income from operations for Madden Women's increased 114% to \$3,535 in 2003 from \$1,654 in 2002.

Sales from l.e.i. Footwear Wholesale Division ("l.e.i.") accounted for \$14,865 or 19%, and \$11,575 or 17%, of total sales in 2003 and 2002, respectively. The increase in sales was principally due to additional doors with existing accounts such as Kohl's, Sears and Goody's. Gross profit as a percentage of sales increased to 36% in 2003 from 35% in 2002 primarily due to changes in product mix and improved inventory management. Operating expenses increased to \$3,543 in 2003 from \$2,778 in 2002 due to increased sales commission, licensing costs and employee performance incentives. Income from operations for l.e.i. was \$1,802 in 2003 compared to \$1,296 in 2002.

Sales from Madden Men's Wholesale Division ("Madden Men's") accounted for \$8,341 or 11%, and \$7,449 or 11%, of total sales in 2003 and 2002, respectively. The sales increase resulted from an increase in the number of Madden Men's doors and deeper penetration of Madden Men's products through department store distribution channels. Gross profit as a percentage of sales decreased to 33% in 2003 from 37% in 2002 primarily due to an increase in markdown allowances caused by higher levels of promotional activities and general softness in the economy in the first quarter of 2003. Operating expenses increased to \$2,084 in 2003 from \$1,401 in 2002 due to increases in payroll and other payroll-related expenses. These increased payroll related expenses were principally due to the hiring of additional management personnel in the second half of last year, which facilitated the 330% increase in Madden Men's net sales in 2002. Income from operations for Madden Men's was \$684 in 2003 compared to \$1,345 in 2002.

Diva Acquisition Corp. ("Diva"):

Sales from Diva, including the Steven brand that was introduced in the third quarter of 2002 (which had net sales of \$183 for the first quarter of 2003) accounted for \$2,456 or 3%, and \$2,485 or 4%, of total sales in 2003 and 2002, respectively. The Company's management is presently re-positioning this business under the Steven brand, which will allow the Company to utilize its marketing leverage as a Steve Madden division. Gross profit as a percentage of sales decreased to 30% in 2003 from 34% in 2002, primarily due to an increase in markdown

allowances, resulting from higher levels of promotional activities in response to the general softness in the economy in 2003. Operating expenses increased to \$661 in 2003 from \$535 in 2002 due to higher selling expenses resulting from an increase in the sales force, which was necessary to expand the Steven brand. Income from operations for Diva was \$81 in 2003 compared to \$304 in 2002.

Stevies Inc. ("Stevies"):

Sales from Stevies accounted for \$3,035 or 4%, and \$3,445 or 5%, of total sales in 2003 and 2002, respectively. The decrease in sales was partly anticipated when Meldisco, the lease operator of the Federated Department Store children's departments and a division of Footstar, experienced temporary credit issues relating to it's K-Mart business. This led to shipping delays and some cancellations. Gross profit as a percentage of sales decreased to 36% in 2003 from 38% in 2002, primarily due to an increase in markdown allowances, resulting from higher levels of promotional activities in response to the general softness in the economy in 2003. Operating expenses decreased to \$628 in 2003 from \$745 in 2002 due to decreases in selling and related expenses. Income from operations for Stevies was \$467 in 2003 compared to \$575 in 2002.

Retail Division:

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Sales from the Retail Division accounted for \$21,106 or 27% and \$18,776 or 28% of total sales in 2003 and 2002, respectively. This increase in sales was due to the increase in the number of Steve Madden retail stores as well as an increase in comparable store sales. During the first quarter of 2003, the Company opened two (2) new retail stores. As of March 31, 2003, there were 82 retail stores compared to 73 retail stores as of March 31, 2002. Comparable store sales for the three-month period ended March 31, 2003 increased 4% over the same period of 2002. This increase was achieved through the Company leveraging its market-leading position with the popular Hi-Jo bootie as well as early delivery of new products to the Company's retail stores and the on time replenishment of basic inventory in season. Gross profit as a percentage of sales decreased to 53% in 2003 from 55% in 2002, primarily due to higher levels of promotional activities by the Company in response to the general softness in the economy in 2003. Operating expenses for the Retail Division were \$10,045 in 2003 and \$8,942 in 2002. Income from operations for the Retail Division was \$1,164 in 2003 compared to \$1,293 in 2002.

Adesso-Madden Division:

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Adesso-Madden, Inc. ("Adesso-Madden") generated commission revenues of \$1,118 for the three-month period ended March 31, 2003, which represents a 22% increase over commission revenues of \$914 for the same period in 2002. This increase was primarily due to the growth in accounts such as Wal-Mart, Target, JC Penney and Mervyn's and the addition of children's products to the assortment mix. Operating expenses increased to \$588 in 2003 from \$528 in 2002 due to increases in payroll and other payroll-related expenses. Income from operations for Adesso-Madden was \$530 in 2003 compared to \$386 in 2002.

LICENSE AGREEMENTS

Revenues from licensing increased to \$572 in 2003 from \$330 in 2002. As of March 31, 2003, the Company had six license partners covering six product categories of its Steve Madden brand

and one license partner covering its Stevies brand. The product categories include handbags, hosiery, sunglasses, eyewear, belts and outerwear.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$94,054 at March 31, 2003 compared to \$86,461 of working capital at December 31, 2002, representing an increase of \$7,593, which was primarily due to the Company's net income. The Company believes that based upon its current financial position and available cash and marketable securities, it will meet all of its financial commitments and operating needs for at least the next twelve months.

Under the terms of a factoring agreement with Capital Factors, Inc., the Company is eligible to draw down 80% of its invoiced receivables at an interest rate of two points below the Prime Rate (as defined in such agreement). The agreement with Capital Factors was renewed for the period beginning June 30, 2002 through December 31, 2004. Capital Factors maintains a lien on all of the Company's inventory and receivables and assumes the credit risk for all assigned accounts approved by them. Under the agreement, the Company has a credit line of \$15,000. The Company did not use any portion of credit line during first quarter of 2003.

The Company has invested approximately \$26.8 million in marketable securities consisting of corporate bonds, U.S. Treasury notes and government asset-backed securities. The securities mature on various dates through 2007.

OPERATING ACTIVITIES

During the three-month period ended March 31, 2003, cash used from operating activities was \$6,837. Uses of cash arose principally from an increase in factored accounts receivable of \$10,337 and an increase in inventories of \$4,606. Sources of cash were provided principally by net income of \$5,049, and an increase in accounts payable and other accrued expenses of \$1,997.

The Company leases office, showroom, warehouse and retail facilities under non-cancelable operating leases with terms expiring at various times through 2013. Future minimum annual lease payments under non-cancelable operating leases consist of the following at March 31:

2003	\$	8,793
2004		8,792
2005		8,484
2006		8,511
2007		7,974
Thereafter		21,117

	\$	63,671
		=====

At March 31, 2003, the Company had open letters of credit for the purchase of imported merchandise of approximately \$6,438.

The Company has an agreement with its Chairman of the Board and employment agreements with three key executives and its Creative and Design Chief, which provide for the payment of compensation aggregating approximately \$1,845 as of March 31, 2003. In addition, such employment agreements provide for incentive compensation based on various performance criteria as well as other benefits.

Significant portions of the Company's products are produced at overseas locations, the majority of which are located in Brazil, China, Italy and Spain. The Company has not entered into any long-term manufacturing or supply 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. In addition, the Company currently makes approximately ninety-five percent (95%) of its purchases in U.S. dollars.

INVESTING ACTIVITIES

During the three-month period ended March 31, 2003, the Company invested \$4,279 in marketable securities, net of maturities and sales of \$6,663. In addition, the Company incurred capital expenditures of \$1,630 in leasehold improvements to its corporate office space, the addition of two (2) new stores and upgrading its computer system.

FINANCING ACTIVITIES

During the three-month period ended March 31, 2003, the Company received \$652 from the exercise of stock options.

OTHER CONSIDERATIONS

Fashion Industry Risks: The success of the Company will depend in significant part upon its ability to anticipate and respond to product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. There can be no assurance that the Company's products will correspond to the changes in taste and demand or that the Company will be able to successfully market products, which respond to such trends. If the Company misjudges the market for its products, it may be faced with significant excess inventories for some products and missed opportunities with others. In addition, misjudgments in merchandise selection could adversely affect the Company's image with its customers resulting in lower sales and increased markdown allowances for customers which could have a material adverse effect on the Company's business, financial condition and results of operations.

The industry in which the Company operates is cyclical, with purchases tending to decline during recessionary periods when disposable income is low. Purchases of contemporary shoes and accessories tend to decline during recessionary periods and also may decline at other times. While the Company has fared well in recent years in a difficult retail environment, there can be no assurance that the Company will be able to maintain its historical rate of growth in revenues and earnings, or remain profitable in the future. A recession in the national or regional economies or uncertainties regarding future economic prospects, among other things, could affect consumer-spending habits and have a material adverse effect on the Company's business, financial condition and results of operations.

In recent years, the retail industry has experienced consolidation and other ownership changes. In the future, retailers in the United States and in foreign markets may consolidate, undergo restructurings or reorganizations, or realign their affiliations, any of which could decrease the number of stores that carry the Company's products or increase the ownership concentration within the retail industry. While such changes in the retail industry to date have not had a material adverse effect on the Company's business or financial condition, there can be no assurance as to the future effect of any such changes.

Inventory Management: The fashion-oriented nature of the Company's products and the rapid changes in customer preferences leave the Company vulnerable to an increased risk of inventory obsolescence. Thus, the Company's ability to manage its inventories properly is an important factor in its operations. Inventory shortages can adversely affect the timing of shipments to customers and diminish brand loyalty. Conversely, excess inventories can result in lower gross margins due to the excessive discounts and markdown. The inability of the Company to effectively manage its inventory would have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence Upon Customers and Risks Related to Extending Credit to Customers: The Company's customers consist principally of department stores and specialty stores, including shoe boutiques. Certain of the Company's department store customers, including some under common ownership, account for significant portions of the Company's wholesale business.

The Company generally enters into a number of purchase order commitments with its customers for each of its lines every season and does not enter into long-term agreements with any of its customers. Therefore, a decision by a significant customer of the Company, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease the amount of merchandise purchased from the Company or to change its manner of doing business could have a material adverse effect on the Company's business, financial condition and results of operations. The Company sells its products primarily to retail stores across the United States and extends credit based on an evaluation of each customer's financial condition, usually without collateral. While various retailers, including some of the Company's customers, have experienced financial difficulties in the past few years which increased the risk of extending credit to such retailers, the Company's losses due to bad debts have been limited. Pursuant to the Factoring Agreement between Capital Factors and the Company, Capital Factors currently assumes the credit risk related to approximately 95% of the Company's accounts receivables. However, financial difficulties of a customer could cause the Company to curtail business with such customer or require the Company to assume more credit risk relating to such customer's receivables.

Impact of Foreign Manufacturers: Substantial portions of the Company's products are currently sourced outside the United States through arrangements with a number of foreign manufacturers in four different countries. During the three-month period ended March 31, 2003, approximately 80% of the Company's products were purchased from sources outside the United States, primarily from China, Brazil, Italy and Spain.

Risks inherent in foreign operations include work stoppages, transportation delays and interruptions, changes in social, political and economic conditions which could result in the disruption of trade from the countries in which the Company's manufacturers or suppliers are located, the imposition of additional regulations relating to imports, the imposition of additional duties, taxes and other charges on imports, significant fluctuations of the value of the dollar against foreign currencies, or restrictions on the transfer of funds, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company does not believe that any such economic or political condition will materially affect the Company's ability to purchase products, since a variety of materials and alternative sources are available. The Company cannot be certain, however, that it will be able to identify such alternative sources without delay (if ever) or without greater cost to the Company. The Company's inability to identify and secure alternative sources of supply in this situation would

have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's imported products are also subject to United States customs duties. The United States and the countries in which the Company's products are produced or sold, from time to time, impose new quotas, duties, tariffs, or other restrictions, or may adversely adjust prevailing quota, duty or tariff levels, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Possible Adverse Impact of Unaffiliated Manufacturers' Inability to Manufacture in a Timely Manner, Meet Quality Standards or to Use Acceptable Labor Practices: As is common in the footwear industry, the Company contracts for the manufacture of a majority of its products to its specifications through foreign manufacturers. The Company does not own or operate any manufacturing facilities and is therefore dependent upon independent third parties for the manufacture of all of its products. The Company's products are manufactured to its specifications by both domestic and international manufacturers. The inability of a manufacturer to ship orders of the Company's products in a timely manner or to meet the Company's quality standards could cause the Company to miss the delivery date requirements of its customers for those items, which could result in cancellation of orders, refusal to accept deliveries or a reduction in purchase prices, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Although the Company enters into a number of purchase order commitments each season specifying a time frame for delivery, method of payment, design and quality specifications and other standard industry provisions, the Company does not have long-term contracts with any manufacturer. As a consequence, any of these manufacturing relationships may be terminated, by either party, at any time. Although the Company believes that other facilities are available for the manufacture of the Company's products, both within and outside of the United States, there can be no assurance that such facilities would be available to the Company on an immediate basis, if at all, or that the costs charged to the Company by such manufacturers will not be greater than those presently paid.

The Company requires its licensing partners and independent manufacturers to operate in compliance with applicable laws and regulations. While the Company promotes ethical business practices and the Company's staff periodically visits and monitors the operations of its independent manufacturers, the Company does not control such manufacturers or their labor practices. The violation of labor or other laws by an independent manufacturer of the Company or by one of the Company's licensing partners, or the divergence of an independent manufacturer's or licensing partner's labor practices from those generally accepted as ethical in the United States, could have a material adverse effect on the Company's business, financial condition and results of operations.

Intense Industry Competition: The fashion footwear industry is highly competitive and barriers to entry are low. The Company's competitors include specialty companies as well as companies with diversified product lines. The recent market growth in the sales of fashionable footwear has encouraged the entry of many new competitors and increased competition from established companies. Most of these competitors, including Diesel, Kenneth Cole, Nine West, DKNY, Skechers, Nike and Guess, may have significantly greater financial and other resources than the Company and there can be no assurance that the Company will be able to compete successfully

with other fashion footwear companies. Increased competition could result in pricing pressures, increased marketing expenditures and loss of market share, and could have a material adverse effect on the Company's business, financial condition and results of operations. The Company believes effective advertising and marketing, fashionable styling, high quality and value are the most important competitive factors and plans to continually employ these elements as it develops its products. The Company's inability to effectively advertise and market its products could have a material adverse effect on the Company's business, financial condition and results of operations.

Expansion of Retail Business: The Company's continued growth depends to a significant degree on further developing the Steve Madden(R), Stevies, Steven, Steve Madden Men's and l.e.i.(R) brands, creating new product categories and businesses and operating Company-owned stores on a profitable basis. During the first quarter of 2003 the Company opened two (2) Steve Madden retail stores and has plans to open approximately eight to ten (8-10) Steve Madden retail stores during the balance of fiscal year 2003. The Company's recent and planned expansion includes the opening of stores in new geographic markets as well as strengthening existing markets. New markets have in the past presented, and will continue to present, competitive and merchandising challenges that are different from those faced by the Company in its existing markets. There can be no assurance that the Company will be able to open new stores, and if opened, that such new stores will be able to achieve sales and profitability levels consistent with existing stores. The Company's retail expansion is dependent on a number of factors, including the Company's ability to locate and obtain favorable store sites, the performance of the Company's wholesale and retail operations, and the ability of the Company to manage such expansion and hire and train personnel. Past comparable store sales results may not be indicative of future results, and there can be no assurance that the Company's comparable store sales results will increase or not decrease in the future. In addition, there can be no assurance that the Company's strategies to increase other sources of revenue, which may include expansion of its licensing activities, will be successful or that the Company's overall sales or profitability will increase or not be adversely affected as a result of the implementation of such retail strategies.

The Company's growth has increased and will continue to increase demand on the Company's managerial, operational and administrative resources. The Company has recently invested significant resources in, among other things, its management information systems and hiring and training new personnel. However, in order to manage currently anticipated levels of future demand, the Company may be required to, among other things, expand its distribution facilities, establish relationships with new manufacturers to produce its products, and continue to expand and improve its financial, management and operating systems. There can be no assurance that the Company will be able to manage future growth effectively and a failure to do so could have a material adverse effect on the Company's business, financial condition and results of operations.

Seasonal and Quarterly Fluctuations: The Company's results may fluctuate quarter to quarter as a result of the timing of holidays, weather, the timing of larger shipments of footwear, market acceptance of the Company's products, the mix, pricing and presentation of the products offered and sold, the hiring and training of additional personnel, the timing of inventory write downs, the cost of materials, the mix between wholesale and licensing businesses, the incurrence of other operating costs and factors beyond the Company's control, such as general economic conditions and actions of competitors. In addition, the Company expects that its sales and operating results may be significantly impacted by the opening of new retail stores and the introduction of new

products. Accordingly, the results of operations in any quarter will not necessarily be indicative of the results that may be achieved for a full fiscal year or any future quarter.

Trademark and Service Mark Protection: The Company believes that its trademarks and service marks and other proprietary rights are important to its success and its competitive position. Accordingly, the Company devotes substantial resources to the establishment and protection of its trademarks on a worldwide basis. Nevertheless, there can be no assurance that the actions taken by the Company to establish and protect its trademarks and other proprietary rights will be adequate to prevent imitation of its products by others or to prevent others from seeking to block sales of the Company's products on the basis that they violate the trademarks and proprietary rights of others. Moreover, no assurance can be given that others will not assert rights in, or ownership of, trademarks and other proprietary rights of the Company or that the Company will be able to successfully resolve such conflicts. In addition, the laws of certain foreign countries may not protect proprietary rights to the same extent as do the laws of the United States. The failure of the Company to establish and then protect such proprietary rights from unlawful and improper appropriation could have a material adverse effect on the Company's business, financial condition and results of operations.

Foreign Currency Fluctuations: The Company generally purchases its products in U.S. dollars. However, the Company sources substantially all of its products overseas and, as such, the cost of these products may be affected by changes in the value of the relevant currencies. Changes in currency exchange rates may also affect the relative prices at which the Company and foreign competitors sell their products in the same market. There can be no assurance that foreign currency fluctuations will not have a material adverse effect on the Company's business, financial condition and results of operations.

Outstanding Options: As of May 9, 2003, the Company had outstanding options to purchase an aggregate of approximately 2,235,000 shares of Common Stock. Holders of such options are likely to exercise them when, in all likelihood, the Company could obtain additional capital on terms more favorable than those provided by the options. Further, while its options are outstanding, they may adversely affect the terms in which the Company could obtain additional capital.

Economic and Political Risks: The present economic condition in the United States and concern about uncertainties could significantly reduce the disposable income available to the Company's customers, which purchase our products. In addition, current unstable political conditions including, the potential or actual conflicts in Iraq, North Korea or elsewhere, or the continuation or escalation of terrorism, could have an adverse effect on the Company's business, financial condition and results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not engage in the trading of market risk sensitive instruments in the normal course of business. Financing arrangements for the Company are subject to variable interest rates primarily based on the prime rate. An analysis of the Company's credit agreement with Capital Factors, Inc. can be found in Note C. "Due From Factor" to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures within 90 days of the filing date of this quarterly report, and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Part II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

A description of the legal proceedings in which the Company is involved, both in general and with respect to certain specific matters and types of matters, is contained in the Company's Report on Form 10-K for 2002. The following is limited to an update on significant developments in previously reported matters and should be read with reference to the Company's Report on Form 10-K for 2002. All previously reported matters remain pending.

On or about January 22, 2002, an action was commenced against the Company in the United States District Court for the District of Oregon, captioned Adidas America, Inc. and Adidas Salomon AG v. Steve Madden, Ltd. and Steve Madden Retail, Inc., CA No. CV02-0057 HU. The Complaint seeks injunctive relief and unspecified monetary damages for trademark infringement, trademark dilution, unfair competition and deceptive trade practices arising from the Company's use of four stripes as a design element on footwear which Adidas alleges infringes on its registered Three Stripe Trademark. On or about September 3, 2002, Adidas commenced a second action against the Company in the United States District Court for the District of Oregon, captioned Adidas America, Inc. and Adidas Salomon AG v. Steve Madden, Ltd. and Steve Madden Retail, Inc., CA No. CV 02-1191 KI. The second Complaint seeks the same injunctive relief and unspecified monetary damages as the first lawsuit for various trademark infringement claims arising from the Company's use of two stripes as a design element on footwear. The Company believes it has substantial defenses to the claims asserted in both lawsuits based on pervasive use of two and four stripes as a design element by numerous other footwear manufacturers over the past three decades, current fashion trends using two and four stripe designs, and Adidas' prior acquiescence in allowing other footwear manufacturers sell shoes with two and four stripe designs. The Company filed answers denying the allegations of infringement in both cases, which were consolidated before a single judge. Discovery is continuing and trial is scheduled to begin July 21, 2003. Court ordered non-binding mediation is scheduled for May 2003.

On September 6, 2002 Ron Owen filed an action against Steven Madden Retail, Inc., which action is pending in the United States District Court for the Northern District of Texas - Dallas Division, Civil Action No. 3-02 CV 2316-R. Plaintiff alleges a cause of action for breach of contract and seeks unspecified monetary damages. On October 10, 2002, the Company answered the complaint. The Company has also asserted a counterclaim against Mr. Owen. The Company believes that it has substantial defenses to the claims asserted in the lawsuit.

ITEM 5. OTHER INFORMATION.

On May 12, 2003 the Company entered into a license agreement with Candie's, Inc. to design, manufacture, and distribute Candie's branded footwear for women and children. Under the long-term agreement, the Company has been granted the exclusive right to distribute Candie's footwear worldwide.

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

(a) Exhibits

(10.17) Employment Agreement between Steven Madden, Ltd. and Robert Schmertz

(99.1) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(99.2) Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

DATE: May 13, 2003

STEVEN MADDEN, LTD.

/s/ JAMIESON A. KARSON

Jamieson A. Karson
Chief Executive Officer

/s/ ARVIND DHARIA

Arvind Dharía
Chief Financial Officer

CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Jamieson Karson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Steven Madden, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003

By: /s/ JAMIESON KARSON

Jamieson Karson
Chief Executive Officer

CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Arvind Dharia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Steven Madden, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003

By: /s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer

STEVEN MADDEN, LTD.
FORM 10-Q

EXHIBIT INDEX

Exhibit No -----	Description -----
10.17	Employment Agreement between Steven Madden, Ltd. and Robert Schmertz
99.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

April 2, 2002

Mr. Robert Schmertz

Dear Robert:

Below are the terms of your employment with Steven Madden, Ltd.:

1. Term of Employment: 04/01/2002 to 06/30/2005

Your position with the company is President of Steven Madden Wholesale Womens Division and Brand Manager for the Steve Madden brand or any position assigned by Corporate President or Chief Executive Officer.

2. Salary: \$375,000.00 effective 4/1/02 thru 6/30/03
----- \$412,500.00 effective 7/1/03 thru 6/30/04
\$453,750.00 effective 7/1/04 thru 6/30/05

Less such deductions as shall be required to be withheld by applicable law and regulations.

3. Options:

(A) 100,000 options of common stock with a grant price based on the fair market value on the date of the 2002 Annual Shareholders Meeting, subject to shareholders approval. These options shall vest quarterly beginning with 25,000 options vesting on 09/30/2002 and 25,000 options vesting on the last day of each quarter thereafter, and vesting fully on June 30th, 2003.

(B) 100,000 options of common stock for calendar year 2002 performance, with a grant price based on the fair market value on the date of the 2003 Annual Shareholders Meeting, subject to shareholders approval. These options shall vest quarterly beginning with 25,000 options vesting on 9/30/2003 and 25,000 options vesting on the last day of each quarter thereafter and vesting fully on June 30th, 2004.

(C) 100,000 options of common stock for calendar year 2003 performance, with a grant price based on the fair market value on the date of the 2004 Annual Shareholders Meeting, subject to shareholders approval.

These options shall vest quarterly beginning with 25,000 options vesting on 9/30/2004 and 25,000 options vesting on the last day of each quarter thereafter and vesting fully on June 30th, 2005.

(D) in addition to the above, subject to shareholder approval and subject to your continuous employment by the Company from the commencement date of this agreement through June 30, 2005, you shall be entitled to receive 50,000 shares ("Cliff Vested Shares").

4. Change of Control: In the event there is a change of control, all unvested options and common stock will accelerate and will immediately vest on the date of the change of control, priced as of the date of transfer.

5. Key Man: In the event that Steven Madden is no longer employed by the Company, you shall have the option of terminating this Agreement by delivery of notice to the Company within ten (10) days following such event.

6. Covenant Not to Compete: Executive recognizes that the services to be performed by him hereunder are special and unique. In consideration of the compensation granted herein, the Executive agrees that, in the event he either terminates his employment of his own accord or is terminated by the Company for cause prior to the expiration of this agreement, for a period of 12 months following such termination, he shall not engage in or accept employment with any competitive business for his special and unique services.

7. Expenses: All reasonable and necessary business related expenses including a cellular phone are to be paid by Employer.

8. Automobile: Employer shall pay to Employee \$500.00 per month as a car allowance.
9. Vacations: Vacations, sick days and personal days in accordance with executive policy.
10. Miscellaneous: In the event the Executive breaches this agreement all unearned and unvested options shall become null and void and executive shall forfeit all rights to the "Cliff Vested Shares".
11. Signing Bonus: Executive shall receive a signing bonus of \$150,000.00 upon the execution of this Agreement.

Steven Madden, Ltd.

/s/ Robert Schmertz

Robert Schmertz

/s/ Jamieson A. Karson

By: Jamieson A. Karson, CEO

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Steven Madden, Ltd. (the "Company") on Form 10-Q for the quarter ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jamieson A. Karson, Chief Executive Officer of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMIESON A. KARSON

Jamieson A. Karson
Chief Executive Officer
May 13, 2003

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Steven Madden, Ltd. (the "Company") on Form 10-K for the quarter ended March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arvind Dharia, Chief Financial Officer of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer
May 13, 2003