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, 2000

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

For the transition period from ___________________ to _______________________

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

STEVEN MADDEN, LTD.

(Exact name of Registrant as specified in its charter)

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

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

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

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

Yes [X] No [ ]

CLASS	OUTSTANDING AS OF NOVEMBER 06, 2000
COMMON STOCK	11,058,555

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

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	SEPTEMBER 30, 2000 (unaudited)	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,219	$ 37,361
Investments		257
Accounts receivable - net of allowances of $952 and $886	2,989	1,207
Due from factor - net of allowances of $894 and $624	18,142	12,146
Inventories	17,436	10,158
Prepaid expenses and other current assets	1,373	867
Deferred taxes	800	800
Total current assets	64,959	62,796
Property and equipment, net	16,021	11,114
Deferred taxes	1,612	1,612
Deposits and other	246	269
Cost in excess of fair value of net assets acquired - net of accumulated amortization of $540 and $436	2,240	2,344
	$ 85,078	$ 78,135
LIABILITIES		
Current liabilities:		
Current portion of lease payable	$ 111	$ 116
Accounts payable	8,252	6,542
Accrued expenses	3,816	2,528
Income tax payable	98	4,957
Accrued bonuses	755	577
Total current liabilities	13,032	14,720
Deferred rent	984	777
Lease payable, less current portion	114	203
	14,130	15,700
Contingencies (Note D)		
STOCKHOLDERS' EQUITY		
Common stock - $.0001 par value, 60,000,000 shares authorized, 12,300 and 11,798 issued and outstanding	1	1
Additional paid-in capital	45,669	42,906
Retained earnings	34,247	22,722
Unearned compensation	(992)	(1,279)
Treasury stock at cost - 1,245 and 345 shares	(7,977)	(1,915)
	70,948	62,435
	$ 85,078	$ 78,135

See notes to financial statements.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
Net sales	$ 60,108	$ 48,963	$ 152,274	$ 113,750
Cost of sales	33,620	28,962	86,668	66,639
Gross profit	26,488	20,001	65,606	47,111
Commission and licensing fee income	1,233	896	3,367	2,389
Operating expenses	(20,022)	(15,014)	(50,437)	(37,386)
Income from operations	7,699	5,883	18,536	12,114
Interest income, net	219	169	1,226	501
Gain on sale of marketable securities			230	
Income before provision for income taxes	7,918	6,052	19,992	12,615
Provision for income taxes	3,318	2,604	8,467	5,392
NET INCOME	$ 4,600	$ 3,448	$ 11,525	$ 7,223
BASIC INCOME PER SHARE	$0.42	$0.32	$1.01	$0.67
DILUTED INCOME PER SHARE	$0.38	$0.27	$0.89	$0.59
Weighted average common shares outstanding - basic	11,056	10,811	11,395	10,722
Effect of potential common shares from exercise of options and warrants	921	1,804	1,504	1,549
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED	11,977	12,615	12,899	12,271

See notes to financial statements.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

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

	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 11,525	$ 7,223
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Issuance of compensatory stock options		474
Depreciation and amortization	2,576	1,393
Deferred compensation	287	287
Provision for bad debts	336	361
Gain on sale of marketable securities	(230)	
Deferred rent expense	207	297
Changes in:		
Accounts receivable	(1,848)	(510)
Due from factor	(6,266)	(9,720)
Inventories	(7,278)	(3,609)
Prepaid expenses and other assets	(483)	1,902
Accounts payable and accrued expenses	(1,683)	7,698
Net cash (used in) provided by operating activities	(2,857)	5,796
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(7,379)	(4,017)
Sale/maturity of investment securities	487	499
Net cash used in investing activities	(6,892)	(3,518)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from options and warrants exercised	2,763	2,234
Purchase of treasury stock	(6,062)	(678)
Repayment of lease obligations	(94)	(53)
Net cash (used in) provided by financing activities	(3,393)	1,503
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(13,142)	3,781
Cash and cash equivalents - beginning of period	37,361	14,642
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 24,219	$ 18,423

See notes to financial statements.

STEVEN MADDEN, LTD. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2000

NOTE A - BASIS OF REPORTING

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

NOTE B - INVENTORIES

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

NOTE C - NET INCOME PER SHARE OF COMMON STOCK

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

NOTE D - PENDING LITIGATION

[1] CLASS ACTION LITIGATION:

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

The complaints generally allege that the Company and the individual defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements, and failing to disclose material adverse information relating, among other things, to certain matters and allegations concerning Mr. Madden. The plaintiffs seek an unspecified amount of damages, costs and expenses on behalf of themselves and all other purchasers of the Company's common stock either during the period June 21, 1997 through June 20, 2000 or the period November 3, 1999 through June 20, 2000 (depending upon the particular action). Although the Company has not yet answered or otherwise responded to these complaints, the Company believes that it has substantial defenses to the claims

NOTE D - PENDING LITIGATION (CONTINUED)

[2] DERIVATIVE ACTION:

On or about September 26, 2000, a putative shareholders 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., 00 CV 5803 (JG). The Company is named as a nominal defendant in the action. The complaint seeks to recover alleged damages on behalf of the Company from Mr. Madden arising from his June 20, 2000 indictment and to require him to disgorge certain profits, bonuses and stock option grants he received from the Company.

[3] LITIGATION SETTLEMENTS:

The actions involving Magnum Fashions, Inc. and Lee N' Gi were settled in September 2000 for a nominal amount.

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
($ in thousands)

CONSOLIDATED:	2000		1999	
Net Sales	$152,274	100%	$113,750	100%
Cost of Sales	86,668	57	66,639	59
Other Operating Income	3,367	2	2,389	2
Operating Expenses	50,437	33	37,386	33
Income from Operations	18,536	12	12,114	11
Interest Income (Expense) Net	1,226	1	501	0
Gain on sale of Marketable Securities	230	0	--	--
Income Before Income Taxes	19,992	13	12,615	11
Net Income	11,525	8	7,223	6

PERCENTAGE OF NET REVENUES
NINE MONTHS ENDED
SEPTEMBER 30
($ in thousands)

By Segment	2000		1999	
WHOLESALE DIVISIONS:				
STEVEN MADDEN, LTD				
Net Sales	$ 69,331	100%	$ 54,288	100%
Cost of Sales	43,208	62	34,142	63
Other Operating Income	704	1	531	1
Operating Expenses	19,629	28	16,657	31
Income from Operations	7,198	10	4,020	7
l.e.i. FOOTWEAR:				
Net Sales	$ 28,575	100%	$ 21,293	100%
Cost of sales	18,183	64	13,910	65
Operating Expenses	5,431	19	4,377	21
Income from Operations	4,961	17	3,006	14
DIVA ACQUISITION CORP:				
Net Sales	$ 2,980	100%	$ 5,614	100%
Cost of sales	2,070	69	3,773	67
Operating Expenses	951	32	1,113	20
Income (Loss) from Operations	(41)	(1)	728	13
STEVIES INC.:				
Net Sales	$ 4,678	100%	--	--
Cost of sales	2,908	62	--	--
Other Operating Income	151	3	--	--
Operating Expenses	1,144	25	--	--
Income from Operations	777	17	--	--
STEVEN MADDEN RETAIL INC.:				
Net Sales	$ 46,710	100%	$ 32,555	100%
Cost of Sales	20,299	43	14,814	46
Operating Expenses	21,914	47	13,998	43
Income from Operations	4,497	10	3,743	11

PERCENTAGE OF NET REVENUES
NINE MONTHS ENDED
SEPTEMBER 30
($ in thousands)

By Segment (Continued)

ADESSO MADDEN INC.: (FIRST COST)	2000		1999	
Other Operating Revenue	$2,512	100%	$1,858	100%
Operating Expenses	1,368	54	1,241	67
Income from Operations	1,144	46	617	33

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

CONSOLIDATED:	2000		1999	
Net Sales	$60,108	100%	$48,963	100%
Cost of Sales	33,620	56	28,962	59
Other Operating Income	1,233	2	896	2
Operating Expenses	20,022	33	15,014	31
Income from Operations	7,699	13	5,883	12
Interest Income (Expense) Net	219	0	169	0
Income Before Income Taxes	7,918	13	6,052	12
Net Income	4,600	8	3,448	7

By Segment

WHOLESALE DIVISIONS:

STEVEN MADDEN, LTD				
Net Sales	$26,125	100%	$24,155	100%
Cost of Sales	16,076	62	15,451	64
Other Operating Income	140	1	203	1
Operating Expenses	7,932	30	6,602	27
Income from Operations	2,257	9	2,305	10
l.e.i. FOOTWEAR:				
Net Sales	$10,277	100%	$ 9,534	100%
Cost of sales	6,377	62	6,020	63
Operating Expenses	2,008	20	2,149	23
Income from Operations	1,892	18	1,365	14
DIVA ACQUISITION CORP:				
Net Sales	$ 1,233	100%	$ 2,188	100%
Cost of sales	804	65	1,467	67
Operating Expenses	428	35	419	19
Income from Operations	1	0	302	14

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

By Segment (Continued)	2000		1999	
STEVIES INC.:				
Net Sales	$ 3,263	100%	--	--
Cost of Sales	2,025	62	--	--
Other Operating Income	109	3	--	--
Operating Expenses	700	21	--	--
Income from Operations	647	20	--	--
STEVEN MADDEN RETAIL INC.:				
Net Sales	$19,210	100%	$13,086	100%
Cost of Sales	8,338	43	6,024	46
Operating Expenses	8,561	45	5,420	41
Income from Operations	2,311	12	1,642	13
ADESSO MADDEN INC.: (FIRST COST)				
Other Operating Revenue	$ 984	100%	$ 693	100%
Operating Expenses	393	40	424	61
Income from Operations	591	60	269	39

RESULTS OF OPERATIONS
($ in thousands)
NINE MONTHS ENDED SEPTEMBER 30, 2000 VS. NINE MONTHS ENDED SEPTEMBER 30, 1999

CONSOLIDATED:

Sales for the nine month period ended September 30, 2000 were $152,274 or 34% higher than the $113,750 in the comparable period of 1999. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) an increase in reorders from existing customers, (iii) a 43% increase in retail sales due to the opening of additional Steve Madden retail stores during first, second and third quarters of 2000 and increases in same store sales, (iv) an increase in sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale"), (v) an increase in the number of Steve Madden concept shops located in major department stores and specialty stores, and (vi) an increase in public awareness with respect to the Company's brands. In turn, increased sales have enabled the Company to expand its advertising and in store concept efforts, all of which have contributed to the continuing increase in sales. Also in the first quarter, the Company introduced a new brand, Stevies(TM). Stevies(TM) is a fashion brand which targets girls ages 6-9 and "tweens" ages 10-12. The Company's new Stevies Wholesale Division ("Stevies Wholesale") commenced shipping to department stores throughout the country in the second quarter of 2000. Stevies Wholesale generated revenue of $4,678 for the nine month period ended September 30, 2000. Also, during the nine month period ended September 30, 2000, 10 licenses in 12 product classifications were signed for the Stevies(TM) brand. The web site for Stevies at WWW.STEVIES.COM went live in March of 2000.

Consolidated gross profit as a percentage of sales in first nine months of 2000 increased to 43% as compared 41% for the first nine months of 1999 due to a change in the product mix, balanced sourcing and improved inventory management.

Selling, general and administrative (SG&A) expenses increased to $50,437 in 2000 from $37,886 in 1999. The increase in SG&A is due primarily to a 28% increase in payroll, officers' bonuses, payroll related expenses and professional and consulting fees from $13,850 in 1999 to $17,747 in 2000. Also, selling, designing and licensing costs increased by 29% from $10,365 in 1999 to $13,342 in 2000. This is due in part to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. The increase in the number of retail outlets and expanded office facilities resulted in an increase in occupancy, telephone, utilities, computer, printing/supplies and depreciation expenses by 48% from $7,441 in 1999 to $11,042 in 2000.

Income from operations for 2000 was $18,536 which represents an increase of $6,422 or 53% over the income from operations of $12,114 in 1999. Net income increased by 60% to $11,525 in 2000 from $7,223 in 1999.

WHOLESALE DIVISIONS:

Sales from the Steve Madden Wholesale Division ("Madden Wholesale") accounted for $69,331 or 46%, and $54,288 or 48%, of total sales in 2000 and 1999, respectively. This increase in sales is due to an increase in reorders from existing customers and an increase in the number of Steve Madden concepts shops located in major department stores and specialty stores throughout the country. Gross profit as a percentage of sales increased from 37% in 1999 to 38% in 2000 due to a change in the product mix, balanced sourcing and improved inventory management. Operating expenses increased to $19,629 in 2000 from $16,657 in 1999. This increase is due to an increase in payroll and payroll related expenses principally due to the hiring of additional management personnel. Additionally, selling, designing and licensing costs increased due to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. Madden Wholesale income from operations was $7,198 in 2000 compared to income from operations of $4,020 in 1999.

Sales from the l.e.i. Wholesale ("l.e.i. Wholesale") accounted for $28,575 or 19%, and $21,293 or 19% of total sales in 2000 and 1999, respectively. The increase in sales is due to the addition of new "l.e.i. Wholesale" accounts and an increase in reorders from existing customers. l.e.i footwear now sells in over 3,200 doors in 2000 compared to 2,400 doors in 1999, in the United States, primarily in department stores, including Macy's East, Burdines, Rich's, Hecht's, Filene's, Foley's, Kohl's, Belk and JC Penney's, and in specialty store chains, such as Journey's and Mandees. Also, during the third quarter, l.e.i. Wholesale division shipped shoes to Kohl's for the first time. Gross profit as a percentage of sales increased from 35% in 1999 to 36% in 2000 due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $5,431 in 2000 from $4,377 in 1999 due to increases in occupancy and payroll and payroll related expenses. Additionally, sales commissions, selling, designing and licensing costs increased due to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. Income from operations for l.e.i. Wholesale was $4,961 in 2000 compared to income from operations of $3,006 in 1999.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $2,980 or 2%, and $5,614 or 5%, of total sales in 2000 and 1999, respectively. The Company believes that the decrease in sales is primarily due to the introduction of a new management team for Diva in the second quarter of 2000. Gross profit as a percentage of sales decreased from 33% in 1999 to 31% in 2000 for the reasons stated above. Operating expenses decreased to $951 in 2000 from $1,113 in 1999 due to the decrease in sales commission expenses as a result of the decrease in sales and to decreases in selling and designing expenses. Loss from operations from Diva was $41 in 2000 compared to income from operations of $728 in 1999.

The Company's new Stevies Wholesale Division ("Stevies Wholesale") commenced shipping to department stores and specialty stores throughout the country in the second quarter of 2000. Stevies Wholesale generated revenue of $4,678 for the nine month period ended September 30, 2000. Stevies now sells in over 1000 doors including store groups such as Nordstorms, Federated Department stores, May Company, Belk, Dillards, Limited Too, as well as, childrens' independent shoe stores throughout the country. The Stevies brand ended the third quarter with over 800 Stevies concept shop locations and over 500 Stevies accessories concept shop locations. Stevies accessory concept shops house Stevies licensed accessories and slippers. Gross profit as a percentage of sales was 38% for the nine month period ended September 30, 2000. Income from operations was $777 in 2000.

RETAIL DIVISION:

Sales from the Retail Division accounted for $46,710 or 31% and $32,555 or 29% of total revenues in 2000 and 1999, respectively. This increase in Retail Division sales is primarily due to the increase in number of Steve Madden retail stores to 64 as of September 30, 2000 compared to 45 Steve Madden retail stores as of September 30, 1999. Same store sales for the first nine months ended September 30, 2000 increased 9% over the same period of 1999. This increase in same store sales is due to the Company's ability to reorder bestsellers, test new products such as athletic inspired casuals, sneakers, boots and tailored shoes. Revenues from the internet store for the quarter ended September 30, 2000 increased by 260% over the same period of 1999. The Company expects sales generated through its websites at WWW.STEVEMADDEN.COM and WWW.STEVIES.COM to continue to increase as the Company makes additional styles available for sale on its website and usage of the internet continues to grow. Gross profit as a percentage of sales increased from 54% in 1999 to 57% in 2000 primarily due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $21,914 or 47% of sales in 2000 from $13,998 or 43% of sales in 1999. This increase was due to increases in payroll and payroll related expenses such as incentive bonuses for store managers and the corporate retail management team, marketing and operating expenses for the internet store, occupancy, printing, computer and depreciation expenses as a result of opening 19 additional stores since September 30, 1999. Income from operations from the retail division was $4,497 in 2000 compared to income from operations of $3,743 in 1999.

ADESSO-MADDEN DIVISION:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $2,512 for the nine month period ended September 30, 2000 which represents a 35% increase over commission revenues of $1,858 during the same period in 1999. This increase was primarily due to the growth in accounts such as Walmart, Parade of Shoes, Sears, Famous Footwear, Payless, Bass, MarMaxx, Bakers, and Target kids. Operating expenses increased to $1,368 in 2000 from $1,241 in 1999 primarily due to increases in payroll and payroll related expenses. Income from operations from Adesso-Madden was $1,144 in 2000 compared to income from operations of $617 in 1999.

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

CONSOLIDATED:

Sales for the three month period ended September 30, 2000 were $60,108 or 23% higher than the $48,963 in the comparable period of 1999. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) an increase in reorders from existing customers, (iii) a 47% increase in retail sales due to the opening of additional Steve Madden retail stores during first quarter, second and third quarters of 2000 and increases in same store sales, (iv) an increase in sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale"), (v) an increase in the number of Steve Madden concept shops located in major department stores and specialty stores, and (vi) an increase in public awareness with respect to the Company's brands. In turn, increased sales have enabled the Company to expand its advertising and in store concept efforts, all of which have contributed to the continuing increase in sales. Also in the first quarter, the Company introduced a new brand, Stevies(TM). Stevies(TM) is a fashion brand which targets girls ages 6-9 and "tweens" ages 10-12. The Stevies brand commenced shipping to department stores throughout the country in the second quarter of 2000 and generated revenues of $3,263 for the three month period ended September 30, 2000. Also as of third quarter of 2000 10 licenses in 12 product classifications were signed for the Stevies(TM) brand. The web site for Stevies at WWW.STEVIES.COM went live in March of 2000.

Consolidated gross profit as a percentage of sales increased from 41% in 1999 to 44% in 2000. Higher margin classifications drove the gross profit as a percentage of sales. Such classifications were athletic, boots and tailored shoes. In addition, retail which had higher margin accounted for 32% of total revenues in 2000 compared to 27% of total revenues in 1999.

Selling, general and administrative (SG&A) expenses increased to $20,022 in 2000 from $15,014 in 1999. The increase in SG&A is due primarily to a 35% increase in payroll, officers' bonuses, payroll related expenses and professional and consulting fees from $5,005 in 1999 to $6,736 in 2000. Additionally, the Company focused its efforts on marketing and advertising thus increasing those expenses by 85% from $1,383 in 1999 to $2,561 in 2000. Also, the increase in the number of retail outlets and expanded office facilities resulted in an increase in occupancy, telephone, utilities, computer, printing/supplies and depreciation expenses by 52% from $2,948 in 1999 to $4,479 in 2000.

Income from operations for 2000 was $7,699 which represents an increase of $1,816 or 31% over the income from operations of $5,883 in 1999. Net income increased by 33% to $4,600 in 2000 from $3,448 in 1999.

WHOLESALE DIVISIONS:

Sales from the Steve Madden Wholesale Division ("Madden Wholesale") accounted for $26,125 or 44%, and $24,155 or 49%, of total sales in 2000 and 1999, respectively. This increase in sales is due to an increase in reorders from existing customers and an increase in the number of Steve Madden concepts shops located in major department stores and specialty stores throughout the country. Gross profit as a percentage of sales increased from 36% in 1999 to 38% in 2000 due to a change in the product mix, balanced sourcing and improved inventory management. Operating expenses increased to $7,932 in 2000 from $6,602 in 1999. This increase is due to an increase in payroll and payroll related expenses principally due to the hiring of additional management personnel. Additionally, the Company focused its efforts on marketing and advertising thus increasing those expenses. Madden Wholesale income from operations was $2,257 in 2000 compared to income from operations of $2,305 in 1999.

Sales from the l.e.i. Wholesale ("l.e.i. Wholesale") accounted for $10,277 or 17%, and $9,534 or 20%, of total sales in 2000 and 1999, respectively. The increase in sales is due to the addition of new "l.e.i. Wholesale" accounts and an increase in reorders from existing customers. l.e.i footwear now sells in over 3200 doors in 2000 compared to 2,400 doors in 1999, in the United States, primarily in department stores, including Macy's East, Burdines, Rich's, Hecht's, Filene's, Foley's, Kohl's, Belk and JC Penney's, and in specialty store chains, such as Journey's Mandees. Also, during the third quarter, l.e.i. Wholesale shipped shoes to Kohl's for the first time. Gross profit as a percentage of sales increased from 37% in 1999 to 38% in 2000 due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $2,008 in 2000 from $2,149 in 1999 due to increases in licensing fees and payroll and payroll related expenses. Additionally, selling and designing costs increased due to an increase in sales in the current period and to the Company's increased focus on selling and designing activities. Income from operations for l.e.i. Wholesale was $1,892 in 2000 compared to income from operations of $1,365 in 1999.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $1,233 or 2%, and $2,188 or 11%, of total sales in 2000 and 1999, respectively. The Company believes that the decrease in sales is primarily due to the introduction of a new management team for Diva in the second quarter of 2000. Gross profit as a percentage of sales increased from 33% in 1999 to 35% in 2000 due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $428 in 2000 from $419 in 1999 due to increases in payroll and payroll related expenses. Income from operations from Diva was $1 in 2000 compared to income from operations of $302 in 1999.

The Company's new Stevies Wholesale Division ("Stevies Wholesale") commenced shipping to department stores throughout the country in the second quarter of 2000. Stevies Wholesale generated revenue of $3,263 for the three month period ended September 30, 2000. Stevies now sells in over 1000 doors including store groups such as Nordstorms, Federated Department stores, May Company, Belk, Dillards, Limited Too, as well as, childrens' independent shoe stores throughout the country. The Stevies shoe brand ended the third quarter with over 800 Stevies concept shop locations and over 500 Stevies accessories concept shop locations. Stevies accessory concept shops house Stevies licensed accessories and slippers. Gross profit as a percentage of sales was 38% for the three month period ended September 30, 2000. Income from operations was $647 in 2000.

RETAIL DIVISION:

Sales from the Retail Division accounted for $19,210 or 32% and $13,086 or 27% of total revenues in 2000 and 1999, respectively. The increase in Retail Division sales is primarily due to the increase in number of Steve Madden retail stores to 64 in the third quarter of 2000 compared to 45 Steve Madden retail stores in the third quarter of 1999. Same store sales for the quarter ended September 30, 2000 increased by 12% over the same period of 1999. This increase in same store sales was driven by our ability to reorder bestsellers, test new products such as key sport booties, European influenced athletic casuals shoes, basic sneakers, sandals and casual loafers. Revenues from the internet store for the quarter ended September 30, 2000 increased by 268% over the same period of 1999. The Company expects sales generated through its websites at WWW.STEVEMADDEN.COM and WWW.STEVEIES.COM to continue to increase as the Company makes additional styles available for sale on its website and usage of the internet continues to grow. Gross profit as a percentage of sales increased from 54% in 1999 to 57% in 2000 primarily due to changes in the product mix, balanced sourcing and improved inventory management. Operating expenses for the Retail Division increased to $8,561 or 45% of sales in 2000 from $5,420 or 41% of sales in 1999. This increase is due to increases in payroll and payroll related expenses such as incentive bonuses for store managers and the corporate retail management team, marketing and operating expenses for the internet store, occupancy, printing, computer and depreciation expenses as a result of opening 19 additional stores since September 30, 1999. Income from operations from the retail division was $2,311 in 2000 compared to income from operations of $1,642 in 1999.

ADESSO-MADDEN DIVISION:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $984 for the three month period ended September 30, 2000 which represents a 42% increase over commission revenues of $693 in 1999. This increase was primarily due to the growth in accounts such as Walmart, Parade of Shoes, Sears, Famous Footwear, Payless, Bass, MarMaxx, Bakers and Target Kids. Operating expenses decreased to $393 in 2000 from $424 in 1999 due to decreases in selling and designing expenses. Income from operations from Adesso-Madden was $591 in 2000 compared to income from operations of $269 in 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $51,927 at September 30, 2000 compared to $40,740 in working capital from September 30, 1999. This represents an increase of $11,187. This increase in working capital is primarily due to increases in accounts receivables and inventories levels due to increases in revenues and additional retail stores.

During the nine month period ended September 30, 2000 the Company received $2,763 from the sale of its common stock in connection with exercise of stock options. On February 29, 2000, the Company announced a 1,500,000 shares repurchase program. As of September 30, 2000 the Company has repurchased 900,000 shares of the Company's common stock at a total cost of $6,062.

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

OPERATING ACTIVITIES

During the nine month period ended September 30, 2000, cash used in operating activities was $2,857. Uses of cash arose principally from an increase in factored accounts receivable of $6,266 an increase in inventory of $7,278. Cash was provided principally by net income of $11,525.

The Company has lease agreements for office, warehouse, and retail space, expiring at various times through 2011. Future obligations under these lease agreements total approximately $51,300.

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

A significant portion of the Company's product is supplied from foreign manufacturers, the majority of which are located in Brazil, China, Italy and Mexico. Although the Company has not entered into long-term manufacturing contracts with any of these foreign companies, the Company believes that a sufficient number of alternative sources exist outside of the United States for the manufacture of its products if current suppliers need to be replaced. In addition, because the Company deals with U.S. currency for all transactions and intends to continue to do so, the Company believes there should be no foreign exchange considerations.

CAPITAL IMPROVEMENT ACTIVITIES

During the nine month period ended September 30, 2000, the Company used cash of $7,379 to make leasehold improvements on new retail stores, office space and to acquire the point of sale computer system for the retail stores.

STOCK OPTION AND REPURCHASE ACTIVITIES

During the nine month period ended September 30, 2000, the Company received $2,763 from the sale of its common stock in connection with exercise of stock options. On February 29, 2000, the Company announced a 1,500,000 shares repurchase program. As of September 30, 2000 the Company has repurchased 900,000 shares of the Company's common stock at a total cost of $6,062.

LICENSE AGREEMENTS

Revenues from licensing increased by 61% to $855 in the first nine months of 2000 from $531 in first nine months of 1999. This increase was driven by increases in licensing income from leather sportswear, jewelry and sunglasses. As of September 30, 2000, the Company had 7 license partners covering 10 product categories for its Steve Madden brand. Also, during the first quarter of 2000, the Company initiated 10 licensing agreements in 12 product categories for its Stevies brand. The product categories include handbags, hosiery, sunglasses, hair, fashion accessories, belts, jewelry, sportswear and watches. The Company is exploring additional licensing opportunities for both its Steve Madden and Stevies brands.

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

CERTAIN RECENT DEVELOPMENTS

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

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

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

INFLATION

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

PART II

ITEM 1. LEGAL PROCEEDINGS.

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

MAGNUM FASHIONS INC., ET AL. V. STEVEN MADDEN, LTD. On or about May 25, 1999, Magnum Fashions, Inc. and WK Maxy Industries, Ltd. commenced an arbitration proceeding against the Company before the America Arbitration Association. In September 2000, the parties settled all claims and the action was terminated.

STEVEN MADDEN, LTD. V. LEE N' GI. On or about October 27, 1999, the Company commenced an action in the New York State Supreme Court, New York County, entitled STEVEN MADDEN, LTD. V. LEE N' GI, Index No. 121900/99. In September 2000, the parties settled all claims and the action was terminated.

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

On or about September 26, 2000, a putative shareholders 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., 00 CV 5803 (JG). The Company is named as a nominal defendant in the action. The complaint seeks to recover alleged damages on behalf of the Company from Mr. Madden arising from his June 20, 2000 indictment and to require him to disgorge certain profits, bonuses and stock option grants he received from the Company.

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 8, 2000

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