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

FORM 10-QSB

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

For the quarterly period ended September 30, 1997

(_) 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, 1997 Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of Registrant as specified in its charter)

NEW YORK	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 11, 1997
Common Stock	8,381,573

STEVEN MADDEN, LTD.
FORM 10-QSB
QUARTERLY REPORT
SEPTEMBER 30, 1997

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	SEPTEMBER 30, 1997
ASSETS	
Current assets:	
Cash and cash equivalents	$ 6,154,000
Accounts receivable - nonfactored (net of allowance for doubtful accounts of $231,000)	481,000
Due from factor (net of allowance for doubtful accounts of $275,000)	7,841,000
Inventories	2,857,000
Prepaid advertising	650,000
Prepaid expenses and other current assets	411,000
Total current assets	18,394,000
Property and equipment, net	4,406,000
Other assets:	
Prepaid advertising, less current portion	1,186,000
Deferred taxes	451,000
Deposits and other	311,000
Cost in excess of fair value of net assets acquired (net of accumulated amortization of $121,000)	1,824,000
Total other assets	3,772,000
	$26,572,000
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Current portion of lease payable	$88,000
Accounts payable and accrued expenses	2,010,000
Accrued bonuses	528,000
Accrued taxes	214,000
Other current liabilities	409,000
Total current liabilities	3,249,000
Lease payable, less current portion	391,000
Commitments and contingencies	
Stockholders' equity:	
Common stock - $.0001 par value, 60,000,000 shares authorized, 8,021,573 issued and outstanding	1,000
Additional paid-in capital	20,179,000
Unearned compensation	(1,538,000)
Retained earnings	4,747,000
Treasury stock at cost (101,800 shares)	(457,000)
Total stockholders' equity	22,932,000
	$26,572,000

SEE NOTES TO FINANCIAL STATEMENTS

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
NET SALES	$ 18,055,000	$ 13,107,000	$ 43,542,000	$ 29,591,000
Cost of sales	10,192,000	8,878,000	26,208,000	19,814,000
GROSS PROFIT	7,863,000	4,229,000	17,334,000	9,777,000
Other revenue	748,000	264,000	1,601,000	723,000
Operating expenses	(7,108,000)	(3,761,000)	(16,159,000)	(9,305,000)
INCOME FROM OPERATIONS	1,503,000	732,000	2,776,000	1,195,000
Interest income (expense), net	(25,000)	73,000	(27,000)	247,000
INCOME BEFORE PROVISION FOR INCOME TAXES	1,478,000	805,000	2,749,000	1,442,000
Provision (benefit) for income taxes	597,000	322,000	1,111,000	583,000
NET INCOME	$ 881,000	$ 483,000	$ 1,638,000	$ 859,000
NET INCOME PER SHARE OF COMMON STOCK:				
PRIMARY	$ .09	$ .06	$ .18	$ .11
FULLY DILUTED	$ .09	$ .06	$ .17	$ .11
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	11,470,582	10,059,787	10,735,684	9,973,924

SEE NOTES TO FINANCIAL STATEMENTS

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,638,000	$ 859,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	907,000	168,000
Deferred compensation	127,000	108,000
Provision for bad debts	181,000	241,000
Options issued for consulting services	23,000	
Excess of fair market value over option price on stock option grant	16,000	
Deferred rent expense		14,000
Changes in:		
Accounts receivable - nonfactored	(201,000)	(1,497,000)
Due from factor	(2,919,000)	(1,073,000)
Inventories	(100,000)	(711,000)
Prepaid expenses and other assets	411,000	(842,000)
Accounts payable and accrued expenses	1,122,000	753,000
Accrued bonuses	95,000	(230,000)
Other current liabilities	317,000	183,000
Tax liability	837,000	(531,000)
Net cash provided by (used in) operating activities	2,454,000	(2,558,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property & Equipment	(2,752,000)	(283,000)
Acquisition of subsidiary		(1,044,000)
Net cash used in investing activities	(2,752,000)	(1,327,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from options exercised	381,000	6,342,000
Repayment of lease obligations	(80,000)	
Repayment of notes payable assumed in acquisition		(476,000)
Purchase of treasury stock		(265,000)
Net cash provided by financing activities	301,000	5,601,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,000	1,716,000
Cash and cash equivalents - beginning of year	6,151,000	4,123,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,154,000	$ 5,839,000
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of leased assets	$ 359,000	
Issuance of common stock for debt	$ 645,000	
Issuance of stock options in connection with employment agreement	$ 1,345,000	

SEE NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS
September 30, 1997

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-QSB and Item 310(b) of Regulation S-B. 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 the Company at September 30, 1997, and the results of its operations, changes in stockholders' equity and cash flows for the nine months then ended. The results of operations for the nine months ended September 30, 1997 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, 1996 included in the Steve Madden, Ltd. Form 10-KSB.

NOTE B - INVENTORY

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

Net income per share of common stock is computed based on the weighted average number of shares outstanding during the period, utilizing the modified treasury stock method. Common stock equivalents are included if their effect is dilutive.

NOTE D - CONTINGENCIES

The current status of certain pending litigation is described more fully herein, under the caption "Legal Proceedings."

NOTE E - NEW ACCOUNTING PRONOUNCEMENT

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 ("FAS 128"), "Earnings Per Share." FAS 128 establishes new standards for computing and presenting earnings per share. FAS 128 is effective for periods ending after December 15, 1997.

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. The forward looking statements contained herein are also subject generally to other risks and uncertainties that are described from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission.

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

	PERCENTAGE OF NET REVENUES NINE MONTHS ENDED SEPTEMBER 30			
CONSOLIDATED:	1997		1996	
Revenues	$43,542,000	100%	$29,591,000	100%
Cost of Revenues	26,208,000	60	19,814,000	67
Other Operating Income	1,601,000	4	723,000	2
Operating Expenses	16,159,000	37	9,305,000	31
Income from Operations	2,776,000	7	1,195,000	4
Interest Income (Expense) Net	-27,000	0	247,000	1
Income Before Income Taxes	2,749,000	7	1,442,000	5
Net Income	1,638,000	4	859,000	3

PERCENTAGE OF NET REVENUES

NINE MONTHS ENDED

SEPTEMBER 30

By Segment	1997		1996	
WHOLESALE:				
Revenues	$29,104,000	100%	$25,503,000	100%
Cost of Revenues	17,955,000	62	17,201,000	67
Other Operating Income	62,000	0	--	--
Operating Expenses	10,211,000	35	7,106,000	28
Income from Operations	1,000,000	3	1,196,000	5
RETAIL:				
Revenues	$8,129,000	100%	$2,258,000	100%
Cost of Revenues	3,815,000	47	1,220,000	54
Operating Expenses	3,285,000	40	831,000	37
Income from Operations	1,029,000	13	207,000	9
DIVA ACQUISITION CORP.:				
Revenues	$5,090,000	100%	$1,830,000	100%
Cost of Revenues	3,307,000	65	1,393,000	76
Operating Expenses	1,821,000	36	793,000	43
Income (Loss) from Operations	-38,000	-1	-356,000	-19
ADESSO MADDEN INC.: (FIRST COST)				
Revenues	$1,219,000	--	--	--
Cost of Revenues	1,131,000	--	--	--
Other Operating Income	1,539,000	--	$ 723,000	--
Total Operating Income	1,627,000	100%	723,000	100%
Operating Expenses	842,000	52	575,000	80
Income from Operations	785,000	48	148,000	20

PERCENTAGE OF NET REVENUES

THREE MONTHS ENDED

SEPTEMBER 30

CONSOLIDATED:	1997		1996	
Revenues	$18,055,000	100%	$13,107,000	100%
Cost of Revenues	10,192,000	57	8,878,000	68
Other Operating Income	748,000	4	264,000	2
Operating Expenses	7,108,000	39	3,761,000	29
Income (Loss) from Operations	1,503,000	8	732,000	5
Interest Income (Expense) Net	-25,000	0	73,000	1
Income (Loss) Before Income Taxes	1,478,000	8	805,000	6
Net Income (Loss)	881,000	5	483,000	4

By Segment

WHOLESALE:

Revenues	$11,515,000	100%	$11,117,000	100%
Cost of Revenues	6,744,000	58	7,547,000	68
Other Operating Income	24,000	0	--	--
Operating Expenses	4,355,000	38	2,820,000	25
Income (Loss) from Operations	440,000	4	750,000	7

RETAIL:

Revenues	$4,484,000	100%	$815,000	100%
Cost of Revenues	2,228,000	50	455,000	56
Operating Expenses	1,663,000	37	278,000	34
Income from Operations	593,000	13	82,000	10

	PERCENTAGE OF NET REVENUES THREE MONTHS ENDED SEPTEMBER 30			
	1997		1996	
By Segment (Continued)				
DIVA ACQUISITION CORP.:				
Revenues	$2,056,000	100%	$1,175,000	100%
Cost of Revenues	1,220,000	59	876,000	75
Operating Expenses	788,000	38	460,000	39
Income (Loss) from Operations	48,000	3	-161,000	-14
ADESSO MADDEN INC.: (FIRST COST)				
Other Operating Income	724,000	100%	264,000	100%
Operating Expenses	302,000	42	203,000	77
Income from Operations	422,000	58	61,000	23

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 1997 VS. NINE MONTHS ENDED SEPTEMBER 30, 1996

Revenues for the nine months ended September 30, 1997 were $43,542,000, or 47% higher than the $29,591,000 recorded in the comparable period of 1996. This increase in product sales is due to several factors: additional wholesale accounts, increased reorders, increased retail sales due to opening of two retail stores in fourth quarter of 1996, two retail stores in second quarter of 1997, five retail stores in third quarter of 1997 and revenue from the David Aaron brand (acquired April 1996). As a result of additional distribution, management feels that "Steve Madden" as a brand name has increased in popularity nationwide. In turn, increased revenues have enabled the Company to expand its advertising and promotional efforts, all of which have contributed to the continuing increase in sales.

Cost of revenues decreased 7% from 67% in 1996 to 60% in 1997, due to the increase in sales which allowed the Company to purchase in larger volume, resulting in a lower cost per pair. Also, the purchase of a higher percentage of shoes from overseas suppliers, resulted in a lower cost per pair as compared to 1996. Gross profit increased 7% from 33% in 1996 to 40% in 1997.

Selling, general and administrative (SG&A) expenses increased by 74% to $16,159,000 in 1997 from $9,305,000 in 1996. The increase in the first nine months of 1997 reflects the cost incurred in the Company's strategic strengthening of the management team and infrastructure in 1997, thereby laying the foundation for future growth. The increase in SG&A is due primarily to a 59% increase in payroll, bonuses and related expenses from $3,487,000 in 1996 to $5,536,000 in 1997. Additionally, the Company focused its efforts on selling, advertising, marketing and designing thus increasing those expenses by 87% from $3,230,000 in 1996 to $6,036,000 in 1997. Also, the increase in the number of retail outlets and expanded office facilities resulted in an increase in occupancy, telephone, utilities, computer, legal, printing/supplies and depreciation expenses by 144% from $1,081,000 in 1996 to $2,633,000 in 1997.

Income from operations for 1997 was $2,776,000 which represents an increase of $1,581,000 or 132% over the income from operations of $1,195,000 in 1996. The net income for 1997 was $1,638,000 as compared to net income of $859,000 for the 1996.

Steve Madden wholesale division revenues, accounted for $29,104,00 or 67% and $25,503,000 or 86% of total revenues in 1997 and 1996, respectively. Wholesale Division cost of revenues as a percentage of sales has decreased by 5% from 67% in 1996 to 62% in 1997. Operating expenses increased by 44%, from $7,106,000 in 1996 to $10,211,000 in 1997. This increase is due to an increase in payroll and payroll related expenses due to the hiring of additional management personnel and an increase in occupancy expenses due to additional warehouse space needed for expanding inventory and expense to operate the New York City showroom. Operating expenses have increased due to the development of a new line of sneakers and the hiring of additional personnel to facilitate future growth of footwear classifications/extensions. Wholesale income from operations for the nine month period ended September 30, 1997 was $1,000,000 compared to income from operations of $1,196,000 for the nine month period ended September 30, 1996.

Revenues from the Retail Division accounted for $8,129,000 or 19% and $2,258,000 or 8% of total revenues in 1997 and 1996, respectively. The comparable stores sales for the first nine months increased 30% over the same period of 1996. The increase in Retail Division revenues is primarily due to the Company's opening of retail stores in Roosevelt Field in Garden City, NY and Garden State Plaza in Paramus, NJ, in the fourth quarter of 1996, Queens Center Mall in Elmhurst, NY and Lenox Square Mall in Atlanta, GA, in the second quarter of 1997 and Willowbrook Mall in Wayne, NJ; Cherry Hill Mall in Cherry Hill, NJ; Staten Island Mall in Staten Island, NY; Glendale Galeria in Glendale, CA and Montgomery Mall in Bethesda MD, in the third quarter of 1997 which generated aggregate revenues of $5,194,000. Selling, general and administrative expenses for the Retail Division increased to $3,285,000 or 40% of sales in 1997 from $831,000 or 37% of sales in 1996. This increase is due to increases in payroll and related expenses, occupancy, printing, computer and depreciation expenses as a result of opening nine additional stores. Income from operations from the retail division was $1,029,000 in 1997 compared to income from operations of $207,000 in 1996.

Revenues from the Diva Acquisition Corp. (acquired April 1, 1996 which markets the "David Aaron" brand name in footwear) wholesale division accounted for $5,090,000 or 12%, and $1,830,000 or 6%, of total revenues in 1997 and 1996, respectively. Gross profit increased 11% from $437,000 or 24% in 1996 to $1,783,000 or 35% in 1997. Operating expenses increased by 130% from $793,000 in 1996 to $1,821,000 in 1997 due to increases in payroll and payroll related expenses, computer, printing, and depreciation expenses. Loss from operations from Diva was $38,000 in 1997 compared to a loss of $356,000 in 1996.

Adesso-Madden, a wholly owned subsidiary of the Company, generated revenue of $1,219,000 for the nine month period ended September 30, 1997. Additionally, Adesso-Madden generated commission revenues of $1,539,000 for the first nine months of 1997 which represents an increase of $816,000 or 113% over the commission income of $723,000 in 1996. Operating expenses increased by 46% from $575,000 in 1996 to $842,000 in 1997 due to increases in selling expenses, payroll and payroll related expenses, and telephone expenses. Income from operations from Adesso-Madden was $785,000 in 1997 compared to an income of $148,000 in 1996.

THREE MONTHS ENDED SEPTEMBER 30, 1997 VS. THREE MONTHS ENDED SEPTEMBER 30, 1996

Revenues for the three months ended September 30, 1997 were $18,055,000, or 38% higher than the $13,107,000 recorded in the comparable period of 1996. This increase in product sales is due to several factors: new wholesale accounts, increased reorders, increased retail sales due to opening of two retail stores in fourth quarter of 1996, two retail stores in second quarter of 1997, five retail stores in third quarter of 1997 and revenue from the David Aaron brand. As a result of additional distribution, management feels that "Steve Madden" as a brand name has increased in popularity nationwide. In turn, increased revenues have enabled the Company to expand its advertising and promotional efforts, all of which have contributed to the continuing increase in sales.

Cost of revenues decreased 11% from 68% in 1996 to 57% in 1997, due to the increase in sales which allowed the Company to purchase in larger volume, resulting a lower cost per pair. Also, the purchase of a higher percentage of shoes from overseas suppliers, resulted in a lower cost per pair as compared to 1996.

Selling, general and administrative (SG&A) expenses increased by 89% to $7,108,000 in 1997 from $3,761,000 in 1996. The increase in the third quarter of 1997 reflects the cost incurred in the Company's strategic strengthening of the management team and infrastructure in 1997, thereby laying the foundation for future growth. The increase in SG&A is due primarily to a 61% increase in payroll, bonuses and related expenses from

$1,420,000 in 1996 to $2,281,000 in 1997. Additionally, the Company focused its efforts on selling, advertising, marketing and designing thus increasing those expenses by 102% from $1,451,000 in 1996 to $2,938,000 in 1997. Also, the Company expanded its retail outlets and office facilities thereby increasing occupancy, telephone, utilities, computer, legal, printing/supplies and depreciation expenses by 234% from $356,000 in 1996 to $1,188,000 in 1997.

Income from operations for 1997 was $1,503,000 which represents an increase of $771,000 or 105% over the income from operations of $732,000 in 1996. The net income for 1997 was $881,000 as compared to net income of $483,000 for the 1996.

Steve Madden wholesale division revenues, accounted for $11,515,000 or 64% and $11,117,000 or 85% of total revenues in 1997 and 1996 respectively. Wholesale Division cost of revenues as a percentage of sales decreased by 10% from 68% in 1996 to 58% in 1997. Operating expenses increased by 54%, from $2,820,000 in 1996 to $4,355,000 in 1997. This increase is due to an increase in payroll and payroll related expenses due to the hiring of additional management personnel and an increase in occupancy expenses due to additional warehouse space needed for expanding inventory and expense to operate the New York City showroom. Additionally, operating expenses has increased due to increases in selling, advertising and marketing expenses. Operating expenses have also increased due to the development of a new line of sneakers and the hiring of additional personnel to facilitate future growth of footwear classifications/extensions. Wholesale income from operations for the three month period ended September 30, 1997 was $440,000 compared to income from operations of $750,000 for the three month period ended September 30, 1996.

Revenues from the Retail Division accounted for $4,484,000 or 25% and $815,000 or 6% of total revenues in 1997 and 1996, respectively. The comparable stores sales for the three months increased 44% over the same period of 1996. The increase in Retail Division revenues is primarily due to the Company's opening of retail stores in Roosevelt Field in Garden City, NY and Garden State Plaza in Paramus, NJ, in the fourth quarter of 1996, Queens Center Mall in Elmhurst, NY and Lenox Square Mall in Atlanta, GA, in the second quarter of 1997 and Willowbrook Mall in Wayne, NJ; Cherry Hill Mall in Cherry Hill, NJ; Staten Island Mall in Staten Island, NY; Glendale Galeria in Glendale, CA and Montgomery Mall in Bethesda, MD, in the third quarter of 1997 which generated aggregate revenues of $3,311,000. Selling, general and administrative expenses for the Retail Division increased to $1,663,000 or 37% of sales in 1997 from $278,000 or 34% of sales in 1996. This increase is due to increases in payroll and related expenses, occupancy, printing, computer and depreciation expenses as a result of opening nine additional stores. Income from operations from the retail division was $593,000 in 1997 compared to income from operations $82,000 in 1996.

Revenues from the Diva Acquisition Corp. wholesale division accounted for $2,056,000 or 11%, and $1,175,000 or 9%, of total revenues in 1997 and 1996, respectively. Gross profit increased from $299,000 or 25% of net sales in 1996 to $836,000 or 41% of net sales in 1997. Operating expenses increased by 71% from $460,000 in 1996 to $788,000 in 1997 due to increases in payroll and payroll related expenses, computer, printing, and depreciation expenses. Additionally, operating expenses has increased due to increases in selling, advertising and marketing expenses. Income from operations from Diva was $48,000 in 1997 compared to a loss of $161,000 in 1996.

Adesso-Madden, a wholly owned subsidiary of the Company, generated commission revenues of $724,000 in 1997 which represents an increase of $460,000 or 174% over the commission income of $264,000 in 1996. Operating expenses increased by 49% from $203,000 in 1996 to $302,000 in 1997 due to increases in selling expenses, payroll and payroll related expenses, and telephone expenses. Income from operations from Adesso-Madden was $422,000 in 1997 compared to an income of $61,000 in 1996.

LIQUIDITY AND CAPITAL RESOURCES

The Company has working capital of $15,145,000 at September 30, 1997 which represents an increase of $577,000 in working capital from September 30,1996. In the first nine months of 1997 the Company received proceeds of $381,000 from the exercise of options.

The Company is considering raising additional capital during the next two quarters. There can be no assurance that the Company will be successful if such efforts are undertaken.

The Company's customers consist principally of department stores and specialty stores, including shoe boutiques. Presently, the Company sells approximately fifty percent (50%) of its products to department stores, including Federated Department Stores (Bloomingdales, Burdines, Macy's East, Macy's West and Rich's) May Department Stores, Dillards, Nordstorm's, Dayton Hudson and approximately fifty percent (50%) to specialty stores, including shoe stores such as Edison (Wild Pair, Precis, Bakers/Leeds) and junior clothing stores such as Urban Outfitters. Federated Department Stores presently accounts for approximately 14% of the Company's sales.

OPERATING ACTIVITIES

During the nine month period ended September 30, 1997, operating activities provided $2,454,000 cash. Uses of cash arose principally from an increase in accounts receivable-non factored of $201,000, an increase in accounts receivable factored of $2,919,000 and an increase in inventories of $100,000. Cash was provided principally by a decrease in prepaid expenses and other assets of $411,000, an increase in income taxes payable of $837,000, an increase in accounts payable and accrued expenses of $1,122,000, as well as increase in other current liabilities of $317,000 and an increase in accrued bonuses of $95,000.

The Company has lease agreements for office, warehouse, and retail space, expiring at various times through 2007. Future obligations under these lease agreements total $11,576,000 with annual lease commitment of $2,795,000.

The Company has employment agreements with various officers currently providing for aggregate annual salaries of approximately $1,400,000, subject to annual bonuses and annual increases as may be determined by the Company's Board of Directors. In addition, as part of the employment agreements, the Company is committed to pay incentive bonuses based on sales, net income, or net income before interest and taxes to three officers.

One of such officers, Steve Madden, Chairman, President and Chief Executive Officer of the Company, has entered into an amended employment agreement which eliminates the sales based bonus effective January, 1998. Mr. Madden's bonus, if any, is left to the discretion of the Board of Directors. The amended employment agreement provided a signing bonus of $200,000.

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

The premises in Ft. Lauderdale consist of 21,600 square feet of wholesale warehouse and 2000 square feet office space at 3400 McIntosh Road, Ft. Lauderdale, FL and a 6000 square feet retail warehouse located at 43-15 38th street, Long Island City, NY.

INVESTING ACTIVITIES

During the nine month period ended September 30, 1997, the Company used cash of $2,752,000 to acquire computer equipment and make leasehold improvements on new office, retail stores and warehouse space.

FINANCING ACTIVITIES

During the nine month period ending September 30, 1997, the Company received $381,000 from the exercise of options. In March 1997, the Company issued 85,979 shares of common stock in payment of the note payable of $645,000 issued in connection with the acquisition of Diva.

LICENSE AGREEMENTS

During the second quarter of 1997, the Company entered into three license agreements for hosiery, jewelry and ready-to-wear, bringing the total number of license agreements to five, including two license agreements entered into during the first quarter of 1997 for handbags and sunglasses. Although such agreements did not generate substantial revenue in the first nine months ended September 30, 1997, the Company expects to receive royalties as early as the fourth quarter of 1997.

INFLATION

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

PART II

ITEM 1.
LEGAL PROCEEDINGS

On December 2, 1993, Jordan Belfort, Daniel Porush and Kenneth Greene entered into a Stock Purchase Agreement with BOCAP Corp. ("BOCAP"), a Florida corporation beneficially owned by Steve Madden, pursuant to which BOCAP purchased an aggregate of 1,284,816 shares (the "Shares") of the Company's Common Stock from Messrs. Belfort, Porush and Greene. As consideration for such Shares, BOCAP delivered to each of Messrs. Belfort, Porush and Greene a promissory note in the principal amount of $3,237,737, $1,387,601 and $513,926, respectively, payable on December 2, 1995. On June 3, 1997, Belfort commenced a lawsuit in the Supreme Court of the State of New York, Nassau County, against BOCAP, the Company, Steven Madden and Farmstead Consulting, Inc. ("Farmstead"), a New York corporation and the escrow agent under a purported security and escrow agreement, pursuant to which Belfort alleges that BOCAP pledged the Shares to secure its obligations under Belfort's note, as amended, which note was extended to December 2, 1996.

In his complaint, Belfort alleges that Belfort's note from BOCAP is in default and that Belfort is entitled to require the escrow agent to register and sell the Shares in order to pay the amounts due under the note, alleged to be at least $4,135,395. Moreover, in September 1997, Belfort filed a motion requesting that the court require BOCAP and the Company to transfer 899,371 of the Shares to Belfort, and to register said Shares in Belfort's name, pursuant to a purported agreement between Belfort and Farmstead. BOCAP has advised the Company that it disputes all of Belfort's claims, including his claims to possess a security or ownership interest in any of the Shares, and contends that Belfort's note was consensually extended to December 2, 1997. BOCAP has further advised the Company that, in an effort to clarify its title to the 899,371 Shares that Belfort claims to have purchased from Farmstead, it has offered to pay Belfort the amounts properly due under his 1993 note. Pending determination of the parties' rights or a voluntary resolution of this dispute, the Company has opposed Belfort's motion and has advised Belfort that it does not recognize his claim to ownership of, or the right to vote, the 899,371 Shares in question. Moreover, the Company has advised Belfort that his Form 13-d, dated September 9, 1997, as amended, is inaccurate insofar as it states that Belfort owns and has the right to vote the 899,371 Shares in question.

Although the Company does not anticipate that the Shares (or any portion thereof) will be transferred to Mr. Belfort as a result of the pending litigation, it is possible that Mr. Belfort may prevail in the case against Mr. Madden, BOCAP, the Company and Farmstead. If Mr. Belfort is awarded the Shares (or a significant portion thereof), he may have sufficient votes to elect one or more candidates to the Company's Board of Directors. In such an event, a change of control of the Company may occur which could have a material adverse effect on the Company's business and future prospects. Further, additional shares of the Company's Common Stock may enter the public float which could result in a material decrease in the public trading price of the Company's securities.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-QSB 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 13, 1997

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STEVE MADDEN, LTD.
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712,000
231,000
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