SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

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

For the fiscal year ended December 31, 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
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
Common Stock, par value $.0001 per share

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 20, 2001 was approximately $155,995,392.

The number of outstanding shares of the registrant's common stock as of March 20, 2001 was 12,526,109 shares.

DOCUMENTS INCORPORATED BY REFERENCE:
PART III INCORPORATES CERTAIN INFORMATION BY REFERENCE FROM THE REGISTRANT'S DEFINITIVE PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS SCHEDULED FOR MAY 25, 2001.

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PART I

Item 1. BUSINESS.

Steven Madden, Ltd. (together with its subsidiaries, the "Company") designs, sources, markets and sells fashion-forward footwear brands for women, men and children. The Company distributes products through its retail stores, its e-commerce websites, catalogs and department and specialty store locations in the United States and Canada. The Company's product line includes core products, which are sold year-round, complemented by a broad range of updated styles which are designed to establish or capitalize on market trends.

The Company's business is comprised of three (3) distinct segments. The wholesale division includes five (5) brands: Steve Madden(R), David Aaron(R), l.e.i.(R), Stevies(TM) and the recently introduced Steve Madden Mens brand. Steven Madden Retail, Inc., the Company's wholly owned retail subsidiary, operates Steve Madden and David Aaron retail stores as well as the Company's outlet stores and e-commerce web sites. The Company's wholly owned private label subsidiary, Adesso-Madden, Inc., designs and sources footwear products under private labels for many of the country's largest mass merchandisers. The Company also licenses its Steve Madden(R) and Stevies(TM) trademarks for several accessory and apparel categories.

Steven Madden, Ltd., was incorporated as a New York corporation on July 9, 1990 and reincorporated under the same name in Delaware in November 1998. The Company was founded and developed by Steven Madden, its principal designer, and Chief Executive Officer and former Chairman of the Board, which has established a reputation for its creative designs, popular styles and quality products at accessible price points. The Company completed its initial public offering in December 1993 and its shares of Common Stock currently trade on The Nasdaq National Market under the symbol "SHOO".

RECENT DEVELOPMENTS

In January 2000, the Company announced the launch of its new Stevies(TM) brand which is marketed to girls ages 6 to 12 years old. The new footwear line mirrors some of the design concepts and attitudes present in the Steve Madden(R) brand and is distributed through moderate and better department stores and footwear specialty stores. The Company commenced shipping Stevies' products in time for the most recent back-to-school season.

During the Spring and Summer of 2000, the Company also licensed the Stevies(TM) trademark for additional product categories and launched the e-commerce website, WWW.STEVIES.COM. In light of the fact that the Company believed that licensing opportunities were not being fully exploited, in January 2001 the Company engaged Jassin O'Rourke Group, LLC, a consulting firm, to enhance the Company's licensing efforts. In February 2001, the Company terminated existing licensing agreements for jewelry and hair accessories for the Steve Madden(R) and Stevies(TM) brands, and sportswear for the Stevies(TM) brand. The Company expects that, with the assistance of Jassin O'Rourke, it will be successful in improving its licensed product business.

On October 2, 2000, the Company announced the engagement of Bear Stearns & Company as financial advisor to the Company. Bear Stearns was engaged to explore strategic alternatives for the Company.

In November 2000, the Company announced its plans to launch the Steve Madden Mens footwear line. The line is managed by the Company's wholesale division and is designed and marketed with the signature Steve Madden(R) brand name. A preview of the new line debuted at the FFANY Shoe Show in December 2000 and select styles were shipped to retail customers for the Spring 2001 selling season. The full collections were unveiled in February 2001 at the MAGIC and WSA Shoe Shows in Las Vegas. The new men's collection is targeted towards stylish male consumers between the ages of 20 and 35. The line incorporates similar design themes present in the Steve Madden women's footwear collection with retail price points ranging from $79-$99 a pair.

The Company maintains its principal executive offices at 52-16 Barnett Avenue, Long Island City, NY 11104, telephone number (718) 446-1800.

STEVEN MADDEN - WHOLESALE DIVISION

The wholesale division sources, sells and markets the Company's Steve Madden(R) brand to major department stores, better specialty stores, and shoe stores throughout the country and Canada. During the last few years the Steve Madden(R) product line has become a leading footwear brand in the fashion conscious junior marketplace. By the end of 2000, the Steve Madden brand was sold in approximately 3,000 doors throughout the country. To serve its customers (primarily women ages 16 to 25), the wholesale division creates and markets fashion forward footwear designed to appeal to customers seeking exciting, new footwear designs at reasonable prices. In November 2000, the wholesale division expanded its marketing plan to include a men's footwear line which targets fashion conscious men ages 20 to 35.

As the Company's largest division, the Steve Madden(R) wholesale division accounted for $87,977,000 in sales in 2000, or approximately 43% of the Company's total revenues. Many of the wholesale division's newly created styles are test marketed at the Company's retail stores. Within a few days, the Company can determine if a test product appeals to customers. This enables the Company to use its flexible sourcing model to rapidly respond to changing preferences which the Company believes is essential for success in the fashion footwear marketplace.

DIVA ACQUISITION CORP. - THE DAVID AARON(R) WHOLESALE DIVISION

Diva Acquisition Corp. ("Diva") designs and markets fashion footwear to women under the "David Aaron(R)" trademark through major department stores and better footwear specialty stores and two (2) Company owned retail shoe stores located in the Soho area of Manhattan and in Paramus, NJ. Priced a tier above the Steve Madden(R) brand, Diva's products are designed to appeal principally to fashion conscious women, ages 26 to 45, who shop at department stores and footwear boutiques. As of December 31, 2000, the David Aaron brand was sold in approximately 652 doors across the country. The Company recorded sales from the David Aaron(R) brand of $3,616,000 for the year ended December 31, 2000, or approximately 1.8% of the Company's total revenues. Revenues from the sale of

David Aaron footwear decreased by approximately 55% compared to the preceding year due to the repositioning and reorganization of the David Aaron brand. The Company intentionally planned to reduce its volume in 2000 enabling the David Aaron Division to use its two retail stores to test the popularity of new products. The Company intends to sell its most successful David Aaron products at wholesale beginning in Spring 2001.

l.e.i. (R) - WHOLESALE DIVISION

In September, 2000, the Company renewed its license agreement with R.S.V. Sport, Inc. pursuant to which the Company continues to have the right to use the l.e.i.(R) trademark in connection with the sale and marketing of footwear. The l.e.i.(R) trademark is well known for jeanswear in the junior marketplace and nationally through department and specialty stores. The Company's l.e.i.(R) footwear products were targeted to attract girls ages 6 to 11 years old and young women ages 12 to 20 years old, a majority of which are younger than the typical Steve Madden(R) brand customer. At year end, l.e.i. footwear products were sold in major department shores and footwear specialty shops (approximately 3,500 doors) across the country, an increase of 40% over the year ending December 31, 1999. The l.e.i. Wholesale Division generated revenue of $37,741,000 for the year ended December 31, 2000, or approximately 18.4% of the Company's total revenues.

STEVIES INC. - WHOLESALE DIVISION

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 $6,147,000 for the year ended December 31, 2000, or approximately 3% of the Company's total revenues. Stevies(TM) now sells in over 1,000 doors, including store groups such as Nordstroms, Federated Department Stores, May Company stores, Belks, Dillards, Limited Too, as well as independent children's stores throughout the country. The Stevies(TM) brand ended the year with over 800 Stevies(TM) concept shop locations and over 500 Stevies(TM) accessories concept locations which display accessories and slippers. The web site for Stevies (TM) at www.stevies.com went live in March of 2000 and commenced e-commerce operation in July 2000.

STEVEN MADDEN RETAIL, INC. - RETAIL DIVISION

As of December 31, 2000, the Company owned and operated fifty-six (56) retail shoe stores under the Steve Madden(R) name, two (2) under the David Aaron(R) name, six (6) outlet stores and one (1) Internet store (through the www.stevemadden.com, www.stevies.com, and www.stevemaddenmens.com) web sites. Most of the Steve Madden stores are located in major shopping malls in California, Colorado, District of Columbia, Florida, Georgia, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Texas and Virginia. Each of the Steve Madden(R) stores has been designed to appeal to young fashion conscious women by creating a "nightclub" type atmosphere. The retail stores have been very successful for the Company, generating annual sales in excess of $700 per square foot. Sales are primarily from the sale of the Company's Steve Madden(R) product line. Same store sales increased 10% in 2000 over 1999 sales and total sales for the retail division were $70 million compared to $49 million for 1999. Sales from the retail division for year ended December 31, 2000 were approximately 34% of the Company's total sales.

The Company believes that the Retail Division will continue to enhance overall sales and profits while building equity in the Steve Madden brand. It is for these reasons that the Company intends to add approximately ten (10) new retail stores during the 2001 calendar year. Additionally, the expansion of the Retail Division enables the Company to test and react to new products and classifications which strengthens the product development efforts of the Steve Madden wholesale division.

THE ADESSO-MADDEN, INC. - PRIVATE LABEL DIVISION

In September 1995, the Company incorporated Adesso-Madden, Inc. as a wholly owned subsidiary ("A-M"). A-M was formed to serve as a buying agent to mass market merchandisers, shoe store chains and other off-price retailers in connection with their purchase of private label shoes. As a buying agent, A-M arranges with shoe manufacturers in Asia and South America for them to manufacture private label shoes to the specifications of its clients. The Company believes that by operating in the private label, mass merchandising market, the Company is able to maximize additional non-branded sales opportunities. This leverages the Company's overall sourcing, design and distribution capabilities. Currently, this division serves as a buying agent for the procurement of women's footwear for large retailers including J.C. Penny, Sears, Mervyn's, Payless, Wal-Mart and Target. A-M receives commissions in connection with the purchase of private label shoes by its clients. A-M also sources and sells footwear under the Soho Cobbler(R) brand name. The private label division generated commission revenue of $3.6 million for the year ended December 31, 2000.

PRODUCTS AND LICENSING

The Company's products emphasize youthful styling and contemporary design and are marketed at moderate to better price points. The Company's primary products include Steve Madden(R), l.e.i.(R), Stevies (TM) and David Aaron(R) branded footwear, and in 2001, Steve Madden Mens. In addition, the Company has a private label shoe operation, Adesso-Madden, Inc., and has also entered into strategic licensing agreements for Steve Madden(R) and Stevies branded products.

STEVE MADDEN(R)

Steve Madden(R) branded products are designed to appeal to style conscious consumers in the junior market (ages 16 to 25 years). The Steve Madden(R) line emphasizes up-to-date fashion and includes a wide range of women's footwear including boots, sneakers, evening shoes, slippers, casual and tailored shoes and sandals. Steve Madden(R) brand shoes sell at retail price points generally ranging from $48 to $70 for shoes and up to $99 for boots.

In order to reduce the impact of changes in fashion trends on the Steve Madden(R) brand product sales, the Company designs and classifies its product line into three categories: Core, Core-plus, and Fashion. The Company's Core line is available year round and consists of classic products which have proven to be consistent sellers over several seasons. The Core line currently includes eight (8) style/color combinations each of which can be reordered using the Company's EDI system and shipped to retailers within one to two weeks. This results in rapid replenishment of the most popular Steve Madden styles. The Company's Core-plus line consists of basic styles whose patterns and colors are updated each season to keep pace with changing trends. Finally, the Company's Fashion line consists of styles that are designed close to or in season and capitalize on the Company's ability to design, test, manufacture and market products quickly. Core and Core-plus products account for a majority of Steve Madden(R) brand sales.

STEVE MADDEN MENS

After announcing the launch of Steve Madden Mens in November 2000, the Company's new men's footwear line of products met with enthusiastic responses from buyers at tradeshows in November, 2000 and February, 2001. The Steve Madden Men's footwear products will be designed to capitalize on the Company's success for designing, sourcing and marketing popular fashion forward footwear. Many of the men's products will be built in the same spirit as present in the Steve Madden women's footwear line. With retail price points ranging from $79 to $99 a pair, the Company expects to sell Steve Madden Mens to department store and footwear specialty stores throughout the country. In order to enhance sales, the Company expects to have at least 50 men's concept shops located in major department stores by year end. By using appropriate signs, logos and display fixtures, the Company has created concept shops located in department stores, specialty stores and independent shoe stores that segregate and distinguish the Company's products from other footwear brands.

DAVID AARON(R)

The Company acquired the David Aaron(R) brand in 1996, and David Aaron(R) products are marketed through the Company's Diva subsidiary. David Aaron(R) branded products are designed to appeal to more sophisticated, career and fashion oriented consumers (ages 26 to 45 years) in the better market segment. David Aaron(R) products are priced at a tier above the Steve Madden(R) brand and have retail price points generally ranging from $70 to $85 for shoes and up to $150 for boots. Similar to the Steve Madden(R) line, the Company's David Aaron(R) line is organized into Core, Core-plus, and Fashion categories with Core and Core-plus products accounting for a large majority of David Aaron(R) brand sales.

l.e.i.(R)

In September 2000, the Company renewed its license agreement with R.S.V. Sport, Inc. pursuant to which the Company has the right to use the l.e.i.(R)trademark in connection with the sale and marketing of footwear in exchange for which the Company is required, among other things, to make periodic royalty payments based on its net sales of l.e.i.(R)footwear. The l.e.i.(R)trademark is well known for jeanswear in the junior marketplace and l.e.i.(R)jeans are sold in department and specialty stores nationwide. The Company's l.e.i.(R)footwear products were targeted to attract girls ages 6 to 11 years old and young women ages 12 to 20 years old, the majority of which are younger than the typical Steve Madden(R)brand customer. Despite having only started selling l.e.i.(R) products at retail in August, 1998, sales of l.e.i.(R)products increased considerably in 1999 and 2000. By December 31, 2000, l.e.i. footwear products were sold in approximately 3,500 doors nationwide, an increase of approximately 40% over 1999.

STEVIES(TM)

Stevies(TM) is a fashion brand which targets girls ages 6-9 and "tweens" ages 10-12. The Stevies footwear line mirrors some of the design concepts and attitude present in the Steve Madden(R) brand and is distributed through moderate and better department stores and footwear specialty stores. The Company commenced shipping Stevies' products in time for the most recent back-to-school season. By year end Stevies(TM) sold in over 1,200 doors across the country, including store groups such as Nordstroms, Federated Department Stores, May Company stores, Belk, Dillards, Limited Too, as well as children's independent stores throughout the country. In addition, Stevies concept shops have been established in approximately 815 department stores, and the Company expects approximately 1000 Steve's concept shops to be installed by the end of 2001.

LICENSING

The Company believes that strategic licensing will enhance the Steve Madden and Stevies(R) brands, leverage brand equity and increase customer loyalty. During 1997, the Company began to license the Steve Madden(R) trademark selectively while attempting to maintain strict design, merchandising and marketing control over its licensees. In 2000, the Company commenced licensing the Stevies trademark shortly after announcing the launch of the Stevies footwear brand.

As of December 31, 2000, the Company licensed the Steve Madden trademark for use in connection with the manufacturing, marketing and sale of outerwear (including leather sportswear), belts, handbags, sunglasses, hosiery, hair accessories and jewelry. Each license agreement requires the licensee to pay to the Company a royalty based on net sales, a minimum royalty in the event that net sales fail to reach specified targets and a percentage of sales for advertising of the Steve Madden(R) brand.

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.

During 2000, the Company licensed the Stevies trademark for use in connection with manufacturing marketing and sale of sportswear; outerwear, belts, handbags, sunglasses, hosiery, fashion accessories, jewelry, hair accessories. In February 2001, the Company terminated existing licensing agreements for jewelry and hair accessories for the Steve Madden(R) and Stevies(TM) brands, and sportswear for the Stevies(TM) brand.

In order to enhance the performance of the Company's licensing business, in January 2001 the Company engaged Jassin O'Rourke Group, LLC, a consulting firm specializing in marketing, management and licensing for the apparel industry.

DESIGN

The Company has established a reputation for its creative designs, popular styles and quality products at accessible price points. Steve Madden has been involved in the footwear industry for over twenty (20) years and is responsible for the Company's overall fashion direction, maintaining direct, day-to-day supervision of the Company's eleven (11) person product design and development team.

The Company believes that its future success will depend in substantial part on its ability to continue to anticipate and react to changing consumer demands in a timely manner. To meet this objective, the Company has developed a unique design process that allows it to recognize and adapt quickly to changing consumer demands. The Company's design team works together to create designs which they believe fit the Company's image, reflect current or approaching trends and can be manufactured in a timely and cost-effective manner. Once the initial design is complete, a prototype is developed, which is reviewed and refined prior to the commencement of limited production. Most new Steve Madden designs are then tested in the Steve Madden(R) retail stores. Designs that prove popular are then scheduled for mass production overseas and wholesale and retail distribution nationwide. The Company believes that its unique design and testing process and flexible sourcing model is a significant competitive advantage allowing the Company to cut mass production lead times and avoid the costly production and distribution of unpopular designs.

PRODUCT SOURCING AND DISTRIBUTION

The Company sources each of its product lines separately based on the individual design, styling and quality specifications of such products. The Company does not own or operate any mass manufacturing facilities and sources its branded products directly or indirectly through independently owned manufacturers in Brazil, China, Italy, Mexico, Spain, Taiwan and the United States. The Company has established relationships with a number of manufacturers in each country. The Company believes that this sourcing of footwear products minimizes its investment and inventory risk, and enables efficient and timely introduction of new product designs. Although the Company has not entered into any long-term manufacturing or supply contracts, the Company believes that a sufficient number of alternative sources exist for the manufacture of its products. The principal materials used in the Company's footwear are available from any number of sources, both within the United States and in foreign countries.

The Company's design and distribution processes are intended to be flexible, allowing the Company to respond to and accommodate changing consumer demand. The Company's production staff tracks warehouse inventory on a daily basis, monitors sell through data and incorporates input on product demand from wholesale customers. The Company can use product feedback to adjust production or manufacture new products in as little as five weeks. Constant inventory tracking allows the Company to manage inventory on a continuous flow basis with the goal of optimizing inventory turns. More specifically, all inventory is classified into three categories: Core products, which are sold year round, Core-plus products which are in-season styles that are experiencing unusually strong sell through, and Fashion products. The Company strives to only have reorder inventory in selected Core and Core-plus products that are proven best-sellers.

The Company distributes its products primarily from three (3) third party distribution warehouse centers located in California, Michigan and New Jersey and its own distribution facility located in Florida. By utilizing distribution facilities that specialize in distributing products to certain customers (wholesale accounts, Steve Madden retail stores and Internet fulfillment), the Company believes that its customers are better served.

In 1999, the Company expanded its use of electronic data interchange ("EDI") quick replenishment system to its department store accounts on designated Core items and offered EDI to all of its significant wholesale accounts. Sales resulting from EDI replenishment remained unchanged during 2000 compared to 1999. The Company believes that its flexible product introduction schedule and perpetual inventory control system are competitive advantages in an industry that is subject to high fashion risks.

CUSTOMERS

The Company's customers purchasing shoes consist principally of department stores and specialty stores, including shoe boutiques. Presently, the Company sells approximately sixty two percent (62%) 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 and Taylor and Robinsons May), Dillard's, Dayton-Hudson and Nordstrom; and approximately thirty eight percent (38%) to specialty stores, including Journey's, Limited Too and Mandees; and catalog retailers, including Victoria's Secret and Fingerhut. Federated Department Stores, May Department Stores and Nordstrom presently account for approximately twenty one percent (21%), and eighteen percent (18%) and eleven percent (11%) of the Company's wholesale sales, respectively.

DISTRIBUTION CHANNELS

The Company sells it products principally through its Company-owned retail stores, better department stores and specialty shoe stores in the United States and abroad. Retail stores and wholesale sales account for approximately thirty four percent (34%) and sixty six percent (66%) of total sales, respectively. The following paragraphs describe each of these distribution channels:

STEVE MADDEN AND DAVID AARON RETAIL STORES

As of December 31, 2000, the Company operated fifty six (56) Company-owned retail stores under the Steve Madden(R) name and two (2) under the David Aaron(R) name. The Company believes that its retail stores will continue to enhance overall sales, profitability, and its ability to react to changing consumer trends. The design, format and environment of the Steve Madden(R) retail stores resemble a nightclub type atmosphere which has become a popular destination and gathering place for young women. The David Aaron(R) store has a more sophisticated design and format styled to appeal to its more mature target audience. These stores are used as a marketing tool which allow the Company to strengthen brand recognition and to showcase certain of its full line of branded and licensed products. Furthermore, the retail stores provide the Company with a venue to test and introduce new products and merchandising strategies. Specifically, the Company often tests new designs at its Steve Madden(R) retail stores before scheduling them for mass production and wholesale distribution. In addition to these test marketing benefits, the Company has been able to leverage sales information gathered at Steve Madden(R) retail stores to assist its wholesale accounts in order placement and inventory management.

A typical Steve Madden(R) store is approximately 1,400 to 1,600 square feet and is located in malls and street locations which attract the highest concentration of the Company's core demographic -- style-conscious young women ages 16 to 25 years old. In addition to carefully analyzing mall demographics, the Company also sets profitability guidelines for each potential store site. Specifically, the Company targets sites at which the demographics fit the consumer profile, the positioning of the site is well trafficked and the projected fixed annual rent expense does not exceed a specified percentage of sales over the life of the lease. By setting these standards, the Company believes that each store will contribute to the Company's overall profits both in the near- and longer-terms.

OUTLET STORES

In May 1998, Shoe Biz, Inc. (formerly known as Steven Madden Outlets, Inc.) a wholly owned subsidiary of the Company ("Shoe Biz"), purchased certain assets from and assumed certain liabilities of, Daniel Scott, Inc. with respect to its Shoe Biz outlet store located in Mineola, New York. In connection with the transaction, the Company hired Robert Schmertz, the former President and sole stockholder of Daniel Scott, as the President of Shoe Biz. Shoe Biz operates the six (6) outlet stores in New Jersey and New York, four (4) of which operate under the Shoe Biz name and two (2) of which operate as Steve Madden Outlet stores. Shoe Biz sells many product lines, including Steve Madden, David Aaron, Stevies and l.e.i.(R) footwear, at significantly lower prices than prices typically charged by other "full price" retailers.

DEPARTMENT STORES

The Company currently sells to over 2,500 locations of twenty (20) better department stores throughout the United States and Canada. The Company's top accounts include Federated Department Stores (Bloomingdale's, Bon Marche, Burdine's, Macy's and Rich's), May Department Stores (Hecht's, Famous Barr, Filene's, Foley's, Kaufmann's, Meier & Frank, Lord and Taylor and Robinson's May), Dillard's, Dayton-Hudson and Nordstrom.

Department store accounts are offered merchandising support which includes in-store fixtures and signage, supervision of displays and merchandising of the Company's various product lines. An important development in the Company's wholesale merchandising effort is the creation of in-store concept shops, where a broader collection of the Company's branded products are showcased. These in-store concept shops create an environment that is consistent with the Company's image and enable the retailer to display and stock a greater volume of the Company's products per square foot of retail space. In addition, these in-store concept shops encourage longer term commitment by the retailer to the Company's products and enhance consumer brand awareness. As of December 31, 2000, the Steve Madden(R) and Stevies brands were featured in over 1,200 and 815 in-store concept shops, respectively, in leading department and specialty stores.

In addition to merchandising support, the Company's customer service representatives maintain weekly communications with their accounts to guide them in placing orders and to assist them in managing inventory, assortment and retail sales. The Company leverages its sell-through data gathered at its retail stores to assist department stores in allocating their open-to-buy dollars to the most popular styles in the product line and to phase out styles with poor sales records. In addition to this account order support, the Company has implemented an electronic data interchange ("EDI") program which allows top accounts rapid size replenishment of eight (8) style/color combinations of certain core products within one to two weeks. EDI replenishment of key core styles is offered to all of the Company's retail customer accounts.

INTERNET SALES

In 2000, the Company updated its web site, www.stevemadden.com, and introduced its Stevies web site www.stevies.com in March 2000. Customers can purchase numerous styles of the Company's Steve Madden and Stevies footwear, accessory and clothing products. As a result of the Company's increased focus on e-commerce, sales in 2000 derived from www.stevemadden.com increased 196% compared with sales in 1999. For the year ended December 31, 2000, the Company's stevemadden.com web site recorded 156.3 million hits, 866,000 unique users and a sales conversions rate of approximately 7%. In August 1999, the Company signed an agreement with America Online pursuant to which the Company has a significant presence in the Shop AOL area of AOL, specifically in the footwear areas.

As a result of the increased sales activity on the Company's web sites, [the Company] entered an agreement with Progressive Distribution in April 2000. Under the terms of the Agreement, Progressive Distribution provides direct-to-customer and other fulfillment services the Company's web sites customers, including validation of customer credit, picking, packing and shipment of footwear products to customers of the Company.

In February 2001, the Company launched the SteveMaddenMens.com web site. Already e-commerce enabled, this newest Madden web site allows customers to view Steve Madden Mens products three dimensionally simply by moving a computer mouse.

SPECIALTY STORES/CATALOG SALES

The Company currently sells to specialty store locations throughout the United States and Canada. The Company's top specialty store accounts include Journey's, Limited Too and Mandees. The Company offers specialty store accounts the same merchandising, sell-through and inventory tracking support offered to its department store accounts. Sales of the Company's products are also made through various catalogs, such as Fingerhut and Victoria's Secret.

COMPETITION

The fashionable footwear industry is highly competitive. The Company's competitors include specialty shoe companies as well as companies with diversified footwear product lines. The recent substantial 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 Kenneth Cole, Nine West, DKNY, Skechers, Nike and Guess, may have significantly greater financial and other resources than the Company. The Company believes effective advertising and marketing, fashionable styling, high quality and value are the most important competitive factors and intends to continue to employ these elements as it develops its products.

In 2001, the Company launched the Steve Madden Mens brand which will compete with several brands that are more established with greater consumer awareness, including Kenneth Cole Reaction, Skechers Collection, Tommy Hilfiger and Nautica.

MARKETING AND SALES

Prior to 1997, the Company's marketing plans relied heavily on its few Steve Madden(R) retail store locations and word-of-mouth referrals. In 1998, the Company continued to focus on creating a more integrated brand building program to establish Steve Madden as the leading designer of fashion footwear for style-conscious young women. As a result, the Company developed a national advertising campaign for lifestyle and fashion magazines which was also used in regional marketing programs such as radio advertisements, television commercials, outdoor media, college event sponsorship and live online chat forums. The Company also continues to promote its web sites (WWW.STEVEMADDEN.COM and WWW.STEVIES.COM) where consumers can purchase Steve Madden(R) and Stevies products and interact with both the Company and other customers.

In 2000, the Company reinforced the link between Steve Madden footwear and the hip young music scene by joining with Atlantic Records, Sam Goody and Glamour magazine for the first annual Girl Band Search: a major cross-marketing campaign with retail stores and wholesale partners to crown the next hot girl band. The Company assisted in marketing this year's winner, Jill Joia, who publicized her Steve Madden affiliation on the David Letterman Show, and performed the opening act at the launch party for Steve Madden Mens in Las Vegas in February 2001. For the second year running, the Company also co-sponsored the 2000 Music Video Awards.

The Company also increased the marketing of the Steve Madden brand to college students in 2000. The Company targeted universities for a series of lively promotions, many of them tied in with musical performances, and the Company was one of seven vendors visiting top ten universities in the Glamour magazine sponsored "Venus Tour". Other promotional initiatives reached 40 universities.

The Company commenced an aggressive marketing campaign for the Stevies brand with separate marketing, advertising, promotional events and in-store displays targeting the new Stevies customer. In August, 2000, the Company initiated a nationwide, three month Stevies Model Search featuring a six-city mall tour and in-store promotions with Filene's, Foley, Hecht's, FAO Schwartz and Macy's East. Supported by strong advertising and on-line promotions, these in-store events featured Stevies fashion shows, Radio Disney personality appearances, and performances by such crowd-drawers as the boyband, DreamStreet. The 11-year old winner of the model search will be the subject of the 2001 ad campaign for consumer and trade publications, and will be featured on the Stevies website. As for Steve Madden Mens, the Company supported the brand's roll-out with strategic marketing and advertising initiatives.

In order to service its wholesale accounts, the Company retains a sales force of twelve independent sales representatives. These sales representatives work on a commission basis and are responsible for placing the Company's products with its principal customers, including better department and specialty stores. The sales representatives are supported by the Company's Vice President, a staff of twelve account executives, four merchandise coordinators and twenty five customer service representatives who continually cultivate relationships with wholesale customers. This staff assists accounts in merchandising and assessing customer preferences and inventory requirements, which ultimately serves to increase sales and profitability.

MANAGEMENT INFORMATION SYSTEMS (MIS) OPERATIONS

Sophisticated information systems are essential to the Company's ability to maintain its competitive position and to support continued growth. The Company operates on a dual AS/400 system which provides system support for all aspects of its business including manufacturing purchase orders; customer purchase orders; order allocations; invoicing; accounts receivable management; real time inventory management; quick response replenishment; point-of-sale support; and financial and management reporting functions. The Company has a PKMS bar coded warehousing system which is integrated with the wholesale system in order to provide accurate inventory positions and quick response size replenishment for its customers. In addition, the Company has installed an EDI system which provides a computer link between the Company and certain wholesale customers that enables both the customer and the Company to monitor purchases, shipments and invoicing. The EDI system also improves the Company's ability to respond to customer inventory requirements on a weekly basis.

In 2000, a new AS400 computer platform was implemented to support the Company's wholesale division, and at the retail division , a new system was installed by Applied Digital Solutions, formally STR. This in-store point-of-sale system is a fully functional system governing a broad range of transactions including layaway, gift certificates, store credit, customer profiles, and preferred customer packages. The Company also installed a loss prevention system named "Trade Watch", and a retail marketing system, Corema, which is fully integrated into the in-store POS system. A new retail inventory management system was also installed to support the Company's just-in-time inventory flow.

RECEIVABLES FINANCING; LINE OF CREDIT

Under the terms of a factoring agreement with Capital Factors, Inc., the Company is permitted to draw down 80% of its invoiced receivables at an interest rate of one point below the Prime Rate (as defined). The agreement provides that Capital Factors is not required to purchase all the Company's receivables and requires that the Company to pay an unused line fee of .25% of the average daily unused portion of the maximum amount of the credit line. On September 1, 1998, the Company and Capital Factors amended its Factoring Agreement to, among other things, provide the Company with a credit line of up to $15,000,000, subject to certain limitations. The Company has not recently borrowed funds under its credit line with Capital Factors. The agreement with Capital Factors was renewed as of December 31, 2000 for an additional one year term. 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 it.

TRADEMARKS AND SERVICE MARKS

The STEVE MADDEN and STEVE MADDEN plus Design trademarks/service marks have been registered in numerous International Classes (25 clothing and shoes; 18 leather goods, such as handbags and wallets; 9 eye wear; 14 jewelry; 3 cosmetics and perfume; 20 picture frames and furniture; 16, paper goods; 24

bedding; and, 35 retail store services) in the United States. The Company also has trademark registrations in the U.S. for the marks EYESHADOWS BY STEVE MADDEN (Int'l Cl. 9 eye wear), ICE TEA (Int'l Cl. 25 clothing), SOHO COBBLER (Int. Cl. 9; eye wear; and, 25 clothing and shoes), SHOE BIZ By STEVE MADDEN (Int'l Cls. 25 for shoes and clothing; and, Int'l Cl.
35 for retail store services)

The Company further owns registrations for the STEVE MADDEN and STEVE MADDEN plus Design trademarks/service marks in various International Classes in Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Hong Kong, Israel, Italy, Japan, Korea, Mexico, Panama, South Africa, Taiwan, the 15 cooperating countries of Europe and the Benelux countries and has pending applications for registration for the STEVE MADDEN and STEVE MADDEN plus Design trademarks/service marks in Malaysia, Peru, Saudi Arabia, Thailand and Venezuela. There can be no assurance, however, that the Company will be able to effectively obtain rights to the STEVE MADDEN mark throughout all of the countries of the world. 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. The failure of the Company to protect such rights from unlawful and improper appropriation may have a material adverse effect on the Company's business and financial condition.

Additionally, the Company through its Diva Acquisition Corp. subsidiary owns registrations for the DAVID AARON trademark and service mark in various International Classes in the United States (Int'l Cl. 25 clothes, shoes; 18 leather goods, handbags, wallets; and, 35 retail store services), Australia, Canada, Hong Kong, Israel, Japan, South Africa, Spain and the 15 cooperating countries in Europe. The Company further has pending application for registration of the DAVID AARON trademark and service mark in Panama. The Company believes that the DAVID AARON trademark has a significant value and is important to the marketing of the Company's products.

The Company through its Stevies, Inc. subsidiary also has several pending trademark and service mark applications for registration of the STEVIES and STEVIES plus Design marks in various International Classes in the United States (Int'l Cl. 25 clothes, shoes, 18 leather goods, handbags, wallets; 9 eye wear; 14 jewelry; and, 35 retail store services) and in Canada, Mexico and the 15 cooperating countries of Europe.

EMPLOYEES

At March 9, 2001, the Company employed approximately 1,017 employees, of whom approximately 394 work on a full-time basis and approximately 623 work on a part-time basis. The management of the Company considers relations with its employees to be good.

RISK FACTORS

In addition to other information in this Annual Report on Form 10-K, the following important factors should be carefully considered in evaluating the Company and its business because such factors currently have a significant impact on the Company's business, prospects, financial condition and results of operations.

Dependence on Key Personnel. Although the Company has strengthened its senior management team, the Company is dependent, in particular, upon the services of Steven Madden, its Chief Executive Officer and chief designer, and Rhonda Brown, its President. In June 2000, Mr. Madden was indicted in the Southern District and Eastern District of New York for his alleged involvement in securities fraud and money laundering activities. If Mr. Madden is convicted of, or pleads guilty to, these charges (or related offenses), and/or is required to devote a substantial portion of his time and attention to the defense of the allegations contained in the indictments, the Company may be deprived of his services for an extended period of time. In addition, the Securities and Exchange Commission filed a complaint against Mr. Madden alleging securities law violations and seeking certain remedies against Mr. Madden, including an injunction prohibiting him from serving as an officer or director of a public company. The action initiated by the Securities and Exchange Commission has been stayed pending resolution of the indictments. If Mr. Madden is prohibited from serving as an officer or director of the Company, the Company may be deprived of certain or all of Mr. Madden's services. If Mr. Madden or Ms. Brown are unable to provide services to the Company for whatever reason, the Company's business, prospects and financial condition may be adversely affected.

The Company maintains a key person life insurance policy on Mr. Madden with coverage in the amount of $10,000,000; however, the Company does not maintain a policy on Ms. Brown. The Company has employment contracts with each of Mr. Madden and Ms. Brown that expire on December 31, 2009 and December 31, 2003, respectively. Under the terms of their respective employment contracts, if Mr. Madden or Ms. Brown are terminated for other than cause, death or total disability, the Company will be required to pay the remaining salary due under the contract, half of which must be paid upon termination. Mr. Madden is also entitled during the term of the contract to an annual $50,000 non-accountable expense account. In the event of a change in control, Mr. Madden and Ms. Brown may choose to continue their employment with the Company or terminate employment and receive the remaining salary under their respective contracts.

Since Mr. Madden and Ms. Brown are involved in many material aspects of the Company's business, there can be no assurance that a suitable replacement for either Mr. Madden or Ms. Brown could be found if either were unable to perform services for the Company. As a consequence, the loss of Mr. Madden, Ms. Brown or other key management personnel could have a material adverse effect upon the Company's business, results of operations and financial condition. In addition, the Company's ability to market its products and to maintain profitability will depend, in large part, on its ability to attract and retain qualified personnel. Competition for such personnel is intense and there can be no assurance that the Company will be able to attract and retain such personnel. The inability of the Company to attract and retain such qualified personnel would have a material adverse effect on the Company's business, financial condition and results of operations.

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 and weak sales and resulting markdown requests from customers could have a material adverse effect on the Company's business, financial condition and results of operations.

The industries in which the Company operates are 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 addition, some of the Company's customers have operated under the protection of the federal bankruptcy laws. 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 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 increased interest costs as well as lower gross margins due to the necessity of providing discounts to retailers. 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 purchasing shoes 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 net sales. Presently, the Company sells approximately sixty two percent (62%) of its products to department stores, including Federated Stores (Bloomingdales, Burdines, Macy's and Bullocks), Dillards, Nordstrom, Dayton Hudson and May Department Stores (Famous Barr, Filene's, Foley's, Hecht's, Kaufmann's, Meier & Frank, Lord and Taylor and Robinson's May) and approximately [thirty eight (38%)] percent to specialty stores, including shoe boutiques. The Company's largest customers, Federated Stores, May Department Stores, account for approximately twenty one percent (21%), eighteen percent (18%) and eleven percent (11%) of the Company's wholesale sales, respectively.

The Company believes that a substantial portion of sales of the Company's licensed products by its domestic licensing partners are also made to the Company's largest department store customers. 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 Federated Stores, Nordstrom or any other significant customer, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease the amount of merchandise purchased from the Company or its licensing partners, 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 requiring 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. 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.

Pending Litigation. In connection with the indictments filed against Mr. Madden in June 2000, certain class action lawsuits were commenced against the Company, Mr. Madden, the Company's Chief Executive Officer, Rhonda Brown, the Company's President, and Arvind Dharia, the Company's Chief Financial Officer. The complaint alleges that the Company and the individual defendants issued false and misleading statements and failed to disclose material adverse information relating to matters arising from Mr. Madden's indictment. In the event that resolution of this action exceeds coverage available under the Company's directors and officers insurance policy, the Company's business, prospects and financial condition could be materially and adversely affected.

Impact of Foreign Manufacturers. Substantially all 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 year ended December 31, 2000, approximately [90%] of the Company's products were purchased from sources outside the United States, including Mexico, 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 conditions will materially affect the Company's ability to purchase products, since a variety of materials and alternative sources exist. The Company cannot be certain, however, that it will be able to identify such alternative sources without delay or without greater cost to the Company, if ever. 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 may, 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, to 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 fashionable 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 substantial 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 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 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), David Aaron(R), Stevies and l.e.i.(R) brands, creating new product categories and businesses and operating Company-owned stores on a profitable basis. The Company plans to open approximately ten (10) Steve Madden retail stores in 2001. 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 quarterly 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 (i) the opening of new retail stores, (ii) the introduction of new products and (iii) the commencement of the Company's new Mens brand. 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/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 as violative of 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 impact on the Company's business, financial condition and results of operations. See "Business - Trademarks and Service Marks".

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 impact on the Company's business, financial condition and results of operations.

Absence of Dividends. The Company anticipates that all of its earnings in the foreseeable future will be retained to finance the continued growth and expansion of its business and has no current intention to pay cash dividends.

Outstanding Options. As of March 1, 2001, the Company had outstanding options to purchase an aggregate of approximately 2,592,900 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.

Item 2. PROPERTIES.

The Company maintains approximately 25,000 square feet for its executive offices and sample production facilities at 52-16 Barnett Avenue, Long Island City, NY 11104. The lease for the Company's headquarters expires in June, 2002.

The Company's showroom is located at 1370 Avenue of the Americas, New York, NY. All of the Company's brands are displayed for sale from this 3,762 square foot space. The lease for the Company's showroom expires in November, 2002.

All of the Company's retail stores are leased pursuant to leases that extend for terms which average ten years in length. A majority of the leases include clauses that provide for contingent rental payments if gross sales exceed certain targets. In addition, a majority of the leases enable the Company and/or the landlord to terminate the lease in the event that the Company's gross sales do not achieve certain minimum levels during a prescribed period. Many of the leases contain rent escalation clauses to compensate for increases in operating costs and real estate taxes.

The current terms of the Company's retail store leases expire as follows:

Years Lease Terms Expire	Number of Stores
2003	4
2004	4
2005	4
2006	1
2007	7
2008	13
2009	12
2010	11
2011	8

The Company maintains a warehouse and distribution center in Port Everglades, Florida servicing wholesale and retail accounts. The lease for the Florida warehouse expires on October 31, 2001. In addition, the Company has engaged three independent distributors to warehouse and distribute its products.

Item 3. LEGAL PROCEEDINGS.

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

As of March 14, 2001, eight putative securities fraud class action lawsuits have been commenced in the United States District Court for the Eastern District of New York against the Company, Steven Madden and, in five of the actions, Rhonda J. Brown and Arvind Dharia. 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); FAHEY v. STEVEN MADDEN, LTD., ET AL., 00 CV 4712 (filed August 11, 2000); PROCESS ENGINEERING SERVICES, INC. v. STEVEN MADDEN, LTD., ET AL., 00 CV 5002 (filed August 22, 2000). By Order dated December 8, 2000, the Court consolidated these eight actions, appointed Process Engineering, Inc., Michael Fasci and Mark and Libby Adams as lead plaintiffs and approved their selection of lead counsel. On February 26, 2001, Plaintiffs served a Consolidated Amended Complaint. The amended complaint principally alleges 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 under the 1934 Act by issuing false and misleading statements, and failing to disclose material adverse information, generally relating to matters arising from Mr. Madden's June 2000 indictment. 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 during the period June 21, 1997 through June 20, 2000. The defendants have until April 12, 2001 to answer, move or otherwise respond to the Consolidated Amended Complaint. Although the Company has not responded to the complaint, it believes it has substantial defenses to the claims.

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 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.

On June 21, 2000, Steven Madden resigned as Chairman of the Board of Directors and the Company appointed Charles Koppelman 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.

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 2000 indictment and to require him to disgorge certain profits, bonuses and stock option grants he received. On January 3, 2001, plaintiff filed an Amended Shareholder's Derivative Complaint. On February 2, 2001, both the Company and Mr. Madden filed motions to dismiss the Amended Complaint because of plaintiff's failure to make a pre-litigation demand upon the Company's board of directors. Briefing on the motions currently is scheduled to be completed by March 21, 2001.

On March 14, 2001, the Company became aware that the Securities and Exchange Commission had issued a formal order of investigation with respect to trading in the Company's securities. The Company has reason to believe that the Staff is investigating possible securities law violations by persons trading in the Company's securities prior to June 20, 2000 who may have been in possession of alleged material, non-public information. As previously disclosed on Form 4's filed with the Securities and Exchange Commission, certain officers and directors of the Company sold shares of the Company's common stock during 1999 and the first half of 2000. Each of such officers and directors denies having knowledge of any material, non-public information prior to engaging in such transactions.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITYHOLDERS.

No matters were submitted to a vote of the holders of the Company's Common Stock during the last quarter of its fiscal year ended December 31, 2000.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's shares of common stock trade on The Nasdaq National Market. The following table sets forth the range of high and low bid quotations for the Company's Common Stock for the two year period ended December 31, 2000 as reported by The Nasdaq National Market. The quotes represent inter-dealer prices without adjustment or mark-ups, mark-downs or commissions and may not necessarily represent actual transactions. The trading volume of the Company's securities fluctuates and may be limited during certain periods. As a result, the liquidity of an investment in the Company's securities may be adversely affected.

COMMON STOCK

2000	HIGH	LOW	1999	HIGH	LOW
Quarter ended March 31, 2000	19	12 1/2	Quarter ended March 31, 1999	9 7/16	7 1/8
Quarter ended June 30, 2000	22 7/16	6 9/16	Quarter ended June 30, 1999	14	7 7/8
Quarter ended September 30, 2000	12 11/16	6 13/16	Quarter ended September 30, 1999	14 1/8	11 1/8
Quarter ended December 31, 2000	8 15/32	7	Quarter ended December 31, 1999	19 1/16	11 15/16

On March 20, 2001, the final quoted price as reported by The Nasdaq National Market was $13.94 for each share of common stock. As of March 20, 2001, there were 12,526,109 shares of Common Stock outstanding, held of record by 4 record holders and approximately 3,786 beneficial owners.

Item 6. SELECTED FINANCIAL DATA.

The following selected financial data has been derived from the Company's audited financial statements. The Income Statement Data relating to 2000, 1999 and 1998 and the Balance Sheet Data as of December 31, 2000 and 1999 should be read in Conjunction with the Company's audited consolidated financial statements and notes thereto appearing elsewhere herein.

	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
Income Statement Data:					
Net sales	$ 205,113,000	$ 163,036,000	$ 85,783,000	$ 59,311,000	$ 45,823,000
Cost of sales	115,495,000	94,536,000	49,893,000	34,744,000	31,343,000
Gross profit	89,618,000	68,500,000	35,890,000	24,567,000	14,480,000
Commissions and licensing fees	4,847,000	3,367,000	3,273,000	2,321,000	951,000
Operating expenses	(68,833,000)	(52,946,000)	(29,949,000)	(22,262,000)	(13,998,000)
Income from operations	25,632,000	18,921,000	9,214,000	4,626,000	1,433,000
Interest income	1,744,000	909,000	380,000	312,000	322,000
Interest expense	(102,000)	(90,000)	(235,000)	(339,000)	(162,000)
Gain on sale of marketable securities	230,000				
Income before provision for income taxes	27,504,000	19,740,000	9,359,000	4,599,000	1,593,000
Provision for income taxes	11,461,000	8,274,000	3,912,000	1,899,000	534,000
Net Income	$ 16,043,000	$ 11,466,000	$ 5,447,000	$ 2,700,000	$ 1,059,000
Basic income per share	$ 1.42	$ 1.06	$ 0.58	$ 0.33	$ 0.14
Diluted income per share	$ 1.26	$ 0.92	$ 0.50	$ 0.30	$ 0.13
Weighted average common shares outstanding-basic income per share	11,310,130	10,831,250	9,436,798	8,064,604	7,689,848
Effect of potential common shares from exercise of options and warrants	1,387,244	1,634,102	1,546,303	848,462	737,232
Weighted average common shares outstanding-diluted income per share	12,697,374	12,465,352	10,983,101	8,913,066	8,427,080
Balance Sheet Data					
Total assets	$ 91,733,000	$ 78,135,000	$ 48,928,000	$ 29,277,000	$ 22,361,000
Working capital	57,207,000	48,076,000	33,627,000	16,545,000	13,719,000
Noncurrent liabilities	1,130,000	980,000	681,000	359,000	166,000
Stockholders' equity	76,566,000	62,435,000	44,960,000	25,793,000	20,101,000

Item 7. 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
TWELVE MONTHS ENDED
DECEMBER 31
($ in thousands)

CONSOLIDATED:	2000		1999		1998	
Net Sales	$205,113	100%	$163,036	100%	$85,783	100%
Cost of Sales	115,495	56	94,536	58	49,893	58
Other Operating Income	4,847	2	3,367	2	3,273	4
Operating Expenses	68,833	34	52,946	32	29,949	35
Income from Operations	25,632	12	18,921	12	9,214	11
Interest Income Net	1,642	1	819	1	145	0
Gain on sale of marketable securities	230	0	--	--	--	--
Income Before Income Taxes	27,504	13	19,740	12	9,359	11
Net Income	16,043	8	11,466	7	5,447	6

PERCENTAGE OF NET REVENUES
TWELVE MONTHS ENDED
DECEMBER 31
($ in thousands)

By Segment	2000		1999		1998	
WHOLESALE DIVISIONS:						
STEVEN MADDEN, LTD						
Net Sales	$ 87,977	100%	$ 78,890	100%	$ 49,891	100%
Cost of Sales	54,707	62	49,770	63	31,201	63
Other Operating Income	959	1	807	1	594	1
Operating Expenses	25,422	29	22,758	29	14,549	29
Income from Operations	8,807	10	7,169	9	4,735	9
l.e.i. FOOTWEAR						
Net Sales	$ 37,741	100%	$ 27,546	100%	$ 3,483	100%
Cost of Sales	23,657	63	17,856	65	2,200	63
Operating Expenses	7,652	20	5,856	21	828	24
Income from Operations	6,432	17	3,834	14	455	13
DIVA ACQUISITION CORP:						
Net Sales	$ 3,616	100%	$ 7,970	100%	$ 5,846	100%
Cost of sales	2,591	72	5,296	66	4,421	76
Operating Expenses	1,231	34	1,547	19	1,489	25
Income (Loss) from Operations	(206)	6	1,127	14	(64)	(1)
STEVIES INC.:						
Net Sales	$ 6,147	100%	--	--	--	--
Cost of sales	3,846	63	--	--	--	--
Other Operating Income	257	4				
Operating Expenses	1,595	26	--	--	--	--
Income from Operations	963	16	--	--	--	--
STEVEN MADDEN RETAIL INC.:						
Net Sales	$ 69,632	100%	$ 48,630	100%	$ 26,563	100%
Cost of Sales	30,694	44	21,614	44	12,071	45
Operating Expenses	30,937	44	21,106	43	11,751	44
Income from Operations	8,001	12	5,910	12	2,741	10
ADESSO MADDEN INC.: (FIRST COST)						
Other Operating Revenue	$ 3,631	100%	$ 2,560	100%	$ 2,679	100%
Operating Expenses	1,996	55	1,679	66	1,332	50
Income from Operations	1,635	45	881	34	1,347	50

RESULTS OF OPERATIONS
($ in thousands)
YEAR ENDED DECEMBER 31, 2000 VS. YEAR ENDED DECEMBER 31, 1999

CONSOLIDATED:

Sales for the year ended December 31, 2000 are $205,113 or 26% higher than the $163,036 in the comparable period of 1999. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) a 43% increase in retail sales due to the opening of additional Steve Madden retail stores during 2000 and an increases in same store sales, (iii) a 37% increase in sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale"), (iv) an increase in the number of Steve Madden concept shops located in major department stores and specialty stores, and (v) 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 of 2000, the Company introduced a new brand, Stevies(TM). Positioned as a fashion brand, Stevies(TM) 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 $6,147 for the year ended December 31, 2000. Also, during the year ended December 31, 2000, 11 licenses in 13 product classifications were signed for the Stevies(TM) brand. The web site for Stevies at WWW.STEVIES.COM went live in March of 2000 and commence engaging in e-commerce transactions in July 2000.

Consolidated gross profit as a percentage of sales in 2000 increased to 44% as compared 42% for 1999 due to increased retail sales which are at higher margins, a change in the product mix, balanced sourcing and improved inventory management.

Selling, general and administrative (SG&A) expenses increased to $68,833 in 2000 from $52,946 in 1999. The increase in SG&A is due primarily to a 27% increase in payroll, officers' bonuses and payroll related expenses from $19,147 in 1999 to $24,268 in 2000. Also, the Company focused its efforts on advertising and marketing by increasing those expenses by 38% from $5,046 in 1999 to $6,941 in 2000. Additionally, selling, designing and licensing costs increased by 21% from $8,702 in 1999 to $10,510 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 and warehouse facilities resulted in an increase in occupancy, telephone, utilities, warehouse, computer, printing/supplies and depreciation expenses by 47% from $12,162 in 1999 to $17,820 in 2000.

Income from operations for 2000 was $25,632 which represents an increase of $6,711 or 35% over the income from operations of $18,921 in 1999. Net income increased by 40% to $16,043 in 2000 from $11,466 in 1999.

WHOLESALE DIVISIONS:

Sales from the Steve Madden Wholesale Division ("Madden Wholesale") accounted for $87,977 or 43%, and $78,890 or 48%, of total sales in 2000 and 1999, respectively. This increase in sales is primarily due to the addition of new "Madden Wholesale" accounts 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 $25,422 in 2000 from $22,758 in 1999. This increase is due to an increase in payroll and payroll related expenses principally due to the hiring of additional management personnel. Also, advertising and marketing expenses increased due to the Company's expanded marketing strategy. 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 $8,807 in 2000 compared to income from operations of $7,169 in 1999.

Sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale") accounted for $37,741or 18%, and $27,546 or 17%, 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 3,500 doors in 2000 compared to 2,500 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, the 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 37% in 2000 due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $7,652 in 2000 from $5,856 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 due to the Company's increased focus on these activities. Income from operations for l.e.i. Wholesale was $6,432 in 2000 compared to income from operations of $3,834 in 1999.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $3,616 or 2%, and $7,970 or 5%, of total sales in 2000 and 1999, respectively. The Company believes that the decrease in sales is due to the repositioning and reorganization of the David Aaron brand. The Company intentionally planned to reduce sales volume in 2000 enabling the Diva Wholesale Division to use its two retail stores to test the popularity of new products. Gross profit as a percentage of sales decreased from 34% in 1999 to 28% in 2000 as under performing carryover inventory was cleared at lower gross margins. Operating expenses decreased to $1,231 in 2000 from $1,547 in 1999 due to the decrease in sales commission expenses as a result of the decrease in sales and from decreases in selling and designing expenses. Loss from operations from Diva Wholesale was $206 in 2000 compared to income from operations of $1,127 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 $6,147 for the year ended December 31, 2000. Stevies now sells in over 1,200 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 fourth quarter with over 815 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 37% for the year ended December 31, 2000. Income from operations was $963 in 2000.

RETAIL DIVISION:

Sales from the Retail Division accounted for $69,632 or 34% and $48,630 or 30% 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 store. As of December 31, 2000, there were 65 Steve Madden retail stores compared to 49 stores as of December 31, 1999. Additionally, same store sales for the year ended December 31, 2000 increased 10% over the same period of 1999. This increase in same store sales is largely due to the Company's ability to track and quickly reorder bestsellers and it's strategy of testing and quickly reordering successful new products such as athletic inspired casuals, sneakers, boots and tailored shoes. Revenues from the internet store for the year ended December 31, 2000 were $3,549 an increase of 196% 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. Also, the web site for the Madden Mens at WWW.STEVEMADDENMENS.COM launched in February 2001. Gross profit as a percentage of sales remained the same in 1999 and 2000. Operating expenses increased to $30,937 or 44% of sales in 2000 from $21,106 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 16 additional stores since December 31, 1999. Income from operations from the retail division was $8,001 in 2000 compared to income from operations of $5,910 in 1999.

ADESSO-MADDEN DIVISION:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $3,631 for the year ended December 31, 2000 which represents a 42% increase over commission revenues of $2,560 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 $1,996 in 2000 from $1,679 in 1999 primarily due to increases in payroll and payroll related expenses. Income from operations from Adesso-Madden was $1,635 in 2000 compared to income from operations of $881 in 1999.

YEAR ENDED DECEMBER 31, 1999 VS. YEAR ENDED DECEMBER 31, 1998

CONSOLIDATED:

Sales for the year ended December 31, 1999 were $163,036 or 90% higher than the $85,783 recorded in the comparable period of 1998. The increase in sales was due to several factors, including (i) the addition of new wholesale accounts, (ii) an increase in reorders from existing customers, (iii) an 86% increase in Electronic Data Interchange (EDI) size replenishment program, (iv) an 83% increase in retail sales due to the opening of additional Steve Madden retail stores during 1999 and increases in same store sales, (v) a full year of sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale") which was launched in the third quarter of 1998, (vi) an increase in the number of Steve Madden concepts shops located in major department stores, (vii) an expansion in the number of products offered by the Company, (viii) an increase in the number of retail locations offering the Company's products and (ix) increased public awareness in the Company's brands. As a result, management feels that "Steve Madden" and "l.e.i. footwear" as a brand name has increased in popularity nationwide. In turn, increased sales have enabled the Company to expand its advertising and in store concept efforts, all of which have contributed to the continuing increase in sales. Gross profit as a percentage of sales in 1999 remained the same as 1998.

Selling, general and administrative (SG&A) expenses increased to $52,946 in 1999 from $29,949 in 1998. The increase in SG&A was due primarily to a 60% increase in payroll, officers' bonuses and payroll related expenses from $11,948 in 1998 to $19,147 in 1999. Also, the Company focused its efforts on advertising and marketing by increasing those expenses by 101% from $2,515 in 1998 to $5,046 in 1999. Additionally, selling, designing and licensing costs increased by 149% from $3,488 in 1998 to $8,702 in 1999. This was 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, legal, computer, printing/supplies and depreciation expenses by 88% from $6,920 in 1998 to $13,031 in 1999. In addition, in August 1999, the Company paid $600 to a former principal of the underwriter of the Company's initial public offering. Such payment was made in settlement of a dispute regarding an option issued in connection with the Company's initial public offering in December 1993.

Income from operations for 1999 was $18,921, which represents an increase of $9,707 or 105% over the income from operations of $9,214 in 1998. Net income increased by 111% to $11,466 in 1999 from $5,447 in 1998.

WHOLESALE DIVISIONS:

Sales from the Steve Madden Wholesale Division ("Madden Wholesale"), accounted for $78,890 or 48% and $49,891 or 58% of total sales in 1999 and 1998, respectively. The increase in sales was due to the addition of new "Madden Wholsale" accounts, an increase in reorders from existing customers and an 86% increase in Electronic Data Interchange (EDI) size replenishment program. Gross profit as a percentage of sales remained the same. Operating expenses increased to $22,758 in 1999 from $14,549 in 1998. This increase was due to an increase in payroll and payroll related expenses principally due to the hiring of additional management personnel and an increase in occupancy expenses due to additional warehouse space needed for expanding EDI size replenishment inventory. Additionally, selling, designing and licensing costs increased due to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. Madden Wholesale income from operations was $7,169 in 1999 compared to income from operations of $4,735 in 1998.

Sales from the l.e.i. Wholesale ("l.e.i. Wholesale") accounted for $27,546 or 17%, and $3,483 or 4%, of total sales in 1999 and 1998, respectively. The increase in sales was due to the addition of new "l.e.i. Wholesale" accounts and an increase in reorders from existing customers. l.e.i footwear sold in over 2400 doors in the United States, primarily in department stores, including Macy's - east, Burdines, Rich's, Hecht's, Filene's, Foley's, Dayton Hudson, Belk and JC Penney's, and to a lesser extent in specialty store chains, such as Wet Seal and Journey's. Gross profit as a percentage of sales decreased from 37% in 1998 to 35% in 1999, primarily as a result of a higher markdowns experienced in the first quarter of 1999. Operating expenses increased to $5,856 in 1999 from $828 in 1998. Increases in sales and operating expenses are attributable to a full year of operations ("l.e.i Wholesale" - was launched in the third quarter of 1998). Income from operations from l.e.i. Wholesale was $3,834 in 1999 compared to income from operations of $455 in 1998.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $7,970 or 5%, and $5,846 or 7%, of total sales in 1999 and 1998, respectively. The increase in sales was due to the addition of new "Diva wholesale" accounts and an increase in reorders from existing customers. Gross profit as a percentage of sales increased from 24% in 1998 to 34% in 1999 due to a change in the product mix, balanced sourcing and improved inventory management. Operating expenses increased to $1,547 in 1999 from $1,489 in 1998 due to increases in occupancy, computer, payroll and payroll related expenses. Income from operations from Diva was $1,127 in 1999 compared to a loss from operations of $64 in 1998.

RETAIL DIVISION:

Sales from the Retail Division accounted for $48,630 or 30 % and $26,563 or 31% of total revenues in 1999 and 1998, respectively. The increase in Retail Division sales was primarily due to the Company's opening of thirteen additional Steve Madden retail stores and three additional outlet stores in 1999. Same store sales for the year ended December 31, 1999 increased by 26% over the same period of 1998. This increase in same store sales was driven by the strengthening of the boot classification, the addition of the slipper classification (known as the "Fuzzy"), the timely conversion of our warm weather stores, EDI basic replenishment and the addition of our West Coast warehouse facility. Also, increases in same store sales were driven by strengthening of the Company's buying and store support staff, a revised compensation package and a stronger marketing effort that included Mall posters, radio promotion and in-store events. Also, during the first quarter of 1999, the Company completed it's internet fulfillment center and expanded the number of workstations at the Long Island City offices dedicated to Internet sales. Revenues from the internet store increased by 700% to $1,200 in 1999 from $150 in 1998. As the Company offered additional styles through its web site at www.stevenmadden.com, business continued to grow. The Company signed an agreement with America Online, to sell footwear and apparel through AOL's new shopping destination, Shop @ AOL. The site for apparel went live in mid August and the site for footwear went live at the end of September. Since going live, the Company's web site has experienced a 153% growth in hits and a 14% growth in unique users. The increase in gross profit as a percentage of sales from 55% in 1998 to 56% in 1999 was due to the high margin classification such as boots and slippers and strong upfront marketing plans. Selling, general and administrative expenses for the Retail Division increased to $21,106 in 1999 from $11,751 in 1998. This increase was due to increases in payroll and related expenses, occupancy, printing, computer and depreciation expenses as a result of opening thirteen additional stores and three outlet stores during 1999. Income from operations from the retail division was $5,910 in 1999 compared to income from operations of $2,741 in 1998.

ADESSO-MADDEN DIVISION:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $2,560 for the year ended December 31, 1999 which represents a decrease from the commission revenues of $2,679 in 1998. This decrease was primarily due to the closing of certain key accounts and a shift to purchasing the l.e.i. brand from their private label brand by accounts such as JC Penny, Sears and Mervyns. However, in the fourth quarter private label division revenue increased by 31% to $702 in 1999 compared to $535 in 1998. The increase in sales in the fourth quarter was due to the addition of new accounts and an increase in reorders from existing customers. Also, Adesso-Madden expanded its business by introducing additional styles in Jordache footwear, a trademark licensed by the Company, in Kmart and Target. The first shipments of Jordache footwear were delivered in July 1999. Operating expenses increased to $1,679,000 in 1999 from $1,332,000 in 1998 due to increases in occupancy, payroll and payroll related expenses. Income from operations from Adesso-Madden was $881 in 1999 compared to income from operations of $1,347 in 1998.

LICENSE AGREEMENTS

Revenues from licensing increased by 51% to $1,216 in 2000 from $807 in 1999. This increase was primarily driven by increases in licensing income from leather sportswear and sunglasses. As of December 31, 2000, the Company had 8 license partners covering 11 product categories for its Steve Madden brand. Also, during the year 2000, the Company initiated 11 licensing agreements in 13 product categories for its Stevies brand. The product categories include handbags, hosiery, sunglasses, hair, fashion accessories, belts, jewelry, sportswear, watches and plush toy. In order to enhance the performance of the Company's licensing business, in January 2001 the Company engaged Jassin O'Rourke Group, LLC, a consulting firm specializing in marketing, management and licensing for the apparel industry. In February 2001, the Company signed termination agreements with respect to jewelry and hair accessories for both the Steve Madden(R) and Stevies(TM) brands, and sportswear for the Stevies(TM) brand. The Company expects that, with the assistance of Jassin O'Rourke, it will be successful in finding new licensee for such product categories.

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.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $57,207 at December 31, 2000 compared to $48,076 in working capital at December 31, 1999. This represents an increase of $9,131. This increase in working capital is primarily due to increased net income which offsets the increase in accounts receivables and inventories.

OPERATING ACTIVITIES

During the year ended December 31, 2000, cash provided by operating activities was $8,748. Uses of cash arose principally from an increase in factored accounts receivable of $3,251, an increase in inventory of $5,666 and a decrease in income taxes payable of $4957. Cash was provided principally by net income of $16,043 and an increase in accounts payable and accrued expenses of $4,610.

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 $47,000.

The Company has employment agreements with seven officers currently providing for aggregate annual salaries of approximately $1,775 subject to annual bonuses and annual increases as may be determined by the Company's Board of Directors. In addition, as part of two of the employment agreements, the Company is committed to pay incentive bonuses based on income before interest, depreciation and taxes to certain officers.

The Company's customers consist principally of department stores and specialty stores, including shoe boutiques. Presently, the Company's Wholesale Division sells approximately sixty two percent (62%) 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 thirty eight percent (38%) 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 eighteen percent (18%) of the Company's Wholesale Division sales, respectively.

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 any 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, the Company currently deals approximately ninety five percent (95%) of its transactions in U.S. currency.

CAPITAL IMPROVEMENT ACTIVITIES

During the year ended December 31, 2000, the Company used cash of $7,446 primarily for leasehold improvements on retail stores and office space and for a new point of sale computer system for the retail stores.

FINANCING ACTIVITIES

During the year ended December 31, 2000, the Company received $2,807 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 stock repurchase program. As of December 31, 2000, the Company repurchased 900,000 shares of the Company's common stock at a total cost of $6,076.

INFLATION

The Company does not believe that inflation has had a material adverse effect on sales or income during the past several years. Competitive pressures could limit the extent to which such costs could be passed along in the form of increased prices. As such, inflationary price increases in operating costs could adversely affect the profitability of the Company's operations.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See financial statements following Item 14 of this Annual Report on Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENT WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT OF THE REGISTRANT.

Incorporated herein by reference from the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934.

Item 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Incorporated herein by reference from the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Incorporated herein by reference from the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934.

PART IV

Item 14. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

The following consolidated financial statements of Steven Madden, Ltd. and subsidiaries are included in Item 8:

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Steven Madden, Ltd.
New York, New York

We have audited the accompanying consolidated balance sheets of Steven Madden, Ltd. and subsidiaries as of December 31, 2000, and 1999, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the consolidated financial position of Steven Madden, Ltd. and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their consolidated cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

New York, New York
February 14, 2001

(March 14, 2001 with respect to Note J[3])

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2000	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 35,259,000	$ 37,361,000
Investments		257,000
Accounts receivable - net of allowances of $774,000 and $886,000	2,417,000	1,207,000
Due from factor - net of allowances of $866,000 and $624,000	15,155,000	12,146,000
Inventories	15,824,000	10,158,000
Prepaid expenses and other current assets	1,289,000	867,000
Deferred taxes	1,300,000	800,000
Total current assets	71,244,000	62,796,000
Property and equipment, net	15,600,000	11,114,000
Deferred taxes	2,462,000	1,612,000
Deposits and other	222,000	269,000
Cost in excess of fair value of net assets acquired - net of accumulated amortization of $575,000 and $436,000	2,205,000	2,344,000
	$ 91,733,000	$ 78,135,000
LIABILITIES		
Current liabilities:		
Current portion of capital lease obligations	$ 128,000	$ 116,000
Accounts payable	9,502,000	6,542,000
Accrued expenses	4,178,000	2,528,000
Income tax payable		4,957,000
Accrued bonuses	229,000	577,000
Total current liabilities	14,037,000	14,720,000
Deferred rent	1,074,000	777,000
Capital lease obligations, less current portion	56,000	203,000
	15,167,000	15,700,000
Commitments, contingencies and other (Note J)		
STOCKHOLDERS' EQUITY		
Preferred stock - $.0001 par value, 5,000,000 shares authorized; none issued		
Common stock - $.0001 par value, 60,000,000 shares authorized, 12,306,684 and 11,797,793 shares issued	1,000	1,000
Additional paid-in capital	46,688,000	42,906,000
Retained earnings	38,765,000	22,722,000
Unearned compensation	(897,000)	(1,279,000)
Treasury stock - 1,245,204 and 345,204 shares at cost	(7,991,000)	(1,915,000)
	76,566,000	62,435,000
	$ 91,733,000	$ 78,135,000

See notes to financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2000	1999	1998
Net sales	$ 205,113,000	$ 163,036,000	$ 85,783,000
Cost of sales	115,495,000	94,536,000	49,893,000
Gross profit	89,618,000	68,500,000	35,890,000
Commission and licensing fee income	4,847,000	3,367,000	3,273,000
Operating expenses	(68,833,000)	(52,946,000)	(29,949,000)
Income from operations before other income (expenses)	25,632,000	18,921,000	9,214,000
Other income (expenses):			
Interest income	1,744,000	909,000	380,000
Interest expense	(102,000)	(90,000)	(235,000)
Gain on sale of marketable securities	230,000		
Income before provision for income taxes	27,504,000	19,740,000	9,359,000
Provision for income taxes	11,461,000	8,274,000	3,912,000
NET INCOME	$ 16,043,000	$ 11,466,000	$ 5,447,000
BASIC INCOME PER SHARE	$ 1.42	$ 1.06	$ 0.58
DILUTED INCOME PER SHARE	$ 1.26	$ 0.92	$ 0.50
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC INCOME PER SHARE	11,310,130	10,831,250	9,436,798
EFFECT OF DILUTIVE SECURITIES OPTIONS AND WARRANTS	1,387,244	1,634,102	1,546,303
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED INCOME PER SHARE	12,697,374	12,465,352	10,983,101

See notes to financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Unearned Compensation
	Shares	Amount			
BALANCE - DECEMBER 31, 1997	8,429,073	$ 1,000	$ 21,721,000	$ 5,809,000	$ (1,281,000)
Exercise of stock options, units and warrants net of costs of $60,000	2,447,050		13,345,000		
Common stock issued in connection with acquisition	64,520		667,000		
Compensation in connection with issuance of stock options to a consultant			14,000		
Tax benefit from exercise of options			198,000		
Net income				5,447,000	
Unearned compensation relating to issuance of stock options			656,000		(656,000)
Amortization of unearned compensation					276,000
Common stock purchased for treasury					
BALANCE - DECEMBER 31, 1998	10,940,643	1,000	36,601,000	11,256,000	(1,661,000)
Exercise of stock options and warrants	857,150		5,264,000		
Tax benefit from exercise of options			275,000		
Compensation in connection with issuance of stock options to a director			766,000		
Net income				11,466,000	
Amortization of unearned compensation					382,000
Common stock purchased for treasury					
BALANCE - DECEMBER 31, 1999	11,797,793	1,000	42,906,000	22,722,000	(1,279,000)
Exercise of stock options and warrants	508,891		2,807,000		
Tax benefit from exercise of options			975,000		
Net income				16,043,000	
Amortization of unearned compensation					382,000
Common stock purchased for treasury					
BALANCE - DECEMBER 31, 2000	12,306,684	$ 1,000	$ 46,688,000	$ 38,765,000	$ (897,000)

	Treasury Stock		Total Stockholders' Equity
	Shares	Amount	
BALANCE - DECEMBER 31, 1997	101,800	$ (457,000)	$ 25,793,000
Exercise of stock options, units and warrants net of costs of $60,000			13,345,000
Common stock issued in connection with acquisition			667,000
Compensation in connection with issuance of stock options to a consultant			14,000
Tax benefit from exercise of options			198,000
Net income			5,447,000
Unearned compensation relating to issuance of stock options			0
Amortization of unearned compensation			276,000
Common stock purchased for treasury	168,404	(780,000)	(780,000)
BALANCE - DECEMBER 31, 1998	270,204	(1,237,000)	44,960,000
Exercise of stock options and warrants			5,264,000
Tax benefit from exercise of options			275,000
Compensation in connection with issuance of stock options to a director			766,000
Net income			11,466,000
Amortization of unearned compensation			382,000
Common stock purchased for treasury	75,000	(678,000)	(678,000)
BALANCE - DECEMBER 31, 1999	345,204	(1,915,000)	62,435,000
Exercise of stock options and warrants			2,807,000
Tax benefit from exercise of options			975,000
Net income			16,043,000
Amortization of unearned compensation			382,000
Common stock purchased for treasury	900,000	(6,076,000)	(6,076,000)
BALANCE - DECEMBER 31, 2000	1,245,204	$(7,991,000)	$ 76,566,000)

See notes to financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 16,043,000	$ 11,466,000	$ 5,447,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Compensatory stock options		766,000	14,000
Depreciation and amortization	3,586,000	2,950,000	1,357,000
Deferred taxes	(1,350,000)	(1,585,000)	(426,000)
Deferred compensation	382,000	382,000	276,000
Tax benefit from exercise of options	975,000	275,000	198,000
Provision for doubtful accounts and chargebacks	506,000	757,000	228,000
Deferred rent expense	297,000	392,000	385,000
Gain on sale of marketable securities	(230,000)		
Changes, net of acquisitions, in:			
Accounts receivable	(1,474,000)	(767,000)	(9,000)
Due from factor	(3,251,000)	(3,062,000)	(4,552,000)
Inventories	(5,666,000)	(2,187,000)	(2,716,000)
Prepaid expenses and other assets	(375,000)	2,098,000	717,000
Accounts payable and accrued expenses	4,610,000	6,120,000	386,000
Accrued bonuses	(348,000)	346,000	(362,000)
Income tax payable	(4,957,000)	4,957,000	111,000
Net cash provided by operating activities	8,748,000	22,908,000	1,054,000
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(7,933,000)	(4,902,000)	(4,259,000)
Purchases of investment securities		(257,000)	(499,000)
Maturity/sale of investment securities	487,000	499,000	1,991,000
Payments in connection with acquisition of business			(35,000)
Net cash used in investing activities	(7,446,000)	(4,660,000)	(2,802,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from options, units and warrants exercised - net	2,807,000	5,264,000	13,345,000
Purchase of treasury stock	(6,076,000)	(678,000)	(780,000)
Payments of lease obligations	(135,000)	(115,000)	(62,000)
Net cash (used in) provided by financing activities	(3,404,000)	4,471,000	12,503,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,102,000)	22,719,000	10,755,000
Cash and cash equivalents - beginning of year	37,361,000	14,642,000	3,887,000
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 35,259,000	$ 37,361,000	$ 14,642,000
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Acquisition of leased assets		$ 32,000	
Common stock issued in connection with acquisition			$ 667,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	$ 102,000	$ 90,000	$ 235,000
Income taxes	$ 16,172,000	$ 3,886,000	$ 3,902,000

See notes to financial statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] ORGANIZATION:

Steven Madden, Ltd. was incorporated on July 9, 1990, in the state of New York and reincorporated in the state of Delaware on November 10, 1998. The Company is engaged primarily in the business of designing and sourcing women's shoes and to a lesser extent, girl's shoes, for sale through its' wholesale and retail channels. The Company markets footwear under the Steven Madden, David Aaron, Stevies and Lei (under license) brand names. Revenues are generated predominately through the sale of the Company's brand name merchandise and certain licensed product. See Note K for operating segment information.

[2] PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Steven Madden, Ltd. and its wholly owned subsidiaries Steven Madden Retail, Inc., DIVA. Acquisition Corp., Adesso-Madden, Inc. and Stevies, Inc. (collectively referred to as the "Company"). All significant intercompany balances and transactions have been eliminated.

[3] USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

[4] CASH AND CASH EQUIVALENTS:

Cash equivalents at December 31, 2000 and 1999, amounted to approximately $28,865,000 and $33,557,000, respectively, and consist of certificates of deposit and commercial paper. The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

[5] INVESTMENTS:

Investments held at December 31, 1999 consist of marketable equity securities, classified as available for sale, which are stated at quoted market price. Unrealized gains or losses, if any, are reflected as a separate component of stockholders' equity.

[6] INVENTORIES:

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

[7] PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed utilizing the straight-line method based on estimated useful lives ranging from two to ten years. Leasehold improvements are amortized utilizing the straight-line method over the shorter of their estimated useful lives or the lease term. Depreciation and amortization include amounts relating to property and equipment under capital leases.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] PROPERTY AND EQUIPMENT: (CONTINUED)

Impairment losses are recognized for long-lived assets, including certain intangibles, used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are not sufficient to recover the assets' carrying amount. Impairment losses are measured by comparing the fair value of the assets to their carrying amount. No impairment losses have been incurred for the years presented.

[8] COST IN EXCESS OF FAIR VALUE OF NET ASSETS ACQUIRED:

Cost in excess of fair value of net assets acquired relates to the acquisitions of Diva International, Inc. and Daniel Scott, Inc. (Note B) and is being amortized over 20 years.

[9] NET INCOME PER SHARE:

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 in-the-money options and warrants and the proceeds thereof were used to purchase treasury stock at the average market price during the period. For the year ended December 31, 2000, options exercisable into approximately 300,000 shares of common stock have not been included in the calculation of diluted income per share as the result would have been antidilutive.

[10] ADVERTISING COSTS:

The Company expenses costs of print, radio and billboard advertisements as of the first date the advertisements take place. Advertising expense included in operating expenses amounted to $6,941,000 in 2000, $5,046,000 in 1999 and $2,515,000 in 1998.

[11] FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying value of the Company's financial instruments approximate fair value due to their short-term nature or their underlying terms.

[12] STOCK-BASED COMPENSATION:

The Company has elected to continue to account for its stock-based compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees". Under the provisions of APB No. 25, employee compensation arising from the grant of stock options is measured as the excess, if any, of the quoted market price of the Company's common stock at the date of the grant over the amount an employee must pay to acquire the stock.

[13] REVENUE RECOGNITION:

Wholesale revenues, including commissions received in conjunction with private label footwear, are recognized upon shipment of products to customers. Allowances for estimated discounts and returns are recognized when sales are recorded. 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 A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] RECENTLY ISSUED ACCOUNTING STANDARDS:

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements," which provides guidance related to revenue recognition and was effective the first fiscal quarter of fiscal years beginning after December 15, 1999, and requires companies to report any changes in revenue recognition as a cumulative change in an accounting principle at the time of implementation, in accordance with APB Opinion 20, "Accounting Changes." Subsequently, SAB Nos. 101A and 101B were issued to delay the implementation of SAB No. 101. Management believes that the adoption had no effect on the Company's revenue recognition policies. The Company adopted this pronouncement during the fiscal year ended December 31, 2000.

In 2000, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation," an interpretation of APB Opinion No. 25, "Stock Issued to Employees." Interpretation No. 44 clarifies the application of APB No. 25 for the definition of an employee for purposes of applying APB No. 25, the criteria for determining whether a plan qualifies as a non-compensatory plan, the accounting consequences of various modifications to the terms of previously granted stock options or awards, and the accounting for an exchange of stock compensation awards in a business combination. The application of this interpretation had no effect on the financial statements for the fiscal year ended December 31, 2000.

Also in 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The standard revises FASB Statement No. 125 and requires additional disclosure. The adoption of this standard will have no material effect on the financial statements.

NOTE B - ACQUISITIONS

On May 1, 1998, the Company purchased certain assets from and assumed certain liabilities of Daniel Scott, Inc. which operated two retail outlet stores under the name Shoe Biz located in Mineola, N.Y. in exchange for 64,520 shares of common stock. The acquisition was recorded at a total cost of approximately $703,000, including related expenses, of which $635,000 was allocated to cost in excess of fair value of the identifiable net assets acquired. The acquisition was accounted for as a purchase and accordingly, the results of operations of the acquired entity were included in the consolidated statements of operations from the date of acquisition.

NOTE C - PROPERTY AND EQUIPMENT

The major classes of assets and accumulated depreciation and amortization are as follows:

	December 31,	
	2000	1999
Leasehold improvements	$ 16,065,000	$ 11,427,000
Machinery and equipment	805,000	628,000
Furniture and fixtures	2,596,000	1,399,000
Computer equipment	4,414,000	2,461,000
Equipment under capital lease	217,000	249,000
	24,097,000	16,164,000
Less accumulated depreciation and amortization	(8,497,000)	(5,050,000)
Property and equipment - net	$ 15,600,000	$ 11,114,000

NOTE D - DUE FROM FACTOR

Under the terms of a factoring agreement, the Company may request advances from the factor up to 80 percent of aggregate receivables purchased by the factor at an interest rate of prime minus 1%. The Company also pays a fee equal to .70% of the gross invoice amount of each receivable purchased. In addition, the factor charges an annual unused line fee of .25% of the average daily unused portion of the maximum credit line which is $15,000,000. The Company sells and assigns a substantial portion of its receivables, principally without recourse, to the factor. At December 31, 2000, $436,000 of factored receivables were sold by the Company with recourse. The factor assumes the credit risk of all assigned accounts approved by it, but maintains liens on all inventory, trade receivables (whether or not assigned) and the goods represented thereby. These transfers are recognized as sales of receivables.

NOTE E - STOCK OPTIONS

The Company established various stock option plans under which options to purchase shares of common stock may be granted to employees, directors, officers, agents, consultants and independent contractors. The plans provide that the option price shall not be less than the fair market value of the common stock on the date of grant and that no portion of the option may be exercised beyond ten years from that date. No incentive stock option can be granted for more than five years to a stockholder owning 10% or more of the Company's outstanding common stock. Options granted under the plans during the three years ended December 31, 2000 vest on the date of grant or up to three years from such date.

In June 1999, the Company adopted the 1999 Stock Plan under which the maximum number of shares to which awards may be granted was initially 400,000 shares. In May 2000, the stockholders approved an amendment to the 1999 Stock Plan to increase the maximum number of shares subject to the plan to 975,000 shares. Terms of the 1999 Stock Plan are not materially different from the various existing stock option plans.

Through December 31, 2000, 950,000 options had been granted under the 1999 Stock Plan, as amended, and as of such date 25,000 shares were available for the granting of future options under the 1999 Stock Plan.

The Company granted options to an executive to purchase 250,000 shares of the Company's common stock at $7.50 per share in 1998. The market value of the stock at the date of grant was $10.125 per share. The Company recorded approximately $656,000 as unearned compensation relating to such options, of which approximately $254,000, $254,000 and $148,000 was charged to operations during the years ended December 31, 2000, 1999 and 1998, respectively.

In connection with the former President's amended employment agreement, in 1997, the Company issued options to purchase 500,000 shares of its common stock. The options, which vested in August 1998, have an exercise price of $3.31 and an exercise period of 10 years. Unearned compensation was recorded in the amount of $1,345,000 which represents the difference between the exercise price and the fair value of the stock on the date of grant, and is classified as a component of stockholders' equity. The unearned compensation is being amortized over the ten-year term of the amended agreement. Accordingly, $128,000 has been charged to operations for 2000, 1999 and 1998.

NOTE E - STOCK OPTIONS (CONTINUED)

Activity relating to stock options during the three years ended December 31, 2000:

	2000		1999		1998	
	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price	Number of Shares	Average Exercise Price
Outstanding at January 1	2,720,000	$ 5.85	2,968,000	$ 5.16	2,300,000	$ 4.54
Granted	550,000	9.09	617,000	9.57	1,070,000	7.07
Exercised	(509,000)	5.52	(857,000)	6.14	(222,000)	5.55
Cancelled	(12,000)	6.34	(8,000)	6.14	(180,000)	7.44
Outstanding at December 31	2,749,000	6.36	2,720,000	5.85	2,968,000	5.16
Exercisable	2,575,000	6.06	2,515,000	5.48	2,530,000	4.79

The following table summarizes information about stock options at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (in Years)	Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.50 to $3.50	830,000	5.1	$ 2.35	830,000	$ 2.35
$5.50 to $6.00	434,000	7.2	5.79	434,000	5.79
$6.50 to $7.97	960,000	8.1	7.31	929,000	7.33
$9.13 to $10.83	205,000	7.9	10.26	205,000	10.26
$11.81 to $12.00	300,000	9.4	11.71	157,000	11.78
$18.75	20,000	9.7	18.75	20,000	18.75
	2,749,000		6.36	2,575,000	6.06

As set forth in Note A[12], the Company applies APB No. 25 in accounting for its stock option incentive plans and, accordingly, recognizes compensation expense for the difference between the fair value of the underlying common stock and the grant price of the option at the date of grant. Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standards No. 123 ("SFAS No.123") "Accounting for Stock-Based Compensation" and has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS No.123. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting period. Substantially all options granted in 2000, 1999 and 1998 vested on date of grant, and accordingly, the estimated fair value of such options were charged to expense in the year of grant for pro forma disclosures. The Company's pro forma information follows:

	2000	1999	1998
Net income:			
As reported	$ 16,043,000	$ 11,466,000	$ 5,447,000
Pro forma	$ 14,588,000	$ 7,380,000	$ 2,619,000
Basic income per share:			
As reported	$.1.42	$1.06	$ .58
Pro forma	$.1.29	$ .68	$ .28
Diluted income per share:			
As reported	$.1.26	$ .92	$ .50
Pro forma	$.1.15	$ .59	$ .24

NOTE E - STOCK OPTIONS (CONTINUED)

The weighted average fair value of options granted in 2000, 1999 and 1998 was approximately $4.54, $6.62 and $4.57, respectively, using the Black-Scholes option-pricing model with the following assumptions:

	2000	1999	1998
Dividend yield	0	0	0
Volatility	60%	61%	79%
Risk free interest rate	5.97 - 6.30%	5.75 - 6.03%	4.22 - 5.57%
Expected life in years	4	4	3 to 5

NOTE F - WARRANTS

In connection with its initial public offering, the Company granted to the underwriter an option to purchase an aggregate of 150,000 units exercisable for four years commencing December 10, 1995 (one year after the effective date) at an exercise price of $5.80 per unit. Each unit consisted of one share of common stock, one Class A warrant and one Class B warrant. During the year ended December 31, 1998 120,000 units were exercised and the Class A and Class B warrants issued in connection with the units were also exercised. In connection therewith, the Company received proceeds of $1,926,000.

During July 1998, the Board of Directors of the Company approved the redemption of all of the Company's outstanding Class B warrants. Warrant holders had until the close of business on August 13, 1998 to exercise their Class B warrants for the purchase of shares of common stock at an exercise price of $5.50 per share. Unexercised Class B warrants were redeemable on August 14, 1998 at $.05 for each outstanding Class B warrant. The Company issued 1,859,690 shares of its common stock resulting from the exercise of Class B warrants and received proceeds of approximately $10,228,000. The Company redeemed 15,310 Class B warrants not exercised.

The Company also had outstanding 150,000 Class C warrants issued in connection with a bridge financing which expired on December 10, 1998.

NOTE G - TREASURY STOCK

On February 29, 2000, the Company announced that the Board of Directors authorized a share repurchase program to acquire up to 1,500,000 shares of the Company's common stock from time to time in open market transactions. In June and July 2000, the Company purchased 900,000 shares of common stock in connection with such program.

NOTE H - LEASES

[1] CAPITAL LEASES:

The Company leases certain equipment under capital leases. Future minimum lease payments consist of the following:

2001	$ 141,000
2002	46,000
2003	14,000
Total minimum lease payments	201,000
Less amounts representing interest	17,000
Present value of minimum lease payments	184,000
Less current maturities	128,000
Capital lease obligation, less current maturities	$ 56,000

[2] OPERATING LEASES:

The Company leases office, showroom, warehouse and retail facilities under noncancelable operating leases with terms expiring at various times through 2011. Future minimum annual lease payments under noncancelable operating leases consist of the following at December 31, 2000:

2001	$ 6,339,000
2002	6,321,000
2003	5,982,000
2004	5,820,000
2005	5,383,000
Thereafter	16,839,000
	$ 46,684,000

A majority of the retail store leases provide for contingent rental payments if gross sales exceed certain targets. In addition, many of the leases contain rent escalation clauses to compensate for increases in operating costs and real estate taxes.

Rent expense for the years ended December 31, 2000, 1999 and 1998 was approximately $7,604,000, $5,870,000 and $3,561,000, respectively. Included in such amounts are contingent rents of $122,000, $122,000 and $82,000 in 2000, 1999 and 1998, respectively.

Pursuant to certain leases, rent expense charged to operations differs from rent paid because of scheduled rent increases. Accordingly, the Company has recorded deferred rent. Rent expense is calculated by allocating total rental payments, including those attributable to scheduled rent increases, on a straight-line basis, over the lease term.

NOTE I - INCOME TAXES

The income tax provision consists of the following:

	2000	1999	1998
Current:			
Federal	$ 9,787,000	$ 7,285,000	$ 3,211,000
State and city	3,024,000	2,574,000	1,127,000
	12,811,000	9,859,000	4,338,000
Deferred:			
Federal	(1,031,000)	(1,167,000)	(346,000)
State and city	(319,000)	(418,000)	(80,000)
	(1,350,000)	(1,585,000)	(426,000)
	$ 11,461,000	$ 8,274,000	$ 3,912,000

A reconciliation between taxes computed at the federal statutory rate and the effective tax rate is as follows:

	December 31,		
	2000	1999	1998
Income taxes at federal statutory rate	35.0%	34.0%	34.0%
State income taxes - net of federal income tax benefit	6.4	8.6	7.9
Nondeductible items	.3	.3	.1
Other		(1.0)	(0.1)
Effective rate	41.7%	41.9%	41.9%

The Company applies the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

The components of deferred tax assets and liabilities are as follows:

	December 31,	
	2000	1999
Deferred tax assets:		
Depreciation	$1,735,000	$ 482,000
Accounts receivable allowances	617,000	619,000
Inventory	683,000	482,000
Nondeductible compensation	276,000	510,000
Deferred rent	451,000	319,000
Net deferred tax asset	$3,762,000	$2,412,000

At December 31, 2000 current deferred tax assets amounted to $1,300,000 and non-current deferred tax assets amounted to $2,462,000.

NOTE J - COMMITMENTS, CONTINGENCIES AND OTHER

[1] CLASS ACTION LITIGATION:

On or about August 9, 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 President and its Chief Financial Officer.

On December 8, 2000, the court consolidated these actions and appointed a lead plaintiff and approved the plaintiff as lead counsel. On February 26, 2001, the plaintiff served a consolidated amended complaint.

The amended complaint generally alleges 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 plaintiff seeks an unspecified amount of damages, costs and expenses on behalf of the plaintiff and all other purchasers of the Company's common stock during the period June 21, 1997 through June 20, 2000. The defendants have until April 12, 2001 to answer the consolidated amended complaint. Although the Company has not yet answered or otherwise responded to this complaint, the Company believes that it has substantial defenses to the claims. The resulting liability, if any, cannot presently be determined.

[2] DERIVATIVE ACTION:

On or about September 26, 2000, a 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. 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's June 20, 2000 indictment and to require him to disgorge certain profits, bonuses and stock option grants he received from the Company. On January 3, 2001, the plaintiff filed an amended complaint. On February 2, 2001, both the Company and Mr. Madden filed motions to dismiss the amended complaint because of the plaintiff's failure to make a pre-litigation demand upon the Company's Board of Directors. Briefing on the motions is scheduled to be completed shortly. The resulting liability, if any cannot presently be determined.

[3] OTHER MATTER:

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 officers and directors of the Company sold shares of the Company's common stock during 1999 and the first half of 2000 which were previously disclosed on Form 4's filed with the Securities and Exchange Commission. The ultimate effects of this matter, if any, cannot reasonably be determined at this time.

[4] LITIGATION SETTLEMENTS:

The separate actions involving Magnum Fashions, Inc., WK Maxx Industries, Ltd. and Lee N' Gi were settled in the aggregate for approximately $175,000 for the year ended December 31, 2000 and have been included in operating expenses.

NOTE J - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

[5] EMPLOYMENT AGREEMENTS:

The Company also has an employment agreement with its Chief Executive Officer which was amended in February 2000 to extend the term through December 2009. The employment agreement provides for salary commitments of approximately $4,480,000 over the next nine years. Additionally, the agreement provides for a discretionary bonus in cash, capital stock or other property as the board may determine from time to time as well as an expense allowance. The prior agreement provided for a bonus plan based on graduated rates at specified levels of net revenue.

The Company has employment agreements with two other executives, expiring through December 2003 which provide for aggregate annual salaries of $575,000, subject to increases. These agreements provide for cash bonuses based upon earnings, as defined, and the granting of options at the then market price. One agreement provides for 100,000 options and the other is based on the calculated amount of the cash bonus.

[6] LETTERS OF CREDIT:

At December 31, 2000 and 1999, the Company had open letters of credit for the purchase of imported inventories of approximately $6,142,000 and $3,163,000, respectively.

[7] CONCENTRATIONS:

The Company maintains cash and cash equivalents with various major financial institutions which at times are in excess of the amount insured.

During the year ended December 31, 2000, the Company purchased approximately 50% and 27% of their inventory from supplies in China and Brazil, respectively.

During the year ended December 31, 1999, the Company purchased approximately 44%, 24% and 19% of their inventory from suppliers in China, Brazil and Mexico, respectively. During the year ended December 31, 1998, the Company purchased approximately 41% of their inventory from several suppliers in Brazil and Mexico.

Sales to two customers amounted to 14% and 12% of net sales for the year ended December 31, 2000. Amounts receivable from these and another customer represented 22%, 21% and 12% of accounts receivable at December 31, 2000.

Sales to two customers amounted to 15% and 10% of net sales and amounts receivable at year end from these customers represented 22% and 14% of accounts receivable in 1999, respectively.

Sales to one customer represented approximately 13% of net sales and amounts receivable at year end from such customer represented 11% of accounts receivable in 1998.

Sales to such customers are included in the wholesale segment (see Note K). Purchases are made primarily in United States dollars.

NOTE J - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

[8] VALUATION AND QUALIFYING ACCOUNTS:

The following is a summary of the allowance for doubtful accounts related to accounts receivable and the allowance for chargebacks related to the amount due from factor for the years ended December 31,:

	2000	1999	1998
Balance at beginning of year	$ 1,510,000	$ 813,000	$ 686,000
Charged to expense	506,000	757,000	228,000
Uncollectible accounts written off, net of recoveries	(376,000)	(60,000)	(101,000)
Balance at end of year	$ 1,640,000	$ 1,510,000	$ 813,000

The following is a summary of property and equipment and the related accounts of accumulated depreciation and amortization for the years ended December 31,:

	2000	1999	1998
COST BASIS			
Balance at beginning of year	$16,164,000	$11,233,000	$ 6,974,000
Additions	7,933,000	4,931,000	4,259,000
Balance at end of year	24,097,000	16,164,000	11,233,000
ACCUMULATED DEPRECIATION AND AMORTIZATION			
Balance at beginning of year	5,050,000	2,242,000	1,013,000
Depreciation and amortization	3,447,000	2,808,000	1,229,000
Balance at end of year	8,497,000	5,050,000	2,242,000
Property and equipment, net	$15,600,000	$11,114,000	$ 8,991,000

The following is a summary of cost in excess of fair value and related accumulated amortization for the years ended December 31,:

	2000	1999	1998
COST BASIS			
Balance at beginning of year	$2,780,000	$2,780,000	$2,146,000
Additions			634,000
Balance at end of year	2,780,000	2,780,000	2,780,000
ACCUMULATED DEPRECIATION AND AMORTIZATION			
Balance at beginning of year	436,000	297,000	170,000
Amortization	139,000	139,000	127,000
Balance at end of year	575,000	436,000	297,000
Cost in excess of fair value of net assets acquired	$2,205,000	$2,344,000	$2,483,000

NOTE K - OPERATING SEGMENT INFORMATION

The Company's reportable segments are primarily based on methods used to distribute its products. The wholesale and retail segments derive revenues from sales of women's and girl's footwear. The wholesale segment, through sales to department and specialty stores, and the retail segment through operation of its own retail stores, derive revenues from sales of branded women's and girls footwear. In addition, the wholesale segment has a licensing program that extends the Steve Madden brand to accessories and ready-to-wear apparel. The other segment represents activities of a subsidiary which earns commissions for serving as a buying agent to mass-market merchandisers, shoe chains and other off-price retailers with respect to their purchase of private label shoes.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before interest income and interest expense and before income taxes. The following is information for the Company's reportable segments:

	Wholesale	Retail	Other	Consolidated
Year ended December 31, 2000:				
Net sales to external customers (a)	$ 135,481,000	$ 69,632,000		$ 205,113,000
Gross profit	50,681,000	38,937,000		89,618,000
Commissions and licensing fees	1,216,000		$ 3,631,000	4,847,000
Operating earnings	17,868,000	8,001,000	1,635,000	27,504,000
Depreciation and amortization	1,000,000	2,581,000	5,000	3,586,000
Other significant noncash items:				
Deferred compensation	382,000			382,000
Deferred rent	(13,000)	310,000		297,000
Provision for doubtful accounts	463,000		43,000	506,000
Segment assets (b)	60,740,000	30,215,000	778,000	91,733,000
Capital expenditures	1,044,000	6,889,000		7,933,000
Year ended December 31, 1999:				
Net sales to external customers (a)	114,406,000	48,630,000		163,036,000
Gross profit	41,484,000	27,016,000		68,500,000
Commissions and licensing fees	807,000		2,560,000	3,367,000
Operating earnings	12,130,000	5,910,000	881,000	18,921,000
Depreciation and amortization	1,244,000	1,703,000	3,000	2,950,000
Other significant noncash items:				
Deferred compensation	382,000			382,000
Deferred rent	8,000	384,000		392,000
Provision for doubtful accounts	733,000		24,000	757,000
Segment assets (b)	61,713,000	13,500,000	2,922,000	78,135,000
Capital expenditures	974,000	3,810,000		4,784,000
Year ended December 31, 1998:				
Net sales to external customers (a)	59,221,000	26,562,000		85,783,000
Gross profit	21,398,000	14,492,000		35,890,000
Commissions and licensing fees	594,000		2,679,000	3,273,000
Operating earnings	5,126,000	2,741,000	1,347,000	9,214,000
Depreciation and amortization	516,000	837,000	4,000	1,357,000
Other significant noncash items:				
Deferred compensation	276,000			276,000
Deferred rent	47,000	336,000	2,000	385,000
Provision for doubtful accounts	228,000			228,000
Segment assets (b)	33,731,000	14,663,000	534,000	48,928,000
Capital expenditures	550,000	3,467,000		4,017,000

(a) Attributed to the United States, based on the location in which the sale originated.
(b) All long-lived assets, consisting of property and equipment and cost in excess of fair value of net assets acquired, are located in the United States.

NOTE K - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 2000 and 1999 (000's omitted):

	March 31	June 30	September 30	December 31
2000:				
Revenues	$44,109	$48,057	$60,108	$52,839
Cost of sales	25,925	27,123	33,620	28,827
Commissions and licensing fee income	1,004	1,130	1,233	1,480
Net income	3,182	3,743	4,600	4,518
Net income per share:				
Basic	0.28	0.32	0.42	0.41
Diluted	0.24	0.28	0.38	0.38
1999:				
Revenues	$26,731	$38,056	$48,963	$49,286
Cost of sales	15,789	21,888	28,962	27,897
Commissions and licensing fees	691	802	896	978
Net income	1,411	2,364	3,448	4,243
Net income per share:				
Basic	0.13	0.22	0.32	0.38
Diluted	0.12	0.19	0.27	0.33

(a)(2) FINANCIAL STATEMENT SCHEDULES

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are not applicable and therefore, have been omitted.

(b) REPORTS ON FORM 8-K

(1) None.

(c) EXHIBITS.

EXHIBITS

3.01*	Certificate of Incorporation of the Company.
3.02*	By-Laws of the Company.
4.01*	Specimen Certificate for shares of Common Stock.
10.01*	Amended Employment Agreement between the Company and Steven Madden.
10.04*	Employment Agreement of Rhonda Brown.
10.05	Amendment No. 1 to Employment Agreement of Steven Madden.
10.06	Amendments No. 1, 2 and 3 to Employment Agreement of Rhonda Brown
10.07	Employment Agreement of Arvind Dharia
10.08	Employment Agreement of Richard Olicker
21.01	Subsidiaries of Registrant.
23.01	Consent of Richard A. Eisner & Company, LLP.

* Previously filed with the Securities and Exchange Commission.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: New York, New York
March 30, 2001

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Steven Madden
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ CHARLES KOPPELMAN Charles Koppelman	Chairman of the Board	March 30, 2001
/s/ STEVEN MADDEN Steven Madden	Chief Executive Officer and Director	March 30, 2001
/s/ RHONDA BROWN Rhonda Brown	President and Director	March 30, 2001
/s/ ARVIND DHARIA Arvind Dharia	Chief Financial Officer and Director	March 30, 2001
/s/ JAMIESON KARSON Jamieson Karson	Director	March 30, 2001
/s/ JOHN L. MADDEN John L. Madden	Director	March 30, 2001
/s/ PETER MIGLIORINI Peter Migliorini	Director	March 30, 2001
/s/ HEYWOOD WILANSKY Heywood Wilansky	Director	March 30, 2001

AMENDMENT NO.1 TO EMPLOYMENT AGREEMENT

This Amendment No.1 to that certain Amended Employment Agreement (this "Amendment"), dated as of February 28, 2000, by and between Steven Madden, Ltd., a Delaware corporation (the "Company"), and Steven Madden (the "Executive").

W I T N E S S E T H :

WHEREAS, the Company and the Executive are parties to that certain Amended Employment Agreement dated as of July 29, 1997, a copy of which is attached hereto as Exhibit A (the "Existing Agreement"); and

WHEREAS, the Executive and the Company desire to amend the Existing Agreement to reflect the foregoing.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Effective as of the date hereof, the Existing Agreement is hereby amended as follows:

A. Section 3(a) shall be deleted in its entirety and the following phrase shall be inserted:

> The term of Executive's employment, unless sooner terminated as provided herein, shall be for a period of twelve (12) years commencing January 1, 1998 and ending on December 31, 2009 (the "Term").

2. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

3. Except as otherwise specifically set forth herein, all of the terms and provisions of the Existing Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the day first above written.

STEVEN MADDEN, LTD.

By: /s/ ARVIND DHARIA

Name: Arvind Dharia
Title: Chief Financial Officer

/s/ STEVEN MADDEN

Steven Madden

EXHIBIT 10.05

AMENDMENTS NO. 1, 2 AND 3 TO EMPLOYMENT AGREEMENT
OF RHONDA BROWN

AMENDMENT NO.1 TO AMENDED EMPLOYMENT AGREEMENT

This Amendment No.1 to that certain Employment Agreement (this "Amendment"), dated as of May 1, 1998, by and between Steven Madden, Ltd., a New York company (the "Company"), and Rhonda Brown (the "Executive").

W I T N E S E T H :

WHEREAS, the Company and the Executive are parties to that certain Employment Agreement dated as of July 1, 1996, a copy of which is attached hereto as Exhibit A (the "Existing Agreement"); and

WHEREAS, the Executive and the Company desire to amend the Existing Agreement to reflect the foregoing.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Effective as of the date hereof, the Existing Agreement is hereby amended as follows:

A. Section 3 shall be amended by deleting the words, "thirty six (36) months" and inserting in lieu thereof the words, "sixty (60) months."

B. Section 4.4 shall be amended by adding the following sentence at the end of such section:

> In addition, Executive shall be entitled to be reimbursed for expenses incurred by Executive in connection with the operation of an automobile in an amount not to exceed $800 per month.

C. Section 6 shall be amended by adding the following paragraph after Section 6(b):

> (c) If a Change of Control (as defined below) occurs without Executive's prior written consent, Executive shall have the right to terminate this Agreement. At least ten (10) days prior to any such proposed Change of Control, the Company shall notify the Executive of its intention to effect such Change of Control, and the Executive shall thereupon have five (5) days from the actual receipt of such notice to give notice of her intention to terminate this Agreement in the event of

the Change of Control. If, notwithstanding such notice by the Executive, the Company proceeds with such Change of Control, this Agreement shall be deemed terminated as of the effective date of the event constituting the Change of Control and the Executive shall have the right to receive the payments set forth in Section 7(c) below.

As used herein, the term "Change of Control" shall mean: (i) when any "person" as defined in Section 3(a)(9) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and as used in Section 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding the Company or any subsidiary or any affiliate of the Company or any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of such plan acting as trustee), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities; or (ii) when, during any period of twenty-four (24) consecutive months, the individuals who, at the beginning of such period, constitute the Board of Directors (the "Incumbent Directors") cease for any reason other than death to constitute at least a majority thereof, provided, however, that a director who was not a director at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such director was elected by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or through the operation of this proviso; or (iii) the occurrence of a transaction requiring stockholder approval for the acquisition of the Company by an entity other than the Company or a subsidiary or an affiliated company of the Company through purchase of assets, or by merger, or otherwise.

D. Section 7 shall be amended by adding the following paragraph after Section 7(b):

(c) In the event that a Change of Control occurs without the Executive's prior written consent thereto, the Executive shall be entitled to receive in cash, within ten (10) days of termination, (i) the Expense Reimbursement Amount, (ii) the Unpaid Salary Amount, (iii) an amount equal to the greater of (x) the balance of the Executive's salary that would have been paid by Company pursuant to Section 4.1 hereof over the full Term of this Agreement if the Agreement had not been terminated and (y) the Base Salary for the two years immediately following such change of control , and (iv) an amount equal to Executive's bonus, if any, for the preceding 12-month period ended August 31, multiplied by the remaining years (including any fractional years) left under this Agreement since the date such bonus was determined by the Board of Directors. In the event that any payment (or portion thereof) to Executive under this Section 7 is determined to constitute an "excess parachute payment," under Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended, the following calculations shall be made:

(i) the after-tax value to Executive of the payments under this Section 7(c) without any reduction; and

(ii) the after-tax value to Executive of the payments under this Section 7(c) as reduced to the maximum amount (the "Maximum Amount") which may be paid to Executive without any portion of the payments consulting an "excess parachute payment".

If, after applying the agreed upon calculations set forth above, it is determined that the after-tax value determined under clause (ii) above is greater that the after-tax value determined under clause (i) above, the payments to Executive under this Section 7 shall be reduced to the Maximum Amount.

2. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

3. Except as otherwise specifically set forth herein, all of the terms and provisions of the Existing Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the day first above written.

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chairman of the Board, Chief Executive Officer and President

/s/ RHONDA BROWN

Rhonda Brown

AMENDMENT NO. 2 TO EMPLOYMENT AGREEMENT

This Amendment No. 2 dated as of March 15, 1999 to that certain Employment Agreement (this "Amendment"), by and between Steven Madden, Ltd., a Delaware corporation (the "Company"), and Rhonda Brown (the "Executive").

W I T N E S S E T H :

WHEREAS, the Company and the Executive are parties to that certain Employment Agreement dated as of July 1, 1996, a copy of which is attached hereto as Exhibit A (the "Original Agreement"); and

WHEREAS, the Company and the Executive amended the Original Agreement as of May 1, 1998 by executing Amendment No. 1 thereto (as amended, the "Existing Agreement"); and

WHEREAS, the Executive and the Company desire to amend the Existing Agreement to reflect the foregoing.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Effective as of the date hereof, the Existing Agreement is hereby amended as follows:

A. see attached; provided however, that commencing on July 1, 1999, the Base Salary shall be subject to an increase of 5% per annum.

B. Section 4.3(b) shall be deleted in its entirety and the following paragraph shall be substituted in lieu there:

> Effective July 1, 1999, on each August 30th during the Term the Executive shall be entitled to receive options (the "Option Bonus') to purchase a number of shares of Common Stock equal to one half (1/2) to the dollar amount of the Cash Bonus (i.e. if the cash bonus equals $120,000, then the Executive shall receive an option 60,000 shares of Common Stock). The options comprising the Option Bonus shall vest quarterly over a one (1) year period commencing on the September 30 following the date of grant and be exercisable at a price equal to the average closing bid price of the Company's shares of Common Stock for the five trading days ending on the August 29th prior to the date of grant. The Performance Options will be substantially in the form of Exhibit B attached hereto.

2. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

3. Except as otherwise specifically set forth herein, all of the terms and provisions of the Existing Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the day first above written.

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chairman of the Board,
Chief Executive Officer and
President

/s/ RHONDA BROWN

Rhonda Brown

AMENDMENT NO. 3 TO EMPLOYMENT AGREEMENT

This Amendment No. 3 dated as of November 1, 2000 to that certain Employment Agreement (this "Amendment"), by and between Steven Madden, Ltd., a Delaware corporation (the "Company"), and Rhonda Brown (the "Executive").

W I T N E S S E T H :

WHEREAS, the Company and the Executive are parties to that certain Employment Agreement dated as of July 1, 1996, a copy of which is attached hereto as Exhibit A (the "Original Agreement"); and

WHEREAS, the Company and the Executive amended the Original Agreement (i) as of May 1, 1998 by executing Amendment No. 1 thereto and (ii) as of March 15, 1999 by executing Amendment No. 2 thereto (as amended, the "Existing Agreement"); and

WHEREAS, the Executive and the Company desire to amend the Existing Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Effective as of the date hereof, the Existing Agreement is hereby amended as follows:

A. Section 4.3(b) shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

> The term of Executive's employment shall terminate on December 31, 2003, subject to earlier termination pursuant to Sections 5 and 6 hereof (the "Term").

B. The first sentence of Section 4.1 shall be deleted and in lieu thereof the following sentence shall be inserted:

> The Company shall pay to Executive an annual base salary of (i) two hundred seventy five thousand dollars ($275,000) through December 31, 2000, (ii) three hundred fifty thousand dollars ($350,000) from January 1, 2001 through June 30, 2002, and (iii) four hundred thousand dollars ($400,000) from July 1, 2002 through December 31, 2003 (the "Base Salary"), less such deductions as shall be required to be withheld by applicable laws and regulations.

C. Section 4.3(a) shall be deleted in its entirety and the following paragraph shall be inserted in lieu thereof:

During the term of this Agreement, the Executive shall be entitled to receive a cash performance bonus based upon the Company's consolidated earnings before the payment of interest and taxes and deduction for depreciation ("EBIT-D") as reflected on the Company's quarterly reports on Form 10-Q. Commencing with the quarter ending December 31, 2000, the Company agrees to pay to the Executive a cash bonus equal to four percent (4%) of the amount by which EBIT-D for the most recent fiscal quarter exceeds EBIT-D for the corresponding fiscal quarter during the preceding year (the "Cash Bonus"). In the event that EBIT-D for the most recent fiscal quarter is less than EBIT-D for the corresponding fiscal quarter during the preceding year, then the Executive agrees to repay any Cash Bonus previously paid to her after the most the recent June 30th to the extent that the Cash Bonus previously paid to her exceeds four percent (4%) of the amount by which aggregate EBIT-D for the quarters ended since the most recent June 30th exceed the aggregate EBIT-D for the corresponding fiscal quarters during the preceding year (the "Bonus Repayment Amount").

Within forty five (45) days following the end of each fiscal quarter during the Term, the Company shall pay to the Executive an amount in immediately available funds equal to 75% of the Cash Bonus (less applicable withholding taxes) and shall retain the remainder of the Cash Bonus (the "Deferred Cash Bonus") on behalf of the Executive. Any Bonus Repayment Amount owed by the Executive shall be paid first from the Deferred Cash Bonus and then from deductions from Executive's Base Salary commencing in next quarter ending September 30th and in an amount reasonably acceptable to the Company and the Executive. Any Deferred Cash Bonus Amount held by the Company after appropriate deductions for all Bonus Repayment Amounts owed during the four quarters ending June 30th shall be paid to the Executive by the August 15th immediately following the applicable June 30th. To the extent that the Company shall have withheld taxes (in connection with the payment of the Cash Bonus) in excess of the appropriate amount as the result of the payment by the Executive of the Bonus Repayment Amount, the Company shall adjust Executive's tax withholding appropriately.

For example, if EBIT-D for the quarter ending December 31, 2000 equals $5,000,000 and EBIT-D for the quarter ended December 31, 1999 was $2,000,000, the Executive would be entitled to receive a Cash Bonus equal to $120,000 ($5,000,000 - $2,000,000 = $3,000,000 x .04 = $120,000). This would result in a payment of $90,000 (75% of $120,000) and a Deferred Cash Bonus of $30,000 (the remaining 25% of the Cash Bonus) And, if EBIT-D for the quarter ending March 31, 2001 equals $2,000,000 and EBIT-D for the quarter ended March 31, 2000 was $3,000,000, the Company would be entitled to a Bonus Repayment Amount equal to $80,000 ($7,000,000 (EBIT-D for 12/00 and 3/01) - $5,000,000 (EBIT-D for 12/99 and 3/00) = $2,000,000 x .04 = a Cash Bonus of $80,000). As a result, the Company would be entitled to a Bonus Repayment Amount of $40,000 (the Cash Bonus of $120,000 previously paid less the aggregate Cash Bonus of $80,000). The Deferred Cash Bonus of $30,000 would applied to Executive's obligation to pay the Bonus Repayment Amount.

D. Section 3(a) shall be deleted in its entirety and the following paragraph shall be substituted in lieu thereof:

On each August 31st during the Term (commencing on August 30, 2001), the Executive shall be entitled to receive options (the "Performance Options") to purchase 100,000 shares of Common Stock. The options comprising the Performance Options shall vest quarterly over a one (1) year period commencing on the September 30 following the date of grant and be exercisable at a price equal to the average closing bid price of the Company's shares of Common Stock for the five trading days ending on the August 29th prior to the date of grant.

2. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

3. Except as otherwise specifically set forth herein, all of the terms and provisions of the Existing Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Amendment as of the day first above written.

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chief Executive Officer

/s/ RHONDA BROWN

Rhonda Brown

EXHIBIT 10.06

EMPLOYMENT AGREEMENT OF ARVIND DHARIA

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of January 1, 1998 by and between STEVEN MADDEN, LTD., a New York corporation with offices at 52-16 Barnett Avenue, Long Island City, N.Y. 11104 (the "Company"), and ARVIND DHARIA, an individual residing at 1001 Fifth Avenue, New Hyde Park, NY 11040 (the " Executive").

W I T N E S S E T H

WHEREAS, the Company desires to secure the continued services of Executive upon the terms and condition hereinafter set forth; and

WHEREAS, Executive desires to continue to render services to the Company upon the terms and conditions herein set forth.

NOW, THEREFORE, the parties mutually agree as follows;

SECTION 1. EMPLOYMENT. The Company hereby employs Executive and Executive hereby accepts such employment, as an executive of the Company, subject to the terms and conditions set forth in this Agreement.

SECTION 2. DUTIES. Executive shall serve as the Company's Chief Financial Officer until such time as the Company hires an individual in such capacity and thereafter, Executive shall for the remainder of the Term (as hereinafter defined) serve as the Treasurer and Controller of the Company. The Executive shall perform such duties as may reasonably be assigned to him from time to time by the Chief Executive Officer of the Company. During the term of this Agreement, Executive shall devote all of his business time to the performance of his duties hereunder unless otherwise authorized by the Board of Directors.

SECTION 3. TERM OF EMPLOYMENT. The term of Executive's employment, unless sooner terminated in accordance with the provisions set forth herein, shall be for a period of four (4) years commencing January 1, 1998 (the "Term"). The terms of this Agreement shall be automatically extended for one additional term of one year unless either parties notifies the other in writing by certified mail return receipt requested at least 90 days prior to the expiration of the Term, of its, intention not to extend the Term. If the Executive advises the Company of his intent not to extend the Term in writing by certified mail return receipt requested, he shall not be entitled to any additional compensation. [However, if the Company advises the Executive of its intent not to extend the Term (other than for Cause or Total Disability solely as set forth in Sections 5 and 6), then Executive shall be entitled to receive severance compensation equal to the then applicable Base Salary for three month period commencing on the expiration of the Term, to be paid in accordance with the Company's customary payroll practices, as long as Executive continues to be in compliance with Section 8 hereof.]

SECTION 4.1 SALARY. The Company shall pay to Executive a base salary of One Hundred and Forty Thousand Dollars ($140,000) per annum, subject to increases in accordance with the terms of the last sentence of this Section 4.1 (the "Base Salary"), less such deductions as shall be required to be withheld by applicable law and regulations. All salaries payable to Executive shall be paid at such regular weekly, biweekly or semi-monthly time or times as the Company make payment of its regular payroll in the regular course of business. Commencing on the third anniversary of the date hereof, and on each anniversary thereafter during the Term, the Base Salary shall be increased by 10% of the then Base Salary.

SECTION 4.2 BONUSES. Subject to the approval of the Company's 1998 Stock Plan by the stockholders of the Company, the Executive shall receive an option to purchase 25,000 shares of Common Stock on June 30 of each year during the Term. The options comprising the option shall vest quarterly (6,250 shares) over a one (1) year period commencing on June 30, 1998 and be exercisable at a price equal to the average closing bid price of the Company's shares of Common Stock on June 30. The Company agrees to reserve under a stock plan approved by its stockholders 100,000 shares of the Company's Common Stock for issuance upon the exercise of such option. The Company shall use its best efforts to obtain approval by the Company's stockholders of the 1998 Stock Plan so that the Company may lawfully issue the options contemplated by this Section 4.2.

SECTION 4.3 AUTOMOBILE ALLOWANCE. The Company shall, at the direction of Executive, either reimburse Executive for, or directly pay the cost of, the use of an automobile during the Term and all usual expenditures in connection therewith; i.e. fuel, insurance, parking, customary maintenance and repairs, etc. in an amount not to exceed $500 per month.

SECTION 4.4 BENEFITS. Executive shall be entitled to participate in such pension, profit sharing, group insurance, options plans, hospitalization, and group health and benefit plans and all other benefits and plans as the Company provides to its senior Executives except current benefits and plans may not be removed or altered to the determent of Executive.

SECTION 5 TERMINATION.

SECTION 5.1 DEATH. This Agreement shall terminate upon the death of Executive; provided however, that the Company shall continue to pay to the estate of Executive the salary and all other benefit as set forth herein for the twelve (12) months period immediately subsequent to the date of Executive's death.

SECTION 5.2 TERMINATION DUE TO TOTAL DISABILITY.

Resignation. In the event Executive is discharged due to his "Total Disability" (as those terms are defined below) or in the event Executive resigns, then upon such occurrence, this Agreement shall be deemed terminated and the Company shall be released from all obligations to Executive with respect to this Agreement, except obligations accrued prior to such termination date and as provided herein.

SECTION 5.3 "FOR CAUSE". As used herein, the term "For Cause" shall only mean: (i) a deliberate and intentional breach by Executive of a substantial and material duty and responsibility under the Agreement that results in material harm to the Company unless such breach is committed with reasonable belief that such breach was not contrary to the best interests of the Company, and is not remedied, if capable of being remedied, within thirty (30) days after receipt of written notice by certified mail return receipt requested from the Company specifying such breach; or (ii) Executive's plea of guilty or nolo contendere to, or conviction of, a felony, which conviction or plea causes material damage to the reputation or financial position of the Company.

In the event that the Executive is discharged for Cause, then upon such occurrence, this Agreement shall be deemed terminated and the Company shall be released from all obligations to the Executive with respect to this Agreement, except obligations which accrue prior to such termination date and as provided herein.

SECTION 5.4 TERMINATION OTHER THAN FOR TOTAL DISABILITY. In the event Executive is discharged other than for Cause or due to his "Total Disability", then such termination shall only be effective if he receives written notice thereof by certified mail return receipt requested which notice properly sets forth the Company's agreement to pay to Executive the balance of his benefit including salary that would have been paid by the Company pursuant to this Agreement, over the full Term of the Agreement if the Company had not terminated this Agreement. Such amount shall be payable in two (2) installment as follows (i) Fifty (50%) percent on January 1 immediately following such termination and the balance of fifty (50%) percent one year after.

SECTION 5.5 TERMINATION UPON CHANGE OF CONTROL.

(a) If a Change of Control (as defined below) occurs without the Executive's prior written consent, the Executive shall have the right to terminate this Agreement. At least ten (10) days prior to any such proposed Change of Control, the Company shall notify Executive of its intention to effect such Change of Control, and the Executive shall thereupon have five (5) days from the actual receipt of such notice to give notice of his intention to terminate this Agreement in the event of the Change of Control. If, notwithstanding such notice by the Executive, the Company proceeds with such Change of Control, this Agreement shall be deemed terminated as of the effective date of the event constituting the Change of Control and the Executive shall receive in cash, within ten (10) days of termination, (i) any compensation accrued and unpaid pursuant to Section 4 of this Agreement, (ii) an amount equal to the balance of Executive's salary that would have been paid by the Company pursuant to Section 4.1 hereof over the full Term of this Agreement as if the Agreement had not been terminated, (iii) an amount equal to Executive's bonus, if any, for the preceding 12-month period ended December 31, multiplied by the remaining years (including any fractional years) left under this Agreement since the date such bonus was determined by the Board of Directors plus (iv) an amount equal to $200,000 as severance under this Agreement. In the event that any payment (or portion thereof) to the Executive under this Section 5.5 is determined to constitute an "excess parachute payment," under Sections 28OG and 4999 of the Internal Revenue Code of 1986, as amended, the following calculations shall be made:

(i) The after-tax value to the Executive of the payments under this Section 5.5 without any reduction; and

(ii) The after-tax value to the Executive of the payments under this Section 5.5 as reduced to the maximum amount (the "Maximum Amount") which may be paid to the Executive without a portion of the payments constituting an "excess parachute payment".

If, after applying the agreed upon calculations set forth above, it is determined that the after-tax value determined under clause (ii) above is greater than the after-tax value determined under clause (i) above, the payments to Executive under this Section 5.5 shall be reduced to the Maximum Amount.

(b) If a Change of Control occurs, regardless of whether the Executive has consented to such Change of Control, Executive shall have the right to resign.

SECTION 5.6 "CHANGE OF CONTROL". As used herein, the term "Change of Control" shall mean:

(a) When any "person" as defined in Section 3(a)(9) of the Securities Exchange Act of 1934. as amended (the "Exchange Act"), and as used in Section 13(d) and 14(d) thereof. including a "group" as defined in Section 13(d) of the Exchange Act, but excluding the Company or any subsidiary or any affiliate of the Company or any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of such plan acting as trustee). becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities; or

(b) When, during any period of twenty-four (24) consecutive months, the individuals who, at the beginning of such period, constitute the Board of Directors (the "Incumbent Directors") cease for any reason other than death to constitute at least a majority thereof, provided, however, that a director who was not a director at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such director was elected by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or through the operation of this proviso; or

(c) The occurrence of a transaction requiring stockholder approval for the acquisition of the Company by an entity other than the Company or a subsidiary or an affiliate of the Company through purchase of assets, or by merger, or otherwise.

SECTION 6 DISABILITY

SECTION 6.1 TOTAL DISABILITY. In the event that after Executive has failed to have performed his regular and customary duties for a period of ninety (90) consecutive days or for any one hundred and eighty (180) days out of any three hundred and sixty (360) days period. And before Executive has become "Rehabilitated" (as herein below defined) a majority of the members of the Board of Directors of the Company, exclusive of Executive may vote to determine that Executive is mentally or physically incapable or unable to continue to perform such regular and customary duties of employment and upon the date of written notice to Executive by certified mail return receipt requested of such majority vote, Executive shall be deemed to be suffering from a "Total Disability". As used herein, the term "Rehabilitated" shall mean such time as Executive is willing, able and commences to devote his time and energies to the affairs of the Company to a reasonable extent and in a similar manner that he did prior to this disability.

SECTION 6.2 PAYMENT DURING DISABILITY. In the event Executive is unable to perform his duties hereunder by reason of a disability, prior to the time such disability is deemed by a Total Disability in accordance with the provisions of Section 6.1 above, the Company shall continue to pay Executive his benefit including salary pursuant to this Agreement for the twelve (12) month period immediately subsequent to the date of determination of Total Disability.

SECTION 7. VACATION. Executive shall be entitled to a vacation for four (4) weeks per year during which period all benefits including salary shall be paid in full. Executive shall take his vacation at such time as Executive and the Company shall determine is mutually convenient said vacation shall be cumulative or taken in extra pay.

SECTION 8. DISCLOSURE OF CONFIDENTIAL INFORMATION. Executive recognizes that he has had and will continue to have access to secret and confidential information regarding the Company, including but not limited to its customer list, products, know-how, and business plans. Executive acknowledges that such information is of great value to the Company, is the sole property of the Company, and has been and will be acquired by him in confidence. In consideration of the obligations undertaken by the Company herein, Executive will not, at any time, during his employment hereunder, reveal, divulge or make known to any person, any information concerning the Company acquired by Executive during the course of his employment, which is treated as confidential by the Company. Provided same is not otherwise in the public domain or information that Executive could have and did learned separate and apart from his duties set forth herein, provided said information would not be detrimental to the Company this provision shall survive Executive's employment hereunder for a period of six months.

SECTION 9.1 ASSIGNMENTS. Neither Executive nor the Company may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other.

SECTION 9.2 ENTIRE AGREEMENT. This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to Executive's employment by the Company, supersedes all prior understanding and agreements, whether oral or written, between Executive and the Company, including by not limited to the prior Employment Agreement, and shall not be amended, modified or changed except by an instrument in writing executed by the party to be charged. The invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

SECTION 9.3 BINDING EFFECT. This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their respective successors, heirs, beneficiaries and permitted assigns.

SECTION 9.4 HEADINGS. The headings contained in this Agreement are for convenience of reference only and shall not affect any way the meaning or interpretation of this Agreement.

SECTION 9.5 NOTICES. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when delivered, sent by registered or certified mail, return receipt requested, postage prepaid or by private overnight mail service (e.g. Federal Express) to the party at the address set forth above or to such other address as either party may hereafter given notice of accordance with provision hereof. Notice shall be deemed given on the sooner of the date actually received or the third business day after sending.

SECTION 9.6 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to such State's conflicts of laws provisions and each of the parties hereto irrevocably consents to the jurisdiction and venue of the federal and state courts located in the Sate of New York, County of New York.

SECTION 9.7 COUNTERPARTS. This Agreement may be executed simultaneously into two or more counterparts, each of which shall be deemed and original, but all of which together shall constitute one of the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden
Title: Chief Executive Officer and President

/s/ ARVIND DHARIA

Arvind Dharia

EXHIBIT 10.07

EMPLOYMENT AGREEMENT OF RICHARD OLICKER

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of January 3, 2001, by and between Steven Madden, Ltd., a Delaware corporation (the "Company"), and RICHARD OLICKER, an individual residing at 351 East 84th Street, Apt. 18D, New York, NY 10028 (the "Executive").

W I T N E S S E T H :

WHEREAS, the Company desires to secure the services of the Executive upon the terms and conditions hereinafter set forth; and

WHEREAS, the Executive desires to render services to the Company upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties mutually agree as follows:

SECTION 1. EMPLOYMENT. The Company hereby employs Executive and the Executive hereby accepts such employment, as the Company's Executive Vice President and Chief Operating Officer, subject to the terms and conditions set forth in this Agreement.

SECTION 2. DUTIES; EXCLUSIVE SERVICES; BEST EFFORTS. The Executive shall perform all duties incident to the position of Executive Vice President and Chief Operating Officer as well as any other duties as may from time to time be assigned by the President of the Company or her designee, and agrees to abide by all By-laws, policies, practices, procedures or rules of the Company. The Executive agrees to devote his best efforts, energies and skill to the discharge of the duties and responsibilities attributable to his position, and to this end, he will devote his full business time and attention exclusively to the business and affairs of the Company. The Executive also agrees that he shall not take personal advantage of any business opportunities which arise during his employment and which may benefit the Company. All material facts regarding such opportunities must be promptly reported to the President for consideration by the Company. Notwithstanding the foregoing, the Executive may donate his time and efforts to charitable causes so long as such endeavors do not effect his ability to perform his duties under this Agreement.

SECTION 3. TERM OF EMPLOYMENT; VACATION.

(a) Unless extended in writing by both the Company and the Executive, the term of the Executive's employment shall be for a period of twenty four (24) months commencing on the date hereof, subject to earlier termination by the parties pursuant to Sections 5 and 6 hereof (the "Term").

(b) The Executive shall be entitled to three (3) weeks vacation during each year of the Term.

SECTION 4. COMPENSATION OF EXECUTIVE.

4.1 SALARY. The Company shall pay to Executive a base salary of Two Hundred Twenty Five Thousand ($225,000) dollars per annum, subject to increases in accordance with the terms of the last sentence of this Section 4.1 (the "Base Salary"), less such deductions as shall be required to be withheld by applicable law and regulations. The Base Salary payable to Executive shall be paid at such regular weekly, biweekly or semi-monthly time or times as the Company makes payment of its regular payroll in the regular course of business. Commencing on the first anniversary of the date hereof, and on each anniversary thereafter during the Term, the Base Salary shall be increased by 5% of the then Base Salary.

4.2 SIGNING BONUS. On the date hereof and upon the execution of this Agreement by the parties, the Executive shall receive non-qualified stock options (or in lieu thereof, at Executive's option, and to the extent available, incentive stock options) exercisable for an aggregate of 75,000 shares at an exercise price equal to the closing price of the Company's common stock on January 2, 2001 as reported by The Nasdaq Stock Market. The option shall vest in four equal installments on the last day of each fiscal quarter commencing on March 31, 2001.

4.3 PERFORMANCE BONUSES.

(a) During the term of this Agreement, the Executive shall be entitled to receive a cash performance bonus based upon the Company's net earnings before the payment of interest expenses and taxes and deductions for depreciation ("EBIT-D") as reflected on the Company's annual report on Form 10-K (or its annual financial statements in the event that the Company no longer prepares annual reports on Form 10-K). By April 15, 2002 and 2003, the Company shall pay to the Executive a cash bonus equal to two percent (2%) of the amount by which the aggregate EBIT-D for the fiscal year ending on the most recent December 31st exceeds EBIT-D for the fiscal year ending on the preceding December 31st (the "Annual Cash Bonus"). For example, if EBIT-D for the year ending December 31, 2001 equals $20,000,000, and EBIT-D for the year ending December 31, 2000 was $15,000,000, the Executive would be entitled to receive an Annual Cash Bonus equal to $100,000 ($20,000,000 - $15,000,000 = $5,000,000 x .02 = $100,000). Notwithstanding the foregoing, under no circumstances will the Executive be entitled to receive an Annual Cash Bonus in excess of one hundred fifty percent (150%) the then applicable Base Salary.

(b) In addition to the Annual Cash Bonus, the Executive shall be shall be entitled to receive a one-time cash bonus of $125,000 in the event that the aggregate EBIT-D for any four (4) consecutive fiscal quarters during the Term equals or exceeds $40,000,000. Such bonus shall be paid within sixty (60) days following the end of the last applicable fiscal quarter.

(c) On each June 30th during the Term the Executive shall be entitled to receive non-qualified stock options (the "Option Bonus") to purchase a number of shares of Common Stock equal to thirty percent (30%) of the dollar amount of the Annual Cash Bonus due for the fiscal year ending on the preceding December

31st (i.e. if the Cash Bonus equals $100,000, then the Executive shall receive options to purchase 30,000 shares of Common Stock). The options comprising the Option Bonus shall vest quarterly over a one (1) year period commencing on the September 30th following the date of grant and be exercisable at a price equal to the closing bid price of the Company's shares of Common Stock on the date of grant as reported by The Nasdaq Stock Market.

4.4 EXPENSES. During the Term, the Company shall promptly reimburse the Executive for all reasonable and necessary travel expenses and other disbursements incurred by the Executive on behalf of the Company, in performance of the Executive's duties hereunder, assuming Executive has received prior approval for such travel expenses and disbursements by the Company to the extent possible consistent with corporate practices with respect to the reimbursement of expenses incurred by the Company's senior executives. In addition, the Company shall secure $120,000 of long term disability insurance coverage for the Executive. The premium for such policy shall be paid 75% by the Company and 25% by the Executive. The Company also agrees to pay (i) reasonable expenses incurred by the Executive in connection with his operation of a cellular telephone, and (ii) $500 per month for expenses incurred by the Executive in connection with his ownership and operation of an automobile.

4.5 BENEFITS. The Executive shall be permitted during the Term to participate in any hospitalization or disability insurance plans, health programs, pension plans, bonus plans or similar benefits that may be available to other executives of the Company (including coverage under any officers and directors liability insurance policy), subject to such eligibility rules as are applied to senior managers generally.

5. DEATH OR DISABILITY OF THE EXECUTIVE. If the Executive (i) dies or (ii) is incapacitated or disabled by accident, sickness or otherwise so as to render the Executive mentally or physically incapable of performing the services required to be performed under this Agreement for a period of 90 consecutive days or 120 days in any period of 360 consecutive days (a

"Disability"), the Company may, at the time or during the period of such Disability, at its option, terminate the employment of the Executive under this Agreement immediately upon giving the Executive written notice to that effect.

6. TERMINATION.

(a) The Company may terminate the employment of the Executive and all of the Company's obligations under this Agreement at any time for Cause (as hereinafter defined) by giving the Executive notice of such termination, with reasonable specificity of the details thereof. "Cause" shall include, without limitation, the following: (i) failure or neglect, by the Executive to perform the duties of the Executive's position; (ii) failure of the Executive to obey orders given by the Company or his supervisors; (iii) misconduct by the Executive in connection with the performance of any of his duties, including, without limitation, misappropriation of funds or property of the Company, securing or attempting to secure personally any profit in connection with any transaction entered into on behalf of the Company, misrepresentation to the Company, or any violation of law or regulations on Company premises or to which the Company is subject; (iv) commission by the Executive of an act involving moral turpitude, dishonesty, theft or unethical business conduct, or conduct which impairs or injures the reputation of, or harms, the Company; (v) disloyalty by the Executive, including without limitation, aiding a competitor; (vi) failure by the Executive to devote his full business time and best efforts to the Company's business and affairs; (vii) failure by the Executive to work exclusively for the Company; (viii) failure to fully cooperate in any investigation by the Company; (ix) any material breach of this Agreement or Company rules; (x) any other act of misconduct by the Executive; or (xi) the Executive's abuse of alcohol or other drugs or controlled substances. A termination pursuant to this Section 6(a) shall take effect 20 days after the giving of written notice to the Executive unless the Executive shall, during such 20-day period, remedy to the reasonable satisfaction of the Board of Directors of the Company the misconduct, disregard, abuse or breach specified in such notice; PROVIDED, HOWEVER, that such termination shall take effect immediately upon the giving of such notice if the Board of Directors of the Company shall, in its reasonable discretion, have determined that such misconduct, disregard, abuse or breach is not remediable (which determination shall be stated in such notice).

(b) The Company may terminate the employment of the Executive and all of the Company's obligations under this Agreement (except as hereinafter provided) at any time during the Term without Cause by giving the Executive written notice of such termination, to be effective 15 days following the giving of such written notice.

(c) The Executive may terminate this Agreement by delivering written notice to the Company within thirty (30) days following the effective date of a Change of Control.

As used herein, the term "Change of Control" shall mean: (i) when any "person" as defined in Section 3(a)(9) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and as used in Section 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding the Company or any subsidiary or any affiliate of the Company or any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of such plan acting as trustee), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities; or (ii) when, during any period of twenty-four (24) consecutive months, the individuals who, at the beginning of such period, constitute the Board of Directors (the "Incumbent Directors") cease for any reason other than death to constitute at least a majority thereof, provided, however, that a director who was not a director at the beginning of such 24-month period shall be deemed to have satisfied such 24-month requirement (and be an Incumbent Director) if such director was elected by, or on the recommendation of or with the approval of, at least two-thirds of the directors who then qualified as Incumbent Directors either actually (because they were directors at the beginning of such 24-month period) or through the operation of this proviso; or (iii) the occurrence of a transaction requiring stockholder approval for the acquisition of the Company by an entity other than the Company or a subsidiary or an affiliated company of the Company through purchase of assets, or by merger, or otherwise.

(d) The Executive may terminate this Agreement upon twenty (20) days prior written notice (i) with Good Reason, or (ii) without Good Reason. "Good Reason" shall mean (i) the Company materially diminished the duties and responsibilities of the Executive or (ii) the Company breached a material obligation under this Agreement and such breach has not been remedied within the twenty (20) day notice period set forth above.

For convenience of reference, the date upon which any termination of the employment of the Executive pursuant to Sections 5 or 6 shall be effective shall be hereinafter referred to as the "Termination Date".

7. EFFECT OF TERMINATION OF EMPLOYMENT.

(a) Upon the termination of the Executive's employment for Cause, neither the Executive nor the Executive's beneficiaries or estate shall have any further rights to compensation under this Agreement or any claims against the Company arising out of this Agreement, except the right to receive (i) the unpaid portion of the Base Salary provided for in Section 4.1, earned through the Termination Date (the "Unpaid Salary Amount"), and (ii) reimbursement for any expenses for which the Executive shall not have theretofore been reimbursed, as provided in Section 4.6 (the "Expense Reimbursement Amount"). All options granted to the Executive shall terminate on the Termination Date.

(b) Upon the termination of the Executive's employment (i) as a result of the Executive's death or Disability, or (ii) the termination of this Agreement by the Executive without Good Reason, neither the Executive nor the Executive's beneficiaries or estate shall have any further rights to compensation under this Agreement or any claims against the Company arising out of this Agreement, except the right to receive (x) the Unpaid Salary Amount, (y) the Expense Reimbursement Amount and (z) accrued and unpaid amounts owed to the Executive under Section 4.3 hereof through the Termination Date, including a pro-rata entitlement to such amounts equal to the award to which the Executive would have been entitled at the end of the applicable fiscal period pro-rated for the period of the Executive's employment during such fiscal period (collectively, the "Additional Payments").

(c) Upon the termination of the Executive's employment without Cause and not as a result of a Disability or by the Executive for Good Reason, neither the Executive nor the Executive's beneficiaries or estate shall have any further rights to compensation under this Agreement or any claims against the Company arising out of this Agreement, except the Executive shall have the right to receive (i) the Unpaid Salary Amount, (ii) the Expense Reimbursement Amount, (iii) severance compensation equal to the Base Salary for the lesser of (a) the remaining term of this Agreement (as if this Agreement was not terminated) and (b) twelve (12) months, all of which is payable within thirty (30) days following the Termination Date and (iv) the Additional Payments.

(d) Upon the termination of this Agreement by the Executive in accordance with Section 6(c), neither the Executive nor the Executive's beneficiaries or estate shall have any further rights to compensation under this Agreement or any claims against the Company arising out of this Agreement, except the Executive shall have the right to receive (i) the Unpaid Salary Amount, (ii) the Expense Reimbursement Amount, (iii) severance compensation equal to the Base Salary for the remaining term of this Agreement (as if this Agreement was not terminated) and (iv) the Additional Payments.

8. CONFIDENTIAL INFORMATION; INVENTIONS. (a) Executive recognizes that he has had and will continue to have access to secret and confidential information regarding the Company, including but not limited to its customer list, products, know-how, and business plans. Executive acknowledges that such information is of great value to the Company, is the sole property of the Company, and has been and will be acquired by him in confidence. In

consideration of the obligations undertaken by the Company herein, Executive will not, at any time, during or after his employment hereunder, reveal, divulge or make known to any person, any information acquired by Executive during the course of his employment, which is treated as confidential by the Company, including but not limited to its customer list, not otherwise in the public domain, other than in the ordinary course of business during his employment hereunder. The provisions of this Section 8 shall survive Executive's employment hereunder.

(b) The Company has hired the Executive to work full time so that anything the Executive produces during the Term and in connection with his performance under this Agreement is the property of the Company. Any writing, invention, design, system, process, development or discovery conceived, developed, created or made by the Executive, alone or with others, during the period of his employment hereunder and applicable to the business of the Company, whether or not patentable, registrable, or copyrightable shall become the sole and exclusive property of the Company.

(c) The Executive shall disclose the same promptly and completely to the Company and shall, during the period of his employment hereunder and at any time and from time to time hereafter, (i) execute all documents requested by the Company for vesting in the Company the entire right, title and interest in and to the same, (ii) execute all documents requested by the Company for filing such applications for and procuring patents, trademarks, service marks or copyrights as the Company, in its sole discretion, may desire to prosecute, and (iii) give the Company all assistance it may reasonably require, including the giving of testimony in any suit, action, investigation or other proceeding, in order to obtain, maintain and protect the Company's right therein and thereto.

9. COVENANT NOT TO COMPETE.

(a) Executive recognizes that the services to be performed by him hereunder are special, unique and extraordinary. The parties confirm that it is reasonably necessary for the protection of Company that Executive agree, and accordingly, Executive does hereby agree, that he shall not, directly or indirectly, at any time during the term of the Agreement and the "Restricted Period" (as defined in Section 9(e) below):

(i) except as provided in Subsection (d) below, be engaged in the manufacturing, sourcing, sale, marketing or distribution of footwear products or provide technical assistance, advice or counseling regarding the footwear industry to or with ____________________ or any affiliate of any such entities (collectively, the "Footwear Companies") or transact business, either on his own behalf or as an officer, director, stockholder, partner, consultant, associate, employee, owner, agent, creditor, independent contractor, or co-venturer of any third party with any of the Footwear Companies; or

(ii) employ or engage, or cause or authorize, directly or indirectly, to be employed or engaged, for or on behalf of herself or any third party, any employee or agent of Company or any affiliate thereof.

(b) Executive hereby agrees that he will not, directly or indirectly, for or on behalf of himself or any third party, at any time during the term of the Agreement and during the Restricted Period solicit any customers of the Company or any affiliate thereof in a manner which directly or indirectly competes with the Company.

(c) If any of the restrictions contained in this Section 9 shall be deemed to be unenforceable by reason of the extent, duration or geographical scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, geographical scope, or other provisions hereof, and in its reduced form this Section shall then be enforceable in the manner contemplated hereby.

(d) This Section 9 shall not be construed to prevent Executive from owning, directly or indirectly, in the aggregate, an amount not exceeding one percent (1%) of the issued and outstanding voting securities of any class of any company whose voting capital stock is traded on a national securities exchange or on the over-the-counter market other than securities of the Company.

(e) The term "Restricted Period," as used in this Section 9, shall mean the period of Executive's actual employment hereunder, and if the Executive resigns without Good Reason, the six month period commencing on the Termination Date.

(f) The provisions of this Section 9 shall survive the end of the Restricted Period as provided in Section 9(e) hereof.

(g) In the event that the Executive breaches the terms and provisions of Section 9(a)(i) above, the Company may terminate all unvested options comprising the Option Bonus and shall be the Company's sole remedy hereunder.

10. MISCELLANEOUS.

10.1 REPRESENTATIONS AND WARRANTIES OF THE EXECUTIVE. The Executive hereby represents and warrants to the Company as follows: (i) the Executive has the legal capacity and unrestricted right to execute and deliver this Agreement and to perform all of his obligations hereunder; (ii) the execution and delivery of this Agreement by the Executive and the performance of his obligations hereunder will not violate or be in conflict with any fiduciary or other duty, instrument, agreement, document, arrangement or other understanding to which the Executive is a party or by which he is or may be bound or subject; and (iii) the Executive is not a party to any instrument, agreement, document, arrangement or other understanding with any person (other than the Company) requiring or restricting the use or disclosure of any confidential information or the provision of any employment, consulting or other services, excluding certain provisions regarding confidentiality contained in that certain Consulting Agreement dated October 27, 2000 by and between The Stride Rite Corporation and the Executive. The Executive agrees to indemnify the Company for any costs, liabilities or expenses incurred by the Company as a result of a breach by the Executive of this Section 10.1.

10.2 INJUNCTIVE RELIEF. Executive acknowledges that the services to be rendered under the provisions of this Agreement are of a special, unique and extraordinary character and that it would be difficult or impossible to replace such services. Accordingly, Executive agrees that any breach or threatened breach by him of Section 8 or Section 9 of this Agreement shall entitle the Company, in addition to all other legal remedies available to it, to apply to any court of competent jurisdiction to seek to enjoin such breach or threatened breach. The parties understand and intend that each restriction agreed to by Executive hereinabove shall be construed as separable and divisible from every other restriction, that the unenforceability of any restriction shall not limit the enforceability, in whole or in part, of any other restriction, and that one or more or all of such restrictions may be enforced in whole or in part as the circumstances warrant. In the event that any restriction in this Agreement is more restrictive than permitted by law in the jurisdiction in which Company seeks enforcement thereof, such restriction shall be limited to the extent permitted by law.

10.3 ASSIGNMENTS. Neither Executive nor the Company may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other.

10.4 ENTIRE AGREEMENT. This Agreement constitutes and embodies the full and complete understanding and agreement of the parties with respect to Executive's employment by Company, supersedes all prior understandings and agreements, whether oral or written, between the Executive and Company, and shall not be amended, modified or changed except by an instrument in writing executed by the party to be charged. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. No waiver by either party of any provision or condition to be performed shall be deemed a waiver of similar or dissimilar provisions or conditions at the same time or any prior or subsequent time.

10.5 BINDING EFFECT. This Agreement shall inure to the benefit of, be binding upon and enforceable against, the parties hereto and their respective successors, heirs, beneficiaries and permitted assigns.

10.6 HEADINGS. The headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

10.7 NOTICES. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when personally delivered, sent by registered or certified mail, return receipt requested, postage prepaid, or by private overnight mail service (e.g. Federal Express) to the party at the address set forth above or to such other address as either party may hereafter give notice of in accordance with the provisions hereof. Notices shall be deemed given on the sooner of the date actually received or the third business day after sending.

10.8 GOVERNING LAW; JURISDICTION. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to such State's conflicts of laws provisions. Each of the parties hereto hereby irrevocably consents and submits to the exclusive jurisdiction of the Supreme Court of the State of New York, in New York County, and of the United States District Court for the Southern District of New York in connection with any suit, action or other proceeding concerning the interpretation of this Agreement or enforcement of Sections 8 or 9 of this Agreement. The Executive waives and agrees not to assert any defense that the court lacks jurisdiction, venue is improper, inconvenient forum or otherwise. The Executive waives the right to a jury trial and agrees to accept service of process by certified mail at the Executive's last known address.

10.9 COUNTERPARTS. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one of the same instrument.

10.10 SEPARABILITY. If any of the restrictions contained in this Agreement shall be deemed to be unenforceable by reason of the extent, duration or geographical scope thereof, or otherwise, then the court making such determination shall have the right to reduce such extent, duration, geographical scope, or other provisions hereof, and in its reduced form this Agreement shall then be enforceable in the manner contemplated hereby.

10.11 POST EMPLOYMENT OBLIGATIONS. (a) All records, files, lists, including computer generated lists, drawings, documents, equipment and similar items relating to the Company's business which the Executive shall prepare or receive from the Company shall remain the Company's sole and exclusive property. Upon termination of this Agreement, the Executive shall promptly return to the Company all property of the Company in his possession. The Executive further represents that he will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Company. The Executive additionally represents that, upon termination of his employment with the Company, he will not retain in his possession any such software, documents or other materials.

(b) The Executive agrees that during his employment he shall, at the request of the Company, render all assistance and perform all lawful acts that the Company considers necessary or advisable in connection with any litigation involving the Company or any director, officer, employee, shareholder, agent, representative, consultant, client or vendor of the Company. In addition, following the Executive's employment with the Company, the Executive shall provide the assistance and perform the acts set forth in the preceding sentence at such times as are reasonably acceptable to him.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

STEVEN MADDEN, LTD.

By: /s/ STEVEN MADDEN

Name: Steven Madden

Title:

/s/ RICHARD OLICKER

Richard Olicker

EXHIBIT 21.01

SUBSIDIARIES OF THE COMPANY

NAME	STATE OF INCORPORATION
Diva Acquisition Corp.	Delaware
Diva International, Inc.	Delaware
Adesso-Madden, Inc.	New York
Madden Direct, Inc.	Delaware
Steven Madden Retail, Inc.	Delaware
Shoe Biz, Inc.	Delaware
Stevies, Inc.	Delaware

EXHBIT 23.01

CONSENT OF RICHARD A. EISNER & COMPANY, LLP