

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

FORM 10-Q

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

For the quarterly period ended June 30, 2005

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

For the transition period from _____ to _____

Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of Registrant as specified in its charter)

Delaware

13-3588231

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

52-16 Barnett Avenue, Long Island City, New York

11104

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

(718) 446-1800

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

As of August 3, 2005, the latest practicable date, there were 13,359,567 shares of common stock, \$.0001 par value, outstanding.

STEVEN MADDEN, LTD.

FORM 10-Q

QUARTERLY REPORT

June 30, 2005

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

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands)

	June 30, 2005	December 31, 2004	June 30, 2004
	----- (unaudited)	----- (unaudited)	----- (unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 38,072	\$ 30,853	\$ 16,287
Accounts receivable, net of allowances of \$632, \$536 and \$688	3,084	3,322	6,143
Due from factor, net of allowances of \$4,386, \$2,379 and \$1,973	46,684	33,711	42,013
Inventories	31,051	34,384	29,251
Marketable securities - available for sale	12,652	12,784	10,486
Prepaid expenses and other current assets	1,626	1,287	3,050
Prepaid taxes	--	2,255	2,839
Deferred taxes	2,485	2,498	2,437
	-----	-----	-----
Total current assets	135,654	121,094	112,506
Property and equipment, net	20,802	20,715	19,444
Deferred taxes	5,915	5,780	5,618
Deposits and other	434	435	431
Marketable securities - available for sale	33,078	36,340	40,508
Cost in excess of fair value of net assets acquired	1,547	2,066	2,066
	-----	-----	-----
	\$ 197,430	\$ 186,430	\$ 180,573
	=====	=====	=====
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 16,332	13,450	\$ 7,538
Accrued expenses	12,281	6,227	4,642
	-----	-----	-----
Total current liabilities	28,613	19,677	12,180
Deferred rent	2,421	2,088	1,996
	-----	-----	-----
	31,034	21,765	14,176
	-----	-----	-----
Commitments, contingencies and other			
STOCKHOLDERS' EQUITY			
Preferred stock - \$.0001 par value, 5,000 shares authorized; none issued; Series A Junior Participating preferred stock - \$.0001 par value, 60 shares authorized; none issued			
Common stock - \$.0001 par value, 60,000 shares authorized, 15,443, 14,608 and 14,582 shares issued, 13,209, 12,818 and 13,252 outstanding	2	1	1
Additional paid-in capital	83,364	80,631	79,896
Retained earnings	109,699	103,451	99,392
Unearned compensation	(52)	(703)	(2,271)
Other comprehensive gain:			
Unrealized gain (loss) on marketable securities	(1,191)	(1,024)	(1,029)
Treasury stock - 2,234, 1,790 and 1,330 shares at cost	(25,426)	(17,691)	(9,592)
	-----	-----	-----
	166,396	164,665	166,397
	-----	-----	-----
	\$ 197,430	\$ 186,430	\$ 180,573
	=====	=====	=====

See accompanying notes to consolidated financial statements - unaudited

STEVEN MADDEN, LTD. AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net sales:				
Wholesale	\$ 68,331	\$ 59,804	\$ 125,192	\$ 114,871
Retail	32,627	26,430	59,102	50,131
	-----	-----	-----	-----
	100,958	86,234	184,294	165,002
	-----	-----	-----	-----
Cost of sales:				
Wholesale	46,078	41,175	86,553	76,843
Retail	16,370	12,347	30,913	24,175
	-----	-----	-----	-----
	62,448	53,522	117,466	101,018
	-----	-----	-----	-----
Gross profit:				
Wholesale	22,253	18,629	38,639	38,028
Retail	16,257	14,083	28,189	25,956
	-----	-----	-----	-----
	38,510	32,712	66,828	63,984
Commission and licensing fee income	2,619	1,811	4,566	3,227
Operating expenses	(31,953)	(27,947)	(60,997)	(54,055)
Impairment of cost in excess of fair value of net assets acquired	(519)	--	(519)	--
	-----	-----	-----	-----
Income from operations	8,657	6,576	9,878	13,156
Interest and other income, net	456	475	894	1,009
	-----	-----	-----	-----
Income before provision for income taxes	9,113	7,051	10,772	14,165
Provision for income taxes	3,827	2,961	4,524	5,949
	-----	-----	-----	-----
Net income	\$ 5,286	\$ 4,090	\$ 6,248	\$ 8,216
	=====	=====	=====	=====
Basic income per share	\$ 0.40	\$ 0.31	\$ 0.47	\$ 0.62
	=====	=====	=====	=====
Diluted income per share	\$ 0.39	\$ 0.28	\$ 0.46	\$ 0.57
	=====	=====	=====	=====
Basic weighted average common shares outstanding	13,075	13,299	13,154	13,276
Effect of dilutive securities - options/warrants/restricted stock	401	1,092	486	1,106
	-----	-----	-----	-----
Diluted weighted average common shares outstanding	13,476	14,391	13,640	14,382
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements - unaudited

STEVEN MADDEN, LTD. AND SUBSIDIARIES

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

	Six Months Ended June 30,	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 6,248	\$ 8,216
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,692	2,451
Impairment of cost in excess of fair value of net assets acquired	519	--
Non-cash compensation	651	1,275
Provision for bad debts	2,103	284
Deferred rent expense	333	168
Realized loss (gain) on marketable securities	137	(14)
Changes in:		
Accounts receivable	142	(2,099)
Due from factor	(14,980)	(13,312)
Inventories	3,333	(5,393)
Prepaid expenses, prepaid taxes, deposits and other assets	1,917	1,164
Accounts payable and other accrued expenses	8,936	(4,674)
Net cash provided by (used in) operating activities	12,031	(11,934)
Cash flows from investing activities:		
Purchase of property and equipment	(2,779)	(3,504)
Purchase of marketable securities	(839)	(24,006)
Sale/redemption of marketable securities	3,807	4,038
Net cash provided by (used in) investing activities	189	(23,472)
Cash flows from financing activities:		
Proceeds from options and warrants exercised	4,501	222
Cash in lieu of restricted stock	(1,767)	--
Common stock purchased for treasury	(7,735)	(1,601)
Repayment of lease obligations	--	(1)
Net cash (used in) financing activities	(5,001)	(1,380)
Net increase (decrease) in cash and cash equivalents	7,219	(36,786)
Cash and cash equivalents - beginning of period	30,853	53,073
Cash and cash equivalents - end of period	\$ 38,072	\$ 16,287

See accompanying notes to consolidated financial statements - unaudited

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - Unaudited

June 30, 2005

(\$ in thousands except per share data)

NOTE A - BASIS OF REPORTING

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying statements include all adjustments (consisting only of normal recurring items) that are considered necessary for a fair presentation of the financial position of Steven Madden, Ltd. and subsidiaries (the "Company") and the results of its operations and cash flows for the periods presented. The results of its operations for the three- and six-month periods ended June 30, 2005 are not necessarily indicative of the operating results for the full year. It is suggested that these financial statements be read in conjunction with the financial statements and related disclosures for the year ended December 31, 2004 included in the Annual Report of Steven Madden, Ltd. on Form 10-K filed with the SEC on March 16, 2005, as amended on April 11, 2005.

NOTE B - CASH AND CASH EQUIVALENTS

On July 1, 2005, the Company terminated its factoring agreement with Capital Factors, Inc. ("Capital") and entered into a new factoring agreement with GMAC Commercial Finance LLC (See note M[4]). Pursuant to the termination, the Company deposited funds in an escrow account with Capital as collateral against payments of outstanding letters of credit facilitated by Capital. In anticipation of the establishment of the escrow account, the Company allowed the collected funds balance with Capital to accumulate, resulting in a collected funds balance as of June 30 of \$10,114. This balance, which was transferred to the escrow account on July 1, was categorized as Cash and Cash Equivalents on the June 30, 2005 Balance Sheet. Management anticipates that these letters of credit will be negotiated and the related escrow funds will be returned to the Company no later than September 30 of this year.

NOTE C - MARKETABLE SECURITIES

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

NOTE D - INVENTORIES

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

NOTE E - REVENUE RECOGNITION

The Company recognizes revenue on wholesale sales when products are shipped pursuant to our standard terms which are freight on board (FOB) warehouse. Sales reductions for anticipated discounts and allowances are recognized when sales are recorded. Customers retain the right to product replacement or a discount for poor quality or improper or short shipments, which have historically been immaterial. Retail sales are recognized when the payment is received from customers and are recorded net of returns. The Company earns commission income as a buying agent through its Adesso-Madden Division by arranging to produce private label shoes to the specifications of its customers. Commission revenue is recognized as earned when title of the product transfers from the manufacturer to the customer and is recorded net basis.

Notes to Consolidated Financial Statements - Unaudited
June 30, 2005
(\$ in thousands except per share data)

NOTE E - REVENUE RECOGNITION (CONTINUED)

The Company licenses its Steve Madden trademark for use in connection with the manufacturing, marketing and sale of belts, sunglasses, eyewear and hosiery products. Each license agreement requires the licensee to pay to the Company a royalty and advertising fee based on net sales. A minimum royalty and advertising fee is due the Company in the event that specified net sales targets are not achieved. Licensing revenue is recognized on the basis of net sales reported by the licensees or, if greater, minimum guaranteed royalties when received and earned. In substantially all of the Company's license agreements, the minimum guaranteed royalty is earned and payable on a quarterly basis.

NOTE F - SALES DEDUCTIONS

The Company supports retailers' initiatives to maximize the sales of its products on the retail floor by subsidizing the co-op advertising programs of such retailers, providing them with inventory markdown allowances and participating in various other marketing initiatives of its major customers. These expenses are reflected in the financial statements as deductions to sales. For the three- and six-month periods ended June 30, 2005, the total deduction to sales for these expenses was \$9,223 and \$17,739, respectively, as compared to \$6,839 and \$14,624 for the comparable periods in 2004.

NOTE G - COST OF SALES

All costs incurred to bring finished products to the Company's distribution center are included in the cost of sales line item on the Consolidated Statement of Operations. These include purchase commissions, letter of credit fees, brokerage fees, FOB costs, sample expenses, custom duty, inbound freight, labels and product packaging. All warehouse and distribution costs are included in the operating expenses line item of the Company's Consolidated Statement of Operations. The Company classifies all shipping costs to customers as operating expenses. The Company's gross margins may not be comparable to other companies in the industry because some companies may include warehouse and distribution costs as a component of cost of sales, while other companies report on the same basis as the Company and include them in operating expenses.

NOTE H - IMPAIRMENT OF COST IN EXCESS OF FAIR VALUE OF NET ASSETS ACQUIRED

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. The acquisition was recorded at a total cost of approximately \$703, including related expenses, of which \$635 was allocated to cost in excess of fair value of the identifiable net assets acquired ("goodwill"). Prior to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" in 2002, the Company had amortized approximately \$116 of the goodwill, resulting in a net value of \$519. During the year ended December 31, 2004, the Company operated four stores under the Shoe Biz name. In order to consolidate its resources to the Steve Madden brand, the Company has decided to discontinue using the Shoe Biz name. As a result, as of June 30, 2005, one Shoe Biz store has been converted to a Steve Madden store, while two other Shoe Biz stores have been closed. The remaining store operating under the Shoe Biz name has generated operating losses during the last two fiscal years and the net present value of the future cash flows of this store is negative. As a result, the entire balance of the goodwill of \$519 is considered impaired and is recognized as a reduction of income in the second quarter of 2005.

NOTE I - NET INCOME PER SHARE OF COMMON STOCK

Basic income per share is based on the weighted average number of common shares outstanding during the period. Diluted income per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and the proceeds thereof were used to purchase outstanding common shares. Diluted income per share also reflects the unvested and un-issued shares promised to employees that have a dilutive effect. For the three- and six-month periods ended June 30, 2005, approximately 1,281,000 and 1,242,000 stock options, respectively, have been excluded from the calculation because inclusion of such shares would be anti-dilutive, as compared to approximately 100,000 shares excluded for the three- and six-months ended June 30, 2004.

Notes to Consolidated Financial Statements - Unaudited
 June 30, 2005
 (\$ in thousands except per share data)

NOTE J - STOCK-BASED COMPENSATION

SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123), encourages the use of the fair value based method of accounting for stock-based employee compensation. Alternatively, SFAS No. 123 allows entities to continue to apply the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees" ("APB Opinion 25"), and related interpretations and provide pro forma disclosures of net income and earnings per share, as if the fair value based method of accounting had been applied to employee awards. The Company has elected to continue to apply the provisions of APB Opinion 25 and provide the disclosures required by SFAS No. 123 and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", which was released in December 2003 as an amendment of SFAS No. 123. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all awards.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Reported net income	\$ 5,286	\$ 4,090	\$ 6,248	\$ 8,216
Stock-based employee compensation included in reported net income, net of tax	83	99	165	197
Stock-based employee compensation determined under the fair value based method, net of tax	(499)	(705)	(1,038)	(1,518)
Pro forma net income	\$ 4,870	\$ 3,484	\$ 5,375	\$ 6,895
Basic income per share:				
As reported	\$ 0.40	\$ 0.31	\$ 0.47	\$ 0.62
Pro forma	\$ 0.37	\$ 0.26	\$ 0.41	\$ 0.52
Diluted income per share:				
As reported	\$ 0.39	\$ 0.28	\$ 0.46	\$ 0.57
Pro forma	\$ 0.36	\$ 0.24	\$ 0.39	\$ 0.48

NOTE K - COMPREHENSIVE INCOME

Comprehensive income for the three- and six-month periods ended June 30, 2005, after considering other comprehensive income including unrealized gain (loss) on marketable securities of \$163 and \$(167) was \$5,449 and \$6,081, respectively. For the comparable periods ended June 30, 2004, after considering other comprehensive (losses) on marketable securities of \$(886) and \$(902), comprehensive income was \$3,204 and \$7,314, respectively.

NOTE L - RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board ("FASB") issued the SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"), which replaced SFAS No. 123, "Accounting for Stock-Based Compensation," and superceded APB Opinion 25, "Accounting for Stock Issued to Employees." SFAS 123R requires that all share-based payments to employees be recognized in the financial statements based on their fair values on the date of grant. The Company currently uses the intrinsic value method to measure compensation expense for stock-based awards. Note J above, entitled "Stock-Based Compensation", provides pro forma net income and earnings per share as if the Company had used a fair-value based method provided by SFAS 123R to measure stock-based compensation for the periods ending June 30, 2005 and 2004. On April 14, 2005, the SEC amended the compliance dates for SFAS 123R, which extended the Company's required adoption date of SFAS 123R to the first quarter of 2006. The Company is evaluating the requirements of SFAS 123R and expects that its adoption will have a material impact on the Company's results of operations and earnings per share.

Notes to Consolidated Financial Statements - Unaudited
June 30, 2005
(\$ in thousands except per share data)

NOTE M - COMMITMENTS, CONTINGENCIES AND OTHER

[1] Indictment:

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

On May 3, 2002, Mr. Madden was sentenced in the United States District Court for the Eastern District of New York to forty-one (41) months' imprisonment in connection with the remaining two charges to which he pled guilty. The sentences ran concurrently. Under the settlement agreement with the Securities and Exchange Commission, Mr. Madden agreed not to serve as an officer or director of a publicly traded company for 7 years. Neither the indictments nor the Securities and Exchange Commission complaint allege any wrongdoing by the Company or its other officers and directors. Mr. Madden began serving his sentence in September of 2002. On April 14, 2005, Mr. Madden was released from federal prison and has returned to work at the Company as its Creative and Design Chief, a non-executive position.

In December 2001, the Company purchased a loss mitigation policy to cover costs arising out of lawsuits related to the June 2000 federal indictment of Steven Madden described above. The policy covers the Company's anticipated damages and legal costs in connection with such lawsuits. The Company is obligated to pay for damages and costs in excess of the policy limits. The cost of the policy was \$6.9 million. On June 1, 2004, the aforementioned lawsuits were settled for damages and costs that were below the policy limits.

[2] Other Actions:

(a) On December 15, 2003, the Company commenced an action against LaRue Distributors, Inc. ("LaRue") in the United States District Court for the Southern District of New York. The Company sought a declaratory judgment that the Company properly terminated a license agreement with LaRue and monetary damages for breach of the license agreement and trademark infringement by LaRue. On January 20, 2004, LaRue served an answer and counterclaim alleging that the license agreement was improperly terminated by the Company and seeking \$9,900,000 in compensatory damages, as well as additional punitive damages. The parties served cross-motions for summary judgment which were submitted to the court on February 28, 2005. On August 1, 2005, the parties agreed to a settlement pursuant to which the Company paid LaRue \$1,500,000 in full satisfaction of any and all claims relating to this action. A Stipulation of Dismissal, with prejudice, has been filed with the court and the parties have exchanged general releases. The Company has reserved the full amount of the settlement on its June 30, 2005 financial statements.

Notes to Consolidated Financial Statements - Unaudited
 June 30, 2005
 (\$ in thousands except per share data)

NOTE L - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

[2] Other Actions (Continued):

- (b) On or about July 9, 2004, an action was filed in the United States District Court for the Southern District of New York against the Company by Robert Marc for trademark infringement, captioned Robert Marc v. Steven Madden, Ltd. Case No. 04 CV 5354 (JGK). In the action, Robert Marc claimed trademark infringement in connection with a "bar and dot" design on the sides of certain eyewear. The alleged infringing eyeglasses are manufactured and sold by the Company's licensee for eyewear, Colors in Optics, which is also a defendant in the action. Colors in Optics has assumed responsibility for the defense of this action. The matter was settled with no payment of money by Steven Madden, Ltd. The case was dismissed on May 10, 2005.
- (c) On or about December 20, 2004, an action was filed in the United States District Court for the Central District of California against the Company by Global Brand Marketing, Inc. (GBMI) for patent infringement, captioned Global Brand Marketing, Inc. v. Steven Madden, Ltd., Case No. CV 04-10339 (RJK-AJW (RZx)). In the action, GBMI claims infringement of a design patent in connection with a shoe sold by Steven Madden, Ltd. referred to as the "Ronan." The parties settled the matter on or about April 5, 2005 and a dismissal was filed on April 27, 2005. The settlement did not have a material effect on the Company's financial position.
- (d) The Company has been named as a defendant in certain other lawsuits in the normal course of business. In the opinion of management, after consulting with legal counsel, the liabilities, if any, resulting from these matters should not have a material effect on the Company's financial position or results of operations. It is the policy of management to disclose the amount or range of reasonably possible losses in excess of recorded amounts.

[3] Employment agreements:

- (a) Effective as of July 1, 2005, the Company amended its employment agreement with Steven Madden, the Company's Creative and Design Chief. The agreement provides for an annual salary of \$600,000, subject to certain specified adjustments, through June 30, 2015. The agreement also provides for annual bonuses based on EBITDA and on revenue for any new business, an annual option grant at exercise prices equal to the market price on the date of grant and a non-accountable expense allowance.
- (b) Effective as of July 1, 2005, the Company entered into an employment agreement with Awadhesh Sinha, pursuant to which Mr. Sinha will serve as the Company's Chief Operating Officer. The initial term of the agreement is three years through June 30, 2008, with successive one-year automatic renewal terms. The agreement provides for an annual salary of \$425,000 with annual increases and an annual performance bonus. The agreement requires the Company to accrue deferred cash compensation equal to 25% of the annual salary, payable to Mr. Sinha at the end of the term of the agreement.
- (c) Effective as of May 23, 2005, the Company amended its employment agreement with Richard Olicker, the Company's President. The agreement provides for an annual salary of \$453,747 through December 31, 2005. The agreement also provides for an annual performance bonus.

[4] Due From Factor:

On July 1, 2005, the Company entered into a factoring agreement with GMAC Commercial Finance LLC ("GMAC"). Under the terms of the agreement, the Company may request advances from GMAC of up to 80% of the aggregate receivables purchased by GMAC at an interest rate of two and one-half percent (2.5%) over the 30 day LIBOR. The Company will also pay a fee of 0.325% of the gross invoice amount of each receivable purchased. The Company assigns a substantial portion of its receivables, principally without recourse, to its factor. The agreement provides the Company with a \$25 million credit facility with a \$15 million sub-limit on direct borrowings. GMAC will maintain a lien on all of the Company's receivables and assume the credit risk for all assigned accounts approved by them with certain restrictions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the unaudited 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.

Overview:
(\$ in thousands, except retail sales data per square foot and earnings per share)

The Company's earnings per share increased 39% to \$0.39 per share for the quarter ended June 30, 2005 compared to \$0.28 per share for the same quarter of 2004. Three of management's strategic initiatives contributed to the Company's earnings growth in the quarter:

1. The Company continued to grow the Retail Division by opening 3 new stores in the current quarter. As of June 30, 2005, the Company has 95 stores in operation as compared to 83 stores last year. This increase in the number of stores combined with an increase of comparable store sales (sales in stores that were in operation throughout all of the second quarters of 2005 and 2004) of 14% resulted in an increase of net sales in the Retail Division of 23% to \$32,627 in the quarter ended June 30, 2005 compared to \$26,430 for the same period of last year.
2. The Company's decision to broaden its product line paid dividends this quarter. This is exemplified by the Madden Mens Wholesale Division ("Madden Mens") which has diversified its offerings and has developed a basic open stock business with departments stores. Net sales in the Madden Mens increased 138% to \$15,360 in the second quarter of 2005 compared to \$6,452 in the same period of 2004. Another example of the Company's success in expanding its product line is the Company's entree into the young women and girls market via the Candie's Wholesale Division ("Candie's"). Now in its second year of operation, Candie's net sales increased 53% to \$5,711 in the second quarter of 2005 compared to \$3,735 in the same period last year.
3. Recently implemented "cut-to-order" inventory controls in the l.e.i. Footwear Wholesale Division ("l.e.i.") and Stevies Inc. ("Stevies") have resulted in reduced inventory levels while increasing gross profit percentages.

In the Retail Division, same store sales (sales in stores that were in operation throughout all of the second quarters of 2005 and 2004) increased 14%. This growth in comparable store sales came on top of a 15% comparable store sales growth achieved last year. Store sales productivity remained high with sales per square foot of \$662 compared to \$665 last year. The Company is planning to open six to nine new stores during the balance of 2005.

The Company's annualized inventory turnover decreased to 7.7 times in the second quarter of 2005 compared to 8.0 times in the first quarter of 2005, reflecting an increase in Madden Mens inventory required for the open stock business. The Company's accounts receivable average collection days remained at 65 days in both the second quarters of 2005 and 2004.

As of June 30, 2005, the Company had \$83,802 in cash, cash equivalents and marketable securities, no short or long-term debt, and total stockholders equity of \$166,396. Working capital increased to \$107,041 as of June 30, 2005 compared to \$101,417 on December 31, 2004. The Company repurchased 135,000 shares of common stock this quarter at a cost of \$2,241, reflecting management's continued confidence in the Company's long-term prospects and its commitment to enhance shareholder value.

The following tables set forth information on operations for the periods indicated:

Selected Financial Information
Six Months Ended
June 30
(\$ in thousands)

	2005		2004	
Consolidated:				

Net Sales	\$ 184,294	100%	\$ 165,002	100%
Cost of Sales	117,466	64	101,018	61
Gross Profit	66,828	36	63,984	39
Other Operating Income	4,566	2	3,227	2
Operating Expenses	60,997	33	54,055	33
Impairment of cost in excess of fair value of net assets acquired	519	0	--	
Income from Operations	9,878	5	13,156	8
Interest and Other Income Net	894	1	1,009	1
Income Before Income Taxes	10,772	6	14,165	9
Net Income	6,248	3	8,216	5
By Segment				
WHOLESALE DIVISIONS:				

Steven Madden, Ltd.				

Madden Womens:				

Net Sales	\$ 59,446	100%	\$ 56,498	100%
Cost of Sales	42,583	72	38,083	67
Gross Profit	16,863	28	18,415	33
Other Operating Income	1,176	2	1,240	2
Operating Expenses	16,128	27	14,312	25
Income from Operations	1,911	3	5,343	10
l.e.i. Footwear:				

Net Sales	\$ 15,894	100%	\$ 21,728	100%
Cost of sales	10,614	67	14,583	67
Gross Profit	5,280	33	7,145	33
Operating Expenses	4,058	25	5,989	28
Income from Operations	1,222	8	1,156	5
Madden Mens:				

Net Sales	\$ 26,464	100%	\$ 13,021	100%
Cost of sales	16,204	61	9,097	70
Gross Profit	10,260	39	3,924	30
Operating Expenses	6,147	23	3,590	28
Income from Operations	4,113	16	334	2
Candie's Footwear:				

Net Sales	\$ 9,736	100%	\$ 6,951	100%
Cost of sales	6,874	71	4,717	68
Gross Profit	2,862	29	2,234	32
Operating Expenses	2,831	29	1,889	27
Income from Operations	31	0	345	5

Selected Financial Information
Six Months Ended
June 30
(\$ in thousands)

	2005	100%	2004	100%
By Segment (Continued)				
WHOLESALE DIVISIONS (Continued)				

Diva Acquisition Corp. (Steven):				

Net Sales	\$ 9,064	100%	\$ 11,091	100%
Cost of sales	6,900	76	6,461	58
Gross Profit	2,164	24	4,630	42
Operating Expenses	2,564	28	2,463	22
Income (Loss) from Operations	(400)	(4)	2,167	20
Stevies Inc.:				

Net Sales	\$ 3,862	100%	\$ 5,488	100%
Cost of sales	2,852	74	3,751	68
Gross Profit	1,010	26	1,737	32
Operating Expenses	907	23	1,386	25
Income from Operations	103	3	351	7
Unionbay Men's Footwear:				

Net Sales	\$ 726	100%	\$ 94	100%
Cost of Sales	526	72	151	161
Gross Profit (Loss)	200	28	(57)	(61)
Operating Expenses	163	23	338	359
Income (Loss) from Operations	37	5	(395)	(420)
RETAIL DIVISION:				

Steven Madden Retail Inc.:				

Net Sales	\$ 59,102	100%	\$ 50,131	100%
Cost of Sales	30,913	52	24,175	48
Gross Profit	28,189	48	25,956	52
Operating Expenses	26,657	45	22,911	46
Impairment of cost in excess of fair value of net assets acquired	519	1	--	
Income from Operations	1,013	2	3,045	6
Number of Stores	95		83	
ADESSO MADDEN INC.:				

(FIRST COST)				
Other Operating Revenue	\$ 3,390	100%	\$ 1,987	100%
Operating Expenses	1,542	45	1,177	59
Income from Operations	1,848	55	810	41

Selected Financial Information
Three Months Ended
June 30
(\$ in thousands)

	2005		2004	
Consolidated:				

Net Sales	\$ 100,958	100%	\$ 86,234	100%
Cost of Sales	62,448	62	53,522	62
Gross Profit	38,510	38	32,712	38
Other Operating Income	2,619	3	1,811	2
Operating Expenses	31,953	31	27,947	32
Impairment of cost in excess of fair value of net assets acquired	519	1	--	
Income from Operations	8,657	9	6,576	8
Interest and Other Income Net	456	0	475	0
Income Before Income Taxes	9,113	9	7,051	8
Net Income	5,286	5	4,090	5
 By Segment				
 WHOLESALE DIVISIONS:				

Steven Madden, Ltd.				

Madden Womens:				

Net Sales	\$ 31,538	100%	\$ 30,964	100%
Cost of Sales	22,020	70	21,380	69
Gross Profit	9,518	30	9,584	31
Other Operating Income	596	2	720	2
Operating Expenses	8,415	27	7,488	24
Income from Operations	1,699	5	2,816	9
 l.e.i. Footwear:				

Net Sales	\$ 8,679	100%	\$ 10,603	100%
Cost of sales	5,678	65	7,263	68
Gross Profit	3,001	35	3,340	32
Operating Expenses	2,006	23	3,079	29
Income from Operations	995	12	261	3
 Madden Mens:				

Net Sales	\$ 15,360	100%	\$ 6,452	100%
Cost of sales	9,077	59	4,689	73
Gross Profit	6,283	41	1,763	27
Operating Expenses	3,314	22	1,756	27
Income from Operations	2,969	19	7	0
 Candie's Footwear:				

Net Sales	\$ 5,711	100%	\$ 3,735	100%
Cost of sales	3,487	61	2,609	70
Gross Profit	2,224	39	1,126	30
Operating Expenses	1,356	24	930	25
Income from Operations	868	15	196	5

Selected Financial Information
Three Months Ended
June 30
(\$ in thousands)

		2005		2004	
		-----		-----	
By Segment (Continued)					
WHOLESALE DIVISIONS (Continued)					

Diva Acquisition Corp. (Steven):					

Net Sales	\$	4,839	100%	\$	5,842 100%
Cost of sales		4,147	86		3,541 61
Gross Profit		692	14		2,301 39
Operating Expenses		1,261	26		1,414 24
Income (Loss) from Operations		(569)	(12)		887 15
Stevies Inc.:					

Net Sales	\$	1,890	100%	\$	2,163 100%
Cost of sales		1,394	74		1,598 74
Gross Profit		496	26		565 26
Operating Expenses		442	23		703 32
Income (Loss) from Operations		54	3		(138) (6)
Unionbay Men's Footwear:					

Net Sales	\$	314	100%	\$	45 100%
Cost of Sales		275	88		95 211
Gross Profit (Loss)		39	12		(50) (111)
Operating Expenses		84	27		175 389
Loss from Operations		(45)	(15)		(225) (500)
RETAIL DIVISION:					

Steven Madden Retail Inc.:					

Net Sales	\$	32,627	100%	\$	26,430 100%
Cost of Sales		16,370	50		12,347 47
Gross Profit		16,257	50		14,083 53
Operating Expenses		14,255	44		11,807 45
Impairment of cost in excess of fair value of net assets acquired		519	1		--
Income from Operations		1,483	5		2,276 8
Number of Stores		95			83
ADESSO MADDEN INC.:					

(FIRST COST)					
Other Operating Revenue	\$	2,023	100%	\$	1,091 100%
Operating Expenses		820	41		595 55
Income from Operations		1,203	59		496 45

RESULTS OF OPERATIONS
(\$ in thousands)

Six Months Ended June 30, 2005 compared to Six Months Ended June 30, 2004

Consolidated:
- - - - -

Total net sales for the six-month period ended June 30, 2005 increased by 12% to \$184,294 from \$165,002 for the comparable period last year. Sales increases from the Madden Mens, the Candie's, the Retail Division and Madden Womens Wholesale Division were partially offset by declines in Diva Acquisition Corp. ("Steven"), l.e.i. and Stevies.

Gross profit as a percentage of sales decreased to 36% in 2005 from 39% in 2004. The decline in the gross profit occurred in the first quarter and was the result of the Company's decision to closeout slow moving inventory. Additionally, the weaker than anticipated performance of the l.e.i., Candie's and Steven Wholesale Divisions at retail necessitated high levels of inventory markdowns which resulted in lower than expected margins. Finally, the heavy and persistent promotional activities throughout the first quarter negatively affected the gross profit.

Operating expenses increased to \$60,997 in 2005 from \$54,055 in 2004. One reason for this increase is the Company's recognition of a reserve for a pending legal settlement of \$1,500. Other contributing factors were an increase in direct selling expenses, an increase of professional and accounting fees incurred by the Company in connection with managements assessment and the audit of internal controls pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, and increased payroll and occupancy expenses associated with the operation of an additional twelve retail stores (net).

Income from operations was \$9,878 in 2005 compared to \$13,156 in 2004. Net income decreased to \$6,248 in 2005 from \$8,216 in 2004, primarily because of the erosion of the gross profit and the increase in operating expenses as described above.

Wholesale Divisions:
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Steven Madden, Ltd. (Madden Womens, l.e.i., Madden Mens and Candie's):

Sales from the Madden Womens Wholesale Division ("Madden Womens") accounted for \$59,446 or 32%, and \$56,498 or 34%, of total sales in 2005 and 2004, respectively. The increase resulted from higher sales to specialty footwear retailers as well as Nordstrom, Dillard's, May and Federated and because of improved sell-throughs at retail floors. Gross profit as a percentage of sales declined to 28% in 2005 from 33% in 2004, primarily due to the closeout of slow moving inventory in the first quarter and an increase in markdowns and allowances caused by higher promotional activities at retail. Operating expenses increased to \$16,128 in 2005 compared to \$14,312 in 2004. The increase was due to the provision of \$1,500 for settlement of the LaRue litigation case as well as an increase of professional and accounting fees incurred by the Company in connection with management's assessment and the audit of internal controls pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and to other volume related expenses. These expense increases were partially offset by a \$700 reduction in advertising and marketing expenditures. Income from operations for Madden Womens was \$1,911 in 2005 compared to \$5,343 in 2004.

Sales from l.e.i. accounted for \$15,894 or 9%, and \$21,728 or 13%, of total sales in 2005 and 2004, respectively. This decrease in sales was primarily caused by planned reductions and elimination of marginally profitable accounts. Although gross profit as a percentage of sales remained at 33% in 2005 and 2004, it increased 3% during the second quarter. Operating expenses decreased to \$4,058 in 2005 from \$5,989 in 2004 due to decreases in payroll expense and selling and related expenses. Income from operations for l.e.i. was \$1,222 in 2005 compared to \$1,156 in 2004.

Sales from Madden Mens accounted for \$26,464 or 14%, and \$13,021 or 8%, of total sales in 2005 and 2004, respectively. This 103% increase in sales was driven by an increase in the number of doors at Dillard's and Nordstrom, and the introduction of new catalogue and online programs. The division continued its success with "jean-friendly" products while dress offerings were also successful, giving the division a broader and more balanced collection. Gross profit as a percentage of sales increased to 39% in 2005 from 30% in 2004 reflecting the division's substantial reductions of markdown and allowances expense and lower levels of close-out sales. Operating expenses increased to \$6,147 in 2005 from \$3,590 in 2004, due to increases in payroll expenses, selling and related expenses and advertising and marketing expenditures. Operating expenses as a percentage of sales decreased to 23% in 2005 compared to 28% in 2004. Income from operations for Madden Mens was \$4,113 in 2005 compared to \$334 in 2004.

Sales from Candie's accounted for \$9,736 or 5%, and \$6,951 or 4%, of total sales in 2005 and 2004, respectively. Pursuant to a recent amendment to the licensing agreement, Candie's products were launched at Kohl's stores in addition to its normal channels of distribution. Beginning on January 1, 2007, the Company will be permitted to sell Candie's branded footwear only to Kohl's. Due to the timing of the announcement of the Kohl's arrangement at the front end of the Spring 2005 season and the reluctance of some customers to invest longer term in Candie's, during the first quarter of 2005, the Company embarked on an aggressive liquidation strategy which severely affected the gross profit, positioning the Company for a clean launch with Kohl's for the upcoming fall season. Despite a considerable increase in the gross profit in the second quarter of 2005, the liquidation strategy in the first quarter caused the gross profit as a percentage of sales to decrease to 29% in 2005 from 32% in 2004. Operating expenses increased to \$2,831 in 2005 from \$1,889 in 2004 due to increases in payroll expenses, licensing fees and selling and selling related expenses in order to position the Company for the top line growth. Income from operations for Candie's was \$31 in 2005 compared to \$345 in 2004.

Diva Acquisition Corp. ("Steven"):

Sales from Steven accounted for \$9,064 or 5%, and \$11,091 or 7%, of total sales in 2005 and 2004, respectively. The decrease in sales was due to disappointing sales of closed toe dress shoes in the first quarter, which was last year's bestseller. Additionally, last Fall's disappointing boot season caused Steven's customers to trim initial boot orders this year resulting in a decrease in full price boot shipments in the month of June. Gross profit as a percentage of sales decreased to 24% in 2005 from 42% in 2004, primarily due to the liquidation of slow moving inventory and an increase in markdowns and allowances caused by higher levels of promotional activities at retail in 2005. Operating expenses increased marginally to \$2,564 in 2005 from \$2,463 in 2004. Loss from operations for Steven was \$400 in 2005 compared to income from operation of \$2,167 in 2004.

Stevies Inc. ("Stevies"):

Sales from Stevies accounted for \$3,862 or 2%, and \$5,488 or 3%, of total sales in 2005 and 2004, respectively. The decrease was due to the poor performance of Stevies products at retail. Gross profit as a percentage of sales decreased to 26% in 2005 from 32% in 2004, primarily due to an increase in returns and allowances. Operating expenses decreased to \$907 in 2005 from \$1,386 in 2004 due to decreases in payroll and selling related expenses. Income from operations for Stevies was \$103 in 2005 compared to \$351 in 2004.

Unionbay Men's Footwear ("Unionbay"):

Unionbay, the Company's license for young men's footwear, generated net sales of \$726 in 2005 compared to \$94 in 2004. This increase was the result of the re-launch of Unionbay this spring in Kohl's stores. Income from operations for Unionbay was \$37 in 2005 compared to a loss from operations of \$395 in 2004.

Retail Division:

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Sales from the Retail Division accounted for \$59,102 or 32% and \$50,131 or 30% of total sales in 2005 and 2004, respectively. As of June 30, 2005, there were 95 retail stores compared to 83 as of June 30, 2004. Comparable store sales (sales of those stores that were open for all of 2005 and 2004) for the six-month period ended June 30, 2005 increased 9% over the same period of 2004. This growth in comparable store sales came on top of a 12% comparable store sales growth achieved last year. This increase was achieved through the early release and success of the opened up sandals in spring, higher average selling prices in the core women's footwear category and a substantial growth in Men's volume at the stores. Gross profit as a percentage of sales decreased to 48% in 2005 from 52% in 2004, primarily due to an increase in promotional activity and the liquidation of slow moving inventory. Operating expenses for the Retail Division were \$26,657 in 2005 and \$22,911 in 2004. This increase in operating expense was primarily due to increased payroll and payroll related expenses and an increase in occupancy and other variable costs associated with the operation of an additional twelve stores (net) since last year. In addition, direct selling and selling related expenses increased. Income from operations for the Retail Division was \$1,013 in 2005 compared to \$3,045 in 2004.

Adesso-Madden Division:

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Adesso-Madden, Inc. generated commission revenues of \$3,390 in 2005, compared to \$1,987 in 2004. This increase was the result of increases in commission revenue from certain private label customers, expansion of the Company's private label business in Men's, the addition of several new specialty retailers to the private label agency list and the cumulative contribution of commissions on international sales made on a direct-from-factory basis. Income from operations for Adesso-Madden was \$1,848 in 2005 compared to \$810 in 2004.

Three Months Ended June 30, 2005 compared to Three Months Ended June 30, 2004

Consolidated:
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Total net sales for the three-month period ended June 30, 2005 increased by 17% to \$100,958 from \$86,234 for the comparable period of 2004. Sales increases from the Retail Division, Madden Mens, Madden Womens and Candie's were offset by declines in l.e.i., Steven and Stevies. Gross profit percentage remained unchanged at 38% in 2005 and 2004.

Operating expenses increased to \$31,953 in 2005 from \$27,947 in 2004. One reason for this increase was the Company's decision to record an additional reserve for a pending legal settlement of \$1,150. Other contributing factors were an increase in direct selling expenses and increased payroll and occupancy expenses associated with the operation of an additional twelve retail stores (net) and volume related expenses resulting from the growth in revenues of Madden Mens.

Income from operations was \$8,657 in 2005 compared to \$6,576 in 2004. Net income increased to \$5,286 in 2005 compared to \$4,090 in 2004. The increase in income was primarily the result of the growth in sales.

Wholesale Divisions:
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Steven Madden, Ltd. (Madden Womens, l.e.i., Madden Mens and Candie's):

Sales from Madden Womens accounted for \$31,538 or 31%, and \$30,964 or 36%, of total sales in 2005 and 2004, respectively. This increase in sales was the result of a broader product assortment. Gross profit as a percentage of sales decreased to 30% in 2005 from 31% in 2004, primarily due to an increase in returns and allowances. Operating expenses increased to \$8,415 in 2005 compared to \$7,488 in 2004 due to the provision of \$1,150 for settlement of the LaRue litigation case. Income from operations for Madden Womens was \$1,699 in 2005 compared to \$2,816 in 2004.

Sales from l.e.i. accounted for \$8,679 or 9%, and \$10,603 or 12%, of total sales in 2005 and 2004, respectively. This decrease in sales was primarily caused by planned reduction and elimination of marginally profitable accounts. Gross profit as a percentage of sales increased to 35% in 2005 from 32% in 2004 primarily due to a decrease in the level of close out sales in the quarter. Operating expenses decreased to \$2,006 in 2005 from \$3,079 in 2004 due to decreases in payroll and selling and related expenses. These expense decreases resulted in a decrease in operating expenses as a percentage of sales to 23% in 2005 from 29% in 2004. Income from operations for l.e.i. was \$995 in 2005 compared to \$261 in 2004.

Sales from Madden Mens accounted for \$15,360 or 15%, and \$6,452 or 7%, of total sales in 2005 and 2004, respectively. The sales increase was driven by an increase in the number of doors at Dillard's and Nordstrom and the introduction of new catalogue and online programs. The division continued its success with "jean-friendly" product while dress offerings were also successful, giving the Division a broader and more balanced collection. Gross profit as a percentage of sales increased to 41% in 2005 from 27% in 2004 due to a substantial decrease in markdowns and allowances. Operating expenses increased to \$3,314 in 2005 from \$1,756 in 2004, due to increases in payroll expenses, advertising expense and selling and related expenses. Income from operations for Madden Mens was \$2,969 in 2005 compared to \$7 in 2004.

Sales from Candie's accounted for \$5,711 or 6%, and \$3,735 or 4%, of total sales in 2005 and 2004, respectively. The primary reason for the sales increase was the initial shipment of product to Kohl's in both the children's and women's footwear categories. Gross profit percentage increased to 39% in 2005 from 30% in 2004 due to increased efficiency in inventory procurement resulting in lower average inventory costs. Operating expenses increased to \$1,356 in 2005 from \$930 in 2004, due to increases in payroll expenses and selling and related expenses. Income from operations for Candie's was \$868 in 2005 compared to \$196 in 2004.

Diva Acquisition Corp. ("Steven"):

Sales from Steven accounted for \$4,839 or 5%, and \$5,842 or 7%, of total sales in 2005 and 2004, respectively. The sales decrease was the result of last Fall's disappointing boot season, which caused Steven's customers to trim initial boot orders this year resulting in a decrease in full price boot shipments in the month of June. Gross profit as a percentage of sales decreased to 14% in 2005 from 39% in 2004 due to the liquidation of slow moving inventory and an increase in markdowns and allowances. Operating expenses decreased to \$1,261 in 2005 from \$1,414 in 2004 due to a decrease in selling and related expenses. Loss from operations for Steven was \$569 in 2005 compared to income from operations of \$887 in 2004.

Stevies Inc. ("Stevies"):

Sales from Stevies accounted for \$1,890 or 2%, and \$2,163 or 3%, of total sales in 2005 and 2004, respectively. The decrease in sales was due to the products poor performance at retail. Gross profit as a percentage of sales remained at 26% in 2005 and 2004. Operating expenses decreased to \$442 in 2005 from \$703 in 2004 due to decreases in payroll and selling and related expenses. Income from operations for Stevies was \$54 in 2005 compared to loss from operations of \$138 in 2004.

Unionbay Men's Footwear ("Unionbay"):

Unionbay generated net sales of \$314 in 2005 compared to \$45 in 2004. This increase was the result of the re-launch of Unionbay this spring in Kohl's stores. Loss from operations for Unionbay was \$45 in 2005 compared to a loss of \$225 in 2004.

Retail Division:

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Sales from the Retail Division accounted for \$32,627 or 32% and \$26,430 or 31% of total sales in 2005 and 2004, respectively. As of June 30, 2005, there were 95 retail stores compared to 83 retail stores as of June 30, 2004. Comparable store sales (sales of those stores that were open for all of the second quarters of 2005 and 2004) for the three-month period ended June 30, 2005 increased 14% over the same period of 2004. This increase follows a 15% comparable store increase for the same period last year. This increase was achieved through a combination of higher average selling prices in the core women's footwear category and a substantial growth in Men's volume at the stores. In addition, other product categories such as handbags and belts contributed to the sales growth. Gross profit as a percentage of sales decreased to 50% in 2005 compared to 53% in 2004 due to the liquidation of slow moving inventory. Operating expenses for the Retail Division were \$14,255 in 2005 compared to \$11,807 in 2004. This increase in operating expense was primarily due to increased payroll and payroll related expenses and increases in occupancy and other variable costs associated with the operation of an additional twelve stores (net) since last year. In addition, direct selling expenses and advertising expenditures increased in 2005. Income from operations for the Retail Division was \$1,483 in 2005 compared to \$2,276 in 2004.

Adesso-Madden Division:

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Adesso-Madden, Inc. generated commission revenues of \$2,023 in 2005, compared to \$1,091 in 2004. This increase is primarily the result of significant increases in revenues from Target (Adesso-Madden's largest customer) as well as an increased commission contribution from international sales. Income from operations for Adesso-Madden was \$1,203 in 2005 compared to \$496 in 2004.

LICENSE AGREEMENTS

Revenue generated from licensing was \$1,176 in the first six months of 2005 compared to \$1,240 for the same period in 2004. As of June 30, 2005, the Company had four license partners covering four product categories of its Steve Madden brand. The product categories include, hosiery, sunglasses, eyewear and belts.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of \$107,041 at June 30, 2005 compared to \$101,417 at December 31, 2004. The Company's net income for the six months ended June 30, 2005 was the primary contributor to the increase in working capital.

Under the terms of a factoring agreement with Capital, the Company was eligible to draw down 80% of its invoiced receivables at an interest rate of two points below the Prime Rate (as defined in said agreement). The agreement with Capital was terminated on June 30, 2005. Capital maintained a lien on all of the Company's receivables and assumed the credit risk for all assigned accounts approved by them. Under the agreement, the Company had a credit line of \$15 million. As of June 30, 2005 the Company had not used any portion of the credit line.

On July 1, 2005, the Company entered into a factoring agreement with GMAC Commercial Finance LLC (GMAC). The agreement provides the Company with a \$25 million credit facility with a \$15 million sub-limit on direct borrowings. The interest rate on borrowings is two and one-half percent (2.5%) over the 30 day LIBOR. GMAC will maintain a lien on all of the Company's receivables and assume the credit risk for all assigned accounts approved by them.

As of June 30, 2005 the Company had invested \$45,730 in marketable securities consisting of corporate bonds, U.S. Treasury notes, government asset-backed securities and equities.

The Company believes that based upon its current financial position and available cash and marketable securities, it will meet all of its financial commitments and operating needs for at least the next twelve months.

OPERATING ACTIVITIES

During the six-month period ended June 30, 2005, net cash provided by operating activities was \$12,031. Sources of cash were provided primarily by the following; net income; a decrease in inventories of \$3,333; a decrease in prepaid expenses, prepaid taxes, deposits and other assets of \$1,917; an increase in accounts payable and other accrued expenses of \$8,936. The primary use of cash was an increase in factored receivables of \$14,980, which is the result of an increase in sales during the months of May and June.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as of June 30, 2005 were as follows:

Payment due by period (in thousands)

Contractual Obligations	Total	Remainder of 2005	2006-2008	2009-2010	2011 and after
Operating Lease Obligations	\$ 81,520	\$ 5,966	\$ 35,288	\$ 17,916	\$ 22,350
Purchase Obligations	4,096	4,096	0	0	0
Other Long-Term Liabilities (future minimum royalty payments)	3,938	1,335	2,603	0	0
Total	\$ 89,554	\$ 11,397	\$ 37,891	\$ 17,916	\$ 22,350

At June 30, 2005, the Company had un-negotiated open letters of credit for the purchase of imported merchandise of approximately \$4,096.

The Company has an employment agreement with Steven Madden, its Creative and Design Chief, which provides for an annual base salary of \$600,000 subject to certain specified adjustments, through June 30, 2015. The agreement also provides for annual bonuses based on EBITDA and on revenue of any new business, an annual option grant at exercise prices equal to the market price on the date of grant and a non-accountable expense allowance.

The Company has employment agreements with certain executives, which provide for the payment of compensation aggregating approximately \$1,964 in 2005, \$1,391 in 2006 and \$1,175 in 2007. In addition, such employment agreements provide for incentive compensation based on various performance criteria as well as other benefits. The Chief Operating Officer of the Company is entitled to deferred compensation calculated as a percentage of his base salary.

Significant portions of the Company's products are produced at overseas locations, the majority of which are located in Brazil, China, Italy and Spain. The Company has not entered into any long-term manufacturing or supply contracts with any of these foreign companies. The Company believes that a sufficient number of alternative sources exist outside of the United States for the manufacture of its products. In addition, the Company currently makes approximately ninety-seven percent (97%) of its purchases in U.S. dollars.

INVESTING ACTIVITIES

During the six-month period ended June 30, 2005, the Company invested \$839 in marketable securities and received \$3,807 from maturities and sales of securities. In addition, the Company incurred capital expenditures of \$2,779 principally for leasehold improvements for the six additional retail stores that were opened during the period.

FINANCING ACTIVITIES

During the six-month period ended June 30, 2005, the Company repurchased 444,000 shares of the Company's common stock at a total cost of \$7,735.

INFLATION

The Company does not believe that the relatively low rates of inflation experienced over the last few years in the United States, where it primarily competes, have had a significant effect on sales, expenses or profitability.

OTHER CONSIDERATIONS

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

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

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

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

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

The Company generally enters into a number of purchase order commitments with its customers for each of its lines every season and does not enter into long-term agreements with any of its customers. Therefore, a decision by a significant customer of the Company, whether motivated by competitive conditions, financial difficulties or otherwise, to decrease the amount of merchandise purchased from the Company or to change its manner of doing business could have a material adverse effect on the Company's business, financial condition and results of operations. The Company sells its products primarily to retail stores across the United States and extends credit based on an evaluation of each customer's financial condition, usually without collateral. While various retailers, including some of the Company's customers, have experienced financial difficulties in the past few years which increased the risk of extending credit to such retailers, the Company's losses due to bad debts have been limited. Pursuant to the Factoring Agreement between Capital Factors and the Company, Capital Factors assumed the credit risk related to approximately 95% of the Company's accounts receivables through June 30, 2005. As of July 1, 2005, GMAC assumed the credit risk for the Company's accounts receivables (see Note M[4]). 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 account receivable.

Impact of Foreign Manufacturers: Substantial portions of the Company's products are currently sourced outside the United States through arrangements with a number of foreign manufacturers in four different countries. During the six-month period ended June 30, 2005, approximately 91% of the Company's products were purchased from sources outside the United States, primarily from China, Brazil, Italy and Spain.

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

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

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

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

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

Intense Industry Competition: The fashion footwear industry is highly competitive and barriers to entry are low. The Company's competitors include specialty companies as well as companies with diversified product lines. The recent market growth in the sales of fashionable footwear has encouraged the entry of many new competitors and increased competition from established companies. Most of these competitors, including Diesel, Kenneth Cole, Nine West, DKNY, Skechers, Nike and Guess, may have significantly greater financial and other resources than the Company and there can be no assurance that the Company will be able to compete successfully with other fashion footwear companies. Increased competition could result in pricing pressures, increased marketing expenditures and loss of market share, and could have a material adverse effect on the Company's business, financial condition and results of operations. The Company believes effective advertising and marketing, branding of the Steve

Madden name, fashionable styling, high quality and value are the most important competitive factors and plans to continually employ these elements as it develops its products. The Company's inability to effectively advertise and market its products could have a material adverse effect on the Company's business, financial condition and results of operations.

Expansion of Retail Business: The Company's continued growth depends to a significant degree on further developing the Steve Madden(R), Stevies, Steven, Steve Madden Mens, l.e.i.(R) , Unionbay(R) and Candie's(R) brands, creating new product categories and businesses and operating Company-owned stores on a profitable basis. During the first the first six months of 2005 the Company opened six Steve Madden retail stores and has plans to open approximately six to nine additional stores during the remainder of 2005. 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 management's expectations. 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 can be maintained or will increase 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 operations have increased and will continue to increase demand on the Company's managerial, operational and administrative resources. The Company has recently invested significant resources in, among other things, its management information systems and hiring and training new personnel. However, in order to manage currently anticipated levels of future demand, the Company may be required to, among other things, expand its distribution facilities, establish relationships with new manufacturers to produce its products, and continue to expand and improve its financial, management and operating systems. There can be no assurance that the Company will be able to manage future growth effectively and a failure to do so could have a material adverse effect on the Company's business, financial condition and results of operations.

Seasonal and Quarterly Fluctuations: The Company's results may fluctuate quarter to quarter as a result of the timing of holidays, weather, the timing of larger shipments of footwear, market acceptance of the Company's products, the mix, pricing and presentation of the products offered and sold, the hiring and training of additional personnel, inventory write downs, the cost of materials, the product mix between wholesale and licensing businesses, the incurrence of other operating costs and factors beyond the Company's control, such as general economic conditions and actions of competitors. In addition, the Company expects that its sales and operating results may be significantly impacted by the opening of new retail stores and the introduction of new products. Accordingly, the results of operations in any quarter will not necessarily be indicative of the results that may be achieved for a full fiscal year or any future quarter.

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

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

Outstanding Options: As of August 3, 2005 there were outstanding options to purchase an aggregate of approximately 1,850,253 shares of Common Stock. Holders of such options are likely to exercise them when, in all likelihood, the market price of the Company's stock is significantly higher than the exercise price of the options. Further, while its options are outstanding, they may adversely affect the terms on which the Company could obtain additional capital, if required.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not engage in the trading of market risk sensitive instruments in the normal course of business. Financing arrangements for the Company are subject to variable interest rates primarily based on LIBOR. An analysis of the Company's factoring agreements with Capital and GMAC can be found in the Liquidity and Capital Resource section under Item 2 of this document. As of December 31, 2004 and December 31, 2003, there were no direct borrowings outstanding under the credit agreement.

As of June 30, 2005, the Company had investments in marketable securities valued at \$45,730,000, which consists principally of federal and state obligations. These obligations have various maturities through December 2009. These investments are subject to interest rate risk and will decrease in value if market interest rates increase. The Company currently has the ability to hold these investments until maturity. Should there be a significant increase in interest rates, the value of these investments would be negatively affected unless they were held to maturity. In addition, any further decline in interest rates would reduce the Company's interest income.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of its disclosure controls and procedures as of the end of the fiscal quarter covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective as of the end of the fiscal quarter covered by this quarterly report. As required by Rule 13a-15(d) under the Exchange Act, the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the Company's internal controls over financial reporting to determine whether any changes occurred during the quarter covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this quarterly report.

Part II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Certain legal proceedings in which the Company is involved are discussed in Note M and Part I, Item 3 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004. The following discussion is limited to recent developments concerning certain of the Company's legal proceedings and should be read in conjunction with the Company's earlier SEC reports. Unless otherwise indicated, all proceedings discussed in those earlier reports remain outstanding.

Indictment:

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

On May 3, 2002, Mr. Madden was sentenced in the United States District Court for the Eastern District of New York to forty-one months' imprisonment in connection with the remaining two charges to which he pled guilty. The sentences ran concurrently. Under the settlement agreement with the Securities and Exchange Commission, Mr. Madden agreed to not serve as an officer or director of a publicly traded company for 7 years. Neither the indictments nor the Securities and Exchange Commission complaint allege any wrongdoing by the Company or its other officers and directors. Mr. Madden began serving his sentence in September of 2002. On April 14, 2005, Mr. Madden was released from federal prison and has returned to work at the Company as its Creative and Design Chief, a non-executive position.

In December 2001, the Company purchased a loss mitigation policy to cover costs arising out of lawsuits related to the June 2000 federal indictment of Steven Madden described above. The policy covers the Company's anticipated damages and legal costs in connection with such lawsuits. The Company is obligated to pay for damages and costs in excess of the policy limits. The cost of the policy was \$6.9 million. On June 1, 2004, the aforementioned lawsuits were settled for damages and costs that were below the policy limits.

Other Actions:

On December 15, 2003, the Company commenced an action against LaRue in the United States District Court for the Southern District of New York. The Company sought a declaratory judgment that the Company properly terminated a license agreement with LaRue and monetary damages for breach of the license agreement and trademark infringement by LaRue. On January 20, 2004, LaRue served an answer and counterclaim alleging that the license agreement was improperly terminated by the Company and seeking \$9,900,000 in compensatory damages, as well as additional punitive damages. The parties served cross-motions for summary judgment which were submitted to the court on February 28, 2005. On August 1, 2005, the parties agreed to a settlement pursuant to which the Company paid LaRue \$1,500,000 in full satisfaction of any and all claims relating to this action. A Stipulation of Dismissal, with prejudice, has been filed with the court and the parties have exchanged general releases.

On or about July 9, 2004, an action was filed in the United States District Court for the Southern District of New York against the Company by Robert Marc for trademark infringement, captioned Robert Marc v. Steven Madden, Ltd. Case No. 04 CV 5354 (JGK). In the action, Robert Marc claimed trademark infringement in connection with a "bar and dot" design on the sides of certain eyewear. The alleged infringing eyeglasses are manufactured and sold by the Company's licensee for eyewear, Colors in Optics, which is also a defendant in the action. Colors in Optics has assumed responsibility for the defense of this action. The matter was settled with no payment of money by Steven Madden, Ltd. The case was dismissed on May 10, 2005.

The Company has been named as a defendant in certain other lawsuits in the normal course of business. In the opinion of management, after consulting with legal counsel, the liabilities, if any, resulting from these matters should not have a material effect on the Company's financial position or results of operations. It is the policy of management to disclose the amount or range of reasonably possible losses in excess of recorded amounts.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table provides information as of June 30, 2005 with respect to the shares of common stock repurchased by the Company during the second quarter of fiscal 2005:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum dollar amount of Shares that May Yet Be Purchased Under the Plans or Programs (1)
4/1/05 - 4/30/05	125,900	16.67	125,900	\$27,707,146
5/1/05 - 5/31/05	8,900	16.00	8,900	\$27,564,748
6/1/05 - 6/30/05	0	0	0	\$27,564,748
Total	134,800	\$16.62	134,800	\$27,564,748

(1) The Company's share repurchase program, which became effective as of January 1, 2004, provides for share repurchases in the aggregate amount of \$20 million and has no set expiration or termination date. Subsequently, on February 28, 2005, the Board of Directors of the Company authorized and directed that the Company repurchase up to an additional \$25 million dollars of its outstanding common stock at such prices and time as are determined to be in the best interest of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of the Company held on May 27, 2005 (the "Annual Meeting"), the stockholders of the Company ratified the appointment of Eisner LLP and did not approve the issuance of 50,000 shares of the Company's common stock to each of Robert Schmertz and Harry Chen. In addition, the stockholders of the Company elected nine directors to serve until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified.

The affirmative vote of the holders of a majority of the total votes cast was required to ratify the appointment of Eisner LLP and to approve the issuance of 50,000 shares of the Company's common stock and the affirmative vote of a plurality of the votes cast by holders of shares of common stock was required to elect the directors.

With respect to the approval of the appointment of Eisner LLP, set forth below is information on the results of the votes cast at the Annual Meeting.

	For	Against	Abstained
Appointment of Eisner LLP	12,597,548	26,989	359,344

With respect to the approval of the issuance of 50,000 shares of our Common Stock to each of Robert Schmertz and Harry Chen, set forth below is the information on the results of the votes cast at the Annual Meeting.

	For	Against	Abstained
	-----	-----	-----
Robert Schmertz	4,710,730	6,119,373	390,535
Harry Chen	4,774,737	6,080,766	365,135

With respect to the election of directors, set forth below is information with respect to the nominees elected as directors of the Company at the Annual Meeting and the votes cast and/or withheld with respect to each such nominee.

Nominees	For	Withheld
-----	-----	-----
Jamieson A. Karson	12,365,002	618,879
Jeffrey Birnbaum	12,296,493	687,388
Marc S. Cooper	12,296,493	687,388
Harold Kahn	12,408,097	575,784
John L. Madden	12,285,098	698,783
Peter Migliorini	12,313,834	670,047
Thomas H. Schwartz	12,314,334	669,547
Awadhesh Sinha	12,430,297	553,584
Walter Yetnikoff	12,427,297	556,584

ITEM 6. EXHIBITS.

(a) Exhibits

(10.1) Third Amended and Restated Employment Agreement between the Company and Steven Madden, effective as of July 1, 2005 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 20, 2005).

(10.2) Employment Agreement between the Company and Awadhesh Sinha, dated as of June 15, 2005 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 21, 2005).

(10.3) Amendment Number 2 to Employment Agreement between the Company and Richard Olicker, dated as of May 23, 2005 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 16, 2005).

(31.1) Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

(31.2) Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

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

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

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: August 8, 2005

STEVEN MADDEN, LTD.

/S/ JAMIESON A. KARSON

Jamieson A. Karson
Chairman and Chief Executive Officer

/S/ ARVIND DHARIA

Arvind Dharía
Chief Financial Officer

Exhibit No -----	Description -----
10.1	Third Amended and Restated Employment Agreement between the Company and Steven Madden, effective as of July 1, 2005 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on July 20, 2005).
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32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

I, Jamieson A. Karson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Steven Madden, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c. disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 8, 2005

By: /s/ JAMIESON A. KARSON

Jamieson A. Karson
Chairman and Chief Executive Officer

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

I, Arvind Dharia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Steven Madden, Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - c. disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 8, 2005

By: /s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer

STEVEN MADDEN, LTD.
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Steven Madden, Ltd. (the "Company") on Form 10-Q for the quarter ended June 30, 2005 (the "Report"), I, Jamieson A. Karson, Chairman and Chief Executive Officer of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ JAMIESON A. KARSON

Jamieson A. Karson
Chairman and Chief Executive Officer
August 8, 2005

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

In connection with the quarterly report of Steven Madden, Ltd. (the "Company") on Form 10-Q for the quarter ended June 30, 2005 (the "Report"), I, Arvind Dharja, Chief Financial Officer of the Company, certify, pursuant to Section 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

/s/ ARVIND DHARIA

Arvind Dharja
Chief Financial Officer
August 8, 2005