UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2000

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

For the transition period from __________________ to _____________________

For Quarter Ended March 31, 2000 Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of Registrant as specified in its charter)

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

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

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

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

Yes [X] No [ ]

Class	Outstanding as of May 8, 2000
Common Stock	11,909,309

STEVEN MADDEN, LTD.
FORM 10-Q
QUARTERLY REPORT
MARCH 31, 2000

TABLE OF CONTENTS

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	MARCH 31, 2000 (Unaudited)	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 30,065	$ 37,361
Investments	0	257
Accounts receivable - net of allowances of $896 and $886	1,742	1,207
Due from factor - net of allowances of $788 and $624	20,423	12,146
Inventories	7,786	10,158
Prepaid expenses and other current assets	558	867
Deferred taxes	800	800
Total current assets	61,374	62,796
Property and equipment, net	13,380	11,114
Deferred taxes	1,612	1,612
Deposits and other	249	269
Cost in excess of fair value of net assets acquired - net of accumulated amortization of $471 and $436	2,309	2,344
	$ 78,924	$ 78,135
LIABILITIES		
Current liabilities:		
Current portion of lease payable	$ 122	$ 116
Accounts payable	7,141	6,542
Accrued expenses	3,325	2,528
Income tax payable	1,064	4,957
Accrued bonuses	274	577
Total current liabilities	11,926	14,720
Deferred rent	833	777
Lease payable, less current portion	165	203
	12,924	15,700
Contingencies (Note D)		
STOCKHOLDERS' EQUITY		
Common stock - $.0001 par value, 60,000,000 shares authorized, 11,864 And 11,798 issued and outstanding	1	1
Additional paid-in capital	43,191	42,906
Retained earnings	25,906	22,722
Unearned compensation	(1,183)	(1,279)
Treasury stock at cost - 345 shares	(1,915)	(1,915)
	66,000	62,435
	$ 78,924	$ 78,135

SEE NOTES TO FINANCIAL STATEMENTS

STEVEN MADDEN, LTD. AND SUBSIDIARIES

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

	THREE MONTHS ENDED MARCH 31, 2000	1999
Net sales	$ 44,109	$ 26,731
Cost of sales	25,925	15,789
Gross profit	18,184	10,942
Commission and licensing fee income	1,004	691
Operating expenses	(14,420)	(9,353)
Income from operations	4,768	2,280
Interest income (expense), net	536	174
Gain on sale of marketable securities	230	0
Income before provision for income taxes	5,534	2,454
Provision for income taxes	2,352	1,043
NET INCOME	$ 3,182	$ 1,411
BASIC INCOME PER SHARE	$ .28	$ .13
DILUTED INCOME PER SHARE	$ .24	$ .12
Weighted average common shares outstanding - basic income per share	11,505	10,672
Effect of potential common shares from exercise of options and warrants	1,729	1,175
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - DILUTED INCOME PER SHARE	13,234	11,847

SEE NOTES TO FINANCIAL STATEMENTS

STEVEN MADDEN, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	THREE MONTHS ENDED MARCH 31, 2000	THREE MONTHS ENDED MARCH 31, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,182	$ 1,411
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	701	396
Deferred compensation	96	96
Provision for bad debts	174	77
Gain on sale of marketable securities	(230)	0
Deferred rent expense	56	91
Changes in:		
Accounts receivable	(545)	33
Due from factor	(8,441)	(4,854)
Inventories	2,372	928
Prepaid expenses and other assets	329	(401)
Accounts payable and accrued expenses	(2,800)	1,704
Net cash used in operating activities	(5,106)	(519)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,930)	(1,017)
Sale/maturity of investment securities	487	499
Net cash used in investing activities	(2,443)	(518)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from options and warrants exercised	285	24
Repayment of lease obligations	(32)	(26)
Purchase of treasury stock	0	(47)
Net cash provided by (used in) financing activities	253	(49)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,296)	(1,086)
Cash and cash equivalents - beginning of period	37,361	14,642
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 30,065	$ 13,556
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Acquisition of leased assets		$ 32

SEE NOTES TO FINANCIAL STATEMENTS

STEVEN MADDEN, LTD. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2000

NOTE A - BASIS OF REPORTING

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

NOTE B - INVENTORIES

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

NOTE C - NET INCOME PER SHARE OF COMMON STOCK

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

NOTE D - PENDING LITIGATION

[1] MAGNUM FASHIONS, INC.:

On or about May 25, 1999, Magnum Fashions, Inc. ("Magnum") and WK Maxy Industries, Ltd. ("WK") commenced an arbitration proceeding against the Company. In the claim filed as part of the arbitration, Magnum alleged that it was fraudulently induced to enter into a license agreement, dated as of February 1, 1997, with the Company pursuant to which Magnum licensed the Company's "Steve Madden" trademark for handbags and related products. WK alleged that it was fraudulently induced into providing a guaranty of Magnum's obligations under the license. Based on this and other allegations, Magnum and WK have sought to be released from their financial obligations to the Company under the license and guaranty, respectively. Magnum is also seeking damages that it has estimated to be in excess of $5,000,000.

On July 7, 1999 the Company submitted its answer to the claim and filed a counterclaim. In addition to denying the claims asserted by Magnum and WK, the Company asserted a claim against Magnum and WK for the balance of the minimum royalty due under the license. The Company also asserted additional claims against Magnum and WK based on improper sales made during the term of the license and improper liquidation of its inventory following termination of the licenses. Magnum and WK have denied the counterclaims. Initial hearings were held in April 2000 and additional hearings are scheduled through September 2000.

The Company believes that the claims asserted by Magnum and WK are meritless, and that the Company's counterclaims have substantial merit. Accordingly, the Company intends to vigorously contest Magnum's positions in this proceeding.

NOTE D - PENDING LITIGATION (CONTINUED)

[2] LEE N' GI:

On or about October 27, 1999, the Company commenced an action against Lee N' Gi, the exclusive marketing and distribution agent for Magnum, in which it claimed that Lee N' Gi had wrongfully induced Magnum to breach its obligation under the aforementioned license between the Company and Magnum. The Company is seeking damages of $3,000,000.

On or about December 14, 1999, Lee N' Gi served an answer denying the allegations and counterclaimed that the Company had breached or wrongfully terminated the license to its detriment. Lee N' Gi seeks damages of $2,000,000 on its counterclaim. The Company answered the counterclaim denying the allegations. The action is in preliminary stages. The Company believes that the Lee N' Gi counterclaim is without merit and intends to vigorously contest this matter. Discovery in this proceeding has been stayed until June 2, 2000.

ITEM 2.

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

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere in this document.

Statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this document as well as statements made in press releases and oral statements that may be made by the Company or by officers, directors or employees of the Company acting on the Company's behalf that are not statements of historical or current fact constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other unknown factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. In addition to statements which explicitly describe such risks and uncertainties, readers are urged to consider statements labeled with the terms "believes", "belief", "expects", "intends", "anticipates" or "plans" to be uncertain forward-looking statements. The forward looking statements contained herein are also subject generally to other risks and uncertainties that are described from time to time in the Company's reports and registration statements filed with the Securities and Exchange Commission.

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

PERCENTAGE OF NET REVENUES
THREE MONTHS ENDED

MARCH 31
($ in thousands)

CONSOLIDATED:	2000		1999	
Net Sales	$ 44,109	100%	$ 26,731	100%
Cost of Sales	25,925	59	15,789	59
Other Operating Income	1,004	2	691	3
Operating Expenses	14,420	33	9,353	35
Income from Operations	4,768	11	2,280	9
Interest Income (Expense) Net	536	1	174	1
Gain on sale of Marketable Securities	230	1	--	--
Income Before Income Taxes	5,534	13	2,454	9
Net Income	3,182	7	1,411	5

PERCENTAGE OF NET REVENUES
THREE MONTHS ENDED

MARCH 31

($ in thousands)

By Segment	2000		1999	
WHOLESALE DIVISIONS:				
STEVEN MADDEN, LTD				
Net Sales	$22,020	100%	$12,256	100%
Cost of Sales	13,856	63	7,706	63
Other Operating Income	287	1	141	1
Operating Expenses	6,262	28	3,855	31
Income from Operations	2,189	10	836	7
L.E.I. FOOTWEAR:				
Net Sales	$ 9,732	100%	$ 5,378	100%
Cost of sales	6,438	66	3,710	69
Operating Expenses	1,825	19	977	18
Income from Operations	1,469	15	691	13
DIVA ACQUISITION CORP:				
Net Sales	$ 1,079	100%	$ 1,455	100%
Cost of sales	726	67	1,010	69
Operating Expenses	194	18	268	18
Income from Operations	159	15	177	12
STEVEN MADDEN RETAIL INC.:				
Net Sales	$11,278	100%	$ 7,642	100%
Cost of Sales	4,905	44	3,363	44
Operating Expenses	5,671	50	3,818	50
Income from Operations	702	6	461	6
ADESSO MADDEN INC.: (FIRST COST)				
Other Operating Revenue	$ 717	100%	$ 550	100%
Operating Expenses	468	65	435	79
Income from Operations	249	35	115	21

RESULTS OF OPERATIONS
($ in thousands)
THREE MONTHS ENDED MARCH 31, 2000 VS. THREE MONTHS ENDED MARCH 31, 1999

CONSOLIDATED:

Sales for the three month period ended March 31, 2000 were $44,109 or 65% higher than the $26,731 in the comparable period of 1999. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) an increase in reorders from existing customers, (iii) a 47% increase in Electronic Data Interchange (EDI) size replenishment program, (iv) a 48% increase in retail sales due to the opening of additional Steve Madden retail stores during first quarter of 2000 and increases in same store sales, (v) an increase in sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale"), (vi) an increase in the number of Steve Madden concept shops located in major department stores, and (vii) an increase in public awareness with respect to the Company's brands. As a result, management feels that "Steve Madden" and "l.e.i. footwear" as brand names have increased in popularity nationwide. In turn, increased sales have enabled the Company to expand its advertising and in store concept efforts, all of which have contributed to the continuing increase in sales. Also in the first quarter, the Company introduced a new brand, Stevies(TM). Stevies(TM) is a fashion brand which targets girls ages 6-9 and "tweens" ages 10-12. Initial shipments of the Stevies(TM) brand will commence in June 2000. Also as of first quarter of 2000, seven licenses in 10 product classifications were signed for the Stevies(TM) brand with shipments to begin for the Back To School season. The web site for Stevies at WWW.STEVIES.COM went live in March of 2000. Gross profit as a percentage of sales in first quarter of 2000 remains the same as first quarter of 1999.

Selling, general and administrative (SG&A) expenses increased to $14,420 in 2000 from $9,353 in 1999. The increase in SG&A is due primarily to a 43% increase in payroll, officers' bonuses and payroll related expenses from $3,628 in 1999 to $5,188 in 2000. Also, the Company focused its efforts on advertising and marketing by increasing those expenses by 61% from $746 in 1999 to $1,200 in 2000. Additionally, selling, designing and licensing costs increased by 96% from $1,387 in 1999 to $2,715 in 2000. This is due in part to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. The increase in the number of retail outlets and expanded office facilities resulted in an increase in occupancy, telephone, utilities, computer, printing/supplies and depreciation expenses by 34% from $2,242 in 1999 to $3,010 in 2000.

Income from operations for 2000 was $4,768 which represents an increase of $2,488 or 109% over the income from operations of $2,280 in 1999. Net income increased by 126% to $3,182 in 2000 from $1,411 in 1999.

WHOLESALE DIVISIONS:

Sales from the Steve Madden Wholesale Division ("Madden Wholesale"), accounted for

$22,020 or 50%, and $12,256 or 46%, of total sales in 2000 and 1999, respectively. The increase in sales is due to an increase in reorders from existing customers, 47% increase in Electronic Data Interchange (EDI) size replenishment program and an increase in the number of Steve Madden concepts shops located in major department stores. Gross profit as a percentage of sales remains the same. Operating expenses increased to $6,262 in 2000 from $3,855 in 1999. This increase is due to an increase in payroll and payroll related expenses principally due to the hiring of additional management personnel and an increase in occupancy expenses due to additional warehouse space needed for expanding EDI size replenishment inventory. Additionally, selling, designing and licensing costs increased due to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. Madden Wholesale income from operations was $2,189 in 2000 compared to income from operations of $836 in 1999.

Sales from the l.e.i. Wholesale ("l.e.i. Wholesale") accounted for $9,732 or 22%, and $5,378 or 20%, of total sales in 2000 and 1999, respectively. The increase in sales is due to the addition of new "l.e.i. Wholesale" accounts and an increase in reorders from existing customers. l.e.i footwear now sells in over 2600 doors, in the United States, primarily in department stores, including Macy's East, Burdines, Rich's, Hecht's, Filene's, Foley's, Dayton Hudson, Belk and JC Penney's, and to a lesser extent in specialty store chains, such as Wet Seal and Journey's. Gross profit as a percentage of sales increased from 31% in 1999 to 34% in 2000 due to a change in the product mix, balanced sourcing and improved inventory management. Operating expenses increased to $1,825 in 2000 from $977 in 1999 due to increases in occupancy, computer and payroll and payroll related expenses. Additionally, selling, designing and licensing costs increased due to an increase in sales in the current period and to the Company's increased focus on selling, designing, and licensing activities. Income from operations from l.e.i. Wholesale was $1,469 in 2000 compared to income from operations of $691 in 1999.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $1,079 or 2%, and $1,455 or 5%, of total sales in 2000 and 1999, respectively. Gross profit as a percentage of sales increased from 31% in 1999 to 33% in 2000 due to a change in the product mix, balanced sourcing and improved inventory management. Operating expenses decreased to $194 in 2000 from $268 in 1999 due to decreases in selling and designing expenses. Income from operations from Diva was $159 in 2000 compared to income from operations of $177 in 1999.

RETAIL DIVISION:

Sales from the Retail Division accounted for $11,278 or 26% and $7,642 or 29% of total revenues in 2000 and 1999, respectively. The increase in Retail Division sales is primarily due to the increase in number of Steve Madden retail stores to fifty-two in the first quarter of 2000 compared to thirty-seven Steve Madden retail stores in the first quarter of 1999. Same store sales for the quarter ended March 31, 2000 increased by 19% over the same period of 1999. This increase in same store sales was driven by the strengthening of the sneaker classification, replenishment of core items by size and an increase in the sandal business. Also, increases in same store sales were driven by the accessory business which doubled during first quarter of 2000 and replenishment of inventory was enhanced by the addition of the new warehouse facility in New Jersey. Revenues from the internet store increased by 400% to $600 in 2000 from $118 in 1999. As the Company offers additional styles through its web site at www.stevenmadden.com, business continues to grow. Gross profit as a percentage of sales remains the same. Selling, general and administrative expenses for the Retail Division increased to $5,671 in 2000 from $3,818 in 1999. This increase is due to increases in payroll and related expenses, occupancy, printing, computer and depreciation expenses as a result of opening three additional stores during first quarter of 2000. Income from operations from the retail division was $702 in 2000 compared to income from operations of $461 in 1999.

ADESSO-MADDEN DIVISION:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $717,000 for the period ended March 31, 2000 which represents an increase from the commission revenues of $550,000 in 1999. This increase was primarily due to the additional doors for the Jordache brand now up to 1000 Walmart doors, the growth in accounts such as Parade of Shoes, Sears, Famous Footwear, Payless, Bass, MarMax and Target and the growth in key classifications such as sandals and big unit bottom casuals. Operating expenses increased to $468 in 2000 from $435 in 1999 due to increases in selling and designing expenses. Income from operations from Adesso-Madden was $249 in 2000 compared to income from operations of $115 in 1999.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $49,448 at March 31, 2000 which represents an increase of $14,927 in working capital from March 31, 1999. The increase in working capital is primarily due to an increase in profitability.

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

OPERATING ACTIVITIES

During the three month period ended March 31, 2000, cash used by operating activities was $5,106. Uses of cash arose principally from an increase in factored accounts receivable of $8,441 and a decrease in accounts payable and accrued expenses of $2,800. Cash was provided principally by a decrease in inventory of $2,372 and net income of $3,182.

The Company has lease agreements for office, warehouse, and retail space, expiring at various times through 2011. Future obligations under these lease agreements total approximately $40,771.

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

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

INVESTING ACTIVITIES

During the three month period ended March 31, 2000, the Company used cash of $2,930 to make leasehold improvements on new retail stores, warehouse space and office space and to acquire computer equipment.

FINANCING ACTIVITIES

During the three month period ended March 31, 2000, the Company received $285 from the exercise of stock options.

LICENSE AGREEMENTS

Revenues from licensing increased by 104% to $287 in first quarter of 2000 from $141 in first quarter of 1999. This increase was driven by increases in licensing fees from leather sportswear and sunglasses. As of March 31, 2000, the Company had eight license partners covering ten product categories for its Steve Madden brand. Also during the first quarter of 2000, the Company initiated 7 licensing arrangements in 10 product classifications for its Stevies brand. The product categories include handbags, hosiery, sunglasses, hair, fashion accessories, belts and jewelry. The Company is exploring additional licensing opportunities for both its Steve Madden and Stevies brands.

As of March 15, 2000, the Company and its sportswear licensee, Iron Will Group, Inc.

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

INFLATION

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

PART II

ITEM 1.
LEGAL PROCEEDINGS

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

MAGNUM FASHIONS INC., ET AL. V. STEVEN MADDEN, LTD. On or about May 25, 1999, Magnum Fashions, Inc. ("Magnum") and WK Maxy Industries, Ltd. ("WK") commenced an arbitration proceeding (the "Arbitration") against the Company before the American Arbitration Association ("AAA"). In the Statement of Claim filed as part of the Arbitration (and as subsequently amended on June 25, 1999), Magnum has alleged, inter alia, that it was fraudulently induced to enter into a license agreement, dated as of February 1, 1997, with the Company pursuant to which Magnum licensed the Company's "Steve Madden" trademark for handbag and related products (the "Handbag License"). Similarly, WK alleged that it was fraudulently induced into providing a guaranty ("Guaranty") of Magnum's obligations under the Handbag License. In addition to the fraudulent inducement claim, Magnum asserted claims of fraudulent nondisclosure, negligent misrepresentation, mutual mistake, wrongful termination, failure of consideration and defamation. Based on those allegations, Magnum and WK have sought to be released from their financial obligations to the Company under the Handbag License and Guaranty, respectively, and Magnum has also sought damages that it subsequently estimated to be in excess of $5 million.

On July 7, 1999, the Company submitted its Answer and Counterclaims in the Arbitration. In addition to denying the claims asserted by Magnum and WK, the Company asserted a claim against Magnum and WK for the balance of the minimum royalty due under the Handbag License. The Company also asserted additional claims against Magnum and WK based on improper sales made during the term of the Handbag License and Magnum's improper liquidation of its inventory following termination of the Handbag License. Magnum and WK have denied the Company's counterclaims. Initial hearings were held in April 2000 and additional hearings are scheduled through September 2000.

The Company believes that the claims asserted by Magnum and WK are meritless, and that the Company's counterclaims have substantial merit. Accordingly, the Company intends to vigorously contest Magnum's positions in this proceeding.

STEVEN MADDEN, LTD. V. LEE 'N GI On or about October 27, 1999, the Company commenced an action in the New York State Supreme Court, New York County entitled STEVEN MADDEN, LTD. V. LEE N' GI, Index No. 121900/99 (the "Lee N' Gi Action"), currently pending in the Supreme Court of the State of New York, County of New York, in which it claimed that Lee N' Gi, the exclusive marketing and distribution agent for Magnum Fashion, Inc. ("Magnum"), had wrongfully induced Magnum to breach its obligations under the Handbag License between the Company and Magnum. The

Company is seeking damages of $3,000,000. On or about December 14, 1999, Lee N' Gi served an Answer and Counterclaim in which it denied the allegations in the Company's complaint and claimed that the Company had breached or wrongfully terminated the Handbag License to its detriment. Lee N' Gi seeks damages of $2,000,000 on its counterclaim. On or about December 21, 1999, the Company served a Reply to Counterclaim in which it denied Lee N' Gi's allegations. Discovery in this proceeding has been stayed until June 2, 2000.

SIGNATURE

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

STEVEN MADDEN, LTD
/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer

DATE: MAY 12, 2000

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STEVEN MADDEN, LTD.
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USD

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DEC-31-2000
JAN-01-2000
MAR-31-2000
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