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

FORM 10-Q

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

For the quarterly period ended September 30, 2001

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

For the transition period from __________________ to ______________________

For Quarter Ended September 30, 2001 Commission File Number 0-23702

STEVEN MADDEN, LTD.

(Exact name of Registrant as specified in its charter)

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

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

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

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

Yes [X] No [ ]

Class	Outstanding as of November 12, 2001
Common Stock	11,911,705

STEVEN MADDEN, LTD.
FORM 10-Q
QUARTERLY REPORT
September 30, 2001

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STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Balance Sheets
(in thousands)

	September 30, 2001	December 31, 2000
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,727	$ 35,259
Accounts receivable - net of allowances of $503 and $774	1,518	2,417
Due from factor - net of allowances of $1,086 and $866	31,963	15,155
Inventories	21,789	15,824
Prepaid expenses and other current assets	853	1,289
Deferred taxes	1,300	1,300
Total current assets	89,150	71,244
Property and equipment, net	15,371	15,600
Deferred taxes	2,462	2,462
Deposits and other	211	222
Cost in excess of fair value of net assets acquired - net of accumulated amortization of $679 and $575	2,101	2,205
	$ 109,295	$ 91,733
LIABILITIES		
Current liabilities:		
Current portion of lease payable	$ 72	$ 128
Accounts payable	6,278	9,502
Accrued expenses	3,696	4,178
Accrued bonuses	756	229
Total current liabilities	10,802	14,037
Deferred rent	1,225	1,074
Lease payable, less current portion	20	56
	12,047	15,167
Contingencies (Note D)		
STOCKHOLDERS' EQUITY		
Common stock - $.0001 par value, 60,000 shares authorized, 13,147 and 12,307 issued and outstanding	1	1
Additional paid-in capital	53,834	46,688
Retained earnings	52,205	38,765
Unearned compensation	(801)	(897)
Treasury stock at cost - 1,245 shares	(7,991)	(7,991)
	97,248	76,566
	$ 109,295	$ 91,733

See notes to financial statements

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

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Net sales	$ 70,245	$ 60,108	$ 183,203	$ 152,274
Cost of sales	40,517	33,620	106,076	86,668
Gross profit	29,728	26,488	77,127	65,606
Commission and licensing fee income	1,637	1,233	4,006	3,367
Operating expenses	(22,378)	(20,022)	(59,019)	(50,437)
Income from operations	8,987	7,699	22,114	18,536
Interest and other income (expense), net	265	219	1,108	1,226
Gain on sale of marketable securities				230
Income before provision for income taxes	9,252	7,918	23,222	19,992
Provision for income taxes	3,885	3,318	9,782	8,467
Net income	$ 5,367	$ 4,600	$ 13,440	$ 11,525
Basic income per share	$ .46	$ .42	$ 1.17	$ 1.01
Diluted income per share	$ .41	$ .38	$ 1.04	$ .89
Weighted average common shares outstanding - basic	11,774	11,056	11,479	11,395
Effect of dilutive securities - options and warrants	1,392	921	1,426	1,504
Weighted average common shares outstanding - diluted	13,166	11,977	12,905	12,899

See notes to financial statements

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

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Cash flows from operating activities:		
Net income	$ 13,440	$ 11,525
Adjustments to reconcile net income to net cash used in operating activities:		
Issuance of compensatory stock options	1,219	
Depreciation and amortization	2,584	2,576
Deferred compensation	96	287
Provision for bad debts	(51)	336
Gain on sale of marketable securities		(230)
Deferred rent expense	151	207
Changes in:		
Accounts receivable	1,170	(1,848)
Due from factor	(17,028)	(6,266)
Inventories	(5,965)	(7,278)
Prepaid expenses and other assets	447	(483)
Accounts payable and accrued expenses	(3,179)	(1,683)
Net cash used in operating activities	(7,116)	(2,857)
Cash flows from investing activities:		
Purchase of property and equipment	(2,251)	(7,379)
Sale/maturity of investment securities		487
Net cash used in investing activities	(2,251)	(6,892)
Cash flows from financing activities:		
Proceeds from options and warrants exercised	5,927	2,763
Purchase of treasury stock		(6,062)
Repayment of lease obligations	(92)	(94)
Net cash provided by (used in) financing activities	5,835	(3,393)
Net decrease in cash and cash equivalents	(3,532)	(13,142)
Cash and cash equivalents - beginning of period	35,259	37,361
Cash and cash equivalents - end of period	$ 31,727	$ 24,219

See notes to financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Financial Statements
September 30, 2001

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 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 accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the financial position of Steven Madden, Ltd. and subsidiaries (the "Company") as of September 30, 2001, and the results of their operations and cash flows for the nine-month and three-month periods then ended. The results of operations for the nine-month and three-month periods ended September 30, 2001 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, 2000 included in the Annual Report of Steven Madden, Ltd. on Form 10-K.

NOTE B - INVENTORIES

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

NOTE C - NET INCOME PER SHARE OF COMMON STOCK

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

NOTE D - PENDING LITIGATION

[1] Class action litigation:

On or about August 9, 2000, several class action lawsuits were commenced in the United States District Court for the Eastern District of New York against the Company, Steven Madden personally, and, in some of the actions, the Company's former President and its Chief Financial Officer.

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

The amended complaint generally alleges that the Company and the individual defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing false and misleading statements, and failing to disclose material adverse information relating to among other things, certain matters and allegations concerning Mr. Madden. The plaintiff seeks an unspecified amount of damages, costs and expenses on behalf of the plaintiff and all other purchasers of the Company's common stock during the period June 21, 1997 through June 20, 2000. On April 19, 2001, all of the defendants served motions to dismiss the consolidated amended complaint. The plaintiffs filed a second amended consolidated complaint on October 30, 2001. Defendants have until November 30, 2001 to file their response. The Company believes that it has substantial defenses to the claims. The resulting liability, if any, cannot presently be determined.

NOTE D - PENDING LITIGATION (CONTINUED)

[2] Derivative action:

On or about September 26, 2000, a shareholders derivative action was commenced in the United States District Court for the Eastern District of New York, captioned, Herrera v. Steven Madden and Steven Madden, Ltd. The Company is named as a nominal defendant in the action. The complaint seeks to recover alleged damages on behalf of the Company from Mr. Madden's June 20, 2000 indictment and to require him to disgorge certain profits, bonuses and stock option grants he received from the Company. On January 3, 2001, the plaintiff filed an amended complaint. On February 2, 2001, both the Company and Mr. Madden filed motions to dismiss the amended complaint because of the plaintiff's failure to make a pre-litigation demand upon the Company's Board of Directors. On October 1, 2001, the plaintiff filed a second amended complaint. On November 2, 2001, the Company filed a motion to dismiss this pleading on the same grounds of its motion to dismiss the prior amended complaint. The resulting liability, if any, cannot presently be determined.

[3] Other matters:

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 23, 2001, Steven Madden entered into a plea agreement with the U.S. Attorney's Office related to 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 has agreed to serve as the Company's Creative and Design Chief, a non-executive position. It is expected that Mr. Madden will be sentenced on November 15, 2001 and will return to work for the Company as its Creative and Design Chief following his incarceration. Under the settlement agreement with the Securities and Exchange Commission, Mr. Madden has 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.

On March 14, 2001, the Company became aware that the Securities and Exchange Commission had issued a formal order of investigation with respect to trading in the Company's securities. The Company has reason to believe that the staff is investigating possible securities law violations by persons trading in the Company's securities prior to June 20, 2000 who may have been in possession of alleged material, nonpublic information. As previously disclosed on Form 4's filed with the Securities and Exchange Commission, certain officers and directors of the Company sold shares of the Company's common stock during 1999 and the first half of 2000. Each of such officers and directors has denied having knowledge of any material, nonpublic information prior to engaging in such transactions. The ultimate effects of this matter, if any, cannot be reasonably determined at this time.

On or about September 17, 2001, an action was commenced in the Supreme Court, Queens County, captioned Mitch Stewart v. Steven Madden, Ltd. The Company is named as a defendant in the action. Mr. Stewart is a former independent contractor for the Company. The complaint seeks damages of approximately $1.3 million for breach of contract. The Company intends to file its response to the complaint by November 16, 2001. The Company believes that it has substantial defenses to the claims. The resulting liability, if any, cannot be presently determined.

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

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

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

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

	Percentage of Net Revenues Nine Months Ended September 30 ($ in thousands)			
Consolidated:	2001		2000	
Net Sales	$183,203	100%	$152,274	100%
Cost of Sales	106,076	58	86,668	57
Other Operating Income	4,006	2	3,367	2
Operating Expenses	59,019	32	50,437	33
Income from Operations	22,114	12	18,536	12
Interest and Other Income (Expense) Net	1,108	1	1,226	1
Gain on sale of Marketable Securities	--	--	230	0
Income Before Income Taxes	23,222	13	19,992	13
Net Income	13,440	7	11,525	8

By Segment	Percentage of Net Revenues Nine Months Ended September 30 ($ in thousands) 2001		2000	
WHOLESALE DIVISIONS:				
Steven Madden, Ltd.				
Net Sales	$ 75,638	100%	$ 69,331	100%
Cost of Sales	48,120	64	43,208	62
Other Operating Income	939	1	704	1
Operating Expenses	19,730	26	19,629	28
Income from Operations	8,727	12	7,198	10
l.e.i. Footwear:				
Net Sales	$ 31,999	100%	$ 28,575	100%
Cost of sales	20,111	63	18,183	64
Operating Expenses	7,020	22	5,431	19
Income from Operations	4,868	15	4,961	17
Madden Mens:				
Net Sales	$ 6,017	100%	--	--
Cost of sales	$ 3,857	64	--	--
Operating Expenses	2,149	36	--	--
Income from Operations	11	0	--	--
Diva Acquisition Corp:				
Net Sales	$ 6,015	100%	$ 2,980	100%
Cost of sales	4,370	73	2,070	69
Operating Expenses	1,299	22	951	32
Income (Loss) from Operations	346	6	(41)	(1)
Stevies Inc.:				
Net Sales	$ 8,388	100%	$ 4,678	100%
Cost of sales	5,294	63	2,908	62
Other Operating Income	236	3	151	3
Operating Expenses	1,916	23	1,144	25
Income from Operations	1,414	17	777	17
STEVEN MADDEN RETAIL INC.:				
Net Sales	$ 55,146	100%	$ 46,710	100%
Cost of Sales	24,324	44	20,299	43
Operating Expenses	25,472	46	21,914	47
Income from Operations	5,350	10	4,497	10

Percentage of Net Revenues

Nine Months Ended

September 30

($ in thousands)

By Segment (Continued)

ADESSO MADDEN INC.: (FIRST COST)	2001		2000	
Other Operating Revenue	$ 2,831	100%	$ 2,512	100%
Operating Expenses	1,433	51	1,368	54
Income from Operations	1,398	49	1,144	46

Percentage of Net Revenues

Nine Months Ended

September 30

($ in thousands)

	2001		2000	
Consolidated:				
Net Sales	$70,245	100%	$60,108	100%
Cost of Sales	40,517	58	33,620	56
Other Operating Income	1,637	2	1,233	2
Operating Expenses	22,378	32	20,022	33
Income from Operations	8,987	13	7,699	13
Interest and Other Income (Expense) Net	265	0	219	0
Income Before Income Taxes	9,252	13	7,918	13
Net Income	5,367	8	4,600	8
By Segment				
WHOLESALE DIVISIONS:				
Steven Madden, Ltd.				
Net Sales	27,954	100%	$26,125	100%
Cost of sales	17,925	64	16,076	62
Other Operating Income	407	1	140	1
Operating Expenses	7,479	27	7,932	30
Income from Operations	2,957	11	2,257	9
l.e.i. Footwear:				
Net Sales	$13,198	100%	$10,277	100%
Cost of sales	8,047	61	6,377	62
Operating Expenses	2,811	21	2,008	20
Income from Operations	2,340	18	1,892	18
Madden Mens:				
Net Sales	$ 3,227	100%	--	--
Cost of sales	2,019	63	--	--
Operating Expenses	1,170	36	--	--
Income from Operations	38	1	--	--
Diva Acquisition Corp.:				
Net Sales	$ 2,385	100%	$ 1,233	100%
Cost of sales	1,603	67	804	65
Operating Expenses	507	21	428	35
Income from Operations	275	12	1	0
Stevies Inc.:				
Net Sales	$ 3,496	100%	$ 3,263	100%
Cost of Sales	2,190	63	2,025	62
Other Operating Income	29	1	109	3
Operating Expenses	804	23	700	21
Income from Operations	531	15	647	20

Percentage of Net Revenues

Nine Months Ended

September 30

($ in thousands)

By Segment (Continued)

Steven Madden Retail Inc.:	2001		2000	
Net Sales	$19,985	100%	$19,210	100%
Cost of Sales	8,733	44	8,338	43
Operating Expenses	9,014	45	8,561	45
Income from Operations	2,238	11	2,311	12

ADESSO MADDEN INC.:

(FIRST COST)

Other Operating Revenue	$ 1,201	100%	$ 984	100%
Operating Expenses	593	49	393	40
Income from Operations	608	51	591	60

RESULTS OF OPERATIONS
($ in thousands)
Nine Months Ended September 30, 2001 vs. Nine Months Ended September 30, 2000

Consolidated:

Sales for the nine month period ended September 30, 2001 were $183,203 or 20% higher than the $152,274 in the comparable period of 2000. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) an 18% increase in retail sales due an opening of additional retail stores, (iii) revenues of $6,017 from the Company's new Madden Mens Wholesale Division which commenced shipping in the first quarter of 2001, (iv) an increase in the number of Steve Madden and Stevies concept shops located in major department stores and specialty stores, and (v) an increase in public awareness with respect to the Company's brands. In turn, increased sales have enabled the Company to expand its advertising and in-store concept efforts, all of which have contributed to the continuing increase in sales.

Consolidated gross profit as a percentage of sales decreased from 43% in 2000 to 42% in 2001. The decrease in gross margin resulted from greater promotional activity at retail this year due to sluggish July sales and the tragic events of September 11th and its aftermath. Also, margin pressures at wholesale which prompted us to be early and aggressive with markdowns in a highly promotional retail climate.

Selling, general and administrative (SG&A) expenses increased to $59,019 in 2001 from $50,437 in 2000. The increase in SG&A expenses is due primarily to a 31% increase in payroll, officers' bonuses and payroll-related expenses from $17,195 in 2000 to $22,589 in 2001. Also, selling and designing expenses increased by 32% from $6,245 in 2000 to $8,215 in 2001. This is due in part to an increase in sales in the current period and to the Company's increased focus on selling and designing activities. The increase in the number of retail outlets and expanded corporate office and warehouse facilities resulted in an increase in occupancy, telephone, utilities, warehouse and depreciation expenses by 13% from $10,882 in 2000 to $12,339 in 2001.

Income from operations for 2001 was $22,114 which represents an increase of $3,578 or 19% over the income from operations of $18,536 in 2000. Net income increased by 17% to $13,440 in 2001 from $11,525 in 2000.

Wholesale Divisions:
- --------------------

Sales from the Steve Madden Wholesale Division ("Madden Wholesale") accounted for $75,638 or 41%, and $69,331 or 46%, of total sales in 2001 and 2000, respectively. The increase in sales was driven by the key styles including euro-sport casuals and an increase in reorders through open stock replenishment for late spring and fall items. Gross profit as a percentage of sales decreased from 38% in 2000 to 36% in 2001 due to margin pressures at wholesale which prompted us to be early and aggressive with markdowns in a highly promotional retail climate. Operating expenses increased to $19,730 in 2001 from $19,629 in 2000 due to payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Madden Wholesale income from operations was $8,727 in 2001 compared to income from operations of $7,198 in 2000.

Sales from the l.e.i. Wholesale Division ("l.e.i. Wholesale") accounted for $31,999 or 17%, and $28,575 or 19%, of total sales in 2001 and 2000, respectively. During the first quarter of 2001, l.e.i. Wholesale and the planning department focused on key item flow by door with the ultimate goal of increasing inventory turns and profitability. Revenues had increased by 12% during the first nine months of 2001 compared to the first nine months of 2000. The focus of the l.e.i. Wholesale expansion was in the specialty store channel. Gross profit as a percentage of sales increased slightly from 36% in 2000 to 37% in 2001 due to changes in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $7,020 in 2001 from $5,431 in 2000 due to increases in payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Income from operations for l.e.i. Wholesale was $4,868 in 2001 compared to income from operations of $4,961 in 2000.

The Company's new Madden Mens Wholesale Division ("Madden Mens Wholesale") commenced shipping in the first quarter of 2001. Madden Mens Wholesale generated revenues of $6,017 for the first nine months of 2001. The Company is pleased by the market's acceptance of the new mens line, particularly in the sport-casual bowling influenced classification. As of third quarter of 2001 the Company is prepared to offer an EDI open stock replenishment program on sixteen best selling styles.

Sales from the Diva Acquisition Corp. Wholesale Division ("Diva Wholesale") which markets the "David Aaron" brand name in footwear accounted for $6,015 or 3%, and $2,980 or 2%, of total sales in 2001 and 2000, respectively. The Company believes that the increase in sales was driven by placements of its new product line in major department stores, specialty stores, and specialty catalogues, such as Bloomingdale's by Mail. Gross profit as a percentage of sales decreased from 31% in 2000 to 27% in 2001 as under-performing carryover inventory was cleared at lower gross margins. Operating expenses increased to $1,299 in 2001 from $951 in 2000 due to increases in payroll and payroll-related expenses. Income from operations for Diva Wholesale was $346 in 2001 compared to a loss from operations of $41 in 2000.

Sales from the Stevies Wholesale Division ("Stevies Wholesale") which commenced shipping in the second quarter of 2000 accounted for $8,388 or 5%, and $4,678 or 3%, of total sales in 2001 and 2000, respectively.

Gross profit as a percentage of sales decreased from 38% in 2000 to 37% in 2001 as markdowns were taken in the second and third quarters of 2001 compared to the second and third quarters of 2000 during which no markdowns were taken because of the recent brand roll out. Operating expenses increased to $1,916 in 2001 from $1,144 in 2000 due to increases in payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Income from operations for Stevies Wholesale was $1,414 in 2001 compared to income from operations of $777 in 2000.

Retail Division:
- ----------------

Sales from the Retail Division accounted for $55,146 or 30% and $46,710 or 31% of total salesn 2001 and 2000, respectively. This increase in Retail Division sales is primarily due to the increase in the number of Steve Madden retail stores. During the first nine months of 2001, the Company closed two of its smallest and least productive stores located in Coconut Grove, Florida and in Mineola, New York and is considering new sites with greater projected productivity. As of September 30, 2001, there were 68 Steve Madden retail stores compared to 64 stores as of September 30, 2000. Same store sales for the period ended September 30, 2001 remain flats over the same period of 2000 due to the September 11th tragedy and its consequences compounded an already challenging business climate for the Company's Retail Division. Revenues from the internet store for the first nine months ended September 30, 2001 were in excess of $3,000, showing an increase of 49% over the same period of 2000. Gross profit as a percentage of sales decreased from 57% in 2000 to 56% in 2001 due to greater promotional activity at retail this year which prompted the Retail Division to clear goods with lower gross margin. Operating expenses for the Retail Division increased to $25,472 or 46% of sales in 2001 from $21,914 or 47% of sales in 2000. This increase was due to increases in payroll and payroll-related expenses such as incentive bonuses for store managers and the corporate retail management team, marketing and operating expenses for the internet store, occupancy, printing and depreciation expenses as a result of opening six additional stores since September 30, 2000. Income from operations for the Retail Division was $5,350 in 2001 compared to income from operations of $4,497 in 2000.

Adesso-Madden Division:
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Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $2,831 for the nine month period ending September 30, 2001 which represents a 13% increase over commission revenues of $2,512 during the same period in 2000. Operating expenses increased to $1,433 in 2001 from $1,368 in 2000 primarily due to due to increases in payroll and payroll-related expenses. Income from operations for Adesso-Madden was $1,398 in 2001 compared to income from operations of $1,144 in 2000.

Three Months Ended September 30, 2001 vs. Three Months Ended September 30, 2000

Consolidated:
- -------------

Sales for the three month period ended September 30, 2001 were $70,245 or 17% higher than the $60,108 in the comparable period of 2000. The increase in sales is due to several factors, including (i) the addition of new wholesale accounts, (ii) an 4% increase in retail sales due to opening of additional retail stores, (iii) revenues of $3,227 Madden Mens Wholesale which commenced shipping in the first quarter of 2001, (iv) an increase in the number of Steve Madden and Stevies concept shops located in major department stores and specialty stores, and (v) an increase in public awareness with respect to the Company's brands. In turn, increased sales have enabled the Company to expand its advertising and in store concept efforts, all of which have contributed to the continuing increase in sales.

Consolidated gross profit as a percentage of sales decreased from 44% in 2000 to 42% in 2001. The decrease in gross margin resulted from greater promotional activity at retail this year due to sluggish July sales and the tragic events of September 11th and its aftermath. Also, margin pressures at wholesale which prompted us to be early and aggressive with markdowns in a highly promotional climate. In addition, the of Company's higher margin retail business was a lower percentage of total sales in 2001.

SG&A expenses increased to $22,378 in 2001 from $20,022 in 2000. The increase in SG&A is due primarily to a 32% increase in payroll, officers' bonuses and payroll-related expenses from $6,315 in 2000 to $8,311 in 2001. Also, selling and designing expenses increased by 34% from $2,875 in 2000 to $3,860 in 2001. This is due in part to an increase in sales in the current period and to the Company's increased focus on selling and designing activities.

Income from operations for 2001 was $8,987 which represents an increase of $1,288 or 17% over the income from operations of $7,699 in 2000. Net income increased by 17% to $5,367 in 2001 from $4,600 in 2000.

Wholesale Divisions:
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Sales from Madden Wholesale accounted for $27,954 or 40%, and $26,125 or 43%, of total sales in 2001 and 2000, respectively. The increase in sales was driven by the key styles including euro-sport casuals and an increase in reorders through open stock replenishment for late spring and fall items. Gross profit as a percentage of sales decreased from 38% in 2000 to 36% in 2001 due to margin pressures at wholesale which prompted us to be early and aggressive with markdowns in a highly promotional retail climate. Operating expenses decreased to $7,479 in 2001 from $7,932 in 2000 due to decreases in sales and designing expenses. Madden Wholesale income from operations was $2,957 in 2001 compared to income from operations of $2,257 in 2000.

Sales from l.e.i. Wholesale accounted for $13,198 or 19%, and $10,277 or 17%, of total sales in 2001 and 2000, respectively. The increase in sales was driven by the key styles which include lug bottom boots and shoes and athletic inspired footwear. Gross profit as a percentage of sales increased from 38% in 2000 to 39% in 2001 due to a change in product mix, balanced sourcing and improved inventory management. Operating expenses increased to $2,811 in 2001 from $2,008 in 2000 due to increases in payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Income from operations for l.e.i. Wholesale was $2,340 in 2001 compared to income from operations of $1,892 in 2000.

Madden Mens Wholesale commenced shipping in the first quarter of 2001. Madden Mens Wholesale generated revenues of $3,227 for the third quarter of 2001.

Sales from Diva Wholesale accounted for $2,385 or 3%, and $1,233 or 2%, of total sales in 2001 and 2000, respectively. The Company believes that the increase in sales was driven by placements of its new product line in major department stores, specialty stores, and specialty catalogues, such as Bloomingdale's by Mail. Gross profit as a percentage of sales decreased from 35% in 2000 to 33% in 2001 as under performing carryover inventory was cleared at lower gross margins. Operating expenses increased to $507 in 2001 from $428 in 2000 due to increases in payroll and payroll-related expenses. Additionally, selling and designing expenses increased due to an increase in sales in the current period. Income from operations for Diva Wholesale was $275 in 2001 compared to an income from operations of $1 in 2000.

Sales from the Stevies Wholesale Division ("Stevies Wholesale") accounted for $3,496 or 5%, and $3,263 or 5%, of total sales in 2001 and 2000, respectively. The increase in sales was driven by key styles including boots and glitter sneakers. Gross profit as a percentage of sales decreased from 38% in 2000 to 37% in 2001 as markdowns were taken in the third quarter of 2001 compared to the third quarter of 2000 during which no markdowns were taken because of the recent brand roll out. Operating expenses increased to $804 in 2001 from $700 in 2000 due to increases in payroll and payroll-related expenses. Income from operations for Stevies Wholesale was $531 in 2001 compared to income from operations of $647 in 2000.

Retail Division:

Sales from the Retail Division accounted for $19,985 or 28% and $19,210 or 32% of total sales in 2001 and 2000, respectively. This increase in Retail Division sales is primarily due to the increase in the number of Steve Madden retail stores. During the third quarter of 2001, the Company closed one of its smallest and least productive stores located in Mineola, New York, and is considering new sites with greater projected productivity. As of September 30, 2001, there were 68 Steve Madden retail stores compared to 64 stores as of September 30, 2000. Additionally, same store sales for the period ended September 30, 2001 decreased 6% over the same period of 2000. This decrease in same store sales resulted due to the September 11th tragedy and its consequences compounded an already challenging business climate for the Company's Retail Division. Revenues from the internet store for the third quarter of 2001 were in excess of $1,000 showing an increase of 26% over the same period of 2000. Gross profit as a percentage of sales decreased from 57% in 2000 to 56% in 2001 due to greater promotional activity at retail this year which prompted the Retail Division to clear goods with lower gross margin. Operating expenses increased to $9,014 or 45% of sales in 2001 from $8,561 or 45% of sales in 2000. This increase was due to increases in payroll and payroll-related expenses such as incentive bonuses for store managers and the corporate retail management team, marketing and operating expenses for the internet store, occupancy, printing, and depreciation expenses as a result of opening six additional stores since September 30, 2000. Income from operations for the Retail Division was $2,238 in 2001 compared to income from operations of $2,311 in 2000.

Adesso-Madden Division:

Adesso-Madden, Inc., a wholly owned subsidiary of the Company, generated commission revenues of $1,201 for the three month period ending September 30, 2001 which represents a 22% increase over commission revenues of $984 during the same period in 2000. Operating expenses increased to $593 in 2001 from $393 in 2000 primarily due to increases in payroll and payroll-related expenses. Income from operations for Adesso-Madden was $608 in 2001 compared to income from operations of $591 in 2000.

LICENSE AGREEMENTS

Revenues from licensing increased by 37% to $1,175 in the first nine months of 2001 from $855 in first nine months of 2000. This increase was primarily driven by increases in licensing income from leather sportswear and sunglasses. As of September 30, 2001, the Company had 6 license partners covering 6 product categories for its Steve Madden brand. Also, as of September 30, 2001, the Company had 3 license partners covering 3 product categories for its Stevies brand. The product categories include handbags, hosiery, sunglasses, belts and outerwear. In order to enhance the performance of the Company's licensing business, in January 2001 the Company engaged Jassin O'Rourke Group, LLC, a consulting firm specializing in marketing, management and licensing for the apparel industry.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $78,348 at September 30, 2001 compared to $51,927 in working capital at September 30, 2000. This represents an increase of $26,421. This increase in working capital was primarily due to the Company's net income.

OPERATING ACTIVITIES

During the nine month period ended September 30, 2001, cash used by operating activities was $7,116. Uses of cash arose principally from an increase in factored accounts receivable of $17,028, an increase in inventory of $5,965 and a decrease in accounts payable and accrued expenses of $3,179. Cash was provided principally by net income of $13,440 and proceeds received from the exercise of options.

The Company has lease agreements for office, warehouse, and retail space, expiring at various times through 2011. Future obligations under these lease agreements total approximately $51,000.

The Company has employment agreements with eleven officers as of September 30, 2001 providing for aggregate annual salaries of approximately $3,300 subject to annual bonuses and annual increases as may be determined by the Company's Board of Directors. In addition, as part of four of the employment agreements, the Company is committed to pay incentive bonuses based on income before interest, depreciation and taxes to certain officers.

The Company's customers consist principally of department stores and specialty stores, including shoe boutiques. Presently, the Company's Wholesale Division sells approximately sixty-two percent (62%) of its products to department stores, including Federated Department Stores (Bloomingdales, Bon Marche, Burdines, Macy's and Rich's), May Department Stores (Famous Barr, Filene's, Foley's, Hecht's, Kaufmann's, Meier & Frank, Lord & Taylor and Robinsons May), Dillard's, Dayton-Hudson and Nordstrom and approximately thirty-eight percent (38%) to specialty stores, including Journey's, Wet Seal and The Buckle and catalog retailers, including Victoria's Secret and Fingerhut. Federated Department Stores and May Department Stores presently account for approximately twenty-one percent (21%) and eighteen percent (18%) of the Company's Wholesale Division sales, respectively.

A significant portion of the Company's product is supplied from foreign manufacturers, the majority of which are located in Brazil, China, Italy and Mexico. Although the Company has not entered into any manufacturing contracts with any of these foreign companies, the Company believes that a sufficient number of alternative sources exist outside of the United States for the manufacture of its products if current suppliers need to be replaced. In addition, the Company currently makes approximately ninety-five percent (95%) of its purchases in U.S. dollars.

CAPITAL IMPROVEMENT ACTIVITIES

During the nine month period ended September 30, 2001, the Company used cash of $2,251 primarily for leasehold improvements on retail stores and corporate office space and for a new point of sale computer system for the retail stores.

FINANCING ACTIVITIES

During the nine month period ended September 30, 2001, the Company received $5,927 from the sale of its common stock in connection with the exercise of stock options. On February 29, 2000, the Company announced 1,500,000 shares repurchase program. As of December 31, 2000, the Company repurchased 900,000 shares of the Company's common stock at a total cost of $6,076 under this program. The Company has not repurchased any common stock during 2001.

RECENT DEVELOPMENTS

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 23, 2001, Steven Madden entered into a plea agreement with the U.S. Attorney's Office related to 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 has agreed to serve as the Company's Creative and Design Chief, a non-executive position. It is expected that Mr. Madden will be sentenced on November 15, 2001 and will return to work for the Company as its Creative and Design Chief following his incarceration. Under the settlement agreement with the Securities and Exchange Commission, Mr. Madden has 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.

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.

As of May 9, 2001, eight putative securities fraud class action lawsuits have been commenced in the United States District Court for the Eastern District of New York against the Company, Steven Madden and, in five of the actions, Rhonda J. Brown and Arvind Dharia. These actions are captioned: Wilner v. Steven Madden, Ltd., et al., 00 CV 3676 (filed June 21, 2000); Connor v. Steven Madden, et al., 00 CV 3709 (filed June 22, 2000); Blumenthal v. Steven Madden, Ltd., et al., 00 CV 3709 (filed June 23, 2000); Curry v. Steven Madden, Ltd., et al., 00 CV 3766 (filed June 26, 2000); Dempster v. Steven Madden Ltd., et al., 00 CV 3702 (filed June 30, 2000); Salafia v. Steven Madden, Ltd., et al., 00 CV 4289 (filed July 24, 2000); Fahey v. Steven Madden, Ltd., et al., 00 CV 4712 (filed August 11, 2000); Process Engineering Services, Inc. v. Steven Madden, Ltd., et al., 00 CV 5002 (filed August 22, 2000). By Order dated December 8, 2000, the Court consolidated these eight actions, appointed Process Engineering, Inc., Michael Fasci and Mark and Libby Adams as lead plaintiffs and approved their selection of lead counsel. On February 26, 2001, Plaintiffs served a Consolidated Amended Complaint. The amended complaint principally alleges that the Company and the individual defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated under the 1934 Act by issuing false and misleading statements, and failing to disclose material adverse information, generally relating to matters arising from Mr. Madden's June 2000 indictment. The plaintiffs seek an unspecified amount of damages, costs and expenses on behalf of themselves and all other purchasers of the Company's common stock during the period June 21, 1997 through June 20, 2000. The Company believes it has substantial defenses to the claims. On April 19, 2001, all of the defendants served motions to dismiss the Consolidated Amended Complaint. On October 30, 2001, plaintiffs filed their Second Amended Consolidated Complaint. Defendants have until November 30, 2001 to answer, move or otherwise respond to the Second Amended Consolidated Complaint. The Company believes that it has substantial defense to the claims. The resulting liability, if any, cannot presently be determined.

On or about September 26, 2000, a putative shareholders derivative action was commenced in the United States District Court for the Eastern District of New York, captioned Herrera v. Steven Madden and Steven Madden, Ltd., 00 CV 5803 (JG). The Company is named as a nominal defendant in the action. The complaint seeks to recover alleged damages on behalf of the Company from Mr. Madden arising from his June 2000 indictment and to require him to disgorge certain profits, bonuses and stock option grants he received. On January 3, 2001, plaintiff filed an Amended Shareholder's Derivative Complaint. On February 2, 2001, both the Company and Mr. Madden filed motions to dismiss the Amended Complaint because of plaintiff's failure to make a pre-litigation demand upon the Company's board of directors. On October 1, 2001, plaintiff filed a Second Amended Complaint. On November 2, 2001, the Company filed a motion to dismiss this pleading on grounds that plaintiff had failed to make a pre-litigation demand upon the Company's board of directors. The resulting liability, if any, cannot presently be determined.

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

On or about September 17, 2001, an action was commenced in the Supreme Court, Queens County, captioned Mitch Stewart v. Steven Madden, Ltd. The Company is named as a defendant in the action. Mr. Stewart is a former independent contractor for the Company. The complaint seeks damages of approximately $1.3 million for breach of contract. The Company intends to file its response to the complaint by November 16, 2001. The Company believes that it has substantial defenses to the claims. The resulting liability, if any, cannot be presently determined.

Item 4. Submission of Matters to a Vote of Security Holders

On July 10, 2001, the Company held its Annual Meeting of Stockholders where the stockholders of the Company approved the following proposals:

(a) Election of Directors. The following directors to the Board of Directors of the Company were elected for a term of one (1) year, each receiving 10,266,365 votes in favor of his/her election (96% of the shares outstanding): (i) Charles Koppelman; (ii) Jamieson Karson; (iii) Rhonda Brown; (iv) Arvind Dharia; (v) Gerald Mongeluzo; (vi) Marc Cooper; (vii) John L. Madden; (viii) Peter Migliorini; and (ix) Heywood Wilansky. Ms. Brown subsequently resigned from the Board of Directors effective as of September 21, 2001.

(b) 1999 Stock Plan. An amendment to the Company's 1999 Stock Plan was approved by the stockholders of the Company (4,770,207 votes for, 3,917,195 votes against, and 16,295 votes withheld).

(c) Appointment of Auditors. The appointment of Richard A. Eisner & Company, LLP, as independent auditors of the Company, for fiscal year 2001 was approved by the stockholders of the Company (10,697,334 votes for, 30,716 votes against, and 5,302 votes withheld).

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K.

Report on Form 8-K filed with the Securities and Exchange Commission on October 5, 2001 with respect to Item 5.

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

STEVEN MADDEN, LTD.

/s/ ARVIND DHARIA

Arvind Dharia
Chief Financial Officer

DATE: November 14, 2001