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

FORM 10-K

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

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

For the fiscal year ended December 31, 2005 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)

(718) 446-1800
(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:
Common Stock, par value $.0001 per share
Preferred Stock Purchase Rights

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

The aggregate market value of the common equity held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers and Directors are "affiliates" of the registrant) as of June 30, 2005, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $233,359,000 (based on the closing sale price of the registrant's common stock on that date as reported on The NASDAQ National Market).

The number of outstanding shares of the registrant's common stock as of March 9, 2006 was 13,846,168 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

PART III INCORPORATES CERTAIN INFORMATION BY REFERENCE FROM THE REGISTRANT'S DEFINITIVE PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS SCHEDULED TO BE HELD ON OR ABOUT MAY 26, 2006.

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PART I

ITEM 1 BUSINESS

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

The Company's business is comprised of three (3) distinct segments (wholesale, retail and private label). The wholesale division includes eight (8) brands: Steve Madden(R), Steven(R), l.e.i.(R), Candie's(R), Stevies(R), SMNY(TM), Unionbay(R) and Steve Madden Mens. Steven Madden Retail, Inc., the Company's wholly-owned retail subsidiary, operates Steve Madden, Steven and Shoe Biz retail stores as well as the Company's outlet stores and e-commerce website. The Company is planning on closing the Shoe Biz store in July of 2006. The Company's wholly-owned private label subsidiary, Adesso-Madden, Inc., designs and sources footwear products under private labels for many of the country's large mass merchandisers. The Company also licenses its Steve Madden(R) trademark for several accessory and apparel categories.

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

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

The Company's website is http://www.stevemadden.com. The Company makes available free of charge on its website its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, any amendments to such reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and our Proxy Statement for our Annual Meeting as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (the "Commission"). The Company will provide paper copies of such filings free of charge upon request.

Wholesale Divisions

Madden Women's Wholesale Division

The Steve Madden(R) Women's Wholesale Division ("Madden Women's") designs, produces, sources, sells and markets the Company's Steve Madden(R) brand to major department stores, better specialty stores and shoe stores throughout the United States. The Steve Madden(R) product line has become a leading footwear brand in the fashion conscious junior marketplace. To serve its customers (primarily women ages 16 to 25), Madden Women's creates and markets fashion forward footwear designed to appeal to customers seeking exciting, new footwear designs at affordable prices.

As the Company's largest division, Madden Women's accounted for $120,333,000 of net sales in the year ended December 31, 2005, or approximately 32% of the Company's total net sales. Many newly created styles for Madden Women's are test marketed at the Company's retail stores. Within a few days, the Company can determine if the test product appeals to customers. This enables the Company to use its flexible sourcing model to rapidly respond to changing preferences which the Company believes is essential for success in the fashion footwear marketplace.

l.e.i.(R) - Wholesale Division

Pursuant to the Company's license agreement with Jones Investment Company, Inc., the Company has the right to use the l.e.i.(R) trademark in connection with the sale and marketing of footwear through September 30, 2006. The l.e.i.(R) trademark is well known in the junior marketplace for jeans wear and is sold nationally through department and specialty stores. The Company's l.e.i.(R) footwear products are targeted to attract girls and young women ages 6 to 20 years old, a majority of which are younger than the typical Steve Madden(R) brand customer. The l.e.i. Wholesale Division ("l.e.i.") generated net sales of $30,286,000 for the year ended December 31, 2005, or approximately 8% of the Company's total net sales.

Madden Mens Wholesale Division

The Steve Madden Mens Wholesale Division ("Madden Mens ") designs, produces, sources, sells and markets a full collection of directional young men's shoes through major department stores, better specialty stores and independent shoe stores throughout the United States. Price points range from $70 to $100 at retail, targeted at men ages 18 to 44 years old. Madden Mens accounted for $54,611,000 of net sales in the year ended December 31, 2005, or approximately 15% of the Company's total net sales. Madden Mens, which is primarily produced in China, maintains open stock inventory positions in select patterns to serve the replenishment programs of its wholesale customers.

Candie's Wholesale Division

Pursuant to the Company's license agreement with Candie's, Inc. ("Candie's"), the Company designs, produces, sources, sells and markets Candie's(R) branded footwear for women and children worldwide through the Company's Candie's Wholesale Division ("Candie's"). Candie's(R) generated net sales of $22,404,000 for the year ended December 31, 2005, or approximately 6% of the Company's total net sales.

On December 6, 2004, the license agreement with Candie's was amended to reflect Candie's decision to name Kohl's Corporation ("Kohl's") as the exclusive provider of a new line of Candie's apparel. Pursuant to the amendment, commencing on January 1, 2007, the Company will no longer have the exclusive right to market Candie's branded footwear and will be permitted to sell Candie's branded footwear only to Kohl's. Under the terms of the amendment, Candie's has guaranteed that the Company will achieve minimum sales levels with Kohl's during the term of the agreement, which runs through December 31, 2010. In the event such minimum sales levels are not achieved, Candie's is required to compensate the Company in an amount based on a percentage of the sales shortfall.

SM New York - Wholesale Division

The Company's SM New York Wholesale Division ("SMNY") began shipping for the first time in the fourth quarter of 2005 and generated sales of $1,576,000. SMNY(TM) is geared for young women ages 13 to 20 and is an "opening price point" brand that is currently being sold at Federated Department Stores and mid-tier department stores.

Diva Acquisition Corp. - Steven(R) Wholesale Division

Diva Acquisition Corp. ("Steven(R)") designs and markets women's fashion footwear under the Steven(R) trademark through major department and better footwear specialty stores and two (2) Company-owned retail shoe stores located in New York City and Miami. Priced a tier above the Steve Madden(R) brand, Steven(R) products are designed to appeal principally to fashion conscious women, ages 26 to 45, who shop at department stores and footwear boutiques. Steven(R) generated net sales of $16,453,000 for the year ended December 31, 2005, or approximately 4% of the Company's total net sales.

Stevies Inc. - Wholesale Division

The Company's Stevies(R) Wholesale Division ("Stevies(R)") designs, produces, sources, sells and markets footwear for girls to major department stores, better specialty stores and shoe stores throughout the United States.

Stevies(R) generated net sales of $7,886,000 for the year ended December 31, 2005, or approximately 2% of the Company's total net sales. Stevies(R) products are marketed through department stores, such as Federated Department Stores, Belk and Limited Too, as well as independent children's stores throughout the country.

Unionbay Men's Footwear Wholesale Division

Pursuant to the Company's license agreement with Seattle Pacific Industries, Inc., the Company has the right to use the Unionbay(R) trademark in connection with the sale and marketing of footwear for men and boys. Unionbay(R) is known for casual apparel in the young men's, junior's and children's marketplace and is distributed nationally through department and specialty stores. The Company's Unionbay(R) Wholesale Division ("Unionbay") generated net sales of $726,000 for the year ended December 31, 2005, or under 1% of the Company's total net sales.

Steven Madden Retail, Inc. - Retail Division

As of December 31, 2005, the Company owned and operated 94 retail shoe stores under the Steve Madden(R) name, two (2) under the Steven(R) name, one (1) outlet store under the Shoe Biz name and one (1) Internet store (through the www.stevemadden.com website). In 2005, the Company opened twelve (12) new stores and closed five (5) under-performing stores. Most of the Steve Madden stores are located in major shopping malls in Alabama, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Puerto Rico, Rhode Island, Texas, Virginia, Wisconsin and the District of Columbia. The retail stores generated annual sales in excess of $771 per square foot. Sales are primarily from the sale of the Company's Steve Madden(R) product line. Comparative store sales (sales of those stores that were open for all of 2005 and 2004) increased 5% in 2005 compared to 2004. Net sales for the retail division were $121,511,000 for 2005. Net sales from the Retail Division for the year ended December 31, 2005 were approximately 32% of the Company's total net sales.

The Company believes that the retail division will continue to enhance overall sales and profits of the Company while building equity in the Steve Madden brand. The Company plans to add eight to ten (8 - 10) new retail stores during 2006. The expansion of the retail division enables the Company to test and react to new products and classifications which, in turn, strengthens the product development efforts of the Steve Madden wholesale division.

The Adesso-Madden, Inc. - Private Label Division

In September 1995, the Company incorporated Adesso-Madden, Inc. as a wholly owned subsidiary ("A-M"). A-M was formed to serve as a buying agent to mass market merchandisers, shoe store chains and other value-priced retailers in connection with their procurement of private label shoes. As a buying agent, A-M arranges for shoe manufacturers to produce private label shoes to the specifications of its clients. The Company believes that by operating in the private label, mass merchandising market, the Company is able to maximize additional non-branded sales opportunities. This leverages the Company's overall sourcing and design capabilities. Currently, this division serves as a buying agent for the procurement of women's, men's and children's footwear for large retailers including Target, Wal-Mart, Mervyns, J.C. Penney, Sears and Payless. A-M receives buying agent's commissions from its clients. The private label division generated net commission income of $4,833,000 for the year ended December 31, 2005.

Licensing

As of December 31, 2005, the Company licensed its Steve Madden trademark for use in connection with the manufacturing, marketing and sale of outerwear including leather outerwear, belts, handbags, sunglasses, eyewear and hosiery. Each license agreement requires the licensee to pay to the Company a royalty based on net sales, a minimum royalty in the event that specified net sales targets are not achieved and a percentage of sales for advertising of the Steve Madden(R) brand. Licensing income was $2,286,000 for the year ended December 31, 2005.

Daniel M. Friedman

On February 7, 2006, the Company acquired all of the equity interest of privately held Daniel M. Friedman and Associates, Inc. Founded in 1995, Daniel M. Friedman is a manufacturer and distributor of name fashion handbags and accessories. The acquisition was completed for $18,000,000 in cash and includes certain earn out provisions based on financial performance through 2010. In October of 1998, the Company entered into a license agreement with Daniel M. Friedman for the design, manufacture and distribution of women's belts in the United States and Canada. This agreement expired on June 30, 2005. On July 14, 2005, the Company entered into a new license agreement with Daniel M. Friedman for the design, manufacture and distribution of handbags, women's belts, wallets and other small leather goods.

Design

The Company has established a reputation for its creative designs, popular styles and quality products at affordable price points. The Company believes that its future success will depend in substantial part on its ability to continue to anticipate and react to changing consumer demands in a timely manner. To meet this objective, the Company has developed a unique design process that allows it to recognize and act quickly to changing consumer demands. The Company's design team strives to create designs which it believes fit the Company's image, reflect current or future trends and can be manufactured in a timely and cost-effective manner. Once the initial design is complete, a prototype is developed, which is reviewed and refined prior to the commencement of limited production. Most new designs are then tested in the Steve Madden(R) retail stores. Designs that prove popular are then offered to wholesale and retail distribution nationwide. The Company believes that its unique design and testing process and flexible sourcing model is a significant competitive advantage allowing the Company to mitigate the risk of the costly production and distribution of unpopular designs.

Product Sourcing and Distribution

The Company sources each of its product lines separately based on the individual design, styling and quality specifications of the products in such product lines. The Company does not own or operate manufacturing facilities; rather, it sources its branded products through independently owned manufacturers in China, Brazil, Italy, Mexico, Spain, Portugal and the United States. The Company has established relationships with a number of manufacturers in each of these countries. Although the Company has not entered into any long-term manufacturing or supply contracts, the Company believes that a sufficient number of alternative sources exist for the manufacture of its products. The principal materials used in the Company's footwear are available from a number of sources, both within the United States and in foreign countries.

The Company's design and distribution processes are intended to be flexible, allowing the Company to respond to and accommodate changing consumer demand. The Company's production staff tracks warehouse inventory on a regular basis, monitors sell-through data and incorporates input on product demand from wholesale customers. The Company can use product feedback to adjust production or manufacture new products in as little as five weeks.

The Company distributes its products from two (2) third-party distribution warehouse centers located in California and New Jersey. By utilizing distribution facilities that specialize in distributing products to certain customer wholesale accounts, Steve Madden retail stores and Internet fulfillment, the Company believes that its customers are better served.

Customers

The Company's wholesale customers consist principally of department stores and specialty stores, including shoe boutiques. Presently, the Company sells approximately 72% of its products at wholesale to department and specialty stores, including Federated Department Stores (Macy's, Bloomingdale's, Bon Marche, Filene's, Hecht's, Famous Barr, Foley's, Lord and Taylor, Robinsons May and Marshall Fields'), Dillard's, Nordstrom, Journeys, Limited Too and Mandees; and catalog retailers, including Victoria's Secret and Fingerhut. For the year ended December 31, 2005, Federated Department Stores accounted for approximately $80,290,000 (28%) of the Company's wholesale gross sales.

Distribution Channels

The Company sells its products principally through its Company-owned retail stores and through department stores, specialty shoe stores and discount stores in the United States and abroad. For the year ended December 31, 2005, net sales from the Company's Retail Division and the Company's Wholesale Division accounted for approximately $121,511,000 (32%) and $254,275,000 (68%) of the Company's total net sales, respectively. The following paragraphs describe each of these distribution channels.

Steve Madden and Steven Retail Stores

As of December 31, 2005, the Company operated 95 Company-owned retail stores (including one Internet store) under the Steve Madden(R) name and two (2) under the Steven(R) name. The Company believes that its retail stores will continue to enhance overall sales, profitability, and its ability to react to changing consumer trends. The stores are also a marketing tool that allows the Company to strengthen brand recognition and to showcase selected items from its full line of branded and licensed products. Furthermore, the retail stores provide the Company with a venue to test and introduce new products and merchandising strategies. Specifically, the Company often tests new designs at its Steve Madden(R) retail stores before scheduling them for mass production and wholesale distribution. In addition to these test marketing benefits, the Company has been able to leverage sales information gathered at Steve Madden(R) retail stores to assist its wholesale accounts in order placement and inventory management.

A typical Steve Madden(R) store is approximately 1,400 to 1,600 square feet and is located in a mall or street location that the Company expects will attract the highest concentration of the Company's core demographic, style-conscious young women ages 16 to 25 years old. The Steven(R) stores have a more sophisticated design and format styled to appeal to their more mature target audience. In addition to carefully analyzing mall demographics and location, the Company also sets profitability guidelines for each potential store site. Specifically, the Company targets well trafficked sites at which the demographics fit the Company's consumer profile and seeks new locations where the projected fixed annual rent expense does not exceed a specified percentage of projected sales over the life of the lease. By setting these standards, the Company seeks to identify stores that will contribute to the Company's overall profits both in the near- and longer-terms.

Outlet Stores

Shoe Biz, Inc., a wholly owned subsidiary of the Company ("Shoe Biz"), operates one (1) outlet store in New York which operates under the Shoe Biz name. Shoe Biz sells many product lines, including Steve Madden, Steven, Stevies and l.e.i.(R) footwear, at a price lower than typically charged by other full price retailers. The Company is planning to close the Shoe Biz store in July of 2006.

Department Stores

The Company currently sells to over 6,500 doors of 22 department stores throughout the United States and Canada. The Company's major accounts include Federated Department Stores (Macy's, Bloomingdale's, Bon Marche, Filene's, Hecht's, Famous Barr, Foley's, Lord and Taylor, Robinsons May and Marshall Fields'), Nordstrom and Dillard's.

The Company provides merchandising support to its department store customers which includes in-store fixtures and signage, supervision of displays and merchandising of the Company's various product lines. The Company's wholesale merchandising effort includes the creation of in-store concept shops, where a broader collection of the Company's branded products are showcased. These in-store concept shops create an environment that is consistent with the Company's image and enable the retailer to display and stock a greater volume of the Company's products per square foot of retail space. In addition, these in-store concept shops encourage longer term commitment by the retailer to the Company's products and enhance consumer brand awareness.

In addition to merchandising support, the Company's key account executives maintain weekly communications with their accounts to guide them in placing orders and to assist them in managing inventory, assortment and retail sales. The Company leverages its sell-through data gathered at its retail stores

to assist department stores in allocating their open-to-buy dollars to the most popular styles in the product line and to phase out styles with weaker sell-throughs.

Specialty Stores/Catalog Sales

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

Internet Sales

The Company operates one (1) Internet website: www.stevemadden.com. Customers can purchase numerous styles of the Company's Steve Madden(R), Steven and Steve Madden Mens footwear, accessory and clothing products. Sales derived from the Company's Internet website were $5,281,000 in 2005.

Distribution Agreements

Steve Madden products are available in many countries and territories worldwide via several retail selling and distribution agreements. Under the terms of the retail selling agreements, the licensee is required to open a minimum number of stores each year and is required to pay the Company a royalty for each pair of footwear sold. Under the terms of the distribution agreements, the distributor is required to purchase certain minimum amounts of Steve Madden shoes. These agreements, which expire at various times through December 31, 2009, are exclusive in their specific territories which include Canada, Australia, New Zealand, Israel, UAE, Bahrain, Qatar, Oman, Indonesia, Mexico and several countries in Central and South America.

Competition

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

Marketing and Sales

The Company has focused on creating an integrated brand building program to establish Steve Madden as the leading designer of fashion footwear for style-conscious young women and men. As a result, the Company developed a national advertising campaign for lifestyle and fashion magazines which was also used in regional marketing programs such as radio advertisements, television commercials, outdoor media, college event sponsorship and live online chat forums. The Company also continues to promote its website (www.stevemadden.com) where customers can purchase Steve Madden(R), Steven(R) and Steve Madden Mens products and interact with both the Company and other customers.

In order to service its wholesale accounts, the Company retains a sales force of 22 independent sales representatives as of March 1, 2006. These sales representatives work on a commission basis and are responsible for placing the Company's products with its principal customers, including department and specialty stores. The sales representatives are supported by the Company's senior executives and, as of March 1, 2006, a staff of 13 account executives, 14 merchandise coordinators and 28 customer service representatives who continually cultivate relationships with wholesale customers. This group of professionals assist accounts in merchandising and assessing customer preferences and inventory requirements, which ultimately serves to increase sales and profitability.

Management Information Systems (MIS) Operations

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

Receivables Financing; Line of Credit

Under the terms of a factoring agreement with GMAC Commercial Finance LLC ("GMAC"), the Company is permitted to draw down 80% of its invoiced receivables at an interest rate of two and one-half percent (2.5%) over the 30 day LIBOR (as defined in such agreement). The agreement, which has no specific expiration date and can be terminated by either party with sixty (60) days written notice after June 30, 2007, provides the Company with a $25 million credit facility with a $15 million sub-limit on direct borrowings. GMAC maintains a lien on all of the Company's receivables and assumes the credit risk for all assigned accounts approved by them. As of December 31, 2005, the Company had not used any portion of the credit line.

Trademarks and Service Marks

The STEVE MADDEN and/or STEVE MADDEN plus Design trademarks and service marks have been registered in numerous International Classes in the United States (Int'l Cl. 25 for clothing and footwear; Int'l Cl. 18 for leather goods, such as handbags and wallets; Int'l Cl. 9 for eyewear; Int'l Cl. 14 for jewelry; Int'l Cl. 3 for cosmetics and fragrances; Int'l Cl. 20 for picture frames and furniture; Int'l Cl. 16 for paper goods; Int'l Cl. 24 for bedding; and Int'l Cl. 35 for retail store services). The Company also has pending trademark applications in the United States for the mark STEVE MADDEN and/or STEVE MADDEN (design) in numerous international classes (Class 2 for paints, Class 4 for candles, Class 6 for key chains and id bracelets, Class 11 for lamps, Class 21 for housewares, Class 26 for hair accessories, Class 27 for rugs and carpets, Class 28 for sporting goods, and Class 32 for light beverages).

The Company also has trademark registrations in the United States for the marks EYESHADOWS BY STEVE MADDEN (Int'l Cl. 9 for eyewear), ICE TEE (Int'l Cl. 25 for clothing and footwear), SHOE BIZ BY STEVE MADDEN (Int'l Cl. 25 for clothing and footwear; and Int'l Cl. 35 for retail store services) STEVEN M. (Int'l Class 25 for clothing and footwear); and STEVEN (Int'l Cl. 25 for clothing and footwear, Class 3 for cosmetics and fragrances, Class 14 for jewelry, Class 18 for leather goods, Class 26 for hair accessories, Class 35 for retail store services, and Class 9 for eyewear). The Company also has pending applications for STEVEN in various international classes (Class 2 for paints, Class 4 for candles, Class 6 for key chains and id bracelets, Class 11 for lamps, Class 16 for printed matter, Class 20 for furniture, Class 21 for housewares, Class 24 for fabrics and bedding, Class 26 for hair accessories, Class 27 for rugs and carpets, Class 28 for sporting goods, and Class 32 for light beverages). The Company also owns a registration for the mark SOHO COBBLER and SOHO COBBLER (design) in the U.S. in Class 25 for footwear.

The Company also has several pending applications in the U.S. for MADDEN in a variety of international classes (Class 3 for cosmetics and fragrances, Class 18 for bags, , Class 14 for jewelry, and Class 25 for clothing and footwear). The Company also has pending applications in the U.S. for STEVEN BY STEVE MADDEN in Classes 18 (bags) and 24 (bedding), and for MADDEN BY STEVE MADDEN in Class 2 for paints, Class 3 for perfume and cosmetics, Class 4 for candles, Class 6 for key rings and key chains, Class 9 for eyewear and CDs, Class 11 for lamps, Class 14 for jewelry, Class 16 for stationery and notebooks, Class 18 for bags, Class 20 for furniture, Class 21 for housewares, Class 24 for bedding, Class 25 for clothing and footwear, Class 26 for hair accessories, Class 27 for carpets and rugs, Class 28 for toys and games, Class 32 for light beverages, and Class 35 for retail store services.

Additionally, the Company has several pending trademark and service mark applications in the United States for various marks, including a stylized "H" Design (Int'l Cl. 25 for clothing and footwear). STEVE MADDEN LUXE in Class 25 for clothing and footwear, and FINA FIRENZE in Classes 18 (bags), 25 (clothing and footwear), and 35 (retail stores). RULE STEVE MADDEN (in Class 2 for paints, Class 3 for perfume and cosmetics, Class 4 for candles, Class 6 for key rings and key chains, Class 9 for eyewear and CDs, Class 11 for lamps, Class 14 for jewelry, Class 16 for stationery and notebooks, Class 18 for bags, Class 20 for furniture, Class 21 for housewares, Class 24 for bedding, Class 25 for clothing and footwear, Class 26 for hair accessories, Class 27 for carpets and rugs, Class 28 for toys and games, Class 32 for light beverages, and Class 35 for retail store services), SM NEW YORK (in Class 3 for perfume and cosmetics, Class 14 for jewelry, Class 18 for bags, Class 20 for furniture, Class 21 for housewares, and Class 25 for clothing and footwear); and SMNY (in Class 3 for perfume and cosmetics, Class 14 for jewelry, Class 18 for bags, Class 20 for furniture, Class 21 for housewares, and Class 25 for clothing and footwear).

The Company further owns registrations for the STEVE MADDEN and/or STEVE MADDEN plus Design trademarks and service marks in various International Classes in Argentina, Australia, Bahrain, Belize, Brazil, Canada, Chile, China, Colombia, El Salvador, Guatemala, Hong Kong, Israel, Italy, Japan, Korea, Lebanon, Mexico, Nicaragua, the Netherlands, Panama, Saudi Arabia, Singapore, South Africa, Taiwan, the United Arab Emirates, Venezuela, the European Union, and the Benelux countries and has pending applications for registration of the STEVE MADDEN and/or STEVE MADDEN plus Design trademarks and service marks in Bahrain, Costa Rica, Guatemala, Honduras, Indonesia, Korea, Kuwait, Lebanon, New Zealand, Oman, Peru, Philippines, Qatar, Russia, Saudi Arabia, Singapore, Turkey, and the United Arab Emirates . Additionally, the Company owns registrations for the STEVEN trademark and service mark in various International Classes in China, Hong Kong, Lebanon, Japan, Thailand, Taiwan, and the United Arab Emirates and has pending applications for registration of the STEVEN trademark and service mark in Australia, Bahrain, China, Indonesia, Israel, Italy, Korea, Malaysia, New Zealand, Oman, Philippines, Qatar, Russia, South Africa, Saudi Arabia, Taiwan, Thailand, Turkey, and Taiwan.

The Company further owns registrations for the "torch stripe" design in Class 25 in the European Union and Panama, and has a pending application for the "torch stripe" design in Class 25 in China.

The Company further owns registrations for the mark STEVEN BY STEVE MADDEN in various international classes in the European Union, and has pending applications for the mark STEVEN BY STEVE MADDEN in various international classes in Canada, China, Israel, and Korea,

The Company further owns registrations for the mark SCOOP in various international classes in the European Union.

The Company further has pending applications for the mark SCOOP (design) in Classes 25 and/or 35 in Australia, Canada, China, Hong Kong, Kuwait, Mexico, Russia, and Switzerland,

The Company further owns a registration for the mark WHAT'S THE SCOOP in Class 25 in Hong Kong, and has pending applications for the mark WHAT'S THE SCOOP in Class 25 in China, Japan, and Taiwan.

The Company further owns registrations for the mark SCOOP STREET in Class 25 in Hong Kong, Japan, and has pending applications for the mark SCOOP STREET in Class 25 in China and Taiwan.

The Company further has a pending application for the mark SCOOP NYC in Class 3 in Japan.

The Company further owns a registration for the mark SCOOPKIDS in Class 25 in Japan.

Additionally, the Company, through its Diva Acquisition Corp. subsidiary, owns registrations for the DAVID AARON trademark and service mark in various International Classes in the United States (Int'l Cl. 25 for clothing and footwear; Int'l Cl. 18 for leather goods, such as handbags and wallets; and Int'l Cl. 35 for retail store services), and in Australia, Canada, the European Union, Hong Kong, Japan, Korea, Panama, and South Africa in some or all of Classes 3, 18, and 25, and for its D. AARON trademark in Class 25 Spain. Also, the Company own registrations for the DAVID AARON trademark in the United States in International Class 3 for perfume and cosmetics; International Class 9 for

eyewear; International Class 14 for jewelry; International Class 16 for paper goods; International Class 18 for bags; International Class 24 for bed and bath products; International Class 25 for clothing and footwear and International Class 26 hair accessories in Korea.

The Company, through its Stevies, Inc. subsidiary, also owns various registrations for the STEVIES and /or STEVIES plus Design trademark and service mark in a number of International Classes in the United States (Int'l Cl. 18 for leather goods, such as handbags and wallets; Int'l Cl. 9 for eyewear; International Class 35 for retail store services; International Class 14 for jewelry; International Class 28 for toys; International Class 16 for paper goods; International Class 3 for perfume and cosmetics, International Class 9 for CDs and eyewear, and International Class 26 for hair accessories), and for STEVIES BY STEVE MADDEN in Class 14 for jewelry, Class 9 for eyewear, Class 3 for perfume and cosmetics, Class 28 for toys and games, Class 35 for retail services, Class 16 for stationery and notebooks, Class 18 for bags). The Company, through its Stevies, Inc. subsidiary, also owns registrations for its STEVIES and/or STEVIES plus Design mark for various goods in Argentina, Bahrain, Canada, China, Columbia, the European Union, Hong Kong, Israel, Japan, Korea, Lebanon, Malaysia, Mexico, Panama, Singapore, Taiwan and the United Arab Emirates. Additionally Stevies, Inc. has several pending trademark and service mark applications for registration of the STEVIES and STEVIES plus Design marks in various International Classes in Brazil, Indonesia, Korea, Kuwait, Mexico, New Zealand, Oman, Peru, Qatar, Saudi Arabia, Singapore, South Africa, Thailand, Turkey, the United Arab Emirates and Venezuela. Finally, Stevies, Inc. also owns several trademark and service mark registrations of the STEVIES BY STEVE MADDEN mark in various International Classes in the United States (Int'l Cl. 25 for clothing and footwear; Int'l Cl. 14 for jewelry; Int'l Cl. 18 for leather goods, such as handbags and wallets; Int'l Cl. 16 for paper goods; Int'l Cl. 3 for cosmetics and fragrances; Int'l Cl. 9 for eyewear; Int'l Cl. 28 for toys; and Int'l Cl. 35 for retail store services).

The Company believes that its trademarks have a significant value and are important to the marketing of the Company's products. There can be no assurance, however, that the Company will be able to effectively obtain rights to its marks throughout all of the countries of the world. Moreover, no assurance can be given that others will not assert rights in, or ownership of, trademarks and other proprietary rights of the Company or that the Company will be able to successfully resolve such conflicts. The failure of the Company to protect such rights from unlawful and improper appropriation may have a material adverse effect on the Company's business and financial condition.

Employees

On March 3, 2006, the Company employed approximately 1,414 employees, of whom approximately 586 work on a full-time basis and approximately 828 work on a part-time basis. The management of the Company considers relations with its employees to be good.

Seasonality

Historically, the Company's merchandising businesses have experienced holiday retail seasonality. In addition to seasonal fluctuations, the Company's operating results 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 for obsolescence, the cost of materials, the product mix between wholesale, retail 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.

Backlog

The Company had unfilled wholesale customer orders of $90 million and $82 million, as of March 1, 2006 and 2005, respectively. The Company's backlog at a particular time is affected by a number of factors, including seasonality, timing of market weeks, and wholesale customer purchases of its core basic products through the Company's open stock program. Accordingly, a comparison of backlog from period to period may not be indicative of eventual shipments.

ITEM 1A RISK FACTORS

You should carefully consider the risks and uncertainties we describe below and the other information in this Annual Report or incorporated by reference herein before deciding to invest in, or retain, shares of our common stock. These are not the only risks and uncertainties that we face. Additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial, or that we have not predicted, may also harm our business operations or adversely affect us. If any of these risks or uncertainties actually occurs, our business, financial condition, operating results or liquidity could be materially harmed.

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 for 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 GMAC and the Company, GMAC currently assumes the credit risk related to approximately 93% of the Company's accounts receivables. 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 twelve-month period ended December 31, 2005, approximately 99% 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 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 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 does not control its licensing partners or independent 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 fashion 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(R), Steven(R), SMNY, Steve Madden Mens, l.e.i.(R), Unionbay(R) and Candie's(R) brands, creating new product categories and businesses and operating Company-owned Steve Madden and Steven stores on a profitable basis. During the year ended December 31, 2005, the Company opened 12 Steve Madden retail stores and has plans to open eight to ten (8 - 10) additional stores in the year 2006. 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.

Management of Growth. 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 for obsolescence, the cost of materials, the product mix between wholesale, retail 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 makes approximately 97% of its purchases 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 March 9, 2006, there were outstanding options to purchase an aggregate of approximately 1,262,602 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 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 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2 PROPERTIES

The Company maintains approximately 33,000 square feet for its executive offices and sample production facilities at 52-16 Barnett Avenue, Long Island City, NY 11104. The lease for the Company's headquarters expires on June 30, 2008 and can be extended, at the option of the Company, through June 30, 2013.

The Company's showroom is located at 1370 Avenue of the Americas, New York, NY. All of the Company's brands are displayed for sale from this 9,917 square foot space. The lease for the Company's showroom expires on February 28, 2013.

The Company maintains approximately 7,200 square feet as a storage facility at 25-15 Borough Place, Woodside, NY. The lease for this space expires October 31, 2010.

The Company also maintains an 807 square foot showroom located at Fashion Center Dallas in the World Trade Center, Dallas, Texas. The lease for this showroom expires on April 30, 2007.

The Company also currently engages two independent distributors to warehouse and distribute its products.

The Company's private label division, Adesso Madden, maintains approximately 3,120 square feet of office and showroom space at 99 Seaview Boulevard, Port Washington, N. Y. The lease for Adesso Madden expires on May 31, 2006.

All of the Company's retail stores are leased pursuant to leases that, under their original term, extend for an average of ten years in length. A majority of the leases include clauses that provide for contingent rental payments if gross sales exceed certain targets. In addition, a majority of the leases enable the Company and/or the landlord to terminate the lease in the

event that the Company's gross sales do not achieve certain minimum levels during a prescribed period. Many of the leases contain rent escalation clauses to compensate for increases in operating costs and real estate taxes.

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

Years Lease Terms Expire	Number of Stores
2006	1
2007	6
2008	12
2009	11
2010	11
2011	14
2012	9
2013	11
2014	11

ITEM 3 LEGAL PROCEEDINGS

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

On July 28, 2005, adidas America, Inc., and adidas-Salomon AG (together, "adidas") filed a Demand for Arbitration (the "Demand") against Steve Madden, Ltd. and Steve Madden Retail, Inc. before the American Arbitration Association. In its Demand, adidas alleged that the parties had previously been engaged in a lawsuit over the Company's sale of sneakers that allegedly infringed adidas' "three stripe" mark. The parties settled that lawsuit by entering into a settlement agreement dated August 4, 2003 that prohibited the Company from selling shoes that contained adidas' "three-stripe" mark either with one additional stripe or with one less stripe. adidas alleged in the Demand that the Company was selling three shoes (the Finnley, the Troyy and the Soccet) that adidas contends violate the settlement agreement and infringe adidas' "three-stripe" mark. The parties were engaged in settlement discussions for several months, but so far have been unable to settle and the Company filed its answer to the Demand for Arbitration on January 20th. The parties will be jointly selecting a panel of arbitrators over the next few weeks, while settlement discussions continue. No discovery demands have been exchanged. The Company believes it has substantial defenses to the claims asserted in the Demand for Arbitration.

On August 10, 2005, the U.S. Customs Department issued a report that asserts that certain commissions that the Company treated as buying agents commissions (which are not subject to duty) should be treated as "selling agents commissions" (which are subject to duty). In the report, Customs estimates that the Company had underpaid duties during the calendar years of 1998 through 2004 in the amount of $1,051,000. Based on management's estimation at this point, a reserve of $1,051,000 has been recorded as of the December 31, 2005. Such reserve may in the future be modified to reflect the status of this matter.

On or about January 23, 2006, the Company and certain of its executives were named as defendants in a lawsuit filed by Jojeli, Inc. ("Jojeli") and Alan Rick Friedman in the United States District Court for the Southern District of New York. In their complaint, Jojeli and Mr. Friedman assert claims arising from the Company's decision to terminate Jojeli's services on or about November 28, 2005. Mr. Friedman, Jojeli's principal, served as a senior salesperson for the Company, and provided his services to the Company pursuant to an April 26, 2004 written agreement. In their complaint, Jojeli and Mr. Friedman allege eight claims against the Company and/or four of its executives, including breach of contract, violation of the New York Labor Law, tortuous interference with contract, civil conspiracy, defamation, and prima facie tort. They seek damages on their various claims in differing amounts, ranging from $500,000 to $5.0 million and they also seek a declaration that they are not bound by the restrictive covenant in the parties' contract. The Company is still

investigating the allegations of the complaint and has not yet filed an answer or any relief from the Court. The Company believes the claims to be without merit and it intends to vigorously defend the lawsuit.

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 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the holders of the Company's Common Stock during the last quarter of its fiscal year ended December 31, 2005.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's shares of common stock trade on The Nasdaq National Market. The following table sets forth the range of high and low closing sales prices for the Company's Common Stock during each fiscal quarter during the two-year period ended December 31, 2005 as reported by The Nasdaq National Market. The quotes represent inter-dealer prices without adjustment or mark-ups, mark-downs or commissions and may not necessarily represent actual transactions. The trading volume of the Company's securities fluctuates and may be limited during certain periods. As a result, the liquidity of an investment in the Company's securities may be adversely affected.

Common Stock

	High	Low		High	Low
2005			2004		
Quarter ended March 31, 2005	19.40	16.22	Quarter ended March 31, 2004	21.61	17.75
Quarter ended June 30, 2005	18.86	15.61	Quarter ended June 30, 2004	20.70	17.66
Quarter ended September 30, 2005	24.65	17.77	Quarter ended September 30, 2004	20.24	15.59
Quarter ended December 31, 2005	30.32	22.70	Quarter ended December 31, 2004	19.79	15.79

On March 9, 2006, the final quoted price as reported by The Nasdaq National Market was $31.84 for each share of common stock. As of March 9, 2006, there were 13,846,168 shares of Common Stock outstanding and 67 record holders.

Dividends. On November 3, 2005, the Board of Directors declared a special dividend of $1 per share payable to Steven Madden, Ltd. shareholders of record at the close of business on November 14, 2005. The dividend was paid on November 23, 2005.

Equity Compensation Plans. Information regarding our equity compensation plans as of December 31, 2005 is disclosed in Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

Issuer Repurchases of Equity Securities. There were no shares of common stock repurchased by the Company during the fourth quarter of fiscal 2005. The Company's previously announced share repurchase program, 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.

Pursuant to an agreement reached on February 2, 2005 with an 8% shareholder, the Company has agreed to commit $25 million in the year ended January 31, 2006 and $10 million in the year ended January 31, 2007 to a combination of share repurchases and/or dividends, such programs to be implemented at such time and in such manner as the board of directors shall determine in its sole discretion.

ITEM 6 SELECTED FINANCIAL DATA

The following selected financial data has been derived from the Company's audited financial statements. The Income Statement Data relating to 2005, 2004 and 2003, and the Balance Sheet Data as of December 31, 2005 and 2004 should be read in conjunction with the Company's audited consolidated financial statements and notes thereto appearing elsewhere herein.

	Year Ended December 31,				
	2005	2004	2003	2002	2001
INCOME STATEMENT DATA:					
Net sales	$ 375,786,000	$ 338,144,000	$ 324,204,000	$ 326,136,000	$ 243,391,000
Cost of sales	233,286,000	215,475,000	198,185,000	199,453,000	143,518,000
Gross profit	142,500,000	122,669,000	126,019,000	126,683,000	99,873,000
Commissions and licensing fee - net	7,119,000	4,588,000	5,742,000	4,381,000	3,955,000
Operating expenses	(117,530,000)	(108,276,000)	(98,135,000)	(97,852,000)	(77,516,000)
Cost of loss mitigation coverage					(6,950,000)
Impairment of cost in excess of fair value of net assets acquired	(519,000)	--	--	--	--
Income from operations	31,570,000	18,981,000	33,626,000	33,212,000	19,362,000
Interest income	2,554,000	2,009,000	1,611,000	1,166,000	1,344,000
Interest expense	(164,000)	(68,000)	(54,000)	(16,000)	(66,000)
Gain (loss) on sale of marketable securities	(500,000)	32,000	136,000	66,000	71,000
Income before provision for income taxes	33,460,000	20,954,000	35,319,000	34,428,000	20,711,000
Provision for income taxes	14,260,000	8,679,000	14,865,000	14,587,000	8,595,000
Net Income	19,200,000	12,275,000	20,454,000	19,841,000	12,116,000
Basic income per share	$ 1.43	$ 0.93	$ 1.58	$ 1.58	$ 1.04
Diluted income per share	$ 1.38	$ 0.86	$ 1.45	$ 1.45	$ 0.94
Basic weighted average common shares outstanding	13,407,717	13,148,869	12,985,265	12,594,861	11,617,862
Effect of potential common shares from exercise of options and warrants	537,658	1,074,080	1,153,246	1,115,018	1,330,002
Diluted weighted average common shares outstanding	13,945,375	14,222,949	14,138,511	13,709,879	12,947,864
BALANCE SHEET DATA					
Total assets	211,728,000	186,430,000	177,870,000	150,500,000	121,862,000
Working capital	114,066,000	101,417,000	105,140,000	86,461,000	82,633,000
Noncurrent liabilities	2,757,000	2,088,000	1,828,000	1,532,000	1,313,000
Stockholders' equity	182,065,000	164,665,000	159,187,000	130,075,000	102,360,000

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the audited 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," "projects" or "plans" and statements in the future tense to be uncertain forward-looking statements. The forward-looking statements contained herein are also subject generally to risks set forth herein under the caption "Risk Factors" and 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)

2005 was a turn around year for Steven Madden, Ltd. Net sales increased 11% to a record $375,786 in 2005 from $338,144 in 2004 while net commission and licensing fee income increased 55% to $7,119 in 2005 from $4,588 in 2004. Net income increased 56% to $19,200 in 2005, compared to $12,275 in 2004. The Company's diluted earnings per share increased 60% to $1.38 per share for the year ended December 31, 2005 compared to $0.86 per share in 2004. One reason for the top line growth was Steve Madden's return to the Company on April 14 of this year in the capacity of its Creative and Design Chief (a non-executive position). The Company's impressive sales growth is a testament to Mr. Madden's creative abilities. Additionally, the sales growth of the Company is the result of the double-digit growth realized in the following divisions:

1. Madden Mens has evolved into a "collection" brand offering a full assortment of dress, casual and sport footwear. The expanded product line has helped Madden Mens establish open stock programs with several customers and increase the number of doors with Dillards and Nordstrom, all of which contributed to a net sales increase of 74% to $54,611 in 2005 from $31,301 in 2004.

2. The Candie's product line gave the Company entree into the young women and girls market. In just its second year of operation and propelled by its success at Kohl's, Candie's net sales increased 44% to $22,404 in 2005 from $15,584 in 2004.

3. The Company continued to expand the Retail Division by opening 12 stores and closing 5 under-performing stores in 2005. Net sales in the Retail Division increased 13% to $121,511 in 2005 from $107,797 in 2004.

Several factors accounted for the increase in profitability, including the following:

1. Management has implemented new inventory controls and procedures in an attempt to reduce inventory levels. For example, "cut-to-order" inventory controls in l.e.i., Candie's, and Stevies have resulted in reduced inventory levels in those divisions. The new inventory controls have resulted in a significant reduction of close-out sales in the second half of 2005 causing the Company's gross profit to increase by 2% to 38% this year compared to 36% last year.

2. Net commission and licensing fee income increased 55% to $7,119 in 2005 from $4,588 in 2004, primarily due to the growth of the Adesso-Madden Division. The increase was the result of the overall growth in first cost business, the expansion of the division's private label business in men's footwear and the transition of Unionbay to a first cost commission based model.

3. The Company has initiated several cost control measures that have resulted in a reduction of operating expenses as a percentage of net sales to 31% in 2005 from 32% in 2004.

In the Retail Division, same store sales (sales in stores that were in operation throughout all of 2005 and 2004) increased 5%. Store sales productivity remained high with sales per square foot of $771. The Company is planning to open eight to ten new stores in 2006.

The Company's annualized inventory turnover increased to 7.9 times in 2005 compared to 7.4 times in 2004, reflecting the inventory reductions described above. The Company's accounts receivable average collection days improved to 57 days this year compared to 64 days last year. As of December 31, 2005, the Company had $109,091 in cash, cash equivalents and marketable securities, no short or long-term debt, and total stockholders equity of $182,065. Working capital increased to $114,066 as of December 31, 2005, compared to $101,417 on December 31, 2004. During the year ended December 31, 2005, net cash provided by operating activities increased to $42,742 as compared to $12,863 in the same period last year.

On November 1, 2005, the Board of Directors declared a special dividend of $1 per share payable to Steven Madden, Ltd. shareholders of record at the close of business on November 14, 2005. The dividend was paid on November 23, 2005.

On February 7, 2006, management continued its strategy to diversify and expand the demographics and the retail channels of its product lines by acquiring Daniel M. Friedman and Associates, Inc. Daniel M. Friedman is an importer and distributor of name fashion and private label handbags, belts and accessories. This acquisition will enable the Company to further augment and complement its core category and continue to expand its reach into the branded lifestyle concept.

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

Selected Financial Information
Years Ended
December 31
($ in thousands)

	2005		2004		2003	
Consolidated:						
Net sales	$ 375,786	100%	$ 338,144	100%	$ 324,204	100%
Cost of sales	233,286	62	215,475	64	198,185	61
Gross Profit	142,500	38	122,669	36	126,019	39
Other operating income - net of expenses	7,119	2	4,588	1	5,742	1
Operating expenses	117,530	31	108,276	32	98,135	30
Impairment of cost in excess of Fair value of net assets acquired	519	0	--	--	--	--
Income from operations	31,570	8	18,981	5	33,626	10
Interest and other income net	1,890	1	1,973	1	1,693	1
Income before income taxes	33,460	9	20,954	6	35,319	11
Net income	19,200	5	12,275	4	20,454	6
By Segment:						
WHOLESALE DIVISIONS:						
Madden Womens Wholesale:						
Net sales	$ 120,333	100%	$ 113,879	100%	$ 109,285	100%
Cost of sales	86,556	72	82,414	72	77,313	71
Gross profit	33,777	28	31,465	28	31,972	29
Other operating income	2,286	2	2,310	2	2,827	3
Operating expenses	29,402	24	28,828	25	27,630	25
Income from operations	6,661	6	4,947	5	7,169	7
l.e.i. Footwear Wholesale:						
Net sales	$ 30,286	100%	$ 38,391	100%	$ 60,623	100%
Cost of sales	20,122	66	27,575	72	38,016	63
Gross profit	10,164	34	10,816	28	22,607	37
Operating expenses	8,109	27	10,236	27	13,658	22
Income from operations	2,055	7	580	1	8,949	15
Madden Mens Wholesale:						
Net sales	$ 54,611	100%	$ 31,301	100%	$ 34,881	100%
Cost of sales	32,550	60	21,525	69	22,803	65
Gross profit	22,061	40	9,776	31	12,078	35
Operating expenses	12,961	24	8,742	28	8,277	24
Income from operations	9,100	16	1,034	3	3,801	11
Candie's Footwear Wholesale:						
Net sales	$ 22,404	100%	$ 15,584	100%	$ 938	100%
Cost of sales	13,641	61	11,535	74	532	57
Gross profit	8,763	39	4,049	26	406	43
Operating expenses	5,716	25	4,357	28	748	80
Income (loss) from operations	3,047	14	(308)	(2)	(342)	(37)

Selected Financial Information
Years Ended
December 31
($ in thousands)

	2005		2004		2003	
By Segment (Continued)						
WHOLESALE DIVISIONS (Continued):						
SMNY:						
Net sales	$ 1,576	100%	--	--	--	--
Cost of sales	808	51	--	--	--	--
Gross profit	768	49	--	--	--	--
Operating expenses	417	27	--	--	--	--
Income from operations	351	22	--	--	--	--
Diva Acquisition Corp. (Steven Wholesale):						
Net sales	$ 16,453	100%	$ 21,039	100%	$ 12,519	100%
Cost of sales	12,311	75	13,398	64	8,031	64
Gross profit	4,142	25	7,641	36	4,488	36
Operating expenses	4,704	28	5,274	25	3,360	27
Income (loss) from operations	(562)	(3)	2,367	11	1,128	9
Stevies Inc.:						
Net sales	$ 7,886	100%	$ 9,575	100%	$ 10,120	100%
Cost of sales	5,433	69	6,623	69	6,611	65
Gross profit	2,453	31	2,952	31	3,509	35
Other operating income	--	--	--	--	11	0
Operating expenses	1,831	23	2,746	29	2,262	22
Income from operations	622	8	206	2	1,258	13
Unionbay Wholesale:						
Net sales	$ 726	100%	$ 578	100%	$ 320	100%
Cost of sales	526	72	528	91	213	67
Gross profit	200	28	50	9	107	33
Operating expenses	163	23	604	105	481	150
Income (loss) from operations	37	5	(554)	(96)	(374)	(117)
RETAIL DIVISION:						
Steven Madden Retail Inc.:						
Net sales	$ 121,511	100%	$ 107,797	100%	$ 95,518	100%
Cost of sales	61,339	50	51,877	48	44,666	47
Gross profit	60,172	50	55,920	52	50,852	53
Operating expenses	54,227	45	47,489	44	41,719	44
Impairment of cost in excess of fair value of net assets acquired	519	0	--	--	--	--
Income from operations	5,426	5	8,431	8	9,133	9
Number of stores	98		91		83	

Selected Financial Information
Years Ended
December 31
($ in thousands)

	2005	2004	2003
By Segment (Continued)			
ADESSO MADDEN INC.:			
(FIRST COST)			
Other commission income - net of expenses	$4,833	$2,278	$2,904

RESULTS OF OPERATIONS
($ in thousands)

Year Ended December 31, 2005 vs. Year Ended December 31, 2004

Consolidated:

Total net sales for the year ended December 31, 2005 increased by 11% to $375,786 from $338,144 for the comparable period last year. Significant sales increases from Madden Mens, Candie's, and the Retail Division and a modest increase from Madden Womens as well as net sales of $1,576 generated by the Company's new division, SMNY were partially offset by declines in Steven, l.e.i. and Stevies.

Gross profit as a percentage of sales increased to 38% in 2005 from 36% in 2004. Gross profit as a percentage of sales in the Wholesale Divisions increased to 32% in 2005 from 29% in 2004, primarily due to a significant decrease in off-price sales and improved efficiencies in inventory management resulting in lower inventory costs. This was partially offset by a decline in gross margin in the Retail Division attributed to the liquidation of slow moving inventory combined with the liquidation of inventory at four outlet stores (three of which were temporary locations) that were closed during the third quarter.

Operating expenses increased to $117,530 in 2005 from $108,276 in 2004. As a percentage of sales, operating expenses decreased to 31% in 2005 from 32% in 2004. The increase in dollars is primarily due to an increase in direct selling expenses reflective of the 11% growth in sales and the incremental payroll and occupancy costs associated with the operation of an additional seven retail stores (net). Other contributing factors were an increase of accounting fees incurred by the Company in connection with management's assessment and the external audit of internal controls pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, and the settlement of the LaRue lawsuit in the amount of $1,500.

Income from operations was $31,570 in 2005 compared to $18,981 in 2004. Net income was $19,200 in 2005 compared to $12,275 in 2004. This increase in income was primarily due to the increase in sales, the higher gross profit and the substantial increase in commission income.

Wholesale Divisions:

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

Sales from Madden Womens accounted for $120,333 or 32%, and $113,879 or 34%, of total sales in 2005 and 2004, respectively. This increase resulted from higher sales to specialty footwear retailers. Gross profit as a percentage of sales remained the same as last year at 28%. Operating expenses increased to $29,402 in 2005 from $28,828 in 2004 primarily due to an increase of 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, the aforementioned legal settlement of $1,500 as well as variable selling and related expenses. As a percentage of sales, operating expenses decreased to 24% in 2005 from 25% in 2004. Income from operations for Madden Womens was $6,661 in 2005 compared to $4,947 in 2004.

Sales from l.e.i. accounted for $30,286 or 8%, and $38,391 or 11%, of total sales in 2005 and 2004, respectively. This decrease in sales was primarily caused by planned reductions and a substantial reduction in closeout sales. Gross profit as a percentage of sales increased to 34% in 2005 from 28% in 2004 due to a significant decrease in the liquidation of inventory. Operating expenses decreased to $8,109 in 2005 from $10,236 in 2004 due to a decrease in payroll expenses reflective of management's initiative to reduce the workforce in l.e.i. and due to a decrease in variable selling and related expenses. Income from operations for l.e.i. was $2,055 in 2005 compared to $580 in 2004.

Sales from Madden Mens accounted for $54,611 or 15%, and $31,301 or 9%, of total sales in 2005 and 2004, respectively. This 74% increase in sales was driven by an increase in the number of doors at Dillards and Nordstrom, as well as the introduction of a replenishment program. The division continued its success with sport casual 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 40% in 2005 from 31% in 2004 primarily due to a substantial decrease in markdowns and sales allowances. Operating expenses increased to $12,961 in 2005 from $8,742 in 2004. This increase is attributed to increases in direct selling expenses, advertising and marketing expenses and an increase in payroll expense required to support the Madden Mens' rapid sales growth. Operating expenses as a percentage of sales decreased to 24% in 2005 compared to 28% in 2004. Income from operations for Madden Mens increased to $9,100 in 2005 compared to $1,034 in 2004.

Sales from Candie's accounted for $22,404 or 6%, and $15,584 or 5% of total sales in 2005 and 2004, respectively. This 44% increase in sales is the result of the growth in the Kohl's business and the success of several products, including sandals with embellished heels and embellished flats. Gross profit as a percentage of sales increased to 39% in 2005 from 26% in 2004 primarily due to improved inventory management resulting in lower inventory markdowns. Operating expenses increased to $5,716 in 2005 from $4,357 in 2004 due to increases in payroll expenses, licensing fees and selling and related expenses in order to position the Division for top line growth. As a percentage of sales, operating expenses decreased to 25% in 2005 from 28% in 2004. Income from operations for Candie's was $3,047 in 2005 compared to a loss from operations of $308 in 2004.

SMNY, which began shipping for the first time in the fourth quarter of 2005, generated net sales of $1,576.

Diva Acquisition Corp. (Steven):

Sales from Steven accounted for $16,453 or 4%, and $21,039 or 6%, 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 half of the year, which was last year's bestseller. Additionally, last Fall's disappointing boot season caused Steven's customers to push initial boot orders to the end of the third quarter, eliminating the opportunity for any third quarter reorder business. Gross profit as a percentage of sales decreased to 25% in 2005 from 36% in 2004 due to a substantial increase in markdowns and allowances as well as a significant increase in off-price sales. Operating expenses decreased to $4,704 in 2005 from $5,274 in 2004 due to a decrease in direct selling expenses. Loss from operations for Steven was $562 in 2005 compared to income from operations of $2,367 in 2004.

Stevies Inc. (Stevies):

Sales from Stevies accounted for $7,886 or 2%, and $9,575 or 3%, of total sales in 2005 and 2004, respectively. The decrease was due to the decision by May Company to discontinue offering kids products in its stores. In addition, some of Stevies other customers were transferred to a "first cost" model and thus its revenues were included in the Adesso-Madden division. Gross profit as a percentage of sales remained the same as last year at 31%. Operating expenses decreased to $1,831 in 2005 from $2,746 in 2004 due to a 29% reduction in payroll expenses and a decrease in advertising and marketing expenses. Stevies was able to offset the loss in sales by reducing overhead expenses resulting in an increase of income from operations to $622 in 2005 compared to $206 in 2004.

Unionbay Men's Footwear, Inc. (Unionbay):

Unionbay, the Company's license for the right to use the Unionbay trademark(R) in connection with young men's footwear, generated net sales of $726 in 2005 compared to $578 in 2004. During the third quarter of this year, Unionbay migrated to a commission-based "first-cost" business and thus its commission income is now included in the Adesso-Madden Division. Income from operations for Unionbay was $37 in 2005 compared to a loss from operations of $554 in 2004.

Retail Division:

Sales from the Retail Division accounted for $121,511 or 32% and $107,797 or 32% of total sales in 2005 and 2004, respectively. As of December 31, 2005, there were 98 retail stores compared to 91 retail stores as of December 31, 2004. Comparable store sales (sales of those stores that were open for all of 2005 and 2004) for the year ended December 31, 2005 increased 5% over the same period of 2004. This increase was achieved through the early release and success of opened up sandals in spring, strong boot sales in the fall, and a substantial growth in Men's volume at the stores. Gross profit as a percentage of sales decreased to 50% in 2005 from 52% in 2004, primarily due to an increase in the liquidation of slow moving inventory combined with the liquidation of inventory at five stores that were closed during the year 2005. Operating expenses for the Retail Division were $54,227 in 2005 and $47,489 in 2004. This increase was primarily due to increased payroll and payroll related expenses and higher occupancy expenses associated with the operation of seven additional stores in the current period and an increase in direct selling expenses. Income from operations for the Retail Division decreased to $5,426 in 2005 compared to $8,431 in 2004.

Adesso-Madden Division:

Adesso-Madden, Inc. generated net commission income of $4,833 in 2005, compared to $2,278 in 2004. The increase was the result of the growth in first cost business with existing, as well as new customers, the expansion of the Company's private label business in men's footwear, the transition of Unionbay to a first cost commission based model and the cumulative contribution of commissions on international sales made on a direct-from-factory basis.

Year Ended December 31, 2004 vs. Year Ended December 31, 2003

Consolidated:

Total net sales for the year ended December 31, 2004 increased by 4% to $338,144 in 2004 from $324,404 for the comparable period of 2003. Sales increases from the Retail Division, the new Candie's Division, Steven and Madden were offset by declines in the l.e.i., Madden Mens and Stevies.

Gross profit as a percentage of sales decreased to 36% in 2004 from 39% in 2003. This was primarily due to an increase in cost of sales due to higher inventory costs associated with the utilization of product sourcing that provided shorter delivery times combined with pricing pressure from our wholesale customers. Additionally, the poor performance of the l.e.i. and Candie's at retail necessitated high level inventory markdowns which resulted in lower than expected margins. Finally, the liquidation of slow moving inventory combined with heavy and persistent promotional activity throughout the year negatively affected the Company's gross profit.

Operating expenses increased to $108,276 in 2004 from $98,135 in 2003. This increase resulted from increased professional fees incurred by the Company in complying with the rules and regulations adopted pursuant to the Sarbanes-Oxley Act of 2002, higher payroll and payroll related expenses and occupancy expenses associated with the operation of an additional eight retail stores (net), an increase in advertising expenditures in support of the brand, a reclassification of warehouse expenses and the costs associated with the launch of Candie's and Unionbay.

Net commission and licensing fee income was $2,278 in 2004 compared to $2,904 in 2003. Income from operations was $18,981 in 2004 compared to $33,626 in 2003. Net income was $12,275 in 2004 compared to $20,454 in 2003. The decrease in income was primarily due to the lower margins and increased expenses described directly 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 accounted for $113,879 or 34%, and $109,285 or 34%, of total sales in 2004 and 2003, respectively. Gross profit as a percentage of sales decreased to 28% in 2004 from 29% in 2003, 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 the third and fourth quarters of 2004. Operating expenses increased to $28,828 in 2004 from $27,630 in 2003, due to an increase in advertising expenditures in support of the brand and increases in selling and related expenses. Income from operations for Madden Womens was $4,947 in 2004 compared to $7,169 in 2003.

Sales from the l.e.i. accounted for $38,391 or 11%, and $60,623 or 19%, of total sales in 2004 and 2003, respectively. This decrease in sales resulted from a reduction in consumer demand for casual classifications combined with a disappointing performance at retail. Gross profit as a percentage of sales decreased to 28% in 2004 from 37% in 2003, primarily due to the liquidation of slow moving inventory and higher inventory markdowns and clearance at retail. Operating expenses decreased to $10,236 in 2004 from $13,658 in 2003 due to decreases in payroll and payroll related expenses and selling and marketing expenses. Income from operations for l.e.i. was $580 in 2004 compared to $8,949 in 2003.

Sales from the Madden Mens accounted for $31,301 or 9%, and $34,881 or 11%, of total sales in 2004 and 2003, respectively. This sales decrease was the result of a downturn in the Madden Men's casual fashion footwear segment during the first half of the year. The Company broadened and repositioned the fall line resulting in an increase in sales in the fourth quarter of 2004 of 61% to $10,951 compared to $6,816 in the same period of 2003. Gross profit as a percentage of sales decreased to 31% in 2004 from 35% in 2003, 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. Operating expenses increased to $8,742 in 2004 from $8,277 in 2003. Income from operations for Madden Mens was $1,034 in 2004 compared to $3,801 in 2003.

Sales from Candie's which was launched in the fourth quarter of 2003, generated net sales of $15,584 in 2004. Heavy promotional activity combined with several challenges in product design resulted in a lower than anticipated gross profit as a percentage of sales of 26%. Operating expenses were $4,357 or 28% of net sales in 2004. Loss from operations for Candie's was $308 in 2004 compared to $342 in 2003.

Diva Acquisition Corp. (Steven):

Sales from Steven accounted for $21,039 or 6%, and $12,519 or 4%, of total sales in 2004 and 2003, respectively. This 68% increase in sales was principally due to the success of key styles including woods, jeweled sandals and dress mocs. Also, Steven added new retail doors, including Dillards, Macy's West and Parisians, and initiated a replenishment program during the first quarter of 2004, enabling retailers to generate weekly reorders with improved turn and profitability. Gross profit as a percentage of sales remained the same as last year at 36%. Operating expenses increased to $5,274 in 2004 from $3,360 in 2003, due to increases in selling, designing, marketing and advertising expenses. Income from operations for Steven was $2,367 in 2004, compared to $1,128 in 2003.

Stevies Inc. ("Stevies"):

Sales from Stevies accounted for $9,575 or 3%, and $10,120 or 3%, of total sales in 2004 and 2003, respectively. The decrease in sales was due to the disappointing performance in boot, slipper and athletic classification in the fourth quarter of 2004. Gross profit as a percentage of sales decreased to 31% in 2004 from 35% in 2003, primarily due to pricing pressures and the liquidation of slow moving inventory. Operating expenses increased to $2,746 in 2004 from $2,262 in 2003 due to increases in payroll and payroll related expenses and marketing and advertising expenses. Income from operations for Stevies was $206 in 2004 compared to $1,258 in 2003.

Unionbay Men's Footwear, Inc. (Unionbay):

Unionbay, which launched in the fall of 2003, generated net sales of $578 for the year 2004. The consumer acceptance of the fall 2003 line was less than anticipated. As a result, the Company changed product direction, which caused the Company to forgo shipments of spring 2004 Unionbay products.

Retail Division:
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Sales from the Retail Division accounted for $107,797 or 32% and $95,518 or 29% of total sales in 2004 and 2003, respectively. As of December 31, 2004, there were 91 retail stores compared to 83 retail stores as of December 31, 2003. Comparable store sales (sales of those stores that were open for all of 2003 and 2004) for the year ended December 31, 2004 increased 8% over the same period of 2003. This increase was achieved through management's immediate reaction to at-once demand for boots early in the first quarter of 2004. Gross profit as a percentage of sales decreased to 52% in 2004 from 53% in 2003, primarily due to an increase in promotional activity in 2004. Operating expenses for the Retail Division were $47,489 in 2004 and $41,719 in 2003. This increase was primarily due to increased payroll and payroll related expenses and higher occupancy expenses associated with the operation of an additional eight stores (net) in the current period and higher advertising expenditures in support of the brand. Despite increases in sales, income from operations for the Retail Division decreased to $8,431 in 2004 compared to $9,133 in 2003, due to the lower margins and the Company's investment in the brand through higher advertising costs.

Adesso-Madden Division:
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Adesso-Madden, Inc. generated net commission revenues of $2,278 in 2004, compared to $2,904 in 2003. This decrease was the result of a major customer sharply reducing its purchases in order to reduce inventory levels in its stores.

LICENSE AGREEMENTS
($ in thousands)

Revenues from licensing were virtually unchanged at $2,286 in 2005 from $2,310 in 2004. As of December 31, 2005, the Company had four license partners covering five product categories of its Steve Madden brand. The product categories include hosiery, handbags, sunglasses, eyewear and belts. On February 7, 2006, the Company acquired Daniel M. Friedman and Associates, Inc., which had a license agreement with the Company to manufacture and distribute handbags and belts.

LIQUIDITY AND CAPITAL RESOURCES
($ in thousands)

The Company had working capital of $114,066 at December 31, 2005 compared to $101,417 at December 31, 2004. The Company's net income for the year ended December 31, 2005 was the primary reason for the increase in working capital.

Under the terms of a factoring agreement with GMAC, the Company is eligible to draw down 80% of its invoiced receivables at an interest rate of two and one-half percent (2.5%) over the 30 day LIBOR. The agreement, which has no specific expiration date and can be terminated by either party with 60 days written notice after June 30, 2007, provides the Company with a $25 million credit facility with a $15 million sub-limit on direct borrowings. GMAC maintains a lien on all of the Company's receivables and assumes the credit risk for all assigned accounts approved by them. As of December 31, 2005 the Company had not used any portion of the credit line.

As of December 31, 2005 the Company had invested $56,249 in marketable securities consisting of corporate bonds, U.S. Treasury notes, government asset-backed securities, certificates of deposits 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
($ in thousands)

During the year ended December 31, 2005, net cash provided by operating activities was $42,742. Sources of cash were provided primarily by the following: net income of $19,200, a decrease in inventories of $5,972, an increase in accounts payable and other accrued expenses of $4,320 and an increase in accrued incentive compensation of $2,909. The primary uses of cash were an increase in factored receivables of $3,282, an increase in non-factored receivables of $1,197 and an increase in prepaid expenses, prepaid taxes, deposits and other assets of $624.

At December 31, 2005, the Company had un-negotiated open letters of credit for the purchase of imported merchandise of approximately $3,302.

The Company has an employment agreement with Steven Madden, its Creative and Design Chief, which provides for an annual base salary of $600 subject to certain specified adjustments, through June 30, 2015. The agreement also provides for annual bonuses based on EBITDA, on revenue of any new business, and royalty income over $2 million, 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 $1,849 in 2006, $1,643 in 2007, $1,192 in 2008 and $480 in 2009. 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 China as well as Brazil, 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 97% of its purchases in U.S. dollars.

INVESTING ACTIVITIES
($ in thousands)

During the year ended December 31, 2005, the Company invested $17,252 in marketable securities and received $9,153 from the maturities and sales of securities. The Company made capital expenditures of $5,822, principally for leasehold improvements for the twelve additional retail stores that were opened during the period, as well as for additional showroom space and upgrades to the computer systems.

FINANCING ACTIVITIES
($ in thousands)

During the year ended December 31, 2005, the Company paid dividends of $13,813 and repurchased 444,000 shares of the Company's common stock at a total cost of $7,735. The Company received $16,483 in connection with the exercise of stock options.

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.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as of December 31, 2005 were as follows:

Payment due by period (in thousands)

Contractual Obligations	Total	2006	2007-2008	2009-2010	2011 and after
Operating lease obligations	$ 84,311	$ 12,540	$ 24,111	$ 19,194	$ 28,466
Purchase obligations	46,994	46,994	0	0	0
Other long-term liabilities (future minimum royalty payments)	2,603	2,228	375	0	0
Total	$ 133,908	$ 61,762	$ 24,486	$ 19,194	$ 28,466

CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's audited consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. Estimates by their nature are based on judgments and available information. Estimates are made based upon historical factors, current circumstances and the experience and judgment of management. Assumptions and estimates are evaluated on an ongoing basis and the Company may employ outside experts to assist in evaluations. Therefore, actual results could materially differ from those estimates under different assumptions and conditions. Management believes the following critical accounting estimates are more significantly affected by judgments and estimates used in the preparation of the Company's consolidated financial statements: accounts receivable and inventory reserves, valuation of intangible assets, and litigation reserves.

Allowances for bad debts, returns and customer chargebacks. The Company provides reserves against its trade accounts receivables for future customer chargebacks, co-op advertising allowances, discounts, returns and other miscellaneous deductions that relate to the current period. The reserve against the Company's non-factored trade receivables also includes estimated losses that may result from customers' inability to pay. The amount of the reserve for bad debts, returns, discounts and compliance chargebacks are determined by analyzing aged receivables, current economic conditions, the prevailing retail environment and historical dilution levels for customers. As a result of a reevaluation of the retail environment, the Company has revised its method for evaluating its allowance for customer markdowns and advertising chargebacks. In the past, the Company would look at historical dilution levels for customers to determine the allowance amount. Under the new methodology, the Company evaluates anticipated chargebacks by reviewing several performance indicators for its major customers. These performance indicators (which include inventory levels at the retail floors, sell through rates and gross margin levels) are analyzed by key account executives to estimate the amount of the anticipated customer allowance. Failure to correctly estimate the amount of the reserve could materially impact the Company's results of operation and financial position.

Inventory reserves. Inventories are stated at lower of cost or market, on a first-in, first-out basis. The Company reviews inventory on a regular basis for excess and slow moving inventory. The review is based on an analysis of inventory on hand, prior sales, and expected net realizable value through future sales. The analysis includes a review of inventory quantities on hand at period-end in relation to year-to-date sales and projections for sales in the foreseeable future as well as subsequent sales. The Company considers quantities on hand in excess of estimated future sales to be at risk for market impairment. The net realizable value, or market value, is determined based on the estimate of sales prices of such inventory through off-price or discount store channels. The likelihood of any material inventory write-down is dependent primarily on the expectation of future consumer demand for the Company's product. A misinterpretation or misunderstanding of future consumer demand for the Company's product, the economy, or other failure to estimate correctly, could result in inventory valuation changes, either favorably or unfavorably, compared to the valuation determined to be appropriate as of the balance sheet date.

Valuation of intangible assets. SFAS No. 142, which was adopted by the Company on January 1, 2002, requires that goodwill and intangible assets with indefinite lives no longer be amortized, but rather be tested for impairment at least annually. This pronouncement also requires that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144. In accordance with SFAS No. 144, long-lived assets, such as property, equipment, leasehold improvements and goodwill subject to amortization, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Litigation reserves. Estimated amounts for litigation claims that are probable and can be reasonably estimated are recorded as liabilities in the Company's consolidated financial statements. The likelihood of a material change in these estimated reserves would be dependent on new claims as they may arise and the favorable or unfavorable events of a particular litigation. As additional information becomes available, management will assess the potential liability related to the pending litigation and revise their estimates. Such revisions in management's estimates of the contingent liability could materially impact the Company's results of operation and financial position.

Cost of Goods Sold. All costs incurred to bring finished products to the warehouse or our retail stores are included in the cost of sales line item of the Company's Consolidated Statement of Operations. These include purchase commissions, letter of credit 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.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK ($ in thousands)

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 credit agreement with GMAC can be found in Note C, "Due From Factor" to the Consolidated Financial Statements included in this Annual Report on Form 10-K. As of December 31, 2005 and December 31, 2004, there were no direct borrowings outstanding under the credit agreement.

As of December 31, 2005, the Company had investments in marketable securities valued at $56,249, which consist primarily of corporate bonds, U.S. treasury notes, certificates of deposit and government asset-backed securities that have various maturities through December 2034, as well as marketable equity securities. 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 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the financial statements following Item 15 of this Annual Report on Form 10-K.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As required by Rule 13a-15(b) of 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 year covered by this annual 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 year covered by this annual report.

Changes in Internal Control Over Financial Reporting

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 fourth quarter of 2005 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 material change during the fourth quarter of 2005.

Management's Annual Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on its assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2005.

The Company's Independent Registered Public Accounting Firm, Eisner LLP, has audited and issued a report on management's assessment of the Company's internal control over financial reporting. The report of Eisner LLP appears below.

To the Board of Directors and Shareholders of
Steven Madden, Ltd.

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, that Steven Madden, Ltd. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Steven Madden, Ltd.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Steven Madden, Ltd. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control-Integrated Framework issued by the COSO. Also, in our opinion, Steven Madden, Ltd. and subsidiaries maintained, in all material

respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Steven Madden, Ltd. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years in the three-year period ended December 31, 2005, and our report dated March 6, 2006 expressed an unqualified opinion on those consolidated financial statements.

Eisner LLP

New York, New York
March 6, 2006

ITEM 9B OTHER INFORMATION

None.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required to be furnished pursuant to this item will be set forth in the Company's proxy statement for the 2006 Annual Meeting of Stockholders, and is incorporated herein by reference.

ITEM 11 EXECUTIVE COMPENSATION

The information required to be furnished pursuant to this item will be set forth in the Company's proxy statement for the 2006 Annual Meeting of Stockholders, and is incorporated herein by reference.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required to be furnished pursuant to this item will be set forth in the Company's proxy statement for the 2006 Annual Meeting of Stockholders, and is incorporated herein by reference.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required to be furnished pursuant to this item will be set forth in the Company's proxy statement for the 2006 Annual Meeting of Stockholders, and is incorporated herein by reference.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required to be furnished pursuant to this item will be set forth in the Company's proxy statement for the 2006 Annual Meeting of Stockholders, and is incorporated herein by reference.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements
The following consolidated financial statements of Steven Madden, Ltd. and subsidiaries are included in Item 8:

STEVE MADDEN, LTD. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Steven Madden, Ltd. and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years in the three-year period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Steven Madden, Ltd. and subsidiaries as of December 31, 2005 and 2004, and the consolidated results of their operations and their consolidated cash flows for each of the years in the three-year period ended December 31, 2005 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Steven Madden, Ltd.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 6, 2006 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

Eisner LLP

New York, New York
March 6, 2006

Consolidated Balance Sheets
(in thousands)

	December 31, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 52,842	$ 30,853
Accounts receivable - net of allowances of $813 and $536	3,294	2,374
Due from factor - net of allowances of $7,587 and $2,379	31,785	33,711
Inventories	28,412	34,384
Marketable securities - available for sale	14,092	12,784
Prepaid expenses and other current assets	2,435	2,235
Prepaid taxes	2,512	2,255
Deferred taxes	5,600	2,498
Total current assets	140,972	121,094
Property and equipment, net	20,898	20,715
Deferred taxes	5,568	5,780
Deposits and other	586	435
Marketable securities - available for sale	42,157	36,340
Cost in excess of fair value of net assets acquired - net of accumulated amortization of $599 and $714	1,547	2,066
	$ 211,728	$ 186,430
LIABILITIES		
Current liabilities:		
Accounts payable	$ 15,579	$ 13,450
Accrued expenses	7,998	5,807
Accrued incentive compensation	3,329	420
Total current liabilities	26,906	19,677
Deferred rent	2,757	2,088
	29,663	21,765
Commitments, contingencies and other - see notes I & K		
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, 16,150 and 14,608 shares issued, 13,916 and 12,818 shares outstanding at December 31, 2005 and 2004, respectively	2	1
Additional paid-in capital	99,950	80,631
Retained earnings	108,838	103,451
Unearned compensation	--	(703)
Other comprehensive loss:		
Unrealized loss on marketable securities (net of taxes)	(1,299)	(1,024)
Treasury stock - 2,234 and 1,790 shares at cost at December 31, 2005 and 2004, respectively	(25,426)	(17,691)
	182,065	164,665
	$ 211,728	$ 186,430

See notes to financial statements

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

	Year Ended December 31,		
	2005	2004	2003
Net sales:			
Wholesale	$ 254,275	$ 230,347	$ 228,686
Retail	121,511	107,797	95,518
	375,786	338,144	324,204
Cost of sales:			
Wholesale	171,947	163,598	153,519
Retail	61,339	51,877	44,666
	233,286	215,475	198,185
Gross profit	142,500	122,669	126,019
Commission and licensing fee income - net	7,119	4,588	5,742
Operating expenses	(117,530)	(108,276)	(98,135)
Impairment of cost in excess of fair value of net assets acquired	(519)	--	--
Income before other income (expenses) and provision for income taxes	31,570	18,981	33,626
Other income (expenses):			
Interest income	2,554	2,009	1,611
Interest expense	(164)	(68)	(54)
Gain (loss) on sale of marketable securities	(500)	32	136
Income before provision for income taxes	33,460	20,954	35,319
Provision for income taxes	14,260	8,679	14,865
Net income	$ 19,200	$ 12,275	$ 20,454
Basic income per share	$ 1.43	$ 0.93	$ 1.58
Diluted income per share	$ 1.38	$ 0.86	$ 1.45
Basic weighted average common shares outstanding	13,408	13,149	12,985
Effect of dilutive securities - options	537	1,074	1,153
Diluted weighted average common shares outstanding	13,945	14,223	14,138
Dividends paid per common share	$ 1.00	$ 0.00	$ 0.00

See notes to financial statements

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity
(in thousands)

	Common Stock		Additional		Unearned
	Shares	Amount	Paid-in Capital	Retained Earnings	Compensation
Balance - December 31, 2002	14,016	1	70,683	70,722	(3,476)
Exercise of stock options	443		4,805		
Tax benefit from exercise of options			1,239		
Deferred compensation in connection with issuance of stock options and restricted stock			2,409		(2,409)
Amortization of unearned compensation					2,877
Unrealized holding loss on marketable securities (net of taxes of $190)					
Net income				20,454	
Comprehensive income					
Balance - December 31, 2003	14,459	1	79,136	91,176	(3,008)
Exercise of stock options	129		454		
Tax benefit from exercise of options			1,004		
Issuance of fully vested restricted stock	20				
Forfeiture of restricted stock			(183)		121
Cash in lieu of restricted stock			(378)		
Deferred compensation in connection with issuance of stock options and restricted stock			598		(598)
Amortization of unearned compensation					2,782
Unrealized holding loss on marketable securities (net of taxes of $741)					
Net income				12,275	
Comprehensive income					
Common stock purchased for treasury					
Balance - December 31, 2004	14,608	1	80,631	103,451	(703)
Exercise of stock options	1,422	1	16,482		
Tax benefit from exercise of options			4,604		
Issuance of fully vested restricted stock	120				
Cash in lieu of restricted stock			(1,767)		
Amortization of unearned compensation					703
Unrealized holding loss on marketable securities (net of taxes of $199)					
Net income				19,200	
Comprehensive income					
Cash dividend paid				(13,813)	
Common stock purchased for treasury					
Balance - December 31, 2005	16,150	$ 2	$ 99,950	$ 108,838	$ --

See notes to financial statements

Consolidated Statements of Changes in Stockholders' Equity (Continued)
(in thousands)

	Accumulated Other Comprehensive Gain (Loss)	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity	Comprehensive Income
Balance - December 31, 2002	136	1,245	(7,991)	130,075	
Exercise of stock options				4,805	
Tax benefit from exercise of options				1,239	
Deferred compensation in connection with issuance of stock options and restricted stock				0	
Amortization of unearned compensation				2,877	
Unrealized holding loss on marketable securities (net of taxes of $190,000)	(263)			(263)	$ (263)
Net income				20,454	20,454
Comprehensive income					$ 20,191
Balance - December 31, 2003	(127)	1,245	(7,991)	159,187	
Exercise of stock options				454	
Tax benefit from exercise of options				1,004	
Issuance of fully vested restricted stock					
Forfeiture of restricted stock				(62)	
Cash in lieu of restricted stock				(378)	
Deferred compensation in connection with issuance of stock options and restricted stock					
Amortization of unearned compensation				2,782	
Unrealized holding loss on marketable securities (net of taxes of $741)	(897)			(897)	(897)
Net income				12,275	12,275
Comprehensive income					$ 11,378
Common stock purchased for treasury		545	(9,700)	(9,700)	
Balance - December 31, 2004	(1,024)	1,790	(17,691)	164,665	
Exercise of stock options				16,483	
Tax benefit from exercise of options				4,604	
Issuance of fully vested restricted stock					
Cash in lieu of restricted stock				(1,767)	
Amortization of unearned compensation				703	
Unrealized holding loss on marketable securities (net of taxes of $199)	(275)			(275)	(275)
Net income				19,200	19,200
Comprehensive income					$ 18,925
Cash dividend paid				(13,813)	
Common stock purchased for treasury		444	(7,735)	(7,735)	
Balance - December 31, 2005	$ (1,299)	2,234	$ (25,426)	$ 182,065	

See notes to financial statements

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2005	2004	2003
Cash flows from operating activities:			
Net income	$ 19,200	$ 12,275	$ 20,454
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity-based compensation	703	2,719	2,877
Depreciation and amortization	5,120	4,865	4,743
Loss on disposal of fixed assets	535	198	--
Impairment of cost in excess of fair value of net asset acquired	519	--	--
Deferred taxes	(2,691)	(227)	(1,978)
Tax benefit from exercise of options	4,604	1,004	1,239
Provision for doubtful accounts and chargebacks	5,485	537	163
Deferred rent expense	669	260	296
Realized (gain) loss on sale of marketable securities	500	(32)	(136)
Changes in:			
Accounts receivable	(1,197)	1,824	(1,196)
Due from factor	(3,282)	(5,416)	(6,583)
Inventories	5,972	(10,526)	(4,413)
Prepaid expenses, prepaid taxes, deposits and other assets	(624)	2,559	(5,535)
Accounts payable and accrued expenses	4,320	2,870	206
Accrued incentive compensation	2,909	(47)	(2,234)
Net cash provided by operating activities	42,742	12,863	7,903
Cash flows from investing activities:			
Purchase of property and equipment	(5,822)	(7,387)	(6,061)
Purchases of marketable securities	(17,252)	(27,779)	(47,059)
Maturity/sale of marketable securities	9,153	9,708	36,785
Net cash used in investing activities	(13,921)	(25,458)	(16,335)
Cash flows from financing activities:			
Proceeds from exercise of stock options	16,483	454	4,805
Cash dividend paid	(13,813)	--	--
Cash in lieu of restricted stock	(1,767)	(378)	--
Common stock purchased for treasury	(7,735)	(9,700)	--
Payments of lease obligations	--	(1)	(13)
Net cash provided by (used in) financing activities	(6,832)	(9,625)	4,792
Net increase (decrease) in cash and cash equivalents	21,989	(22,220)	(3,640)
Cash and cash equivalents - beginning of year	30,853	53,073	56,713
Cash and cash equivalents - end of year	$ 52,842	$ 30,853	$ 53,073
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 164	$ 68	$ 54
Income taxes	$ 12,536	$ 5,855	$ 18,700

See notes to financial statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Steven Madden, Ltd., a Delaware corporation, designs and sources women's, girl's and men's shoes, for sale through its wholesale and retail channels under the Steve Madden, Steven, Stevies, SMNY, Madden Mens, l.e.i. (under license), Candie's (under license) and Unionbay (under license) brand names. Revenue is generated predominately through the sale of the Company's brand name merchandise and certain licensed products. At December 31, 2005 and 2004, the Company operated 98 and 91 retail stores (including its website as a store), respectively. Such revenue is subject to seasonal fluctuations. See Note M for operating segment information.

[2] Principles of consolidation:

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

[3] Use of estimates:

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

Allowances for bad debts, returns and customer chargebacks: The Company provides reserves on trade accounts receivables for future customer chargebacks and markdown allowances, discounts, returns and other miscellaneous compliance related deductions that relate to the current period sales. As a result of a reevaluation of the retail environment, the Company has revised its method for evaluating its estimate of the allowance for customer chargebacks. In the past, the Company would look at historical dilution levels for customers to determine the allowance amount. Under the new method of estimation, the Company evaluates anticipated chargebacks by reviewing several performance indicators at its major customers. These performance indicators, which include inventory levels, sell through rates and gross margin levels, are analyzed by key account executives to estimate the amount of the anticipated customer allowance. This change in accounting estimate resulted in an increase of our reserve by approximately $1,700 in the fourth quarter of 2005.

[4] Cash equivalents:

Cash equivalents at December 31, 2005 and 2004, amounted to approximately $43,290 and $16,428, respectively, and consist of money market accounts and commercial paper. The Company considers all highly liquid instruments with an original maturity of three months or less when purchased to be cash equivalents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Marketable securities:

Marketable securities consist primarily of corporate bonds, U.S. treasury notes, certificates of deposit 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, are reported in stockholders' equity as accumulated other comprehensive income, and are held at an investment bank with the schedule of maturities at December 31, 2005 as follows:

	Maturities	
	1 Year or Less	1 to 5 Years
Schedule of maturities:		
Municipal bonds	$ 4,948	$ 27,698
US Government and Federal agency bonds	1,392	5,126
Corporate bonds	2,986	7,290
Certificates of deposit	--	2,043
	9,326	42,157
Marketable equity securities	4,766	--
	$ 14,092	$ 42,157

[6] Inventories:

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

[7] Property and equipment:

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

Impairment losses are recognized for long-lived assets, including certain intangibles, used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are not sufficient to recover the assets' carrying amount. Impairment losses are measured by comparing the fair value of the assets to their carrying amount. No impairment losses have been incurred for the years presented other than the impairment in the cost in excess of fair value acquired as described in Note A[8].

[8] Cost in excess of fair value of net assets acquired:

Cost in excess of fair value of net assets acquired relates to the acquisition of Diva Acquisition Corp in 1996, and through December 31, 2001 was being amortized over 20 years. During 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"). Amortization of indefinite lived intangible assets was no longer allowed under FAS 142, however these identified assets are subject to impairment tests at least annually or whenever an event occurs.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 FAS No. 142, 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 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 was recognized as a reduction of income in the second quarter of 2005.

[9] Net income per share:

Basic income per share is based on the weighted average number of common shares outstanding during the year. Diluted income per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding in-the-money options and the proceeds (including the amount of compensation cost, if any, attributed to future services and not yet recognized and the amount of tax benefits, if any, that would be credited to additional paid-in capital assuming exercise of the options) thereof were used to purchase treasury stock at the average market price during the period. For the years ended December 31, 2005 and 2004, options exercisable into approximately none and 1,252 shares of common stock, respectively, have not been included in the calculation of diluted income per share as the result would have been antidilutive.

[10] Advertising costs:

The Company expenses costs of print, radio and billboard advertisements as of the first date the advertisements take place. Advertising expense included in operating expenses amounted to approximately $8,354 in 2005, $8,993 in 2004 and $7,666 in 2003.

[11] Fair value of financial instruments:

The carrying value of the Company's financial instruments approximates fair value due to their short-term nature or their underlying terms. Marketable securities are carried at quoted market prices which represent fair value.

[12] Stock-based compensation:

At December 31, 2005, the Company had various stock option plans, which are described more fully in Note D. The Company has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation arrangements. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Year Ended December 31,		
	2005	2004	2003
Reported net income	$ 19,200	$ 12,275	$ 20,454
Stock-based employee compensation included in reported net income, net of tax	165	623	412
Stock-based employee compensation determined under the fair value based method, net of tax	(2,004)	(3,861)	(2,838)
Pro forma net income	$ 17,361	$ 9,037	$ 18,028
Basic income per share:			
As reported	$ 1.43	$ 0.93	$ 1.58
Pro forma	$ 1.29	$ 0.69	$ 1.39
Diluted income per share:			
As reported	$ 1.38	$ 0.86	$ 1.45
Pro forma	$ 1.24	$ 0.64	$ 1.28

The weighted average fair value of options granted in 2005, 2004 and 2003 was approximately $6.11, $9.77 and $10.62, respectively, using the Black-Scholes option-pricing model with the following assumptions:

	2005	2004	2003
Volatility	43%	65%	71%
Risk free interest rate	3.86%	3.32% - 3.51%	2.18% - 3.0%
Expected life in years	3	5	4
Dividend yield	0	0	0

[13] 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 or when products are delivered to the consolidators as per the terms of the customers purchase order. Sales reductions for anticipated discounts, allowances and other deductions are recognized when sales are recorded. Customers retain the right to replacement of the product 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 clients. Commission revenue is recognized as earned subsequent to when title of the product transfers from the manufacturer to the customer and is on a net basis after deducting operating expenses.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company licenses its Steve Madden trademark for use in connection with the manufacturing, marketing and sale of belts, handbags, 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 as defined in the various agreements. 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 earned. In substantially all of the Company's license agreements, the minimum guaranteed royalty is earned and payable on a quarterly basis.

[14] Sales deductions:

The Company supports retailers' initiatives to maximize sales of the Company's 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. Such expenses are reflected in the financial statements as deductions to net sales. For the years ended December 31, 2005, 2004 and 2003 the total deductions to net sales for these expenses were $36,356, $30,027 and $27,859 respectively.

[15] 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, distribution, and royalty expenses as a component of cost of sales, while other companies report on the same basis as the Company and include them in operating expenses.

[16] Warehouse and shipping costs:

The Company includes all warehouse and distribution costs, including internal transfer costs, in the Operating Expenses line on the Consolidated Statements of Income. For the years ended December 31, 2005, 2004 and 2003, the total Warehouse and Distribution Costs included in Operating Expenses was $6,229, $5,819 and $3,510 respectively. The Company's standard terms of sales are "FOB Steve Madden warehouse" and thus the Company's wholesale customers absorb most shipping costs. Shipping costs to wholesale customers incurred by the Company are not considered significant and are included in the Operating Expense line in the Consolidated Statements of Income.

[17] Impairment of long-lived assets:

During fiscal 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS 144"). If facts and circumstances indicate that the Company's long-lived assets might be impaired, the estimated future undiscounted cash flows associated with the long-lived asset would be compared to its carrying amounts to determine if a write-down to fair value is necessary. If a write-down is required, the amount is determined by estimation of the present value of net discounted cash flows in accordance with FAS 144.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[18] 401(k) Plan:

The Company maintains a tax-qualified, 401(k) plan which is available to each of the Company's eligible employees who elect to participate after meeting certain length-of-service requirements. The Company makes discretionary matching contributions of 25% of employees' contributions up to a maximum of 6% of employees' compensation, which vest to the employees over a period of time. Total matching contributions to the plan for 2005, 2004 and 2003 were approximately $176, $187 and $162, respectively.

[19] Prior years' reclassification:

Certain reclassifications were made to prior year amounts to conform to the 2005 presentation.

[20] Recently issued accounting standards:

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS 123R"), which replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." This statement 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 A(12) entitled Stock-based compensation provides a 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 2005, 2004 and 2003. The Company is required to adopt SFAS 123R in the first quarter of fiscal 2006 and intends to use the "modified prospective method". Under this transition method, compensation cost will be recognized for all unvested options granted prior to the adoption date and for all share-based payments issued after the effective date. The Company has not yet determined the effect that the adoption of SFAS 123R will have on the Company's consolidated statements of income in 2006.

In November of 2004, the FASB issued SFAS No. 151, "Inventory Costs," which amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Company is required to adopt the provision of SFAS No. 151 in the first quarter of 2006. The Company does not expect SFAS 151 to have a material impact on its consolidated results of operation or financial condition.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). SFAS 154 applies to all voluntary changes in accounting principle and to changes required by an accounting pronouncement that does not include a specific transition provision. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine ether the period-specific effects or the cumulative effect of the change. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

NOTE B - PROPERTY AND EQUIPMENT

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

	December 31, 2005	December 31, 2004
Leasehold improvements	$ 31,690	$ 27,754
Machinery and equipment	1,001	799
Furniture and fixtures	4,823	4,673
Computer equipment	5,458	5,043
	42,972	38,269
Less accumulated depreciation and amortization	(22,074)	(17,554)
Property and equipment - net	$ 20,898	$ 20,715

NOTE C - 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 the factor up to 80% of aggregate receivables purchased by the factor at an interest rate of two and one-half percent (2.5%) over the 30 day LIBOR. The Company also pays a fee equal to 0.325% of the gross invoice amount of each receivable purchased. Prior to July 1, 2005, the Company had a factoring agreement with Capital Factors, Inc. The Company sells and assigns a substantial portion of its receivables, principally without recourse, to the factor. As of December 31, 2005 and 2004, $555 and $295 of factored receivables, respectively, were sold by the Company with recourse. 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.

A "factored" sale (whether "with" or "without" recourse) is substantially the same as a non-factored sale and the Company accounts for its factored sales/receivables in the same manner as its non-factored sales/receivables. The factor services the collection of the Company's accounts receivable. Funds collected by the factor are applied against advances owed to the factor (if any), and the balance is due and payable to the Company, net of any fees. The allowance against "due from factor" is an estimated provision for markdowns, allowances, discounts, advertising and other deductions that customers may deduct against their payments.

NOTE D - STOCK OPTIONS

The Company has established various stock option plans under which options to purchase shares of common stock may be granted to employees, directors, officers, agents, consultants and independent contractors. The plans provide that the option price shall not be less than the fair market value of the common stock on the date of grant and that no portion of the option may be exercised beyond ten years from that date. No incentive stock option can be granted and exercised beyond five years to a stockholder owning 10% or more of the Company's outstanding common stock. Options granted under the plans during the three years ended December 31, 2005 vest between three months and two years from the date of grant.

The Company has several stock option plans. The 1993 Incentive Stock Option Plan, The 1995 Stock Plan, The 1996 Stock Plan and The 1997 Stock Plan provide for options to be granted to employees and directors.

The 1993 Incentive Stock Option Plan and the 1995 Stock Plan expired in 2003 and 2005, respectively.

In June 1999, the Company adopted The 1999 Stock Plan which authorized the issuance of up to 400,000 shares. In May 2000, the stockholders approved an amendment to this Plan to increase the maximum number of shares to be issued under the Plan to 975,000 shares. In July 2001, the stockholders approved an amendment to this Plan to increase the maximum number of shares to be issued under the Plan to 1,600,000 shares. In May 2002, the

NOTE D - STOCK OPTIONS (CONTINUED)

stockholders approved a further amendment to this Plan to increase the maximum number of shares to be issued under the Plan to 2,280,000. In 2003, the stockholders approved a further amendment to this Plan to increase the maximum number of shares to be issued under the Plan to 2,920,000. In May of 2004, the stockholders approved a further amendment to this Plan to increase the maximum number of shares to be issued under the plan to 3,220,000. Terms of the 1999 Stock Plan are not materially different from the various existing stock option plans.

Through December 31, 2005, 3,219,000 options had been granted under The 1999 Stock Plan, as amended, and as of such date, 1,000 shares were available for grant.

In connection with the amended employment agreement of the former Chief Executive Officer ("CEO"), who is now the Company's Creative and Design Chief, the Company issued options to purchase 500,000 shares of its common stock. The options, which vested in August 1998, had an exercise price of $3.31 and were exercisable over 10 years expiring in March 2005. The last of these options were exercised in January of 2005. Unearned compensation was recorded in the amount of $1,345, which represented the difference between the exercise price and the fair value of the stock on the date of grant, and was classified as a component of stockholders' equity. Through December 31, 2003, the unearned compensation was being amortized over the ten-year term of the amended agreement. During the year ended December 31, 2004, the Company reevaluated its policy on amortizing unearned compensation relating to the issuance of stock options. The Company concluded that deferred compensation was to be amortized over the shorter of the vesting period of the option or the term of the employment agreement. Accordingly, the balance in unearned compensation was expensed, resulting in a charge to operations of $512 in 2004. $128 was charged to operations for the year ended December 31, 2003.

In connection with an amendment to the Chief Operating Officer's employment agreement (the "COO Agreement") dated July 1, 2002, the Company issued 20,000 restricted shares of its common stock, which vest quarterly through January 1, 2005. The market value of the stock on the date of grant was $18.74 per share. Unearned compensation was recorded in the amount of $375 and is classified as a component of stockholders' equity. The unearned compensation was amortized over the vesting period of the stock. Accordingly, $150 and $225 were charged to operations in 2004 and 2003, respectively.

Activity relating to stock options granted under the Company's plans and outside the plans during the three years ended December 31, 2005 is as follows:

	2005		2004		2003	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1	2,513,000	$ 12.71	2,274,000	$ 11.35	2,345,000	$ 10.14
Granted	319,000	17.89	380,000	17.84	403,000	17.81
Exercised	(1,422,000)	11.59	(129,000)	3.25	(443,000)	10.79
Cancelled/Forfeited	(110,000)	18.82	(12,000)	19.00	(31,000)	11.87
Outstanding at December 31	1,300,000	14.68	2,513,000	12.71	2,274,000	11.35
Exercisable at December 31	1,280,000	14.63	2,272,000	12.93	1,885,000	10.33

NOTE D - STOCK OPTIONS (CONTINUED)

The following table summarizes information about stock options at December 31, 2005:

Range of Exercise Price	Options Outstanding: Number Outstanding	Options Outstanding: Weighted Average Remaining Contractual Life (in Years)	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Number Exercisable	Options Exercisable: Weighted Average Exercise Price
under $3.35	320,000	1.5	$ 3.31	320,000	$ 3.31
$5.50 to $12.00	37,000	3.1	7.07	37,000	7.07
$17.42 to $18.75	354,000	8.9	17.96	334,000	17.98
$18.98 to $20.98	589,000	7.0	19.35	589,000	19.35
	1,300,000	6.1	14.68	1,280,000	14.63

The following table summarizes the amount of options authorized, the amount of options granted (net of expired or cancelled options) and the amount of options available for grant for each of the 1996 Plan, 1997 Plan and 1999 Plan:

	1996 Plan	1997 Plan	1999 Plan
Options authorized	375,000	1,000,000	3,220,000
Options granted net of expired or cancelled	373,700	997,200	3,219,000
Available for grant as of December 31, 2005	1,300	2,800	1,000

In May 2003, the Company granted 100,000 options to Charles Koppelman, a director, exercisable at $13.50 per share which vest over one year on a quarterly basis. The difference between the market price of $19.00 per share and the option exercise price was reflected as unearned compensation and was amortized over the one-year vesting period. In May of 2004, pursuant to a consulting agreement with this former director, the Company granted 100,000 options exercisable at $13.50 per share which vest over one year on a quarterly basis. The difference between the market price of $19.09 per share and the option exercise price has been reflected as unearned compensation and was amortized over the one-year vesting period. See note K(6) for a description of the consulting agreement.

NOTE E - RESTRICTED STOCK AWARDS

Restricted stock awards have been granted to certain key executives in management. These awards vested on various dates between January 2004 and January 2006. Awards of 101,000 shares and 190,000 shares were granted in 2003 and 2002, respectively. The average market price on the date of grant for awards granted in 2003 and 2002 was $18.41 and $17.15, respectively. Restricted stock compensation charged to expense was $418, $1,715 and $842 for 2005, 2004 and 2003, respectively.

In July 2004, the Company and several of its salesmen mutually agreed to replace restricted stock awards due to vest in January 2006 with cash awards to be paid on the vesting date. No shares had been issued under the original award. These cash rewards retained the same characteristics as the original restricted stock awards. The vesting date (i.e. the payment date) of the cash awards was the same as the vesting date of the restricted stock, and the payment was contingent upon the recipient still being employed with the Company on the vesting date. The cash awards, which totaled $183, were charged to operations through December 31, 2005. The transaction resulted in a reduction of Paid in Capital equal to the vested award.

In April of 2004, an employee of the Company received shares of the Company's common stock pursuant to the vesting of his restricted stock award. These shares were unregistered, and in August 2004 the Company agreed to purchase the shares back from the employee for $378, which was equal to the value of the restricted stock when originally issued. The transaction resulted in a reduction of Paid in Capital equal to the vested award.

In April and October of 2002, two executives of the Company were granted restricted stock awards pursuant to their employment agreements. The awards vested on June 30, 2005 and were contingent on the employee's continuous employment through the vesting date. Under the terms of the agreements, the issuance of the shares of common stock required shareholder approval. At the annual meeting of stockholders held on May 27 of 2005, the shareholders did not approve the issuance of the shares. As stated in the Company's proxy statement, the executives were paid $1,776 equal to the fair value of the restricted stock when first granted. The transaction resulted in a reduction of Paid in Capital equal to the vested award.

NOTE F - PREFERRED STOCK

The Company has authorized 5,000,000 shares of preferred stock. The Board of Directors has designated 60,000 shares of such preferred stock as Series A Junior Participating Preferred Stock ("Series A Preferred"). Holders of the shares of Series A Preferred are entitled to dividends equal to 1,000 times dividends declared or paid on the Company's common stock. Each share of Series A preferred entitles the holder to 1,000 votes on all matters submitted to the holders of common stock. The Series A Preferred has a liquidation preference of $1,000 per share, and is not redeemable by the Company. No preferred shares have been issued.

NOTE G - RIGHTS AGREEMENT

On October 30, 2001, the Company declared a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of common stock. Each Right entitles the holder to purchase from the Company one one-thousandth (1/1,000) of a share of Series A Preferred at a price of $75 per one one-thousandth (1/1,000) of a share. Initially, the Rights will not be exercisable and will automatically trade with the common stock. The Rights become exercisable, in general, ten days following the announcement of a person or group acquiring beneficial ownership of at least 15% of the outstanding voting stock of the Company.

NOTE H - COMMON STOCK DIVIDEND

On November 1, 2005, the Board of Directors declared a special dividend of $1 per share payable to Steven Madden, Ltd. shareholders of record at the close of business on November 14, 2005. The dividend was paid on November 23, 2005.

NOTE I - OPERATING LEASES

The Company leases office, showroom and retail facilities under noncancelable operating leases with terms expiring at various times through 2021. Future minimum annual lease payments under noncancelable operating leases consist of the following at December 31:

2006	$ 12,540
2007	12,633
2008	11,478
2009	10,149
2010	9,045
Thereafter	28,466
	$ 84,311

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

Rent expense for the years ended December 31, 2005, 2004 and 2003 was approximately $15,592, $13,520 and $12,340, respectively. Included in such amounts are contingent rents of $182, $105 and $99 in 2005, 2004 and 2003, respectively.

Rent expense is calculated by amortizing total rental payments (net of any rental abatements, construction allowances and other rental concessions), on a straight-line basis, over the lease term. Accordingly, rent expense charge to operations differs from rent paid resulting in the Company recording deferred rent.

NOTE J - INCOME TAXES

The income tax provision (benefit) consists of the following:

	2005	2004	2003
Current:			
Federal	$ 12,690	$ 6,422	$ 12,183
State and local	4,260	2,484	4,660
	16,950	8,906	16,843
Deferred:			
Federal	(2,241)	(189)	(1,648)
State and local	(449)	(38)	(330)
	(2,690)	(227)	(1,978)
	$ 14,260	$ 8,679	$ 14,865

NOTE J - INCOME TAXES (CONTINUED)

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

	December 31,		
	2005	2004	2003
Income taxes at federal statutory rate	35.0%	35.0%	35.0%
State income taxes - net of federal income tax benefit	7.4	7.6	8.3
Nondeductible impairment charges	0.5	--	--
Nondeductible items	0.3	0.1	0.1
Other	(0.6)	(1.3)	(1.3)
Effective rate	42.6%	41.4%	42.1%

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

Realization of deferred tax assets depends on generating sufficient future taxable income. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized. The amount of deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

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

	December 31,	
	2005	2004
Current deferred tax assets:		
Receivable allowances	$ 3,537	$ 1,232
Inventory	1,321	918
Unrealized loss	316	286
Other	426	62
	5,600	2,498
Non-current deferred tax assets:		
Depreciation	3,364	2,195
Deferred compensation	609	2,253
Deferred rent	971	878
Unrealized loss	624	454
	5,568	5,780
Deferred tax assets	$ 11,168	$ 8,278

NOTE K - 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 has 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 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. 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 covered the Company's anticipated damages and legal costs in connection with such lawsuits. The Company was obligated to pay for damages and costs in excess of the policy limits. The cost of the policy was $6,950. 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 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 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.

NOTE K - COMMITMENTS, CONTINGENCIES AND OTHER (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 was also a defendant in the action. Colors in Optics 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 claimed 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) On July 28, 2005, adidas America, Inc., and adidas-Salomon AG (together, "adidas") filed a Demand for Arbitration (the "Demand") against Steve Madden, Ltd., and Steve Madden Retail, Inc. before the American Arbitration Association. In its Demand, adidas alleged that the parties had previously been engaged in a lawsuit over the Company's sale of sneakers that allegedly infringed adidas' "three stripe" mark. The parties settled that lawsuit by entering into a settlement agreement dated August 4, 2003 that prohibited the Company from selling shoes that contained adidas' "three-stripe" mark either with one additional stripe or with one less stripe. adidas alleged in the Demand that the Company was selling three shoes (the Finnley, the Troyy, and the Soccet) that adidas contends violate the settlement agreement and infringe adidas' "three-stripe" mark. The parties were engaged in settlement discussions for several months, but so far have been unable to settle and the Company filed its answer to the Demand for Arbitration on January 20th, 2006. The parties will be jointly selecting a panel of arbitrators over the next few weeks, while settlement discussions continue. No discovery demands have been exchanged. The Company believes it has substantial defenses to the claims asserted in the Demand for Arbitration.

(e) On August 10, 2005, the U.S. Customs Department ("Customs") issued a report that asserts that certain commissions which the Company treated as buying agents commissions (which is non-dutiable), should be treated as "selling agents commissions" and hence is dutiable. In the report, Customs estimates that the Company had underpaid duties during the calendar years of 1998 through 2004 in the amount of $1,051. Based on management's estimation at this point, a reserve of $1,051 has been recorded as of the December 31, 2005 Financial Statements. Such reserve may in the future be modified to reflect the status of this matter.

(f) On or about January 23, 2006, the Company and certain of its executives were named as defendants in a lawsuit filed by Jojeli, Inc. ("Jojeli") and Alan Rick Friedman in the United States District Court for the Southern District of New York. In their complaint, Jojeli and Mr. Friedman assert claims arising from the Company's decision to terminate Jojeli's services on or about November 28, 2005. Mr. Friedman, Jojeli's principal, served as a senior salesperson for the Company, and provided his services to the Company pursuant to an April 26, 2004 written agreement. In their complaint, Jojeli and Mr. Friedman allege eight claims against the Company and/or four of its executives, including breach of contract, violation of the New York Labor Law, tortuous interference with contract, civil conspiracy, defamation, and prima facie tort. They seek damages on their various claims in differing amounts, ranging from $500 to $5,000, and they also seek a declaration that they are not bound by the restrictive covenant in the parties' contract. The Company is still investigating the allegations of the complaint and has not yet filed an answer or

NOTE K - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

any relief from the Court. The Company believes the claims to be without merit and it intends to vigorously defend the lawsuit.

(g) 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:

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, 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.

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 with annual increases and performance bonuses. 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.

Effective as of May 23, 2005, the Company amended its employment agreement with Richard Olicker, the Company's President. The agreement provided for an annual salary of $454 through December 31, 2005. The agreement also provides for an annual performance bonus. Mr. Olicker left the Company in conjunction with the expiration of his employment agreement on December 31, 2005.

Effective January 1, 2006, the Company amended its employment agreement with Jamieson Karson, the Company's Chief Executive Officer and Chairman of the Board. The agreement provides for an annual salary of $500,000 through December 31, 2008. The agreement also provides for an annual bonus at the discretion of the Board of Directors.

Effective February 1, 2006, the Company amended its employment agreement with Arvind Dharia, the Company's Chief Financial Officer. The agreement provides for an annual salary of $425, with annual increases through December 31, 2009. The agreement also provides for an annual bonus at the discretion of the Board of Directors.

The Company has employment agreements with other executives (the "executives") which expire between June 30, 2007 and December 31, 2009. These agreements provide for cash bonuses based upon a percentage of year-to-year increases in earnings before interest, taxes, depreciation and amortization, option grants and non-accountable expense allowances as defined. Base salary commitments for these executives are as follows:

Year	Amount
2006	$ 1,849
2007	1,643
2008	1,192
2009	480
	$ 5,164

NOTE K - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

In connection with their employment agreements, two executives received an aggregate of 40,000 shares of restricted common stock from the Company in 2002. The restricted shares vested equally each quarter over the period of their employment agreements through December 2005. Accordingly, the Company has recorded a charge to operations in the amount of $104 and $254 for the 20,000 and 20,000 shares that vested during the years ended December 31, 2005 and 2004, respectively. Further, one executive received 100,000 stock options exercisable at $19.00 per share, the market price on the date of grant. 20,000 of these options vested on June 30, 2003 and the balance vested equally, each quarter, through June 30, 2005.

In addition, the Company accrued aggregate cash obligations of approximately $1,669 for bonuses under these agreements for the year ended December 31, 2005.

[4] Letters of credit:

At December 31, 2005 and 2004, the Company had open letters of credit for the purchase of imported merchandise of approximately $3,302 and $9,808, respectively.

[5] Royalty agreements:

Pursuant to the Company's license agreement with Jones Investment Company, Inc., the Company has the right to use the l.e.i. trademark in connection with the sale and marketing of footwear. The agreement, which expires on September 30, 2006, requires the Company to pay a royalty equal to a percentage of net sales and a minimum royalty in the event that specified net sales targets are not achieved.

On January 7, 2003, the Company entered into a long-term license agreement with Seattle Pacific Industries, Inc., under which the Company has the right to use the Unionbay trademark in connection with the sale and marketing of footwear for men and boys. The initial term of the agreement expires on December 31, 2006, with four 3-year renewal terms, the last of which will expire on December 31, 2018. The agreement requires the Company to make royalty and advertising payments equal to a percentage of net sales and a minimum royalty and advertising payment in the event that specified net sales targets are not achieved.

On May 12, 2003, the Company entered into a long-term license agreement with Candie's, Inc. to design, manufacture, and distribute Candie's branded footwear for women and children worldwide. The initial term of the agreement expires on December 31, 2009, with four 3-year renewal terms, the last of which expires on December 31, 2021. The agreement required the Company to make royalty and advertising payments equal to a percentage of net sales of licensed products and a minimum royalty and advertising payment in the event that specified net sales targets are not achieved. On December 6, 2004, the agreement was amended to reflect Candie's decision to name Kohl's Corporation the exclusive provider of a new line of Candie's apparel. The amendment extended the initial term of the agreement to December 31, 2010, and eliminated the renewal term options. Pursuant to the amendment, commencing on January 1, 2007, the Company will no longer have the exclusive right to market Candie's branded footwear and will be permitted to sell Candie's branded footwear only to Kohl's. Under the terms of the amendment, Candie's guarantees that the Company will achieve minimum sales levels with Kohl's during the term of the agreement. In the event such minimum sales levels are not achieved, Candie's is required to compensate the Company in an amount based on a percentage of the sales shortfall. Effective January 1, 2005, all royalty and advertising payments were eliminated. As an inducement to execute the amendment, the Company is required to pay Candie's a total of $3,000 payable in eight equal quarterly installments beginning in February of 2005.

NOTE K - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

Royalty expenses are included in the "operating expenses" section of the Company's Consolidated Statements of Income. Aggregate minimum future royalties under these agreements are as follows:

Year Ending December 31,	
2006	$ 2,318
2007	375
	$ 2,693

[6] Related Party Transactions:

In January 2004, the Company entered into an agreement with JLM Consultants, a company wholly-owned by John Madden, one of the Company's directors. Under this agreement, Mr. Madden provided consulting services with respect to the development of international sales of the Company. Pursuant to this agreement, JLM Consultants received a fee and expenses of $352 and $252 in 2005 and 2004 respectively, in addition to fees Mr. Madden received for service to the Company as a director.

In July 2001, the Company entered into a consulting agreement with Peter J. Solomon & Company, a financial advisory firm of which Marc Cooper, one of the Company's directors, is a managing director. Under this agreement, the firm provided financial advisory and investment banking services to the Company. This agreement was amended in March 2004. Pursuant to this agreement, the Company paid fees and expenses to Peter J. Solomon & Company of $66, $161 and $33 for 2005, 2004 and 2003 respectively.

In July 2004, the Company entered into a consulting agreement with Charles Koppelman, who served as a director of the Company from June 1998 through May 2004 and as Chairman of the Board from July 2001 through May 2004. Under this agreement, Mr. Koppelman provided consulting services that included enhancing and promoting the Company's brands and seeking licensing and acquisition opportunities. Pursuant to this agreement, Mr. Koppelman received 100,000 options and a fee of $90 and $105 in 2005 and 2004 respectively. See Note D for a description of the options. This agreement expired on June 30, 2005.

In October 2002, the Company entered into an arrangement with Jeff Birnbaum, one of the Company's directors. Under this arrangement, Mr. Birnbaum provided consulting services with respect to the designing and manufacturing of shoes and general consulting services to the Company. Pursuant to this arrangement, Mr. Birnbaum received a fee of $200 and $250 in 2005 and 2004 respectively, in addition to fees received for service to the Company as a director. Mr. Birnbaum has been a one-third stockholder and the Product Development Manager of Dolphin Shoe Company since August 1982. Dolphin Shoe Company is one of the Company's domestic suppliers. In addition, Jeff Birnbaum's brother, Steven Birnbaum owned a trading company, Bulls Eye Trading ("Bullseye") that acted as a selling agent for the Company. Dolphin Shoe acquired Bullseye in 2005. Jeff Birnbaum did not own an interest in Bullseye nor was he a director of Bullseye nor did Bullseye pay him any compensation.

The Madden Mens division of the Company purchases a significant amount of shoes from La Tandem International, Inc. Mr. James Chen, the brother of Harry Chen, is the President of La Tandem International, Inc., and La Tandem International, Inc. is owned or controlled by members of the Chen family. Harry Chen was the chairman and lead designer of the Madden Mens Division of the Company until June 30, 2005.

NOTE K - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

[7] Concentrations:

The Company maintains cash and cash equivalents with various major financial institutions which at times are in excess of the amount insured. In addition, the Company's marketable securities and a money account are principally held at one brokerage company.

During the year ended December 31, 2005, the Company purchased approximately 21% and 12% of its merchandise from two suppliers in China, respectively. Total inventory purchases for the year ended December 31, 2005 from China was approximately 82%.

During the year ended December 31, 2004, the Company purchased approximately 25% of its merchandise from a supplier in Brazil and 17% and 10% of its merchandise from two suppliers in China, respectively. Total inventory purchases for the year ended December 31, 2004 from Brazil and China were approximately 26% and 41%, respectively.

During the year ended December 31, 2003, the Company purchased approximately 13% of its merchandise from a supplier in Brazil. Total inventory purchases for the year ended December 31, 2003 from Brazil were approximately 19%. The Company also purchased inventory during the year ended December 31, 2003 from two vendors in China totaling approximately 32%.

Sales to one customer accounted for 19% of total net sales for the year ended December 31, 2005. This customer represented 24% of accounts receivable at December 31, 2005.

Sales to two customers accounted for 10% and 9% of total net sales for the year ended December 31, 2004. These customers each represented 13% of accounts receivable at December 31, 2004.

Sales to two customers accounted for 10% and 11% of total net sales for the year ended December 31, 2003. These customers each represented 17% of accounts receivable at December 31, 2003.

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

[8] Valuation and qualifying accounts:

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

	2005	2004	2003
Balance at beginning of year	$ 2,915	$ 2,378	$ 2,215
Charged to expense	5,485	537	163
Uncollectible accounts written off, net of recoveries	--	--	--
Balance at end of year	$ 8,400	$ 2,915	$ 2,378

The following is a summary of the reserve for slow moving inventory for the years ended December 31:

	2005	2004	2003
Balance at beginning of year	$ 608	$ 663	$ 877
Charged to reserve	--	55	214
Increase to the reserve	535	--	--
Balance at end of year	$ 1,143	$ 608	$ 663

NOTE K - COMMITMENTS, CONTINGENCIES AND OTHER (CONTINUED)

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

	2005	2004	2003
Cost basis			
Balance at beginning and end of year	$ 2,780	$ 2,780	$ 2,780
Write-off of impaired assets	(635)	0	0
Balance at end of year	2,145	2,780	2,780
Accumulated amortization			
Balance at beginning of year	714	714	714
Write-off of impaired assets	(116)	0	0
Balance at end of year	598	714	714
Cost in excess of fair value of net assets acquired	$ 1,547	$ 2,066	$ 2,066

[9] Other:

Pursuant to an agreement reached on February 2, 2005 with an 8% shareholder, the Company has agreed to commit $25 million during the twelve months ended January 31, 2006 and $10 million during the twelve months ended January 31, 2007 to a combination of share repurchases and/or dividends, such programs to be implemented at such time and such manner as the board of directors shall determine in its sole discretion. As of March 6, 2006, the Company has repurchased 501 shares for $10,503 and has paid dividends of $13,814.

NOTE L - SUBSEQUENT EVENT

On February 7, 2006, the Company acquired all of the equity interest of privately held Daniel M. Friedman and Associates, Inc. Founded in 1995, Daniel M. Friedman is a manufacturer and distributor of name fashion handbags and accessories. The acquisition was completed for $18,000 in cash and includes certain earn out provisions based on financial performance through 2010. In October of 1998, the Company entered into a license agreement with Daniel M. Friedman for the design, manufacture and distribution of women's belts in the United States and Canada. This agreement expired on June 30, 2005. On July 14, 2005, the Company entered into a new license agreement with Daniel M. Friedman for the design, manufacture and distribution of handbags, women's belts, wallets and other small leather goods.

NOTE M - OPERATING SEGMENT INFORMATION

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

STEVEN MADDEN, LTD. AND SUBSIDIARIES

Notes to Financial Statements
December 31, 2005 and 2004
($ in thousands except per share data)

NOTE M - OPERATING SEGMENT INFORMATION (CONTINUED)

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

	Wholesale	Retail	Private label	Consolidated
Year ended December 31, 2005:				
Net sales to external customers (a)	$ 254,275	$ 121,511		$ 375,786
Gross profit	82,328	60,172		142,500
Commissions and licensing fees - net	2,286		$ 4,833	7,119
Income from operations	21,311	5,426	4,833	31,570
Depreciation and amortization	1,361	3,750	9	5,120
Loss on disposal of fixed assets		535		535
Other significant items:				
Deferred compensation	703			703
Deferred rent expense	281	391	(3)	669
Provision for doubtful accounts	5,485			5,485
Segment assets (b)	171,316	38,576	1,836	211,728
Capital expenditures	1,011	4,366		5,377
Year ended December 31, 2004:				
Net sales to external customers (a)	$ 230,347	$ 107,797		$ 338,144
Gross profit	66,749	55,920		122,669
Commissions and licensing fees - net	2,310		$ 2,278	4,588
Income from operations	8,272	8,431	2,278	18,981
Depreciation and amortization	1,442	3,416	7	4,865
Loss on disposal of fixed assets		198		198
Other significant items:				
Deferred compensation	2,782			2,782
Deferred rent expense (reversal)	192	68		260
Provision for doubtful accounts	537			537
Segment assets (b)	135,362	44,048	891	180,301
Capital expenditures	1,965	5,414	8	7,387
Year ended December 31, 2003:				
Net sales to external customers (a)	$ 228,686	$ 95,518		$ 324,204
Gross profit	75,167	50,852		126,019
Commissions and licensing fees - net	2,838		$ 2,904	5,742
Income from operations	21,589	9,133	2,904	33,626
Depreciation and amortization	1,136	3,604	3	4,743
Other significant items:				
Deferred compensation	2,877			2,877
Deferred rent expense (reversal)	33	262	1	296
Provision for doubtful accounts	163			163
Segment assets (b)	139,625	37,828	417	177,870
Capital expenditures	2,667	3,394		6,061

(a) Attributed to the United States, based on the location in which the sale originated.

(b) All long-lived assets, consisting of property and equipment and cost in excess of fair value of net assets acquired, are located in the United States.

NOTE N - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 2005 and 2004:

	March 31,	June 30,	September 30,	December 31,
2005:				
Wholesale, net	$ 56,861	$ 68,331	$ 71,018	$ 58,065
Retail, net	26,475	32,627	29,049	33,360
Net sales	83,336	100,958	100,067	91,425
Cost of sales	55,018	62,448	63,836	51,984
Gross profit	28,318	38,510	36,231	39,441
Commissions and licensing fee income - net	1,225	1,799	2,217	1,878
Net income	962	5,286	5,513	7,439
Net income per share:				
Basic	0.07	0.40	0.41	0.54
Diluted	0.07	0.39	0.39	0.51
2004:				
Wholesale, net	$ 55,067	$ 59,804	$ 64,851	$ 50,625
Retail, net	23,701	26,430	23,759	33,907
Net sales	78,768	86,234	88,610	84,532
Cost of sales	47,496	53,522	57,160	57,297
Gross profit	31,272	32,712	31,450	27,235
Commissions and licensing fee income - net	834	1,215	1,175	1,364
Net income	4,126	4,090	3,686	373
Net income per share:				
Basic	0.31	0.31	0.28	0.03
Diluted	0.29	0.28	0.26	0.03

(b) Exhibits.

3.01 Certificate of Incorporation of the Company (incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K filed with the Commission on November 23, 1998).

3.02 Amended & Restated By-Laws of the Company (incorporated by reference to Exhibit 3.02 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31. 2001).

4.01 Specimen Certificate for shares of Common Stock (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form SB-2/A filed with the Commission on September 29, 1993 (File No. 033-67162)).

4.02 Rights Agreement between the Company and American Stock Transfer and Trust Company (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on November 16, 2001).

10.01 Third Amended Employment Agreement between the Company and Steven Madden (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).

10.02 Employment Agreement of Jamieson Karson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 6, 2006).

10.03 Employment Agreement of Arvind Dharia (incorporated by reference to Exhibit 10.07 to the Company's Annual Report on Form 10-K for its fiscal year ending December 31, 2000).

10.04 Amendment No. 1 to Employment Agreement of Arvind Dharia (incorporated by reference to Exhibit 99.4 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending June 30, 2001).

10.05 Amendment No. 2 to Employment Agreement of Arvind Dharia (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending September 30, 2002).

10.06 Amendment No. 3 to Employment Agreement of Arvind Dharia (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 3, 2006).

10.07 Amendment No. 2 to Employment Agreement of Richard Olicker (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).

10.08 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).

10.09 Consulting Agreement, effective as of August 1, 2004, between the Company, John Madden and J.L.M. Consultants Inc.

10.10 Amendment No. 1 to Consulting Agreement, dated as of March 10, 2005, between the Company, John Madden and J.L.M. Consultants Inc.

10.11 Amendment No. 2 to Consulting Agreement, dated as of April 14, 2005, between the Company, John Madden and J.L.M. Consultants Inc.

10.12 Employment Agreement with Robert Schmertz dated March 11, 2005 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.13 Employment Agreement with Andrew Shames dated March 8, 2004 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.14 Commission Agreement between the Company and Hev Sales, Inc. dated March 8, 2004 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.15 Employment Agreement between the Company, Adesso Madden, Inc. and Joseph Masella and T.J.M. Sales Corporation dated May 7, 2002 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.16 Amendment No. 1 to Employment Agreement between the Company, Adesso Madden, Inc. and Joseph Masella and T.J.M. Sales Corporation dated September 2, 2002 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.17 Amendment No. 2 to Employment Agreement between the Company, Adesso Madden, Inc. and Joseph Masella and T.J.M. Sales Corporation dated September 27, 2002 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.18 Employment Agreement between Adesso-Madden, Inc. and Gerald Mongeluzo (incorporated by reference to Exhibit 99.5 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending June 30, 2001).

10.19 Employment Agreement between Steven Madden Retail, Inc. and Mark Jankowski (incorporated by reference to Exhibit 99.6 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending June 30, 2001).

10.20 Settlement Agreement, dated February 2, 2005, among Barington Companies Equity Partners, L.P., Barington Companies Investors, LLC, James Mitarotonda, Barington Companies Offshore Fund, Ltd., Barington Companies Advisors, LLC, Barington Capital Group, L.P., LNA Capital Corp., Parche, LLC, Starboard Value & Opportunity Fund, LLC, Admiral Advisors, LLC, Ramius Capital Group, LC, C4S & Co., LLC, Peter A. Cohen, Morgan B. Stark, Jeffrey M. Solomon, Thomas W. Strauss, RJG Capital Partners, LP, RJG Capital Management, LLC, Ronald Gross and Steven Madden, Ltd. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Commission on February 2, 2005).

10.21 Stock Purchase Agreement, dated as of February 7, 2006, by and between the Company and Daniel M. Friedman (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 13, 2006).

10.22 Earn-Out Agreement, dated as of February 7, 2006, by and among the Company, Daniel M. Friedman, Daniel M. Friedman & Associates, Inc. and DMF International, Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 13, 2006).

10.24 1996 Stock Plan, approved and adopted on March 6, 1996 (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-8 filed with the Commission on November 3, 1997).

10.25 The 1997 Stock Plan, approved and adopted on May 10, 1997 (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-8 filed with the Commission on November 3, 1997).

10.27 The 1998 Stock Plan, approved and adopted on January 16, 1998 (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-8 filed with the Commission on July 28, 1998).

10.28 The 1999 Stock Plan, approved and adopted on March 15, 1999, amended as of March 20, 2000 and March 30, 2001 (incorporated by reference to Exhibit 10.A to the Company's Registration Statement on Form S-8 filed with the Commission on July 26, 2004).

21.01 Subsidiaries of Registrant

23.01 Consent of Eisner LLP

24.01 Power of Attorney (included on signature page hereto).

SIGNATURE

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

Dated: New York, New York
March 14, 2006

STEVEN MADDEN, LTD.

By: /s/ JAMIESON A. KARSON

Jamieson Karson
Chairman and Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Jamieson A. Karson and Arvind Dharia, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and re-substitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission hereby ratifying and confirming that each of said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/s/ JAMIESON A. KARSON Jamieson Karson	Chairman and Chief Executive Officer	March 8, 2006
/s/ ARVIND DHARIA Arvind Dharia	Chief Financial Officer	March 8, 2006
/s/ JEFFREY BIRNBAUM Jeffrey Birnbaum	Director	March 8, 2006
/s/ MARC COOPER Marc Cooper	Director	March 8, 2006
/s/ JOHN L. MADDEN John L. Madden	Director	March 8, 2006
/s/ HAROLD KAHN Harold Kahn	Director	March 8, 2006
/s/ PETER MIGLIORINI Peter Migliorini	Director	March 8, 2006
/s/ THOMAS H. SCHWARTZ Thomas H. Schwartz	Director	March 8, 2006
/s/ WALTER YETNIKOFF Walter Yetnikoff	Director	March 8, 2006

STEVEN MADDEN, LTD.
FORM 10-K

EXHIBIT INDEX

3.01 Certificate of Incorporation of the Company (incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K filed with the Commission on November 23, 1998).

3.02 Amended & Restated By-Laws of the Company (incorporated by reference to Exhibit 3.02 to the Company's Annual Report on Form 10-K for its fiscal year ended December 31. 2001).

4.01 Specimen Certificate for shares of Common Stock (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form SB-2/A filed with the Commission on September 29, 1993 (File No. 033-67162)).

4.02 Rights Agreement between the Company and American Stock Transfer and Trust Company (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on November 16, 2001).

10.01 Third Amended Employment Agreement between the Company and Steven Madden (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).

10.02 Employment Agreement of Jamieson Karson (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on January 6, 2006).

10.03 Employment Agreement of Arvind Dharia (incorporated by reference to Exhibit 10.07 to the Company's Annual Report on Form 10-K for its fiscal year ending December 31, 2000).

10.04 Amendment No. 1 to Employment Agreement of Arvind Dharia (incorporated by reference to Exhibit 99.4 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending June 30, 2001).

10.05 Amendment No. 2 to Employment Agreement of Arvind Dharia (incorporated by reference to Exhibit 10.16 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending September 30, 2002).

10.06 Amendment No. 3 to Employment Agreement of Arvind Dharia (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 3, 2006).

10.07 Amendment No. 2 to Employment Agreement of Richard Olicker (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).

10.08 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).

10.09 Consulting Agreement, effective as of August 1, 2004, between the Company, John Madden and J.L.M. Consultants Inc.

10.10 Amendment No. 1 to Consulting Agreement, dated as of March 10, 2005, between the Company, John Madden and J.L.M. Consultants Inc.

10.11 Amendment No. 2 to Consulting Agreement, dated as of April 14, 2005, between the Company, John Madden and J.L.M. Consultants Inc.

10.12 Employment Agreement with Robert Schmertz dated March 11, 2005 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.13 Employment Agreement with Andrew Shames dated March 8, 2004 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.14 Commission Agreement between the Company and Hev Sales, Inc. dated March 8, 2004 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.15 Employment Agreement between the Company, Adesso Madden, Inc. and Joseph Masella and T.J.M. Sales Corporation dated May 7, 2002 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.16 Amendment No. 1 to Employment Agreement between the Company, Adesso Madden, Inc. and Joseph Masella and T.J.M. Sales Corporation dated September 2, 2002 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.17 Amendment No. 2 to Employment Agreement between the Company, Adesso Madden, Inc. and Joseph Masella and T.J.M. Sales Corporation dated September 27, 2002 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending March 31, 2005).

10.18 Employment Agreement between Adesso-Madden, Inc. and Gerald Mongeluzo (incorporated by reference to Exhibit 99.5 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending June 30, 2001).

10.19 Employment Agreement between Steven Madden Retail, Inc. and Mark Jankowski (incorporated by reference to Exhibit 99.6 to the Company's Quarterly Report on Form 10-Q for its fiscal quarter ending June 30, 2001).

10.20 Settlement Agreement, dated February 2, 2005, among Barington Companies Equity Partners, L.P., Barington Companies Investors, LLC, James Mitarotonda, Barington Companies Offshore Fund, Ltd., Barington Companies Advisors, LLC, Barington Capital Group, L.P., LNA Capital Corp., Parche, LLC, Starboard Value & Opportunity Fund, LLC, Admiral Advisors, LLC, Ramius Capital Group, LC, C4S & Co., LLC, Peter A. Cohen, Morgan B. Stark, Jeffrey M. Solomon, Thomas W. Strauss, RJG Capital Partners, LP, RJG Capital Management, LLC, Ronald Gross and Steven Madden, Ltd. (incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the Commission on February 2, 2005).

10.21 Stock Purchase Agreement, dated as of February 7, 2006, by and between the Company and Daniel M. Friedman (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on February 13, 2006).

10.22 Earn-Out Agreement, dated as of February 7, 2006, by and among the Company, Daniel M. Friedman, Daniel M. Friedman & Associates, Inc. and DMF International, Ltd. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on February 13, 2006).

10.24 1996 Stock Plan, approved and adopted on March 6, 1996 (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-8 filed with the Commission on November 3, 1997).

10.25 The 1997 Stock Plan, approved and adopted on May 10, 1997 (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-8 filed with the Commission on November 3, 1997).

10.27 The 1998 Stock Plan, approved and adopted on January 16, 1998 (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-8 filed with the Commission on July 28, 1998).

10.28 The 1999 Stock Plan, approved and adopted on March 15, 1999, amended as of March 20, 2000 and March 30, 2001 (incorporated by reference to Exhibit 10.A to the Company's Registration Statement on Form S-8 filed with the Commission on July 26, 2004).

21.01 Subsidiaries of Registrant

23.01 Consent of Eisner LLP

24.01 Power of Attorney (included on signature page hereto).

Exhibit 10.9

CONSULTING AGREEMENT

This CONSULTING AGREEMENT by and between STEVEN MADDEN, LTD., a Delaware corporation with offices at 52-16 Barnett Avenue, Long Island City, N.Y. 11104 (the "Corporation"), JOHN MADDEN, an individual residing at 6305 NW 65th Terrace, Parkland, FL 33067 ("Consultant"), and J.L.M. CONSULTANTS INC., a corporation with offices at 6305 NW 65th Terrace, Parkland, FL 33067 ("JLMC"), is effective as of August 1, 2004 (the "Effective Date").

WITNESSETH:

WHEREAS, Consultant and JLMC have been providing consulting services to the Corporation on a month-to-month basis since January 1, 2004 pursuant to an oral agreement on terms substantially similar to the terms hereof; and

WHEREAS, the Corporation, Consultant and JLMC wish to memorialize their agreement for the remainder of the 2004 calendar year with respect to the terms of the consulting services provided by Consultant and JLMC.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual promises, terms, provisions and conditions set forth in this Agreement, the parties hereby agree as follows:

Section 1. CONSULTING SERVICES. For the Term (as defined in Section 4 below) of this Agreement and upon the terms and subject to the conditions set forth in this Agreement, Consultant agrees to provide the Corporation with general consulting services regarding international sales and distribution. Consultant shall, among other things, initiate discussions with potential bona fide third party distributors and/or licensees, assist in the negotiation and consummation of transactions with such third parties, administrate the operational aspects of such transactions with such third parties and, in general, oversee the Corporation's international sales and distribution division. Consultant shall also perform such other duties as may be reasonably prescribed by the Corporation's Chief Executive Officer. During the Term of this Agreement, Consultant shall report directly to the Corporation's Chief Executive Officer.

Section 2. PERFORMANCE OF DUTIES/WORK SCHEDULE. Throughout the Term of this Agreement, Consultant shall faithfully and diligently perform Consultant's duties in conformity with the directions of the Corporation's Chief Executive Officer and will serve the Corporation to the best of Consultant's ability. During the Term of this Agreement, Consultant shall provide such services to the Corporation on an as-needed basis.

Section 3. RELATIONSHIP OF PARTIES.

3.1 Independent Contractor. Consultant shall be an independent contractor and shall not be an agent or employee of, and neither Consultant nor JLMC shall have authority to bind, the Corporation by contract or otherwise.

3.2 Employment Taxes. Each of Consultant and JLMC will report as self-employment income all fees received by it pursuant to this Agreement. Each of Consultant and JLMC will indemnify the Corporation and hold it harmless from and against all claims, damages, losses and expenses, including reasonable fees and expenses of attorneys and other professionals, relating to any obligation imposed by law on the Corporation to pay any withholding taxes, social security, unemployment or disability insurance, or similar items in connection with the fees received by Consultant or JLMC pursuant to this Agreement.

Section 4. Term. Subject to the termination provision as hereafter provided, the term of this Agreement shall commence on the Effective Date and terminate on December 31, 2004 (the "Term"), or upon such earlier date as specified by one of the parties in a written termination notice to the other, delivered in accordance with Section 6 of this Agreement.

Section 5. COMPENSATION / BUSINESS EXPENSES.

5.1 Commission. In consideration of Consultant's performance of consulting services and compliance with this Agreement, the Corporation agrees as follows:

(a) During the Term, the Corporation shall pay to [JLMC] a monthly fee (the "Monthly Fee") equal to Sixteen Thousand Dollars ($16,000).

(b) In addition, in the event that the Earned Commission (as defined in Section 5.1(c) below) for a calendar quarter exceeds the Monthly Fees (such excess amount, the "Surplus Amount") that were paid in such calendar quarter (a "Surplus Quarter"), the Corporation shall pay [JLMC] the Surplus Amount within 30 days of the end of such Surplus Quarter.

(c) "Earned Commission" shall mean (i) four percent (4%) of International Sales (as defined in Section 5.1(d) below) up to Six Million Dollars ($6,000,000.00) annually, plus (ii) three percent (3%) of International Sales in excess of Six Million Dollars ($6,000,000.00) annually.

(c1) Company shall pay 10% on licensing and private label income derived from sales outside the U.S.A.

(d) "International Sales" shall mean the gross sales of the Corporation's wholesale divisions and private label division made outside of the United States less returns, allowances and chargebacks. It shall also include retail sales, royalties, licensing revenue and private label income deriving outside the USA.

5.2 Automobile Allowance. The Corporation shall, at the direction of Consultant, either reimburse Consultant for, or directly pay the costs of, Consultant's use of an automobile in connection with his daily commute to and from the office in order to assist Consultant in performing his duties hereunder during the Term and all usual expenditures in connection therewith (i.e., fuel, insurance, parking, customary maintenance and repairs, etc.);

provided, however, that expenses either reimbursed or paid pursuant to this Section shall not exceed One Thousand Dollars ($1,000.00) per month.

5.3 Health Insurance. During the Term, Consultant shall be entitled to participate in the Corporation's health insurance, group insurance, hospitalization, and group health and benefit plans; provided, however, that the value of such health insurance and related benefits pursuant to this Section shall not exceed ~~Seventeen~~ Eighteen Hundred Dollars (~~$1,700.00~~) $1,800.00 per month.

5.4 Business Expenses. Upon submission of itemized expense statements in the manner specified by the Corporation, Consultant shall be entitled to reimbursement for reasonable travel and other reasonable business expenses duly incurred by Consultant in the performance of Consultant's duties under this Agreement, provided, however, that Consultant shall obtain the prior written approval of the Corporation for expenses greater than [One Hundred Dollars ($100)]. Such reimbursement shall be in accordance with the policies and procedures established by the Corporation from time to time.

Section 6. TERMINATION. Either the Corporation or Consultant may terminate Consultant's services hereunder for any reason at any time. The obligations of the parties hereto (including the obligations of the Corporation under Section 5) shall cease on the termination date, provided, however, that the obligations of the parties under Section 7 (Disclosure of Confidential Information), Section 8 (Covenant Not To Compete) and Section 9 (Non-Disparagement) shall survive the termination of this Agreement. Notice of termination of Consultant's employment shall be made in writing and shall be given in accordance with Section 10.8.

Section 7. DISCLOSURE OF CONFIDENTIAL INFORMATION. Consultant and JLMC recognize that they each have had and will continue to have access to secret and confidential information regarding the Corporation, its officers, directors, employees, agents and vendors and any of its or their affiliates, including, but not limited to, confidential information and trade secrets concerning the Corporation's (or any of its affiliates') working methods, processes, business and other plans, programs, designs, products, know-how, costs, marketing, promotion, sales activities, trading, investment, credit and financial data, manufacturing processes, financing methods, profit formulas, customer names, customer requirements and supplier names. Each of Consultant and JLMC acknowledges that such information is of great value to the Corporation, is the sole property of the Corporation, and has been and will be acquired by Consultant and JLMC in confidence. In consideration of the obligations undertaken by the Corporation herein, each of Consultant and JLMC will not, at any time, during or after the Term, reveal, divulge or make known to any person, any information acquired by Consultant and/or JLMC prior to or during the Term, including, but not limited to, the Corporation's customer list, and not otherwise in the public domain. The provisions of this Section 7 shall survive the termination or expiration of this Agreement. Upon Consultant's and/or JLMC's breach of the provisions of this Section 7, the Corporation shall be entitled to actual, consequential and incidental damages in addition to any other rights and remedies available to the Corporation.

Section 8. COVENANT NOT TO COMPETE.

(a) Each of Consultant and JLMC recognizes that the services to be performed hereunder are special, unique and extraordinary. The parties confirm that it is reasonably necessary for the protection of the Corporation that each of Consultant and JLMC agree, and accordingly, each of Consultant and JLMC does hereby agree that, except as provided in Section 8(c) below, Consultant and JLMC shall not, directly or indirectly:

(i) at any time during the Term, engage in any Competitive Business (as defined in Section 8(d) below) within the Restricted Area (as defined in Section 8(d) below), either on his own behalf or as an officer, director, stockholder, partner, principal, trustee, investor, consultant, associate, employee, owner, agent, creditor, independent contractor, co-venturer of any third party or in any other relationship or capacity; and

(ii) at any time during the six (6) month period following the date on which the Term expires, engage in any Competitive Business within the Restricted Area, either on his or its own behalf or as an officer, director, stockholder, partner, principal, trustee, investor, consultant, associate, employee, owner, agent, creditor, independent contractor, co-venturer of any third party or in any other relationship or capacity.

(b) Each of Consultant and JLMC hereby agrees that it will not, directly or indirectly, for or on behalf of itself or any third party, at any time during the Term (i) solicit any customers of the Corporation or (ii) solicit, employ or engage, or cause, encourage or authorize, directly or indirectly, to be employed or engaged, for or on behalf of itself or any third party, any employee or agent of the Corporation or any of its subsidiaries.

(c) This Section 8 shall not be construed to prevent Consultant and JLMC from owning, directly and indirectly, in the aggregate, an amount not exceeding five percent (5%) of the issued and outstanding voting securities of any class of any corporation whose voting capital stock is traded on a national securities exchange or in the over-the-counter market.

(d) The term "Competitive Business" as used in this Agreement shall mean the design, manufacture, sale, marketing or distribution of branded or designer footwear. The term "Restricted Area" as used in this Agreement shall mean anywhere in the world.

(e) Upon a breach by Consultant or JLMC of the provisions of this Section 8, the Corporation shall be entitled to actual, consequential and incidental damages in addition to any other rights and remedies available to the Corporation.

Section 9. NON-DISPARAGEMENT. Each of Consultant and JLMC covenants and agrees not to engage in any act or make any announcement that is intended, or may reasonably be expected, to harm the reputation, business, prospects or operations of the Corporation or its officers, directors, stockholders or employees. The Corporation agrees that it will not engage in any act or make any announcement which is intended, or may reasonably be expected, to harm the reputation, business or prospects of Consultant or JLMC. Nothing in this Agreement shall restrict the parties from making disclosure or taking any action required by law. Upon a breach by Consultant or JLMC of the provisions of this Section 9, the Corporation shall be entitled to

actual, consequential and incidental damages in addition to any other rights and remedies available to the Corporation.

Section 10. MISCELLANEOUS.

10.1 Enforcement Of Covenants. The parties hereto agree that each of Consultant and JLMC is obligated under this Agreement to render personal services during the Term of a special, unique, unusual, extraordinary and intellectual character, thereby giving this Agreement peculiar value, and in the event of a breach of any covenant of Consultant or JLMC herein, the injury or imminent injury to the value and goodwill of the Corporation's business could not be reasonably or adequately compensated in damages in an action at law. Each of Consultant and JLMC therefore agrees that the Corporation, in addition to any other remedies available to it, shall be entitled to seek specific performance, preliminary and permanent injunctive relief or any other equitable remedy against Consultant and/or JLMC, without the posting of a bond, in the event of any breach or threatened breach by Consultant or JLMC of any provision of this Agreement (including, but not limited to, the provisions of Sections 7 and 8). The rights and remedies of the parties hereto are cumulative and shall not be exclusive, and each party shall be entitled to pursue all legal and equitable rights and remedies and to secure performance of the obligations and duties of the other parties under this Agreement, and the enforcement of one or more of such rights and remedies by a party shall in no way preclude such party from pursuing, at the same time or subsequently, any and all other rights and remedies available to it.

10.2 Severability. The invalidity or partial invalidity of one or more provisions of this Agreement shall not invalidate any other provision of this Agreement. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

10.3 Assignments. None of the parties hereto may assign or delegate any of their rights or duties under this Agreement without the express written consent of the other parties, except the Corporation may transfer its rights and duties in connection with a sale of all or substantially all of its assets or in connection with a business combination.

10.4 Entire Agreement; Amendment. This Agreement constitutes and embodies the full and complete understanding and agreement of the parties hereto, supersedes all prior understandings and agreements, whether oral or written, between the parties hereto, and shall not be amended, modified or changed except by an instrument in writing executed by Consultant and by an expressly authorized officer of each of JLMC and the Corporation.

10.5 Waiver. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of any party to require the performance of any term or obligation of this Agreement, or the waiver by any party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

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

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

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

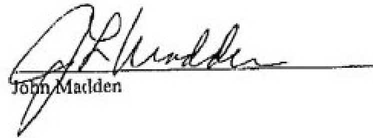
10.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to such State's conflicts of laws principles and each of the parties hereto irrevocably consents to the jurisdiction and venue of the federal and state courts located in the State of New York, County of New York.

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

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

STEVEN MADDEN, LTD.

By: ________________________
Name: Jamieson Karson
Title: Chairman and Chief Executive Officer



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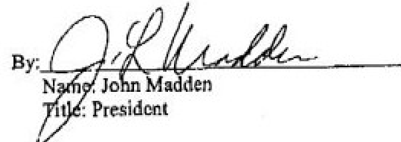
John Madden

J.L.M. CONSULTANTS INC.



By: ________________________
Name: John Madden
Title: President

Exhibit 10.10

AMENDMENT NO. 1 TO CONSULTING AGREEMENT

This Amendment No. 1 dated as of March 10, 2005 to that certain Consulting Agreement (this "Amendment"), by and between STEVEN MADDEN, LTD., a Delaware corporation with offices at 52-16 Barnett Avenue, Long Island City, N.Y. 11104 (the "Corporation"), JOHN MADDEN an individual residing at [ ] ("Consultant") and J.L.M. CONSULTANTS INC., a corporation with offices at [ ] ("JLMC"). 6305 N.W. 65 TH TERRACE, PARKLAND, FL 33067

W I T N E S S E T H

WHEREAS, the Corporation and Consultant are parties to that certain Consulting Agreement effective as of August 1, 2004, a copy of which is attached hereto as Exhibit A (the "Original Agreement")

WHEREAS, the Executive and the Corporation desire to amend the Original Agreement to reflect the following.

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

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

   A. Section 4 shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

      "Section 4. TERM. Subject to the termination provision as hereafter provided, the term of this Agreement shall commence on the Effective Date and terminate on December 31, 2005 (the "Term"), or upon such earlier date as specified by one of the parties in a written termination notice to the other, delivered in accordance with Section 6 of this Agreement."

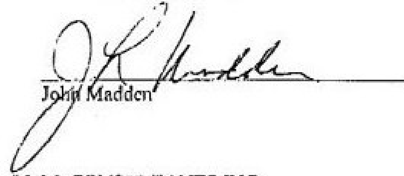
2. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of law.

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

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

STEVEN MADDEN, LTD.

By:________________________
Name: Jamieson Karson
Title: Chairman and Chief Executive Officer



John Madden

J.L.M. CONSULTANTS INC.

By:________________________
Name: JOHN MADDEN
Title: Pres

Exhibit 10.11

AMENDMENT NO. 2 TO CONSULTING AGREEMENT

This Amendment No. 2 dated as of April 14, 2005 to that certain Consulting Agreement (this "Amendment"), by and between STEVEN MADDEN, LTD., a Delaware corporation with offices at 52-16 Barnett Avenue, Long Island City, N.Y. 11104 (the "Corporation"), JOHN MADDEN an individual residing at 6305 N.W. 65th Terrace, Parkland, Fl. 33607 ("Consultant") and J.L.M. CONSULTANTS INC., a corporation with offices at 6305 N.W. 65th Terrace, Parkland, Fl. 33607 ("JLMC").

WITNESSETH

WHEREAS, the Corporation and Consultant are parties to that certain Consulting Agreement effective as of August 1, 2004, a copy of which is attached hereto as Exhibit A (the "Original Agreement");

WHEREAS, the Corporation and Consultant subsequently entered into Amendment No. 1 to the Original Agreement, dated as of March 10, 2005, a copy of which is attached hereto as Exhibit B (the Original Agreement as amended by Amendment No. 1, the "Agreement");

WHEREAS, the Executive and the Corporation desire to further amend the Agreement to reflect the following.

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

1. Effective as of April 1, 2005, the Agreement is hereby further amended as follows:

   A. Section 5.1(a) shall be deleted in its entirety and in lieu thereof the following paragraph shall be inserted:

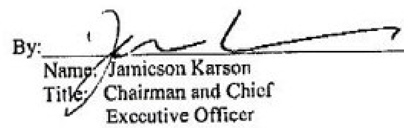
      "During the Term, the Corporation shall pay to JLMC a monthly fee (the "Monthly Fee") equal to Twenty Thousand Dollars ($20,000)."

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

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

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

STEVEN MADDEN, LTD.



By:____________________
Name: Jamieson Karson
Title: Chairman and Chief Executive Officer

____
John Madden

J.L.M. CONSULTANTS INC.

By:____________________
Name: JOHN MADDEN
Title:

EXHIBIT 21.01

SUBSIDIARIES OF THE COMPANY

NAME	STATE OF INCORPORATION
Daniel M. Friedman & Associates, Inc.	New York
Diva Acquisition Corp.	Delaware
Diva International, Inc.	Delaware
Adesso-Madden, Inc.	New York
Madden Direct, Inc.	Delaware
Steven Madden Retail, Inc.	Delaware
Shoe Biz, Inc.	Delaware
Stevies, Inc.	Delaware
Unionbay Men's Footwear, Inc.	Delaware

Exhibit 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Steven Madden, Ltd. on Form S-8 (333-117667), Form S-8 (333-117666), Form S-8 (333-106746), Form S-8 (333-98067), Form S-8 (333-68712), Form S-8 (333-40924), Form S-3 (333-91127), Form S-8 (333-86903), Form S-8 (333-59995), Form S-3/A (333-59295), Form S-3/A (333-46441), Form S-8 (333-39335), Form S-8 (333-16381) and Form S-8 (333-05773), of our report dated March 6, 2006 on our audit of the consolidated financial statements of Steven Madden, Ltd. and subsidiaries included in its 2005 Annual Report on Form 10-K.

We also consent to the reference to our firm in the Registration Statements on Form S-3 under the caption experts.

Eisner LLP

New York, New York
March 10, 2006

Exhibit 31.01

CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 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 Annual Report on Form 10-K of Steven Madden, Ltd.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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 report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 the 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.

/s/ JAMIESON A. KARSON

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Jamieson A. Karson
Chairman and Chief Executive Officer
March 16, 2006

Exhibit 31.02

CERTIFICATION PURSUANT TO RULE 13A-14 OR 15D-14 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 Annual Report on Form 10-K of Steven Madden, Ltd.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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 report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 the 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.

/s/ ARVIND DHARIA
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Arvind Dharia
Chief Financial Officer
March 16, 2006

Exhibit 32.01

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 Annual Report of Steven Madden, Ltd. (the "Company") on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jamieson A. Karson, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 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
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Jamieson A. Karson
Chairman and Chief Executive Officer
March 16, 2006

Exhibit 32.02

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 Annual Report of Steven Madden, Ltd. (the "Company") on Form 10-K for the year ended December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arvind Dharia, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 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
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Arvind Dharia
Chief Financial Officer
March 16, 2006