CAL MAINE FOODS INC
Form 4
May 15, 2012

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
DAWSON TIMOTHY A
(Last) (First) (Middle)
CAL-MAINE FOODS, INC., 229 HOY FARMS DRIVE
(Street)
MADISON, MS 39110
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CAL MAINE FOODS INC [CALM]

3. Date of Earliest Transaction (Month/Day/Year)
05/11/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
CFO, Secretary/Treasurer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	05/11/2012		M(1)		10,000	A	$ 5.93	10,000	D	
Common Stock	05/11/2012		S		300	D	$ 37.911	9,700	D	
Common Stock	05/11/2012		S		3,100	D	$ 37.91	6,600	D	
Common Stock	05/11/2012		S		1,100	D	$ 38.05	5,500	D	
Common Stock	05/11/2012		S		377	D	$ 37.8	5,123	D	

Common Stock	05/11/2012		S	2,323	D	$ 37.75	2,800	D	
Common Stock	05/11/2012		S	700	D	$ 37.79	2,100	D	
Common Stock	05/11/2012		S	100	D	$ 37.93	2,000	D	
Common Stock	05/11/2012		S	1,000	D	$ 37.92	1,100	D	
Common Stock	05/11/2012		S	200	D	$ 37.9	800	D	
Common Stock	05/11/2012		S	800	D	$ 37.89	0	D	
Common Stock							1,823.096 (2)	I	By ESOP

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount o Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amoun or Numbe of Shar
Option (right to buy)	$ 5.93	05/11/2012		M (1)			10,000	08/17/2006 (3)	08/17/2015	Common Stock	10,00

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DAWSON TIMOTHY A CAL-MAINE FOODS, INC.	X		CFO, Secretary/Treasurer	

229 HOY FARMS DRIVE
MADISON, MS 39110

Signatures

/s/James H. Neeld, IV, Attorney-in-Fact	05/14/2012
**Signature of Reporting Person	Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- **(1)** Exercise of purchase right pursuant to option issued under Issuer's 2005 Incentive Stock Option Plan.
- **(2)** Represents current allocation under Employee Ownership Plan.
- **(3)** The stock option became exercisable to the extent of 20% on 8/17/2006 and was cumulatively exercisable to the extent of 20% each year thereafter.
- **(4)** Represents common stock underlying unexercised option rights in the Issuer's 2005 Incentive Stock Option Plan.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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28,956

9.7
%

26,899

9.3
%

By Segment:

WHOLESALE FOOTWEAR SEGMENT:

Net sales

$
199,198

100.0
%

$
198,694

100.0
%
Cost of sales

138,209

69.4
%

139,246

70.1
%
Gross profit

60,989

30.6
%

59,448

29.9
%
Operating expenses

33,946

17.0
%

34,756

17.5
%
Income from operations

27,044

13.6
%

24,692

12.4
%

WHOLESALE ACCESSORIES SEGMENT:

Net sales	$ 52,224	100.0 %	$ 49,439	100.0 %
Cost of sales	32,557	62.3 %	30,484	61.7 %
Gross profit	19,667	37.7 %	18,955	38.3 %
Operating expenses	10,273	19.7 %		

10,397

21.0
%
Income from operations

9,394

18.0
%

8,558

17.3
%

RETAIL SEGMENT:

Net sales

$
46,212

100.0
%

$

40,559

100.0
%
Cost of sales

16,290

35.3
%

14,708

36.3
%
Gross profit

29,922

64.7
%

25,851

63.7
%
Operating expenses

24,448

52.9
%

21,549

53.1
%
Income from operations

5,474

11.8
%

4,302

10.6
%
Number of stores

113

96

FIRST COST SEGMENT:

Other commission income – net of expenses

$
1,888

100.0
%

$

2,412

100.0
%

LICENSING SEGMENT:

Licensing income – net of expenses

$
1,811

100.0
%

$
1,840

100.0
%

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Six Months Ended
June 30,
($ in thousands)

	2013			2012		
CONSOLIDATED:						
Net sales	$576,550	100.0	%	$554,662	100.0	%
Cost of sales	363,375	63.0	%	354,315	63.9	%
Gross profit	213,175	37.0	%	200,347	36.1	%
Other operating income – net of expenses	8,066	1.4	%	8,725	1.6	%
Operating expenses	139,193	24.1	%	131,909	23.8	%
Impairment of note receivable and provision for litigation	—	—	%	4,310	1.5	%
Income from operations	82,048	14.2	%	72,853	13.1	%
Interest and other income – net	1,907	0.3	%	2,133	0.4	%
Income before income taxes	83,955	14.6	%	74,986	13.5	%
Net income attributable to Steven Madden, Ltd.	52,356	9.1	%	48,767	8.8	%
By Segment:						
WHOLESALE FOOTWEAR SEGMENT:						
Net sales	$388,379	100.0	%	$390,194	100.0	%
Cost of sales	269,528	69.4	%	272,018	69.7	%
Gross profit	118,851	30.6	%	118,176	30.3	%
Operating expenses	69,225	17.8	%	69,996	17.9	%
Income from operations	49,626	12.8	%	48,180	12.3	%
WHOLESALE ACCESSORIES SEGMENT:						
Net sales	$96,905	100.0	%	$86,882	100.0	%
Cost of sales	59,669	61.6	%	52,797	60.8	%
Gross profit	37,236	38.4	%	34,085	39.2	%
Operating expenses	20,350	21.0	%	20,260	23.3	%
Income from operations	16,886	17.4	%	13,825	15.9	%
RETAIL SEGMENT:						
Net sales	$91,266	100.0	%	$77,586	100.0	%
Cost of sales	34,177	37.4	%	29,500	38.0	%
Gross profit	57,089	62.6	%	48,086	62.0	%
Operating expenses	49,616	54.4	%	41,653	53.7	%
Income from operations	7,473	8.2	%	6,433	8.3	%
Number of stores	113			96		
FIRST COST SEGMENT:						
Other commission income – net of expenses	$4,170	100.0	%	$4,740	100.0	%
LICENSING SEGMENT:						
Licensing income – net of expenses	$3,895	100.0	%	$3,985	100.0	%

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RESULTS OF OPERATIONS
($ in thousands)

Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012

Consolidated:
Net sales for the three months ended June 30, 2013 increased 3.1% to $297,634 compared to $288,692 in the same period of last year. Gross margin improved to 37.2% from 36.1% resulting from margin expansion in both the Wholesale Footwear and Retail segments of our business. Operating expenses increased in the second quarter of this year to $68,666 from $66,702 in the second quarter of last year primarily due to an increase in the number of retail stores. Operating expenses as a percentage of sales remained flat at 23.1% for the second quarter of 2013 and 2012, respectively. In the second quarter of 2012, we recorded charges of $2,500 for a class action lawsuit related to unauthorized text messaging and $1,810 for impairment of a note receivable due from our former licensee, Betsey Johnson LLC, for Betsey Johnson® retail footwear and apparel. Commission and licensing fee income for the second quarter of 2013 decreased to $3,699 compared to $4,252 achieved in the second quarter of 2012. The effective tax rate for the the second quarter or 2013 increased to 37.1% compared to 31.3%, due primarily to a tax benefit received in the second quarter of 2012 of $2,800 related to the year-to-date impact of a portion of our earnings from our foreign operations that have been reinvested indefinitely. Net income attributable to Steven Madden, Ltd. for the second quarter of 2013 increased to $28,956 compared to net income for the second quarter of 2012 of $26,899. Net income for the second quarter 2012 included the aforementioned charges related to a class action lawsuit and note receivable impairment.
Wholesale Footwear Segment:

Net sales from the Wholesale Footwear segment accounted for $199,198, or 67%, and $198,694, or 69%, of our total net sales for the second quarter of 2013 and 2012, respectively, which represents a $504, or 0.3%, increase. Growth in the Adesso Madden private label business of $16,175, or 63%, was offset by a $7,263, or 13.3%, decrease in our Topline business resulting from the loss of two private label customers that compete with Steve Madden and elected not to go forward with Topline, as well as the discontinuation of the Big Buddha footwear business which had sales in the second quarter of 2012 of $2,343.

Gross profit margin in the Wholesale Footwear segment was 30.6% for the second quarter of 2013 and 29.9% for the second quarter of 2012 reflecting a higher gross margin achieved on Steve Madden Women's business resulting from lower markdowns. Operating expenses decreased to $33,946 in the second quarter of 2013 from $34,756 in the same period of last year. As a percentage of net sales, operating expenses were 17.0% in the second quarter of 2013 compared to 17.5% in the same period of 2012, which decreased due to focused expense control. Income from operations for the Wholesale Footwear segment increased to $27,044 for the quarter ended June 30, 2013 compared to $24,692 for the same period of last year.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for $52,224, or 17.5%, and $49,439, or 17.1%, of total net sales for the Company in the second quarters of 2013 and 2012, respectively. This 5.6% increase in net sales in the second quarter of 2013 was attributed to continued growth in sales of Steve Madden® and Betsey Johnson® handbags and private label handbags, compared to the comparable period in 2012.
Gross profit margin in the Wholesale Accessories segment decreased to 37.7% in the second quarter of this year from 38.3% in the same period in 2012, primarily due to sales increases to to mid-tier retailers, which sales generate lower margins. In the second quarter of 2013, operating expenses decreased to $10,273 compared to $10,397 in the same period of last year. As a percentage of net sales, operating expenses improved to 19.7% in the second quarter of 2013 from 21.0% in the same period of 2012, reflecting leverage from sales increase. Income from operations for the Wholesale Accessories segment increased 9.8% to $9,394 for the second quarter of 2013 compared to $8,558 for the

same period of last year.

Retail Segment:
In the second quarter of 2013, net sales from the Retail segment accounted for $46,212, or 15.5%, of our total net sales compared to $40,559, or 14%, of our total net sales in the same period last year, which represents a $5,653, or 13.9%, increase. This increase in net sales reflects the addition of retail stores since the second quarter of 2012 and an increase in comparable store sales. We opened seventeen new stores, including a Betsey Johnson® online store during the twelve months ended June 30, 2013. As a result, we had 113 retail stores as of June 30, 2013 compared to 96 stores as of June 30, 2012, in each case including our e-commerce stores. The 113 stores currently in operation include 94 Steve Madden® stores, 12 Steve Madden® outlet stores, 2 Steven® stores, 1 Report® store, 1 Superga store and 3 e-commerce websites. Comparable store sales (sales of those stores,

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including the e-commerce websites, that were open throughout the second quarter of 2013 and 2012) increased 2.5% in the second quarter of this year. In the second quarter of 2013, gross margin increased to 64.7% from 63.7% in the same period of 2012, primarily due to fewer markdowns. In the second quarter of 2013, operating expenses increased to $24,448, or 52.9%, of net sales compared to $21,549, or 53.1%, of net sales, in the second quarter of last year, due to the sales increase. Income from operations for the Retail segment increased to $5,474 in the second quarter of this year from $4,302 in the same period of last year.

First Cost Segment:
The First Cost segment net commission income and design fees decreased to $1,888 for the second quarter of 2013 compared to $2,412 for the comparable period of 2012. This decrease was due to less business with Kohl's and the loss of Bakers' business due to bankruptcy (see Note E to the Condensed Consolidated Financial Statements contained in this Quarterly Report).

Licensing Segment:
Net licensing income was relatively consistent at $1,811 and $1,840 for the second quarter ended June 30, 2013 and 2012, respectively.

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2012

Consolidated:
Net sales for the six months ended June 30, 2013 increased 3.9% to $576,550 compared to $554,662 in the same period of last year. Gross margin improved to 37.0% from 36.1% as a result of margin expansion in both the Wholesale Footwear and Retail segments and a higher percentage of Retail segment sales which have higher margins, included in our sales mix. Operating expenses increased in the first six months of 2013 to $139,193 from $131,909 in the first six months of 2012. The increase in operating expenses was primarily due to an increase in the number of retail stores. As a percentage of sales operating expenses were 24.1% for the first six months of 2013 compared to 23.8% for the first six months of 2012. Commission and licensing fee income for the first six months of 2013 decreased to $8,066 compared to $8,725 achieved in the first six months of 2012. Net income attributable to Steven Madden, Ltd. for the first six months of 2013 increased to $52,356 compared to net income for the first six months of 2012 of $48,767.
Wholesale Footwear Segment:

Net sales from the Wholesale Footwear segment accounted for $388,379, or 67%, and $390,194, or 70%, of our total net sales for the first six months of 2013 and 2012, respectively, which represents a $1,815, or 0.5%, decrease. The decrease in net sales was driven by a $21,163, or 18.3%, decrease in our Topline business primarily resulting from the loss of two private label customers that compete with Steve Madden and elected not to go forward with Topline and the discontinuation of the Big Buddha footwear business, partially offset by growth in our Adesso Madden private label business. Excluding net sales growth attributable to the February 21, 2012 acquisition of SM Canada, organic net sales decreased $5,698, or 1.5%, in the six months ended June 30, 2013 as compared to the same period in 2012.

Gross profit margin in the Wholesale Footwear segment was 30.6% for the first six months of 2013 and 30.3% for the first six months of 2012, driven by a higher gross margin achieved from our Steve Madden Women's business resulting from lower markdowns. Operating expenses decreased to $69,225 in the first six months of 2013 from $69,996 in the same period of last year. As a percentage of net sales, operating expenses were 17.8% in the first six months of 2013 compared to 17.9% in the same period of 2012. Income from operations for the Wholesale Footwear segment increased to $49,626 for the first six months of 2013 compared to $48,180 for the same period of last year.

Wholesale Accessories Segment:

Net sales generated by the Wholesale Accessories segment accounted for $96,905, or 17%, and $86,882, or 16%, of total net sales for the Company in the first six months of 2013 and 2012, respectively. This 11.5% increase in net sales in the first six months of 2013 was attributed to continued growth in sales of Steve Madden® and Betsey Johnson® handbags, compared to the comparable period in 2012.

Gross profit margin in the Wholesale Accessories segment decreased to 38.4% in the first six months of 2013 from 39.2% in the same period last year, primarily due to an increase in sales to our mid-tier retailer customers, which sales generate lower margins. In the first six months of 2013, operating expenses of $20,350 were flat to the prior year amount of $20,260. As a percentage of

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net sales, operating expenses improved to 21.0% in the first six months of 2013 from 23.3% in the same period of 2012, reflecting leverage from sales increase. Income from operations for the Wholesale Accessories segment increased 22.1% to $16,886 for the first six months of 2013 compared to $13,825 for the same period of last year.

Retail Segment:
In the first six months of 2013, net sales from the Retail segment accounted for $91,266, or 15.8%, of our total net sales compared to $77,586, or 14%, of our total net sales in the same period last year, which represents a $13,680, or 17.6%, increase. This increase in net sales reflects the addition of retail stores since the second quarter of 2012, an increase in comparable store sales and the acquisition of SM Canada on February 21, 2012. Excluding sales attributable to the acquisition of SM Canada, organic net sales growth in the first six months of 2013 was $9,380, a 12.6%, increase over the same period in 2012. We opened seventeen new stores, including a Betsey Johnson® online store, during the twelve months ended June 30, 2013. As a result, we had 113 retail stores as of June 30, 2013 compared to 96 stores as of June 30, 2012, in each case including our e-commerce stores. The 113 stores currently in operation include 94 Steve Madden® stores, 12 Steve Madden® outlet stores, 2 Steven® stores, 1 Report® store, 1 Superga store and 3 e-commerce websites. Comparable store sales (sales of those stores, including the e-commerce websites, that were open throughout the first six months of 2013 and 2012 increased 3.2% in the first six months of this year. In the first six months of 2013, gross margin increased to 62.6% from 62.0% in the same period of 2012, primarily due to the impact of the new stores in Canada, which achieve higher gross profit margins than our stores located in the U.S. In the first six months of 2013, operating expenses increased to $49,616, or 54.4%, of net sales compared to $41,653, or 53.7%, of net sales, in the first six months of 2012 due to the write-off of fixed assets. Income from operations for the Retail segment increased to $7,473 in the first six months of this year from $6,433 in the same period of last year.

First Cost Segment:
The First Cost segment net commission income and design fees decreased to $4,170 for the first six months of 2013 compared to $4,740 for the comparable period of 2012. This decrease was due to less business with Kohl's and the loss of Bakers' business due to bankruptcy.

Licensing Segment:
Net licensing income was relatively consistent at $3,895 and $3,985 for the six months ended June 30, 2013 and 2012, respectively.

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LIQUIDITY AND CAPITAL RESOURCES
($ in thousands)
The Company has a collection agency agreement with Rosenthal & Rosenthal, Inc. (“Rosenthal”) that became effective on September 15, 2009. The agreement can be terminated by the Company or Rosenthal at any time upon 60 days' prior written notice. Under the agreement, the Company can request advances from Rosenthal of up to 85% of the aggregate receivables submitted to Rosenthal. The agreement provides the Company with a $30 million credit facility with a $15 million sub-limit for letters of credit at an interest rate based, at the Company’s election, upon either the prime rate or LIBOR. The Company also pays a fee based on a percentage of the gross invoice amount submitted to Rosenthal. With respect to receivables related to our First Cost segment and private label business, the fee is 0.14% of the gross invoice amount. For all other receivables, the fee is 0.25% of the gross invoice amount. Rosenthal assumes the credit risk on a substantial portion of the receivables that the Company submits to it. To the extent of any loans made to the Company, Rosenthal maintains a lien on all of the Company’s receivables to secure the Company’s obligations. As of June 30, 2013, we had no borrowing against the credit facility.
As of June 30, 2013, we had working capital of $310,228, cash and cash equivalents of $167,676, investments in marketable securities of $122,453 and no long-term debt.
We believe that based upon our current financial position and available cash, cash equivalents and marketable securities, the Company will meet all of its financial commitments and operating needs for at least the next twelve months.
OPERATING ACTIVITIES
($ in thousands)
Cash provided by operations was $65,165 for the first six months of 2013 compared to cash provided by operations of $43,057 in the same period of last year. The primary sources of cash were net income of $53,035 and an increase in accounts payable and other accrued expenses of $41,725. The primary uses of cash were increases in inventory of $27,624 and increases in accounts receivable of $20,451.
INVESTING ACTIVITIES
($ in thousands)

During the six months ended June 30, 2013, we invested $46,428 in marketable securities and received $15,717 from the maturities and sales of marketable securities. We also made capital expenditures of $10,659, principally for improvements to existing stores, systems enhancements, new stores, and leasehold improvements to office space.
FINANCING ACTIVITIES
($ in thousands)
During the six months ended June 30, 2013, net cash used for financing activities was $24,896, which consisted of the repurchase of shares of common stock for an aggregate purchase price of approximately $32,763 (see Note N to the Condensed Consolidated Financial Statements contained in this Quarterly Report), offset by proceeds from the exercise of stock options of $4,189 and the tax benefit from the exercise of stock options of $3,678.
CONTRACTUAL OBLIGATIONS
($ in thousands)
Our contractual obligations as of June 30, 2013 were as follows:

	Payment due by period				
Contractual Obligations	Total	Remainder of 2013	2014-2015	2016-2017	2018 and after
Operating lease obligations	$204,257	$14,834	$57,872	$52,389	$79,162
Purchase obligations	245,771	245,771	—	—	—
Contingent payment liabilities	46,810	14,258	19,327	13,225	—
Other long-term liabilities (future minimum royalty payments)	2,009	1,159	850	—	—
Total	$498,847	$276,022	$78,049	$65,614	$79,162

At June 30, 2013, we had open letters of credit for the purchase of inventory of approximately $2,417.

As previously reported, on January 3, 2012, the employment agreement of the Company's Creative and Design Chief, Steven Madden, was amended to provide Mr. Madden with a base annual salary of $4,000 in 2013, approximately $6,125 in 2014, approximately $8,250 in 2015 and approximately $7,026 for the period between January 1, 2016 through the expiration of the employment agreement on December 31, 2023. As described in Note P to the Condensed Consolidated Financial Statements, in 2012, Mr. Madden also received two restricted stock awards pursuant to his amended employment agreement. The employment agreement further entitles Mr. Madden to an annual life insurance premium payment, an annual stock option grant and the potential for an additional one-time stock option grant based on achievement of certain financial performance criteria, as well as the opportunity for discretionary cash bonuses. On May 22, 2013, Mr. Madden waived his annual option grant for 2013, which stock options would have been issued to him on or about the date of the Company's 2013 annual meeting of stockholders. The terms of an outstanding loan in the original principal amount of $3,000 made by the Company to Mr. Madden were amended in connection with the amendment of the employment agreement, as described in Note F to the Condensed Consolidated Financial Statements. The amended terms included the elimination of further interest accumulation on the loan. The outstanding principal amount of the loan, together with all previously accrued interest, has been discounted to reflect imputed interest, which will be amortized over the remaining life of the loan.

The Company has employment agreements with certain executive officers, which provide for the payment of compensation aggregating approximately $1,441 during the second half of 2013, $1,887 in 2014 and $638 in 2015. In addition, some of these employment agreements provide for discretionary bonuses and some provide for incentive compensation based on various performance criteria as well as other benefits including stock options.

In connection with our acquisition of SM Canada on February 21, 2012, we are subject to potential earn-out payments to the seller of SM Canada based on the annual performance of SM Canada for each of the twelve-month periods ending on March 31, 2013 through 2017, inclusive. We expect to make the first earn-out payment, based on the performance of SM Canada during the twelve month period ended on March 31, 2013, to the seller of SM Canada during the third quarter of 2013. In connection with our acquisition of Cejon Inc, Cejon Accessories, Inc. and New East Designs, LLC (collectively "Cejon") on May 25, 2011, we are subject to potential earn-out payments to the seller of Cejon based on the annual performance of Cejon for each of the twelve-month periods ending on June 30, 2012 through 2016, inclusive. The first such payment was made to the seller of Cejon in the third quarter of 2012. A second earn-out payment based on the performance of Cejon for the twelve-month period ending on June 30, 2013 is expected to be made in the third quarter of 2013. In connection with our acquisition of Big Buddha, Inc., which closed in the first fiscal quarter of 2010, we are subject to one final potential earn-out payment to the seller of Big Buddha, Inc. based on the performance of Big Buddha for the twelve month period ended on March 31, 2013. This final earn-out payment is expected to be made in the third quarter of 2013.

Virtually all of our products are manufactured at overseas locations, the majority of which are located in China, with a small and growing percentage located in Mexico in addition to smaller amounts produced in Brazil, The Philippines, The Netherlands and India. We have not entered into any long-term manufacturing or supply contracts with any of these foreign manufacturers. We believe that a sufficient number of alternative sources exist outside of the United States for the manufacture of our products. We currently make approximately 95% of our purchases in U.S. dollars.

INFLATION

We do not believe that inflation had a significant effect on our sales or profitability in the three and six months ended June 30, 2013. Historically, we have minimized the impact of product cost increases by increasing prices, changing suppliers and by improving operating efficiencies. However, no assurance can be given that we will be able to offset any such inflationary cost

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increases in the future.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q, which have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). 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. Our 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 we 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 our Condensed Consolidated Financial Statements: allowance for bad debts, returns, and customer chargebacks; inventory valuation; valuation of intangible assets, litigation reserves, and contingent payment liabilities.

Allowances for bad debts, returns and customer chargebacks. We provide reserves against our 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 our 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. We evaluate anticipated customer markdowns and advertising chargebacks by reviewing several performance indicators for our major customers. These performance indicators (which include inventory levels at the retail floors, sell through rates and gross margin levels) are analyzed by management to estimate the amount of the anticipated customer allowance. Failure to correctly estimate the amount of the reserve could materially impact our results of operations and financial position.

Inventory valuation. Inventories are stated at lower-of-cost or market, on a first-in, first-out basis. We review 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. We consider 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 our product. A misinterpretation or misunderstanding of future consumer demand for our product, the economic conditions, or other failure to estimate correctly, in addition to abnormal weather patterns, could result in inventory valuation changes, compared to the valuation determined to be appropriate as of the balance sheet date.

Valuation of intangible assets. Accounting Standards Codification (“ASC”) Topic 350, “Intangible - Goodwill and Other”, 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 ASC Topic 360, “Property, Plant and Equipment” (“ASC Topic 360”). In accordance with ASC Topic 360, long-lived assets, such as property, equipment, leasehold improvements and intangible assets 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 in 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 our Condensed 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 its estimates. Such revisions in management's estimates of a contingent liability could materially impact our results of operation and financial position.

Contingent payment liabilities. Since February 2010, the Company has completed four acquisitions, three of which continue to require the Company to potentially make contingent payments to the sellers of the acquired businesses based on the future financial performance of the acquired businesses over a period of one to five years, as applicable. The fair value of the contingent payments was estimated using the present value of management's projections of the financial results of the acquired business. Failure to correctly project the financial results of the acquired businesses could materially impact our results of operations and financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

($ in thousands)

We do not engage in the trading of market risk sensitive instruments in the normal course of business. Our financing arrangements are subject to variable interest rates, primarily based on the prime rate and LIBOR. The terms of our collection agency agreements with Rosenthal & Rosenthal, Inc. can be found in the Liquidity and Capital Resources section of Item 2 and in Note D to the Condensed Consolidated Financial Statements included in this Quarterly Report.

As of June 30, 2013, we held marketable securities valued at $122,453, which consist primarily of corporate bonds and marketable equity securities. The values of these securities may fluctuate as a result of changes in equity values, market interest rates and credit risk. We have the ability to hold these investments until maturity. In addition, any decline in interest rates would be expected to reduce our interest income.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934 (the “Exchange Act”), our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter covered by this Quarterly Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were, as of the end of the fiscal quarter covered by this Quarterly Report, effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(d) under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated our internal controls over financial reporting to determine whether any changes occurred during the quarter covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the quarter covered by this Quarterly Report.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

($ in thousands)

Certain legal proceedings in which we are involved are discussed in Note O to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012 and in Part I, Item 3 of that Annual Report, which was filed with the SEC on March 1, 2013, in Note T to the Condensed Consolidated Financial Statements included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and in Part II, Item 1 of that Quarterly Report, which was filed with the SEC on May 10, 2013, as well as in Note T to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. The following discussion is limited to recent developments concerning certain of our legal proceedings and should be read in conjunction with our earlier SEC reports. Unless otherwise indicated, all proceedings discussed in earlier reports, which are not indicated therein as having been dismissed remain outstanding as of June 30, 2013.

As previously disclosed, on February 2, 2012, two individuals purporting to be stockholders of the Company commenced separate civil actions in the Supreme Court of New York, Queens County, Mark Ioffe, Derivatively on Behalf of Nominal Defendant Steven Madden, Ltd. v. Steven Madden, et. al, No. 700188-2012 (the “Ioffe Action”) and

Catherine L. Phillips, Derivatively on Behalf of Nominal Defendant Steven Madden, Ltd. v. Steven Madden, et. al, No. 700189-2012 (together with the Ioffe Action, the “Actions”). The Actions asserted derivative claims challenging the decision of the Company's Board of Directors in January 2012 to amend Steven Madden's employment agreement dated July 15, 2005, and amended as of December 14, 2009 and to amend the

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promissory note setting forth Mr. Madden's obligations in respect of a loan made by the Company to Mr. Madden in 2007 and amended in 2009 and claimed, among other things, that the Board violated its duties of loyalty and good faith by approving the amendments. The Actions also asserted claims of unjust enrichment against Mr. Madden. The Company and the other defendants filed a motion for dismissal of the Actions, which was granted by the court on September 13, 2012. The plaintiffs did not file a notice of appeal with respect to the dismissal of the Actions and the time period for filing an appeal expired.

On or about May 17, 2013, a law firm purporting to represent Mark Ioffe served a demand letter on the Company's Board of Directors (the “Demand Letter”). The allegations in the Demand Letter are substantively the same as the claims made in the Actions in which the Court entered a judgment of dismissal. The Demand Letter provides that should the Board of Directors fail to take the actions demanded within a reasonable period of time or refuse to take such actions, Mr. Ioffe would commence a shareholder derivative action on behalf of the Company. In response to the Demand Letter, the Board of Directors has formed a special committee consisting of Board members, Richard P. Randall, Peter Migliorini and Ravi Sachdev, to, among other things, investigate and evaluate the various demands, allegations and requests for action contained in the Demand Letter. The special committee is currently conducting an investigation into the matters raised in the Demand Letter and has retained independent counsel to assist and advise it in connection with its investigation and evaluation.

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

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents the total number of shares of the Company's common stock, $.0001 par value, purchased by the Company in the three months ended June 30, 2013, the average price paid per share and the approximate dollar value of shares that still could have been purchased at the end of the fiscal period, pursuant to the Company's Share Repurchase Program. See also Note N to the Condensed Consolidated Financial Statements.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Dollar Amount of Shares that May Yet Be Purchased Under the Plans or Programs
4/1/2013 - 4/30/13	49,700	$42.76	49,700	$33,824
5/1/2013 - 5/31/13	166,261	$48.17	166,261	$25,815
6/1/2013 - 6/30/13	239,655	$47.93	239,655	$139,327
Total	455,616	$47.46	455,616	$139,327

ITEM 6. EXHIBITS

3.1	Certificate of Incorporation of Steven Madden, Ltd.
4.1	Form of Stock Certificate for shares of Common Stock of Steven Madden, Ltd.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	The following materials from Steven Madden, Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text*

* This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any filing, except to the extent the Company specifically incorporates it by reference.

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

DATE: August 8, 2013

STEVEN MADDEN, LTD.

/s/ EDWARD R. ROSENFELD
Edward R. Rosenfeld
Chairman and Chief Executive Officer

/s/ ARVIND DHARIA
Arvind Dharia
Chief Financial Officer and Chief Accounting Officer

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