

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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the fiscal year ended February 1, 2003

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

Commission file number 0-20052

STEIN MART, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

64-0466198
(I.R.S. Employer
Identification Number)

1200 Riverplace Blvd., Jacksonville, Florida
(Address of principal executive offices)

32207
(Zip Code)

Registrant's telephone number, including area code: (904) 346-1500

Securities registered pursuant to Section 12 (g) of the Act:

Title of each class:

Common Stock \$.01 par value

Name of each exchange on which registered:

The Nasdaq Stock Market®

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 the filing requirements for at least the past 90 days.

Yes ☒ 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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒ No ☐

Aggregate market value of voting stock held by non-affiliates of the registrant, Common Stock, based on the \$5.15 closing sale price on April 1, 2003 was \$130,663,611. For purposes of this response, executive officers and directors are deemed to be the affiliates of the registrant and the holdings by non-affiliates was computed as 25,371,575 shares. At April 1, 2003, the Registrant had issued and outstanding an aggregate of 41,568,678 shares of its common stock.

Documents Incorporated By Reference:

Portions of the Registrant's Proxy Statement for its 2003 Annual Meeting are incorporated in Part III.

**STEIN MART, INC.
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PART I

ITEM 1. BUSINESS

At February 1, 2003, Stein Mart, Inc. (together with its wholly owned subsidiary, the “Company” or “Stein Mart”) operated a 265-store retail chain offering fashionable, current-season, primarily branded merchandise comparable in quality and presentation to that of better department and specialty stores at prices typically 25% to 60% below those regularly charged by such stores. The Company’s focused assortment of merchandise features moderate to designer brand-name apparel for women, men and children, as well as accessories, gifts, linens, shoes and fragrances. Stein Mart operated a single store in Greenville, Mississippi from the early 1900's until 1977, when it began its expansion program. The Company has more than doubled the number of Stein Mart stores over the past six years to 265 in 29 states at February 1, 2003. The Company’s stores, which average approximately 37,000 gross square feet, are located primarily in neighborhood shopping centers in metropolitan areas.

Change in Fiscal Year End

In November 2001, the Company changed its fiscal year end from the Saturday closest to December 31 to the Saturday closest to January 31. The five-week transition period of December 31, 2000 through February 3, 2001 (the “Transition Period”) preceded the start of the 2001 fiscal year. Results for 2002, 2001 and 2000 are for the 52 weeks ended February 1, 2003, February 2, 2002 and December 30, 2000, respectively.

Business Strategy

The Company’s business strategy is to (i) maintain the quality of merchandise, store appearance, merchandise presentation and customer service levels typical of better department and specialty stores and (ii) offer value pricing to its customers through its vendor relationships, tight control over corporate and store expenses and efficient management of inventory. The principal elements of the Company’s business strategy are as follows:

Timely, Consistent, Upscale Merchandise.

The Company purchases upscale, branded merchandise primarily through preplanned buying programs similar to those used by department stores. These preplanned buying programs enable the Company to offer fashionable, current-season assortments on a consistent basis.

Appealing Store Location, Appearance and Merchandise Presentation.

The Company locates its stores in close proximity to the better residential neighborhoods of a given community. Stein Mart stores are usually found in strip centers with other retailers who cater to upscale customers with above average household income and education. Within the store, attractive displays and signage create an upscale ambiance. Merchandise is displayed in lifestyle groupings to encourage multiple purchases.

Emphasis on Customer Service.

Customer service is fundamental to Stein Mart's objective of building customer loyalty. Management believes that the Company offers customer service superior to off-price retailers and comparable to better department stores.

Value Pricing through Vendor Relationships.

Stein Mart has longstanding relationships with many key vendors. Management believes that the Company’s purchase terms enable it to negotiate more favorable prices from vendors than are typical in the department store industry. Stein Mart passes these savings on to its customers through prices that are typically 25% to 60% below those regularly charged by better department stores.

Efficient Inventory Handling.

Stein Mart does not rely on a large distribution center or warehousing facility. Rather, it primarily utilizes drop shipments from its vendors directly to its stores. Most merchandise is received pre-ticketed and on hangers (“floor ready”). This system enables the Company to receive merchandise at each store on a timely basis and to save the time and expense of handling merchandise twice, which is typical of a traditional distribution center structure.

Productivity Initiatives

In 2002, Stein Mart began a series of productivity initiatives designed to increase the dollars generated in each square foot of the stores, with a goal of leveraging its expenses more efficiently and moving more profit dollars to the bottom line. These initiatives include:

All stores were reformatted to allocate greater space and more inventory dollars to areas where the core customer shops most intensely, e.g. ladies apparel and *Boutique*, ladies' accessories and gifts. Square footage in the men's and children's areas was reduced and merchandise in those areas was more highly concentrated to key categories. In 2003, space re-allocation will continue in Ladies' Accessories, Children's and Gifts, where Home Décor will be added in all stores.

A smaller store was tested with the opening of the first *collections of Stein Mart* in Rolling Hills, California in October 2002. This sub-15,000 square foot format is designed to allow the Company to enter resort and premium markets where a full-sized Stein Mart may not be feasible. Two more *collections of Stein Mart* stores will open in 2003 as the Company seeks to further validate this prototype format.

Store Expansion and Closing Strategies

The Company revised its approach to selecting locations for new stores effective with stores opening in 2002. Prior to that time, the Company's principal consideration was population demographics, including data relating to income, education levels, age and occupation. The availability of prime real estate locations, existing and potential competitors, and the number of Stein Mart stores that a market can support was also considered. The Company has since expanded its analysis to consider psychographics (such as fashion consciousness in the marketplace) as well as local area market research. The Company has also retained a third-party consulting firm to analyze each potential market. Finally, a committee of senior officers considers the collected data and analysis, and approves any potential new store location. Using this new approach, the Company plans to open 14 new stores in 2003. While it is too early to provide assurances, the Company's initial results suggest that this new approach will significantly improve the Company's ability to successfully predict performance of new store locations.

As a result of processing less than 10% of its merchandise through its distribution center, the Company is not constrained geographically or by the capacity limits of a central facility. The Company refurbishes existing retail locations or occupies newly constructed stores, which typically are anchor stores in new or existing shopping centers situated near upscale residential areas, ideally with co-tenants that cater to a similar customer base. The Company's historical ability to negotiate favorable leases and to construct attractive stores with a relatively low investment has provided a significant cost advantage over traditional department and fine specialty stores. The cost of opening a typical new store includes approximately \$450,000 to \$650,000 for fixtures, equipment, leasehold improvements and pre-opening expenses (primarily advertising, stocking and training). Pre-opening costs are expensed when incurred. Initial inventory investment for a new store is approximately \$1.1 million (a portion of which is financed through vendor credit).

The Company regularly reviews under-performing stores and implements strategies designed to improve their performance. In Spring 2003, following more than two years of retail economic weakness, it was determined that a group of these under-performing stores would be unlikely to achieve profitability despite the Company's concerted efforts to stimulate sales. In order to improve the quality of the Company's portfolio of stores, management decided in April to close 13 stores in addition to the three already planned for closure in 2003 (see Notes 10 and 14 to the Financial Statements). All of these store locations were selected using prior store expansion techniques. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," the estimated pretax charges that will be recorded in 2003 are approximately \$19 million to recognize the present value of store closing costs. In addition, approximately \$10 million in markdowns will be required to liquidate inventory in those stores.

Merchandising

Stein Mart's focused assortment of merchandise features moderate to designer brand-name apparel for women, men and children, as well as accessories, gifts, linens, shoes and fragrances. Branded merchandise is complemented by a limited private label program that enhances the Company's assortment of current fashion trends and provides key upper-end classifications in complete size ranges.

Management believes that Stein Mart differentiates itself from typical off-price retailers by offering: (i) primarily current-season merchandise carried by better department and specialty stores at moderate to better price levels, (ii) a stronger merchandising "statement," consistently offering more depth of color and size in individual stock-keeping units, and (iii) a merchandise presentation more comparable to other upscale retailers. Within each major merchandise category, the Company seeks to offer a focused assortment of the best-selling fashion merchandise. Stein Mart's merchandise selection is driven primarily by its own merchandising plans which are based on management's assessment of fashion trends, color, and market conditions. This strategy distinguishes Stein Mart from traditional off-price retailers who achieve cost savings by responding to unplanned buying opportunities. The Company's merchandise is typically priced at levels 25% to 60% below prices regularly charged by better department and specialty stores, therefore offering distinct value to the Stein Mart customer.

The following reflects the percentage of the Company's sales by major merchandise category (including sales from leased shoe and fragrance departments) for the periods indicated:

	For The 52 Weeks Ended		
	February 1, 2003	February 2, 2002	December 30, 2000
Ladies' and <i>Boutique</i> apparel	38%	40%	38%
Ladies' accessories	12	10	11
Men's	17	17	18
Gifts and linens	20	19	19
Leased departments	6	7	7
Children's	5	5	5
Other	<u>2</u>	<u>2</u>	<u>2</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

Ladies' apparel, the Company's largest contributor of revenues, comprises dresses, sportswear, petites, and women's sizes at moderate to upper-moderate prices. Stein Mart's *Boutique* is a key element of the Company's merchandising strategy to attract the more fashion-conscious customers. The *Boutique*, a store-within-a-store department, carries better to designer ladies' apparel and offers the presentation and service levels of a specialty boutique. Each Stein Mart store has its own *Boutique*, staffed generally by women employed on a part-time basis who are civically and socially prominent in the community. The *Boutique* highlights the Company's strategy of offering upscale merchandise, presentation and service levels at value prices.

The Company's typical store layout emphasizes ladies' accessories as the fashion focus at the front of each store. The key merchandise in this department is fashion-oriented, brand-name, designer and private label jewelry, as well as handbags, scarves, hosiery, eyewear, bath products and fragrances.

The Men's area includes sportswear, sportcoats, slacks and dress furnishings. Even with the reduction in space in 2002, this business maintained its same percentage of total sales due to merchants putting sharper, more focused fashion in this area and increasing the amount of replenishable programs.

Stein Mart's gifts and linens departments consist primarily of a broad assortment of fashion-oriented gifts (rather than basic items) for the home and a wide range of table, bath and bed linens. The presentation in this signature department emphasizes fashion, lifestyle and seasonal themes. Both gifts and linens continued to perform well in 2002 as indicated by a slight increase in its percentage of total sales. Luxury linens and decorative gifts were the leaders in this area. The strength of this category has been the consistent presentation with a higher percentage mix of better goods and a coordination of trends between gifts and linens.

Stein Mart's children's department offers a range of apparel for infants and children and features an infants' gift boutique. In 2003, Stein Mart will further edit the children's department to concentrate on apparel for infants and pre-school age children only.

The Company's shoe department is a leased department operated in individual stores by one of two shoe retailers. The merchandise in this department is presented in a manner consistent with the Company's overall presentation in other departments, stressing fashionable, current-season footwear at value prices. This department offers a variety of men's and women's casual and dress shoes, which complement the range of apparel available in other departments. Shoe department leases provide for the Company to be paid base rent and/or a percentage of sales. In 2002, a new shoe lessee, whose offerings more closely mirror the Stein Mart apparel assortment, was chosen for approximately 60% of Stein Mart stores.

Historically, the Company has leased its fragrance department to a third-party operator. The operating agreement required the third-party operator to pay the Company the greater of an annual base amount or a percentage of sales. As of March 2003, the Company owns and operates the fragrance department.

Store Appearance

Stein Mart's stores are designed to reflect an upscale ambiance and appearance through attractive layout, displays and in-store signage. The typical store is approximately 37,000 gross square feet with convenient check-out and customer service areas and attractive, individual dressing rooms. The Company seeks to create excitement in its stores through the continual flow of brand-name merchandise, sales promotions, store layout, merchandise presentation, and the quality, value and depth of its merchandise assortment.

The Company displays merchandise in lifestyle groupings of apparel and accessories. Management believes that the lifestyle grouping concept strengthens the fashion image of its merchandise and enables the customer to locate desired merchandise in a manner that encourages multiple purchases.

Customer Service

Customer service is fundamental to Stein Mart's objective of building customer loyalty. The Company's stores offer most of the same services typically found in better department and specialty stores such as a liberal merchandise return policy. Each store is staffed to provide a number of sales associates to properly attend to customer needs.

The Company's training programs for sales associates and cashiers emphasize attentiveness and courtesy. The Company reinforces its training programs by employing independent shopping services to monitor associates' success in implementing the principles taught in training. Associates who are highly rated by the shopping service receive both formal recognition and cash awards. Management believes this program emphasizes the importance of customer service necessary to create customer loyalty. In 2003, the Company is introducing a new customer service initiative to its employees, which is designed to improve sales and reduce employee turnover.

Vendor Relationships and Buying

Stein Mart buys from approximately 1,800 vendors. Many of these are considered key vendors, with whom the Company enjoys longstanding working relationships that create a continuity of preplanned buying opportunities for upscale, current-season merchandise. Purchases are from vendors who manufacture merchandise in the United States

and overseas to ensure the best value for its customers. Stein Mart is always looking for new products and vendors to keep the merchandise assortment fresh. The Company does not have long-term or exclusive contracts with any particular vendor. In 2002, approximately 8% of Stein Mart's purchases were from a single vendor and less than 2% of total purchases were from any other single vendor.

The Company's buying staff is headed by the Vice Chairman, Chief Merchandising Officer, who is supported by four Vice Presidents-General Merchandising Managers, nine Divisional Merchandising Managers, a Vice President-Planning, four Divisional Planning Managers, 36 buyers and 34 planners. In addition to base salary, the merchandising staff receives incentive compensation for achieving certain sales, margin and turnover goals within their areas of responsibility.

The Company employs several purchasing strategies to provide its customers with a consistent selection of quality, fashionable merchandise at value prices: (i) Stein Mart commits to its purchases from vendors well in advance of the selling season, in the same manner as department stores, unlike typical off-price retailers who rely heavily on buys of close-out merchandise or overruns; (ii) the Company purchases some in-season off-price and end-of-season close-out merchandise to supplement core merchandise assortments; (iii) the Company's information systems enable it to acquire merchandise and track sales information on a store-by-store basis, allowing its buying staff to respond quickly to customer buying trends; (iv) key predictable items are replenished bi-weekly or monthly; and (v) an in-house merchandise development department works with buyers and brand-name vendors to ensure that the merchandise assortments offered are unique, fashionable, color-forward and of high quality.

The correct distribution of merchandise goes hand in hand with choosing the right items. The planning organization has greatly improved the selectivity of merchandise by store, allowing for more targeted seasonal, lifestyle and volume characteristics in each location. As the Company continues to analyze sales, profitability and marketing information, the planners continue to refine the assortments. In 2002, the Company instituted a sophisticated basic stock replenishment program that is improving the Company's ability to be in-stock every day in every store, at a level that minimizes the inventory investment.

Information Systems

The Company's information systems provide daily financial and merchandising information that is used by management to make timely and effective purchasing and pricing decisions and for inventory control.

The Company's inventory control system enables it to achieve economies of scale from bulk purchases while at the same time ordering and tracking separate drop shipments by store. Store inventory levels are regularly monitored and adjusted as sales trends dictate. The inventory control system provides information that enhances management's ability to make informed buying decisions and accommodate unexpected increases or decreases in demand for a particular item. The Company uses bar codes and bar code scanners as part of an integrated inventory management and check-out system in its stores.

The Company's merchandise planning and allocation system enables the buyers and planners to customize their merchandise assortments at the individual store and department level, based on selected criteria, such as a store's selling patterns, geography and merchandise color preferences. The ability to customize individual store assortments enables the Company to more effectively manage inventory, capitalize on sales trends and reduce markdowns.

A computerized merchandise replenishment system addresses the unique requirements of store-level replenishment, allowing management to get the right items to the stores at the right time. This system responds to market demands quickly, efficiently and accurately, allowing merchandisers to focus on other profit oriented tasks.

Store Operations

The store organization is supervised by three Vice Presidents-Regional Directors of Stores who report to the Senior Vice President-Director of Stores. District Directors of Stores and two Vice President-Regional Directors of Stores

report to the three supervising Regional Directors. Each of these field supervisors is responsible for overseeing 9 to 13 stores. Each Vice President's and District Director's compensation includes an incentive component based on overall performance. Each Stein Mart store is managed by a general manager who reports directly to a Vice President or a District Director. Store general managers are responsible for individual store operations, including hiring, motivating and supervising sales associates; receiving and effectively presenting merchandise; and implementing price change determinations made by the Company's buying staff. Store general managers receive incentive compensation based upon operating results in several key areas, including increases in store sales. In addition to the store general manager and two assistant store managers, each Stein Mart store employs an average of 55 persons as area managers, sales associates, cashiers and in other positions.

Stein Mart stores are generally open 11 hours per day, 6 days a week, and on Sunday afternoons. The store hours are extended during the Christmas selling season.

Marketing

The Company's advertising strategy stresses the offering of upscale, branded merchandise at significant savings. The Company allocates the majority of its advertising budget to color inserts distributed by newspaper circulation and direct mail. Newspaper advertising, radio and direct mail are also utilized. Stein Mart's per-store advertising expense is reduced by spreading its advertising over multiple stores in a single market. Management believes the Company also enjoys substantial word-of-mouth advertising benefits from its customer base.

Stein Mart's Preferred Customer program, launched in May 2001 to recognize and reward the Company's most devoted shoppers, now has over 1.5 million active members. Preferred Customers receive regular mailings promoting key events, members-only shopping days and special discounts exclusive to these individuals. These mailings will become more specialized to recognize a customer's shopping preferences.

In 2002, the Company conducted a major consumer research project designed to validate an earlier project that identified ideal Stein Mart customers, their shopping preferences and the optimal marketing approaches to reach them. Additionally, the 2002 research sought to define the key demographic and psychographic attributes of the Company's best customers and determine how best to find new customers with those same attributes.

Competition

Management believes that the Company occupies a market niche closer to better department and specialty stores than typical off-price retail chains. The Company faces competition for customers and for access to quality merchandise from better department stores, fine specialty stores and, to a lesser degree, from off-price retail chains. Many of these competitors are units of large national or regional chains that have substantially greater resources than the Company. The retail apparel industry is highly fragmented and competitive, and the off-price retail business may become even more competitive in the future.

The principal competitive factors in the retail apparel industry are assortment, presentation, quality of merchandise, price, customer service, vendor relations and store location. Management believes that the Company is well-positioned to compete on the basis of each of these factors.

Employees

At February 1, 2003, the Company's work force consisted of approximately 15,000 employees (8,600 40-hour equivalent employees). The number of employees fluctuates based on the particular selling season.

Trademarks

The Company owns the federally registered trademark Stein Mart®, together with a number of other marks used in conjunction with its private label merchandise program. Stein Mart primarily sells branded merchandise. However, in certain classifications of merchandise, the Company uses several private label programs to provide additional availability of items. Management believes that its trademarks are important but, with the exception of Stein Mart®, not critical to the Company's merchandising strategy.

ITEM 2. PROPERTIES

At February 1, 2003, the Company operated stores in the following states:

<u>State</u>	<u>Number of Stores</u>
Alabama	12
Arizona	6
Arkansas	5
California	17
Colorado	5
Florida	35
Georgia	19
Illinois	5
Indiana	9
Iowa	1
Kansas	1
Kentucky	3
Louisiana	10
Michigan	1
Mississippi	4
Missouri	3
Nevada	4
New Mexico	2
New York	2
North Carolina	17
Ohio	11
Oklahoma	5
Pennsylvania	2
South Carolina	12
Tennessee	14
Texas	44
Utah	3
Virginia	10
Wisconsin	<u>3</u>
	<u>265</u>

The Company leases all of its store locations and therefore has been able to grow without incurring indebtedness to acquire real estate. Management believes that the Company has earned a reputation as an "anchor tenant," which, along with its established operating history, has enabled it to negotiate favorable lease terms. Most of the leases provide for minimum rents, as well as percentage rents that are based on sales in excess of predetermined levels.

The table below reflects (i) the number of the Company's leases (as of February 1, 2003) that will expire each year if the Company does not exercise any of its renewal options, and (ii) the number of the Company's leases that will expire each year if the Company exercises all of its renewal options (assuming the lease is not otherwise terminated by either party pursuant to any other provision).

	Number of Leases Expiring Each Year if no Renewals Exercised	Number of Leases Expiring Each Year if all Renewals Exercised
2003	7	-
2004	19	2
2005	24	-
2006	26	1
2007	23	1
2008-2012	130	22
2013-2017	36	23
2018-2046	-	216

The Company has made consistent capital commitments to maintain and improve existing store facilities. During 2002, approximately \$6.2 million was spent for fixtures, equipment and leasehold improvements in stores opened prior to 2002.

The Company leases approximately 73,000 gross square feet of office space for its corporate headquarters in Jacksonville, Florida. The Company also leases a 92,000 square foot distribution center in Jacksonville for the purpose of processing a limited amount of merchandise purchases (less than 10% of total purchases).

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various routine legal proceedings incidental to the conduct of its business. Management does not believe that any of these legal proceedings will have a material adverse effect on the financial condition or results of operations of the Company.

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

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 2002.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table sets forth the high and low sales prices of the Common Stock for each fiscal quarter in fiscal 2002 and 2001:

	HIGH	LOW
Fiscal 2002:		
May 4, 2002	\$12.12	\$8.74
August 3, 2002	12.32	6.89
November 2, 2002	8.75	5.37
February 1, 2003	7.85	5.20
Fiscal 2001:		
May 5, 2001	\$12.31	\$8.69
August 4, 2001	12.47	7.85
November 3, 2001	9.08	6.12
February 2, 2002	9.20	7.96

Stein Mart's common stock trades on The Nasdaq Stock Market® under the trading symbol SMRT. On April 11, 2003, there were 1,135 stockholders of record.

The Company intends to reinvest future earnings in the business and accordingly does not anticipate paying dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA
(Dollars in Thousands Except Per Share Amounts and Operating Data)

	For the Fiscal Year Ended				
	Feb. 1, 2003	Feb. 2, 2002 (1)	Dec. 30, 2000	Jan. 1, 2000	Jan. 2, 1999
Statement of Income Data:					
Net Sales	\$1,408,648	\$1,320,190	\$1,206,624	\$1,034,561	\$897,821
Cost of Merchandise Sold	1,060,117	1,003,567	896,560	781,038	677,334
Gross Profit	348,531	316,623	310,064	253,523	220,487
Selling, General and Administrative Expenses (2)	326,509	301,937	257,042	244,100	195,460
Other Income, Net	13,953	14,078	13,766	12,129	10,420
Income From Operations	35,975	28,764	66,788	21,552	35,447
Interest Expense	2,604	4,000	3,309	2,485	2,368
Income Before Income Taxes	33,371	24,764	63,479	19,067	33,079
Provision For Income Taxes	12,681	9,410	24,122	7,245	12,570
Net Income	\$ 20,690	\$ 15,354	\$ 39,357	\$ 11,822	\$ 20,509
Earnings Per Share – Basic (3)	\$0.50	\$0.37	\$0.92	\$0.26	\$0.45
Earnings Per Share – Diluted (3)	\$0.50	\$0.37	\$0.91	\$0.26	\$0.44
Selected Operating Data:					
Stores Open at End of Period	265	253	226	205	182
Average Sales Per Store (000's) (4)	\$ 5,741	\$ 5,922	\$ 6,068	\$ 5,663	\$ 5,958
Average Sales Per Square Foot of Selling Area (5)	\$ 184	\$ 189	\$ 192	\$ 176	\$ 185
Comparable Store Net Sales (Decrease) Increase (6)	(0.8%)	(0.7%)	9.7%	2.3%	1.2%
Balance Sheet Data:					
Working Capital	\$ 145,787	\$ 179,212	\$ 120,602	\$ 117,284	\$110,985
Total Assets	410,217	417,672	389,989	354,094	318,012
Long-term Debt (7)	-	57,750	-	-	-
Total Stockholders' Equity	223,307	201,895	194,028	179,912	177,979

- (1) Beginning with fiscal 2001, the Company changed to a 52-53 week year ending on the Saturday closest to January 31; previously, the Company's fiscal year ended on the Saturday closest to December 31. See Note 12 to the Financial Statements for financial data for the five-week Transition Period ended February 3, 2001.
- (2) Selling, General and Administrative Expenses include store closing/asset impairment charges of \$2.7 million in 2002; \$2.9 million in 2001; and \$15.9 million in 1999. A \$3.4 million credit related to store closings was recorded in 2000.
- (3) Basic and Diluted Earnings Per Share are presented for all periods in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share."
- (4) Average sales per store (including sales from leased shoe and fragrance departments) for each period have been calculated by dividing (a) total sales during such period by (b) the number of stores open at the end of such period, in each case exclusive of stores open for less than 12 months. All periods are calculated on a 52-week basis.
- (5) Includes sales and selling space of the leased shoe and fragrance departments. Selling area excludes administrative, receiving and storage areas. All periods are calculated on a 52-week basis.
- (6) Comparable store information for a period reflects stores open throughout that period and for the same 52-week period in the prior year.
- (7) Notes payable to banks of \$41,350 at February 1, 2003 is classified as current (see Note 4 to the Financial Statements).

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

This document includes a number of forward-looking statements which reflect the Company's current views with respect to future events and financial performance. Wherever used, the words "plan", "expect", "anticipate", "believe", "estimate" and similar expressions identify forward-looking statements.

All such forward-looking statements contained in this document are subject to risks and uncertainties that could cause the Company's actual results of operations to differ materially from historical results or current expectations. These risks include, without limitation, ongoing competition from other retailers many of whom are larger and have greater financial and marketing resources, the availability of suitable new store sites at acceptable lease terms, ability to successfully implement strategy to exit or improve under-performing stores, changes in store closings, changing preferences in apparel, changes in the level of consumer spending due to current events and/or general economic conditions, adequate sources of designer and brand-name merchandise at acceptable prices, and the Company's ability to attract and retain qualified employees to support planned growth.

The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make clear that any projected results expressed or implied therein will not be realized.

The following should be read in conjunction with the "Selected Financial Data" and the notes thereto and the Financial Statements and notes thereto of the Company.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of the Company's net sales represented by each line item presented:

	52 Weeks Ended		
	Feb. 1, 2003	Feb. 2, 2002	Dec. 30, 2000
Net sales	100.0%	100.0%	100.0%
Cost of merchandise sold	75.3	76.0	74.3
Gross profit	24.7	24.0	25.7
Selling, general and administrative expenses	23.1	22.9	21.3
Other income, net	1.0	1.1	1.2
Income from operations	2.6	2.2	5.6
Interest expense	0.2	0.3	0.3
Income before income taxes	2.4%	1.9%	5.3%

2003 Store Closings

The Company regularly reviews under-performing stores and implements strategies designed to improve their performance. In Spring 2003, following more than two years of retail economic weakness, it was determined that a group of these under-performing stores would be unlikely to achieve profitability despite the Company's concerted efforts to stimulate sales. In order to improve the quality of the Company's portfolio of stores, management decided in April to close 13 stores in addition to the three already planned for closure in 2003 (see Notes 10 and 14 to the Financial Statements). In accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," the estimated pretax charges that will be recorded in 2003 are approximately \$19 million to recognize the present value of store closing costs. In addition, approximately \$10 million in markdowns will be required to liquidate inventory in those stores.

Year Ended February 1, 2003 Compared to Year Ended February 2, 2002

In 2002 the Company opened 16 stores and closed four stores bringing to 265 the number of stores in operation at year-end. The Company revised its approach to selecting locations for new stores effective with stores opening in

2002. Prior to that time, the Company's principal consideration was population demographics, including data relating to income, education levels, age and occupation. The availability of prime real estate locations, existing and potential competitors, and the number of Stein Mart stores that a market can support was also considered. The Company has since expanded its analysis to consider psychographics (such as fashion consciousness in the marketplace) as well as local area market research. The Company has also retained a third-party consulting firm to analyze each potential market. Finally, a committee of senior officers considers the collected data and analysis, and approves any potential new store location. While it is too early to provide assurances, the Company's initial results suggest that this new approach will significantly improve the Company's ability to successfully predict performance of new store locations.

Net sales of \$1.409 billion were achieved for the fiscal year 2002, an increase of \$88.5 million, or 6.7 percent over net sales of \$1.320 billion for the fiscal year 2001. The 16 new stores opened in 2002 contributed \$56.5 million to net sales. Comparable store net sales decreased 0.8 percent from 2001.

Gross profit for 2002 was \$348.5 million or 24.7 percent of net sales compared to \$316.6 million or 24.0 percent of net sales for 2001. The 0.7 percent increase in the gross profit percent primarily resulted from inventory control initiatives which resulted in lower markdowns, somewhat offset by higher occupancy costs as a percent of sales.

Selling, general and administrative expenses were \$326.5 million or 23.1 percent of net sales for 2002, as compared to \$301.9 million or 22.9 percent of net sales in 2001. The 0.2 percent increase was primarily due to a lack of sales leverage slightly offset by lower pre-opening costs. Selling, general and administrative expenses include a pre-tax asset impairment charge of \$2.7 million in 2002. As described in Note 10 to the Financial Statements, this charge reduces the carrying value of property and equipment of three stores that will close in 2003 and fifteen other underperforming stores to their respective estimated fair value. In 2001, selling, general and administrative expenses included a pre-tax charge of \$2.9 million, including \$2.2 million for lease termination costs and \$0.7 million for asset impairments, for four stores that were closed in fiscal 2002.

Pre-opening expenses for the 16 stores opened in 2002 amounted to \$3.1 million and for the 30 stores opened in 2001, amounted to \$5.0 million.

Other income, primarily from in-store leased shoe departments, was \$14.0 million in 2002, a slight decrease from the \$14.1 million for 2001. In 2002, a new shoe lessee, whose offerings more closely mirror the Stein Mart apparel assortment, was chosen for approximately 60% of the stores. During the period preceding the turnover date, a decrease in shoe sales of the predecessor shoe lessee resulted in lower sublease income.

Interest expense for 2002 was \$2.6 million, compared to \$4.0 million in 2001. The decrease resulted from lower average borrowings as a result of decreased inventory levels on a per store basis, as well as lower interest rates this year compared to last year.

Net income for 2002 was \$20.7 million or \$0.50 per diluted share compared to net income of \$15.4 million or \$0.37 per diluted share for 2001.

Year Ended February 2, 2002 Compared to Year Ended December 30, 2000

In November 2001, the Company changed its year end (see Note 1 to the Financial Statements). The following discussion compares the 52 weeks ended February 2, 2002 to the 52 weeks ended December 30, 2000.

In 2001 the Company opened 30 stores and closed three stores bringing to 253 the number of stores in operation at year-end.

Net sales of \$1.320 billion were achieved for the fiscal year 2001, an increase of \$113.6 million, or 9.4 percent over net sales of \$1.207 billion for the fiscal year 2000. The 30 new stores opened in 2001 contributed \$74.3 million to net sales. Comparable store net sales, which decreased 0.7 percent from 2000, began to decline in early 2001,

reversing strong, double digit increases from 2000. This trend continued in the fall season as shopping declined following the September 11 terrorist attacks.

Gross profit for 2001 was \$316.6 million or 24.0 percent of net sales compared to \$310.1 million or 25.7 percent of net sales for 2000. The 1.7 percent decrease in the gross profit percent resulted primarily from higher markdowns as a percent of sales and decreased leverage of occupancy expenses in 2001. Markdowns were particularly high during the fall season, primarily in the weeks following September 11, in order to reduce in-store inventories through promotion and markdowns.

Selling, general and administrative expenses were \$301.9 million or 22.9 percent of net sales for 2001, as compared to \$257.0 million or 21.3 percent of net sales in 2000. In 2001, selling, general and administrative expenses included a pre-tax charge of \$2.9 million for four stores that were closed in fiscal 2002. Fiscal 2000 includes a \$3.4 million store closing credit related to adjustments of store closing reserves recorded in fiscal 1999. The increase of 1.6 percent of net sales is primarily due to the effect of the store closing charge and credit, increased advertising and decreased leverage of selling and administrative expenses.

Pre-opening expenses for the 30 stores opened in 2001 amounted to \$5.0 million and for the 22 stores opened in 2000, amounted to \$3.4 million.

Other income, primarily from in-store leased shoe departments, was \$14.1 million in 2001, a slight increase over the \$13.8 million for 2000. The increase was primarily from the additional stores operated during 2001.

Interest expense for 2001 was \$4.0 million, compared to \$3.3 million in 2000. The increase resulted from higher average borrowings offset by lower interest rates during 2001 compared to 2000. The increased borrowings were used to fund operating activities and to repurchase common stock.

Net income for 2001 was \$15.4 million or \$0.37 per diluted share compared to net income of \$39.4 million or \$0.91 per diluted share for 2000.

Five-Week Transition Period Ended February 3, 2001

See Note 12 to the Financial Statements for audited financial data for the five-week transition period of December 31, 2000 through February 3, 2001. This period preceded the start of the 2001 fiscal year and no comparable period information is presented herein.

Liquidity and Capital Resources

The Company's primary capital requirements are to support inventory and capital investments for the opening of new stores, to maintain and improve existing stores, and to meet seasonal working capital needs. The Company's capital requirements and working capital needs are funded through a combination of internally generated funds, a bank line of credit and credit terms from vendors. As of February 1, 2003, the Company had \$9.9 million in cash and cash equivalents. During the course of the Company's seasonal business cycle, working capital is needed to support inventory for existing stores, especially during peak selling seasons. Historically, the Company's working capital needs are lowest in the first quarter and peak in either the third or fourth quarter in anticipation of the fourth quarter selling season.

Net cash provided by operating activities for 2002 amounted to \$34.7 million, compared to \$29.7 million for 2001. Net cash provided by operating activities in 2002 increased from the prior year primarily due to increased net income and less cash required for the procurement of merchandise due to the Company's inventory control initiatives which resulted in a 4.2 percent decrease in inventories in an average store in 2002 compared to 2001. The net decrease in accounts payable in 2002 compared to 2001 is primarily due to a shift in the timing of merchandise receipts during the fourth quarter resulting in more payments being made prior to year-end.

For 2002 and 2001, cash flows used in investing activities amounted to \$19.1 million and \$25.0 million, respectively, primarily for the acquisition of store fixtures, equipment and leasehold improvements and for information system enhancements. The decrease was primarily due to fewer stores opened in 2002.

Cash used in financing activities was \$16.1 million in 2002 and \$5.5 million in 2001. During 2002, cash was used to repurchase 220,000 shares of the Company's common stock for \$1.5 million and in 2001, 657,600 shares were repurchased for \$6.0 million. As of February 1, 2003, there are 2,044,200 shares which can be repurchased pursuant to the Board of Directors current authorizations. The decision to repurchase stock is primarily dependent on market conditions.

To facilitate an understanding of the Company's contractual obligations, the following data is provided:

	Payments Due By Period				
	Total	Less than 1 Year	1 – 2 Years	3 – 5 Years	After 5 Years
Contractual obligations					
Notes payable to banks	\$ 41,350	\$ 41,350	\$ -	\$ -	\$ -
Operating leases	415,403	61,302	58,584	146,185	149,332
Total	\$456,753	\$102,652	\$58,584	\$146,185	\$149,332

The Company has a revolving credit agreement with a group of banks, which extends through June 2004. The agreement, which was amended in April 2002, provides a \$135 million senior revolving credit facility, including a \$10 million letter of credit sub-facility. Borrowings are secured by trade and other receivables, inventories and certain other assets. Due to the seasonal nature of the Company's business, the Company's bank borrowings fluctuate during the year, typically reaching their highest levels during the third or fourth quarter, as the Company builds its inventory for the Christmas selling season. At February 1, 2003 and February 2, 2002, there was \$41.3 million and \$57.8 million outstanding under the agreement, respectively.

The agreement requires the Company to maintain certain financial ratios and meet required net worth and indebtedness tests. Notes payable to banks is classified as current at February 1, 2003 because management's projections indicate that the Company will not be in compliance with certain of the financial covenants as of the end of the first quarter 2003. The Company is in the process of negotiating a new credit agreement which is expected to close by June 2003.

The cost of opening a typical new store generally ranges from \$450,000 to \$650,000 for fixtures, equipment, leasehold improvements and pre-opening costs (primarily advertising, stocking and training). Pre-opening costs are expensed at the time of opening. Initial inventory investment for a new store is approximately \$1.1 million (a portion of which is normally financed through vendor credit). The Company's total capital expenditures for 2003 (including amounts budgeted for new store expansion, improvements to existing stores and information system enhancements) are anticipated to be approximately \$17 million.

The Company believes that expected net cash provided by operating activities, bank borrowings and vendor credit will be sufficient to fund anticipated current and long-term capital expenditures and working capital requirements.

Seasonality

The Company's business is seasonal in nature with a higher percentage of the Company's merchandise sales and earnings generated in the fall and holiday selling seasons. Accordingly, selling, general and administrative expenses are typically higher as a percent of net sales during the first three quarters of each year.

Critical Accounting Policies

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, expenses and related disclosure of contingent assets and liabilities. Management bases its estimates and judgments on historical experience and other relevant factors, the

results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. While the Company believes that the historical experience and other factors considered provide a meaningful basis for the accounting policies applied in the preparation of the financial statements, the Company cannot guarantee that its estimates and assumptions will be accurate, which could require the Company to make adjustments to these estimates in future periods. Following is a summary of the more significant accounting policies:

Inventories

Merchandise inventories are valued at the lower of average cost or market, on a first-in first-out basis, using the retail inventory method (RIM). RIM is an averaging method that is widely used in the retail industry. The use of RIM results in inventories being valued at the lower of cost or market as markdowns are taken as a reduction of the retail values of inventories.

Based on a review of historical markdowns, current business trends and seasonal inventory categories, additional inventory reserves may be recorded to reflect estimated markdowns which may be required to liquidate certain inventories and reduce inventories to the lower of cost or market. Management believes its inventory valuation methods approximate the net realizable value of clearance inventory and result in valuing inventory at the lower of cost or market.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Factors used in the review include management's plans for future operations, recent operating results and projected cash flows. An impairment loss is recognized if the sum of the expected future undiscounted cash flows from the use of the asset is less than the net book value of the assets. An impairment loss is recognized if the carrying value of the asset exceeds its fair value.

Insurance Reserve Estimates

The Company uses a combination of insurance and self-insurance for various risks including workers' compensation, general liability and associate-related health care benefits, a portion of which is paid by the covered employees. The Company is responsible for paying the claims that are under the insured limits. The reserves recorded for these claims are estimated actuarially, based on claims filed and claims incurred but not reported. These reserve estimates are adjusted based upon actual claims filed and settled. The estimated accruals for these reserves could be significantly affected if future claims differ from historical trends and other actuarial assumptions.

For a complete listing of our significant accounting policies, please see Note 1 to the Company's Financial Statements.

New Accounting Pronouncements

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued in June 2002. SFAS No. 146 requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. The provisions of the Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The Company did not incur any new liability related to a disposal cost or exit activity between the effective date of this statement and the end of the fiscal year on February 1, 2003. See Note 14 to the Financial Statements regarding management's plans to close certain under-performing stores in 2003.

SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," was issued in December 2002 and amends SFAS No. 123, "Accounting for Stock-Based Compensation." This standard provides two additional alternative transition methods for recognizing an entity's voluntary decision to change its method of accounting for stock-based employee compensation to the fair-value method. In addition, the standard amends the disclosure requirements of SFAS No. 123 so that entities will have to make more prominent disclosures regarding the pro forma effects of using the fair-value method of accounting for stock-based compensation and present those disclosures in a more accessible format in the footnotes to the annual and interim financial statements. Amendment

of the transition and annual disclosure requirements are effective for fiscal years ending after December 15, 2002. The additional disclosures required under SFAS No. 148 are presented in Note 6 to the Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to interest rate risk primarily through borrowings under its revolving credit facility. At February 1, 2003, direct borrowings aggregated \$41.3 million. The facility, as amended in April 2002, permits debt commitments up to \$135.0 million, has a June 2004 maturity date and bears interest at spreads over LIBOR. The average outstanding borrowings during fiscal 2002, 2001 and 2000 were \$66.0 million, \$82.3 million and \$48.8 million, respectively, at weighted-average interest rates of 3.9%, 4.9% and 6.7% respectively. Management believes that its exposure to market risk associated with its borrowings is not material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and financial statement schedules of the Company and the Independent Auditors' Report thereon are filed pursuant to this Item 8 and are included in this report beginning on page F-1.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item appears under the caption "Election of Directors" in the Company's Proxy Statement for its 2003 Annual Meeting of Stockholders and is incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item appears under the caption "Executive Compensation" in the Company's Proxy Statement for its 2003 Annual Meeting of Stockholders and is incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item appears under the caption "Voting Securities" in the Company's Proxy Statement for its 2003 Annual Meeting of Stockholders and is incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item appears under the caption "Certain Transactions; Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement for its 2003 Annual Meeting of Stockholders and is incorporated by reference.

PART IV

ITEM 14. DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, including Michael D. Fisher, President and Chief Executive Officer (principal executive officer) and James G. Delfs, Senior Vice President and Chief Financial Officer (principal financial officer), have evaluated the effectiveness of the Company's "disclosure controls and procedures", as such term is defined in Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934, as amended, within 90 days of the filing date of this Annual Report on Form 10K. Based upon their evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these control, since the date the controls were evaluated.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

15(a)(1) Financial Statements

The documents listed below are filed as part of this Form 10-K:

	<u>Page in Form 10-K</u>
Report of Independent Certified Public Accountants	F-1
Balance Sheets	F-2
Statements of Income	F-3
Statements of Stockholders' Equity	F-4
Statements of Cash Flows	F-5
Notes to Financial Statements	F-6
Statement of Income and Statement of Cash Flows for the five-week Transition Period ended February 3, 2001 (see Note 12 to Financial Statements)	F-15

15(a)(2) Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is presented in the financial statements or notes thereto.

15(a)(3) Exhibits

See Index to Exhibits which begins on Page E-1.

15(b) Reports on Form 8-K

The Company did not file a report on Form 8-K during the quarter ended February 1, 2003.

SIGNATURES

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.

STEIN MART, INC.

Date: May 1, 2003

By: /s/ Michael D. Fisher
**Michael D. Fisher, President and Chief
Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 1st day of May, 2003.

/s/ Jay Stein
Jay Stein
Chairman of the Board

/s/ Linda McFarland Farthing
Linda McFarland Farthing
Director

/s/ John H. Williams, Jr.
John H. Williams, Jr.
Vice Chairman

/s/ Mitchell W. Legler
Mitchell W. Legler
Director

/s/ Michael D. Fisher
Michael D. Fisher
President and Chief Executive Officer

/s/ Michael D. Rose
Michael D. Rose
Director

/s/ James G. Delfs
James G. Delfs
Senior Vice President and Chief
Financial Officer

/s/ Martin E. Stein, Jr.
Martin E. Stein, Jr.
Director

/s/ Clayton E. Roberson, Jr.
Clayton E. Roberson, Jr.
Vice President and Controller

/s/ J. Wayne Weaver
J. Wayne Weaver
Director

/s/ Alvin R. Carpenter
Alvin R. Carpenter
Director

/s/ James H. Winston
James H. Winston
Director

CERTIFICATIONS

I, Michael D. Fisher, certify that:

1. I have reviewed this annual report on Form 10-K of Stein Mart, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Stein Mart, Inc. as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures 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 annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 1, 2003

/s/ Michael D. Fisher

Michael D. Fisher

President and Chief Executive Officer

I, James G. Delfs, certify that:

1. I have reviewed this annual report on Form 10-K of Stein Mart, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of Stein Mart, Inc. as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures 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 annual report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 1, 2003

/s/ James G. Delfs

James G. Delfs

Chief Financial Officer

Report of Independent Certified Public Accountants

To the Board of Directors
and Stockholders of Stein Mart, Inc.

In our opinion, the accompanying financial statements appearing on pages F-2 through F-16 of this annual report present fairly, in all material respects, the financial position of Stein Mart, Inc. at February 1, 2003 and February 2, 2002, and the results of its operations and its cash flows for the 52 weeks ended February 1, 2003 and February 2, 2002, for the five-week Transition Period ended February 3, 2001, and for the 52 weeks ended December 30, 2000, in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Jacksonville, Florida

March 28, 2003, except for Note 14, as to which the date is April 16, 2003

Stein Mart, Inc.
Balance Sheets
(In thousands)

	February 1, 2003	February 2, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,859	\$ 10,276
Trade and other receivables	4,919	5,201
Inventories	297,230	296,158
Prepaid expenses and other current assets	4,361	11,324
Total current assets	316,369	322,959
Property and equipment, net	86,351	88,601
Other assets	7,497	6,112
Total assets	<u>\$410,217</u>	<u>\$417,672</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 70,472	\$ 93,675
Accrued liabilities	53,407	46,001
Income taxes payable	5,353	4,071
Notes payable to banks	41,350	-
Total current liabilities	170,582	143,747
Notes payable to banks	-	57,750
Other liabilities	16,328	14,280
Total liabilities	186,910	215,777
COMMITMENTS AND CONTINGENCIES		
Stockholders' equity:		
Preferred stock - \$.01 par value; 1,000,000 shares authorized; no shares outstanding		
Common stock - \$.01 par value; 100,000,000 shares authorized; 41,618,678 and 41,495,876 shares issued and outstanding, respectively	416	415
Paid-in capital	721	-
Retained earnings	222,170	201,480
Total stockholders' equity	223,307	201,895
Total liabilities and stockholders' equity	<u>\$410,217</u>	<u>\$417,672</u>

The accompanying notes are an integral part of these financial statements.

Stein Mart, Inc.
Statements of Income
(In thousands except per share amounts)

	For The 52 Weeks Ended		
	February 1, 2003	February 2, 2002	December 30, 2000
Net sales	\$1,408,648	\$1,320,190	\$1,206,624
Cost of merchandise sold	1,060,117	1,003,567	896,560
Gross profit	348,531	316,623	310,064
Selling, general and administrative expenses	326,509	301,937	257,042
Other income, net	13,953	14,078	13,766
Income from operations	35,975	28,764	66,788
Interest expense	2,604	4,000	3,309
Income before income taxes	33,371	24,764	63,479
Provision for income taxes	12,681	9,410	24,122
Net income	<u>\$ 20,690</u>	<u>\$ 15,354</u>	<u>\$ 39,357</u>
Earnings per share – Basic	<u>\$0.50</u>	<u>\$0.37</u>	<u>\$0.92</u>
Earnings per share – Diluted	<u>\$0.50</u>	<u>\$0.37</u>	<u>\$0.91</u>
Weighted-average shares outstanding – Basic	<u>41,575</u>	<u>41,176</u>	<u>42,909</u>
Weighted-average shares outstanding – Diluted	<u>41,764</u>	<u>41,493</u>	<u>43,409</u>

The accompanying notes are an integral part of these financial statements.

Stein Mart, Inc.
Statements of Stockholders' Equity
(In thousands)

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
Balance at January 1, 2000	\$439	\$21,364	\$158,109	\$179,912
Net income			39,357	39,357
Common shares issued under stock option plan and related income tax benefits	3	2,192		2,195
Common shares issued under employee stock purchase plan	2	955		957
Reacquired shares	<u>(29)</u>	<u>(24,511)</u>	<u>(3,853)</u>	<u>(28,393)</u>
Balance at December 30, 2000	415	-	193,613	194,028
Transition period December 31, 2000 to February 3, 2001:				
Net loss			(5,614)	(5,614)
Common shares issued under stock option plan and related income tax benefits		62		62
Common shares issued under employee stock purchase plan		469		469
Reacquired shares	<u></u>	<u>(454)</u>	<u></u>	<u>(454)</u>
Balance at February 3, 2001	415	77	187,999	188,491
Net income			15,354	15,354
Common shares issued under stock option plan and related income tax benefits	5	3,067		3,072
Common shares issued under employee stock purchase plan	2	995		997
Reacquired shares	<u>(7)</u>	<u>(4,139)</u>	<u>(1,873)</u>	<u>(6,019)</u>
Balance at February 2, 2002	415	-	201,480	201,895
Net income			20,690	20,690
Common shares issued under stock option plan and related income tax benefits	2	1,193		1,195
Common shares issued under employee stock purchase plan	1	1,027		1,028
Reacquired shares	<u>(2)</u>	<u>(1,499)</u>	<u></u>	<u>(1,501)</u>
Balance at February 1, 2003	<u>\$416</u>	<u>\$ 721</u>	<u>\$222,170</u>	<u>\$223,307</u>

The accompanying notes are an integral part of these financial statements.

Stein Mart, Inc.
Statements of Cash Flows
(In thousands)

	For The 52 Weeks Ended		
	February 1, 2003	February 2, 2002	December 30, 2000
Cash flows from operating activities:			
Net income	\$20,690	\$15,354	\$39,357
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,770	16,822	14,373
Impairment of property and other assets	2,709	1,114	1,038
Deferred income taxes	9,193	(4,999)	2,910
Tax benefit from exercise of stock options	385	1,024	810
Changes in assets and liabilities:			
Trade and other receivables	282	(1,752)	(286)
Inventories	(1,072)	(13,260)	(32,267)
Prepaid expenses and other current assets	32	(641)	4
Other assets	(1,542)	(619)	(648)
Accounts payable	(23,203)	13,180	4,465
Accrued liabilities	7,406	2,801	18,143
Income taxes payable	1,282	(728)	3,818
Other liabilities	(214)	1,356	(9,281)
Net cash provided by operating activities	34,718	29,652	42,436
Cash flows used in investing activities:			
Capital expenditures	(19,072)	(24,982)	(20,914)
Cash flows from financing activities:			
Net borrowings under notes payable to banks	(16,400)	(2,486)	-
Proceeds from exercise of stock options	810	2,048	1,385
Proceeds from employee stock purchase plan	1,028	997	957
Purchase of common stock	(1,501)	(6,019)	(28,393)
Net cash used in financing activities	(16,063)	(5,460)	(26,051)
Net decrease in cash and cash equivalents	(417)	(790)	(4,529)
Cash and cash equivalents at beginning of year	10,276	11,066	17,055
Cash and cash equivalents at end of year	\$ 9,859	\$10,276	\$12,526
Supplemental disclosures of cash flow information:			
Interest paid	\$ 2,567	\$ 3,980	\$ 3,141
Income taxes paid	2,392	14,221	16,887

The accompanying notes are an integral part of these financial statements.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS
February 1, 2003

(Dollars in tables in thousands except per share amounts)

1. Summary of Significant Accounting Policies

At February 1, 2003 the Company operated a chain of 265 off-price retail stores in 29 states. Each store offers women's, men's and children's apparel, as well as accessories, gifts, linens and shoes.

Change in Fiscal Year End

In November 2001, the Company changed its fiscal year end from the Saturday closest to December 31 to the Saturday closest to January 31. The five-week transition period of December 31, 2000 through February 3, 2001 (the "Transition Period") preceded the start of the 2001 fiscal year. Audited financial information for the Transition Period is presented in Note 12. Results for 2002, 2001 and 2000 are for the 52 weeks ended February 1, 2003, February 2, 2002 and December 30, 2000, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Inventories

Merchandise inventories are valued at the lower of average cost or market, on a first-in first-out basis, using the retail inventory method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided on a straight-line method using estimated useful lives of 3-10 years. Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the term of the lease.

Impairment of Long Lived Assets

The Company follows Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which requires impairment losses to be recorded on long-lived assets used in operations whenever events or changes in circumstances indicate that the net carrying amounts may not be recoverable. An impairment loss is recognized if the sum of the expected future undiscounted cash flows from the use of the assets is less than the net book value of the assets. An impairment loss is recognized if the carrying value of the asset exceeds its fair value. Impairment reviews are performed for individual stores. Factors used in the review include management's plans for future operations, recent operating results and projected cash flows. See Note 10.

Insurance Reserves

The Company uses a combination of insurance and self-insurance for various risks including workers' compensation, general liability and associate-related health care benefits. Claim liabilities are estimated actuarially, based on claims filed and claims incurred but not reported.

Store Pre-Opening Costs

New store pre-opening costs are expensed as incurred.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

Advertising Expense

Advertising costs are expensed as incurred. Advertising expenses of \$52,086,000, \$47,007,000, \$2,256,000 and \$43,092,000 are reflected in Selling, general and administrative expenses in the Statements of Income for 2002, 2001, the Transition Period and 2000, respectively.

Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding plus common stock equivalents related to stock options for each period. Stock options are not included in the diluted loss per share calculation for the Transition Period because they are anti-dilutive.

A reconciliation of weighted-average number of common shares to weighted-average number of common shares plus common stock equivalents is as follows (000's):

	2002	2001	Transition Period	2000
Weighted-average number of common shares	41,575	41,176	41,476	42,909
Stock options	189	317	-	500
Weighted-average number of common shares plus common stock equivalents	<u>41,764</u>	<u>41,493</u>	<u>41,476</u>	<u>43,409</u>

New Accounting Pronouncements

SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," was issued in July 2002. SFAS No. 146 requires the recognition of costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. The provisions of the Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The Company did not incur any new liability related to a disposal cost or exit activity between the effective date of this statement and the end of the fiscal year on February 1, 2003. See Note 14 regarding management's plans to close certain under-performing stores in 2003.

SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," was issued in December 2002 and amends SFAS No. 123, "Accounting for Stock-Based Compensation." This standard provides two additional alternative transition methods for recognizing an entity's voluntary decision to change its method of accounting for stock-based employee compensation to the fair-value method. In addition, the standard amends the disclosure requirements of SFAS No. 123 so that entities will have to make more prominent disclosures regarding the pro forma effects of using the fair-value method of accounting for stock-based compensation and present those disclosures in a more accessible format in the footnotes to the annual and interim financial statements. Amendment of the transition and annual disclosure requirements are effective for fiscal years ending after December 15, 2002. The additional disclosures required under SFAS No. 148 are presented in Note 8 to the Financial Statements.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

2. Property and Equipment, Net

Property and equipment and the related accumulated depreciation and amortization are as follows:

	Feb. 1, 2003	Feb. 2, 2002
Furniture, fixtures and equipment	\$145,285	\$133,072
Leasehold improvements	49,471	46,677
	<u>194,756</u>	<u>179,749</u>
Less: accumulated depreciation and amortization	108,405	91,148
	<u>\$ 86,351</u>	<u>\$ 88,601</u>

3. Accrued Liabilities

The major components of accrued liabilities are as follows:

	Feb. 1, 2003	Feb. 2, 2002
Taxes, other than income taxes	\$15,095	\$16,256
Salary, wages, bonuses and benefits	14,846	10,246
Other	23,466	19,499
	<u>\$53,407</u>	<u>\$46,001</u>

4. Notes Payable to Banks

In June 2001, the Company entered into a new revolving credit agreement with a group of banks, which extends through June 2004. The agreement, which was amended in April 2002, provides a \$135 million senior revolving credit facility, including a \$10 million letter of credit sub-facility. Borrowings are secured by trade and other receivables and inventories. Interest is payable at rates based on spreads over the London Interbank Offering Rate (LIBOR) or the Prime Rate. A quarterly commitment fee ranging from 0.375% to 0.50% per annum is paid on the unused portion of the commitment. The weighted average interest rates on borrowings during 2002, 2001, the Transition Period and 2000 were 3.9%, 4.9%, 6.4% and 6.7%, respectively. The agreement requires the Company to maintain certain financial ratios and indebtedness tests. At February 1, 2003, the Company was in compliance with all requirements of the amended agreement.

Notes payable to banks is classified as current at February 1, 2003 because management's projections indicate that the Company will not be in compliance with certain of the financial covenants as of the end of the first quarter 2003. The Company is in the process of negotiating a new credit agreement which is expected to close by June 2003.

5. Leased Facilities and Commitments

The Company leases all of its retail and support facilities. Annual store rent is generally comprised of a fixed minimum amount plus a contingent amount based on a percentage of sales exceeding a stipulated amount. Most leases also require additional payments covering real estate taxes, common area costs and insurance.

Rent expense is as follows:

	2002	2001	Transition Period	2000
Minimum rental	\$60,805	\$55,278	\$4,335	\$48,329
Contingent rentals	678	889	52	689
	<u>\$61,483</u>	<u>\$56,167</u>	<u>\$4,387</u>	<u>\$49,018</u>

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

At February 1, 2003, for the majority of its retail and corporate facilities, the Company was committed under noncancellable leases with remaining terms of up to 15 years. Future minimum payments under noncancellable leases are:

2003	\$ 61,302
2004	58,584
2005	53,990
2006	48,641
2007	43,554
Thereafter	149,332
	<u>\$415,403</u>

During all periods presented, the Company subleased the space for shoe and fragrance departments in all of its stores. As of March 2003, the Company owns and operates the fragrance department. Sales from leased departments are excluded from sales of the Company. Sublease rental income of \$12,519,000, \$12,610,000, \$752,000 and \$12,710,000 is included in Other income, net in the Statements of Income for 2002, 2001, the Transition Period and 2000, respectively.

6. Income Taxes

The income tax provision (benefit) is as follows:

	2002	2001	Transition Period	2000
Current:				
Federal	\$ 3,212	\$13,271	\$(3,387)	\$19,537
State	276	1,138	(290)	1,675
Total	<u>3,488</u>	<u>14,409</u>	<u>(3,677)</u>	<u>21,212</u>
Deferred:				
Federal	8,467	(4,604)	217	2,680
State	726	(395)	19	230
Total	<u>9,193</u>	<u>(4,999)</u>	<u>236</u>	<u>2,910</u>
Income tax provision (benefit)	<u>\$12,681</u>	<u>\$ 9,410</u>	<u>\$(3,441)</u>	<u>\$24,122</u>

Income tax expense (benefit) differed from the amounts computed by applying the federal statutory rate of 35 percent to income before taxes as follows:

	2002	2001	Transition Period	2000
Federal tax at the statutory rate	\$11,680	\$8,667	\$(3,169)	\$22,218
State income taxes, net of federal benefit	1,001	743	(272)	1,904
	<u>\$12,681</u>	<u>\$9,410</u>	<u>\$(3,441)</u>	<u>\$24,122</u>
Effective income tax rate	<u>38.0%</u>	<u>38.0%</u>	<u>38.0%</u>	<u>38.0%</u>

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

Temporary differences, which give rise to deferred tax assets and liabilities, are as follows:

	Feb. 1, 2003	Feb. 2, 2002
Deferred tax assets:		
NOL carryforward	\$ -	\$ 5,417
Store closing and asset impairment reserves	3,162	2,158
Accrued liabilities	3,368	2,012
Other	1,082	2,034
	<u>7,612</u>	<u>11,621</u>
Deferred tax liabilities:		
Depreciation	14,248	12,019
Inventory	3,060	-
Other	1,931	2,036
	<u>19,239</u>	<u>14,055</u>
Net deferred tax liability	<u>\$(11,627)</u>	<u>\$ (2,434)</u>

At February 2, 2002, the Company had approximately \$14 million in federal and state net operating loss ("NOL") carryforwards, which were fully utilized in 2002. The NOL carryforwards were generated in the five-week tax period ended February 2, 2002 which resulted from the Company's change in fiscal year (see Note 1).

On March 14, 2002, the Internal Revenue Service released new rules (Rev. Proc. 2002-19), which allowed the Company an accelerated deduction of certain components of the Company's deferred tax asset relating to inventories. As a result, the Company's income tax payable and the corresponding deferred tax asset as of February 2, 2002 relating to inventories were reduced by \$3.8 million in the first quarter of fiscal 2002.

Deferred tax assets and liabilities are reflected on the Company's Balance Sheets as follows:

	Feb. 1, 2003	Feb. 2, 2002
Current deferred tax assets (included in		
Prepaid expenses and other current assets)	\$ 196	\$ 7,127
Non-current deferred tax liabilities (included		
in Other liabilities)	<u>(11,823)</u>	<u>(9,561)</u>
Net deferred tax liabilities	<u>\$(11,627)</u>	<u>\$(2,434)</u>

The exercise of certain stock options which have been granted under the Company's stock option plans gives rise to compensation which is includable in the taxable income of the applicable employees and deductible by the Company for federal and state income tax purposes. Such compensation results from increases in the market value of the Company's common stock subsequent to the date of grant of the applicable exercised stock options, and in accordance with Accounting Principles Board Opinion No. 25, such compensation is not recognized as an expense for financial accounting purposes and the related tax benefits are recorded directly in Paid-in capital.

7. Stockholders' Equity

During 2002, 2001, the Transition Period and 2000, the Company repurchased 220,000, 657,600, 40,800 and 2,910,600 shares of its common stock in the open market at a total cost of \$1,501,000, \$6,019,000, \$454,000 and \$28,393,000, respectively. As of February 1, 2003, there are 2,044,200 shares which can be repurchased pursuant to the Board of Directors' current authorizations.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

8. Stock Option and Purchase Plans

In 2001, the shareholders approved a new stock option plan (the "Omnibus Plan"), under which a maximum of 4,500,000 shares of the Company's common stock may be issued. Shares covered by unexercised options that terminate or shares that are forfeited may be subject to new awards. The Omnibus Plan replaced the Company's Employee Stock and Director Stock Option Plans (the "Previous Plans") under which there were 3,669,438 options to purchase shares outstanding as of February 1, 2003. Upon approval of the Omnibus Plan, no further options have been or will be issued under the Previous Plans. The term of the Omnibus Plan is indefinite, except that no incentive stock option award can be granted after the tenth anniversary of the plan.

The Omnibus Plan, consistent with the Previous Plans, provides that shares of common stock may be granted to certain key employees and outside directors through non-qualified stock options, incentive stock options, stock appreciation rights, performance awards, restricted stock, or any other award made under the terms of the plan. The Board of Directors, or its delegated authority, determines the exercise price and all other terms of all grants. In general, one-third of the options granted in the past have become exercisable on the third, fourth and fifth anniversary dates of grant and expire ten years after the date of grant. No stock appreciation rights or restricted stock awards have been granted under this or the prior plan.

Activity for these fixed-price option plans is as follows:

	Number of Shares (000)	Weighted- Average Exercise Price
Outstanding at January 1, 2000	4,625	\$10.69
Granted	614	9.11
Exercised	(260)	4.89
Forfeited	(396)	12.65
Outstanding at December 30, 2000	4,583	10.64
Granted	-	-
Exercised	(8)	5.28
Forfeited	(33)	12.68
Outstanding at February 3, 2001	4,542	10.63
Granted	1,146	8.54
Exercised	(549)	3.58
Forfeited	(359)	13.90
Outstanding at February 2, 2002	4,780	10.70
Granted	514	10.63
Exercised	(166)	4.58
Forfeited	(97)	10.49
Outstanding at February 1, 2003	5,031	\$10.90

Exercisable stock options were 2.625 million, 2.004 million, 1.860 million and 1.870 million at February 1, 2003, February 2, 2002, February 3, 2001 and December 30, 2000, respectively.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

The following table summarizes information about fixed-price stock options outstanding at February 1, 2003:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding (000)	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Number Exercisable (000)	Weighted- Average Exercise Price
\$ 2.50 – 5.75	453	5.5	\$ 5.58	159	\$ 5.62
\$ 6.53 – 9.63	1,656	7.2	8.09	348	7.91
\$10.00 – 13.81	2,387	5.3	12.86	1,738	13.47
\$14.25 – 16.59	535	5.2	15.31	380	15.15
	<u>5,031</u>	<u>5.9</u>	<u>\$10.90</u>	<u>2,625</u>	<u>\$12.50</u>

The Company has adopted the disclosure-only provisions of SFAS No. 123, as amended by SFAS No. 148, “Accounting for Stock-Based Compensation,” and intends to retain the intrinsic value method of accounting for stock-based compensation which it currently uses. Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost of the Company’s stock option plans been determined consistent with the provisions of SFAS No. 123, the Company’s net income (loss) and earnings (loss) per share would have been reduced to the following pro forma amounts:

	2002	2001	Transition Period	2000
Net income (loss) – as reported	\$20,690	\$15,354	\$(5,614)	\$39,357
Stock option compensation – net of tax	1,741	2,087	179	2,891
Net income (loss) – pro forma	<u>\$18,949</u>	<u>\$13,267</u>	<u>\$(5,793)</u>	<u>\$36,466</u>
Basic earnings (loss) per share – as reported	\$0.50	\$0.37	\$(0.14)	\$0.92
Diluted earnings (loss) per share – as reported	0.50	0.37	(0.14)	0.91
Basic earnings (loss) per share – pro forma	\$0.46	\$0.32	\$(0.14)	\$0.85
Diluted earnings (loss) per share – pro forma	0.45	0.32	(0.14)	0.84

The effects of applying this Statement for pro forma disclosures are not likely to be representative of the effects on reported net income for future years, because options vest over several years and additional awards are made each year. No options were granted during the Transition Period. In determining the pro forma compensation cost, the weighted-average fair value of options granted during fiscal 2002, 2001 and 2000 was estimated to be \$5 using the Black-Scholes options pricing model. The following weighted-average assumptions were used for grants made during 2002, 2001 and 2000: dividend yield of 0.0%, expected volatility of 51.9%, 51.7% and 51.1%, respectively, risk-free interest rate of 3.8%, 4.8% and 5.2%, respectively and expected lives of 5.0, 7.0 and 7.0 years, respectively.

The Company has an Employee Stock Purchase Plan (the “Stock Purchase Plan”) whereby all employees who complete six months employment with the Company and who work on a full-time basis or are regularly scheduled to work more than 20 hours per week are eligible to participate in the Stock Purchase Plan. Participants in the Stock Purchase Plan are permitted to use their payroll deductions to acquire shares at 85% of the fair market value of the Company’s stock determined at either the beginning or end of each option period. In 2002, 2001, the Transition Period and 2000, the participants acquired 173,048 shares, 127,220 shares, 53,856 shares and 198,051 shares of the Company’s common stock at weighted average per-share prices of \$5.94, \$7.84, \$8.71 and \$4.83 per share, respectively.

On May 7, 2001, the shareholders approved an amendment to the Stock Purchase Plan, increasing the number of shares eligible for issuance under the Plan by 1,000,000 and extending the Plan until December 31, 2005.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

9. Employee Benefit Plans

The Company has a defined contribution retirement plan covering employees who are at least 21 years of age, have completed at least one year of service and who work at least 1,000 hours annually. Under the profit sharing portion of the plan, the Company makes discretionary contributions, which vest at a rate of 20 percent per year after two years of service. Under the 401(k) portion of the plan the Company matches 50 percent of the employee's voluntary pre-tax contributions up to a maximum of four percent of the employee's compensation. The Company's matching portion vests in accordance with the plan's vesting schedule. Total Company contributions under the retirement plan were \$1,627,000, \$1,571,000, \$66,000 and \$1,750,000 for 2002, 2001, the Transition Period and 2000, respectively.

The Company has an executive split dollar life insurance plan wherein eligible executives are provided with pre-retirement life insurance protection based upon three to five times base salary. Upon retirement, the executive is provided with life insurance protection based upon one and one-half to two and one-half times final base salary. The expense for this plan was \$331,000, \$293,000 and \$248,000 in 2002, 2001 and 2000, respectively. There was no expense recorded during the Transition Period.

The Company also has an executive deferral plan providing officers and key executives with the opportunity to participate in an unfunded, deferred compensation program. Effective November 1, 2002, the plan was amended to include director-level employees. Under the program, participants may defer up to 100% of their base compensation and bonuses earned. The Company will match the officers and key executives' contributions 100%, and the directors' contributions 50%, up to the first 10% of income deferred. A participant's Company matching contributions and related investment earnings are 20% vested after four years of participation in the plan and increase 20% per year through the eighth year, at which time a participant is fully vested. The total of participant deferrals, which is reflected in Accrued liabilities, was \$1,223,000 at February 1, 2003, \$814,000 at February 2, 2002 and \$402,000 at February 3, 2001. The expense for this plan was \$611,000, \$495,000, \$25,000 and \$486,000 in 2002, 2001, the Transition Period and 2000, respectively.

In connection with the above two plans, whole life insurance contracts were purchased on the related participants. At February 1, 2003 and February 2, 2002 the cash surrender value of these policies was \$3,132,000 and \$2,773,000, respectively, and is included in Other assets.

10. Store Closing Charges and Impairment of Long-Lived Assets

In April 2003 the Company decided to close 13 additional under-performing stores in 2003. See Note 14.

During the fourth quarter of 2002, management approved a plan to close three stores in 2003. The Company does not expect to incur significant lease exit costs upon closing these stores. However, a pretax non-cash asset impairment charge of \$2.7 million was recorded during the fourth quarter of 2002 to reduce the carrying value of property and equipment of these three closing stores and fifteen other under-performing stores to their respective estimated fair value. The estimated future undiscounted cash flows from the under-performing stores are not expected to exceed the current net book value of their property and equipment. This charge is included in Selling, general and administrative expenses in the Statement of Income for 2002.

During the fourth quarter of 2001, the Company recorded a pre-tax charge of \$2.9 million, including \$2.2 million for the estimated cost of lease terminations and \$0.7 million for the impairment of certain property and equipment for four stores that were closed in 2002. The charge is included in Selling, general and administrative expenses in the Statement of Income for 2001.

During 2000, the Company recorded a net pre-tax credit of \$3.4 million related to certain store closing reserves recorded in 1999. The credit resulted from adjustments to estimated lease obligations for changes in anticipated closing

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

dates and for favorable lease settlements (\$2.5 million), unsatisfactory lease negotiations to close two stores (\$1.9 million), offset by a \$1.0 million charge for the write-down of furniture, fixtures and equipment related to store closings. The store closing credit is included in Selling, general and administrative expenses in the Statement of Income for 2000.

Activity in the store closing reserve is as follows:

	2002	2001	Transition Period	2000
Balance at beginning of period	\$5,680	\$4,984	\$6,037	\$12,589
Additions	113	2,206	-	-
Payments	(811)	(1,510)	(1,053)	(2,067)
Adjustments	-	-	-	(4,485)
Balance at end of period	<u>\$4,982</u>	<u>\$5,680</u>	<u>\$4,984</u>	<u>\$ 6,037</u>

The store closing reserve at February 1, 2003 includes primarily the remaining lease obligations for the four stores that closed in 2002 and the remaining lease obligation for one store closed in December 1999. Payments during 2002 include lease termination and ongoing lease costs. The store closing reserve includes a current portion of \$1.5 million and a long-term portion of \$3.5 million which are included in Accrued liabilities and Other liabilities, respectively.

11. Quarterly Results of Operations (Unaudited)

As discussed in Note 1, the Company changed its fiscal year in 2001. The 13 week periods of 2002 and 2001 reflect this change.

	13 Weeks Ended			
<u>Year Ended February 1, 2003</u>	May 4, 2002	Aug. 3, 2002	Nov. 2, 2002	Feb. 1, 2003
Net sales	\$355,979	\$311,427	\$332,847	\$408,395
Gross profit	96,531	78,104	73,685	100,211
Net income (loss)	11,368	2,775	(3,843)	10,390
Earnings (loss) per share – Basic	\$0.27	\$0.07	\$(0.09)	\$0.25
Earnings (loss) per share – Diluted	\$0.27	\$0.07	\$(0.09)	\$0.25

	13 Weeks Ended			
<u>Year Ended February 2, 2002</u>	May 5, 2001	Aug. 4, 2001	Nov. 3, 2001	Feb. 2, 2002
Net sales	\$317,069	\$291,473	\$304,367	\$407,281
Gross profit	83,077	71,810	64,179	97,557
Net income	9,132	3,048	(5,828)	9,002
Earnings (loss) per share – Basic	\$0.22	\$0.07	\$(0.14)	\$0.22
Earnings (loss) per share – Diluted	\$0.22	\$0.07	\$(0.14)	\$0.22

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

12. Transition Period Financial Information

Statement of Income for the five-week Transition Period ended February 3, 2001:

Net sales	\$84,013
Cost of merchandise sold	<u>70,609</u>
Gross profit	13,404
Selling, general and administrative expenses	23,106
Other income, net	<u>833</u>
Loss from operations	(8,869)
Interest expense	<u>186</u>
Loss before income tax benefit	(9,055)
Income tax benefit	<u>3,441</u>
Net loss	<u>\$ (5,614)</u>
Loss per share – Basic and Diluted	<u><u>\$(0.14)</u></u>

Statement of Cash Flows for the five-week Transition Period ended February 3, 2001:

Cash flows from operating activities:	
Net loss	\$ (5,614)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	1,299
Tax benefit from exercise of stock options	22
Deferred income taxes	236
Changes in assets and liabilities:	
Trade and other receivables	1,309
Inventories	(5,445)
Prepaid expenses and other current assets	529
Other assets	50
Accounts payable	(41,083)
Accrued liabilities	(8,556)
Income taxes payable	(3,705)
Other liabilities	<u>55</u>
Net cash used in operating activities	(60,903)
Cash flows used in investing activities:	
Capital expenditures	(848)
Cash flows from financing activities:	
Net borrowings under notes payable to banks	60,236
Proceeds from exercise of stock options	40
Proceeds from employee stock purchase plan	469
Purchase of common stock	<u>(454)</u>
Net cash provided by financing activities	<u>60,291</u>
Net decrease in cash and cash equivalents	(1,460)
Cash and cash equivalents at December 30, 2000	<u>12,526</u>
Cash and cash equivalents at February 3, 2001	<u><u>\$11,066</u></u>

Interest and taxes paid during the five-week Transition Period ended February 3, 2001 were \$1,072,000 and \$17,000, respectively.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

13. Legal Proceedings

The Company is involved in various routine legal proceedings incidental to the conduct of its business. Management does not believe that any of these legal proceedings will have a material adverse effect on the Company's financial condition or results of operations.

14. Subsequent Event

The Company regularly reviews under-performing stores and implements strategies designed to improve their performance. In Spring 2003, following more than two years of retail economic weakness, it was determined that a group of these under-performing stores would be unlikely to achieve profitability despite the Company's concerted efforts to stimulate sales. In order to improve the quality of the Company's portfolio of stores, management decided in April to close 13 stores in addition to the three already planned for closure in 2003 (see Note 10). In accordance with SFAS No. 146, the estimated charges that will be recorded in 2003 are approximately \$19 million to recognize the present value of store closing costs. In addition, approximately \$10 million in markdowns will be required to liquidate inventory in those stores.

INDEX TO EXHIBITS

- *3.1 Articles of Incorporation of the registrant
- 3.2 Bylaws of the registrant (amended May 7, 2001)
- 4.1 Provisions of the Articles of Incorporation and Bylaws of the Registrant defining rights of shareholders of Common Stock of the Registrant (incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 30, 2000)
- *4.2 Form of stock certificate for Common Stock
- ~*10.1 Form of Director's and Officer's Indemnification Agreement
- 10.2 Revolving Credit Agreement dated as of June 28, 2001 between Stein Mart, Inc. and SunTrust Bank, as Administrative Agent (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001)
- 10.2.1 First Amendment to Revolving Credit Agreement dated as of November 9, 2001 among Stein Mart, Inc. and SunTrust Bank, as Administrative Agent (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter year ended September 29, 2001)
- 10.2.2 Second Amendment to Revolving Credit Agreement dated as of April 30, 2002 among Stein Mart, Inc. and SunTrust Bank, as Administrative Agent (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 4, 2002)
- ~*10.3 Employee Stock Plan
- ~*10.4 Form of Non-Qualified Stock Option Agreement
- ~*10.5 Form of Incentive Stock Option Agreement
- *10.6 Profit Sharing Plan
- ~*10.7 Executive Health Plan
- ~*10.8 Director Stock Option Plan
- ~^10.9 Executive Split Dollar Plan
- ~^10.10 Executive Deferral Plan
- 10.11 2001 Omnibus Plan (incorporated by reference to the Company's Form S-8 Registration Statement filed on August 7, 2001)
- 23.1 Consent of PricewaterhouseCoopers LLP (filed herein)
- 99.1 Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 (filed herein)
- 99.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 (filed herein)
- 99.3 Audit Committee Charter, amended March 24, 2003 (filed herein)
- 99.4 Compensation Committee Charter, amended March 24, 2003 (filed herein)
- 99.5 Corporate Governance Committee Charter (filed herein)
- * Previously filed as Exhibit to Form S-1 Registration Statement 33-46322 and incorporated herein by reference.
- ^ Previously filed as Exhibit to the Company's Form 10-K for the fiscal year ended January 1, 2000 and incorporated herein by reference.
- ~ Management Contracts or Compensatory Plan or Arrangements filed pursuant to S-K 601 (10) (iii)(A).

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-27991, 333-88176, 333-39323, 333-67034 and 333-67038) of Stein Mart, Inc. of our report dated March 28, 2003, except for Note 14, as to which the date is April 16, 2003, relating to the financial statements, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
Jacksonville, Florida
April 28, 2003

Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned President and Chief Executive Officer of Stein Mart, Inc. (the “Company”), hereby certify that:

1. the Annual Report on Form 10-K of the Company for the 52 weeks ended February 1, 2003 (the “Report”) fully complies with the requirements of Section 13(a) 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.

Date: May 1, 2003

/s/ Michael D. Fisher

Michael D. Fisher

Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Financial Officer of Stein Mart, Inc. (the "Company"), hereby certify that:

1. the Annual Report on Form 10-K of the Company for the 52 weeks ended February 1, 2003 (the "Report") fully complies with the requirements of Section 13(a) 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.

Date: May 1, 2003

/s/ James G. Delfs

James G. Delfs

STEIN MART, INC.
AUDIT COMMITTEE CHARTER
Amended March 24, 2003

Purpose. The Audit Committee of the Board of Directors (the “Board”) of Stein Mart, Inc. (the “Audit Committee”) is appointed by the Board to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) the compliance by the Company with legal and regulatory requirements and (3) the independence and performance of the Company’s internal and external auditors.

I. Members

There shall be not less than three members of the Audit Committee, one of whom shall be elected by the Board to serve as Chairperson of the Audit Committee (the “Committee Chairperson”), and each of whom shall meet the independence and experience requirements of The Nasdaq Stock Market® (“Nasdaq”). Thus, the members of the Audit Committee shall meet the following criteria:

- A. Each shall be a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship, which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:
1. a director who is employed by the Company or any of its affiliates for the current year or any of the past three years;
 2. a director who was a partner or employee of the Company’s outside auditors who worked on the Company’s audit engagement for the current year or any of the past three years;
 3. a director who accepts or who has an “Immediate Family Member” (as defined below) who accepts any compensation or payments from the Company or any of its affiliates in excess of \$60,000 during the current or any of the past three years, other than compensation for board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation;
 4. a director who is an Immediate Family Member of an individual who is, or has been in any of the past three years, employed by the Company or any of its affiliates as an executive officer;
 5. a director who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the corporation made, or from which the corporation received, payments (other than those arising solely from investments in the corporation’s securities) that exceed 5% of the Company’s or such business organization’s consolidated gross revenues for that year, or \$200,000, whichever is more, in the current or any of the past three years;
 6. a director who is employed as an executive of another entity where any of the Company’s executives serve on that entity’s compensation committee.

“Immediate Family Member” includes, but is not limited to, a person’s spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law and anyone who resides in such person’s home.

- B. Each member shall be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. At least one member shall qualify as an “Audit Committee Financial Expert” under Securities & Exchange Commission (“SEC”) regulations. In determining whether a member is such a financial expert, the Board of Directors will determine:

1. Whether one member of the Audit Committee has the following attributes:
 - a. an understanding of generally accepted accounting principles and financial statements;
 - b. the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
 - c. experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the registrant's financial statements, or experience actively supervising one or more persons engaged in such activities;
 - d. an understanding of internal controls and procedures for financial reporting; and
 - e. an understanding of audit committee functions; and
 2. Whether that person acquired such attributes through any one or more of the following:
 - a. education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
 - b. experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
 - c. experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
 - d. other relevant experience.
- C. Each member of the Audit Committee shall also be "independent," as defined in Section 301 of the Sarbanes-Oxley Act (the "Sarbanes Act"). Thus, each member may not, other than in his or her capacity as a member of the Board of Directors, the Audit Committee or any other board committee:
1. accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the Company; or
 2. be an affiliated person of the Company or any subsidiary.

II. Appointment; Authority; Complaints

- A. *Appointment.* The Board shall appoint members of the Audit Committee.
- B. *Professional Advisors.* The Audit Committee shall have the authority, and is hereby authorized to incur costs, to retain special legal, accounting or other consultants to advise the Committee and/or to assist with any investigations, which the Audit Committee may wish to undertake. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- C. *Outside Auditors.* The Audit Committee shall have direct responsibility for appointment, compensation and oversight of the Company's outside auditors, including resolving disagreements between management and the auditors regarding financial reporting. The outside auditors shall report directly to the Audit Committee. The Audit Committee shall pre-approve (i) all audit services, and (ii) all non-audit services provided by the outside auditor that are permitted by Section 201 of the Sarbanes Act, except if:

1. in the case of permissible non-audit services, such services qualify as de minimus under Section 202 of the Sarbanes Act and the Company did not recognize that such services were non-audit services at the time of the engagement;
2. the Audit Committee, or one or more of its designated members, approves the permissible non-audit services before completion of the audit; and
3. when one or more designated members approve such services, such approval is presented to the Audit Committee at its next scheduled meeting.

The Audit Committee shall be responsible for receiving from the outside auditors, and where the Audit Committee determines it necessary or desirable, to question the outside auditors and management about, all reports required to be made by the auditors to the Audit Committee under Section 205 of the Sarbanes Act.

D. Complaints

1. *Contacts.* The Audit Committee shall appoint an independent person (who may be an attorney who is not otherwise engaged by the Company and who is called the “Independent Contact”) to receive calls from persons who wish to make a complaint or express concern about the accounting procedures, internal controls, auditing matters and/or reporting methods of the Company (an “Accounting Complaint”) and to facilitate Accounting Complaints by those wishing to maintain an anonymous status.
2. *Retention.* The Independent Contact and any Audit Committee Member who receives a Complaint shall cause a report of such Complaint (the “Complaint Report”) to be made to the Committee Chairman who shall maintain a confidential file of all Complaint Reports that are made in writing and such written Complaint Reports shall be preserved for 10 years following the receipt of such Complaint.
3. *Action on Complaint.* The Committee Chairperson shall review each Complaint Report to make a preliminary determination as to the probable validity of such Complaint and the Committee Chairperson is authorized to undertake such investigation as the Committee Chairperson believes warranted under the circumstances.

E. Disclosure Committee

1. *Responsibility.* The Company shall have a committee (the “Disclosure Committee”) which is responsible for reviewing internal controls relating to financial reporting and for making certain that the appropriate questions are asked of various members of the financial department and of operations and that appropriate certificates are obtained from various individuals within those areas of responsibility in the Company to provide assurance to the Company and to the Company’s Chief Financial Officer and Chief Executive Officer in connection with those parties’ certification of the periodic reports of the Company’s activities.
2. *Committee Members.* The Disclosure Committee shall be made up of persons holding the offices of the Company’s Vice President, Controller, the Company’s Director of Financial Reporting, the Company’s Vice President of Internal Audit, Safety and Security, the Company’s Senior Vice President, Director of Stores, the Company’s Vice President of Planning and Allocation and the Company’s Vice President of Information Systems.
3. *Report to Audit Committee.* At least annually, the Disclosure Committee shall report to the Audit Committee on its activities and the results of its oversight of disclosure matters.

- F. *Related-party Transactions.* The Audit Committee shall review and approve all “related-party transactions”. A transaction is a “related-party transaction” if it is a financial or contractual transaction between the Company and any Director or executive officer.

III. Committee Meetings

The Audit Committee will hold meetings at such times and at such places as it shall deem necessary but shall hold at least the following meetings: (a) a March/April meeting (the “Year-End Review Meeting”) prior to the release of the Company’s audited financial statements for the prior year, (b) a mid-year meeting (the “Mid-Year Meeting”) to generally coincide with the annual meeting of the Company’s shareholders, (c) an October/November meeting (the “Fall Meeting”) to generally coincide with the fall meeting of the Company’s Board of Directors, and (d) meetings to approve each release of the Company’s quarterly financial numbers.

IV. Specific Responsibilities

The Audit Committee shall make regular reports to the Board. The Audit Committee shall undertake the following tasks generally at the times indicated:

A. Quarterly

1. Review with management and the independent auditor, the Company’s quarterly financial statements prior to filing of SEC Form 10-Q. Determine through questioning management and the independent auditor that the reports reflect:
 - a. all material, correcting adjustments identified by the Company’s independent auditor;
 - b. any off-balance sheet transactions;
 - c. all SEC requirements regarding any disclosure of pro-forma information;
 - d. management’s assessment of disclosure controls and procedures and internal controls;
 - e. in plain English, the material changes in financial condition or results of operations.
2. Ascertain through questioning management and the independent auditor that:
 - a. all audit documents and E-mails are preserved for the period of time required by current rules of the SEC;
 - b. the independent auditors report to the Committee critical accounting policies and practices used, alternative treatments within GAAP and any other material communications with management;
 - c. the independent auditors have not engaged in any prohibited consulting services such as: (i) bookkeeping and accounting, (ii) financial information systems design, (iii) appraisals, valuations, fairness opinions, etc., (iv) actuarial services, (v) internal audit outsourcing, (vi) management or human resources functions, (vii) broker dealer and investment banking, or (viii) legal and expert services unrelated to audit;
 - d. the independent auditors have reported on management’s assessment of internal controls including findings, evaluation of whether internal controls include proper maintenance of records, whether there is a reasonable assurance that transactions are recorded in accordance with GAAP, and description of any material weaknesses in controls, and as part of their certification process for the Form 10-Q, the Company’s Chief Executive Officer and Chief Financial Officer have reported to and discussed with the Audit Committee and the auditors any: (i) significant deficiencies in the design or operation of internal controls, (ii) material weaknesses in internal controls, and (iii) fraud involving management or other employees who

- have a significant role in the Company's internal controls, as required by Section 302 of the Sarbanes-Oxley Act; and
- e. the independent auditors have reported any material non-compliance as a result of testing.

B. Year-End Review Meeting

1. Review the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices as well as the quality and acceptability of such principles, practices and underlying estimates, and the adequacy of internal controls that could significantly affect the Company's financial statements.
2. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.
3. Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.
4. Obtain from the independent auditor a formal written statement delineating all relationships between the auditor and the Company, discuss with the auditor any disclosed relationships or services that may impact auditor objectivity and independence, and take appropriate action to insure the independence of the auditor.
5. Obtain from the independent auditor assurance that Section 10A of the Private Securities Litigation Reform Act of 1995 (which deals with the requirement that auditors report any illegal acts which they have discovered) has not been implicated.
6. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 (such as: (i) the methods used to account for significant unusual transactions; (ii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus; (iii) the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditor's conclusions regarding the reasonableness of those estimates; and (iv) disagreements with management over the application of accounting principles, the basis for management's accounting estimates, and the disclosures in the financial statements) relating to the conduct of the audit.
7. Review with the independent auditor any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the Company's response to that letter. Such review should include:
 - a. any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
 - b. any changes required in the planned scope of the internal audit;
 - c. the internal audit department responsibilities, budget and staffing.
8. Determine that the Company's annual report includes:
 - a. a statement of the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including, with respect to controls to assure that: (i) the Company's transactions are properly authorized, (ii) the Company's assets are safeguarded against unauthorized or improper use, and (iii) the Company's transactions are properly reported; and

- b. an assessment, as of the end of the Company's most recent fiscal year, of the effectiveness of those controls. Obtain from the independent auditor an attestation to, and report on management's assessment of internal controls.
- 9. Approve the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement stating whether the committee (a) reviewed and discussed the audited financial statements with management, (b) discussed with the auditors the matters requiring discussion by SAS 61, (c) received the written disclosures and letter from the auditor required to confirm the auditors' independence and discussed with the auditors their independence, and (d) based on the above, recommended to the Board that the audited financial statements be included in the Company's Annual Report on SEC Form 10-K.
- 10. Review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies. Determine from questioning the General Counsel that he or she has maintained an open door policy encouraging all outside counsel to report any concerns about material violations of securities laws or fiduciary duties by the Company or any of its personnel.
- 11. Review with independent auditor the adequacy of the Company's management information systems and the security of such systems for the purpose of producing fairly stated financial statements.
- 12. Review with the head of the Company's internal audit staff matters relating to the ongoing internal audits activities of that staff.
- 13. Meet in executive session individually with such of the following as the Committee deems appropriate at the meeting: the Company's independent auditors, the Company's Chief Financial Officer and a representative of the Company's internal audit staff.
- 14. Meet with a representative of the Company's Disclosure Committee to review that committee's activities since the last meeting with the Audit Committee.

C. Mid-Year Meeting

- 1. Evaluate the performance of the independent auditor and appoint or replace independent auditor, which firm is ultimately accountable to the Audit Committee, and approve the fees to be paid to the independent auditor.
- 2. Review the appointment or replacement of the senior internal auditing executive.
- 3. Review the significant reports to management prepared by the internal auditing department and management's responses.
- 4. Review and reassess the adequacy of this Charter annually, submit it to the Board for approval, and cause a copy of this Charter to be attached to the Company's annual proxy statement every three years, in accordance with SEC Rule Item 7(e) of Schedule 14A.
- 5. Request educational information on accounting topics as to which the Committee seeks a greater understanding.
- 6. Provide The Nasdaq Stock Market® ("Nasdaq") with written confirmation as to the Audit Committee member qualifications and related Board determinations, as well as the annual review and re-evaluation of the Audit Committee Charter.

7. Meet in executive session individually with such of the following as the Committee deems appropriate at the meeting: the Company's independent auditors, the Company's Chief Financial Officer and a representative of the Company's internal audit staff.

D. Fall Meeting

1. Meet with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
2. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
3. Meet with the independent auditor prior to the audit to review the planning and staffing of the audit.
4. Meet with the chief financial officer, the senior internal auditing executive and the independent auditor in separate executive sessions.
5. Review with the head of the Company's internal audit staff, matters relating to the ongoing internal audits activities of that staff.

V. Limitation on Duties

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations or to assure compliance with laws and regulations and the Company's Code of Conduct.

As revised by the Audit Committee March 24, 2003.

Linda McFarland Farthing, Chairperson
Michael D. Rose
James H. Winston

STEIN MART, INC.
COMPENSATION COMMITTEE CHARTER
Amended March 24, 2003

Purpose. The Compensation Committee of the Board of Directors (the “Board”) of Stein Mart, Inc. (the “Committee”) is appointed by the Board (i) to discharge the Board’s responsibilities relating to compensation of the Company’s directors and officers, (ii) to have overall responsibility for approving and evaluating the director and officer compensation plans, policies and programs of the Company, and (iii) to have responsibility for producing an annual report on executive compensation for inclusion in the Company’s proxy statement.

I. Members

There shall be not less than three members of the Committee, one of whom shall be elected by the Board to serve as Chairman of the Committee (the “Committee Chairman”), and each of whom shall meet the independence and experience requirements of The Nasdaq Stock Market® (“Nasdaq”). Thus, the members of the Committee shall meet the following criteria:

- A. Each shall be a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship, which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered independent:
1. a director who is employed by the Company or any of its affiliates for the current year or any of the past three years;
 2. a director who was a partner or employee of the Company’s outside auditors who worked on the Company’s audit engagement for the current year or any of the past three years;
 3. a director who accepts or who has an “Immediate Family Member” (as defined below) who accepts any compensation or payments from the Company or any of its affiliates in excess of \$60,000 during the current or any of the past three years, other than compensation for board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation;
 4. a director who is an Immediate Family Member of an individual who is, or has been in any of the past three years, employed by the Company or any of its affiliates as an executive officer;
 5. a director who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the corporation made, or from which the corporation received, payments (other than those arising solely from investments in the corporation’s securities) that exceed 5% of the Company’s or such business organization’s consolidated gross revenues for that year, or \$200,000, whichever is more, in the current or any of the past three years;
 6. a director who is employed as an executive of another entity where any of the Company’s executives serve on that entity’s compensation committee.

“Immediate Family Member” includes, but is not limited to, a person’s spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law and anyone who resides in such person’s home.

- B. In addition, at least two members of the committee must qualify as “non-employee directors,” as defined in Rule 16b-3 under the Securities Exchange Act of 1934, and as “outside directors,” as defined in Section 162(m) of the Internal Revenue Code and Treasury regulations thereunder.

II. Appointment; Authority & Duties

- A. *Appointment.* The Board shall appoint members of the Committee.
- B. *Professional Advisors.* The Committee shall have the authority, and is hereby authorized to incur costs, to retain special legal, accounting, compensation or other consultants to advise the Committee and/or to assist in the evaluation of director, chief executive officer and other senior executives or senior executive compensation and shall have sole authority to approve the consultant's fees and other retention terms. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent compensation consultant to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- C. *General Duties.* The Committee shall annually review and approve corporate goals and objectives relevant to chief executive officer and other senior executives' compensation, evaluate the chief executive officer and other senior executives' performance in light of those goals and objectives, and approve the chief executive officer and other senior executives' compensation levels based on this evaluation. Senior executives shall include all officers who are required to file reports under Section 16 of the Securities Exchange Act of 1934. In determining the long-term incentive component of the chief executive officer and other senior executives' compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to the chief executive officer and other senior executives at comparable companies, and the awards given to the chief executive officer and other senior executives in past years.
- D. The Committee shall annually review and have the authority to set the compensation of all directors, officers and other key executives, including incentive-compensation plans and equity-based plans. The Committee shall approve all grants of options under the Company's option plans. If the Committee does not consist entirely of directors who qualify as "non-employee directors" under Rule 16b-3 and as "outside directors" under Section 162(m) of the Internal Revenue Code, all awards of performance-based compensation and all grants under the Company's option plans shall be made by a subcommittee of at least two directors who meet such qualifications. The vote of at least two directors who meet such qualifications shall be deemed the vote of a subcommittee of such directors.
- E. The Committee shall annually review and approve, for the chief executive officer and other senior executives and the senior executives of the Company, (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits.
- F. The Committee shall meet in executive session to determine the compensation of the chief executive officer. The chief executive officer may be present during committee deliberations concerning the compensation of other senior executives but may not vote.
- G. The Committee may form and delegate authority to subcommittees when appropriate.
- H. The Committee shall make regular reports to the Board and shall cause an annual report of the Committee to be included in the Company's annual report to its shareholders.
- I. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review its own performance.

III. Committee Meetings

The Committee will hold meetings at such times and at such places as it shall deem necessary but shall hold at least one meeting each calendar quarter.

As revised by the Compensation Committee March 24, 2003.

Alvin R. Carpenter, Chairman
Martin E. Stein, Jr.
James H. Winston

STEIN MART, INC.
CORPORATE GOVERNANCE COMMITTEE CHARTER
Adopted March 24, 2003

Purpose. The Corporate Governance Committee of the Board of Directors (the “Board”) of Stein, Mart, Inc. (the “Committee”) is appointed by the Board (i) to oversee the selection of new directors, (ii) to oversee the function of the Board in its committees, and (iii) to evaluate the Board’s performance as well as the relationship between the Board and the Company’s management.

I. Members

The Committee shall be made up of all members of the Board (the “Independent Directors”) who meet the independence and experience requirements of The Nasdaq Stock Market® (“Nasdaq”). The Company’s Lead Director shall serve as Chairman of the Committee. Thus, the members of the Committee shall meet the following criteria:

- A. Each shall be a person other than an officer or employee of the Company or its subsidiaries or any other individual having a relationship, which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The following persons shall not be considered Independent Directors:
1. a director who is employed by the Company or any of its affiliates for the current year or any of the past three years;
 2. a director who was a partner or employee of the Company’s outside auditors who worked on the Company’s audit engagement for the current year or any of the past three years;
 3. a director who accepts or who has an “Immediate Family Member” (as defined below) who accepts any compensation or payments from the Company or any of its affiliates in excess of \$60,000 during the current or any of the past three years, other than compensation for board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation;
 4. a director who is an Immediate Family Member of an individual who is, or has been in any of the past three years, employed by the Company or any of its affiliates as an executive officer;
 5. a director who is a partner in, or a controlling shareholder or an executive officer of, any for-profit business organization to which the corporation made, or from which the corporation received, payments (other than those arising solely from investments in the corporation’s securities) that exceed 5% of the Company’s or such business organization’s consolidated gross revenues for that year, or \$200,000, whichever is more, in the current or any of the past three years;
 6. a director who is employed as an executive of another entity where any of the Company’s executives serve on that entity’s compensation committee.

“Immediate Family Member” includes, but is not limited to, a person’s spouse, parents, children, siblings, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law and anyone who resides in such person’s home.

II. Authority & Duties

The Committee shall have the authority and duties set forth below and is hereby authorized to incur costs and to retain special legal and other consultants to advise the Committee in the performance of its functions:

A. General Duties

1. *Directors.* The Committee shall be responsible for leading the search for individuals qualified to become members of the Board and for the selection of director nominees to be submitted to shareholders for approval at annual meetings. The Committee shall also have the authority to nominate for Board Approval directors to fill seats of any vacancies on the Board between the time such vacancies are created and the next annual meeting of the Company's shareholders.
2. *Committee Structure.* The Committee shall review the structure of the standing committees of the Board, make recommendations to the full Board as to recommended changes in such structure and as to changes in the charters of each of those standing committees.
3. *Code of Ethics.* The Committee will have the authority to adopt, for the Company, a code of ethics applicable to all directors, officers, managers and employees of the Company.
4. *Evaluation.* The Committee will have the authority to develop and recommend to the full Board of Directors for its approval, a self-evaluation process for the Board and its committees and to oversee those self-evaluations.
5. *Delegation.* The Committee will have the authority to delegate any of its responsibilities to such sub-committees as the Committee may deem appropriate from time to time in its sole discretion.
6. *Reports.* The Committee shall report its actions and recommendations to the full Board either at the next meeting of the full Board or by circulating minutes of the Corporate Governance Committee's meetings.
7. *Charter.* The Committee shall annually review the adequacy of this Charter and recommend any changes to this Charter.

III. Role of Lead Director

The Corporate Governance Committee shall have the authority to designate from time to time, a member of the Corporate Governance Committee as the "Lead Director."

A. *Duties of Lead Director.* The Lead Director shall have the following duties:

1. To serve as Chairman of the Corporate Governance Committee.
2. To set the agenda for the Corporate Governance Committee and to work with the Chairman of the Board in setting the agenda for each meeting of the Board of Directors.
3. To communicate with other members of the Board from time to time to develop agenda items for meetings of the Board and for Committees of the Board.
4. To recommend to the Corporate Governance Committee, the make-up of Committee members and rotation of such members.
5. To be a principal liaison between the Board and management and to increase the flow of information between members of the Board and management.
6. To act as a moderator during executive sessions of the Independent Directors.

IV. Committee Meetings

The Committee shall hold meetings at such times and places as it shall deem necessary, but shall hold at least two meetings each calendar year. The Lead Director, as Chairman of the Corporate Governance Committee, shall have the authority to call a meeting of the Committee at such time as the Lead Director believes appropriate.

As approved by the Board of Directors March 24, 2003.

Michael D. Rose, Lead Director & Chairman
Alvin R. Carpenter
Linda McFarland Farthing
Martin E. Stein, Jr.
J. Wayne Weaver
James H. Winston