

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

For the fiscal year ended January 31, 2004

OR

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

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 Act).

Yes ☒ No ☐

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of April 1, 2004 was \$359,524,487. 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 25,865,071 shares. At April 1, 2004, the Registrant had issued and outstanding an aggregate of 42,086,769 shares of its common stock.

Documents Incorporated By Reference:

Portions of the Proxy Statement for Registrant's 2004 Annual Meeting of Stockholders are incorporated in Part III and Part IV.

**STEIN MART, INC.
TABLE OF CONTENTS**

<u>ITEM NO.</u>	<u>FORM 10-K REPORT PAGE</u>
PART I	
1. Business	3
2. Properties	8
3. Legal Proceedings	9
4. Submission of Matters to a Vote of Security Holders	9
PART II	
5. Market for Registrant's Common Equity and Related Stockholder Matters	9
6. Selected Financial Data	10
7. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
7A. Quantitative and Qualitative Disclosures about Market Risk	17
8. Financial Statements and Supplementary Data	17
9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	17
9A. Disclosure Controls and Procedures	17
PART III	
10. Directors and Executive Officers of the Registrant	17
11. Executive Compensation	18
12. Security Ownership of Certain Beneficial Owners and Management	18
13. Certain Relationships and Related Transactions	18
PART IV	
14. Principal Accountant Fees and Services	18
15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K	18
SIGNATURES	19
TABLE OF CONTENTS TO FINANCIAL STATEMENTS AND SCHEDULES	
Report of Independent Certified Public Accountants	F-1
Balance Sheets	F-2
Statements of Operations	F-3
Statements of Stockholders' Equity	F-4
Statements of Cash Flows	F-5
Notes to Financial Statements	F-6
SCHEDULES	NONE
INDEX TO EXHIBITS	E-1

PART I

ITEM 1. BUSINESS

At January 31, 2004, Stein Mart, Inc. operated a 261-store retail chain offering the fashion merchandise, service and presentation of traditional, better department and specialty stores at prices typically 25% to 60% less than department stores. The Company's focused assortment of merchandise features moderate to designer brand-name apparel, as well as accessories, gifts, linens, shoes and fragrances. Founded by the current chairman's grandfather, the Company operated one store until 1977, when expansion began. The Company's initial public offering took place in April 1992.

As used herein, the terms "Company" and "Stein Mart" refer to Stein Mart, Inc. and its wholly owned subsidiary. The Company's fiscal year ends on the Saturday closest to January 31.

Business Strategy

The Company's business strategy is to provide a retailing concept which combines the fashion assortment, store appearance, merchandise presentation and customer service levels of better department and specialty stores with the value pricing of an off-price retail format. 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 neighborhood shopping centers in close proximity to the better residential neighborhoods of a given community. Optimal co-tenancy is with upscale supermarkets, drug stores, specialty retailers and restaurants which cater to 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 traditional 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.

Target Customer

Stein Mart's target customer is a 35-60 year old female, who typically occupies a household with above-average income and is well-educated. Whether or not she is employed, she is less likely to have children at home. The target customer is more attracted to a department store level of fashion, presentation and service, but she visits large-format shopping malls only occasionally. Conversely, she tends to be more discriminating than a typical off-price customer.

Merchandise Philosophy and Procurement

Stein Mart's merchandise selection is driven primarily by its merchandising plans that are based on management's assessment of fashion trends, color and market conditions. Within each major merchandise category, the Company seeks to offer a focused assortment of the best-selling fashion merchandise. 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. Private label merchandise comprises no more than 10% of the merchandise assortment.

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. To ensure the best value for its customers, the Company purchases from vendors who manufacture merchandise in the United States and overseas. 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 2003, approximately 7% 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 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) unlike department stores, the Company typically foregoes financial supports such as advertising allowances and return privileges in exchange for a lower purchase price from its vendors; (iii) the Company purchases some in-season off-price and end-of-season close-out merchandise to supplement core merchandise assortments; (iv) 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; (v) key predictable items are replenished bi-weekly or monthly; and (vi) 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 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 departments) for the fiscal years indicated:

	2003	2002	2001
Ladies' and <i>Boutique</i> apparel	39%	38%	40%
Ladies' accessories	12	12	10
Men's	17	17	17
Gifts and linens	19	20	19
Leased departments	7	6	7
Children's	4	5	5
Other	<u>2</u>	<u>2</u>	<u>2</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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 included: (i) reformatting all stores 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 and (ii) reducing square footage in the men's and children's areas to focus on key categories. In 2003, space re-allocation continued in Children's and Gifts, where Home Décor was added in all stores.

Ladies' apparel, the Company's largest contributor of revenues, comprises sportswear, petites, dresses 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 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.

Unlike many retailers, the Company does not utilize central distribution facilities to control merchandise flow. Instead, the Company uses a drop ship method of delivering merchandise directly from the vendor, although occasionally a third party distributor is employed as well. The primary delivery system is through UPS. Management feels this system, which has been developed over numerous years, yields benefits in both time and freight cost reduction to the Company. Management reviews the current system on a regular basis and at this time, does not anticipate departing from its drop ship delivery system.

Store Network and Appearance

The Company prefers to locate its stores in neighborhood shopping centers in close proximity to the better residential neighborhoods of a given community. Stein Mart's 261 stores are located in 28 states and the District of Columbia, primarily in the Southern half of the country, from California to the Eastern Seaboard, and, in recent years, has also entered into the Upper Midwest and Great Lakes states.

In order to attract its target customer, optimal co-tenancy is in neighborhood centers with upscale supermarkets, drug stores, specialty retailers and restaurants which cater to an upscale repeat clientele. A majority of Stein Mart stores are located in such centers, with the remainder in strip centers, power centers or traditional shopping malls. Three tenant representatives, working with Company specifications, scout potential locations for future expansion across the United States.

The typical store is approximately 37,000 gross square feet with convenient check-out and customer service areas and attractive, individual dressing rooms. Stein Mart's stores are designed to reflect an upscale ambiance and appearance through attractive layout, displays and in-store signage. 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 employs an easily shoppable racetrack format and 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.

A smaller store concept is being tested with the opening of the first *collections of Stein Mart* in Rolling Hills, California in October 2002. Two more *collections of Stein Mart* stores were opened in 2003 and a fourth opened in early 2004. 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. Management will continue to monitor the results of this concept and its role in the Company's future expansion.

Store Expansion and Closing Strategies

The Company's growth philosophy is to finance growth with internally generated funds and continue to fill in existing markets as well as pioneer new markets. As a result of processing approximately 3% 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 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 10-12 new stores in 2004, including the relocation of three existing stores.

The Company regularly reviews under-performing stores and implements strategies designed to improve their performance. After a period of analysis, if a store's profitability does not improve, the store is considered for closure.

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, including 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 shoppers 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.

Marketing Research and Advertising Strategy

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. This research identified the target customer as female, 35 to 60 years old, in affluent households with above-average incomes, well-educated and less likely to have children at home.

The Company's advertising emphasizes upscale, fashion merchandise at significant savings. In recent years, the Company has allocated the majority of its advertising budget to the production of color pre-print inserts, which have been distributed through newspapers and by direct mail. These pre-prints have been supported by regular, run of press newspaper advertising, as well as limited radio advertising at certain times of the year. 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.

After considering the results of the consumer research project, management considered new methods and messages to attract non-customers with similar attributes to Stein Mart's best customers. Its advertising agency developed a new, television-based branding campaign and a new tagline ("once you go, you get it"). This advertising campaign was tested in several markets in early fall 2003, and distributed nationally during the holiday season through cable TV shows and selected affiliate buys targeted to similar demographics. The new campaign which continues into 2004 is both image and event-focused, and uses newspaper inserts, direct mail and radio, in addition to the television advertising.

Stein Mart's Preferred Customer Program, launched in May 2001 to recognize and reward the Company's most devoted shoppers, now has approximately two million active members. Preferred Customers receive regular mailings regarding key events, promotions, special members-only shopping days and special discounts exclusive to these individuals.

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.

Competition

Management believes that the Company occupies a market niche closer to better department and specialty stores than to typical off-price retail chains. Management believes that Stein Mart differentiates itself from typical off-price retailers by offering: (i) current-season merchandise carried by better department and specialty stores at value prices, (ii) a stronger merchandising "statement," with more depth of color and size, and (iii) merchandise presentation more comparable to other upscale retailers.

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 January 31, 2004, the Company's work force consisted of approximately 14,000 employees (8,400 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 January 31, 2004, the Company operated stores in the following states:

<u>State</u>	<u>Number of Stores</u>
Alabama	12
Arizona	6
Arkansas	3
California	18
Colorado	2
Florida	40
Georgia	18
Illinois	5
Indiana	8
Iowa	1
Kansas	1
Kentucky	3
Louisiana	10
Michigan	1
Mississippi	4
Missouri	3
Nevada	4
New York	2
North Carolina	19
Ohio	12
Oklahoma	5
Pennsylvania	1
South Carolina	12
Tennessee	14
Texas	42
Utah	2
Virginia	10
Washington DC	1
Wisconsin	<u>2</u>
	<u>261</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 January 31, 2004) 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). The table includes the leases for the 261 store locations operated at January 31, 2004 and 12 previously closed store locations for which the Company is actively seeking to sublease.

	Number of Leases Expiring Each Year if no Renewals Exercised	Number of Leases Expiring Each Year if all Renewals Exercised
2004	18	2
2005	24	-
2006	25	1
2007	21	1
2008	35	4
2009-2013	116	23
2014-2018	34	21
2019-2046	-	221

The Company has made consistent capital commitments to maintain and improve existing store facilities. During 2003, approximately \$7.0 million was spent for fixtures, equipment and leasehold improvements in stores opened prior to 2003.

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 (approximately 3% 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 2003.

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 2003 and 2002:

	<u>HIGH</u>	<u>LOW</u>
Fiscal 2003:		
May 3, 2003	\$ 5.69	\$4.22
August 2, 2003	6.27	5.35
November 1, 2003	7.58	5.00
January 31, 2004	10.94	7.07
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

Stein Mart's common stock trades on The Nasdaq Stock Market® under the trading symbol SMRT. On April 9, 2004, there were 1,160 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)

The Company's financial statements have been restated to classify the results of operations for two stores closed during the fourth quarter of 2003 as discontinued operations for all periods.

	Fiscal Year Ended				
	2003	2002	2001 (1)	2000	1999
Statement of Operations Data:					
Net sales	\$1,355,457	\$1,401,613	\$1,313,144	\$1,199,635	\$1,028,251
Cost of merchandise sold	1,014,695	1,054,616	997,950	891,016	775,901
Gross profit	340,762	346,997	315,194	308,619	252,350
Selling, general and administrative expenses (2)	345,868	324,431	299,933	255,110	242,305
Other income, net	13,040	13,870	13,984	13,671	12,018
Income from operations	7,934	36,436	29,245	67,180	22,063
Interest expense	1,688	2,604	4,000	3,309	2,485
Income from continuing operations before income taxes	6,246	33,832	25,245	63,871	19,578
Provision for income taxes	2,373	12,856	9,593	24,122	7,439
Income from continuing operations	3,873	20,976	15,652	39,749	12,139
Loss from discontinued operations, net of tax benefit	(1,672)	(286)	(298)	(392)	(317)
Net income	\$ 2,201	\$ 20,690	\$ 15,354	\$ 39,357	\$ 11,822
Basic income (loss) per share:					
Continuing operations	\$0.09	\$0.51	\$0.38	\$0.93	\$0.27
Discontinued operations	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Total	\$0.05	\$0.50	\$0.37	\$0.92	\$0.26
Diluted income (loss) per share:					
Continuing operations	\$0.09	\$0.51	\$0.38	\$0.92	\$0.27
Discontinued operations	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Total	\$0.05	\$0.50	\$0.37	\$0.91	\$0.26
Operating Data:					
Stores Open at End of Period	261	265	253	226	205
Average Sales Per Store (000's) (3)	\$ 5,564	\$ 5,741	\$ 5,922	\$ 6,068	\$ 5,663
Average Sales Per Square Foot of Selling Area (4)	\$ 181	\$ 184	\$ 189	\$ 192	\$ 176
Comparable Store Net Sales (Decrease) Increase (5)	(4.7%)	(0.8%)	(0.7%)	9.7%	2.3%
Balance Sheet Data:					
Working Capital	\$ 186,037	\$ 145,787	\$ 179,212	\$ 120,602	\$ 117,284
Total Assets	393,029	410,217	417,672	389,989	354,094
Long-term Debt (6)	24,962	-	57,750	-	-
Total Stockholders' Equity	227,678	223,307	201,895	194,028	179,912

- (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. Financial data for the five-week Transition Period ended February 3, 2001 (restated for discontinued operations) is as follows: net sales \$83,572, cost of merchandise sold \$70,181, gross profit \$13,391, selling, general and administrative expenses \$22,937, other income net \$826, interest expense \$186, loss from continuing operations (\$5,522), loss from discontinued operations (\$92), net loss (\$5,614), basic and diluted loss per share/continuing operations \$(0.14).
- (2) Selling, General and Administrative Expenses include store closing and asset impairment charges of \$12.2 million in 2003, \$2.5 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) 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.
- (4) 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.
- (5) Comparable store information for a period reflects stores open throughout that period and for the same 52-week period in the prior year.
- (6) Notes payable to banks of \$41,350 at February 1, 2003 is classified as current (see Note 6 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.

Overview

Stein Mart's 261 stores offer the fashion merchandise, service and presentation of a better department or specialty store, at prices competitive with off-price retail chains. Currently with locations from California to New York, 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 and shoes. Management believes that Stein Mart differentiates itself from typical off-price retailers by offering: (i) current-season merchandise carried by better department and specialty stores at value prices, (ii) a stronger merchandising "statement," with more depth of color and size, and (iii) merchandise presentation more comparable to other upscale retailers.

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.

During 2003, the Company closed 16 under-performing stores whose aggregate loss from operations for 2003 was \$22.7 million. The Company also eliminated discount coupons on full-price merchandise at the end of July 2003. Eliminating coupons hurt comparable store sales during the Fall selling season, but resulted in more markdown dollars being available to move seasonal goods at a faster rate, thus providing fresher, more current merchandise.

Accomplishments during 2003 include:

- Opened 12 new stores during the year which produced \$38.2 million in sales for 2003; closed 16 under-performing stores
- Eliminated discount coupons on full-price merchandise; re-engineered sales promotion activities and calendar to reinforce the everyday value proposition and to make the seasonal clearance cycle more efficient
- Reduced average store inventories by 3.2%
- Reduced shrinkage 35% for a benefit of \$4.5 million as a result of a restructured loss prevention organization and systems put in place during the past several years
- Introduced Peck & Peck label women's clothing in *Boutique* and Raymond Waites Studio in gifts and linens as unique lines for Stein Mart

- Launched national TV branding campaign featuring Stein Mart customers
- Entered into a new, three-year, \$150 million loan agreement with added flexibility and lower rates, as well as the opportunity to extend the terms and increase the size of the facility.

Outlook

Over the past two years, the Company has reduced inventory levels, re-formatted its stores, closed unprofitable locations, eliminated full-price coupons and created a new marketing campaign. As such, the Company's preliminary outlook for 2004 is as follows:

- Negative pressure on comparable store sales should ease mid-year (coupon elimination anniversary);
- Inventory discipline and revised clearance cycle should produce improved merchandise freshness;
- Branding campaign/new marketing initiatives should encourage new customer trial; and
- Improved general economy and fashion emphasis should benefit retail in general.

Stores

The number of stores open as of January 31, 2004, February 1, 2003 and February 2, 2002 were 261, 265 and 253, respectively.

	2003	2002	2001
Stores at beginning of year	265	253	226
Stores opened during the year	12	16	30
Stores closed during the year	(16)	(4)	(3)
Stores at the end of year	<u>261</u>	<u>265</u>	<u>253</u>

Results of Operations

The following table sets forth each line item of the Statement of Operations expressed as a percentage of the Company's net sales:

	2003	2002	2001
Net sales	100.0%	100.0%	100.0%
Cost of merchandise sold	74.9	75.2	76.0
Gross profit	25.1	24.8	24.0
Selling, general and administrative expenses	25.5	23.2	22.9
Other income, net	1.0	1.0	1.1
Income from operations	0.6	2.6	2.2
Interest expense	0.1	0.2	0.3
Income from continuing operations before income taxes	0.5	2.4	1.9
Provision for income taxes	0.2	0.9	0.7
Income from continuing operations	0.3	1.5	1.2
Loss from discontinued operations, net of tax benefit	(0.1)	-	-
Net income	<u>0.2%</u>	<u>1.5%</u>	<u>1.2%</u>

Store Closings

Sixteen under-performing stores were closed during 2003 (see Notes 2 and 3 to the Financial Statements) and the Company plans to close six more stores and relocate three stores during 2004. The closings in 2004 will be at natural lease term expirations, so there will be no significant lease termination costs in 2004.

Two of the stores closed during the fourth quarter of 2003 resulted in the exit from the New Mexico market and, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, are classified as discontinued operations, as cash flows of these stores have been eliminated from ongoing operations. Sales and operating losses for the 16 stores closed in 2003 and four stores closed in 2002 are shown below for the years ended January 31, 2004 and February 1, 2003. Included in the 2002 column are operating results of the 16 stores closed in 2003, in addition to the four stores closed in 2002.

	2003	2002
Sales from closed stores:		
Included in continuing operations	\$ 27,358	\$54,082
Included in discontinued operations	6,175	7,035
	<u>\$ 33,533</u>	<u>\$61,117</u>
Operating losses from closed stores:		
Included in continuing operations	\$(20,041)	\$(9,403)
Included in discontinued operations	(2,696)	(461)
	<u>\$(22,737)</u>	<u>\$(9,864)</u>

Operating losses from closed stores include the following store closing and asset impairment expenses:

	2003	2002
Continuing operations:		
Present value of lease termination costs	\$ 6,561	\$ 113
Asset impairment charges	793	1,610
Severance	736	-
Third-party liquidation services	1,058	-
	<u>9,148</u>	<u>1,723</u>
Discontinued operations:		
Present value of lease termination costs	172	-
Asset impairment charges	42	-
Severance	135	-
	<u>349</u>	<u>-</u>
Total	<u>\$ 9,497</u>	<u>\$ 1,723</u>

Continuing Operations

Year Ended January 31, 2004 Compared to Year Ended February 1, 2003

The 3.3% total sales decrease for the year ended January 31, 2004 from the prior year reflects a 4.7% decrease in sales from comparable stores, the opening of 12 new stores, which contributed \$38.2 million to net sales, and the closing of 16 stores. For the past three years, as a marketing vehicle to attract new customers, the Company used various coupons that allowed customers to take a specified percentage discount off of full-priced merchandise. As this practice escalated, it became apparent that these coupons did not support the Company's unique selling proposition. As a result, the Company discontinued these 'percentage off full price' coupons in July 2003. While such coupons may continue to be used on a limited basis in new markets and specific circumstances, the widespread distribution of full-price, percentage off coupons has ceased. As anticipated, the discontinuation of these customer traffic incentives hindered 2003 sales growth. However, discounts that had previously been devoted to these coupon incentives were used to clear seasonal goods more efficiently and create additional freshness in the inventory.

Gross profit for the year ended January 31, 2004 was \$340.8 million or 25.1 percent of net sales, a 0.3 percentage point increase over gross profit of \$347.0 million or 24.8 percent of net sales for the year ended February 1, 2003. Mark-up improved 2.1 percentage points over last year, but was offset by a 1.6 percentage point increase in markdowns and a 0.5 percentage point due to lack of occupancy leverage. Markdowns in the stores that were going out of business accounted for almost half of the markdown impact. Gross profit also includes a \$1.6 million inventory charge to reduce merchandise inventories to the lower of cost or market value in the six stores planned for closing in Spring 2004. Lastly, gross profit was favorably impacted by a 0.3 percentage point improvement in shrinkage from last year as a result of a restructured loss prevention organization and enhanced systems.

Selling, general and administrative expenses ("SG&A") were \$345.9 million or 25.5 percent of net sales for the year ended January 31, 2004, a \$21.0 million increase over SG&A expenses of \$324.4 million or 23.2 percent of net sales for 2002. Included in SG&A for fiscal 2003 and 2002 are store closing and asset impairment charges of \$12.2 million and \$2.5 million, respectively. The increase in these charges accounted for approximately one-third of the 2.3 percentage point increase in SG&A as a percent of sales. SG&A increased 0.5 percent of net sales due to

an increase in expenses related to the new advertising campaign and the remaining increase is due to a lack of leverage resulting from the 4.7% decrease in comparable store sales for fiscal year 2003.

Pre-opening expenses for the 12 stores opened in 2003 amounted to \$1.8 million and for the 16 stores opened in 2002, amounted to \$3.1 million.

Other income, primarily from in-store leased shoe departments, was \$13.0 million in 2003, a slight decrease from the \$13.9 million in 2002, but remained at 1.0% of sales. An improvement in the shoe business was offset by the elimination of fragrance as a leased department in May 2003.

Interest expense for 2003 was \$1.7 million, compared to \$2.6 million in 2002. The decrease resulted from lower average borrowings at lower interest rates this year compared to last year.

Income from continuing operations before income taxes was \$6.2 million or 0.5 percent of net sales for 2003 and \$33.8 million or 2.4 percent of net sales for 2002. The decrease in income from continuing operations is due to the overall reduction in net sales, as well as operating losses of \$20.0 million from the 14 stores closed in 2003 and other changes discussed above.

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

Net sales of \$1.402 billion were achieved for fiscal year 2002, an increase of \$88.5 million, or 6.7 percent over net sales of \$1.313 billion for 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 \$347.0 million or 24.8 percent of net sales compared to \$315.2 million or 24.0 percent of net sales for 2001. The 0.8 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 \$324.4 million or 23.2 percent of net sales for 2002, as compared to \$299.9 million or 22.9 percent of net sales in 2001. The 0.3 percent increase was primarily due to a lack of sales leverage slightly offset by lower pre-opening costs. Selling, general and administrative expenses include store closing expenses and asset impairment charges for under-performing stores of \$2.5 million in 2002 and \$2.9 million in 2001.

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 \$13.9 million in 2002, a slight decrease from the \$14.0 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 in 2002 compared to 2001.

Liquidity and Capital Resources

The Company's primary source of liquidity is the sale of its merchandise inventories. Capital requirements and working capital needs are funded through a combination of internally generated funds, a revolving credit facility and credit terms from vendors. As of January 31, 2004, the Company had \$12.0 million in cash and cash equivalents. Working capital is needed to support store inventories and capital investments for new store openings and to maintain existing stores. Historically, the Company's working capital needs are lowest in the first quarter and highest in either the third or fourth quarter in anticipation of the fourth quarter peak selling season.

Net cash provided by operating activities was \$29.9 million in 2003 and \$34.7 million in 2002. The decrease in 2003 was primarily attributable to a decrease in net income including non-cash items and decreases in inventories and accounts payable. Inventories decreased 4.7%, or \$13.9 million, to \$283.4 million at January 31, 2004 from \$297.2 million at February 1, 2003. On an average store basis, inventories were reduced 3.2% from the prior year. This decrease was the result of recent changes to the Company's marketing, sales promotion and clearance strategies which resulted in lower end of year inventory levels. The decrease in accounts payable is directly related to the decrease in inventory.

Capital expenditures, primarily for the acquisition of store fixtures, equipment and leasehold improvements and information system enhancements, were \$13.3 million and \$19.1 million for 2003 and 2002, respectively. The decrease was primarily due to four fewer stores opened in 2003 than in 2002.

Cash used in financing activities was \$14.4 million in 2003 and \$16.1 million in 2002 and was primarily used to paydown the revolving credit facility. During 2003 and 2002, cash was also used to repurchase 50,000 shares of the Company's common stock for \$0.2 million and 220,000 shares for \$1.5 million, respectively. As of January 31, 2004, there are 1,994,200 shares which can be repurchased pursuant to the Board of Directors current authorizations. The decision to repurchase stock is primarily dependent on market conditions.

The Company plans to open 10-12 new stores in 2004, including the relocation of three existing stores. Most of the 2004 store openings will occur in the second half of the year. 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 2004 (including amounts budgeted for new store expansion, improvements to existing stores and information system enhancements) are anticipated to be approximately \$15 million.

The Company has a revolving credit agreement with a group of lenders, which extends through July 2006. The agreement, which was completed in July 2003, provides a \$150 million senior revolving credit facility. Borrowings are based on and secured by eligible inventory. 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 January 31, 2004 and February 1, 2003, outstanding borrowings were \$25.0 million and \$41.4 million, respectively.

The interest rates on borrowings under the Agreement range from Prime to Prime plus .25% per annum for Prime Rate Loans and LIBOR plus 1.50% to LIBOR plus 2.25% per annum for Eurodollar Rate Loans and are established quarterly, based on excess availability as defined in the Agreement. As of January 31, 2004, the interest rates for Prime Rate and Eurodollar Rate Loans were 4.13% and 2.85%, respectively. An unused line fee of .25% to .375% per annum (.375% as of January 31, 2004) is charged on the unused portion of the revolving credit facility, based on excess availability. The Company was in full compliance with the terms of the Agreement as of January 31, 2004.

The Company believes that expected net cash provided by operating activities and bank borrowings will be sufficient to fund anticipated current and long-term capital expenditures and working capital requirements. Should current operating conditions deteriorate, management can adjust operating plans, including new store rollout. In addition, there is unused borrowing capacity under the revolving credit agreement.

Contractual Obligations

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
Notes payable to banks	\$ 24,962	\$ -	\$ -	\$ 24,962	\$ -
Operating leases	394,778	62,046	57,822	142,985	131,925
Total	\$419,740	\$62,046	\$57,822	\$167,947	\$131,925

The Company also has outstanding standby letters of credit totaling \$5.5 million securing certain insurance programs at January 31, 2004. If certain conditions were met under these arrangements, the Company would be required to satisfy the obligations in cash. Due to the nature of these arrangements and based on historical experience, the Company does not expect to make any payments; therefore, the letters of credit are excluded from the preceding table.

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.

Store Closing Costs

The Company follows SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," to record store closing costs. 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.

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.

Revenue Recognition

Revenue from sales of the Company's merchandise is recognized at the time of sale, net of any returns and allowances, discounts and percentage-off coupons. Future merchandise returns are estimated based on historical experience. Leased department sales are excluded from net sales; commissions, net of related selling expenses, and rental income from leased departments are included in other income, net.

For a complete listing of our significant accounting policies, see Note 1 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 January 31, 2004, direct borrowings aggregated \$25.0 million. The facility permits debt commitments up to \$150.0 million, has a July 2006 maturity date and bears interest at spreads over the prime rate and LIBOR. The average outstanding borrowings during fiscal 2003, 2002 and 2001 were \$50.0 million, \$66.0 million and \$82.3 million, respectively, at weighted-average interest rates of 3.4%, 3.9% and 4.9% 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 of the Company and the Report of Independent Certified Public Accountants 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.

ITEM 9A. 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 controls, since the date the controls were evaluated.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company has adopted a code of ethics applicable to all of the Company's officers and employees, including the Company's principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The text of this code of ethics may be found on our web site at www.steinmart.com. The Company intends to post notice of any waiver from, or amendment to, any provision of our code of ethics on our web site.

Other information required by this item appears under the caption "Election of Directors" in the Company's Proxy Statement for its 2004 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 2004 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 2004 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 2004 Annual Meeting of Stockholders and is incorporated by reference.

PART IV**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item appears under the caption "Independent Certified Public Accountants" in the Company's Proxy Statement for its 2004 Annual Meeting of Stockholders and is incorporated by reference.

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:

	Page in <u>Form 10-K</u>
Report of Independent Certified Public Accountants	F-1
Balance Sheets	F-2
Statements of Operations	F-3
Statements of Stockholders' Equity	F-4
Statements of Cash Flows	F-5
Notes to Financial Statements	F-6

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 January 31, 2004.

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: April 14, 2004

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 14th day of April, 2004.

/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/ Richard L. Sisisky
Richard L. Sisisky
Director

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

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

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

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

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

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 January 31, 2004 and February 1, 2003, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2004, 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 19, 2004

Stein Mart, Inc.
Balance Sheets
(In thousands)

	January 31, 2004	February 1, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,965	\$ 9,859
Trade and other receivables	4,227	4,919
Inventories	283,379	297,230
Prepaid expenses and other current assets	6,227	4,361
Total current assets	305,798	316,369
Property and equipment, net	76,934	86,351
Other assets	10,297	7,497
Total assets	<u>\$393,029</u>	<u>\$410,217</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 59,046	\$ 70,472
Accrued liabilities	60,715	53,407
Income taxes payable	-	5,353
Notes payable to banks	-	41,350
Total current liabilities	119,761	170,582
Notes payable to banks	24,962	-
Other liabilities	20,628	16,328
Total liabilities	165,351	186,910
COMMITMENTS AND CONTINGENCIES (Note 7)		
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; 41,993,529 and 41,618,678 shares issued and outstanding, respectively	420	416
Paid-in capital	3,196	721
Unearned compensation	(309)	-
Retained earnings	224,371	222,170
Total stockholders' equity	227,678	223,307
Total liabilities and stockholders' equity	<u>\$393,029</u>	<u>\$410,217</u>

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

Stein Mart, Inc.

Statements of Operations

(In thousands except per share amounts)

	For The 52 Weeks Ended		
	January 31, 2004	February 1, 2003	February 2, 2002
Net sales	\$1,355,457	\$1,401,613	\$1,313,144
Cost of merchandise sold	1,014,695	1,054,616	997,950
Gross profit	340,762	346,997	315,194
Selling, general and administrative expenses	345,868	324,431	299,933
Other income, net	13,040	13,870	13,984
Income from operations	7,934	36,436	29,245
Interest expense	1,688	2,604	4,000
Income from continuing operations before income taxes	6,246	33,832	25,245
Provision for income taxes	2,373	12,856	9,593
Income from continuing operations	3,873	20,976	15,652
Loss from discontinued operations, net of tax benefit	(1,672)	(286)	(298)
Net income	\$ 2,201	\$ 20,690	\$ 15,354
Basic income (loss) per share:			
Continuing operations	\$0.09	\$0.51	\$0.38
Discontinued operations	(0.04)	(0.01)	(0.01)
Total	\$0.05	\$0.50	\$0.37
Diluted income (loss) per share:			
Continuing operations	\$0.09	\$0.51	\$0.38
Discontinued operations	(0.04)	(0.01)	(0.01)
Total	\$0.05	\$0.50	\$0.37
Weighted-average shares outstanding – Basic	41,649	41,575	41,176
Weighted-average shares outstanding – Diluted	41,701	41,764	41,493

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

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

	Common Stock	Paid-in Capital	Unearned Compen- sation	Retained Earnings	Total Stockholders' Equity
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	(7)	(4,139)		(1,873)	(6,019)
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	(2)	(1,499)			(1,501)
Balance at February 1, 2003	416	721	-	222,170	223,307
Net income				2,201	2,201
Common shares issued under stock option plan and related income tax benefits	2	1,433			1,435
Common shares issued under employee stock purchase plan	2	908			910
Reacquired shares		(212)			(212)
Restricted stock compensation		346	(309)		37
Balance at January 31, 2004	\$420	\$3,196	\$(309)	\$224,371	\$227,678

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		
	January 31, 2004	February 1, 2003	February 2, 2002
Cash flows from operating activities:			
Net income	\$ 2,201	\$20,690	\$15,354
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	18,975	18,770	16,822
Impairment of property and other assets	3,881	2,709	1,114
Store closing charges	5,883	113	2,206
Deferred income taxes	(1,734)	9,193	(4,999)
Restricted stock compensation	37	-	-
Tax benefit from exercise of stock options	164	385	1,024
Changes in assets and liabilities:			
Trade and other receivables	692	282	(1,752)
Inventories	13,851	(1,072)	(13,260)
Prepaid expenses and other current assets	(2,062)	32	(641)
Other assets	(2,896)	(1,542)	(619)
Accounts payable	(11,426)	(23,203)	13,180
Accrued liabilities	4,340	7,293	1,503
Income taxes payable	(5,353)	1,282	(728)
Other liabilities	3,315	(214)	448
Net cash provided by operating activities	29,868	34,718	29,652
Cash flows used in investing activities:			
Capital expenditures	(13,343)	(19,072)	(24,982)
Cash flows from financing activities:			
Net borrowings under notes payable to banks	(16,388)	(16,400)	(2,486)
Proceeds from exercise of stock options	1,271	810	2,048
Proceeds from employee stock purchase plan	910	1,028	997
Purchase of common stock	(212)	(1,501)	(6,019)
Net cash used in financing activities	(14,419)	(16,063)	(5,460)
Net increase (decrease) in cash and cash equivalents	2,106	(417)	(790)
Cash and cash equivalents at beginning of year	9,859	10,276	11,066
Cash and cash equivalents at end of year	\$11,965	\$ 9,859	\$10,276
Supplemental disclosures of cash flow information:			
Interest paid	\$ 1,702	\$ 2,567	\$ 3,980
Income taxes paid	7,723	2,392	14,221

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

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS
January 31, 2004

(Dollars in tables in thousands except per share amounts)

1. Summary of Significant Accounting Policies and Other Information

At January 31, 2004 the Company operated a chain of 261 off-price retail stores in 28 states and the District of Columbia. Each store offers women's, men's and children's apparel, as well as accessories, gifts, linens and shoes.

Fiscal Year End

The Company's fiscal year ends on the Saturday closest to January 31. Results for 2003, 2002 and 2001 are for the 52 weeks ended January 31, 2004, February 1, 2003 and February 2, 2002, 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 (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.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over estimated useful lives of 3-10 years for furniture, fixtures and equipment and 5-15 years for leasehold improvements. 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.

Store Closing Costs

The Company follows SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," to record store closing costs. 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.

STEIN MART, INC.

NOTES TO FINANCIAL STATEMENTS

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.

Revenue Recognition

Revenue from sales of the Company's merchandise is recognized at the time of sale, net of any returns and allowances, discounts and percentage-off coupons. Future merchandise returns are estimated based on historical experience. Leased department sales are excluded from net sales; commissions, net of related selling expenses, and rental income from leased departments are included in other income, net.

Advertising Expense

Advertising costs are expensed as incurred. Advertising expenses of \$57,390,000, \$51,653,000 and \$46,576,000 are reflected in selling, general and administrative expenses in the Statements of Operations for 2003, 2002 and 2001, 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.

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):

	2003	2002	2001
Weighted-average number of common shares	41,649	41,575	41,176
Stock options	52	189	317
Weighted-average number of common shares plus common stock equivalents	<u>41,701</u>	<u>41,764</u>	<u>41,493</u>

Statements of Operations Classifications

Cost of merchandise sold includes merchandise costs, net of vendor discounts and allowances, freight and inventory shrinkage; store occupancy costs (including rent, common area maintenance, real estate taxes, utilities and maintenance); payroll, benefits and travel costs directly associated with buying inventory; and costs of operating the distribution warehouse.

Selling, general and administrative expenses include store operating expenses, such as payroll and benefit costs, advertising, store supplies, depreciation and other direct selling costs, and costs associated with the Company's corporate functions.

Reclassifications

Certain reclassifications have been made in prior years' financial statements to conform to classifications used in the current year.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

Stock-Based Compensation

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 Company's stock option plans. Restricted stock awards issued by the Company are accounted for in accordance with APB 25. The employee compensation cost is included in net income, as reported, throughout the vesting period. Had compensation cost of the Company's stock-based plans been determined consistent with the provisions of SFAS No. 123, the Company's net income and earnings per share would have been changed to the following pro forma amounts (in thousands except per share amounts):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net income – as reported	\$2,201	\$20,690	\$15,354
Add: Restricted stock-based employee compensation expense included in reported net income, net of related tax effects	23	-	-
Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	<u>(1,209)</u>	<u>(1,741)</u>	<u>(2,087)</u>
Net income – pro forma	<u>\$1,015</u>	<u>\$18,949</u>	<u>\$13,267</u>
Basic earnings per share – as reported	\$0.05	\$0.50	\$0.37
Diluted earnings per share – as reported	\$0.05	\$0.50	\$0.37
Basic earnings per share – pro forma	\$0.02	\$0.46	\$0.32
Diluted earnings per share – pro forma	\$0.02	\$0.45	\$0.32

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. In determining the pro forma compensation cost, the weighted-average fair value of options granted during fiscal 2003, 2002 and 2001 was estimated to be \$3, \$5 and \$5, respectively, using the Black-Scholes options pricing model. The following weighted-average assumptions were used for grants made during 2003, 2002 and 2001: dividend yield of 0.0%, expected volatility of 51.8%, 51.9% and 51.7%, respectively, risk-free interest rate of 3.0%, 3.8% and 4.8%, respectively and expected lives of 5.0, 5.0 and 7.0, respectively.

2. Discontinued Operations

Two of the stores closed during the fourth quarter of 2003 (see Note 3) resulted in the exit from the New Mexico market. SFAS No. 144 requires closed stores to be classified as discontinued operations when the operations and cash flows of the stores have been eliminated from ongoing operations. To determine if cash flows have been eliminated from ongoing operations, management evaluated a number of factors, including: proximity to a remaining store, physical location within a metropolitan or non-metropolitan area and transferability of sales between open and closed locations. Based on these criteria, management determined that those two closed stores should be accounted for as discontinued operations. The prior years' operating activities for these two stores have also been reclassified to "Loss from discontinued operations" in the accompanying Statements of Operations.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

Discontinued operations generated sales of \$6.2 million, \$7.0 million and \$7.0 million, in 2003, 2002 and 2001, respectively. Loss from discontinued operations includes the following components:

	2003	2002	2001
Loss from operations	\$(2,696)	\$(461)	\$(481)
Income tax benefit	1,024	175	183
Loss from discontinued operations, net of tax benefit	<u>\$(1,672)</u>	<u>\$(286)</u>	<u>\$(298)</u>

See Note 3 for a description of store closing costs and asset impairment charges included in loss from discontinued operations for 2003.

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

In January 2004, the Company announced plans to close six stores and to relocate three other stores in 2004 within the same metropolitan areas. A pre-tax asset impairment charge of \$1.3 million was recorded during 2003 to reduce the carrying value of property and equipment for these nine stores to their respective fair value. A \$1.6 million inventory charge was also recorded to reduce merchandise inventories in these stores to their estimated realizable value. The estimated charges that will be recorded in 2004 are approximately \$1.5 million for the present value of lease termination costs and severance charges.

The Company closed 16 under-performing stores during 2003 incurring pre-tax charges of \$6.7 million for the present value of lease termination costs. The Company also incurred pre-tax asset impairment charges of \$2.6 million during 2003 and \$2.4 million during 2002 to reduce the carrying value of property and equipment of these and certain other under-performing stores to their respective estimated fair value. Severance costs of \$0.9 million were also incurred during 2003. Lease termination costs are net of estimated sublease income that could reasonably be obtained for the properties. In the event the Company is not successful in subleasing closed store locations when management expects, additional reserves for store closing costs may be recorded. All of these charges are included in selling, general and administrative expenses in the Statement of Operations for 2003 and 2002, except for \$349,000 in 2003 and \$50,000 in 2002 which are included in loss from discontinued operations.

During 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 charges are included in selling, general and administrative expenses in the Statement of Operations for 2001.

The following tables show the activity in the store closing reserve (in thousands):

	Feb. 1, 2003	Charges	Payments	Jan. 31, 2004
Continuing operations:				
Lease termination costs	\$4,982	\$6,561	\$(2,763)	\$8,780
Severance	-	736	(586)	150
Other	-	105	-	105
	<u>4,982</u>	<u>7,402</u>	<u>(3,349)</u>	<u>9,035</u>
Discontinued operations:				
Lease termination costs	-	172	(13)	159
Severance	-	135	(135)	-
	<u>-</u>	<u>307</u>	<u>(148)</u>	<u>159</u>
Total store closing reserve	<u>\$4,982</u>	<u>\$7,709</u>	<u>\$(3,497)</u>	<u>\$9,194</u>

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

	Feb. 2, 2002	Charges	Payments	Feb. 1, 2003
Continuing operations:				
Lease termination costs	\$5,680	\$ 113	\$ (811)	\$4,982

	Feb. 3, 2001	Charges	Payments	Feb. 2, 2002
Continuing operations				
Lease termination costs	\$4,984	\$2,206	\$(1,510)	\$5,680

The store closing reserve at January 31, 2004, February 1, 2003 and February 2, 2002 includes a current portion (in accrued liabilities) of \$2.8 million, \$1.5 million and \$1.0 million, respectively, and a long-term portion (in other liabilities) of \$6.4 million, \$3.5 million and \$4.7 million, respectively.

The table below sets forth the components of loss from operations for stores closed in 2003, 2002 and 2001. The 2003 table presents the losses from the 16 stores that closed in 2003; the 2002 table presents the sum of the losses from the 16 stores closed in 2003 and the four stores closed in 2002; and the 2001 table presents the sum of the losses of the 16 stores closed in 2003, the four stores closed in 2002 and the three stores closed in 2001.

	<u>Operating Results Of Closed Stores Included In:</u>		
	Continuing Operations	Discontinued Operations	Total Closed Stores
<u>Year ended January 31, 2004:</u>			
Sales	\$ 27,358	\$ 6,175	\$ 33,533
Cost of sales	30,962	6,765	37,727
Gross margin	(3,604)	(590)	(4,194)
Selling, general and administrative expenses	16,639	2,139	18,778
Other income, net	202	33	235
Loss from operations	\$(20,041)	\$(2,696)	\$(22,737)
# of stores closed in 2003	14	2	16
<u>Year ended February 1, 2003:</u>			
Sales	\$54,082	\$7,035	\$61,117
Cost of sales	46,535	5,501	52,036
Gross margin	7,547	1,534	9,081
Selling, general and administrative	17,721	2,078	19,799
Other income, net	771	83	854
Loss from operations	\$(9,403)	\$ (461)	\$(9,864)
# of stores closed in 2003 and 2002	18	2	20
<u>Year ended February 2, 2002:</u>			
Sales	\$ 63,923	\$7,046	\$ 70,969
Cost of sales	53,491	5,617	59,108
Gross margin	10,432	1,429	11,861
Selling, general and administrative	21,809	2,004	23,813
Other income, net	928	94	1,022
Loss from operations	\$(10,449)	\$ (481)	\$(10,930)
# of stores closed in 2003, 2002 and 2001	21	2	23

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

4. Property and Equipment, Net

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

	Jan. 31, 2004	Feb. 1, 2003
Furniture, fixtures and equipment	\$151,100	\$145,285
Leasehold improvements	51,017	49,471
	<u>202,117</u>	<u>194,756</u>
Less: accumulated depreciation and amortization	125,183	108,405
	<u>\$ 76,934</u>	<u>\$ 86,351</u>

5. Accrued Liabilities

The major components of accrued liabilities are as follows:

	Jan. 31, 2004	Feb. 1, 2003
Compensation and employee benefits	\$14,389	\$13,302
Unredeemed gift and returns cards	14,434	12,545
Property taxes	10,668	10,323
Payroll and other taxes	6,312	4,772
Store closing reserve	2,827	1,461
Other	12,085	11,004
	<u>\$60,715</u>	<u>\$53,407</u>

6. Notes Payable to Banks

In July 2003, the Company completed a three-year \$150 million senior revolving credit agreement (the "Agreement") with a group of lenders to replace its existing loan facility. Under the terms of the Agreement, the Company has the option to increase the facility by an additional \$25 million and to extend the terms for an additional year.

Borrowings under the Agreement are based on and secured by eligible inventory. The Company routinely issues commercial and standby letters of credit for purposes of securing foreign sourced merchandise and certain insurance programs. Outstanding letters of credit reduce availability under the credit agreement. The Company had outstanding commercial and stand-by letters of credit of \$0.2 million and \$5.5 million, respectively, at January 31, 2004.

The interest rates on borrowings under the Agreement range from Prime to Prime plus .25% per annum for Prime Rate Loans and LIBOR plus 1.50% to LIBOR plus 2.25% per annum for Eurodollar Rate Loans and are established quarterly, based on excess availability as defined in the Agreement. As of January 31, 2004, the interest rates for Prime Rate and Eurodollar Rate Loans were 4.13% and 2.85%, respectively. An unused line fee of .25% to .375% per annum (.375% as of January 31, 2004) is charged on the unused portion of the revolving credit facility, based on excess availability. The Company was in full compliance with the terms of the Agreement as of January 31, 2004.

All borrowings bear interest at variable rates that approximate current market rates and therefore the carrying value of these borrowings approximates fair value.

Notes payable to banks was classified as current at February 1, 2003 because management's projections indicated that the Company would not be in compliance with certain of the financial covenants under the previous credit agreement as of the end of the first quarter 2003

7. 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.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

Rent expense is as follows:

	2003	2002	2001
Minimum rental	\$62,869	\$60,805	\$55,278
Contingent rentals	441	678	889
	<u>\$63,310</u>	<u>\$61,483</u>	<u>\$56,167</u>

At January 31, 2004, 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:

2004	\$ 62,046
2005	57,822
2006	52,761
2007	47,829
2008	42,395
Thereafter	131,925
	<u>\$394,778</u>

During the 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 \$12,097,300, \$12,440,500 and \$12,524,700, is included in other income, net in the Statements of Operations for 2003, 2002 and 2001, respectively.

8. Income Taxes

The income tax provision is as follows:

	2003	2002	2001
Current:			
Federal	\$3,783	\$ 3,374	\$13,440
State	324	289	1,152
Total	<u>4,107</u>	<u>3,663</u>	<u>14,592</u>
Deferred:			
Federal	(1,597)	8,467	(4,604)
State	(137)	726	(395)
Total	<u>(1,734)</u>	<u>9,193</u>	<u>(4,999)</u>
Income tax provision	<u>\$2,373</u>	<u>\$12,856</u>	<u>\$ 9,593</u>

The income tax provision excludes the income tax benefit related to losses from discontinued operations in the amount of \$1.0 million in 2003 and \$0.2 million in 2002 and 2001 (see Note 2).

Income taxes at the federal statutory rate of 35 percent differ from amounts provided as follows:

	2003	2002	2001
Federal tax at the statutory rate	\$2,186	\$11,841	\$8,836
State income taxes, net of federal benefit	324	536	466
Other, net	(137)	479	291
Total income tax provision	<u>\$2,373</u>	<u>\$12,856</u>	<u>\$9,593</u>
Effective tax rate	<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:

	Jan. 31, 2004	Feb. 1, 2003
Deferred tax assets:		
Store closing reserves	\$ 3,437	\$ 1,893
Accrued liabilities	3,752	2,863
NOL carryforward	684	241
Other	14	-
	<u>7,887</u>	<u>4,997</u>
Deferred tax liabilities:		
Property and equipment	13,139	13,064
Inventory	2,971	3,060
Prepaid items	1,670	500
	<u>17,780</u>	<u>16,624</u>
Net deferred tax liability	<u>\$ (9,893)</u>	<u>\$(11,627)</u>

At January 31, 2004, the Company had approximately \$16 million in state net operating loss ("NOL") carryforwards, which the Company anticipates utilizing in 2004.

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

	Jan. 31, 2004	Feb. 1, 2003
Current deferred tax liabilities (included in accrued liabilities)	\$ (201)	\$ -
Current deferred tax assets (included in prepaid expenses and other current assets)	-	196
Non-current deferred tax liabilities (included in other liabilities)	(9,692)	(11,823)
Net deferred tax liability	<u>\$ (9,893)</u>	<u>\$(11,627)</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.

9. Stockholders' Equity

During 2003, 2002 and 2001, the Company repurchased 50,000, 220,000, and 657,600 shares of its common stock in the open market at a total cost of \$212,000, \$1,501,000 and \$6,019,000, respectively. As of January 31, 2004, there are 1,994,200 shares which can be repurchased pursuant to the Board of Directors' current authorizations.

10. 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 3,098,048 options to purchase shares outstanding as of January 31, 2004. Upon approval of the Omnibus Plan, no further options have been or will be issued

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

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.

In 2002, the Compensation Committee of the Board of Directors determined that it was appropriate to undertake an overall review of the Company's compensation strategies. As part of this review, it was decided that starting in fiscal 2003 restricted stock awards, as provided for in the Omnibus Plan, in addition to stock options would be granted as part of the Long-term Compensation portion of the compensation program. A total of 72,026 restricted shares were issued to key employees in May 2003 at \$5.53 per share, the market value at date of grant. At January 31, 2004, these awards, net of forfeitures, aggregated 62,532 shares. Shares awarded under the plan entitle the shareholder to all rights of common stock ownership except that the shares may not be sold, transferred, pledged, exchanged or otherwise disposed of during the restriction period. Vesting occurs seven years following the date of grant or at the end of the second fiscal year following the date of grant, if certain defined Company performance goals are achieved. Unvested shares are forfeited upon termination of employment.

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 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 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
Granted	303	4.74
Exercised	(251)	4.79
Forfeited	(727)	9.06
Outstanding at January 31, 2004	4,356	\$11.13

Exercisable stock options were 2.611 million, 2.625 million and 2.004 million, at January 31, 2004, February 1, 2003 and February 2, 2002, respectively.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

The following table summarizes information about fixed-price stock options outstanding at January 31, 2004:

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
\$ 5.00 – 7.00	588	5.4	\$ 6.04	320	\$ 6.19
\$ 7.75 – 10.19	1,192	6.7	8.45	252	8.91
\$10.90 – 13.82	2,106	4.2	13.11	1,630	13.67
\$14.25 – 16.59	470	4.3	15.40	409	15.41
	<u>4,356</u>	<u>5.0</u>	<u>\$11.13</u>	<u>2,611</u>	<u>\$11.13</u>

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 2003, 2002 and 2001, the participants acquired 179,902 shares, 173,048 shares and 127,220 shares of the Company’s common stock at weighted-average per share prices of \$4.92, \$5.94 and \$7.84 per share, respectively.

11. 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 can make discretionary contributions which vest at a rate of 20 percent per year after two years of service. 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 \$1,044,000, \$1,627,000 and \$1,571,000 for 2003, 2002 and 2001, 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 \$229,000, \$331,000 and \$293,000 in 2003, 2002 and 2001, respectively.

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 compensation 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 and Company matching contributions was \$3,446,000 at January 31, 2004, \$2,286,000 at February 1, 2003 and \$1,504,000 at February 2, 2002 and is included in other liabilities. The expense for this plan was \$747,000, \$611,000 and \$495,000 in 2003, 2002 and 2001, respectively.

In connection with the above two plans, whole life insurance contracts were purchased on the related participants. At January 31, 2004 and February 1, 2003 the cash surrender value of these policies was \$5,515,000 and \$3,132,000, respectively, and is included in other assets.

STEIN MART, INC.
NOTES TO FINANCIAL STATEMENTS

12. Quarterly Results of Operations (Unaudited)

The Company's quarterly operating results have been restated to reflect discontinued operations (Note 2) for all periods presented.

	13 Weeks Ended			
	May 3, 2003	Aug. 2, 2003	Nov. 1, 2003	Jan. 31, 2004
<u>Year Ended January 31, 2004</u>				
Net sales	\$329,050	\$301,767	\$314,479	\$410,161
Gross profit	83,416	70,962	73,679	112,705
Income (loss) from continuing operations	1,685	(2,648)	(10,060)	14,896
Loss from discontinued operations	(172)	(125)	(339)	(1,036)
Net income (loss)	<u>\$1,513</u>	<u>\$ (2,773)</u>	<u>\$(10,399)</u>	<u>\$13,860</u>
Basic income (loss) per share:				
Continuing operations	\$ 0.04	\$ (0.07)	\$ (0.24)	\$ 0.36
Discontinued operations	-	-	(0.01)	(0.03)
Total	<u>\$ 0.04</u>	<u>\$ (0.07)</u>	<u>\$ (0.25)</u>	<u>\$ 0.33</u>
Diluted income (loss) per share:				
Continuing operations	\$ 0.04	\$ (0.07)	\$ (0.24)	\$ 0.36
Discontinued operations	-	-	(0.01)	(0.03)
Total	<u>\$ 0.04</u>	<u>\$ (0.07)</u>	<u>\$ (0.25)</u>	<u>\$ 0.33</u>

	13 Weeks Ended			
	May 4, 2002	Aug. 3, 2002	Nov. 2, 2002	Feb. 1, 2003
<u>Year Ended February 1, 2003</u>				
Net sales	\$354,292	\$309,882	\$331,139	\$406,300
Gross profit	96,163	77,729	73,318	99,787
Income (loss) from continuing operations	11,430	2,830	(3,768)	10,484
Loss from discontinued operations	(62)	(55)	(75)	(94)
Net income (loss)	<u>\$ 11,368</u>	<u>\$ 2,775</u>	<u>\$ (3,843)</u>	<u>\$10,390</u>
Basic income (loss) per share:				
Continuing operations	\$ 0.27	\$ 0.07	\$ (0.09)	\$ 0.25
Discontinued operations*	-	-	-	-
Total	<u>\$ 0.27</u>	<u>\$ 0.07</u>	<u>\$ (0.09)</u>	<u>\$ 0.25</u>
Diluted income (loss) per share:				
Continuing operations	\$ 0.27	\$ 0.07	\$ (0.09)	\$ 0.25
Discontinued operations*	-	-	-	-
Total	<u>\$ 0.27</u>	<u>\$ 0.07</u>	<u>\$ (0.09)</u>	<u>\$ 0.25</u>

* Loss per share from discontinued operations rounds to zero on a quarterly basis, but rounds to \$(0.01) for the year ended February 1, 2003.

13. Legal Proceedings

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

INDEX TO EXHIBITS

- *3.1 Articles of Incorporation of the Registrant
- 3.2 Bylaws of the registrant, amended September 8, 2003 (filed herein)
- 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 Loan and Security Agreement dated July 18, 2003, among Stein Mart, Inc., Wachovia Bank, National Association and Fleet Retail Finance, Inc. as Co-Arrangers, Congress Financial Corporation (Florida) as Administrative and Collateral Agent, General Electric capital Corporation as Documentation Agent and the Lenders (as such terms are defined in the Credit Agreement) (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended August 2, 2003)
- ~*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, amended November 1, 2002 (filed herein)
- 10.11 2001 Omnibus Plan (incorporated by reference to the Company's Form S-8 Registration Statement filed on August 7, 2001)
- 10.12 Form of Restricted Share Award Agreement for Key Employees, pursuant to Omnibus Plan (filed herein)
- 23.1 Consent of PricewaterhouseCoopers LLP (filed herein)
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herein)
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herein)
- 32.1 Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 (filed herein)
- 32.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 (filed herein)
- 99.3 Audit Committee Charter, amended April 7, 2004 (filed herein)
- 99.4 Compensation Committee Charter, amended April 7, 2004 (filed herein)
- 99.5 Corporate Governance Committee Charter, amended April 7, 2004 (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).

BYLAWS
OF
STEIN MART, INC.
(a Florida corporation)
Restated September 2003

TABLE OF CONTENTS

Page

ARTICLE 1

Definitions

Section 1.1	<u>Definitions</u>	-1-
-------------	--------------------------	-----

ARTICLE 2

Offices

Section 2.1	<u>Principal and Business Offices</u>	-1-
Section 2.2	<u>Registered Office</u>	-1-

ARTICLE 3

Shareholders

Section 3.1	<u>Annual Meeting</u>	-2-
Section 3.2	<u>Special Meetings</u>	-2-
Section 3.3	<u>Place of Meeting</u>	-2-
Section 3.4	<u>Notice of Meeting</u>	-2-
Section 3.5	<u>Waiver of Notice</u>	-3-
Section 3.6	<u>Fixing of Record Date</u>	-3-
Section 3.7	<u>Shareholders' List for Meetings</u>	-4-
Section 3.8	<u>Quorum</u>	-5-
Section 3.9	<u>Voting of Shares</u>	-5-
Section 3.10	<u>Vote Required</u>	-5-
Section 3.11	<u>Conduct of Meeting</u>	-6-
Section 3.12	<u>Inspectors of Election</u>	-6-
Section 3.13	<u>Proxies</u>	-7-
Section 3.14	<u>Action by Shareholders Without Meeting</u>	-7-
Section 3.15	<u>Acceptance of Instruments Showing Shareholder Action</u>	-8-
Section 3.16	<u>Advance Notice of Shareholder Nominees and Shareholder</u> ..	-9-

ARTICLE 4

Board of Directors

Section 4.1	<u>General Powers and Number</u>	-10-
-------------	--	------

Section 4.2	<u>Qualifications</u>	-10-
Section 4.3	<u>Term of Office</u>	-10-
Section 4.4	<u>Removal</u>	-10-
Section 4.5	<u>Resignation</u>	-10-
Section 4.6	<u>Vacancies</u>	-11-
Section 4.7	<u>Compensation</u>	-11-
Section 4.8	<u>Regular Meetings</u>	-11-
Section 4.9	<u>Special Meetings</u>	-11-
Section 4.10	<u>Notice</u>	-12-
Section 4.11	<u>Waiver of Notice</u>	-12-
Section 4.12	<u>Quorum and Voting</u>	-12-
Section 4.13	<u>Conduct of Meetings</u>	-12-
Section 4.14	<u>Committees</u>	-13-
Section 4.15	<u>Action Without Meeting</u>	-14-

ARTICLE 5

Officers

Section 5.1	<u>Number</u>	-14-
Section 5.2	<u>Election and Term of Office</u>	-15-
Section 5.3	<u>Removal</u>	-15-
Section 5.4	<u>Resignation</u>	-15-
Section 5.5	<u>Vacancies</u>	-15-
Section 5.6	<u>Chairman of the Board</u>	-15-
Section 5.7	<u>Vice-Chairman of the Board</u>	-15-
Section 5.8	<u>Chief Executive Officer</u>	-16-
Section 5.9	<u>President</u>	-16-
Section 5.10	<u>Chief Merchandising Officer</u>	-17-
Section 5.11	<u>Vice Presidents</u>	-17-
Section 5.12	<u>Secretary</u>	-17-
Section 5.13	<u>Chief Financial Officer</u>	-18-
Section 5.14	<u>Controller and Assistant Secretaries</u>	-18-
Section 5.15	<u>Other Assistants and Acting Officers</u>	-18-
Section 5.16	<u>Salaries</u>	-18-

ARTICLE 6

Contracts, Checks and Deposits; Special Corporate Acts

Section 6.1	<u>Contracts</u>	-18-
Section 6.2	<u>Loans</u>	-19-

	<u>Page</u>
Section 6.3 <u>Checks, Drafts, etc</u>	-19-
Section 6.4 <u>Deposits</u>	-19-
Section 6.5 <u>Voting of Securities Owned by Corporation</u>	-19-

ARTICLE 7

Certificates for Shares; Transfer of Shares

Section 7.1 <u>Consideration for Shares</u>	-19-
Section 7.2 <u>Certificates for Shares</u>	-20-
Section 7.3 <u>Transfer of Shares</u>	-20-
Section 7.4 <u>Restrictions on Transfer</u>	-21-
Section 7.5 <u>Lost, Destroyed, or Stolen Certificates</u>	-21-
Section 7.6 <u>Stock Regulations</u>	-21-

ARTICLE 8

Seal

Section 8.1 <u>Seal</u>	-21-
-------------------------------	------

ARTICLE 9

Books and Records

Section 9.1 <u>Books and Records</u>	-21-
Section 9.2 <u>Shareholders' Inspection Rights</u>	-22-
Section 9.3 <u>Distribution of Financial Information</u>	-22-
Section 9.4 <u>Other Reports</u>	-22-

ARTICLE 10

Indemnification

Section 10.1 <u>Provision of Indemnification</u>	-22-
--	------

ARTICLE 11

Amendments

Section 11.1 <u>Power to Amend</u>	-23-
--	------

ARTICLE 1

Definitions

Section 1.1 Definitions. The following terms shall have the following meanings for purposes of these bylaws:

"Act" means the Florida Business Corporation Act, as it may be amended from time to time, or any successor legislation thereto.

"Deliver" or "delivery" includes delivery by hand; United States mail; facsimile, telegraph, teletype or other form of electronic transmission; or private mail carriers handling nationwide mail services.

"Distribution" means a direct or indirect transfer of money or other property (except shares in the corporation) or an incurrence of indebtedness by the corporation to or for the benefit of shareholders in respect of any of the corporation's shares. A distribution may be in the form of a declaration or payment of a dividend; a purchase, redemption, or other acquisition of shares; a distribution of indebtedness; or otherwise.

"Principal office" means the office (within or without the State of Florida) where the corporation's principal executive offices are located, as designated in the articles of incorporation or other initial filing until an annual report has been filed with the Florida Department of State, and thereafter as designated in the annual report.

ARTICLE 2

Offices

Section 2.1 Principal and Business Offices. The corporation may have such principal and other business offices, either within or without the State of Florida, as the Board of Directors may designate or as the business of the corporation may require from time to time.

Section 2.2 Registered Office. The registered office of the corporation required by the Act to be maintained in the State of Florida may but need not be identical with the principal office if located in the State of Florida, and the address of the registered office may be changed from time to time by the Board of Directors or by the registered agent. The business office of the registered agent of the corporation shall be identical to such registered office.

ARTICLE 3

Shareholders

Section 3.1 Annual Meeting. The annual meeting of shareholders shall be held within six months after the close of each fiscal year of the corporation on a date and at a time and place designated by the Board of Directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the election of directors shall not be held on the day fixed as herein provided for any annual meeting of shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of shareholders as soon thereafter as is practicable.

Section 3.2 Special Meetings.

(a) Call by Directors or President. Special meetings of shareholders, for any purpose or purposes, may be called by the Board of Directors or the President.

(b) Call by Shareholders. The corporation shall call a special meeting of shareholders in the event that the holders of at least ten percent of all of the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date, and deliver to the Secretary one or more written demands for the meeting describing one or more purposes for which it is to be held. The corporation shall give notice of such a special meeting within sixty days after the date that the demand is delivered to the corporation.

Section 3.3 Place of Meeting. The Board of Directors may designate any place, either within or without the State of Florida, as the place of meeting for any annual or special meeting of shareholders. If no designation is made, the place of meeting shall be the principal office of the corporation.

Section 3.4 Notice of Meeting.

(a) Content and Delivery. Written notice stating the date, time, and place of any meeting of shareholders and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than sixty days before the date of the meeting by or at the direction of the President or the Secretary, or the officer or persons duly calling the meeting, to each shareholder of record entitled to vote at such meeting and to such other persons as required by the Act. Unless the Act requires otherwise, notice of an annual meeting need not include a description of the purpose or purposes for which the meeting is called. If mailed, notice of a meeting of shareholders shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his or her address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

(b) Notice of Adjourned Meetings. If an annual or special meeting of shareholders is adjourned to a different date, time, or place, the corporation shall not be required to give notice of the new date, time, or place if the new date, time, or place is announced at the meeting before adjournment; provided, however, that if a new record date for an adjourned meeting is or must be fixed, the corporation shall give notice of the adjourned meeting to persons who are shareholders as of the new record date who are entitled to notice of the meeting.

(c) No Notice Under Certain Circumstances. Notwithstanding the other provisions of this Section, no notice of a meeting of shareholders need be given to a shareholder if: (1) an annual report and proxy statement for two consecutive annual meetings of shareholders, or (2) all, and at least two checks in payment of dividends or interest on securities during a twelve-month period, have been sent by first-class, United States mail, addressed to the shareholder at his or her address as it appears on the share transfer books of the corporation, and returned undeliverable. The obligation of the corporation to give notice of a shareholders' meeting to any such shareholder shall be reinstated once the corporation has received a new address for such shareholder for entry on its share transfer books.

Section 3.5 Waiver of Notice.

(a) Written Waiver. A shareholder may waive any notice required by the Act or these bylaws before or after the date and time stated for the meeting in the notice. The waiver shall be in writing and signed by the shareholder entitled to the notice, and be delivered to the corporation for inclusion in the minutes or filing with the corporate records. Neither the business to be transacted at nor the purpose of any regular or special meeting of shareholders need be specified in any written waiver of notice.

(b) Waiver by Attendance. A shareholder's attendance at a meeting, in person or by proxy, waives objection to all of the following: (1) lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (2) consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

Section 3.6 Fixing of Record Date.

(a) General. The Board of Directors may fix in advance a date as the record date for the purpose of determining shareholders entitled to notice of a shareholders' meeting, entitled to vote, or take any other action. In no event may a record date fixed by the Board of Directors be a date preceding the date upon which the resolution fixing the record date is adopted or a date more than seventy days before the date of meeting or action requiring a determination of shareholders.

(b) Special Meeting. The record date for determining shareholders entitled to demand a special meeting shall be the close of business on the date the first shareholder delivers his or her demand to the corporation.

(c) Shareholder Action by Written Consent. If no prior action is required by the Board of Directors pursuant to the Act, the record date for determining shareholders entitled to take action without a meeting shall be the close of business on the date the first signed written consent with respect to the action in question is delivered to the corporation, but if prior action is required by the Board of Directors pursuant to the Act, such record date shall be the close of business on the date on which the Board of Directors adopts the resolution taking such prior action unless the Board of Directors otherwise fixes a record date.

(d) Absence of Board Determination for Shareholders' Meeting. If the Board of Directors does not determine the record date for determining shareholders entitled to notice of and to vote at an annual or special shareholders' meeting, such record date shall be the close of business on the day before the first notice with respect thereto is delivered to shareholders.

(e) Adjourned Meeting. A record date for determining shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(f) Certain Distributions. If the Board of Directors does not determine the record date for determining shareholders entitled to a distribution (other than one involving a purchase, redemption, or other acquisition of the corporation's shares or a share dividend), such record date shall be the close of business on the date on which the Board of Directors authorizes the distribution.

Section 3.7 Shareholders' List for Meetings.

(a) Preparation and Availability. After a record date for a meeting of shareholders has been fixed, the corporation shall prepare an alphabetical list of the names of all of the shareholders entitled to notice of the meeting. The list shall be arranged by class or series of shares, if any, and show the address of and number of shares held by each shareholder. Such list shall be available for inspection by any shareholder for a period of ten days prior to the meeting or such shorter time as exists between the record date and the meeting date, and continuing through the meeting, at the corporation's principal office, at a place identified in the meeting notice in the city where the meeting will be held, or at the office of the corporation's transfer agent or registrar, if any. A shareholder or his or her agent may, on written demand, inspect the list, subject to the requirements of the Act, during regular business hours and at his or her expense, during the period that it is available for inspection pursuant to this Section.

The corporation shall make the shareholders' list available at the meeting and any shareholder or his or her agent or attorney may inspect the list at any time during the meeting or any adjournment thereof.

(b) Prima Facie Evidence. The shareholders' list is *prima facie* evidence of the identity of shareholders entitled to examine the shareholders' list or to vote at a meeting of shareholders.

(c) Failure to Comply. If the requirements of this Section have not been substantially complied with, or if the corporation refuses to allow a shareholder or his or her agent or attorney to inspect the shareholders' list before or at the meeting, on the demand of any shareholder, in person or by proxy, who failed to get such access, the meeting shall be adjourned until such requirements are complied with.

(d) Validity of Action Not Affected. Refusal or failure to prepare or make available the shareholders' list shall not affect the validity of any action taken at a meeting of shareholders.

Section 3.8 Quorum.

(a) What Constitutes a Quorum. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. Except as otherwise provided in the Act, a majority of the votes entitled to be cast on the matter shall constitute a quorum of the voting group for action on that matter.

(b) Presence of Shares. Once a share is represented for any purpose at a meeting, other than for the purpose of objecting to holding the meeting or transacting business at the meeting, it is considered present for purposes of determining whether a quorum exists for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for the adjourned meeting.

(c) Adjournment in Absence of Quorum. Where a quorum is not present, the holders of a majority of the shares represented and who would be entitled to vote at the meeting if a quorum were present may adjourn such meeting from time to time.

Section 3.9 Voting of Shares. Except as provided in the articles of incorporation or the Act, each outstanding share, regardless of class, is entitled to one vote on each matter voted on at a meeting of shareholders.

Section 3.10 Vote Required.

(a) Matters Other Than Election of Directors. If a quorum exists, except in the case of the election of directors, action on a matter shall be approved if the

votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the articles of incorporation or the Act requires a greater number of affirmative votes.

(b) Election of Directors. Unless otherwise provided in the articles of incorporation, each director shall be elected by a plurality of the votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present. Each shareholder who is entitled to vote at an election of directors has the right to vote the number of shares owned by him or her for as many persons as there are directors to be elected. Shareholders do not have a right to cumulate their votes for directors.

Section 3.11 Conduct of Meeting. The Chairman of the Board of Directors, and in his absence, the Chief Executive Officer and in his absence, the President, and in his absence, a Vice President in the order provided under the Section of these bylaws titled "Vice Presidents," and in their absence, any person chosen by the shareholders present shall call a shareholders' meeting to order and shall act as presiding officer of the meeting, and the Secretary of the corporation shall act as secretary of all meetings of the shareholders, but, in the absence of the Secretary, the presiding officer may appoint any other person to act as secretary of the meeting. The presiding officer of the meeting shall have broad discretion in determining the order of business at a shareholders' meeting. The presiding officer's authority to conduct the meeting shall include, but in no way be limited to, recognizing shareholders entitled to speak, calling for the necessary reports, stating questions and putting them to a vote, calling for nominations, and announcing the results of voting. The presiding officer also shall take such actions as are necessary and appropriate to preserve order at the meeting. The rules of parliamentary procedure need not be observed in the conduct of shareholders' meetings; however, meetings shall be conducted in accordance with accepted usage and common practice with fair treatment to all who are entitled to take part.

Section 3.12 Inspectors of Election. Inspectors of election may be appointed by the Board of Directors to act at any meeting of shareholders at which any vote is taken. If inspectors of election are not so appointed, the presiding officer of the meeting may, and on the request of any shareholder shall, make such appointment. The inspectors of election shall determine the number of shares outstanding, the voting rights with respect to each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies; receive votes, ballots, consents, and waivers; hear and determine all challenges and questions arising in connection with the vote; count and tabulate all votes, consents, and waivers; determine and announce the result; and do such acts as are proper to conduct the election or vote with fairness to all shareholders. No inspector, whether appointed by the Board of Directors or by the person acting as presiding officer of the meeting, need be a shareholder.

Section 3.13 Proxies

(a) Appointment. At all meetings of shareholders, a shareholder may vote his or her shares in person or by proxy. A shareholder may appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form, either personally or by his or her attorney-in-fact. If an appointment form expressly provides, any proxy holder may appoint, in writing, a substitute to act in his or her place. A telegraph, telex, or a cablegram, a facsimile transmission of a signed appointment form, or a photographic, photostatic, or equivalent reproduction of a signed appointment form is a sufficient appointment form.

(b) When Effective. An appointment of a proxy is effective when received by the Secretary or other officer or agent of the corporation authorized to tabulate votes. An appointment is valid for up to eleven months unless a longer period is expressly provided in the appointment form. An appointment of a proxy is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest.

Section 3.14 Action by Shareholders Without Meeting.

(a) Requirements for Written Consents. Any action required or permitted by the Act to be taken at any annual or special meeting of shareholders may be taken without a meeting, without prior notice, and without a vote if one or more written consents describing the action taken shall be signed and dated by the holders of outstanding stock entitled to vote thereon having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Such consents must be delivered to the principal office of the corporation in Florida, the corporation's principal place of business, the Secretary, or another officer or agent of the corporation having custody of the books in which proceedings of meetings of shareholders are recorded. No written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the date of the earliest dated consent delivered in the manner required herein, written consents signed by the number of holders required to take action are delivered to the corporation by delivery as set forth in this Section.

(b) Revocation of Written Consents. Any written consent may be revoked prior to the date that the corporation receives the required number of consents to authorize the proposed action. No revocation is effective unless in writing and until received by the corporation at its principal office in Florida or its principal place of business, or received by the Secretary or other officer or agent having custody of the books in which proceedings of meetings of shareholders are recorded.

(c) Notice to Nonconsenting Shareholders. Within ten days after obtaining such authorization by written consent, notice must be given in writing to those shareholders who have not consented in writing or who are not entitled to vote on the action. The notice shall fairly summarize the material features of the authorized action

and, if the action be such for which dissenters' rights are provided under the Act, the notice shall contain a clear statement of the right of shareholders dissenting therefrom to be paid the fair value of their shares upon compliance with the provisions of the Act regarding the rights of dissenting shareholders.

(d) Same Effect as Vote at Meeting. A consent signed under this Section has the effect of a meeting vote and may be described as such in any document. Whenever action is taken by written consent pursuant to this Section, the written consent of the shareholders consenting thereto or the written reports of inspectors appointed to tabulate such consents shall be filed with the minutes of proceedings of shareholders.

Section 3.15 Acceptance of Instruments Showing Shareholder Action. If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver, or proxy appointment and give it effect as the act of a shareholder. If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of a shareholder, the corporation, if acting in good faith, may accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the shareholder if any of the following apply:

(a) The shareholder is an entity and the name signed purports to be that of an officer or agent of the entity;

(b) The name signed purports to be that of a administrator, executor, guardian, personal representative, or conservator representing the shareholder and, if the corporation requests, evidence of fiduciary status acceptable to the corporation is presented with respect to the vote, consent, waiver, or proxy appointment;

(c) The name signed purports to be that of a receiver or trustee in bankruptcy, or assignee for the benefit of creditors of the shareholder and, if the corporation requests, evidence of this status acceptable to the corporation is presented with respect to the vote, consent, waiver, or proxy appointment;

(d) The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the shareholder and, if the corporation requests, evidence acceptable to the corporation of the signatory's authority to sign for the shareholder is presented with respect to the vote, consent, waiver, or proxy appointment; or

(e) Two or more persons are the shareholder as cotenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all co-owners.

The corporation may reject a vote, consent, waiver, or proxy appointment if the Secretary or other officer or agent of the corporation who is authorized to tabulate votes,

acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the shareholder.

Section 3.16. Advance Notice of Shareholder Nominees and Shareholder Proposals. Subject to the rights of holders of any class or series of stock having a preference over the common stock as to dividends or upon liquidation,

(a) nominations for the election of directors, and

(b) business proposed to be brought before any shareholder meeting may be made by the board of directors or the Corporate Governance Committee or by any shareholder holding (x) such minimum number of shares of the stock of the corporation and (y) for such time periods, each as required by Rule 14a-8(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Ownership Requirements"), if such nomination or business proposed is otherwise proper business before such meeting. However, any such shareholder may nominate one or more persons for election as directors at a meeting or propose business to be brought before a meeting, or both, only if such shareholder has given timely notice in proper written form of his or her intent to make such nomination or nominations or to propose such business. To be timely, such shareholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than one hundred twenty (120) calendar days in advance of the first anniversary date of mailing of the corporation's proxy statement released to shareholders in connection with the previous year's annual meeting of shareholders; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the shareholder to be timely must be so received a reasonable time before the date of mailing to shareholders of the corporation's proxy statement for the annual meeting in question is made. To be in proper form, a shareholder's notice to the secretary shall set forth:

- (i) the name and address of the shareholder who intends to make the nominations or propose the business and, as the case may be, of the person or persons to be nominated or of the business to be proposed;
- (ii) a representation that the shareholder satisfies the Ownership Requirements and, if applicable, intends to appear in person or by proxy at the meeting to nominate the person or persons or to propose such other business specified in the notice;
- (iii) if applicable, a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or

persons) pursuant to which the nomination or nominations are to be made by the shareholder;

- (iv) such other information regarding each nominee or each matter of business to be proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, or the matter been proposed, or intended to be proposed by the board of directors; and
- (v) the consent of each nominee to serve as director of the corporation if so elected.

The chairman of the meeting shall refuse to acknowledge the nomination of any person or the proposal of any business not made in compliance with the foregoing procedure.

ARTICLE 4

Board of Directors

Section 4.1 General Powers and Number. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of, the Board of Directors. The corporation shall have twelve (12) directors as of September 2003. The number of directors may be increased or decreased from time to time by vote of a majority of the full Board of Directors, but shall never be less than one nor more than fifteen.

Section 4.2 Qualifications. Directors must be natural persons who are eighteen years of age or older but need not be residents of this state or shareholders of the corporation.

Section 4.3 Term of Office. Each director shall hold office until the next annual meeting of shareholders and until his or her successor shall have been elected and, if necessary, qualified, or until there is a decrease in the number of directors which takes effect after the expiration of his or her term, or until his or her prior death, resignation or removal.

Section 4.4 Removal. The shareholders may remove one or more directors with or without cause. A director may be removed by the shareholders at a meeting of shareholders, provided that the notice of the meeting states that the purpose, or one of the purposes, of the meeting is such removal.

Section 4.5 Resignation. A director may resign at any time by delivering written notice to the Board of Directors or its Chairman (if any) or to the corporation. A

director's resignation is effective when the notice is delivered unless the notice specifies a later effective date.

Section 4.6 Vacancies.

(a) Who May Fill Vacancies. Except as provided below, whenever any vacancy occurs on the Board of Directors, including a vacancy resulting from an increase in the number of directors, it may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors, or by the shareholders. If the directors first fill a vacancy, the shareholders shall have no further right with respect to that vacancy, and if the shareholders first fill the vacancy, the directors shall have no further rights with respect to that vacancy.

(b) Directors Electing by Voting Groups. Whenever the holders of shares of any voting group are entitled to elect a class of one or more directors by the provisions of the articles of incorporation, vacancies in such class may be filled by holders of shares of that voting group or by a majority of the directors then in office elected by such voting group or by a sole remaining director so elected. If no director elected by such voting group remains in office, unless the articles of incorporation provide otherwise, directors not elected by such voting group may fill vacancies.

(c) Prospective Vacancies. A vacancy that will occur at a specific later date, because of a resignation effective at a later date or otherwise, may be filled before the vacancy occurs, but the new director may not take office until the vacancy occurs.

Section 4.7 Compensation. The Board of Directors, irrespective of any personal interest of any of its members, may establish reasonable compensation of all directors for services to the corporation as directors, officers, or otherwise, or may delegate such authority to an appropriate committee. The Board of Directors also shall have authority to provide for or delegate authority to an appropriate committee to provide for reasonable pensions, disability or death benefits, and other benefits or payments, to directors, officers, and employees and to their families, dependents, estates, or beneficiaries on account of prior services rendered to the corporation by such directors, officers, and employees.

Section 4.8 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this bylaw immediately before or after the annual meeting of shareholders and each adjourned session thereof. The place of such regular meeting shall be the same as the place of the meeting of shareholders which precedes it, or such other suitable place as may be announced at such meeting of shareholders. The Board of Directors may provide, by resolution, the date, time, and place, either within or without the State of Florida, for the holding of additional regular meetings of the Board of Directors without other notice than such resolution.

Section 4.9 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, President or directors consisting of at least

one-third of the Board of Directors. The person or persons calling the meeting may fix any place, either within or without the State of Florida, as the place for holding any special meeting of the Board of Directors, and if no other place is fixed, the place of the meeting shall be the principal office of the corporation in the State of Florida.

Section 4.10 Notice. Unless the articles of incorporation provide for a longer or shorter period, special meetings of the Board of Directors must be preceded by at least two days' notice of the date, time, and place of the meeting. The notice need not describe the purpose of the special meeting.

Section 4.11 Waiver of Notice. Notice of a meeting of the Board of Directors need not be given to any director who signs a waiver of notice either before or after the meeting. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting and waiver of any and all objections to the place of the meeting, the time of the meeting, or the manner in which it has been called or convened, except when a director states, at the beginning of the meeting or promptly upon arrival at the meeting, any objection to the transaction of business because the meeting is not lawfully called or convened.

Section 4.12 Quorum and Voting. A quorum of the Board of Directors consists of a majority of the number of directors prescribed by these bylaws. If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors. A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless: (a) he or she objects at the beginning of the meeting (or promptly upon his or her arrival) to holding it or transacting specified business at the meeting; or (b) he or she votes against or abstains from the action taken.

Section 4.13 Conduct of Meetings.

(a) Presiding Officer. The Chairman of the Board of Directors shall preside at meetings of the Board of Directors. The Chairman, and in his absence, the Vice-Chairman of the Board, and in his absence, any director chosen by the directors present, shall call meetings of the Board of Directors to order and shall act as presiding officer of the meeting.

(b) Minutes. The Secretary of the corporation shall act as secretary of all meetings of the Board of Directors but in the absence of the Secretary, the presiding officer may appoint any other person present to act as secretary of the meeting. Minutes of any regular or special meeting of the Board of Directors shall be prepared and distributed to each director.

(c) Adjournments. A majority of the directors present, whether or not a quorum exists, may adjourn any meeting of the Board of Directors to another time and place. Notice of any such adjourned meeting shall be given to the directors who are not

present at the time of the adjournment and, unless the time and place of the adjourned meeting are announced at the time of the adjournment, to the other directors.

(d) Participation by Conference Call or Similar Means. The Board of Directors may permit any or all directors to participate in a regular or a special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

Section 4.14 Committees.

(a) In General. The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members an executive committee and one or more other committees each of which, to the extent provided in such resolution, shall have and may exercise all the authority of the Board of Directors, except that no such committee shall have the authority to:

- (i) approve or recommend to shareholders actions or proposals required by the Act to be approved by shareholders;
- (ii) fill vacancies on the Board of Directors or any committee thereof;
- (iii) adopt, amend, or repeal these bylaws;
- (iv) authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board of Directors; or
- (v) authorize or approve the issuance or sale or contract for the sale of shares, or determine the designation and relative rights, preferences, and limitations of a voting group;

except that the Board of Directors may authorize a committee (or a senior executive officer of the corporation) to do so within limits specifically prescribed by the Board of Directors. Each committee must have two or more members, who shall serve at the pleasure of the Board of Directors. The Board of Directors, by resolution adopted in accordance with this Section, may designate one or more directors as alternate members of any such committee, who may act in the place and stead of any absent member or members at any meeting of such committee. The provisions of these bylaws that govern meetings, notice and waiver of notice, and quorum and voting requirements of the Board of Directors apply to committees and their members as well. Directors shall be designated as "Independent Directors" if they meet the independence requirements of the NASDAQ and/or such other applicable laws or regulations as are in effect from time to time.

(b) Executive Committee. The Corporation shall have an Executive Committee that shall be made up of any two directors who are Independent Directors and any one additional director who is a member of management. Subject to the limitations specified by the Florida Business Corporation Act, the Executive Committee is hereby authorized to exercise all of the powers of the Board of Directors when the Board of Directors is not in session.

(c) Corporate Governance Committee. The Corporation shall have a Corporate Governance Committee that shall be made up of all members of the corporation's Board of Directors who are Independent Directors. The Board of Directors shall adopt from time to time a Charter for the Corporate Governance Committee that shall set forth the duties and authorities of such committee. The Board of Directors may from time to time appoint a "Lead Director" who shall serve as chairman of the Corporate Governance Committee and have such other duties and authorities as are provided from time to time in the Charter for the Corporate Governance Committee.

(d) Audit Committee. The Corporation shall have an Audit Committee that shall be made up of any two or more directors who are Independent Directors. The Board of Directors shall adopt from time to time a Charter for the Audit Committee that shall set forth the duties and authorities of such committee.

(e) Compensation Committee. The Corporation shall have an Compensation Committee that shall be made up of any two or more directors who are Independent Directors. The Board of Directors shall adopt from time to time a Charter for the Compensation Committee that shall set forth the duties and authorities of such committee.

Section 4.15 Action Without Meeting. Any action required or permitted by the Act to be taken at a meeting of the Board of Directors or a committee thereof may be taken without a meeting if the action is taken by all members of the Board or of the committee. The action shall be evidenced by one or more written consents describing the action taken, signed by each director or committee member and retained by the corporation. Such action shall be effective when the last director or committee member signs the consent, unless the consent specifies a different effective date. A consent signed under this Section has the effect of a vote at a meeting and may be described as such in any document.

ARTICLE 5

Officers

Section 5.1 Number. The principal officers of the corporation shall be a Chief Executive Officer, a President and Chief Operating Officer, a Chief Merchandising Officer, the number of Vice Presidents, if any, as authorized from time to time by the

Board of Directors, a Secretary, and a Chief Financial Officer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. The Board of Directors may also authorize any duly appointed officer to appoint one or more officers or assistant officers. The same individual may simultaneously hold more than one office. There shall also be a Chairman of the Board of Directors and one or more Vice-chairman of the Board of Directors as elected by the Board of Directors from time to time.

Section 5.2 Election and Term of Office. The officers of the corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as is practicable. Each officer shall hold office until his or her successor shall have been duly elected or until his or her prior death, resignation, or removal.

Section 5.3 Removal. The Board of Directors may remove any officer and, unless restricted by the Board of Directors, an officer may remove any officer or assistant officer appointed by that officer, at any time, with or without cause and notwithstanding the contract rights, if any, of the officer removed. The appointment of an officer does not of itself create contract rights.

Section 5.4 Resignation. An officer may resign at any time by delivering notice to the corporation. The resignation shall be effective when the notice is delivered, unless the notice specifies a later effective date and the corporation accepts the later effective date. If a resignation is made effective at a later date and the corporation accepts the future effective date, the pending vacancy may be filled before the effective date but the successor may not take office until the effective date.

Section 5.5 Vacancies. A vacancy in any principal office because of death, resignation, removal, disqualification, or otherwise, shall be filled as soon thereafter as practicable by the Board of Directors for the unexpired portion of the term. Prior to a meeting of the Board of Directors, the CEO shall have the authority to appoint a replacement officer to serve until the Board of Directors shall act on such officer.

Section 5.6 Chairman of the Board. The Chairman of the Board (the "Chairman") shall, when present, preside at all meetings of the shareholders and the Board of Directors.

Section 5.7 Vice-Chairman of the Board. The Vice-Chairman of the Board shall If the Chairman is not present, preside at all meetings of the shareholders and Board of Directors and if no Vice-Chairman is present, the Board of Directors shall designate a person to serve as chairman of any the meeting of the Board of Directors.

Section 5.8 Chief Executive Officer. The Chief Executive Officer (the "CEO") shall be the principal executive officer of the corporation and, subject to the direction of the Board of Directors, shall in general supervise and control all of the business operations and affairs of the corporation, the daily operations of which shall be under the control of the President. The CEO shall have authority, subject to such rules as may be prescribed by the Board of Directors, to direct the President in the performance of the President's duties. The CEO shall have authority, subject to such rules as may be prescribed by the Board of Directors, to appoint such agents and employees of the corporation as he or she shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the CEO. The CEO shall have authority to sign certificates for shares of the corporation the issuance of which shall have been authorized by resolution of the Board of Directors, and to execute and acknowledge, on behalf of the corporation, all deeds, mortgages, bonds, contracts, leases, reports, and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or the Board of Directors, the CEO may authorize the President, any Vice President or other officer or agent of the corporation to execute and acknowledge such documents or instruments in his place and stead. In general he or she shall perform all duties incident to the office of CEO and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5.9 President. The President shall be the principal operating officer of the corporation and, subject to the direction of the Board of Directors and the CEO, shall in general supervise and control all of the business operations and affairs of the corporation. The President shall have authority, subject to such rules as may be prescribed by the Board of Directors and/or the CEO, to appoint such agents and employees of the corporation as he shall deem necessary, to prescribe their powers, duties and compensation, and to delegate authority to them. Such agents and employees shall hold office at the discretion of the President. The President shall have authority to sign certificates for shares of the corporation the issuance of which shall have been authorized by resolution of the Board of Directors, and to execute and acknowledge, on behalf of the corporation, all deeds, mortgages, bonds, contracts, leases, reports, and all other documents or instruments necessary or proper to be executed in the course of the corporation's regular business, or which shall be authorized by resolution of the Board of Directors; and, except as otherwise provided by law or the Board of Directors and/or the CEO, the President may authorize any Vice President or other officer or agent of the corporation to execute and acknowledge such documents or instruments in his place and stead. In general he or she shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors and/or the CEO from time to time. Moreover, in the absence of the CEO, or in the event of the CEO's inability or refusal to act or in the event it shall be impracticable for the CEO to act personally, the President shall perform the duties of the CEO, and when so acting, shall have all the power of and be subject to all restrictions upon the CEO.

Section 5.10 Chief Merchandising Officer. The Chief Merchandising Officer shall be principally responsible for selection and acquisition of the merchandise offered for sale by the corporation and shall be third in command following the CEO and the President. In the absence of the CEO and the President or in the event of the CEO's and the President's death, inability or refusal to act, or in the event for any reason it shall be impracticable for the CEO or the President to act personally, the Chief Merchandising Officer shall perform the duties of the CEO and the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the CEO and the President

Section 5.11 Vice Presidents. In the absence of the CEO, the President and the Chief Merchandising Officer, or in the event of the CEO's, the President's and the Chief Merchandising Officer's death, inability or refusal to act, or in the event for any reason it shall be impracticable for the CEO or the President or the Chief Merchandising Officer to act personally, the Vice President, if any (or in the event there be more than one Vice President, the Senior Vice President, or if no one has been appointed to that position or in his absence, or if there if more than one Senior Vice President, then the Vice Presidents in the order designated by the Board of Directors, of if no such order has been designated by the Board of Directors, the order designated by the CEO, shall perform the duties of the CEO, the President and the Chief Merchandising Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the CEO, the President and the Chief Merchandising Officer. Any Vice President may sign certificates for shares of the corporation the issuance of which shall have been authorized by resolution of the Board of Directors; and shall perform such other duties and have such authority as from time to time may be delegated or assigned to him or her by the CEO, the President, the Chief Merchandising Officer or by the Board of Directors. The execution of any instrument of the corporation by any Vice President shall be conclusive evidence, as to third parties, of his or her authority to act in the stead of the CEO.

Section 5.12 Secretary. The Secretary shall: (a) keep, or cause to be kept, minutes of the meetings of the shareholders and of the Board of Directors (and of committees thereof) in one or more books provided for that purpose (including records of actions taken by the shareholders or the Board of Directors (or committees thereof) without a meeting); (b) be custodian of the corporate records and of the seal of the corporation, if any, and if the corporation has a seal, see that it is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; (c) authenticate the records of the corporation; (d) maintain, or cause to be maintained, a record of the shareholders of the corporation, in a form that permits preparation of a list of the names and addresses of all shareholders, by class or series of shares and showing the number and class or series of shares held by each shareholder; (e) have general charge of the stock transfer books of the corporation; and (f) in general perform all duties incident to the office of Secretary and have such other duties and exercise such authority as from time to time may be delegated or assigned by the CEO, the President or by the Board of Directors.

Section 5.13 Chief Financial Officer. The Chief Financial Officer (the “CFO”) shall: (a) serve as the treasurer of the corporation and have charge and custody of and be responsible for all funds and securities of the corporation; (b) maintain appropriate accounting records; (c) receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these bylaws; and (d) in general perform all of the duties incident to the office of CFO and have such other duties and exercise such other authority as from time to time may be delegated or assigned by the President or by the Board of Directors.

Section 5.14 Comptroller and Assistant Secretaries. There shall be a Comptroller and such number of Assistant Secretaries and assistants to the Chief Financial Officer and Comptroller as the Board of Directors may from time to time authorize or as are appointed by the CEO, the Chief Financial Officer or the Secretary. The Comptroller, Assistant Secretaries and other assistants, in general, shall perform such duties and have such authority as shall from time to time be delegated or assigned to them by the CFO or the Secretary respectively, or by the CEO, the President, the Chief Merchandising Officer or the Board of Directors.

Section 5.15 Other Assistants and Acting Officers. The Board of Directors shall have the power to appoint, or to authorize any duly appointed officer of the corporation to appoint, any person to act as assistant to any officer, or as agent for the corporation in his or her stead, or to perform the duties of such officer whenever for any reason it is impracticable for such officer to act personally, and such assistant or acting officer or other agent so appointed by the Board of Directors or an authorized officer shall have the power to perform all the duties of the office to which he or she is so appointed to be an assistant, or as to which he or she is so appointed to act, except as such power may be otherwise defined or restricted by the Board of Directors or the appointing officer.

Section 5.16 Salaries. The salaries of the principal officers shall be fixed from time to time by the Board of Directors or by a duly authorized committee thereof, and no officer shall be prevented from receiving such salary by reason of the fact that he or she is also a director of the corporation.

ARTICLE 6

Contracts, Checks and Deposits; Special Corporate Acts

Section 6.1 Contracts. The Board of Directors may authorize any officer or officers, or any agent or agents to enter into any contract or execute or deliver any instrument in the name of and on behalf of the corporation, and such authorization may be general or confined to specific instances. In the absence of other designation, all deeds, mortgages, and instruments of assignment or pledge made by the corporation shall be executed in the name of the corporation by the President or one of the Vice Presidents; the Secretary or an Assistant Secretary, when necessary or required, shall

attest and affix the corporate seal, if any, thereto; and when so executed no other party to such instrument or any third party shall be required to make any inquiry into the authority of the signing officer or officers.

Section 6.2 Loans. No indebtedness for borrowed money shall be contracted on behalf of the corporation and no evidences of such indebtedness shall be issued in its name unless authorized by or under the authority of a resolution of the Board of Directors. Such authorization may be general or confined to specific instances.

Section 6.3 Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by or under the authority of a resolution of the Board of Directors.

Section 6.4 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as may be selected by or under the authority of a resolution of the Board of Directors.

Section 6.5 Voting of Securities Owned by Corporation. Subject always to the specific directions of the Board of Directors, (a) any shares or other securities issued by any other corporation and owned or controlled by this corporation may be voted at any meeting of security holders of such other corporation by the President of this corporation if he or she be present, or in his or her absence, by any Vice President of this corporation who may be present, and (b) whenever, in the judgment of the President, or in his or her absence, of any Vice President, it is desirable for this corporation to execute a proxy or written consent in respect of any such shares or other securities, such proxy or consent shall be executed in the name of this corporation by the President or one of the Vice Presidents, if any, of this corporation, without necessity of any authorization by the Board of Directors, affixation of corporate seal, if any, or countersignature or attestation by another officer. Any person or persons designated in the manner above stated as the proxy or proxies of this corporation shall have full right, power, and authority to vote the shares or other securities issued by such other corporation and owned or controlled by this corporation the same as such shares or other securities might be voted by this corporation.

ARTICLE 7

Certificates for Shares; Transfer of Shares

Section 7.1 Consideration for Shares. The Board of Directors may authorize shares to be issued for consideration consisting of any tangible or intangible property or benefit to the corporation, including cash, promissory notes, services performed, promises to perform services evidenced by a written contract, or other securities of the corporation. Before the corporation issues shares, the Board of Directors shall

determine that the consideration received or to be received for the shares to be issued is adequate. The determination of the Board of Directors is conclusive insofar as the adequacy of consideration for the issuance of shares relates to whether the shares are validly issued, fully paid, and nonassessable. The corporation may place in escrow shares issued for future services or benefits or a promissory note, or make other arrangements to restrict the transfer of the shares, and may credit distributions in respect of the shares against their purchase price, until the services are performed, the note is paid, or the benefits are received. If the services are not performed, the note is not paid, or the benefits are not received, the corporation may cancel, in whole or in part, the shares escrowed or restricted and the distributions credited.

Section 7.2 Certificates for Shares. Every holder of shares in the corporation shall be entitled to have a certificate representing all shares to which he or she is entitled unless the Board of Directors authorizes the issuance of some or all shares without certificates. Any such authorization shall not affect shares already represented by certificates until the certificates are surrendered to the corporation. If the Board of Directors authorizes the issuance of any shares without certificates, within a reasonable time after the issue or transfer of any such shares, the corporation shall send the shareholder a written statement of the information required by the Act to be set forth on certificates, including any restrictions on transfer. Certificates representing shares of the corporation shall be in such form, consistent with the Act, as shall be determined by the Board of Directors. Such certificates shall be signed (either manually or in facsimile) by the President or any Vice President or any other persons designated by the Board of Directors and may be sealed with the seal of the corporation or a facsimile thereof. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. Unless the Board of Directors authorizes shares without certificates, all certificates surrendered to the corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled, except as provided in these bylaws with respect to lost, destroyed, or stolen certificates. The validity of a share certificate is not affected if a person who signed the certificate (either manually or in facsimile) no longer holds office when the certificate is issued.

Section 7.3 Transfer of Shares Prior to due presentment of a certificate for shares for registration of transfer, the corporation may treat the registered owner of such shares as the person exclusively entitled to vote, to receive notifications, and otherwise to have and exercise all the rights and power of an owner. Where a certificate for shares is presented to the corporation with a request to register a transfer, the corporation shall not be liable to the owner or any other person suffering loss as a result of such registration of transfer if (a) there were on or with the certificate the necessary endorsements, and (b) the corporation had no duty to inquire into adverse claims or has discharged any such duty. The corporation may require reasonable assurance that such endorsements are genuine and effective and compliance with such

other regulations as may be prescribed by or under the authority of the Board of Directors.

Section 7.4 Restrictions on Transfer. The face or reverse side of each certificate representing shares shall bear a conspicuous notation as required by the Act of any restriction imposed by the corporation upon the transfer of such shares.

Section 7.5 Lost, Destroyed, or Stolen Certificates. Unless the Board of Directors authorizes shares without certificates, where the owner claims that certificates for shares have been lost, destroyed, or wrongfully taken, a new certificate shall be issued in place thereof if the owner (a) so requests before the corporation has notice that such shares have been acquired by a bona fide purchaser, (b) files with the corporation a sufficient indemnity bond if required by the Board of Directors or any principal officer, and (c) satisfies such other reasonable requirements as may be prescribed by or under the authority of the Board of Directors.

Section 7.6 Stock Regulations. The Board of Directors shall have the power and authority to make all such further rules and regulations not inconsistent with law as they may deem expedient concerning the issue, transfer, and registration of shares of the corporation.

ARTICLE 8

Seal

Section 8.1 Seal. The Board of Directors may provide for a corporate seal for the corporation.

ARTICLE 9

Books and Records

Section 9.1 Books and Records.

(a) The corporation shall keep as permanent records minutes of all meetings of the shareholders and Board of Directors, a record of all actions taken by the shareholders or Board of Directors without a meeting, and a record of all actions taken by a committee of the Board of Directors in place of the Board of Directors on behalf of the corporation.

(b) The corporation shall maintain accurate accounting records.

(c) The corporation or its agent shall maintain a record of the shareholders in a form that permits preparation of a list of the names and addresses of all shareholders in alphabetical order by class of shares showing the number and series of shares held by each.

(d) The corporation shall keep a copy of all written communications within the preceding three years to all shareholders generally or to all shareholders of a class or series, including the financial statements required to be furnished by the Act, and a copy of its most recent annual report delivered to the Department of State.

Section 9.2 Shareholders' Inspection Rights. Shareholders are entitled to inspect and copy records of the corporation as permitted by the Act.

Section 9.3 Distribution of Financial Information. The corporation shall prepare and disseminate financial statements to shareholders as required by the Act.

Section 9.4 Other Reports. The corporation shall disseminate such other reports to shareholders as are required by the Act, including reports regarding indemnification in certain circumstances and reports regarding the issuance or authorization for issuance of shares in exchange for promises to render services in the future.

ARTICLE 10

Indemnification

Section 10.1 Provision of Indemnification. The corporation shall, to the fullest extent permitted or required by the Act, including any amendments thereto (but in the case of any such amendment, only to the extent such amendment permits or requires the corporation to provide broader indemnification rights than prior to such amendment), indemnify its Directors against any and all Liabilities, and advance any and all reasonable Expenses, incurred thereby in any Proceeding to which any such Director is a Party because he or she is or was a Director of the corporation. The rights to indemnification granted hereunder shall not be deemed exclusive of any other rights to indemnification against Liabilities or the advancement of Expenses which a Director may be entitled under any written agreement, Board resolution, vote of shareholders, the Act, or otherwise. The corporation may, but shall not be required to, supplement the foregoing rights to indemnification against Liabilities and advancement of Expenses by the purchase of insurance on behalf of any one or more of such Directors whether or not the corporation would be obligated to indemnify or advance Expenses to such Director under this Article. For purposes of this Article, the terms "Directors" includes former directors and any directors who are or were serving at the request of the corporation as directors, officers, employees, or agents of another corporation, partnership, joint venture, trust, or other enterprise, including, without limitation, any employee benefit plan (other than in the capacity as agents separately retained and compensated for the provision of goods or services to the enterprise, including, without limitation, attorneys-at-law, accountants, and financial consultants). All other capitalized terms used in this Article and not otherwise defined herein shall have the meaning set forth in Section 607.0850, Florida Statutes (1991), as in effect on the date hereof. The provisions of this Article are intended solely for the benefit of the indemnified parties described herein, their heirs and personal representatives and shall

not create any rights in favor of third parties. No amendment to or repeal of this Article shall diminish the rights of indemnification provided for herein prior to such amendment or repeal.

ARTICLE 11

Amendments

Section 11.1 Power to Amend. These bylaws may be amended or repealed by either the Board of Directors or the shareholders, unless the articles of incorporation or the Act reserves the power to amend these bylaws generally or any particular bylaw provision, as the case may be, exclusively to the shareholders or unless the shareholders, in amending or repealing these bylaws generally or any particular bylaw provision, provide expressly that the Board of Directors may not amend or repeal these bylaws or such bylaw provision, as the case may be.

**STEIN MART, INC.
EXECUTIVE DEFERRAL PLAN**

AMENDMENT AND RESTATEMENT
Effective November 1, 2002

ARTICLE I	
Establishment and Purpose	Page 3
ARTICLE II	
Definitions	Page 3
ARTICLE III	
Eligibility and Participation.....	Page 9
ARTICLE IV	
Deferral Elections, Company Contributions, Account Valuation.....	Page 9
ARTICLE V	
Distributions and Withdrawals	Page 16
ARTICLE VI	
Administration	Page 18
ARTICLE VII	
Amendment and Termination	Page 19
ARTICLE VIII	
Informal Funding.....	Page 20
ARTICLE IX	
Claims	Page 21
ARTICLE X	
General Conditions	Page 22

ARTICLE I

PURPOSE OF AMENDMENT AND RESTATEMENT

- (a) In accordance with Article 7, Section 7.01 of the Stein Mart Executive Deferral Plan (the "Plan"), the Plan's sponsor, Stein Mart, Inc. (the "Company"), has decided to and hereby amends and restates the Plan effective November 1, 2002. This Plan document shall replace and supersede in all respects the former plan document, originally adopted September 1, 1999 and unamended since that date.
- (b) The amended and restated plan shall continue to be known as the Stein Mart Executive Deferral Plan. The purpose of the amendment and restatement is to add additional flexibility to the plan. The Plan has always been and continues to intend to be an unfunded arrangement within the meaning of both the Internal Revenue Code and ERISA, providing deferred compensation to eligible employees who are part of a select group of management or highly compensated employees of the Company within the meaning of Sections 201, 301 and 401 of ERISA. The Plan is intended to be exempt from the requirements of Parts 2, 3 and 4 of Title I of ERISA as a "top hat" plan, and to be eligible for the alternative method of compliance for reporting and disclosure available for unfunded "top hat" plans.

ARTICLE II

DEFINITIONS

- 2.1 Account Balance. Account Balance means, with respect to the Deferred Compensation Account or any Sub-Account, the total value of all the Investment Options in which the Participant deferrals, and Company Contributions, have been Deemed Invested as of a specific date, taking into account the value of all distributions from that Account or Sub-Account to the specific date. Account Balances are notional. They reflect an amount due a Participant from the Company under the Plan. They are not funded accounts, and reflect no ownership by the Participant in any Company or trust assets.
- 2.2 Allocation Election. Allocation Election means a choice by a Participant of one or more Investment Options, and the allocation among them, in which future Participant deferrals and/or existing Account Balances are Deemed Invested for purposes of determining earnings in a particular Sub-Account.

STEIN MART, INC.

Deferred compensation plan

- 2.3 Allocation Election Form. Allocation Election Form means the form (or Website screen) approved by the Plan Administrator on which the Participant makes an Allocation Election, Rebalances a Sub-Account, or elects a Transfer.
- 2.4 Annual Enrollment Period. Annual Enrollment Period shall be the period announced by the Plan Administrator during which Participants may submit Compensation Deferral Agreements (or make deferral elections on the Participant web site, if authorized by the Plan Administrator) which shall precede the Plan Year to which the elections are applicable.
- 2.5 Annual Valuation Date. Annual Valuation Date shall mean the anniversary of the Termination Valuation Date or In Service Distribution Valuation Date utilized to determine the amount of an annual installment payment.
- 2.6 Beneficiary. Beneficiary means a natural person, estate, or trust designated by a Participant on the form designated by the Plan Administrator to receive benefits to which a Beneficiary is entitled under and in accordance with provisions of the Plan. The Participant's estate shall be the Beneficiary if:
- a. the Participant has not designated a natural person or trust as Beneficiary, or
 - b. the designated Beneficiary has predeceased the Participant.
- 2.7 Change in Control. Change in Control means the occurrence of: (a) any merger or consolidation in which the Company is not the surviving corporation and which results in the holders of the outstanding voting securities of the Company (determined immediately prior to such merger or consolidation) owning less than a majority of the outstanding voting securities of the surviving corporation (determined immediately following such merger or consolidation), (b) any sale or transfer by the Company of all or substantially all of its assets, or (c) any tender offer or exchange offer for or the acquisition, directly or indirectly, by any person or group of all or a majority of the then-outstanding voting securities of the Company.
- 2.8 Chief Executive Officer. Chief Executive Officer means the individual who performs the functions of a Chief Executive Officer for the Company.
- 2.9 Code. Code means the Internal Revenue Code, as amended from time to time.
- 2.10 Company. Company means Stein Mart, Inc.

STEIN MART, INC.

Deferred compensation plan

- 2.11 Company Contributions. Company Contributions shall mean all Company Discretionary Contributions and all Company Matching Contributions made with respect to a Participant.
- 2.12 Company Discretionary Contributions. Company Discretionary Contributions shall mean credits to a Participant's Retirement/Termination Sub-Account by the Company at a time and in an amount determined in the sole discretion of the Company.
- 2.13 Company Matching Contributions. Company Matching Contributions shall mean credits to a Participant's Retirement/Termination Sub-Account by the Company based upon deferrals made by the Participant as provided in Section 4.3 of the Plan.
- 2.14 Compensation. Compensation shall mean, for purposes of this Plan, base salary (including any deferred salary under a Code Section 401(k) or 125 plan), bonus, and such other cash compensation (if any) approved by the Plan Administrator as Compensation for purposes of this Plan.
- 2.15 Compensation Deferral Agreement. Compensation Deferral Agreement shall mean the deferral election form, or such other forms furnished by the Plan Administrator (or screens on the Participant Website approved by the Plan Administrator), on which a Participant elects: (a) the amount of deferral and type of Compensation (base salary or bonus) to be deferred beginning the first day of the following Plan Year; (b) any In Service Distribution Dates for that year's, or a portion of that year's, deferrals; and (c) the Form of Payment elections for Termination Benefits and In Service Distributions. The Allocation Election Form may be part of the Compensation Deferral Agreement, in the discretion of the Plan Administrator. The initial Compensation Deferral Agreement constitutes a participation agreement wherein a Participant acknowledges and agrees to the terms and conditions of the Plan.
- 2.16 Death Benefit. Death Benefit shall mean a distribution of the total amount of the Participant's Deferred Compensation Account Balance, including any remaining unpaid In Service Account balances, to the Participant's Beneficiary(ies) in accordance with Article V of the Plan.
- 2.17 Deemed Investment. A Deemed Investment (or "Deemed Invested") shall mean the notional conversion of a dollar amount of deferred Compensation and Company Contributions credited to a Participant's Deferred Compensation Account into shares or units (or a fraction of such measures of ownership, if applicable) of the underlying investment (e.g. mutual fund or other investment) which is referred to by the Investment Option(s) selected by the Participant. The

STEIN MART, INC.

Deferred compensation plan

conversion shall occur as if shares (or units) of the designated investment were being purchased (or sold, for a distribution) at the purchase price as of the close of business of the day on which the Deemed Investment occurs. At no time shall a Participant have any real or beneficial ownership in the actual investment to which the Investment Option refers, irrespective of whether such a Deemed Investment is mirrored by an actual identical investment by the Company or a trustee acting on behalf of the Company.

- 2.18 Deferred Compensation Account ("Account"). A Participant's Deferred Compensation Account shall mean the aggregate of all Sub-Accounts maintained for Participant deferrals and Company Contributions, together with a record of Deemed Investments in accordance with Participants' Allocation Elections, minus any withdrawals or distributions from said Account. The Account, and all component Sub-Accounts, shall be a bookkeeping account utilized solely as a device for the measurement of amounts to be paid to the Participant under the Plan. The Account, and all Sub-Accounts, shall not constitute or be treated as an escrow, trust fund, or any other type of funded account for Code or ERISA purposes and, moreover, amounts credited thereto shall not be considered "plan assets" for ERISA purposes.
- 2.19 Deferred Compensation Committee or "Committee". Deferred Compensation Committee, or "Committee" means the Compensation Committee of the Board of Directors, or if applicable, such other group consisting of at least three (3) officers of the Company appointed by the Compensation Committee of the Board and approved by the entire Board, who shall serve until the earlier of termination of service or appointment of a replacement by the Compensation Committee of the Board.
- 2.20 Disability. Disability means that a Participant has been determined to have incurred total and permanent disability such that the Participant qualifies for benefits under the Company's long-term disability ("LTD") group plan or, if none, then as determined in the sole discretion of the Committee.
- 2.21 Eligible Employee. Eligible Employee means an Employee who is part of a select group of management or highly compensated employees of the Company (which also includes for this purpose its subsidiaries and affiliated companies) within the meaning of Sections 201, 301 and 401 of ERISA, and who is selected by the Committee to participate in the Plan.
- 2.22 Employee. Employee means a full-time salaried employee of the Company or any subsidiary or affiliated company of the Company.

STEIN MART, INC.
Deferred compensation plan

- 2.23 ERISA. ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 2.24 In Service Distribution. In Service Distribution shall mean a payment by the Company to the Participant following a date elected by the Participant (the In Service Distribution Date) of the amount represented by the account balance in the In Service Sub-Account pertaining to that In Service Distribution. In Service Distributions shall be made in accordance with Participants' In Service Distribution form of payment election.
- 2.25 In Service Distribution Date. In Service Distribution Date shall mean a separate Sub-Account of the Deferred Compensation Account, created whenever a Participant elects a new In Service Distribution Date (not already established with a Sub-Account) with respect to a portion, or all, of his or her deferral contributions, to which such portion of deferral specified by the Participant is credited and Deemed Invested in accordance with the Participant's Allocation Election.
- 2.26 In Service Distribution Date. In Service Distribution Date shall mean the date selected by the Participant, following which the In Service Distribution Sub-Account Balance shall be distributed in accordance with the Plan.
- 2.27 In Service Distribution Valuation Date. In Service Distribution Valuation Date shall mean the last day of the calendar month in which the In Service Distribution Date falls.
- 2.28 Investment Option. Investment Option shall mean a security or other investment such as a mutual fund, life insurance sub-account, or other investment approved by the Plan Administrator for use as part of an Investment Option menu, which a Participant may elect as a measuring device to determine Deemed Investment earnings (positive or negative) to be valued in the Participant's Account or Sub-Account. The Participant has no real or beneficial ownership in the security or other investment represented by the Investment Option.
- 2.29 Participant. Participant means an Eligible Employee who: (1) is selected to participate in this Plan in accordance with Section 3.1 and has elected to defer Compensation in accordance with the Plan in any Plan Year; (2) has received a Company Discretionary Contribution; or (3) has an Account Balance in his or her Deferred Compensation Account, including any Sub-Account, greater than zero prior to his or her death. A Participant's continued participation in the Plan shall be governed by Section 3.2 of the Plan.

STEIN MART, INC.

Deferred compensation plan

- 2.30 Plan. Plan means the Stein Mart, Inc. Executive Deferral Plan as amended and restated by this document and as may be amended from time to time hereafter.
- 2.31 Plan Administrator. Plan Administrator shall mean a person or persons appointed by the Deferred Compensation Committee who is (are) responsible for the day-to-day decision making, record keeping, and administration of the Plan; provided, that the Plan Administrator may delegate duties of the Plan Administrator to employees or others to assist in the administration of the Plan.
- 2.32 Plan Year. Plan Year means January 1 through December 31 each year.
- 2.33 Rebalance. Rebalance means an Allocation Election which pertains to an existing Sub-Account Balance whereby the Participant reallocates the Sub-Account Balance among different Investment Options.
- 2.34 Retirement. Retirement shall mean the voluntary termination of employment with the Company upon reaching age 62. Retirement shall also mean such involuntary terminations as are designated as a Retirement for purposes of this Plan in the sole discretion of the Committee.
- 2.35 Retirement Benefit. Retirement Benefit shall mean the Participant's Deferred Compensation Account Balance, including all unpaid In Service Sub-Account Balances, distributed to the Participant (or Beneficiary) upon Retirement in accordance with the Participant's payment schedule election.
- 2.36 Retirement/Termination Sub-Account. Retirement/Termination Sub-Account shall mean that portion of the Deferred Compensation Account not allocated to In Service Sub-Accounts.
- 2.37 Sub-Account. Sub-Account shall mean a portion of the Deferred Compensation Account maintained separately by the Plan Administrator in order to properly administer the Plan.
- 2.38 Termination Benefit. Termination Benefit shall mean the vested portion of the Participant's Deferred Compensation Account Balance, including all unpaid In Service Sub-Account Balances, distributed to a Participant upon Termination of Employment except for Retirement in a single lump sum in accordance with Article V of the Plan.
- 2.39 Termination of Employment. Termination of Employment shall mean the termination of a Participant's employment with the Company (or its subsidiary or affiliated company that is the Participant's employer), for any reason.

STEIN MART, INC.
Deferred compensation plan

- 2.40 Termination Valuation Date. Termination Valuation Date shall mean the last day of the calendar month in which Termination of Employment occurs.
- 2.41 Transfer. Transfer means a particular Allocation Election with respect to an existing Sub-Account whereby a Participant transfers a portion of the Sub-Account Balance from specific Investment Options to other specific Investment Options.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

- 3.1 Eligibility and Participation. Each Eligible Employee, determined in the sole discretion of the Committee shall be eligible to participate in this Plan. The Committee shall designate each Eligible Employee as either a tier 1 or tier 2 Participant.
- 3.2 Duration. Once an Employee becomes a Participant, such Employee shall continue to be a Participant so long as he or she is entitled to receive benefits hereunder, notwithstanding any subsequent Termination of Employment.
- 3.3 Revocation of Future Participation. Notwithstanding the provisions of Section 3.2, the Committee may revoke such Participant's eligibility to make future deferrals under this Plan. Such revocation will not affect in any manner a Participant's Deferred Compensation Account or other terms of this Plan.
- 3.4 Notification. Each newly Eligible Employee shall be notified by the Plan Administrator, in writing, of his or her eligibility to participate in this Plan.

ARTICLE IV
DEFERRAL ELECTIONS, COMPANY CONTRIBUTIONS, AND PARTICIPANT ACCOUNT
VALUATION

- 4.1 Deferral Elections, generally
- (a) A Participant shall make deferral elections under the Plan by completing and submitting to the Plan Administrator a written Compensation Deferral Agreement provided by the Plan Administrator (or completing and electronically submitting the deferral election screen on the

STEIN MART, INC.

Deferred compensation plan

Participant website, when made available by the Plan Administrator). Deferral elections shall be made during the Annual Enrollment Period which shall end no later than December 1 preceding the Plan Year to which the deferral election relates, unless extended by the Plan Administrator because of extraordinary circumstances beyond the control of Participants affected. In no event may the Annual Enrollment Period be extended beyond the last day of the month prior to the beginning of the Plan Year to which the deferral elections refer. Other cash Compensation deferral elections shall be made prior to the time such amounts have been earned, during special enrollment periods announced by the Plan Administrator. Notwithstanding the foregoing, an Eligible Employee who becomes eligible to be a Participant during any Plan Year may, in the initial year of eligibility only, make deferral elections with respect to Compensation which will be paid during the balance of such Plan Year but after such elections in such Plan Year, within 30 days of the date of notification of eligibility as required in Section 3.4 of the Plan.

- (b) Deferral elections shall be for a Plan Year, and shall remain in effect from Plan Year to Plan Year unless modified or revoked by the Participant in writing on such forms as may be prescribed by the Plan Administrator (or by following such procedures as are set by the Plan Administrator regarding using the Participant website, when available) during an enrollment period. Such modification or revocation shall become effective on the first day of the Plan Year following the date of the modification or revocation.
- (c) A deferral election shall designate the amount of Compensation to be deferred in whole percentages. A Participant may defer up to 100% of his or her Compensation to be paid during the Plan Year to which the election refers. A Participant may elect different percentages for salary and bonus.
- (d) The foregoing notwithstanding, in the event a Participant's deferral election results in insufficient non-deferred Compensation from which to withhold taxes in accordance with applicable law, the deferral election shall be reduced as necessary to allow the Company to satisfy tax withholding requirements.
- (e) Deferrals pertaining to base salary shall be deducted on a pro rata basis from a Participant's base salary for each pay period during the Plan Year, and the amount deferred shall be credited to the Participant's Retirement/Termination Sub-Account or In Service Sub-Account(s), and a Deemed Investment shall be made in the investment(s) represented by the

STEIN MART, INC.

Deferred compensation plan

Investment Option(s) elected by the Participant as of the close of business on the date it would otherwise have been paid as Compensation to the Participant. Deferrals pertaining to bonus awards shall be deducted from the Participant's bonus on the date of payment of the bonus, and the amount deferred shall be credited to the Participant's Termination Sub-Account or In Service Sub-Account(s), and a Deemed Investment shall be made in the investment(s) represented by the Investment Option(s) elected by the Participant as of the close of business on the date it would otherwise have been paid as Compensation to the Participant.

- (f) The Compensation Deferral Agreement shall indicate the Participant's election of a payment schedule for his or her Retirement Benefit. A Participant shall elect to have such Retirement Benefit distributed: (a) a portion, or all, in a single lump sum payable as soon as administratively practicable following the Termination Valuation Date; and/or (b) the balance (assuming it is at least \$25,000) in up to fifteen (15) annual installment payments payable at the time described in Section 5.3. An election of a payment schedule for a Participant's Retirement Benefit shall pertain to the entire Retirement Benefit Sub-Account Balance. A Participant shall be permitted to change his or her Retirement Benefit payment schedule election no more than two (2) times. Such request may be made at any time during the Plan Year by filing a new Compensation Deferral Agreement (or by following such procedures as are set by the Plan Administrator regarding using the Participant website, when available), provided such election is made at least thirteen (13) months prior to the Participant's date of Retirement. Any payment schedule election made within thirteen months of Retirement shall be null and void, and the most recent payment schedule election which is dated at least thirteen months prior to Retirement will be in effect.

4.2 In Service Distribution Date Election.

- (a) The Compensation Deferral Agreement shall also indicate the Participant's election of In Service Distribution Date(s) (if any). An In Service Distribution election shall pertain to such portion of deferred Compensation for the Plan Year as elected by the Participant and shall cause an In Service Sub-Account to be established (unless such Sub-Account already exists), to which such portion of deferred Compensation shall be credited. In the event an In Service Sub-Account has already been established for the In Service Distribution Date referred to in the deferral election, such portion of deferred Compensation shall be credited to the existing In Service Sub-Account.

STEIN MART, INC.

Deferred compensation plan

- (b) An In Service Distribution Date must be at least three (3) years from the end of the first Plan Year in which deferrals are credited to the corresponding In Service Sub-Account. Deferrals may be credited to an already established In Service Sub-Account so long as the In Service Distribution Date is after the end of the Plan Year in which deferrals are credited to the Sub-Account. Any In Service Distribution election which would credit deferrals to a Sub-Account corresponding to an In Service Distribution Date which falls in the same Plan Year as the deferrals are deducted from Compensation is null and void.
- (c) A Participant may maintain up to three (3) In Service Sub-Accounts.
- (d) A Participant may change an In Service Distribution Date no more than two times as follows:
 - (i) An In Service Distribution Date change (including a cancellation) may be made by submitting a new Compensation Deferral Agreement or such other form as may be provided for In Service Distribution Date changes by the Plan Administrator (or completing and electronically submitting the appropriate screen on the Participant website, when available) at any time, so long as the date that such form is submitted to the Plan Administrator is at least thirteen (13) months prior to the In Service Distribution Date being changed; and
 - (ii) The In Service Distribution Date may be extended to a subsequent year (and must be extended by at least one year), but it may not be made to occur sooner than the original date.
 - (iii) The In Service Distribution Date may be cancelled, even after a change. A cancellation of an In Service Distribution Date shall cause the In Service Sub-Account associated with it to be merged into the Retirement/Termination Sub-Account.
 - (iv) Making an In Service Distribution Date change or cancellation in accordance with the Plan is specific to the In Service Distribution to which it refers, and shall not affect other In Service Distributions or the ability of the Participant to make new In Service Distribution elections with respect to new deferral contributions.

STEIN MART, INC.

Deferred compensation plan

- (e) Any portion of a deferral not credited to an In Service Distribution Sub-Account will be credited to the Retirement/Termination Sub-Account.
- (f) The Compensation Deferral Agreement shall also indicate the Participant's election of payment schedule for each In Service Distribution Date. Permitted payment schedules for In Service Distributions are a single lump sum or (assuming the In Service Distribution Sub-Account Balance is at least \$10,000) from two (2) to five (5) annual installment payments. A Participant shall be permitted to change his or her payment schedule election for an In Service Distribution no more than two (2) times. Such request may be made at any time during the Plan Year by filing a new Compensation Deferral Agreement (or by following such procedures as are set by the Plan Administrator regarding using the Participant website, when available), provided such request is made at least thirteen (13) months prior to the In Service Distribution Date.

4.3 Company Contributions and Vesting

- (a) Company Matching Contributions. Each time a deferral of Compensation is deducted from a Participant's pre-tax pay, the Company will make a Company Matching Contribution by crediting the Participant's Retirement/Termination Sub-Account (regardless of which Sub-Account the Participant elects for his or her deferrals) on the same day as the deferral is credited with an amount specified herein:

Tier 1 Participants	\$1.00 for each \$1.00 of base salary and bonus deferred to a maximum of 10% of base salary and bonus, respectively, for the Plan Year.
Tier 2 Participants	\$.50 for each \$1.00 of base salary and bonus deferred to a maximum of 10% of base salary and bonus, respectively, for the Plan Year.

- (b) Such matching amount shall be determined without regard for discrimination testing provisions (Code Sections 401(k) and 401(m), and limits on eligible compensation (Code Section 401(a)(17)).
- (c) The Company Matching Contribution may be changed by the Committee for any future Plan Year by giving written notice to all eligible Participants prior to the Annual Enrollment Period for such Plan Year.

STEIN MART, INC.

Deferred compensation plan

- (d) Company Discretionary Contributions. The Company may, in its sole and absolute discretion, make Company Discretionary Contributions to one, some, or all Participant(s) by crediting to said Participants' Retirement/Termination Sub-Accounts an amount determined in the sole and absolute discretion of the Company. The Company shall be under no obligation to make Company Discretionary Contributions unless it so obligates itself under an employment agreement or other agreement.
- (e) Deemed Investments shall be made in the same manner as for deferrals (Section 4.1 of the Plan) on the date the Company Matching Contribution is credited to the Participant's Termination Benefit Sub-Account.
- (f) Vesting. Company Matching Contributions and Deemed Investment earnings thereon are subject to a vesting schedule as follows:

Full or partial Plan Years in which a Participant has participated in the Plan	Percent Vested
Fewer than 4	0%
At least 4 but fewer than 5	20%
At least 5 but fewer than 6	40%
At least 6 but fewer than 7	60%
At least 7 but fewer than 8	80%
At least 8	100%
Upon Retirement, termination of the Plan, or termination of employment within 3 years following a Change in Control	100%

- (g) Vesting for Company Discretionary Contributions (if any). Company Discretionary Contributions (if any) and Deemed Investment earnings thereon shall be subject to a vesting schedule announced by the Committee at the time of such Contribution. If no such schedule is announced, then such Discretionary Contributions and earnings shall be subject to the same vesting schedule as for Company Matching Contributions.

4.4 Allocation Elections and Valuation of Accounts

- (a) A Participant shall elect Investment Options from a menu provided by the Plan Administrator. The initial election shall be made on the Allocation Election form approved by the Plan Administrator (or Allocation Election Screen on the Participant website approved by the Plan Administrator) and shall specify the allocations among the Investment Options elected. A

STEIN MART, INC.

Deferred compensation plan

Participant may make different Allocation Elections for each Sub-Account. A Participant's Sub-Accounts shall be valued as the sum of the value of all Deemed Investments minus any withdrawals or distributions from said Sub-Account. Investment Options shall be utilized to determine the earnings attributable to the sub-account. Elections of Investment Options do not represent actual ownership of, or any ownership rights in or to, the securities or other investments to which the Investment Options refer, nor is the Company in any way bound or directed to make actual investments corresponding to Deemed Investments.

- (b) The Committee, in its sole discretion, shall be permitted to add or remove Investment Options provided that any such additions or removals of Investment Options shall not be effective with respect to any period prior to the effective date of such change. Any unallocated portion of a Sub-Account or any unallocated portion of new deferrals shall be Deemed Invested in an Investment Option referring to a money market based fund or sub-account.
- (c) A Participant may make a new Allocation Election with respect to future deferrals, and may Rebalance or Transfer funds in any of his or her Sub-Accounts, provided that such new allocations, Rebalances or Transfers shall be in increments of one percent (1%), and Rebalances and Transfers apply to the entire Sub-Account Balance. New Allocation Elections, Rebalances, and Transfers may be made on any business day, and will become effective on the same business day or, in the case of Allocation Elections received after a cut-off time established by the Plan Administrator, the following business day.
- (d) Notwithstanding anything in this Section to the contrary, the Company shall have the sole and exclusive authority to invest any or all amounts deferred in any manner, regardless of any Allocation Elections by any Participant. A Participant's Allocation Election shall be used solely for purposes of determining the value of such Participant's Sub-Accounts and the amount of the corresponding liability of the Company in accordance with this Plan.

4.5 Prohibition Against Modifications to deferral elections. A Participant may not modify or revoke a deferral election during a Plan Year by changing the amount of the Compensation deferral except in the case of severe financial hardship and then only with the approval of the Plan Administrator which it may or may not give in its sole discretion.

ARTICLE V
DISTRIBUTIONS AND WITHDRAWALS

5.1 In Service Distributions.

- (a) In the event an In Service Distribution Sub-Account Balance shall be less than \$10,000 on the initial In Service Distribution Valuation Date, the In Service Distribution shall be made in a single lump sum as soon as administratively practicable following the In Service Distribution Valuation Date. Otherwise, each In Service Distribution shall be paid in accordance with the payment schedule election made with respect thereto, beginning as soon as administratively practicable following the In Service Distribution Valuation Date. In the event a Participant has elected installment payments for an In Service Distribution, the installment payments shall be determined as set forth in Section 5.3 of the Plan.
- (b) Notwithstanding a Participant's election to receive an In Service Distribution, all In Service Distribution Sub-Account Balances shall be distributable as part of a Retirement, Death, Disability, or Termination Benefit if the triggering date for such Retirement, Death, Disability, or Termination Benefit occurs prior to the completion of payment(s) elected in connection with any In Service Distribution Date.

5.2 Retirement Benefit Distribution. The Retirement benefit will be paid (or the first payment will be made) in accordance with the Participant payment schedule election as soon as administratively practicable following the Termination Valuation Date.

5.3 Termination Benefit Distribution. The Termination Benefit shall be paid as soon as administratively practicable following the Termination Valuation Date.

5.4 Installment Payments. If the Participant has elected installment payments for his or her Retirement Benefit distribution or an In Service Distribution, annual cash payments will be made beginning as soon as administratively practicable following the applicable Valuation Date (Termination or In Service) or, in the event of a partial lump sum election, following the first anniversary of the partial lump sum payment made following Retirement. Such payments shall continue annually on or about the anniversary of the previous installment payment until the number of installment payments elected has been paid. The installment payment amount shall be determined annually as the result of a calculation, performed on the Annual Valuation Date, where (i) is divided by (ii):

- (i) equals the value of the applicable Sub-Account on the Annual

STEIN MART, INC.

Deferred compensation plan

- Valuation Date; and
(ii) equals the remaining number of installment payments.

5.5 Small Account Balance Lump Sum Payment.

In the event that a Participant's Retirement/Termination Sub-Account Balance is less than \$25,000 or a Participant's In Service Distribution Sub-Account Balance is less than \$10,000 on the initial Termination or In Service Distribution Valuation Date, the In Service Distribution or Retirement Benefit, as applicable, shall be paid in a lump sum and any form of payment election to the contrary shall be null and void.

5.6 Disability Benefit. In the event of Disability, a Participant shall receive a benefit equal to the Participant's and paid as though it were a Termination Benefit.

5.7 Death Benefit. In the event of a Participant's death either before Termination of Employment or before complete distribution of any In Service Distribution or Retirement Benefit, such Participant's Beneficiary, named on the most recently filed Beneficiary Designation Form, shall be paid a Death Benefit in the amount of the remaining Deferred Compensation Account Balance in a single lump sum as soon as practicable following the end of the month in which the Participant's death occurred. The Valuation Date for purposes of determining the Death Benefit shall be the last day of the month in which the Participant's death occurs.

5.8 Hardship Withdrawal. A Participant may request, in writing to the Plan Administrator, a distribution under the Plan if the Participant experiences a "financial hardship". A financial hardship is an unanticipated emergency that is caused by an event beyond the control of a Participant and that would result in severe financial hardship to the Participant if early withdrawal were not permitted. The Plan Administrator, in its sole discretion, shall determine whether a Participant has experienced a financial hardship. The amount of any distribution for financial hardship is limited to the amount of the severe financial need, which cannot be met with other resources of the Participant. The amount of such hardship distribution shall be subtracted first from the vested portion of the Participant's Termination Benefit Sub-Account until depleted and then from the In Service Distribution Sub-Accounts (if any) beginning with the most distant. Values for purposes of administering this Section shall be determined on the date the Plan Administrator approves the amount of the hardship withdrawal, or such other date determined by the Plan Administrator.

5.9 Voluntary Withdrawal. A Participant who is an active employee may request, in writing to the Plan Administrator, to have up to 100% of the vested portion of his

STEIN MART, INC.

Deferred compensation plan

or her Deferred Compensation Account Balance at any time and for any reason, subject to a penalty of 15% of the amount distributed. The penalty shall be forfeited to the Company. There is a minimum withdrawal amount of \$5,000. Deferral elections shall be deemed revoked for the balance of the Plan Year in which such withdrawal election is made and not permitted for the following Plan Year. The amount of such voluntary withdrawal shall be subtracted first from the vested portion of the Participant's Retirement/Termination Sub-Account until depleted and then from the In Service Sub-Accounts (if any) beginning with the most distant. Values for purposes of administering this Section shall be determined on the date the Plan Administrator approves the amount of the withdrawal, or such other date determined by the Plan Administrator.

- 5.10 Pro-rata subtraction from Investment Options. In the event a distribution under this Article V (e.g. an installment payment, hardship or voluntary withdrawal, etc.) is less than the entire Sub-Account Balance and the Sub-Account is allocated over more than one Investment Option, the distribution shall be subtracted from each Investment Option in a pro-rata manner determined in the sole discretion of the Plan Administrator.

ARTICLE VI
ADMINISTRATION

- 6.1 Plan Administration. This Plan shall be administered by the Plan Administrator, which shall have authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including but not limited to eligibility for benefits and interpretations of this Plan and its terms, as may arise in connection with the Plan. Claims for benefits shall be filed with the Plan Administrator and resolved in accordance with the claims procedures in Article IX.
- 6.2 Withholding. The Company (or its subsidiary or affiliated company that is or was the Participant's employer) shall have the right to withhold from any payment made under the Plan (or any amount deferred into the Plan) any taxes required by law to be withheld in respect of such payment (or deferral).
- 6.3 Indemnification. The Company shall indemnify and hold harmless each employee, officer, director, agent or organization, to whom or to which is delegated duties, responsibilities, and authority with respect to administration of the Plan, against all claims, liabilities, fines and penalties, and all expenses reasonably incurred by or imposed upon him or it (including but not limited to

STEIN MART, INC.

Deferred compensation plan

reasonable attorney fees) which arise as a result of his or its actions or failure to act in connection with the operation and administration of the Plan to the extent lawfully allowable and to the extent that such claim, liability, fine, penalty, or expense is not paid for by liability insurance purchased or paid for by the Company. Notwithstanding the foregoing, the Company shall not indemnify any person or organization if his or its actions or failure to act are due to gross negligence or willful misconduct or for any such amount incurred through any settlement or compromise of any action unless the Company consents in writing to such settlement or compromise.

- 6.4 Expenses. The expenses of administering the Plan shall be paid by the Company.
- 6.5 Delegation of Authority. In the administration of this Plan, the Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with legal counsel who may be legal counsel to the Company.
- 6.6 Binding Decisions or Actions. The decision or action of the Plan Administrator in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations thereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

ARTICLE VII

AMENDMENT AND TERMINATION

- 7.1 Amendment and Termination. The Plan is intended to be permanent, but the Committee may at any time modify, amend, or terminate the Plan, provided that such modification, amendment or termination shall not cancel, reduce, or otherwise adversely affect the amount of benefits of any Participant accrued (and any form of payment elected) as of the date of any such modification, amendment, or termination, without the consent of the Participant. Notwithstanding the foregoing, the Committee shall be permitted upon Plan termination to instruct the Plan Administrator to pay each Participant (without such Participant's consent) a lump sum in the amount of such Participant's Account Balance as of the date of such Plan termination.
- 7.2 Adverse Income Tax Determination. Notwithstanding anything to the contrary in the Plan, if any Participant receives a deficiency notice from the United States Internal Revenue Service asserting constructive receipt of amounts payable under the Plan, or if legislation is passed which causes current income taxation of

STEIN MART, INC.

Deferred compensation plan

deferred amounts, Company contributions, and/or the investment earnings attributed thereto due to any Participant withdrawal right or other Plan provision, the Committee, in its sole discretion, may terminate the Plan or such Participant's participation in the Plan, and/or may declare null and void any Plan provision with respect to affected Participants. In addition, it is intended that this Plan comply with all provisions of the Internal Revenue Code and regulations and rulings in effect from time to time regarding the permissible deferral of compensation and taxes thereon, and it is understood that this Plan does so comply. If the laws of the United States or of any relevant state are amended or construed in such a way as to make this Plan (or its intended deferral of compensation and taxes) in whole or in part void, then the Deferred Compensation Committee, in its sole discretion, may choose to terminate the Plan or it may (to the extent it deems practicable) give effect to the Plan in such a manner as it deems will best carry out the purposes and intentions of this Plan.

ARTICLE VIII
INFORMAL FUNDING

- 8.1 General Assets. All benefits in respect of a Participant under this Plan shall be paid directly from the general funds of the Company, or a Rabbi Trust created by the Company for the purpose of informally funding the Plan, and other than such Rabbi Trust, if created, no special or separate fund shall be established and no other segregation of assets shall be made to assure payment. No Participant, spouse or Beneficiary shall have any right, title or interest whatever in or to any investments which the Company may make to aid the Company in meeting its obligation hereunder. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company or any of its subsidiaries or affiliated companies and any Employee, spouse, or Beneficiary. To the extent that any person acquires a right to receive payments from the Company hereunder, such rights are no greater than the right of an unsecured general creditor of the Company.
- 8.2 Rabbi Trust. The Company may, at its sole discretion, establish a grantor trust, commonly known as a Rabbi Trust, as a vehicle for accumulating the assets needed to pay the promised benefit, but the Company shall be under no obligation to establish any such trust or any other informal funding vehicle.

ARTICLE IX

CLAIMS

- 9.1 Filing a Claim. Any controversy or claim arising out of or relating to the Plan shall be filed with the Plan Administrator which shall make all determinations concerning such claim. Any decision by the Plan Administrator denying such claim shall be in writing and shall be delivered to the Participant or Beneficiary filing the claim ("Claimant"). Such decision shall set forth the reasons for denial in plain language. Pertinent provisions of the Plan document shall be cited and, where appropriate, an explanation as to how the Claimant can perfect the claim will be provided, including a description of any additional material or information necessary to complete the claim, and an explanation of why such material or information is necessary. The claim denial also shall include an explanation of the claims review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review. This notice of denial of benefits will be provided within 90 days of the Plan Administrator's receipt of the Claimant's claim for benefits. If the Plan Administrator fails to notify the Claimant of its decision regarding the Claimant's claim, the claim shall be considered denied, and the Claimant shall then be permitted to proceed with an appeal as provided in this Article. If the Plan Administrator determines that it needs additional time to review the claim, the Plan Administrator will provide the Claimant with a notice of the extension before the end of the initial 90-day period. The extension will not be more than 90 days from the end of the initial 90-day period and the notice of extension will explain the special circumstances that require the extension and the date by which the Plan Administrator expects to make a decision.
- 9.2 Appeal. A Claimant who has been completely or partially denied a benefit shall be entitled to appeal this denial of his claim by filing a written appeal with the Plan Administrator no later than sixty (60) days after: (a) receipt of the written notification of such claim denial, or (b) the lapse of ninety (90) days without an announced decision notice of extension. A Claimant who timely requests a review of his or her denied claim (or his or her authorized representative) may review, upon request and free of charge, copies of all documents, records and other information relevant to the denial and may submit written comments, documents, records and other information relevant to the claim to the Plan Administrator. The Plan Administrator may, in its sole discretion and if it deems appropriate or necessary, decide to hold a hearing with respect to the claim appeal. Following its review of any additional information submitted by the Claimant, the Plan Administrator shall render a decision on its review of the denied claim in the following manner:

STEIN MART, INC.

Deferred compensation plan

- (a) The Plan Administrator shall make its decision regarding the merits of the denied claim within 60 days following His receipt of the appeal (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). It shall deliver the decision to the Claimant in writing. If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Plan Administrator expects to render the determination on review.
- (b) The review will take into account comments, documents, records and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination.
- (c) The decision on review shall set forth a specific reason for the decision, and shall cite specific references to the pertinent Plan provisions on which the decision is based.
- (d) The decision on review will include a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, or other information relevant to the Claimant's claim for benefits.
- (e) The decision on review will include a statement describing any voluntary appeal procedures offered by the plan and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.
- (f) A Claimant may not bring any legal action relating to a claim for benefits under the Plan unless and until the Claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures.

ARTICLE X

GENERAL CONDITIONS

- 10.1 Anti-assignment Rule. No interest of any Participant, spouse or Beneficiary under this Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no

STEIN MART, INC.

Deferred compensation plan

effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, to anticipation, sale, transfer, assignment or encumbrance by or through any Participant, spouse or Beneficiary.

- 10.2 No Legal or Equitable Rights or Interest. No Participant or other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the service of the Company or any of its subsidiaries or affiliated companies. The right and power of the Company (or any of its subsidiaries or affiliated companies that is the Employee's employer) to dismiss or discharge an Employee is expressly reserved.
- 10.3 No Employment Contract. Nothing contained herein shall be construed to constitute a contract of employment between an Employee and the Company or any of its subsidiaries or affiliated companies.
- 10.4 Headings. The headings of Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.
- 10.5 Invalid or Unenforceable Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Plan Administrator may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.
- 10.6 Governing Law. To the extent not preempted by ERISA, the laws of the State of Florida shall govern the construction and administration of the Plan.

IN WITNESS WHEREOF, the Company has caused this Plan to be amended and restated, effective as of November 1, 2002.

STEIN MART, INC.

By: /s/ D. Hunt Hawkins

Its: Sr. Vice President, Human Resources

ATTEST: _____

**STEIN MART, INC.
2001 OMNIBUS PLAN**

RESTRICTED SHARE AWARD AGREEMENT FOR KEY EMPLOYEES

THIS AGREEMENT is made and entered into as of the date set forth on the signature page hereof by and between **STEIN MART, INC.**, a Florida corporation ("**Company**"), and the Key Employee of the Company whose signature is set forth on the signature page hereof (the "**Key Employee**").

WITNESSETH

WHEREAS, the Company has adopted the Stein Mart, Inc. 2001 Omnibus Plan ("**Plan**"), the terms of which, to the extent not stated herein, are specifically incorporated by reference in this Agreement;

WHEREAS, the purpose of the Plan is to permit Awards under the Plan to be granted to certain Key Employees of the Company and its Affiliates and to further specify the terms and conditions under which such individuals may receive such Awards;

WHEREAS, the Key Employee is now employed or engaged by the Company or an Affiliate in a key employee capacity and the Company desires him or her to remain in such capacity, and to secure or increase his or her ownership of Shares in order to increase his or her incentive and personal interest in the success and growth of the Company; and

WHEREAS, defined terms used herein and not otherwise defined herein shall have the meanings set forth in the Plan.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements herein set forth, the parties hereby mutually covenant and agree as follows:

1. **Restricted Share Grant.** Subject to the terms and conditions set forth herein, the Company hereby grants to the Key Employee the number of restricted shares (the "**Restricted Shares**") of the Company's common stock set forth on the signature page hereof, at the value per Share set forth on the signature page hereof. .

2. **Nontransferability of Shares.** The Restricted Shares are not transferable other than by will or by the laws of descent and distribution.

3. **Risk of Forfeiture; Vesting.**

(a) The Restricted Shares are subject to a substantial risk of forfeiture and the risk of forfeiture is removed and the Restricted Shares become vested (the "**Vesting**") in the Key Employee, except as provided below, only if the Key Employee remains employed by the Company or its Affiliates for seven (7) years following the day

of this Grant; provided, however, that the Vesting will occur as of the end of the Company's fiscal year which includes the second annual anniversary of the day of this Grant if the Company's fully diluted earnings per share for that fiscal year equals or exceed the GPS Goal shown on the signature page of this Grant.

(b) Notwithstanding the foregoing, if the Key Employee's employment with the Company and all Affiliates is terminated because of death or Total Disability (as such terms are defined below) on or after the date hereof the Restricted Shares will vest and the risk of forfeiture with respect thereto will thereupon be removed.

4. **Certificate Retained.** The certificate evidencing the Restricted Shares that are the subject of this Grant will be held by the Company in safekeeping and delivered to the Key Employee upon vesting as described above. If the Restricted Shares are forfeited, then the Company retains the right to cause the certificate to be cancelled of record and the Restricted Shares shall thereupon be cancelled and no longer outstanding.

5. **Rights As Stockholder.** The Key Employee shall have all rights as a holder of the Restricted Shares until and unless the Restricted Shares are forfeited and cancelled as provided above.

6. **Tax Withholding.** (a) It shall be a condition of the Grant of the Restrictive Shares provided herein that the Key Employee, and the Key Employee agrees, that the Key Employee shall pay to the Company upon its demand, such amount as may be requested by the Company for the purpose of satisfying its liability to withhold federal, state, or local income, employment or other taxes incurred by reason of the Grant provided herein or the Vesting thereof. The amount that will be due from the Key Employee, if any, will be determined at the time the risk of forfeiture is removed and Vesting occurs, or if a Section 83(b) election (defined below) is made, as of the date of this Grant.

(b) In the event that a Section 83(b) election is not made, the Key Employee may elect to have the Company withhold that number of Restricted Shares otherwise deliverable to the Key Employee upon the Vesting of the Restricted Shares or to deliver to the Company a number of Shares, in each case, having a **Fair Market Value** on the date of Vesting equal to the minimum amount required to be withheld as a result of such exercise. The election must be made in writing and must be delivered to the Company prior to the date of Vesting. If the number of shares so determined shall include a fractional share, the Key Employee shall deliver cash in lieu of such fractional share. All elections shall be made in a form approved by the committee and shall be subject to disapproval, in whole or in part by the Committee.

(c) The Key Employee has reviewed with the Key Employee's own tax advisors the federal, state, local and foreign tax consequences of the transactions contemplated by this Agreement. The Key Employee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Key Employee understands that the Key Employee (and not the Company) shall be

responsible for the Key Employee's own tax liability that may arise as a result of the transactions contemplated by this Agreement. The Key Employee understands that Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), taxes as ordinary income the fair market value of the Restricted Shares as of the date any restrictions on the Shares lapse. In this context, "restriction" includes the Vesting conditions set forth in Section 3 hereof. The Key Employee understands that the Key Employee may elect to be taxed at the time the Restricted Shares are granted under this Agreement rather than when they become Vested and no longer subject to a substantial risk of forfeiture by filing an election under Section 83(b) of the Code with the I.R.S. within 30 days from the date of Grant.

THE KEY EMPLOYEE ACKNOWLEDGES THAT IT IS THE KEY EMPLOYEE'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO TIMELY FILE THE ELECTION UNDER SECTION 83(b), EVEN IF THE KEY EMPLOYEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE KEY EMPLOYEE'S BEHALF.

7. **Powers of Company Not Affected.** The existence of the Restricted Shares shall not affect in any way the right or power of the Company or its stockholders to make or authorize any combinations, subdivision or reclassification of the Shares or any reorganization, merger, consolidation, business combination, exchange of Shares, or other change in the Company's capital structure or its business, or any issue of bonds, debentures or stock having rights or preferences equal, superior or affecting the Option Stock or the rights thereof or dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise. Nothing in this Agreement shall confer upon the Key Employee any right to continue in the employment of the Company or any Affiliate, or interfere with or limit in any way the right of the Company or any Affiliate to terminate the Key Employee's employment at any time.

8. **Interpretation by Committee.** The Key Employee agrees that any dispute or disagreement which may arise in connection with this Agreement shall be resolved by the Committee, in its sole discretion, and that any interpretation by the Committee of the terms of this Agreement or the Plan and any determination made by the Committee under this Agreement or the Plan may be made in the sole discretion of the Committee and shall be final, binding, and conclusive. Any such determination need not be uniform and may be made differently among Key Employees awarded Option Stock.

9. **Miscellaneous.** (a) This Agreement shall be governed and construed in accordance with the laws of the State of Florida applicable to contracts made and to be performed therein between residents thereof.

(b) This Agreement may not be amended or modified except by the written consent of the parties hereto.

(c) The captions of this Agreement are inserted for convenience of reference only and shall not be taken into account in construing this Agreement.

(d) Any notice, filing or delivery hereunder or with respect to Restricted Shares shall be given to the Key Employee at either his usual work location or his home address as indicated in the records of the Company, and shall be given to the Committee or the Company at 1200 Riverplace Boulevard, Jacksonville, Florida 32202, Attention Corporate Secretary. All such notices shall be given by first class mail, postage prepaid, or by personal delivery.

(e) This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the personal benefit of the Key Employee, the Beneficiary and the personal representative(s) and heirs of the Key Employee.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed by its duly authorized officer, and the Key Employee has hereunto affixed his hand, all on the day and year set forth below.

STEIN MART, INC.

By: _____

Its: President and Chief Executive Officer

Key Employee [Signature]

[Print Name]: _____

No. of Restricted Shares : _____

Per Share Fair Market Value: _____

EPS Goal: _____

Grant Date: _____

**TO ACKNOWLEDGE RECEIPT OF THIS INFORMATION, SIGN ABOVE & RETURN
ONE COPY OF THIS SIGNATURE PAGE TO:**

**Stein Mart, Inc.
Attn: James G. Delfs
1200 Riverplace Blvd.
Jacksonville, FL 32207**

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 19, 2004, 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 9, 2004

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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 report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Stein Mart, Inc. as of, and for, the periods presented in this 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-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 14, 2004

/s/ Michael D. Fisher

Michael D. Fisher

President and Chief Executive Officer

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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 report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Stein Mart, Inc. as of, and for, the periods presented in this 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-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: April 14, 2004

/s/ James G. Delfs

James G. Delfs

Chief Financial Officer

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 January 31, 2004 (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: April 14, 2004

/s/ Michael D. Fisher

Michael D. Fisher

President and Chief Executive Officer

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 January 31, 2004 (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: April 14, 2004

/s/ James G. Delfs

James G. Delfs

Chief Financial Officer

STEIN MART, INC.

Audit Committee Charter

Revised as of April 7, 2004

I. Purpose & Membership

The Audit Committee of the Board of Directors (the “**Board**”) of Stein, Mart, Inc. (the “**Audit Committee**”) is appointed by the Board to oversee the accounting and financial reporting processes of the Company and the audits of the Company’s financial statements. 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 National Market (“NASDAQ”). Thus, the members of the Audit Committee shall meet the following criteria:

(A) The members must meet the Company’s Director Independence Criteria as set forth on **Exhibit A** hereto; and

(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:

- An understanding of Generally Accepted Accounting Principles and financial statements;
- The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- 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 Company’s financial statements, or experience actively supervising one or more persons engaged in such activities;
- An understanding of internal controls and procedures for financial reporting; and
- An understanding of audit committee functions; and

(2) Whether that person acquired such attributes through any one or more of the following:

- 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;
- Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- Other relevant experience.

(C) Each member of the Audit Committee shall also be “independent,” as defined in Section 301 of 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.

(D) Each member shall not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.

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 204 of the Sarbanes Act, regarding critical accounting policies, alternative treatments of financial information discussed with management, and other material written communications between the outside auditors and management.

(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 an Accounting Complaint shall cause a report of such Accounting Complaint (the “**Complaint Report**”) to be made to the Committee Chairperson 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 Accounting 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 Accounting 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 Controller, the Company's Director of Financial Reporting, the Company's Vice President of Audit, the Company's Vice President of Operations and 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 "Year-End Meeting", (b) a "Late Spring Meeting", (c) a "Late Summer Meeting", (d) a "Winter Meeting", and (e) 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) the independent auditors have not engaged in any prohibited consulting services for the Company 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;

b) as part of their certification process for the Form 10-Q, the Company's Chief Executive Office and Chief Financial Officer have reported to and discussed with the Audit Committee and the auditors any: (i) significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting, and (ii) fraud involving management or other employees who have a significant role in the Company's internal controls over financial reporting, as required by Section 302 of the Sarbanes Act and, beginning with the audit for fiscal 2004, 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

c) the independent auditors have reported any material non-compliance as a result of testing..

(B) Year-End 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, consistent with Independence Standards Board Standard 1, 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 ("**SAS 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. 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) 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

(9) Beginning with fiscal 2004, 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.

(10) 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 (as described in section (6) above), (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 statement be included in the Company's Annual Report on SEC Form 10-K.

(11) Verify that the Company's Annual Report on Form 10-K and annual meeting proxy statement filed with the Securities and Exchange Commission contain required disclosures about (i) the Committee's pre-approval policy for audit and permissible non-audit services and (ii) the fees billed to the Company by the independent auditor.

(12) 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.

(13) 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.

(14) Review with the head of the Company's internal audit staff matters relating to the ongoing internal audits activities of that staff.

(15) Review with management actual capital expenditures compared with budget and discuss with the Disclosure Committee representative any changes in the Company's policies as to authority to approve capital expenses.

(16) Discuss the adequacy and effectiveness of the Company's internal controls with a representative of the Company's Disclosure Committee.

(17) Meet in executive session individually with the Company's independent auditors, the Company's Chief Financial Officer and a representative of the Company's internal audit staff.

(C) Late Spring Meeting:

(1) Review any management letter provided by the independent auditor and the Company's response to that letter.

(2) Evaluate the performance of the independent auditor and appoint or replace the independent auditor, which firm is ultimately accountable to the Audit Committee.

(3) Request educational information on accounting topics as to which the Committee seeks a greater understanding.

(4) Review with the head of the Company's internal audit staff matters relating to the ongoing internal audits activities of that staff.

(5) Discuss the adequacy and effectiveness of the Company's internal controls with a representative of the Company's Disclosure Committee

(6) Meet in executive session individually with the Company's independent auditors, the Company's Chief Financial Officer and a representative of the Company's internal audit staff.

(D) Late-Summer Meeting:

(1) Review the significant reports to management prepared by the internal auditing department and management's responses.

(2) Review the appointment or replacement of the senior internal auditing executive.

(3) Meet with the independent auditor prior to the audit to review the planning and staffing of the audit and approve the fees to be paid to the independent auditor.

(4) Discuss the adequacy and effectiveness of the Company's internal controls with a representative of the Company's Disclosure Committee.

(5) Review with the head of the Company's internal audit staff matters relating to the ongoing internal audits activities of that staff.

(6) Review with management actual capital expenditures compared with budget and discuss with the Disclosure Committee representative any changes in the Company's policies as to authority to approve capital expenses.

(7) Meet in executive session individually with the Company's independent auditors, the Company's Chief Financial Officer and a representative of the Company's internal audit staff.

(E) Winter 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) Review and reassess the adequacy of this Charter, 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.

(4) Provide the 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.

(5) Review with the head of the Company's internal audit staff matters relating to the ongoing internal audits activities of that staff.

(6) Discuss the adequacy and effectiveness of the Company's internal controls with a representative of the Company's Disclosure Committee

(7) Meet in executive session individually with the Company's independent auditors, the Company's Chief Financial Officer and a representative of the Company's internal audit 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, April 7, 2004.

/s/Linda McFarland Farthing
Linda McFarland Farthing, Chairperson of
Audit Committee

EXHIBIT A

STEIN MART, INC.

Director Independence Criteria

April 7, 2004

A member of the Company's board of Directors shall be "Independent" only if such director meets all of the following (the "**Stein Mart Director Independence Criteria**"):

The director 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. A director shall not be considered independent, if such director:

(1) is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company;

(2) accepts or who has a Family Member (as defined below) who accepted any payments from the Company or any parent or subsidiary of the Company in excess of \$60,000 during the current or any of the past three fiscal years, other than the following:

- (i) compensation for board or board committee service;
- (ii) payments arising solely from investments in the Company's securities;
- (iii) compensation paid to a Family Member who is a non-executive employee of the Company or a parent or subsidiary of the Company;
- (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation; or
- (v) loans permitted under Section 13(k) of the Sarbanes-Oxley Act (the "**Sarbanes Act**");

(3) is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company as an executive officer;

(4) is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:

- (i) payments arising solely from investments in the Company's securities; or
- (ii) under non-discretionary charitable contribution matching programs.

(5) is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee of such other entity; or

(6) is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during the past three years.

"Family Member" is a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, and anyone residing in such person's house).

STEIN MART, INC.**COMPENSATION COMMITTEE CHARTER****Revised as of April 7, 2004****I. 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.

II. 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 National Association of Securities Dealers’ Nasdaq Stock Market, Inc. (“Nasdaq”). Thus, the members of the Committee shall meet the following criteria:

(A) Each shall meet the Company’s Director Independence Criteria as set forth on **Exhibit A** hereto.

(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.

III. 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 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 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, the chief executive officer and all other executive officers, 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.

IV. 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 Committee April 7, 2004.

/s/Alvin R. Carpenter

Alvin R. ("Pete") Carpenter, Chairman of
Committee

EXHIBIT A

STEIN MART, INC.

Director Independence Criteria

April 7, 2004

A member of the Company's board of Directors shall be "Independent" only if such director meets all of the following (the "**Stein Mart Director Independence Criteria**"):

The director 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. A director shall not be considered independent, if such director:

- (1) is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company;
- (2) accepts or who has a Family Member (as defined below) who accepted any payments from the Company or any parent or subsidiary of the Company in excess of \$60,000 during the current or any of the past three fiscal years, other than the following:
 - (i) compensation for board or board committee service;
 - (ii) payments arising solely from investments in the Company's securities;
 - (iii) compensation paid to a Family Member who is a non-executive employee of the Company or a parent or subsidiary of the Company;
 - (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation; or
 - (v) loans permitted under Section 13(k) of the Sarbanes-Oxley Act (the "**Sarbanes Act**");
- (3) is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company as an executive officer;

- (4) is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:
 - (i) payments arising solely from investments in the Company's securities; or
 - (ii) under non-discretionary charitable contribution matching programs.
- (5) is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee of such other entity; or
- (6) is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during the past three years.

"Family Member" is a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, and anyone residing in such person's house).

STEIN MART, INC.

CORPORATE GOVERNANCE COMMITTEE CHARTER

Revised as of April 7, 2004

I. 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.

II. 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 National Association of Securities Dealers Nasdaq Stock Market, Inc. (“Nasdaq”). The Company’s Lead Director shall serve as Chairman of the Committee. Thus, each of the members of the Committee shall meet the Company’s Director Independence Criteria as set forth on **Exhibit A** hereto.

III. 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) Nominations Process. The Committee shall be responsible for the nominations process relating to the Company’s directors including (i) leading the search for individuals qualified to become members of the Board, and (ii) selecting of director nominees to be submitted to the full Board for selection for shareholder 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

(4) employees of the Company and will determine that a copy of such code is publicly available.

(5) 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.

(6) 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.

(7) 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.

(8) Charter. The Committee shall annually review the adequacy of this Charter and recommend any changes to this Charter.

IV. 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 liason 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.

V. 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 at which only members of the Committee are present. The Lead Director, as Chairman of the Corporate Governance Committee, shall have the authority to call a meeting of the Committee at such times as the Lead Director believes appropriate.

As approved by the Board of Directors April 7, 2004.

/s/Michael D. Rose

Michael D. Rose, Lead Director

EXHIBIT A

STEIN MART, INC.

Director Independence Criteria

April 7, 2004

A member of the Company's board of Directors shall be "Independent" only if such director meets all of the following (the "**Stein Mart Director Independence Criteria**"):

The director 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. A director shall not be considered independent, if such director:

1. is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company;
2. accepts or who has a Family Member (as defined below) who accepted any payments from the Company or any parent or subsidiary of the Company in excess of \$60,000 during the current or any of the past three fiscal years, other than the following:
 - (i) compensation for board or board committee service;
 - (ii) payments arising solely from investments in the Company's securities;
 - (iii) compensation paid to a Family Member who is a non-executive employee of the Company or a parent or subsidiary of the Company;
 - (iv) benefits under a tax-qualified retirement plan, or non-discretionary compensation; or
 - (v) loans permitted under Section 13(k) of the Sarbanes-Oxley Act (the "**Sarbanes Act**");
3. is a Family Member of an individual who is, or at any time during the past three years was, employed by the Company or by any parent or subsidiary of the Company as an executive officer;

4. is, or has a Family Member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, other than the following:
 - (i) payments arising solely from investments in the Company's securities; or
 - (ii) under non-discretionary charitable contribution matching programs.
5. is, or has a Family Member who is, employed as an executive officer of another entity where at any time during the past three years any of the executive officers of the Company served on the compensation committee of such other entity; or
6. is, or has a Family Member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during the past three years.

"Family Member" is a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, and anyone residing in such person's house).