STEIN MART INC
Form 10-K
April 16, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended January 31, 2009

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	**64-0466198**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

1200 Riverplace Blvd., Jacksonville, Florida	**32207**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of each class:	**Name of each exchange on which registered:**
Common Stock $.01 par value	**The NASDAQ Stock Market LLC**

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The aggregate market value of the voting common stock held by non-affiliates of the Registrant as of August 2, 2008 was $116,579,259. For purposes of this response, executive officers and directors are deemed to be affiliates of the registrant and the holdings by non-affiliates was computed as 26,022,156 shares. At April 3, 2009, the Registrant had issued and outstanding an aggregate of 42,680,922 shares of its common stock.

Documents Incorporated By Reference:

Portions of the Registrant s Proxy Statement for its 2009 Annual Meeting of Stockholders are incorporated by reference in Parts III-IV.

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This report contains forward-looking statements which are subject to certain risks, uncertainties or assumptions and may be affected by certain factors, including but not limited to the specific factors discussed in Part I, Item 1A under Risk Factors and Item 3 under Legal Proceedings ; in Part II, Item 5 under Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities ; and Part II, Item 7 under Management s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources . Wherever used, the words plan , expect , anticipate , believe , estimate and similar expressions identify forward-looking statements. In addition except for historical facts, all information provided in Part II, Item 7A, under Quantitative and Qualitative Disclosures About Market Risk should be considered forward-looking statements. Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of the Company may vary materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are based on beliefs and assumptions of the Company s management and on information currently available to such management. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to publicly update or revise its forward-looking statements in light of new information or future events. Undue reliance should not be placed on such forward-looking statements, which are based on current expectations. Forward-looking statements are no guarantees of performance.

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PART I

ITEM 1. BUSINESS
OVERVIEW

Headquartered in Jacksonville, Florida, Stein Mart is a national retailer offering the fashion merchandise, service and presentation of a better department or specialty store at prices competitive with off-price retail chains. Our focused assortment of merchandise features current-season, moderate to better fashion apparel for women and men, as well as accessories, gifts, linens and shoes, all offered at prices competitive with off-price retail chains. Begun in the early 1900 s as a single store in Greenville, Mississippi, the Company operated 276 stores in 31 states and the District of Columbia as of January 31, 2009.

As used herein, the terms we , our , us , Stein Mart and the Company refer to Stein Mart, Inc., a Florida corporation, and its wholly-owned subsidiaries.

KEY STRENGTHS

Our mission is to provide current season, first-quality fashion apparel, accessories and gifts at prices comparable to off-price retail chains in a convenient, attractive, easy-to-shop location. We believe our success and future growth will depend on the consistent execution of the following key strengths:

- Expertise in creating a desirable, current season assortment of brand name, exclusive and proprietary fashion apparel, accessories, gift and home merchandise
- Access to and strong partnerships with a wide range of manufacturers
- Capability to offer everyday low prices on fashion merchandise through buying methodologies and low-price cost structure
- Emphasis on an attractive store appearance, appealing merchandise presentation and on-demand customer service, similar to a department or specialty store
- Convenience-based location strategy in neighborhood shopping centers within close proximity to upscale, residential neighborhoods
- Continuation of a strong balance sheet and ample borrowing capabilities for seasonal needs

TARGET CUSTOMER

Our target customer is a 35-60 year old woman, sometimes called a missy customer, who is both fashion-conscious and value-seeking. Proprietary research has shown she is most likely to have a higher than average household income, at least some college education, and if she is employed, she typically has a professional or paraprofessional occupation. We seek to add an additional subset to our target customer demographic by including select youthful apparel and accessories to attract a more updated customer.

COMPETITION

As a hybrid between a traditional better department or specialty store and a conventional off-price business, we compete with many different retail formats, although we believe our main competition comes from department and specialty stores, rather than conventional off-price retail chains.

From our customer s perspective, we believe we differentiate ourselves from department stores and specialty stores due to our (i) everyday low pricing, (ii) convenient locations in neighborhood shopping centers near upscale neighborhoods, and (iii) assortments that are more edited than department stores and more varied than specialty stores. We also believe we differentiate ourselves from typical off-price retail chains by offering (i) primarily current-season merchandise carried by better department or specialty stores, (ii) at moderate to better price levels, (iii) a stronger merchandising statement, consistently offering more depth of color and size in individual stock-keeping units, and (iv) merchandise presentation and customer service more comparable to other upscale retailers.

MERCHANDISING, PURCHASING AND PRICING

Our fashion assortment is driven primarily by our own merchandising plan, which is intended to reflect seasonal fashion trends. Name brand merchandise is complemented by a select program of private label and proprietary/exclusive merchandise. In 2008 approximately 16 percent of sales were from private label or proprietary/exclusive merchandise. The majority of merchandise is consistent from store to store, with exceptions based on individual store selling characteristics, seasonal delivery fluctuations and/or regional preferences.

Our merchants purchase products from approximately 1,500 vendors. None of our vendors accounted for more than 5% of our total purchases during 2008. We buy a majority of our merchandise at the same time and from many of the same manufacturers as traditional department/specialty stores although we generally do not require the same level of typical vendor concessions, such as advertising allowance or return privileges, which are common in the department store industry. As a result, we believe that our buyers are able to negotiate more favorable pricing terms from vendors. We also purchase some merchandise opportunistically when we believe a combination of the product and the price make it a compelling addition to our assortment. In both instances, we pass these savings on to our customers through everyday low pricing that we target to be competitive with off-price retail chains.

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Our shoe department inventory is supplied exclusively by and owned by DSW, Inc. (DSW). DSW s buyers, in consultation with our merchants, determine each season s fashion footwear assortment. The Company operates the shoe department and receives a percentage of net revenue in accordance with a supply agreement (the Agreement). Shoe department sales are not included in net sales reported in the Company s consolidated statement of operations, but amounts received under the Agreement are included in other income.

The following table reflects the percentage of our sales by major merchandise category, including shoe department sales, for the fiscal years indicated:

	2008	2007	2006
Ladies and *Boutique* apparel	**46%**	45%	44%
Ladies accessories	**13%**	12%	12%
Men s	**20%**	20%	20%
Gifts and linens	**11%**	13%	14%
Shoes	**7%**	7%	7%
Other	**3%**	3%	3%
	100%	100%	100%

LOCATIONS, GROWTH STRATEGY AND STORE APPEARANCE

On January 31, 2009, we operated 276 stores in 31 states and the District of Columbia, primarily concentrated in the Southeast and Texas. Most locations are in neighborhood shopping centers within one to two miles of a community s upscale residential concentrations. Our optimal co-tenants within these shopping centers cater to a similar target customer and are typically highly-frequented retail formats such as supermarkets, drug stores, specialty retailers and restaurants. All Stein Mart locations, including the corporate headquarters, are leased.

Although we are not actively looking for additional locations in the current economic climate, we do utilize regional tenant representative brokers to identify and propose potential sites for new or relocated stores. Their proposals are augmented by an independent sales forecast, and reviewed by a senior level real estate committee for approval. When the economic environment becomes more favorable, we will again seek out optimal properties for consideration.

Our typical store is approximately 37,000 gross square feet with a racetrack design, convenient centralized check-out, and individual dressing rooms. We display merchandise in lifestyle groupings of apparel and accessories, which management believes enables the customer to locate desired merchandise in a manner that encourages multiple purchases. We seek to create excitement in our stores through the continual flow of fashion merchandise, targeted sales promotions, store layout, merchandise presentation, and the quality, value and depth of our merchandise assortment.

CUSTOMER SERVICE

Our stores offer many of the services typically found in better department or specialty stores, such as a liberal merchandise return policy, a Preferred Customer program, a Stein Mart Platinum MasterCard® and electronic gift certificates. Each store is staffed to provide a number of sales associates to properly attend to customer needs. All our stores have their own *Boutique*, staffed generally by specially-recruited associates who are civically and socially prominent in the community and who generally work one day a week. We believe this staffing approach adds credibility and fashion integrity to the department.

MARKETING

Our marketing efforts are focused on protecting and enhancing the relationship with our best customers in order to increase our share of her wallet, as well as attracting a new cadre of customers, particularly younger shoppers who are vital to our future growth. We engage in periodic market research to identify how best to reach each of these audiences and, in consultation with our outside advertising agency, adjust our marketing focus accordingly.

Our advertising stresses upscale, fashion merchandise at significant savings. We primarily utilize a combination of full-color circulars (both inserted in newspapers and mailed directly to homes), direct mail, newspaper run of press (ROP) advertising, and email to distribute our sales promotion messages. In order to reach a broader audience and communicate our brand position, we have added television commercials; TV and/or radio advertising is also employed to create additional excitement for specific one-day events. We are working to create a presence in digital media including online advertising and social networking sites.

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Our co-brand Stein Mart Platinum MasterCard® and our Preferred Customer Card programs are important marketing tools. As customers use the Stein Mart Platinum MasterCard®, they accumulate points that generate reward certificates at certain levels. Preferred Customer Card customers receive preview copies of select circulars mailed to their home, members only shopping days, birthday discounts and special email announcements. Both cards provide useful information regarding customer preferences, habits and advertising receptivity.

We have an Internet site, www.steinmart.com, to promote Stein Mart s fashion point of view, as well as provide information for customers regarding stores, store locations, company management and selected sales promotion activity. We use steinmart.com to highlight featured merchandise and for traffic stimulation; however, we do not sell merchandise online at this time. Visitors to the website may apply for the Stein Mart Platinum MasterCard®, sign up to be Preferred Customers and/or purchase electronic gift certificates.

DISTRIBUTION

We primarily utilize drop shipments from our vendors directly to our stores. We lease a small distribution/warehouse facility in Jacksonville, Florida, where approximately three percent of our merchandise, on a dollar basis, was handled in 2008.

In 2009, we will begin the transition to a third party logistics network to deliver merchandise to the stores. We expect to complete the implementation of this new supply chain in 2010. It will enable us to aggregate merchandise from numerous vendors at three store distribution centers, where the merchandise will be prepared for delivery to the stores for immediate placement on the selling floor. Transportation from the distribution centers to individual Stein Mart stores, also by third parties, will be coordinated to maximize delivery efficiencies and store logistical considerations. The new supply chain is expected to be more cost effective and provide greater operational control than the current system.

EMPLOYEES

As of January 31, 2009, our work force consisted of approximately 14,600 employees (8,400 40-hour equivalent employees). Each of our stores employs an average of 51 persons as merchandising managers, service associates, cashiers and other positions. The number of employees fluctuates based on the particular selling season.

TRADEMARKS

We own the federally registered trademark Stein Mart®, together with a number of other marks used in conjunction with our private label merchandise program. Management believes that our trademarks are important, but with the exception of Stein Mart®, not critical to our merchandising strategy.

AVAILABLE INFORMATION

Copies of our annual report on Form 10-K, proxy statement, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those filings are available free of charge on the investor relations portion of our website at http://ir.steinmart.com (click on SEC Filings) as soon as reasonably practicable after they are filed electronically with the Securities and Exchange Commission. In addition, proxy materials for the annual meeting of stockholders are also available at www.proxyvote.com. Also available free of charge on the www.steinmart.com website (click on Investor Relations ; click on Corporate Governance) are the charters for the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, as well as the Code of Conduct and Corporate Governance Guidelines. Printed copies of these items are available free of charge upon request by writing Stein Mart, Inc., 1200 Riverplace Boulevard, Jacksonville, FL 32207, Attention: Stockholder Relations.

ITEM 1A. RISK FACTORS

Our results of operations and financial condition can be adversely affected by numerous risks and uncertainties. The most important of these risks and uncertainties are detailed below. You should carefully consider the risk factors described below and other risks which may be disclosed from time to time in the Company s filings with the SEC before investing in the Company s securities. Should any of these risks actually materialize, our business, financial condition, and future prospects could be negatively impacted.

Consumer sensitivity to economic conditions. The retail apparel business is dependent upon the level of consumer spending, and as a fashion retailer, we rely on the expenditure of discretionary income for most, if not all, of our sales. The recent volatility in the financial markets, worsening unemployment rates, rising personal bankruptcies, and lack of access to credit have all contributed to erosion in consumer spending and consumer confidence in the past year. More specifically, a protracted housing downturn in certain SunBelt states (Florida, California, Nevada and Arizona) where we have a large concentration of stores has had a chilling effect on consumer spending as tourism and traffic there have declined. Continued deterioration in the level of consumer spending could have a material adverse affect our results of operations.

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Our advertising, marketing and promotional strategies may be ineffective and inefficient. Our profitability and results of operations may be materially affected by the effectiveness and efficiency of our marketing expenditures and our ability to select the right markets and media in which to advertise. In particular, we may not be successful in our efforts to create greater awareness of our stores and our promotions, identify the most effective and efficient level of spending in each market and specific media vehicle and determine the appropriate creative message and media mix for our advertising, marketing and promotional expenditures. While we utilize several methods of distribution, daily newspapers are an important delivery vehicle for both run of press advertising and circular insertions. The newspaper business is under increasing economic pressure, and the demise of certain newspapers would jeopardize an important distribution method for our advertising. Our planned marketing expenditures may not result in increased revenues. In addition, if we are not able to manage our marketing expenditures on a cost-effective basis, our profitability and results of operations could be materially adversely affected.

Intense competition in the retail industry. We face intense competition for customers from department stores, specialty stores and regional and national off-price retail chains. Many of these competitors are larger and have significantly greater financial and marketing resources than we do. In addition, many department stores have become more promotional and have reduced their price points, and certain department stores and certain of our vendors have opened outlet stores which offer merchandise at prices that are competitive with ours. Many of our competitors also make sales through the Internet, and although we do maintain an Internet site, we do not sell merchandise online. Accordingly, we may face periods of intense competition in the future which could have a material adverse effect on our profitability and results of operations.

Unanticipated changes in fashion trends and changing consumer preferences. Our success depends in part upon our ability to anticipate and respond to changing consumer preferences and fashion trends in a timely manner. Although we attempt to stay abreast of the fashion tastes of our customers and provide merchandise that satisfies customer demand, fashion trends can change rapidly and we cannot assure that we will accurately anticipate shifts in fashion trends and adjust our merchandise mix to appeal to changing consumer tastes in a timely manner. If we misjudge the market for our products or are unsuccessful in responding to changes in fashion trends or in market demand, we could experience insufficient or excess inventory levels which could result in higher markdowns, any of which would have a material adverse effect on our financial condition and results of operations.

We may be unable to raise additional capital, if needed, or to raise capital on favorable terms. Recently, the general economic and capital market conditions in the United States and other parts of the world have deteriorated significantly and have adversely affected access to and cost of capital. If our existing cash, cash generated from operations and funds available under our revolving credit agreement were insufficient to fund our future operations, including capital expenditures, or repay debt when it becomes due, we may need to raise additional funds through public or private equity or debt financing. If unfavorable capital or credit market conditions exist if and when we were to seek additional financing, we may not be able to raise sufficient capital on favorable terms or on a timely basis, if at all. Failure to obtain capital on acceptable terms when required could have a material adverse effect on our business including an inability to fund new growth and other capital expenditures.

We may be unable to negotiate advantageous lease terms with current landlords. Our continued growth and success depends in part on our ability to renew leases for successful stores. There is no assurance that we will be able to re-negotiate leases at similar or favorable terms at the end of the lease, and we could be forced to move or exit a market if another favorable arrangement cannot be made. Conversely, as part of our strategy we close certain under-performing stores, generally based on considerations of store profitability, competition, strategic factors and other considerations. Such closures subject us to costs including the write-down of leasehold improvements, equipment, furniture and fixtures. In addition, we could remain liable for future lease obligations, which would have a material adverse effect on our profitability and results of operations.

Because of our focus on keeping our inventory at the forefront of fashion trends, extreme and/or unseasonable weather conditions could force us to prematurely mark down inventory. Our business is susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with those unseasonable conditions. Prolonged unseasonable weather conditions could have a material adverse effect on our business, financial condition and results of operations. In addition, hurricanes or other extreme weather conditions over a prolonged period might make it difficult for our customers to travel to our stores, which could have a material adverse effect on our business, financial condition and results of operations.

A lack of adequate sources of merchandise at acceptable prices. Our business is dependent to a significant degree upon our ability to purchase fashion and brand name merchandise, and to do so at acceptable wholesale prices. We must continuously seek out buying opportunities from our existing suppliers and from new sources. We compete for these opportunities with other retailers, discount and deep-discount chains, mass merchandisers and various privately-held companies and individuals. With the current downturn in retail sales and the resulting pressure on manufacturers, our ability to purchase merchandise could become limited by the consolidation or demise of merchandise vendors. Our ability to obtain merchandise may also depend on certain manufacturers ability to obtain vendor financing through factoring companies, and to the extent they are unable to secure sufficient credit from those factors, we may not be able to purchase merchandise from them. Although we do not depend on any single vendor or group of vendors and believe we can successfully compete in seeking out new vendors, the loss of certain key vendors could make it difficult for us to acquire sufficient quantities and an appropriate mix of merchandise, and to do so at acceptable prices which could have a material adverse effect on our results of operations.

We are dependent on certain key personnel. Our continued success will depend to a significant extent upon the efforts and abilities of our senior executives, and the loss of the services of one or more of these executives could have a material adverse effect upon our results of operations. These executives are David H. Stovall, Jr., president and chief executive officer; D. Hunt Hawkins, executive vice president and chief administrative officer; William A. Moll, executive vice president and chief merchandising officer; James G. Delfs, senior vice president, finance and chief financial officer; Michael D. Ray, senior vice president, director of stores; as well as Jay Stein, chairman of the board of directors, John H. Pennell, general merchandising manager, and Roseann McLean, senior vice president of planning and allocation. Our continued success is also dependent upon our ability to attract and retain qualified employees to meet our needs, especially to support planned growth.

Seasonality, and especially the importance of the holiday selling season. Our business is affected by the seasonal pattern common to most retailers. Historically, our highest net sales occur during the fourth quarter, which includes the holiday selling season. Our operating results depend significantly upon net sales generated during the fourth quarter, and any factor that negatively impacts the holiday selling season could have a material adverse effect on our results of operations for the entire year.

If the third parties that we rely on for a majority of the distribution aspects of our business experience labor strikes or do not adequately perform our distribution functions, our business would be disrupted. The efficient operation of our stores is dependent on our ability to receive merchandise in our stores throughout the United States in a timely manner. We depend on vendors to sort and pack substantially all of our merchandise and on third parties to deliver this merchandise to our stores. These vendors and logistics providers may experience labor strikes or other disruptions in the future, the resolution of which will be out of our control, and could result in a material disruption in our business. Any failure by these third parties to respond adequately to our distribution needs, including labor strikes or other disruptions in the business, would disrupt our operations and negatively impact our profitability.

Unauthorized disclosure of sensitive or confidential customer or employee information could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations and harm our business. As part of our normal course of business, we collect, process and retain sensitive and confidential customer and employee information. Despite the security measures we have in place, our facilities and systems, and those of our third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential information, whether by us or our service providers, could severely damage our reputation, expose us to risks of litigation and liability, disrupt our operations and harm our business.

Threats of terrorism or violence. Acts of terrorism or war may disrupt commerce and undermine consumer confidence, which could negatively impact our sales revenue by causing consumer spending to decline. Also, an act of terrorism or war, or the threat thereof, could negatively impact our business by interfering with our ability to obtain merchandise from vendors. Inability to obtain merchandise from our vendors or substitute suppliers at similar costs in a timely manner could have a material adverse effect on our operating results and financial condition.

Fluctuations in comparable store sales and quarterly results of operations could cause volatility in the price of our common stock. Our comparable store sales and quarterly results have fluctuated in the past and are expected to continue to fluctuate in the future. Comparable store sales and quarterly results of operations are affected by a variety of factors, including:

- fashion trends
- actions of competitors

calendar shifts of holiday or seasonal periods

the effectiveness of our inventory management

changes in our merchandise mix

the timing of promotional events

storms and other weather conditions

changes in general economic conditions and consumer spending patterns

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Our failure to adequately protect our trademark Stein Mart®, and, to a lesser extent, the various other marks we use in conjunction with our private label merchandise program, could have a negative impact on our brand image. We believe that our trademark Stein Mart® and, to a lesser extent, the various other marks that we use in connection with our private label merchandise program, are important to us because we feel that these brands have characteristics unique to our business. We have obtained a federal registration of the Stein Mart® trademark and various other trademarks in the United States. We cannot assure you that the registrations that we have obtained will prevent the imitation of our business or infringement of our intellectual property rights by others. If we are unable to protect our brand or our brand becomes associated with lesser characteristics or otherwise carries a negative connotation, our brand image, and consequently the results of our operations, could be materially adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At January 31, 2009, the Company operated 276 stores in the following 31 states and the District of Columbia:

State	Number of Stores	State	Number of Stores
Alabama	10	Missouri	3
Arizona	8	Nebraska	1
Arkansas	2	Nevada	4
California	20	New Jersey	5
Colorado	2	New York	4
Florida	46	North Carolina	22
Georgia	16	Ohio	11
Illinois	5	Oklahoma	4
Indiana	7	Pennsylvania	4
Iowa	1	South Carolina	13
Kansas	2	Tennessee	13
Kentucky	2	Texas	42
Louisiana	8	Utah	1
Massachusetts	1	Virginia	11
Michigan	1	Washington DC	1
Mississippi	5	Wisconsin	1

We lease all of our store locations and, therefore, have been able to grow without incurring indebtedness to acquire real estate. Management believes that we have earned a reputation as an anchor tenant, which, along with our established operating history, has enabled us to negotiate favorable lease terms. Most of our 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, 2009) 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 276 store locations operated at January 31, 2009 and 8 previously closed store locations for which the Company has subleased or is actively seeking to sublease the property.

	Number of Leases Expiring Each Year if no Renewals	**Number of Leases Expiring Each Year if all Renewals**

	Exercised	Exercised
2009	23	6
2010	38	1
2011	47	3
2012	37	6
2013	38	5
2014-2018	96	20
2019-2023	5	49
2024-2041		194

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We have made consistent capital commitments to maintain and improve existing store facilities. During 2008, we spent approximately $8.4 million for fixtures, equipment and leasehold improvements in stores opened prior to 2008.

As of January 31, 2009 we lease 107,342 gross square feet of office space for our corporate headquarters in Jacksonville, Florida. We also lease a 92,000 square foot distribution/warehouse facility in Jacksonville for the purpose of processing a limited amount of merchandise purchases (approximately three percent of our merchandise on a dollar basis).

ITEM 3. 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.

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 2008.

PART II

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

Market Price and Related Matters

The following table sets forth the high and low sales prices of the Company s common stock and dividends declared for each quarter in the years ended January 31, 2009 and February 2, 2008:

	Year Ended January 31, 2009			Year Ended February 2, 2008		
	High	Low	Dividend	High	Low	Dividend
First Quarter	$ 6.65	$ 4.53	$	$ 17.17	$ 13.00	$ 0.0625
Second Quarter	5.90	3.66		15.52	10.05	0.0625
Third Quarter	5.21	1.50		11.26	5.92	0.0625
Fourth Quarter	2.26	0.99		7.99	3.29	0.0625

Stein Mart s common stock trades on The NASDAQ Stock Market LLC under the trading symbol SMRT. On April 3, 2009, there were 1,219 stockholders of record.

Dividends

The Company began paying a quarterly dividend of $0.0625 per share in the second quarter of 2005 and continued to pay this quarterly dividend throughout 2007. Dividends paid in 2006 included a special, one-time cash dividend of $1.50 per share. On February 7, 2008, the Company announced that the Board of Directors had voted to suspend the payment of a quarterly dividend in order to conserve cash until improvements occur in the Company s business and in the current difficult retail industry conditions.

Issuer Purchases of Equity Securities

The following table provides information regarding repurchases by the Company of its common stock during the 13-week period ended January 31, 2009:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Maximum number of shares that may yet be purchased under the plans or programs (1)
November 2, 2008 November 29, 2008				803,975
November 30, 2008 January 3, 2009	688	$ 1.17	688	803,287
January 4, 2009 January 31, 2009	142	1.17	142	803,145
Total	**830**	**$ 1.17**	**830**	**803,145**

(1) The Company s Open Market Repurchase Program is conducted pursuant to authorizations made from time to time by the Company s Board of Directors. The shares reported in the table are covered by an April 17, 2007 Board authorization to repurchase 2.5 million shares of common stock which does not have an expiration date. This quarter s repurchases are related to taxes due on the vesting of restricted stock awards which fall under the Company s repurchase program.

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Performance Graph

The following graph compares the cumulative total stockholder return on the Company s common stock with the cumulative total return to the NASDAQ Composite Index and the Dow Jones US Apparel Retailers Index for the last five years ended January 31, 2009. The comparison assumes $100 was invested at the beginning of the five year period in Stein Mart, Inc. stock and in each of the indices shown and assumes reinvestment of any dividends.

	1/31/2004	1/29/2005	1/28/2006	2/3/2007	2/2/2008	1/31/2009
Stein Mart, Inc.	$ 100.0	$ 181.2	$ 161.6	$ 144.5	$ 64.2	$ 12.8
NASDAQ Composite	100.0	101.0	114.6	125.0	120.4	73.2
Dow Jones US Apparel Retailers	100.0	123.4	139.8	164.2	129.6	69.4

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA (Dollars in Thousands, Except Per Share and Per Square Foot Data)

The following selected consolidated financial data has been derived from our audited consolidated financial statements and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Company s Consolidated Financial Statements and notes thereto and the other information contained elsewhere in this Form 10-K.

Consolidated Statement of Operations Data:	2008	2007	2006[1]	2005	2004
Net sales	**$ 1,326,469**	$ 1,457,645	$		