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February 21, 2017

The Honorable Michael S. Piwowar
Acting Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-0213

Dear Chairman Piwowar,

I am writing pursuant to your request for comments in connection with the reconsideration of the conflict minerals rule and guidance.

I am not going to address the political and social aspects of conflict minerals and the Congo. These are substantive issues worthy of the attention of our government and our people. If we wish to address issues like this, however, we should do so procedurally in a way suited to the task. If the government wishes to legislate changes in how U.S. based companies deal with certain countries and the goods they supply, it should be done through directive legislation and not through the addition of disclosure-only regulations made part of the Dodd-Frank act applied to SEC registrants.

To consider what role, if any, the SEC should have in the conflict minerals area, it seems important to understand what its role is. The purpose of the SEC is contained in its mission statement which is as follows:

> *The mission of the SEC is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation.*

The conflict minerals rule does not in any way fall under the SEC's mission. Only several of the comment letters submitted to date that are in favor of maintaining the conflict minerals rule mention the interests of investors. When they do I do not believe they accurately represent the interests of reasonable investors. I have fielded numerous questions from a large number of investors in the years since the conflict minerals rule was enacted and have never been asked about conflict minerals.

It is further concerning that we have created a precedent in using the SEC's regulatory role in promoting political and social policy. No matter how worthy the idea, that is not the SEC's role. We should stem this initial incursion in order to prevent further movement down the proverbial slippery slope.

While the adherence of the SEC to its mission should be the main consideration for suspension or elimination of the conflict minerals rule, I want to address the cost of complying with this rule, both for Stein Mart and for other public companies. Stein Mart is a retailer selling apparel, accessories and home décor. Everything we sell we buy as completed products from our U.S. based vendors. We do not manufacture anything. We initially felt that the conflict minerals rule would not apply to Stein Mart but because we sometimes specify certain fashion details (buttons, trim, colors, etc.), we are subject to the rule. Subjecting companies like us to this rule is overreaching. Because we do not have a supply-chain in a manufacturing sense, we had to communicate with hundreds of our vendors to solicit the information required under the rule. Due the number of vendors and the nature of the rule, which we are not equipped to interpret, we hired a specialized consulting firm and attorneys in order to properly report. The direct costs of doing this are roughly $50,000 annually now and were more in the initial years. Additionally, I would conservatively estimate that over 500 hours of management time are spent annually in our compliance efforts. Valuing that at even $75 per hour represents another $37,500 in costs. Using market multiples, the collective valuation of Stein Mart is approximately $600,000 lower because of the conflict minerals rule.

A letter from another commenter stated that the original compliance costs were far lower than originally anticipated. That commenter estimated that those costs were now estimated to be ***only*** $600 to $800 million dollars. These amounts are incredibly large and should not be minimized simply because they are less than the original estimate. Additionally, these estimates do not appear to include the costs borne by non-reporting vendors in order for them to address conflict minerals requirements passed to them from their customers who are subjected to the rule. If the ongoing costs of reporting companies and their vendors are even $500 million annually, then using market multiples the collective valuation of the impacted companies would be about $3 billion lower, because of the conflict minerals rule. This is a significant reduction in capital and is at odds with the SEC mission to facilitate capital formation. It is another reason that the cost of being a public company in the U.S. (or one of its vendors in this case) is higher than for foreign markets. The number of IPO's has decreased as has the number of publicly traded companies in the U.S. We have to maintain the competitiveness of the U.S. markets or risk further flight of companies and capital from our markets and costly regulatory environment.

I additionally note that several commenters make the point that the rule is good partially because it creates permanent U.S. jobs due to the efforts required to comply. At least one of these commenters argues that the costs of compliance are low. Either this rule creates a lot of jobs - meaning the costs are high - or it doesn't create many jobs - meaning the costs are low. These arguments run counter to each other and thus cannot be logically made together. Most bothersome, however, is that the idea that regulation is good simply because it creates jobs.

This idea does not have a place in a country that was constitutionally founded under the principal of being a free and robust market.

Soliciting comments is an important step in the process of reconsidering the conflict minerals rule as part of Dodd-Frank. We appreciate our chance to be heard. Thank you for your efforts in doing this.

Sincerely,

Gregory W. Kleffner
Executive Vice President and Chief Financial Officer