

February 6, 2009

To: All Stein Mart Merchandise Vendors

Re: New Supply Chain Processes

We have previously communicated our intentions to implement new supply chain processes in 2009. While we still have many details to work out, we feel it is very important to provide additional information at this point to allow you to start to plan for these changes.

Following is a recap of what we intend to implement in 2009:

Regional Consolidation and Distribution Centers

- Most shipments will no longer be sent store direct. Starting in April, we will begin implementing a new logistics network. Store orders will flow to regional consolidation centers [CC's], then to regional store distribution centers [SDC's], and then on to our stores. The SDC's will be the point of receipt verification and will perform various audits and value added services. They will insure products are floor-ready when delivered to our stores.

It is important to note the new logistics network will be rolled out on a phased schedule for vendors and stores between March and September. This means vendors will be required to support both the current and the new shipping processes during this phase-in period.

EDI Documents

- Our current Purchase Order [850] and Advance Ship Notice [856] documents will be updated. We will be implementing use of Electronic Store File [816] and Purchase Order Change [860] documents. Specifications will be posted shortly as will details on a third-party support process to certify vendors on use of these documents.

Ticketing

- Avery Denison will become the new company supporting our POS ticket program. They have world-wide production capabilities and competitive pricing. Once the program is rolled out, vendors will be responsible for the cost of purchasing tickets from Avery Denison. Previous costs incurred by vendors for shipping tickets should be reduced. The program will also allow for in-plant ticket production once the process has been certified.

Note: Do not contact Avery Denison at this point regarding tickets. We expect this program to be implemented in the May/June time frame. More details will be posted to our vendor web site shortly.

Packing Slips

- Once we fully implement the new network, the placement of packing slips on each carton will no longer be required for ASN compliant suppliers. We will also discontinue the practice of asking vendors to place "Merchandise is Pre-ticketed – Rush to the Floor" stickers on cartons.

Note: Do not discontinue use of packing slips at this time – this policy change will be implemented at a later date.

Transportation Management (TMS)

- A new Transportation Management System [TMS] will be utilized to assign routings for vendor shipments. This functionality will not be available before the second half of the year.

Carton Tracking

- New product tracking processes will be developed based on electronic flow of information. Over time this should reduce the number of phone calls between our organizations attempting to verify shipment status.

Vendor Performance and Compliance

- To maximize the efficiency of our new network and flow the product to the stores as fast as possible, we will be implementing a comprehensive vendor performance program. A vendor scorecard will be available and a schedule of business recovery charges will be implemented. Initial focus will be on these key areas of performance:
 - ASN and associated carton labels [revised specifications will be issued in February]
 - On time shipments
 - Carton content accuracy
 - Item ticketing
 - Appropriate use of hangers
 - Order fill rates and accuracy [substitutions]
 - Correct routings
- Vendors will be required to go through a process of having carton labels certified for all ship points. Details will be posted in February.

FOB Terms

- It should be noted we will not be changing our terms of purchase. Our normal terms will continue to be "FOB Delivered – Freight Collect". We will be initiating a "Commercial Zone" policy for vendors shipping to us from the NY/NJ, S. CA, and Atlanta regions. Vendors will be charged the cost of inbound freight on shipments to these consolidation operations.

Stein Mart Vendor Website

Along with these new supply chain processes, we will also be implementing a new communication procedure for all supply chain related guidelines. Individual emails or letters will no longer be sent as we implement new or revised supply chain procedures. Instead, all of this information will be posted to our vendor web site which can be referenced here <http://services.steinmart.net/> - click on the "Vendor Relations" section. It is very important for your customer service team to begin checking this site weekly for updates to our guidelines.

As we begin to initiate implementation of these action items, a team of Stein Mart associates will be available to assist vendors in working through transition questions and issues.

In the mean time, please feel free to call or email me with any questions you may have.

Thank you in advance for working with us to implement these new processes.

Rick Schart

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