



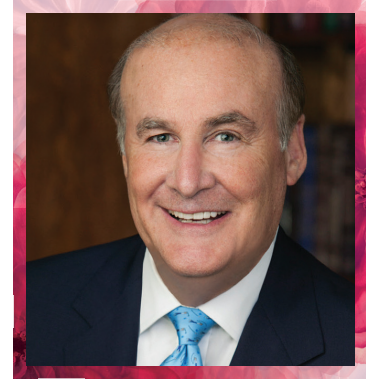
LITTLE  
THINGS  
MEAN  
*everything* THING





SOME DAYS, THE LITTLEST  
MOMENTS ARE THE SWEETEST

*Michael L. Glazer* | PRESIDENT & CEO



Stage had an exciting 2017 as we stabilized our department store business and acquired Gordmans, our off-price growth vehicle. In our department stores, we injected newness into our merchandise and marketing, better connected our stores and website, and provided great guest service. The result was improved comparable sales for 2017, culminating with positive comp sales in the all-important fourth quarter, and invigorating momentum going into 2018. In our Gordmans stores, we began converting into a true off-price retailer by eliminating promotions, implementing pricing that is competitive with off-price retailers, and merchandising to create a “treasure hunt” shopping experience. We believe our accomplishments in 2017 have positioned us for growth and improved profitability in 2018 and beyond.

### DURING 2017, WE:

- Accelerated our efforts to deliver a true omnichannel experience to our department store guests by better connecting stores and online. Web@POS, which offers guests access to a significantly larger assortment while they are shopping in stores, was launched in late 2017 and is off to a successful start. Additionally, we continue to ramp up our buy online ship-to-store program, expand our online assortment, and focus on mobile growth.
- Flowed newness into the department store assortment throughout the year and ensured that our inventory content was current and compelling. These actions improved gross profit and resulted in lower year-end department store inventory due to reduced clearance merchandise ownership.

*connect*  
STORES  
& ONLINE

- Drove sales in trending categories, with non-apparel, led by beauty, outperforming all year. Our self-service Beauty Bar concept was rolled out to 150 stores in 2017 and was very well received, particularly among our younger guests. In apparel, active and outdoor delivered strong results.
- Relunched our Style Circle and gRewards loyalty programs and reissued new private label credit cards (PLCC) to more than 2 million guests. PLCC penetration grew in our department stores to 49%, and we established the foundation for significant PLCC penetration growth in Gordmans.
- Focused our marketing efforts on digital and broadcast and moved away from print. As a result of these efforts, traffic trends improved during the course of the year.
- Delivered improved EBIT and EPS performance, generated positive free cash flow even after the investment in the Gordmans acquisition, and ended the year with more than \$100 million in excess availability under our revolving credit facility.

### IN 2018, WE EXPECT TO BUILD UPON OUR PRIOR SUCCESSES WITH FOUR KEY STRATEGIES:

- **Off-Price Growth** – In early 2018, we completed the conversion of the Gordmans stores to an off-price shopping environment that includes merchandising by size rather than by style. As 2018 progresses, we will continue to refine this business model as we look to identify additional Gordmans store opening opportunities in 2019 and beyond.

(continued)

- Differentiation** – Highlighting points of differentiation between our stores and our competitors is a key focus for 2018. In our department stores, we will continue to differentiate through beauty as we roll out our Beauty Bar to an additional 350 stores. In Gordmans, we will continue to grow our home category with exciting items at a great value that help set us apart from many of the apparel-focused off-price retailers. Additionally, taking advantage of synergistic relationships between our department stores and Gordmans will allow us to accelerate growth in home for department stores, beauty for Gordmans, and in other trending categories such as athletic, outdoor, and gifts.
- Guest Acquisition** – We are thrilled with the success to date of our PLCC and loyalty programs. In 2018, we expect to achieve 50% PLCC penetration in our department stores and take the next step toward achieving our long-term goal of 25% PLCC penetration in Gordmans. Our loyalty programs enable us to increase our capture of guest phone numbers and email addresses. This allows us to accelerate the shift of marketing spend away from print and towards digital, which enables us to reach more guests and be more nimble and efficient with our promotional efforts.
- Guest Experience** – Omnichannel will continue to be a focus in 2018 as we grow our new Web@POS and buy online ship-to-store programs in our department stores. We will deliver a fun, convenient shopping experience in stores as we re-focus on service and selling culture, continue to reduce inventory and flow newness, and make selective investments in maintaining our store fleet.

*focus* ON  
DIFFERENTIATION

Multiple factors lead us to be optimistic about the future and indicate that we have turned the corner as we work to return to long-term growth and profitability. Our entry into the strong off-price business provides an exciting growth vehicle. We expect the recovery in our oil and gas markets to benefit sales in our department stores. Disciplined expense controls and cash management allow us to support growth initiatives and have allowed us to pay a dividend each quarter for more than a decade. We have ample access to liquidity and expect to significantly improve our EBIT in 2018.

*grow*  
OFF-PRICE

As always, we thank our shareholders, associates, and vendors for their continued support of Stage Stores!

Sincerely,



MICHAEL L. GLAZER  
President and Chief Executive Officer



**STAGE**®

BEALLS  
GOODY'S  
PALAIS ROYAL  
Peebles  
STAGE  
*Goldmans*

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**Stage Stores, Inc.  
Notice of 2018 Annual Meeting of Shareholders  
and  
Proxy Statement**

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GOODY'S  
PALAIS ROYAL  
Peebles  
STAGE  
Gordmans

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Stage Stores, Inc.  
2425 West Loop South  
Houston, Texas 77027

April 26, 2018

Dear Shareholder:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the 2018 Annual Meeting of Shareholders of Stage Stores, Inc. The Annual Meeting will be held at our corporate office located at 2425 West Loop South, Houston, Texas, on June 7, 2018, beginning at 8:15 a.m. CDT.

The following pages contain the Notice of Annual Meeting of Shareholders and the accompanying Proxy Statement. We encourage you to review these materials for information concerning the business to be conducted at the Annual Meeting.

Your vote is very important. Whether or not you plan to attend the Annual Meeting, we urge you to vote as soon as possible. If you attend the Annual Meeting, you may revoke your proxy and vote in person, even if you have previously submitted a proxy.

We have elected to take advantage of Securities and Exchange Commission rules that allow us to furnish proxy materials to certain shareholders on the Internet. On or about the date of this letter, we began mailing a Notice of Internet Availability of Proxy Materials to shareholders of record at the close of business on April 9, 2018. At the same time, we provided those shareholders with access to our online proxy materials and filed our proxy materials with the Securities and Exchange Commission. If you received a Notice of Internet Availability of Proxy Materials, you will not receive a printed copy of the proxy materials unless you request it by following the instructions for those materials contained in the Notice.

Thank you for your continued support of Stage Stores, Inc.

Sincerely,

William J. Montgoris  
*Chairman of the Board*

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**STAGE STORES, INC.**  
**NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT**

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GOODY'S  
PALAIS ROYAL  
Peebles  
STAGE  
Gordmans

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Stage Stores, Inc.  
2425 West Loop South  
Houston, Texas 77027

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD JUNE 7, 2018**

To our Shareholders:

The 2018 Annual Meeting of Shareholders of Stage Stores, Inc. will be held at our corporate office located at 2425 West Loop South, Houston, Texas 77027 on June 7, 2018, beginning at 8:15 a.m. CDT, for the following purposes:

1. Elect as directors the seven nominees named in the Proxy Statement for a term of one year;
2. Approve, on an advisory basis, the compensation of our named executive officers;
3. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending February 2, 2019; and
4. Transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on April 9, 2018 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and any postponement or adjournment thereof.

We began mailing a Notice of Internet Availability of Proxy Materials on or about April 26, 2018 to shareholders of record at the close of business on April 9, 2018. The Notice contains information on how to access on the Internet our 2018 Proxy Statement, our 2017 Annual Report to Shareholders, our Annual Report on Form 10-K for the fiscal year ended February 3, 2018 and the form of proxy, as well as instructions on how to request a paper copy of the proxy materials.

By Order of the Board of Directors,

Chadwick P. Reynolds  
*Executive Vice President,  
Chief Legal Officer and Secretary*

April 26, 2018  
Houston, Texas

**Your vote is very important. Shareholders are urged to vote online. If you attend the Annual Meeting, you may revoke your proxy and vote in person if you wish, even if you have previously submitted a proxy.**

## IMPORTANT INFORMATION REGARDING VOTING

If our common shares are registered in your name with our transfer agent, you are considered, with respect to those common shares, a holder of record (which we also refer to as a registered shareholder). If you hold our common shares in a brokerage account or through a bank or other nominee serving as holder of record, you are considered the beneficial shareholder of those common shares, which are also referred to as held in “street name.”

If you are a beneficial shareholder, you must instruct your broker, bank or other nominee how to vote your common shares. If you do not provide voting instructions, your common shares will not be voted on any proposal on which your broker, bank or other nominee does not have discretionary authority to vote. This is called a “broker non-vote”. In such cases, your broker, bank or other nominee may register your common shares as being present at the Annual Meeting for purposes of determining the presence of a quorum, but will not be able to vote on those matters for which specific authorization is required under the rules of the New York Stock Exchange (“NYSE”).

If you are a beneficial shareholder, your broker has discretionary authority under NYSE rules to vote your common shares on Item 3 (Ratification of the Appointment of Deloitte & Touche LLP) in the event the broker does not receive voting instructions from you. However, your broker does not have discretionary authority to vote your common shares on Item 1 (Election of Directors) or Item 2 (Say-on-Pay Vote) without instructions from you, in which case a broker non-vote will occur and your common shares will not be voted on those matters. ***Accordingly, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares.***

If you have any questions about the voting process, please contact the broker, bank or other nominee holding your common shares. The Securities and Exchange Commission (“SEC”) also has a website ([sec.gov/spotlight/proxymatters.shtml](http://sec.gov/spotlight/proxymatters.shtml)) with more information about your rights as a shareholder. Additionally, you may contact our Investor Relations Department via the information located in the Investor Relations section of our website ([corporate.stage.com/investor-relations](http://corporate.stage.com/investor-relations)).

## IMPORTANT INFORMATION REGARDING AVAILABILITY OF PROXY MATERIALS

Our 2018 Proxy Statement, our 2017 Annual Report to Shareholders and our Annual Report on Form 10-K for the fiscal year ended February 3, 2018, are available for review by registered shareholders at [envisionreports.com/SSI](http://envisionreports.com/SSI) and by beneficial shareholders at [edocumentview.com/SSI](http://edocumentview.com/SSI).

## IMPORTANT INFORMATION REGARDING ANNUAL MEETING ATTENDANCE

In accordance with our security procedures, all persons attending the Annual Meeting must present picture identification and either their Notice of Internet Availability or the admission ticket found on their proxy card (if they requested and received a proxy card), or a brokerage statement or other proof of ownership of our common shares as of the record date. For security purposes, briefcases, bags, purses, backpacks and other containers will be subject to search at the door.

Directions to our corporate office, which is the location of the Annual Meeting, are available in the Investor Relations section of our website ([corporate.stage.com/investor-relations](http://corporate.stage.com/investor-relations)).





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STAGE  
Jordans

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Stage Stores, Inc.  
2425 West Loop South  
Houston, Texas 77027

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## **PROXY STATEMENT**

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This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (“Board”) of Stage Stores, Inc., a Nevada corporation (“we”, “our”, “us” and “Stage”), for use at the 2018 Annual Meeting of Shareholders to be held at our corporate office located at 2425 West Loop South, Houston, Texas 77027, on June 7, 2018, beginning at 8:15 a.m. CDT (“Annual Meeting”). On or about April 26, 2018, we began mailing to our shareholders of record at the close of business on April 9, 2018, a Notice of Internet Availability containing instructions on how to access the Notice of Annual Meeting of Shareholders, this Proxy Statement and our Annual Report to Shareholders for 2017.

Unless otherwise noted, references in this Proxy Statement to a particular year correspond to our fiscal year. For example, “2015” refers to our fiscal year ended January 30, 2016, “2016” refers to our fiscal year ended January 28, 2017, “2017” refers to our fiscal year ended February 3, 2018, and “2018” refers to our fiscal year ending February 2, 2019.

### **ABOUT THE ANNUAL MEETING**

#### **Purpose of the Annual Meeting**

At the Annual Meeting, shareholders will act upon the matters outlined in the Notice of Annual Meeting of Shareholders included with this Proxy Statement. Specifically, shareholders will be asked to: (1) elect as directors the seven nominees named in this Proxy Statement; (2) approve, on an advisory basis, the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and the narrative discussion accompanying the tables (“Say-on-Pay Vote”); (3) ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018; and (4) transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

#### **Voting Securities and Shareholder Voting Rights**

Our voting securities consist of our common stock, par value \$0.01 per share. Only shareholders of record of our common stock at the close of business on April 9, 2018 (“Record Date”) are entitled to receive notice of, and to vote at, the Annual Meeting. On the Record Date, there were 27,892,597 outstanding shares of our common stock and holders of an additional 1,443,034 shares of vested and unvested restricted stock with voting rights. Each share of our outstanding common stock and unvested restricted stock entitles the holder thereof to one vote on each matter to be voted upon at the Annual Meeting or any postponement or adjournment thereof. Treasury shares are not voted.

Individual votes of shareholders are kept private, except as appropriate to meet legal requirements. Access to proxies and other individual shareholder voting records is limited to our inspector of election and certain of our employees and agents who must acknowledge their responsibility to comply with this policy of confidentiality.

A list of the record holders entitled to vote at the Annual Meeting will be available for inspection at the Annual Meeting. All voting at the Annual Meeting will be governed by our Amended and Restated Articles of Incorporation (“Articles of Incorporation”), our Amended and Restated Bylaws (“Bylaws”) and the applicable laws of the State of Nevada.

### **Registered Shareholders and Beneficial Shareholders**

If our common shares are registered in your name directly with our transfer agent, you are considered, with respect to those common shares, a holder of record (which we also refer to as a registered shareholder). If you hold our common shares in a brokerage account or through a bank or other nominee, you are considered the beneficial shareholder of those common shares, which are also referred to as held in “street name.”

### **Internet Availability of Proxy Materials**

In accordance with rules adopted by the Securities and Exchange Commission (“SEC”), instead of mailing a printed copy of our proxy materials to each shareholder of record, we are permitted to furnish our proxy materials, including the Notice of Annual Meeting of Shareholders, this Proxy Statement, our 2017 Annual Report to Shareholders and our Annual Report on Form 10-K for 2017, by providing access to those documents on the Internet. Generally, shareholders will not receive printed copies of the proxy materials unless they request them.

A Notice of Internet Availability that provides instructions for accessing our proxy materials on the Internet was mailed directly to registered shareholders. The Notice of Internet Availability also provides instructions regarding how registered shareholders may vote their common shares on the Internet. Registered shareholders who prefer to receive a paper or email copy of our proxy materials should follow the instructions provided in the Notice of Internet Availability for requesting those materials.

The broker, bank or other nominee who is considered the registered shareholder with respect to common shares should forward to the beneficial shareholder of those common shares a notice that directs the beneficial shareholder to the website where our proxy materials may be accessed. That broker, bank or other nominee should also provide to the beneficial shareholders instructions on how the beneficial shareholders may request a paper or email copy of our proxy materials. Beneficial shareholders have the right to direct their broker, bank or other nominee on how to vote their common shares by following the voting instructions they receive from their broker, bank or other holder of record.

To elect to receive proxy materials for future shareholder meetings through our electronic delivery service, follow the instruction in your Notice of Internet Availability (or proxy card, if you received printed copies of the proxy materials) to register online at [envisionreports.com/SSI](http://envisionreports.com/SSI) and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

### **How to Vote**

#### **As a Registered Shareholder**

After receiving the Notice of Internet Availability (or proxy card, if you received printed copies of the proxy materials), registered shareholders are urged to visit [envisionreports.com/SSI](http://envisionreports.com/SSI) to access our proxy materials and vote online. When voting online, you must follow the instructions posted on the website and you will need the control number included on your Notice of Internet Availability (or proxy card, if applicable). Registered shareholders may also vote by telephone by calling 1-800-652-8683, by completing and mailing a proxy card (if you received printed copies of the proxy materials), or by submitting a written ballot at the Annual Meeting. If, after receiving the Notice of Internet Availability, you request (via online, toll-free telephone number or email) that we send you paper or electronic copies of our proxy materials, you may vote your common shares by completing, dating and signing the proxy card included with the materials and returning it in accordance with the instructions provided.

If you vote online, by telephone or by mail, your vote must be received by 11:59 p.m. EDT on June 6, 2018, the day before the Annual Meeting.

If you timely and properly submit your vote, your common shares will be voted as you direct. If you return or otherwise complete your proxy card, but you do not indicate your voting preferences, the proxies will vote your shares FOR the election of the director nominees identified in Item 1 (Election of Directors), FOR the approval of the compensation of our named executive officers as disclosed in Item 2 (Say-on-Pay Vote) and FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018 as described in Item 3 (Ratification of the Appointment of Deloitte & Touche LLP), and in their discretion for such other matters as may properly come before the Annual Meeting or any adjournment thereof.

A registered shareholder may revoke a proxy at any time before it is exercised by filing with our Inspector of Election a written notice of revocation or duly executing and delivering to our Secretary a proxy bearing a later date. A registered shareholder

may also revoke a proxy by attending the Annual Meeting and giving written notice of revocation to the secretary of the meeting. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy.

### **As a Beneficial Shareholder**

Beneficial shareholders should follow the procedures and directions set forth in the materials they receive from the broker, bank or other nominee who is the registered holder of their common shares to instruct such registered holder how to vote those common shares or revoke previously given voting instructions. Please contact your broker, bank or other nominee to determine the applicable deadlines. Beneficial shareholders who wish to vote at the Annual Meeting will need to obtain and provide to the secretary of the meeting a completed form of proxy from the broker, bank or other nominee who is the registered holder of their common shares.

Brokers, banks and other nominees who hold common shares for beneficial shareholders in street name may vote such common shares on “routine” matters (as determined under NYSE rules), such as Item 3 (Ratification of the Appointment of Deloitte & Touche LLP), without specific voting instructions from the beneficial owner of such common shares. Brokers, banks and other nominees may not, however, vote such common shares on “non-routine” matters, such as Item 1 (Election of Directors) and Item 2 (Say-on-Pay Vote) without specific voting instructions from the beneficial owner of such common shares. Proxies submitted by brokers, banks and other nominees that have not been voted on “non-routine” matters are referred to as “broker non-votes.” Broker non-votes will not be counted for purposes of determining the number of common shares necessary for approval of any matter to which broker non-votes apply (i.e., broker non-votes will have no effect on the outcome of such matter).

### **Householding**

SEC rules allow multiple shareholders residing at the same address the convenience of receiving a single copy of the Notice of Internet Availability, Annual Report to Shareholders and proxy materials if they consent to do so (“householding”). Householding is permitted only in certain circumstances, including when you have the same last name and address as another shareholder. If the required conditions are met, and SEC rules allow, your household may receive a single copy of the Notice of Internet Availability, Annual Report to Shareholders and proxy materials. Upon written or oral request, we will promptly deliver a separate copy of the Notice of Internet Availability, Annual Report to Shareholders and proxy materials, as applicable, to a shareholder at a shared address to which a single copy of the document(s) was delivered. Such a request should be made in the same manner as a revocation of consent for householding.

You may either request householding or revoke your consent for householding at any time by contacting Computershare Investor Services, either by calling 1-877-878-7531 (within the U.S. or Canada) or 201-680-6578 (outside of the U.S. and Canada), or by writing to: Computershare Investor Services, Householding Department, 462 South 4<sup>th</sup> Street, Suite 1600, Louisville, KY 40202. You will be added to or removed from the householding program within 30 days of receipt of your instructions. If you revoke your consent for householding, you will be sent separate copies of the documents sent to our shareholders at such time as you are removed from the householding program.

Beneficial shareholders may request more information about householding from their brokers, banks or other nominees.

### **Board’s Recommendations**

Subject to revocation, all proxies that are properly completed and timely received will be voted in accordance with the instructions contained therein. If no instructions are given (excluding broker non-votes), the persons named as proxy holders will vote the common shares in accordance with the recommendations of the Board. The Board’s recommendations are set forth together with the description of each proposal in this Proxy Statement. In summary, the Board recommends a vote:

1. FOR the election of each of the seven director nominees named in this Proxy Statement (see Item 1);
2. FOR the approval, on an advisory basis, of the compensation of our named executive officers as disclosed in this Proxy Statement (see Item 2); and
3. FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018 (see Item 3).

If any other matter properly comes before the Annual Meeting or any adjournment thereof, or if a director nominee named in this Proxy Statement is unable to serve or for good cause will not serve, the proxy holders will vote on that matter or for a substitute nominee as recommended by the Board.

## **Quorum**

The presence, in person or by proxy, of the holders of a majority of the outstanding common shares entitled to be voted at the Annual Meeting will constitute a quorum and permit us to conduct our business at the Annual Meeting. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of common shares considered to be represented at the Annual Meeting for purposes of establishing a quorum.

## **Vote Required for Approval**

### **Item 1**

Our Corporate Governance Guidelines (“Governance Guidelines”) contain a majority vote policy and our Bylaws impose a majority vote standard applicable to the uncontested election of directors. Specifically, our Bylaws provide that if a quorum is present at the Annual Meeting, a director nominee in an uncontested election will be elected to the Board if the number of votes properly cast for the nominee’s election exceeds the number of votes properly cast against the nominee’s election. In all director elections other than uncontested elections, the seven director nominees receiving a plurality of the votes properly cast will be elected as directors. An “uncontested election” means an election of directors at a meeting of shareholders at which the number of director nominees does not exceed the number of directors to be elected. See the “Governance – Majority Vote Policy and Standard” section of this Proxy Statement for more information about our majority vote policy and standard. If no voting instructions are given (excluding broker non-votes), the persons named as proxy holders on the proxy card will vote the common shares FOR the election of the director nominees identified in Item 1 (Election of Directors).

### **Other Items**

For purposes of Item 2 (Say-on-Pay Vote) and Item 3 (Ratification of the Appointment of Deloitte & Touche LLP), the affirmative vote of a majority of the votes cast on each such matter will be required for approval. The votes received with respect to Item 2 and Item 3 are advisory and will not bind the Board or us. A properly executed proxy marked “abstain” with respect to Item 2 or Item 3 will not be voted with respect to such matter. Abstentions and broker non-votes, if any, will not be counted as votes cast, and they will have no effect on the outcome of the matters to be voted on at the Annual Meeting. If no voting instructions are given (excluding broker non-votes), the persons named as proxy holders on the proxy card will vote the common shares in accordance with the recommendations of the Board.

## **ITEM 1: ELECTION OF DIRECTORS**

At the Annual Meeting, seven directors are to be elected to serve until the next annual meeting of shareholders and until their respective successors are elected and qualified, or until their earlier death, resignation or removal. All seven nominees are currently directors on our Board. Proxies may not be voted at the Annual Meeting for more than seven persons. Our shareholders do not have cumulative voting rights in the election of directors. The Board’s Corporate Governance and Nominating Committee recommended the directors listed below for re-election. The Board knows of no reason why any nominee may be unable to serve as a director. If a nominee is unable to serve or for good cause will not serve, the shares represented by all valid proxies will be voted for the election of such other person as the Board may nominate.

Information concerning each nominee is set forth in the following table, including each nominee’s age (as of the Record Date), current Board committee memberships, business experience and principal occupation for the past five years or more, the specific experience, qualifications, attributes or skills of each nominee that led to the conclusion that the nominee should serve as a director (which are in addition to the general qualifications discussed in the “Director Qualifications; Identifying and Evaluating Nominees” section below), other public company directorships held by each nominee during the past five years, and tenure as a director on the Board. The Board has affirmatively determined that, with the exception of Mr. Glazer, all of the nominees are independent of Stage, its subsidiary and its management under the standards set forth in the NYSE rules, and no nominee has a material relationship with Stage, its subsidiary or its management aside from his or her service as a director. Mr. Glazer is not an independent director due to his employment as our President and Chief Executive Officer (“CEO”).



Name	Age	Director Since	Business Experience, Current Positions on the Board's Committees, and Specific Qualifications for Service on the Board
Alan J. Barocas	69	2007	<p><i>Business Experience:</i> Senior Executive Vice President of Leasing at GGP Inc., a real estate development and management firm, from January 2011 until his retirement in June 2017. From May 2006 to January 2011, Mr. Barocas was the principal of Alan J. Barocas and Associates, a real estate consulting firm. From June 1981 to April 2006, he was employed by GAP, Inc., an apparel retailer, last serving as Senior Vice President of Real Estate.</p> <p><i>Committee Memberships:</i> Audit Committee; Corporate Governance and Nominating Committee</p> <p><i>Director Qualifications:</i> Mr. Barocas' lengthy service in senior executive roles for large public companies in the real estate and retail industries provides the Board with valuable leadership experience and real estate and retail expertise.</p>
Elaine D. Crowley	59	2014	<p><i>Business Experience:</i> From August 2010 until her retirement in September 2012, Ms. Crowley served as Executive Vice President and Chief Financial Officer for Mattress Giant Corporation, a mattress retailer. From August 2008 to August 2010, Ms. Crowley served as Executive Vice President and Chief Financial Officer and Senior Vice President, Controller and Chief Accounting Officer/Chief Financial Officer for Michaels Stores, Inc., an arts and crafts retailer. From August 1990 to September 2007, Ms. Crowley was employed by The Bombay Company, Inc. ("Bombay"), a furniture and home goods retailer, most recently as Senior Vice President, Chief Financial Officer and Treasurer. She continues to hold that title for administrative purposes while also having served as Liquidation Trustee for the Bombay Liquidation Trust from September 2007 to December 2017.</p> <p><i>Committee Memberships:</i> Audit Committee (Chair); Compensation Committee</p> <p><i>Director Qualifications:</i> Ms. Crowley's tenure in senior executive and financial roles with other retailers and experience as a Certified Public Accountant in public accounting provides the Board with valuable leadership experience and financial and retail expertise.</p>
Diane M. Ellis	60	2012	<p><i>Business Experience:</i> Brand President – Chico's of Chico's FAS, Inc. since November 2016. From August 2013 to October 2016, Ms. Ellis served as CEO of Limited Stores, LLC, a fashion retailer. Limited Stores, LLC filed for bankruptcy protection on January 17, 2017. From September 2004 until August 2013, Ms. Ellis served as President and Chief Operating Officer of Brooks Brothers Group, Inc., an apparel retailer.</p> <p><i>Committee Memberships:</i> Audit Committee; Corporate Governance and Nominating Committee</p> <p><i>Director Qualifications:</i> Ms. Ellis' service in senior executive roles with other retailers and deep experience in merchandising, marketing and e-commerce, as well as her experience in strategic consulting to the retail industry while at Lighthouse Retail Group and PricewaterhouseCoopers LLC, provides the Board with valuable leadership and industry experience and retail, marketing and strategic planning expertise.</p>

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Business Experience, Current Positions on the Board's Committees, and Specific Qualifications for Service on the Board</b>
Michael L. Glazer	69	2001	<p><i>Business Experience:</i> Our President and CEO since April 2012. From October 2009 to April 2012, Mr. Glazer served as the President and CEO of Mattress Giant Corporation, a mattress retailer. From August 2005 to October 2009, Mr. Glazer served as Managing Director of Team Neu, a private equity firm. From May 1996 to August 2005, Mr. Glazer served as President and CEO of KB Toys, Inc., a toy retailer. Mr. Glazer served as a director of CPI Corporation, a portrait studio operator, from December 2008 to July 2012.</p> <p><i>Committee Memberships:</i> None</p> <p><i>Director Qualifications:</i> Mr. Glazer's more than 40 years in the retail industry, tenure as CEO of several retailers and significant knowledge of our business, provides the Board with valuable retail expertise, leadership and industry experience.</p>
Earl J. Hesterberg	64	2010	<p><i>Business Experience:</i> President, CEO and a director of Group 1 Automotive, Inc., an automotive retailer, since April 2005. From October 2004 to April 2005, Mr. Hesterberg served as Group Vice President, North America Marketing, Sales and Service for Ford Motor Company. Mr. Hesterberg has also served as President and CEO of Gulf States Toyota, a distributor of vehicles, parts and accessories.</p> <p><i>Committee Memberships:</i> Compensation Committee (Chair); Corporate Governance and Nominating Committee</p> <p><i>Director Qualifications:</i> Mr. Hesterberg's extensive experience in senior executive roles, particularly as CEO, for large public companies in the retail industry and deep knowledge of marketing, customer service, strategic planning and consumer research provides the Board with valuable leadership and strategic planning experience and marketing and retail expertise.</p>
Lisa R. Kranc	64	2012	<p><i>Business Experience:</i> Senior Vice President, Marketing of AutoZone, Inc., an automotive aftermarket parts retailer and distributor, from August 2001 until her retirement in December 2012. Since September 2015, Ms. Kranc has served on the Board of Directors of Truck Hero, Inc., a supplier of truck accessories. From June 2014 to May 2015, Ms. Kranc served on the Board of Directors of Armored AutoGroup, Inc., a consumer products manufacturer.</p> <p><i>Committee Memberships:</i> Compensation Committee; Corporate Governance and Nominating Committee (Chair)</p> <p><i>Director Qualifications:</i> Ms. Kranc's tenure in a senior executive role for a large public company in the retail industry and extensive experience in marketing, brand management, consumer research and strategic planning provides the Board with valuable leadership and strategic planning experience and marketing and retail expertise.</p>

Name	Age	Director Since	Business Experience, Current Positions on the Board's Committees, and Specific Qualifications for Service on the Board
William J. Montgoris	71	2004	<p><i>Business Experience:</i> Chairman of the Board of Stage since June 2010. From August 1993 until his retirement in June 1999, Mr. Montgoris served as Chief Operating Officer of The Bear Stearns Companies, Inc. (“Bear Stearns”), an investment bank and securities trading and brokerage firm. Mr. Montgoris also served as Chief Financial Officer at Bear Stearns from April 1987 until October 1996. Since August 2008, Mr. Montgoris has served on the Board of Directors of Carter’s, Inc., a retailer and marketer of children’s apparel, where he is a member of the audit committee. From July 2008 to November 2013, Mr. Montgoris served on the Board of Directors of OfficeMax Incorporated, an office products retailer, where he was a member of the audit and compensation committees.</p> <p><i>Committee Memberships:</i> Audit Committee</p> <p><i>Director Qualifications:</i> Mr. Montgoris’ extensive experience in senior executive roles with a leading global investment banking firm and as a director at large public companies in the retail industry, as well as his experience as a Certified Public Accountant and deep finance and accounting knowledge, provides the Board with valuable leadership and financial and retail expertise.</p>

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH NOMINEE LISTED ABOVE.**

## GOVERNANCE

### Board Leadership Structure

Our business is managed under the direction of the Board. The Board is currently comprised of the directors identified in Item 1. Members of the Board are kept informed of our business through discussions with our CEO and other members of management and by reviewing materials provided to them, visiting our offices, stores and distribution centers, and participating in meetings of the Board and its committees.

Our CEO does not serve as the Chairman of the Board. We believe that separating the roles of CEO and Chairman of the Board is the appropriate leadership structure for us because, while it allows the CEO to speak for and lead us and communicate with other members of senior management, it provides for effective oversight by the Board, as each of our directors is highly qualified and experienced and exercises a strong oversight function. The Chairman sets the agendas for meetings of the Board, chairs the Board meetings, and is responsible for briefing our CEO, as needed, concerning executive sessions of the independent members of the Board. The Chairman also determines when additional meetings of the Board are needed.

### Corporate Governance Guidelines

We have adopted written Governance Guidelines to assist in fulfilling our corporate governance responsibilities. The Governance Guidelines provide a structure within which our directors and management may monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing shareholder value over the long term. The Governance Guidelines are available in the Corporate Governance section of our website ([corporate.stage.com/corporate-governance](http://corporate.stage.com/corporate-governance)).

### Code of Ethics and Business Conduct and Code of Ethics for Senior Officers

We have adopted a written Code of Ethics and Business Conduct (“Code of Ethics”) to serve as the basic set of policies and procedures governing the behavior of our directors, executive officers and other employees in conformance with NYSE rules. It is our policy to adhere to the highest standards of business ethics in all our business activities. When engaging in any activity concerning us, our customers, competitors, suppliers, other employees, shareholders or the general public, our directors, executive officers and other employees must maintain standards of uncompromising integrity and conduct themselves in a professional manner.

We have also adopted a Code of Ethics for Senior Officers (“Code for Senior Officers”) that promotes ethical conduct in the practice of financial management. The Code for Senior Officers is designed to deter wrongdoing and provide principles that our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions are expected to adhere to and advocate. These principles embody rules regarding individual and peer responsibilities, as well as responsibilities to our shareholders and others who have a stake in our continued success.

The Code of Ethics and the Code for Senior Officers are each available in the Corporate Governance section of our website ([corporate.stage.com/corporate-governance](http://corporate.stage.com/corporate-governance)). We intend to satisfy the requirements of Item 5.05 of Form 8-K regarding disclosure of amendments to or waivers from any applicable provision of the Code of Ethics and the Code for Senior Officers that relate to elements listed under Item 406(b) of Regulation S-K and apply to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions, if any, by posting such information in the Corporate Governance section of our website ([corporate.stage.com/corporate-governance](http://corporate.stage.com/corporate-governance)).

### **Director Independence**

The Board undertook its most recent annual review of director independence in March 2018. During the review, the Board, in accordance with NYSE rules, broadly considered all relevant facts and circumstances to determine whether any director has a material relationship with us, either directly or indirectly, other than serving as one of our directors, including all transactions, relationships and arrangements between each director, his or her affiliates, and any member of his or her immediate family, on one hand, and Stage, its subsidiary and members of management, on the other hand. The purpose of this review was to determine whether any such transactions, relationships or arrangements were inconsistent with a determination that the director is independent in accordance with NYSE rules.

As a result of the review, the Board affirmatively determined that, with the exception of Mr. Glazer, all of the current directors, each of whom is nominated for election at the Annual Meeting, are independent of Stage, its subsidiary and management under the standards set forth in the NYSE rules, and no director or director nominee, with the exception of Mr. Glazer, has a material relationship with Stage, its subsidiary or management aside from his or her service as a director. Mr. Glazer was deemed not independent due to his employment as our President and CEO.

All members of the Board's Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee are independent directors. Members of the Audit Committee also satisfy a separate SEC independence requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from us or our subsidiary other than their directors' compensation. Members of the Compensation Committee also satisfy separate NYSE independence requirements to ensure independence from management.

In evaluating director independence, the Board considered store leasing transactions between our subsidiary and GGP, Inc. ("GGP"), which employed Mr. Barocas until his retirement on June 30, 2017. As of the date of Mr. Barocas' retirement, we leased three of our nearly 850 store locations from GGP in the ordinary course of our business. The Board reviewed the payments we made to GGP in each of the last three years (\$0.6 million in 2017, \$0.2 million in 2016 and \$0.3 million in 2015), discussed the matter with Mr. Barocas, and reviewed GGP's reported consolidated gross revenues (\$2.3 billion in 2017, \$2.3 billion in 2016 and \$2.4 billion in 2015). Based on this review, the Board determined that the transactions are immaterial and do not impair Mr. Barocas' independence. The Board also concluded that Mr. Barocas did not have a direct or indirect material interest in our store leasing transactions with General Growth during 2017.

### **Majority Vote Policy and Standard**

Our Bylaws impose a majority vote standard in uncontested elections of directors and our Governance Guidelines contain a majority vote policy applicable to uncontested elections of directors. Section 2.14 of our Bylaws provides that if a quorum is present at the Annual Meeting, a director nominee in an uncontested election will be elected to the Board if the number of votes properly cast for the nominee's election exceeds the number of votes properly cast against the nominee's election. The majority vote policy contained in our Governance Guidelines requires any director nominee who does not receive more votes cast for the nominee's election than votes cast against the nominee's election to deliver his or her resignation from the Board to the Corporate Governance and Nominating Committee. Upon its receipt of such resignation, the Corporate Governance and Nominating Committee will promptly consider the resignation and recommend to the Board whether to accept the resignation or to take other action. The Board will act on the recommendation of the Corporate Governance and Nominating Committee no later than 100 days following the certification of the shareholder vote. The Corporate Governance and Nominating Committee, in making its recommendation, and the Board, in making its decision, will evaluate the resignation in light of the best interests of Stage and our shareholders and may consider any factors and other information they deem relevant. We will promptly publicly disclose the Board's decision in a press release or periodic or current report to the SEC.

### **Related Person Transactions**

The Board, with the assistance of the Audit Committee and the Corporate Governance and Nominating Committee, monitors compliance with our corporate governance policies, practices and guidelines applicable to our directors, nominees for director, officers and employees. Our Governance Guidelines, Code of Ethics and human resources policies address governance matters and prohibit, without the consent of the Board or its designee, directors, officers and other employees from engaging in transactions that conflict with our interests or that otherwise usurp corporate opportunities. Our Governance Guidelines also prohibit our directors, officers and other employees from entering into any agreement or arrangement with any person or entity



or to authorize any transaction which we may be required to disclose to the SEC unless the agreement or arrangement is approved by the Board.

Pursuant to our written Related Person Transaction Policy, the Audit Committee also evaluates “related person transactions,” which we define more stringently than is required under SEC rules. Under our policy, we consider a related person transaction to be any transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships): (1) involving more than \$5,000 in which we and any of our directors, executive officers, other employees, holders of more than five percent of our common shares, or their respective immediate family members were or are to be a participant; and (2) in which such related person had, has or will have a direct or indirect material interest. Our policy requires our directors, executive officers and other employees to report to the attention of the Chair of the Audit Committee all transactions, whether proposed or existing, of which they have knowledge and which they believe may constitute a related person transaction. If the Audit Committee Chair, with the assistance of legal counsel, determines that the transaction constitutes a related person transaction, the Audit Committee Chair or our Chief Legal Officer will notify the other members of the Audit Committee.

Thereafter, the Audit Committee will review the related person transaction, considering all factors and information it deems relevant, and approve or disapprove the transaction in light of what the Committee believes to be the best interests of Stage and our shareholders. If advance approval is not practicable or if a related person transaction that has not been approved is discovered, the Audit Committee will promptly consider whether to ratify the transaction. In such event, if the Audit Committee declines to ratify the transaction, the Audit Committee will, taking into account all of the factors and information it deems relevant (including the rights available to us under the transaction), determine whether we should amend, rescind or terminate the transaction in light of what it believes to be the best interests of our shareholders and Stage. We do not intend to engage in related person transactions not approved or ratified by the Audit Committee. Examples of factors and information that the Audit Committee may consider in its evaluation of a related person transaction include: (1) the reasons for entering into the transaction; (2) the terms of the transaction; (3) the benefits of the transaction to us; (4) the comparability of the transaction to similar transactions with unrelated third parties; (5) the materiality of the transaction to each party; (6) the nature of the related person’s interest in the transaction; (7) the potential impact on the independence of an outside director; and (8) the alternatives to the transaction.

In addition, on an annual basis, each director, director nominee and executive officer must complete a questionnaire that requires written disclosure of any related person transaction. The responses to these questionnaires are reviewed by our Chief Legal Officer and Controller, and shared with the Board, to identify any potential conflicts of interest or potential related person transactions.

If a related person transaction, as defined under SEC rules, existed, we would disclose the transaction as required. Based on our most recent review conducted in the first quarter of 2018, none of our directors, director nominees, officers or other employees have engaged in any related person transaction requiring disclosure since the beginning of 2017.

#### **Loans to Directors and Executive Officers Prohibited**

Our Governance Guidelines also prohibit us from, directly or indirectly, extending or maintaining credit, or arranging for or guaranteeing the extension of credit, in the form of a personal loan to or for any of our directors, executive officers or their immediate family members.

#### **Policy on Poison Pills**

The term “poison pill” refers to a type of shareholder rights plan that some companies adopt to provide an opportunity for negotiation during a hostile takeover attempt. The Board has not adopted a poison pill. However, as we are a Nevada corporation, our Articles of Incorporation provide that we have expressly elected to be governed by Chapter 78 of the Nevada Revised Statutes (“NRS 78”) with respect to the acquisition of a controlling interest in us. NRS 78 provides that a person who seeks to acquire a “controlling interest” (20% or greater) in a Nevada corporation will only obtain such voting rights in the shares acquired (“control shares”) as are granted by a vote of the holders of a majority of our remaining voting power at a special or annual meeting of the shareholders. In addition, NRS 78 provides that we may redeem not less than all of the control shares at the average price of the control shares if the control shares are not granted full voting rights by the shareholders.

#### **Attendance at Board, Committee and Shareholder Meetings**

The Board held eight meetings during 2017. During 2017, each director attended at least 75% of the aggregate of the total number of meetings of the Board and the committees on which he or she served (in each case, held during the periods that he or she served). The independent directors meet in regularly scheduled executive sessions of the Board and its committees without employees and non-independent directors present. The Chairman of the Board or committee chair, as applicable, presides at all executive sessions. It is the Board’s policy that each director should be present for the annual meeting of shareholders absent exceptional cause. Each of our current directors attended our 2017 annual meeting of shareholders.

## Board's Role in Risk Oversight

The Board's role in risk oversight is administered directly and through its standing committees, with each committee's role more fully described in the "Role of the Board's Committees" section below. The Audit Committee assists the Board in fulfilling its oversight responsibility relating to the performance of our system of internal controls, the integrity of our financial statements, legal and regulatory compliance, our audit, accounting and financial reporting processes, the qualifications, independence and work of our independent registered public accounting firm, and the evaluation of enterprise risk issues, particularly those risk issues not overseen by other committees. The Compensation Committee is responsible for overseeing the management of risks relating to our compensation programs, policies and practices. The Corporate Governance and Nominating Committee manages risks associated with corporate governance, related person transactions, succession planning, business conduct and ethics, and the performance of the Board, its committees and directors.

While each committee is responsible for evaluating certain risks and overseeing the management of those risks, the entire Board is regularly informed about those risks through committee reports or by attending committee meetings. The reports presented to the Board include discussions of committee agenda topics, including matters involving risk oversight. The Board also directly considers specific topics, including risks associated with our strategic plan, capital structure, information / cyber security and development activities. Members of management who supervise the day-to-day risk management responsibilities periodically provide reports to the Board as a whole and to the committees as requested.

## Role of the Board's Committees

The Board has three standing committees – Audit, Compensation, and Corporate Governance and Nominating – that assist and report their activities to the Board. In accordance with the applicable rules of the NYSE and SEC, each committee is organized and operates under a written charter adopted by the Board. Each committee and the Corporate Governance and Nominating Committee annually review and assess the adequacy of the charters and recommend changes to the Board as necessary to reflect changes in regulatory requirements, authoritative guidance and evolving practices. Pursuant to its respective charter, each committee has the authority to engage, at our expense, advisors as it deems necessary to carry out its duties. The function and authority of each committee are further described below and in each committee's respective charter. The committee charters are available in the Corporate Governance section of our website ([corporate.stage.com/corporate-governance](http://corporate.stage.com/corporate-governance)).

The Board and the Corporate Governance and Nominating Committee annually conduct performance evaluations of the Board, each committee and each director. Under the procedures adopted by the Board, each director evaluates the Chairman of the Board, the Board, each committee and each other director. In order to continuously improve Board governance, the results of the individual director evaluations are communicated to the respective directors and the results of the Chairman, Board and committees' evaluations are reported to all directors.

Each committee is comprised entirely of independent directors as required by each committee's charter and applicable SEC and NYSE rules. The following table reflects the current membership of each committee:

<b>Independent Directors</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Corporate Governance and Nominating Committee</b>
Mr. Barocas	M		M
Ms. Crowley	C	M	
Ms. Ellis	M		M
Mr. Glazer			
Mr. Hesterberg		C	M
Ms. Kranc		M	C
Mr. Montgoris	M		

M Denotes a member of the committee.

C Denotes the chair of the committee.

## **Audit Committee**

The primary purposes of the Audit Committee are to: (1) assist the Board in its oversight of (a) the integrity of our financial statements, (b) our compliance with legal and regulatory requirements, (c) the qualifications and independence of our independent registered public accounting firm, and (d) the performance of our internal audit function and independent registered public accounting firm; and (2) prepare the Audit Committee Report disclosure required by Item 407(d)(3) of Regulation S-K. The Audit Committee was established in accordance with Section 3(a)(58)(A) the Securities Exchange Act of 1934, as amended (“Exchange Act”). The Board has determined that each member of the Audit Committee is “financially literate,” as required by NYSE rules, and that each of Ms. Crowley, Ms. Ellis and Mr. Montgoris is an “audit committee financial expert,” as that term is defined under applicable SEC rules. The Audit Committee met 10 times during 2017.

## **Compensation Committee**

The primary purpose of the Compensation Committee is to discharge the responsibilities of the Board relating to the compensation of our Chief Executive Officer (“CEO”) and other executive officers. In addition, the Compensation Committee’s key responsibilities include: (1) establishing the goals and objectives for CEO performance, evaluating CEO performance against those goals and objectives and setting CEO compensation based on the evaluation; (2) reviewing the performance of, and setting the compensation for, our other executive officers; (3) reviewing and approving the terms of all compensation plans, policies and programs, including employment and severance agreements, for our CEO and other executive officers; (4) making recommendations to the Board with respect to our incentive compensation and equity-based plans that are subject to Board approval; and (5) reviewing and monitoring our compensation policies and practices in order to avoid risks that are reasonably likely to have a material adverse effect on us. Additional information regarding our executive compensation program, including our processes and procedures for the consideration and determination of executive officer compensation, is described in the “Executive Compensation” section of this Proxy Statement. The Compensation Committee met four times during 2017.

### ***Executive Compensation Consultants***

The Compensation Committee may, in its sole discretion, retain or obtain the advice of compensation consultants to review our executive officer compensation program. The Compensation Committee is directly responsible for the appointment, compensation and oversight of the work of any compensation consultant retained by the Compensation Committee. We provide appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to any compensation consultant retained by the Compensation Committee.

The Compensation Committee selected and retained Willis Towers Watson as its independent compensation consultant to advise it on general executive compensation matters during 2017. The Compensation Committee also selected and retained Exequity as its independent compensation consultant to provide advice on the development of the Stage Stores 2017 Long-Term Incentive Plan (“2017 LTIP”). The Compensation Committee assessed the independence of Willis Towers Watson and Exequity pursuant to NYSE and SEC rules and concluded that no conflict of interest exists that would prevent Willis Towers Watson or Exequity from independently advising the Compensation Committee during 2017.

During 2017, we paid Willis Towers Watson \$84,318 in connection with the Compensation Committee’s engagement of Willis Towers Watson for executive compensation consulting services. In addition, we paid Willis Towers Watson \$8,800 for data and surveys and \$143,128 for actuarial retirement services associated with a broad-based defined benefit plan that we sponsor, which covers substantially all employees who had met eligibility requirements and were enrolled prior to June 30, 1998 (“DB Plan”). The DB Plan was frozen effective June 30, 1998, and none of our named executive officers (as identified in the “Executive Compensation” section of this Proxy Statement) are participants in the DB Plan. The fees for services related to the DB Plan were paid to a different line of business within Willis Towers Watson and were not associated with the Willis Towers Watson executive compensation team that provided advice to the Compensation Committee. During 2017, we paid Exequity \$15,148 in connection with the Compensation Committee’s engagement of Exequity for consulting services related to the development of the 2017 LTIP.

### ***Compensation Committee Interlocks and Insider Participation***

No member of our Compensation Committee serves, or has served at any time, as one of our officers or employees or has, during 2017, had a material interest in any related person transaction, as defined in Item 404 of Regulation S-K. None of our executive officers serve or, during 2017, served as a member of the board of directors or compensation committee of any other company that has or had an executive officer serving as a member of the Board or the Compensation Committee.

## **Corporate Governance and Nominating Committee**

The primary purposes of the Corporate Governance and Nominating Committee are to: (1) maintain and review the Governance Guidelines and propose to the Board changes to the Governance Guidelines as corporate governance

developments warrant; (2) identify qualified candidates for nomination as directors to the Board who meet the criteria for Board membership approved by the Board; (3) oversee the annual evaluation of the performance of the Board, the committees of the Board, the directors and management; (4) recommend to the Board director nominees for the next annual meeting of shareholders and for each committee of the Board; (5) review, and report to the Board, annually on the status of the CEO succession plan; and (6) evaluate director compensation to ensure that our directors are competitively compensated and recommend any proposed changes in director compensation to the Board for its approval. The Corporate Governance and Nominating Committee met four times during 2017.

### ***Director Qualifications; Identifying and Evaluating Nominees***

The Corporate Governance and Nominating Committee is responsible for recommending to the Board the appropriate skills and qualifications required of Board members and assessing the appropriate balance of skills and qualifications required of directors based on our needs from time to time. At a minimum, director nominees should possess the following skills and qualifications: broad experience, wisdom, integrity, the ability to make independent analytical inquiries, an understanding of our business environment, and the willingness to devote adequate time to Board duties. The Corporate Governance and Nominating Committee and the Board endeavor to have a Board representing a range of experience in business and in other areas that are relevant to our activities with a goal of achieving a Board that, as a whole, provides effective oversight of our management and business through, among other things, diversity (i.e., differences of viewpoint, professional experience, education, skill and other individual qualities and attributes that contribute to the Board's heterogeneity). The consideration of diversity in identifying director nominees is integrated annually as part of the director nomination process by both the Board and the Corporate Governance and Nominating Committee.

The Corporate Governance and Nominating Committee also considers the current composition of the Board and other relevant factors and attributes that it deems appropriate and important for nominees to make meaningful contributions to the Board and our business, including:

- **Leadership.** Directors with experience in significant leadership positions over an extended period, particularly CEO and Chief Operating Officer positions, provide us with special insights. These individuals generally possess extraordinary leadership qualities and the ability to identify and develop those qualities in others. They demonstrate a practical understanding of organizations, processes, strategy, risk management and the methods to drive change and growth.
- **Strategic Planning Experience.** Effective strategic planning is critical to our success. Therefore, extensive experience in strategic planning as a result of various executive leadership roles is very important to us.
- **Retail Industry Experience.** Experience in the retail industry as executives, directors, consultants, professionals or in other capacities is important to help provide context to our decisions, results and operations, as well as to provide oversight to our management team.
- **Financial Expertise.** An understanding of finance and financial reporting processes is important for our directors, as we measure our operating and strategic performance by reference to financial targets. In addition, accurate financial reporting and vigorous auditing are critical to our success. We seek to have a majority of the members of our Audit Committee qualify as "audit committee financial experts" (as defined by SEC rules) and we expect all of our directors to be financially knowledgeable.
- **Marketing Experience.** As a retailer, marketing is critical to our success. Therefore, marketing expertise, both for brick-and-mortar stores and e-commerce, is very important to us.
- **Investor Relations Experience.** As a public company, experience in the development, implementation and articulation of corporate strategy, experience with commercial and financial communications, and experience working directly with investment analysts, institutional investors and the broad financial community is valuable to us.
- **Real Estate Experience.** As of the end of 2017, we operated 835 stores in 42 states. In light of this significant investment, real estate expertise is important to us.

In identifying and evaluating director nominees, the Corporate Governance and Nominating Committee may implement such processes as it deems appropriate, including retaining a third party to assist in identifying or evaluating potential nominees. Prior to his or her nomination to the Board, each director nominee must (1) be determined by the Corporate Governance and Nominating Committee to meet the minimum qualifications set forth above, (2) have at least one interview with the Corporate Governance and Nominating Committee and with any other director who requests an interview, and (3) complete and sign a comprehensive questionnaire in a form deemed appropriate by the Board.

In identifying potential director candidates, the Corporate Governance and Nominating Committee considers recommendations from our directors, CEO and shareholders. A shareholder wishing to recommend a prospective director nominee to the Board

must send written notice to: Corporate Governance and Nominating Committee Chair, Stage Stores, Inc., Attn: Chief Legal Officer and Secretary, 2425 West Loop South, 11<sup>th</sup> Floor, Houston, Texas 77027. The written notice must include the prospective nominee's name, age, business address, principal occupation, ownership of our common shares, information that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of that prospective nominee as a director, the written consent of all parties to be identified in the proxy materials and any other information that is deemed relevant by the recommending shareholder. Shareholder recommendations that comply with these procedures and that meet the factors outlined above will receive the same consideration that the recommendations of the Board receive. For the 2019 annual meeting of shareholders, recommendations for director nominees must be submitted in writing by December 27, 2018.

In addition to the skills and qualifications described above, the specific factors that the Corporate Governance and Nominating Committee and the Board considered in each current director nominee's nomination are included with their individual biographies appearing in Item 1 (Election of Directors) above.

### Communications with the Board

Shareholders and other interested parties may send written communications to the Board and, if applicable, to the Chairman and other individual directors, by mail or courier to our corporate office. Under a process approved by the Board for handling correspondence received by us and addressed to independent directors, our Secretary will forward all correspondence that we receive to the Board or, if applicable, to the Chairman or other individual director. Communications should be addressed to the Board or applicable director at: Stage Stores, Inc., Attn: Chief Legal Officer and Secretary, 2425 West Loop South, 11<sup>th</sup> Floor, Houston, Texas 77027.

Our Audit Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and the submission by our employees of concerns regarding questionable accounting or auditing matters. These procedures are incorporated into our Code of Ethics and (1) set forth a statement about our commitment to comply with laws, (2) encourage employees to inform us of conduct amounting to a violation of applicable standards, (3) describe prohibited conduct, (4) include procedures for making confidential, anonymous complaints, and (5) provide assurances that there will be no retaliation for reporting suspected violations.

We have also established procedures to enable anyone who has a concern regarding non-accounting matters and violations of our Code of Ethics to report that concern through our normal company channels or anonymously. An anonymous ethics hotline is maintained by an independent third party and is available 24 hours a day, seven days per week.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

### Security Ownership of Certain Beneficial Owners

The following table provides information regarding beneficial ownership of our common shares by each person or entity known by us to be the beneficial owner of more than five percent of our outstanding common shares. The assessment of holders of more than five percent of our common shares is based on a review of and reliance upon their respective filings with the SEC, and all information is as of December 31, 2017 as reported in such filings, except as otherwise noted.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Paradigm Capital Management, Inc. (1) Nine Elk Street Albany, NY 12207	2,738,900	9.9%
Divisar Capital Management LLC (2) 275 Sacramento Street, 8 <sup>th</sup> Floor San Francisco, CA 94111	2,303,702	8.3%
Dimensional Fund Advisors LP (3) Building One 6300 Bee Cave Road Austin, TX 78746	1,693,980	6.1%

(1) The information is based on the Schedule 13G filed with the SEC on February 9, 2018 by Paradigm Capital Management, Inc. reporting on beneficial ownership as of December 31, 2017. According to the filing, the reporting person has sole voting power and sole dispositive power with respect to 2,738,900 common shares and no shared voting power or shared dispositive power over any of our common shares.



- (2) The information is based on the Schedule 13G/A (Amendment No. 1) filed with the SEC on February 13, 2018 by Divisar Capital Management LLC reporting on beneficial ownership as of December 29, 2017. According to the filing, the reporting person has shared voting power and shared dispositive power with respect to 2,303,702 common shares, and no sole voting power or sole dispositive power over any of our common shares. The reporting person is the general partner of Divisar Partners QP, L.P. who also reported that it has shared voting power and shared dispositive power with respect to 2,108,975 common shares, and no sole voting power or sole dispositive power over any of our common shares.
- (3) The information is based on the Schedule 13G/A (Amendment No. 10) filed with the SEC on February 9, 2018 by Dimensional Fund Advisors LP reporting on beneficial ownership as of December 31, 2017. According to the filing, the reporting person has sole voting power with respect to 1,595,385 common shares, sole dispositive power with respect to 1,693,980 common shares, and no shared voting power or shared dispositive power over any of our common shares.

### Security Ownership of Management

The following table provides information regarding the beneficial ownership of our common shares and restricted stock by each of the executive officers listed in the Summary Compensation Table, each of our directors, and all of our directors and executive officers as a group. Unless otherwise indicated by footnote, individuals have sole voting and investment (dispositive) power. All information is as of the Record Date.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership			Percent of Class
	Common Stock	Restricted Stock (2)	Total	
Michael L. Glazer	730,983	826,988	1,557,971	5.3%
Oded Shein	53,946	42,354	96,300	*
Thorsten I. Weber	38,719	81,926	120,645	*
Steven L. Hunter	63,837	38,583	102,420	*
Chadwick P. Reynolds	15,241	12,260	27,501	*
Alan J. Barocas	78,346	44,053	122,399	*
Elaine D. Crowley	48,251	44,053	92,304	*
Diane M. Ellis	38,142	44,053	82,195	*
Earl J. Hesterberg	70,347	44,053	114,400	*
Lisa R. Kranc	36,039	44,053	80,092	*
William J. Montgoris	104,286	44,053	148,339	*
All directors and executive officers as a group (16 persons) (1)	1,414,368	1,338,497	2,752,865	9.4%

\* Represents less than 1.0% of our outstanding common stock.

- (1) Includes 1,543 shares of common stock beneficially owned by the spouse of an executive officer who is not a named executive officer, and for which the executive officer does not have voting rights and disclaims beneficial ownership.
- (2) The restricted stock held by each individual is subject to forfeiture prior to vesting in accordance with the terms set forth in the applicable award agreement.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who beneficially own more than 10% of our outstanding common shares, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of our common shares. Directors, executive officers and greater than 10% shareholders are required by the SEC rules to furnish us with copies of all Section 16(a) reports they file. Based solely upon our review of filings with the SEC and written representations that no other reports were required, we believe that all of our directors and executive officers complied during 2017 with the reporting requirements of Section 16(a) of the Exchange Act, except that Mr. Reynolds did not timely report the acquisition of 958 of our common shares pursuant to the reinvestment of cash dividends paid by Stage (the common shares acquired through dividend reinvestment were reported on a Form 4 dated August 7, 2017).

### **Stock Ownership by Executive Officers**

The Board has adopted stock ownership requirements for all officers at or above the executive vice president level that requires these executives to hold a significant financial stake in our common shares in order to align the long-term interests of our executives with those of our shareholders. Under the ownership requirements, on and after the fifth anniversary of his or her appointment as an executive vice president or higher (“Target Date”), each such officer must have developed and thereafter maintain an ownership position in our common shares with a minimum value (“Target Ownership Level”) as follows:

- a Target Ownership Level for the CEO having a value equal to three times his or her base salary; and
- a Target Ownership Level for all executive vice presidents or higher having a value equal to his or her base salary.

For purposes of assessing compliance with the ownership requirements, the value of stock means the greater of the fair market value of our common shares held of record on the date of determination by the executive and his or her spouse, or the value of our common shares at the time of acquisition. In determining whether the executive has achieved his or her Target Ownership Level, the executive may include the value of our common shares owned outright or beneficially owned and shares held in benefit plans, in any event acquired by him or her (1) in open market purchases, (2) from vested restricted stock awards, (3) from net shares held following the exercise of stock options and stock appreciation rights (“SARs”), (4) from earned performance share units, and (5) from deferred compensation plan acquisitions. The executive may also include the share value equivalents of gains on vested but unexercised stock options and SARs. Individual and joint holdings of stock with an executive’s spouse shall also be included in measuring achievement of the applicable Target Ownership Level. Exceptions to compliance with the ownership requirements may be made with the prior written consent of the Compensation Committee in the event of a financial hardship. As of the Record Date, each executive whose tenure dictates that he or she satisfy the Target Ownership Level has done so.

### **Stock Ownership by Directors**

The Board also requires non-employee directors to hold a significant financial stake in our common shares in order to align the long-term interests of the directors with those of our shareholders. Each director must develop and maintain an original investment of at least four times the annual Board retainer in effect upon the director’s initial election or appointment to the Board (“Original Investment”). If the annual Board retainer is increased, each director must develop and maintain an additional investment in our common shares equal to four times the increase in the retainer (“Additional Investment”). In determining whether a director has achieved the Original Investment and any Additional Investment, the director may include his or her (1) tax basis in any stock held directly or through a broker (i.e., acquisitions net of dispositions), (2) tax basis in vested restricted stock, (3) tax basis in vested but unexercised in-the-money stock options and SARs, and (4) director fees which the director has designated to be used for the acquisition of restricted stock or deferred stock units under our Non-Employee Director Equity Compensation Plan. Directors have three years from the date of their initial election to the Board to achieve the Original Investment, and three years from the date of an increase in the annual Board retainer to achieve any Additional Investment. As of the Record Date, each non-employee director has satisfied the stock ownership requirements.

### **Stock Holding Requirements for Executive Officers and Directors**

In order to further align the interests of directors and executives with those of shareholders, the Board also imposes stock holding requirements for all directors and all officers at or above the executive vice president level. Under our stock holding requirements, each director and executive must retain 50% of all net shares received (i.e., those shares received from equity awards at vesting or exercise, after any withholding to satisfy taxes) until his or her applicable stock ownership requirement is achieved. If a director or executive becomes subject to a greater stock ownership requirement (e.g., due to promotion or an increase in the ownership requirement), the greater stock ownership requirement will apply as of its effective date and 50% of all net shares received must be retained until such time that the greater stock ownership requirement is achieved. Once the applicable stock ownership requirement is achieved, sufficient shares must be retained by the director or executive to continue meeting the stock ownership requirement until separation from service. Exceptions to the holding requirements may be made at the discretion of the Board or Compensation Committee if compliance would create financial hardship (e.g., illness, tuition or mortgage) or prevent a director or executive from complying with a court order.

### **Hedging Prohibited**

Hedging or monetization transactions may be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Those hedging transactions may permit a person to continue to own our securities without the full risks and rewards of ownership. When that occurs, the person may no longer have the same objectives as our other shareholders. Therefore, the Board prohibits our directors, officers and other employees from all hedging or monetization transactions involving our common shares or other securities.

## Pledging Prohibited

Securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Similarly, securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Because a foreclosure sale or margin sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in our securities, the Board prohibits our directors, officers and other employees from holding our common shares or other securities in a margin account or otherwise pledging our common shares or other securities as collateral for a loan.

## EXECUTIVE COMPENSATION

### Compensation Committee Report

The Compensation Committee reviewed and discussed the following Compensation Discussion and Analysis ("CD&A") with our management. Based on that review and discussion, the Compensation Committee (which we refer to as the "Committee" in the CD&A) recommended to our Board that the CD&A be included in this Proxy Statement and our Annual Report on Form 10-K for our fiscal year ended February 3, 2018.

Members of the Compensation Committee

Elaine D. Crowley  
Earl J. Hesterberg, Chair  
Lisa R. Kranc

### Compensation Discussion and Analysis

#### Executive Summary

In this CD&A, we describe the material objectives and principles underlying our compensation policies and decisions as well as the material elements of the compensation of our named executive officers for 2017. For 2017, our "named executive officers" were:

Executive	Title
Michael L. Glazer	President and CEO
Oded Shein	Executive Vice President, Chief Financial Officer ("CFO") and Treasurer
Thorsten I. Weber	Executive Vice President, Chief Merchandising Officer
Steven L. Hunter	Executive Vice President, Chief Operating Officer – Gordmans
Chadwick P. Reynolds	Executive Vice President, Chief Legal Officer and Secretary

This CD&A should be read in conjunction with the compensation tables following this CD&A.

#### Overview

While we are pleased with the progress we made in 2017, we did not achieve our performance targets for the year. As a result, no bonuses were paid to our named executive officers for the third straight year and no performance share units were earned for the three-year performance cycle ended with 2017. During 2017, we took significant actions designed to support the future success of our business, including entering the off-price segment of the retail industry by acquiring 58 Gordmans stores, increasing total merchandise margins, controlling expenses and inventories and growing our online business. These actions resulted in significant improvement from the beginning to the end of 2017, culminating in a positive comparable sales increase of 1.1% during the fourth quarter and generating positive free cash flow for 2017. Despite our actions and improved performance, we continued to face a challenging environment for the department store segment of the retail industry.

#### Business Strategy and Results; Pay and Performance Aligned

Our primary objectives for 2017 were to build upon our strategic initiatives and drive sales productivity in stores and online by delivering an improved guest experience. In particular, our 2017 key strategic initiatives included:

- continuing to build our e-commerce business, with further enhancements to the site design and functionality, improved mobile capabilities, additional digital marketing, expanded assortments and investments in our supply chain;

- invigorating our merchandise with a more frequent flow of new items, emphasizing style and value, expanding our gift selection and adding more off-price buys into our department stores;
- building on beauty trends by adding smaller Estee Lauder and Clinique counters to 32 stores, launching an expanded self-service beauty concept featuring new brands in 150 stores and expanding assortments of beauty, bath and body products across our store base;
- increasing merchandise margin by raising our average unit retail price, improving promotional disciplines by eliminating overlapping coupons, enhancing seasonal transitions and editing less productive merchandise categories;
- improving the relationship with our guests by communicating through more digital and email marketing and engaging them through our loyalty programs; and
- enhancing the shopping experience for our guests by creating a culture of strong guest service and execution, and simplifying tasks enabling our store associates to direct their attention to providing exceptional service to our guests.

While we did accomplish or make meaningful significant strides toward these key priorities, the macroeconomic challenges facing our industry and business prevented our financial performance from meeting our expectations. As a result of our performance in 2017 and the emphasis that our executive compensation program places on performance-based compensation, the actual compensation realized by our named executive officers in 2017 was significantly lower than our target and total potential levels. Specifically, we did not achieve the pre-tax earnings threshold required for our named executive officers to earn an annual performance incentive bonus for 2017, and our total shareholder return (“TSR”) for the 2015 through 2017 performance cycle was below the level required for our named executive officers to earn any of the performance share units they had previously been awarded.

Our financial results and strategic actions for 2017 included the following:

#### *Financial Results*

- Net sales, including sales from our new off-price Gordmans stores, increased \$149.6 million, or 10.4%, to \$1.6 billion.
- Comparable sales decreased 3.6%, with significant improvement after the first quarter 2017, culminating in a comparable sales increase of 1.1% in the fourth quarter 2017.
- Gross profit increased \$65.4 million, or 22.0%, compared to 2016.
- Pre-tax loss was \$50.4 million, compared to pre-tax loss of \$63.1 million for 2016.
- Diluted loss per common share was \$1.37, compared with diluted loss per common share of \$1.40 for 2016.
- Cash and cash equivalents were \$21.3 million, a 54.0% increase over 2016.
- Penetration of our private label credit card in our department stores grew to 49%.
- Cash dividends of \$8.5 million, or \$0.30 per share, were paid to shareholders.
- TSR, as calculated under the terms of our performance share unit awards, was -21.0% for 2017 and -84.7% for the three-year period ended February 3, 2018 (see the “Overview of 2017 Executive Compensation – Long-Term Incentives” section of this CD&A for additional information regarding how TSR is calculated under the terms of our performance share unit awards).

#### *Strategic Actions*

- We added 58 Gordmans stores and have progressed with the transition to an off-price concept with our pricing strategy and merchandising.
- We evolved our product assortment to offer more contemporary fashions and brands, adding categories within existing brands and extending existing brands to additional stores.
- We drove sales in trending categories. Non-apparel, led by beauty, outperformed all year. Our Beauty Bar concept was rolled out to 150 stores in 2017 and was well received, particularly among our younger guests. In addition, we added smaller Estee Lauder and Clinique counters to 32 stores. In apparel, active and outdoor delivered strong results.
- We launched gRewards™ and relaunched the value proposition for Style Circle Rewards®, our loyalty programs, which complement our existing private label credit card and enable us to better understand our guests’ shopping habits, offer more personalized promotional offers and provide attractive rewards. In November 2017, we reissued new private label credit cards to more than 2 million guests. Private label credit card sales penetration in our department stores was 49%, and we established the foundation for achieving our long-term goal of 25% private label credit card sales penetration in Gordmans.

- We advanced our omni-channel strategy with the launch of Web@POS, which provides our guests access to our online assortments from within our stores. We also deployed several enhancements to improve the performance of our e-commerce website, which has had a significant benefit to our e-commerce sales. We made investments in digital marketing and our mobile site, as well as to our supply chain, to support continued online growth. Our digital channels provide our guests with added convenience and enhanced assortments, and allow us to acquire guests beyond our local markets and further build our brand.
- We continued our multi-year plan to close underperforming stores, including 21 department stores in 2017, following a strategic evaluation of our store portfolio according to increased profitability and return on investment standards. We have now closed 81 stores since we began our multi-year effort in 2015 to exit underperforming locations.
- In December 2017, we closed our South Hill, Virginia distribution center as part of our strategy to increase the efficiency of our distribution network. Operations from the Virginia distribution center have been transferred to our distribution centers in Texas and Ohio.

While we made a number of important improvements in our business from 2016 to 2017, our 2017 financial performance fell short of our expectations. As a result, our named executive officers did not earn an annual performance incentive bonus for 2017, and shares were not earned under the three-year performance share unit awards whose performance cycle ended with 2017. We have tied these important components of compensation to our pre-tax earnings, comparable sales and TSR in order to align the interests of our named executive officers with our shareholders and to deliver meaningful portions of executive compensation only when we perform. The relationship between our 2017 performance and realized compensation, as well as the design of our executive compensation program to emphasize shareholder alignment, demonstrates the effectiveness of our program. Accordingly, our Board recommends that shareholders vote FOR the compensation paid to our named executive officers in 2017 at our Annual Meeting (see Item 2 in this Proxy Statement).

### ***Overview of 2017 Executive Compensation***

Our executive compensation program demonstrates strong pay-for-performance alignment. We believe our executive compensation program effectively aligns pay and performance by tying the value of annual performance incentive bonus opportunities and long-term incentive equity awards to our financial and sales performance as well as the value of our common shares.

Approximately 66% of the target total compensation awarded to Mr. Glazer in 2017 was variable compensation tied to our performance and/or the value of our common shares, and approximately 54% of the target total compensation awarded to our other named executive officers was variable compensation (see the “Pay-for-Performance” section in this CD&A). We believe that tying a majority of each named executive officer’s target total compensation to our performance and the value of our common shares aligns the interests of our named executive officers and our shareholders.

We review annually the total direct compensation (base salary and incentive compensation in the form of an annual bonus opportunity and long-term incentive equity awards) for each named executive officer based on market data, contributions to corporate performance, internal pay equity and each executive’s performance, expertise, responsibility and experience.

#### *Base Salaries*

Our named executive officers’ base salaries were not adjusted for 2017, except that Mr. Reynolds’ base salary was increased in connection with his promotion to Executive Vice President in April 2017. The Committee reviewed competitive market data, including the base salaries of comparators in our compensation Peer Group (as described later in this CD&A) and the review suggested that the named executive officers’ base salaries were generally below the Peer Group median; however, our CEO and other named executive officers recommended to the Committee that it should not increase their base salaries in 2017 as a result of corporate performance in 2016. Taking into account the recommendation of our CEO and other named executive officers, the Committee determined that our named executive officers’ base salaries would not be adjusted for 2017 (aside from the increase provided in connection with Mr. Reynolds’ promotion).

#### *Annual Performance Incentive Bonuses*

Our named executive officers were not paid performance incentive bonuses for 2017, because the requisite performance thresholds were not met. The opportunity to earn a performance incentive bonus under the Stage Stores Executive Performance Incentive Bonus Plan (“Bonus Plan”) for 2017 was based on two components. First, a pre-tax earnings/loss performance component was weighted to determine 75% of the amount earned. Second, a relative comparable sales performance component was weighted to determine 25% of the amount earned. The pre-tax earnings/loss component was based on our achievement relative to a target established by the Committee and the other independent directors, after consultation with management, at the beginning of 2017. The comparable sales component was based on the year-over-year change in our comparable sales results in 2017 as compared to the 2017 Performance Group (as described below in “Incentive-

Based Compensation Benchmarking; 2017 Performance Group”). Comparable sales consist of store sales after a store has been in operation for 14 full months and e-commerce sales.

- **Target.** For 2017, the target was a pre-tax loss of \$12.6 million, an increase of \$50.5 million, compared to our 2016 actual pre-tax loss. The comparable sales target was the 50<sup>th</sup> percentile ranking among the Performance Group for 2017 comparable sales. A threshold level of performance must be achieved to earn a bonus under each component, and a maximum level of performance limits the bonus that may be earned under each component.
- **Results.** We did not meet the pre-tax loss or comparable sales thresholds required for our named executive officers to earn an annual performance incentive bonus for 2017. Accordingly, our named executive officers were not paid bonuses for 2017.

#### *Long-Term Equity Incentive Awards*

Our named executive officers did not earn any common shares from the performance share unit awards for the 2015 through 2017 performance cycle, because the requisite performance threshold was not met. For 2017, the long-term equity incentive awards for our named executive officers consisted of performance share units, restricted stock and restricted stock units. Our long-term equity incentive awards are designed to reward sustained, multi-year performance and retain executives for the duration of each award. Performance share units may be earned based on our TSR over a three-year period compared to the Performance Group established by the Committee at the beginning of that three-year period (i.e., 2017 through 2019 for the performance share units awarded in early 2017). For purposes of the performance share units, we measure TSR for our common shares and the publicly-traded shares of the Performance Group companies by comparing the change in the average closing price of the shares during all trading days in our first fiscal month of the performance period to the average closing price of the shares during all trading days in our final fiscal month of the performance period, including the reinvestment of dividends. Restricted stock and restricted stock units are scheduled to vest ratably over a four-year period.

#### ***Significant Executive Compensation Policies and Practices***

##### *Independent Compensation Committee*

The Committee is composed entirely of independent directors who oversee our executive compensation program.

##### *Pay-for-Performance*

The majority of each named executive officer’s compensation is based on our financial or stock price performance, putting the value of each named executive officer’s variable compensation at risk if we and our stock do not perform to targeted levels established by the Committee.

##### *Stock Ownership Requirement*

Our named executive officers are required to acquire and maintain a minimum ownership stake in our common shares (see the “Stock Ownership by Executive Officers” section of this Proxy Statement).

##### *Stock Holding Requirement*

Our named executive officers are also required to retain 50% of all net shares received until achieving the stock ownership requirement. Once the stock ownership requirement is achieved, sufficient shares must be retained by the named executive officers to continue meeting the stock ownership requirement until separation from service (see the “Stock Holding Requirements for Executive Officers and Directors” section of this Proxy Statement).

##### *Hedging Prohibited*

We prohibit hedging or monetization transactions by our directors, named executive officers and other employees with respect to our securities (see the “Hedging Prohibited” section of this Proxy Statement).

##### *Pledging Prohibited*

We prohibit our directors, named executive officers and other employees from pledging our securities as collateral for a loan (see the “Pledging Prohibited” section of this Proxy Statement).



### *No Gross-Up Payments*

Our named executive officers are not entitled to gross-up payments as part of their annual and long-term compensation arrangements or with respect to any termination or change in control arrangements.

### *No Repricing*

Consistent with the terms of our equity compensation plans, it is the policy of our Board that we will not reprice or swap stock options or stock appreciation rights (“SARs”) without shareholder approval.

### *Reasonable Perquisites*

Our executive compensation program offers perquisites that we believe are reasonable and customary in our industry, and those perquisites comprise only 7% or less of our named executive officers’ total compensation.

### *Clawback Policy*

Our named executive officers are subject to a compensation recovery or “clawback” policy (see the “Compensation Recovery / Clawback Policy” section in this CD&A).

### *Say-on-Pay Votes*

At our 2017 annual meeting of shareholders, 86.8% of the votes cast approved the compensation paid to our named executive officers for 2016. Our pay-for-performance alignment remains strong. Accordingly, our Board recommends that shareholders vote FOR the compensation paid to our named executive officers in 2017 at our Annual Meeting (see Item 2 in this Proxy Statement).

## **Compensation Objectives and Principles**

The objectives of our executive compensation program are to:

- enable us to attract, motivate and retain the executive talent required to successfully manage and grow our business and to achieve our short-term and long-term business objectives;
- maximize our executive officers’ long-term commitment to our success by providing compensation elements that align their interests with the interests of our shareholders by linking compensation elements directly to financial metrics that the Committee believes influence the creation of long-term shareholder value; and
- reward our executive officers upon the achievement of short-term and long-term business objectives and the creation of shareholder value.

The principles of and important processes in our executive compensation program are as follows:

- emphasize pay-for-performance and encourage retention of executive officers who contribute to our performance;
- maintain an appropriate balance between base salary and annual and long-term incentive compensation;
- link incentive compensation to the achievement of goals set in advance by the Committee;
- align the interests of our executive officers with those of our shareholders;
- evaluate CEO performance against annual and long-term performance goals on an absolute basis as well as relative to the performance of our Peer Group and Performance Group;
- require the achievement of threshold performance levels to earn payouts under annual and long-term performance-based incentives;
- convene an executive session of the Committee (without management) at least once annually;
- recuse our CEO from deliberations and voting regarding his or her compensation;
- consult our CEO, on an advisory basis only, on the compensation awarded to our other named executive officers;
- conduct a thorough annual review and analysis of the recent compensation history of each named executive officer and all forms of compensation to which the executive may be entitled; and
- make recommendations on named executive officer compensation to the independent directors after the Committee completes a thorough review and analysis.

## Key Considerations in Setting Compensation

Based on these objectives and principles, the Committee has structured our executive compensation program to motivate our named executive officers to achieve the business goals set by our Board and to reward them for achieving those goals. The following is a summary of the key considerations that the Committee takes into account in setting the compensation of our named executive officers.

### *Significance of Overall Corporate Performance*

The Committee primarily evaluates our named executive officers' contributions to our overall performance rather than focusing only on their individual function. The Committee believes that each named executive officer shares the responsibility to support our goals and performance as key members of our leadership team. While this approach influences all of the Committee's compensation decisions, it has the biggest impact on the long-term incentive awards.

### *Evaluation of Individual Performance*

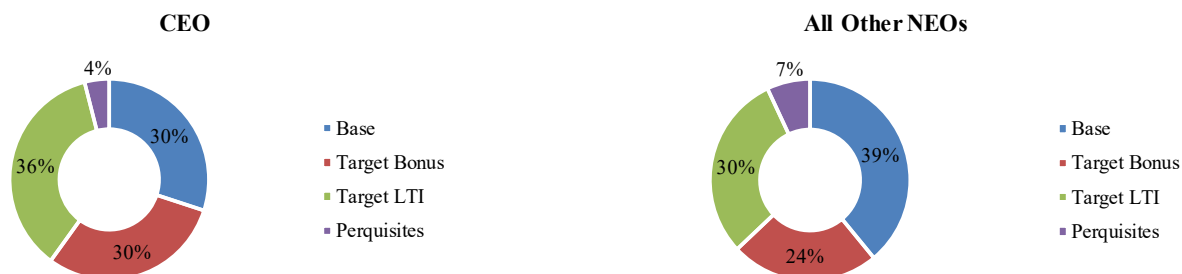
The Committee does not rely on formulas in determining the amount and mix of each named executive officer's total direct compensation. Rather, in establishing compensation, the Committee exercises its judgment to evaluate a broad range of both quantitative and qualitative factors, including reliability in achieving financial and growth targets, performance in the context of the economic environment relative to other companies, and possessing the characteristics, such as integrity, good judgment and vision, needed to create further growth and effectively lead others. For long-term incentive awards, the Committee primarily considers a named executive officer's potential for future successful performance and leadership as part of our executive management team, taking into account past performance as a key indicator. The Committee may also take into account extraordinary, unusual or non-recurring items incurred or anticipated by us that the Committee deems appropriate in determining compensation.

### *Pay-for-Performance and Alignment with Shareholder Interests*

Aligning executive compensation with performance is a key principle of our executive compensation philosophy. Incentive compensation is designed to drive our performance by rewarding executives if we exceed our targeted performance levels. Similarly, if we fail to meet threshold levels of performance, executives will not earn compensation for the applicable incentive-based award. We believe our executive compensation program effectively implements the pay-for-performance principle by tying the value of bonus opportunities and equity awards to our financial and stock price performance.

The key metrics we currently use to evaluate the performance of our named executive officers are pre-tax earnings, relative comparable sales and relative TSR (as calculated under the terms of our performance share unit awards). We believe our pre-tax earnings is an important financial measure as it reflects the success of our efforts to increase revenue and control our expenses. Relative comparable sales provides a barometer of our top line performance against our competition. Relative TSR is important to gauge the return delivered to our shareholders in comparison to our competition. In addition, the value of the incentive equity compensation that we award is significantly impacted by the price of our stock.

The following graphs show the 2017 variable compensation (i.e., compensation that is impacted by our performance and/or the value of our common shares) for our CEO and other named executive officers as a percentage of their respective target total compensation (base salary, annual performance incentive bonus opportunity at target, grant date fair value of long-term incentive equity awards at target, and other compensation and benefits). As the graphs illustrate, 66% of Mr. Glazer's and 54% of our other current named executive officers' compensation was dependent on our financial or stock price performance.



### *Mix of Compensation Elements*

The Committee strives to provide a mix of compensation elements that balances current and long-term compensation as well as cash and equity incentive compensation. Cash payments primarily reward more recent performance while equity awards

encourage our named executive officers to deliver long-term results and serve as a retention tool. The Committee believes that executive compensation should be appropriately weighted on both our long-term and short-term performance.

### ***Use of Tally Sheets***

The Committee annually reviews tally sheets that present for each named executive officer all elements of compensation, total annual compensation and total deferred compensation. The Committee also reviews the total benefits to which a named executive officer would be entitled upon various termination events. The Committee uses the tally sheets to ensure that our compensation is reasonable and competitive. The Committee also uses the tally sheets to evaluate if our compensation strategy achieved our goals in the past and to align future executive compensation with our short-term and long-term goals.

### ***Comparative Compensation Data; 2017 Peer Group***

In making compensation decisions, the Committee considers executive compensation data from a peer group of retailers (“Peer Group”). The Peer Group, which was developed in connection with Willis Towers Watson and approved by the Committee, provides direct information on a job title match basis (e.g., CEO, CFO, etc.) for key competitors. The companies in the Peer Group generally consist of U.S. based, publicly-traded apparel and accessories retailers with annual sales between one-half and two times our annual sales with which we compete for business and talent. The members of the 2017 Peer Group were:

Abercrombie & Fitch Co.	Genesco Inc.	The Bon-Ton Stores, Inc.
American Eagle Outfitters, Inc.	New York & Company Inc.	The Buckle, Inc.
Chico’s FAS, Inc.	Shoe Carnival Inc.	The Cato Corporation
DSW Inc.	Stein Mart, Inc.	The Children’s Place, Inc.
Express, Inc.	Tailored Brands, Inc.	Zumiez, Inc.
Finish Line Inc.		

The Peer Group is reviewed annually and updated as the Committee deems appropriate taking into consideration changes in business conditions, changes in revenues, mergers and acquisitions and other circumstances bearing on the availability of compensation data and/or comparability of other companies.

In addition to the Peer Group analysis, the Committee considers data from the Willis Towers Watson Compensation Data Bank (CDB) Retail/Wholesale Services Executive Compensation Survey Database and the Hay Group Retail Executive and Management Total Remuneration Report. This information from Willis Towers Watson and Hay Group is non-customized compensation data provided by job within the broader retail industry, including retailers with which we compete for executive talent. The Committee consults all three sets of information, because the Willis Towers Watson and Hay Group data includes compensation information on more executives, including executives who are not included in publicly-available documents. The broader comparator group provides a more extensive basis on which to compare the compensation of our named executive officers, particularly those whose responsibilities, experience and other factors are not directly comparable to those executives included in the publicly-available reports of the Peer Group.

### ***Incentive-Based Compensation Benchmarking; 2017 Performance Group***

To measure our relative performance with respect to comparable sales for the annual performance incentive bonus opportunities and our TSR for performance share unit awards, our Board and the Committee selected a group of department store and apparel store retailers (“Performance Group”) that generally possess attributes similar to us, including market capitalization, annual sales, merchandise assortments, target guest, geography of store base and size of markets in which they operate. The companies comprising the Performance Group were included in the Dow Jones general retailers sector at the beginning of 2017. However, because the Dow Jones general retailers sector was comprised of 86 companies covering a broad range of subsectors within the retail industry, our Board and the Committee decided to include only department store and apparel store retailers from the Dow Jones apparel retailers and broadline retailers subsectors. Due to the fact that the companies within the Dow Jones general retailers sector are changed from time to time by Dow Jones, the companies included at the beginning of 2017 will be maintained as a fixed listing of companies for the duration of the applicable performance period (i.e., one year for performance incentive bonuses and three years for performance share unit awards).

The department store and apparel store retailers comprising the 2017 Performance Group were:

Abercrombie & Fitch Co.	Dillard's, Inc.	Macy's, Inc.
American Eagle Outfitters, Inc.	Foot Locker, Inc.	Nordstrom, Inc.
Ascena Retail Group Inc.	Genesco Inc.	The Gap, Inc.
Burlington Stores Inc.	J. C. Penney Company, Inc.	The TJX Companies, Inc.
Chico's FAS, Inc.	Kohl's Corporation	Ross Stores, Inc.
DSW Inc.	L Brands, Inc.	Urban Outfitters Inc.

### ***No Gross-Up Payments***

Our named executive officers are not entitled to gross-up payments as part of their annual and long-term compensation arrangements or with respect to any termination or change in control arrangements.

### ***Role of Management***

The Committee believes that the input of management is important to the overall effectiveness of our executive compensation program. At the invitation of the Committee, our CEO and Chief Human Resources Officer regularly attend Committee meetings and provide management's perspective on compensation issues. Additionally, our CEO and the Committee consult with management from our human resources, finance and legal departments regarding the design and administration of our compensation program for executives and directors.

Our CEO annually reviews and evaluates the performance of the other named executive officers and presents recommendations regarding their compensation to the Committee. The Committee has the discretion to accept, reject or modify these recommendations. Our CEO and management do not participate in executive sessions of the Committee or when executive compensation determinations are made by the Committee and the other independent directors. All final decisions regarding the named executive officers' compensation are made by the Committee and the other independent directors in their sole discretion.

### ***Role of Independent Compensation Consultant***

The Committee may retain independent compensation consultants as it deems necessary. In establishing executive compensation for 2017, the Committee retained independent compensation consultant Willis Towers Watson to provide Peer Group compensation data, financial information from the public filings of those companies and compensation design recommendations. The Committee also reviewed (as discussed above) non-customized compensation survey data provided by multiple independent compensation consultants.

### ***Compensation Risk Management***

Our Board, the Committee and management do not believe that there are any significant risks arising from our compensation policies and practices for our directors and employees that are reasonably likely to have a material adverse effect on us. We believe that our compensation programs are balanced and emphasize pay-for-performance. A significant percentage of compensation is tied to our long-term performance, which we believe provides strong incentives to manage for the long-term, and avoid excessive risk taking in the short-term. Additionally, goals and objectives reflect a balanced mix of quantitative and qualitative performance measures to avoid excessive weight on a single performance measure. Also, the elements of compensation are balanced between cash payments and equity awards. With limited exceptions, the Committee retains discretion to adjust compensation for quality of performance and adherence to our values. Our Board, the Committee and management monitor our compensation policies and practices on an ongoing basis to determine whether our risk management objectives are being met with respect to rewarding our employees for performance.

### ***Say-on-Pay Vote Results and Response***

At our 2017 annual meeting of shareholders, 86.8% of the votes cast approved the compensation paid to our named executive officers for 2016, as disclosed in last year's Proxy Statement ("2017 Say-on-Pay Vote"). Our Board and the Committee believe that the 2017 Say-on-Pay Vote confirmed shareholder support for our executive compensation policies and decisions. Accordingly, our Board and the Committee did not make changes to our executive compensation program as a result of the Say-on-Pay Vote. Although non-binding, our Board and the Committee will continue to consider the results of Say-on-Pay Votes in determining future executive compensation.

### ***Say-on-Frequency Vote Results and Response***

At least once every six years, we are required to hold an advisory vote on the frequency of Say-on-Pay Votes (“Say-on-Frequency Votes”). We held our most recent Say-on-Frequency Vote at our 2017 annual meeting of shareholders and a majority of the votes were cast in favor of holding annual Say-on-Pay Votes. In line with the preference of our shareholders, our Board determined that it will include the Say-on-Pay Vote in our proxy materials annually until the next Say-on-Frequency Vote, which will occur at our 2023 annual meeting of shareholders.

### ***Compensation Recovery / Clawback Policy***

Our named executive officers are subject to the compensation recovery or “clawback” policy adopted by our Board. Under the current policy, if our Board determines that a named executive officer (or other officer at or above the executive vice president level) has engaged in fraudulent or intentional misconduct, our Board may take a range of actions to remedy the misconduct, prevent its recurrence and impose such discipline as would be appropriate. Discipline may vary depending on the facts and circumstances, and may include (1) termination of employment, (2) initiating an action for breach of fiduciary duty, and (3) if the misconduct resulted in a material inaccuracy in our financial statements or performance metrics which affect the executive’s compensation, seeking reimbursement of any portion of any bonus or other incentive-based or equity-based compensation paid or awarded to the executive that is greater than would have been paid or awarded if calculated based on the accurate financial statements or performance metrics. These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

The clawback policy also provides that if we are required to prepare an accounting restatement due to our material noncompliance with any financial reporting requirement under the securities laws of the United States, we will recover from current or former executives who received incentive-based compensation (including any type of equity compensation) during the three-year period preceding the date on which we are required to prepare an accounting restatement, based on the erroneous data, the excess of what would have been paid to the executive under the accounting restatement. After the NYSE issues a listing standard implementing new SEC rules concerning compensation recovery, we expect to modify our clawback policy as necessary to conform to the listing standard.

### ***No Repricing***

Consistent with the terms of our equity compensation plans, it is the policy of our Board that we will not reprice or swap stock options or stock appreciation rights (“SARs”) without shareholder approval. We have discontinued the use of stock options and SARs except in extraordinary circumstances.

### ***Compensation Elements***

We believe that all of the executive compensation elements described below advance the primary purposes of our executive compensation program and the achievement of our short-term and long-term business objectives. Specifically, these compensation elements are designed to promote the following purposes:

- *Base salary, perquisites and other benefits* are designed to attract and retain executives;
- *Annual performance incentive bonuses* are designed to focus executives on the business objectives established by our Board for a particular year;
- *Long-term incentive compensation*, which currently consists of performance share units, restricted stock and restricted stock units, is designed to focus executives on our long-term success, as reflected in increases to our stock price, growth in our earnings and other elements; and
- *Termination and change in control compensation and benefits* are designed to attract and retain executives as we compete for talented employees in a marketplace where such compensation and benefits are customarily provided. Termination compensation and benefits are designed to ease an executive’s transition due to an unexpected employment termination, while change in control compensation and benefits are designed to encourage executives to remain focused on our business in the event of rumored or actual fundamental corporate changes.

The total compensation awarded to each named executive officer, as well as each element of compensation, is intended to foster our pay-for-performance philosophy and provide a competitive compensation package as compared to executives in similar positions at our competitors. Although the Committee does not have any specific formula for establishing the amount and mix of base salary and variable compensation, it does reference the Peer Group and additional comparative compensation data discussed above as a market check in making these determinations. The Committee also considers factors relating to each named executive officer’s individual position, performance versus objectives, professional history and experience, relevant skill set, scope of duties and the internal relationship of pay across all executive positions as it establishes compensation.

### ***Base Salary***

The Committee believes a competitive base salary serves an important role in attracting and retaining executive talent. Base salary is not intended to represent the primary method of rewarding performance. After receiving input from our CEO regarding the performance of the other named executive officers, the Committee uses its judgment regarding individual performance, market competitiveness, internal pay equity, length of service, job responsibilities and other factors to determine the appropriate base salary for each named executive officer.

### ***Annual Performance Incentive Bonus***

The Committee annually establishes a performance incentive bonus opportunity for our named executive officers. The amount of the annual performance incentive bonus earned by our named executive officers for 2017 was subject to our achievement of two performance components: (1) pre-tax earnings from continuing operations (constituting 75% of the opportunity) and (2) comparable sales relative to the Performance Group (constituting 25% of the opportunity). Annual performance incentive bonus targets are expressed as a percentage of base salary, with the target percentage increasing with job scope and responsibility.

At the beginning of each year, the Committee evaluates our annual operating plan to determine if pre-tax earnings and comparable sales remain appropriate for measuring the achievement of our objectives and to motivate our executives. Based on discussions with our CEO, Chief Human Resources Officer, CFO and independent compensation consultant, the Committee recommends, and our independent directors approve, a matrix of financial parameters establishing the threshold (minimum), target and maximum performance levels for pre-tax earnings and comparable sales at a time when achievement of those objectives is substantially uncertain.

Following the completion of each year and prior to paying any performance incentive bonuses, the Committee and our Audit Committee review our financial results for the completed performance period (i.e., fiscal year), and the Committee certifies the calculation of bonus amounts and reports the results and calculations to our Board.

For additional information on the performance incentive bonuses for 2017, see the “Executive Compensation for 2017” section of this CD&A.

### ***Long-Term Incentive Compensation***

The Committee believes that long-term incentive compensation is critical for aligning executive compensation with the creation of shareholder value. At its first quarter meeting, the Committee reviews the portfolio of long-term incentive vehicles, the targeted award size and the performance measures associated with any awards. The Committee also reviews recommendations provided by management and the Committee’s independent compensation consultant regarding long-term incentive design. The Committee, with the approval of our other independent directors, has historically made grants of equity awards each year. For 2017, long-term incentive compensation awards made to our named executive officers were in the form of performance share units, restricted stock and restricted stock units. Awards granted in 2017 were made under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan (“2008 Equity Plan”) and our 2017 Long-Term Incentive Plan (“2017 LTIP”). On June 1, 2017, the 2017 LTIP replaced the 2008 Equity Plan and no new awards will be granted under the 2008 Equity Plan.

The Committee believes that the use of multiple equity vehicles balances the equity-driven growth and performance aspects of performance share units with the retention aspects of restricted stock and restricted stock units. The grant date for annual equity awards is the date on which our Board approves the awards. From time to time, our Board will consider making grants under other special circumstances, such as when recruiting new executive talent, upon the promotion of an executive and to retain key individuals. All grants other than the annual grants are effective as of the date of the event (e.g., the new hire or promotion date).

#### ***Restricted Stock and Restricted Stock Units***

Restricted stock is common stock that includes vesting restrictions tied to continued employment. Restricted stock provides our named executive officers with the opportunity to earn full value shares of our common stock. Restricted stock units also include vesting restrictions tied to continued employment. Restricted stock units mirror the value of our common stock and settle in cash in an amount equal to the vesting date fair market value of our common stock on a one-for-one basis, with the payment limited to five times the grant date fair market value of our common shares. The Committee views restricted stock and restricted stock units as excellent mechanisms to align executive interests with those of shareholders by supporting a focus on shareholder value and, in the case of restricted stock, increased share ownership for key executives. Restricted stock and restricted stock units are also effective retention tools based on the vesting schedule which occurs over a period of several years. Restricted stock and restricted stock unit grants may either vest all at once at the end of a specified period or in increments over a specified period. Generally, the Committee awards restricted stock and restricted stock units with a four-

year pro rata vesting schedule (i.e., 25% per year). A recipient of restricted stock has the rights of a shareholder, including the right to vote and receive dividends, with respect to restricted stock that has not vested. A recipient of restricted stock units does not have the rights of a shareholder, but is entitled to a dividend equivalent payment equal to any cash dividends paid by us while the recipient holds unvested restricted stock units. If the executive's employment is terminated before vesting for any reason other than death or disability, the unvested portion of the restricted stock or restricted stock unit award will be forfeited. If the executive dies or becomes disabled, or a change in control occurs, the restricted stock or restricted stock unit award will fully vest.

#### *Performance Share Units*

Performance share units provide our named executive officers with the opportunity to earn full value shares of our stock. The Committee views performance share units as a critical link between executive compensation and the creation of shareholder value. The number of performance share units that vest, if any, is determined by our TSR over a three-year performance cycle relative to the Performance Group established at the beginning of the year in which the performance share units are awarded (see the "Overview of 2017 Executive Compensation – Long-Term Incentives" section of this CD&A for additional information regarding how TSR is calculated under the terms of our performance share unit awards). If the executive's employment is terminated before the end of the performance cycle for any reason other than death, disability or retirement, the performance share unit award is forfeited. If the executive dies or becomes disabled during the performance cycle, the executive will receive the target number of performance share units awarded. If the executive retires during the performance cycle, the executive will receive the number of performance share units earned based on actual TSR performance for the performance period, with that amount prorated for the portion of the performance period during which the executive was employed by or providing service to us. In the event of a change in control, the target number of performance share units awarded will vest.

#### *Stock Appreciation Rights*

The use of SARs was discontinued in 2012 except in extraordinary circumstances. As of the end of 2017, only one of our named executive officers held SARs, and those SARs expired on March 29, 2018. SARs allow the executive to benefit from any appreciation in our stock price from the grant date through the exercise date. Upon exercise, the executive receives an amount of our common shares equal to the increase in our stock price between the grant date and the exercise date. SARs may not be settled in cash or granted at less than 100% of the fair market value of our common stock on the grant date. SARs have a seven-year term. Any SARs not exercised within the applicable term will be forfeited. If an executive dies, the executive's estate will have one year from the date of death to exercise all SARs. If an executive becomes disabled or retires, the executive will generally have one year from the date of termination to exercise all SARs. Upon the termination of an executive's employment for any reason other than death, disability or retirement, the executive will have 60 days from the date of termination to exercise all SARs.

#### *Benefits and Perquisites*

We provide limited benefits and perquisites to our named executive officers because of the value our named executive officers place on these benefits. The perquisites and other benefits we provide to our named executive officers are summarized in the Summary Compensation Table, the Nonqualified Deferred Compensation table and related footnotes. In addition, we provide our named executive officers with core benefits available to all full-time employees (e.g., coverage for medical, dental, prescription drugs, basic life insurance and long-term disability coverage) as well as a supplemental executive medical plan. The supplemental executive medical plan is an insured plan which reimburses officers at the executive vice president level and above for out-of-pocket medical and dental expenses not covered by the primary medical plan.

For 2017, the Compensation Committee and the other independent directors authorized Mr. Glazer to use corporate aircraft for up to 40 hours of non-business flights. During 2017, Mr. Glazer used corporate aircraft for 8.8 hours of non-business flights. Given the delays associated with early check-in requirements, security clearances, baggage claim and the need for additional time to avoid missing a flight due to possible delays at any point in the process, commercial travel has become inefficient. Accordingly, we make the aircraft available to Mr. Glazer for business and non-business flights to allow him to efficiently and securely conduct business before, during and after his flights. In approving this benefit, the Compensation Committee and other independent directors considered Mr. Glazer's travel schedule, which, whether primarily for business or non-business purposes, frequently included a business element. We also believe that the value of this benefit to Mr. Glazer, in terms of convenience and time savings, exceeded the aggregate incremental cost that we incurred to make the aircraft available to him and, therefore, was an efficient form of compensation for him. We reported imputed income for income tax purposes for the value of Mr. Glazer's non-business use of corporate aircraft based on the Standard Industry Fare Level in accordance with the IRC. We did not reimburse or otherwise gross-up Mr. Glazer for any income tax obligation attributed to his non-business use of corporate aircraft.



### ***Retirement Plans***

We do not provide a qualified retirement program for our named executive officers; however, participation in our Nonqualified Deferred Compensation Plan (Senior Executives) (“DC Plan”) is available to our named executive officers. For additional information, see the “Nonqualified Deferred Compensation in 2017” and “Retirement Plans” sections following this CD&A.

### ***Termination and Change in Control Arrangements***

Pursuant to their employment agreements, our named executive officers are entitled to compensation and other benefits if their employment terminates or if there is a change in control, as described in the “Potential Payments upon Termination or Change in Control” section following this CD&A. Termination and change in control compensation and other benefits are established at the time a named executive officer signs an employment agreement. In exchange for the benefits provided to the named executive officers in their respective employment agreements, we receive a post-termination release of claims and various restrictive covenants in our favor (e.g., non-competition, non-solicitation and continuing cooperation).

#### *Termination*

Our named executive officers are entitled to compensation and other benefits in an amount the Committee believes is appropriate, taking into account the time it is expected to take a terminated executive to find another job. Compensation and other benefits upon termination are intended to ease the consequences to a named executive officer of an unexpected termination of employment. The employment agreements also benefit us by imposing restrictive covenants on the named executive officers that continue for a period of time following termination.

#### *Change in Control*

The Committee and our Board recognize the importance to us and our shareholders of avoiding the distraction and loss of key management personnel that may occur in connection with any rumored, threatened or actual change in control. To that end, the Committee and our Board believe that including reasonable change in control provisions in our named executive officers’ employment agreements protect shareholder interests by enhancing executive focus during rumored, threatened or actual change in control activity through (1) incentives to remain with us despite uncertainties while a transaction is under consideration or pending and (2) assurances of severance and other benefits in the event of termination.

To reduce the potential distraction due to personal uncertainties and risks that inevitably arise when a change in control is rumored, threatened or pending, the Committee and our Board have provided our named executive officers with what the Committee and our Board believed to be reasonable competitive change in control compensation and benefit provisions in their employment agreements. The employment agreements of our named executive officers provide for specific enhanced payments and benefits in the event of a change in control.

#### *Double Trigger*

The enhanced termination benefits payable under the named executive officers’ employment agreements in connection with a change in control require a “double trigger” which means the named executive officer will only be eligible to receive change in control compensation and benefits pursuant to the employment agreement (1) if a change in control occurs and (2) during the period beginning six months before the change in control and ending 24 months after the change in control, (a) the executive’s employment agreement is terminated by us or our successor without good cause, or (b) the executive’s employment agreement is terminated by the executive with good reason. A double trigger was selected to enhance the likelihood that the named executive officers will remain with us after a change in control, since the executives will not receive the change in control compensation payments and benefits provided by their employment agreements following a voluntary resignation after the change in control. Thus, the named executive officers are protected from actual or constructive dismissal for 24 months after a change in control, while any new controlling party or group is better able to retain the services of a key asset.

### **Employment Agreements**

We are a party to three-year, automatically renewable employment agreements with each of our named executive officers. The employment agreements provide for a base salary and an annual performance incentive bonus opportunity. The employment agreements also provide for an automobile allowance, a financial planning allowance and participation in bonus and benefit plans available to our executive officers. Provisions of the employment agreements related to termination and change in control are discussed in the “Potential Payments Upon Termination or Change In Control” section following this CD&A.

## **Executive Compensation for 2017**

### ***Considerations***

At its March 2017 meeting, the Committee reviewed the market data and analyses provided by its independent compensation consultant and determined that our overall compensation program was generally competitive and consistent with the Committee's compensation objectives. In determining 2017 compensation for our named executive officers, the Committee considered many factors, including:

- our performance in 2016, including revenues, earnings, cash flow and expense control, and how our performance compared to our goals;
- assessments of the executive's individual performance and leadership in 2016, and the potential for future contributions to our business and operations;
- achievement of long-term strategic and short-term business goals;
- the nature and scope of the executive's responsibilities and effectiveness in leading our initiatives to successfully increase guest satisfaction, enhance our growth and ensure compliance with our policies;
- desired competitive positioning of compensation;
- retention needs;
- the compensation practices of our Peer Group; and
- our performance relative to the performance of our Performance Group.

The Committee places particular focus on aligning executive compensation with corporate and individual performance. In evaluating 2016 performance, the Committee and the other independent directors recognized our named executive officers' achievements as well as the challenging economic and market conditions, but, after taking into account the recommendation of our CEO and other named executive officers to forgo base salary increases, the Committee determined that our named executive officers' base salaries would not be adjusted for 2017 (except in connection with Mr. Reynolds' promotion). Notwithstanding the challenges of 2016, the Committee sought to continue advancing our compensation objectives and principles, particularly to motivate our executives and foster a pay-for-performance culture, and set objectives for the performance incentive bonus opportunity and long-term equity incentive awards that were deemed aggressive yet achievable.

### ***CEO 2016 Performance***

In addition to the considerations discussed above, the following 2016 corporate and individual performance matters were most significant in determining 2017 compensation for Mr. Glazer. These items were considered important to achieve our objectives to improve our financial performance, promote corporate efficiencies and grow our business.

- Comparable sales and profitability results were below our objectives.
- Direct-to consumer sales continued to grow by enhancing our guests' online shopping experience, expanding our online assortments, improving site navigation, adding buy online ship-to-store capabilities, investing in digital marketing and our mobile site and improving operational efficiency.
- We completed 86 store remodels, relocations and expansions, and we closed 37 unproductive stores as part of a multi-year plan to close stores that we believed do not have the potential to meet our sales productivity and profitability standards.
- Our 2016 shrinkage results were less favorable than targeted.
- We achieved meaningful growth in our private label credit card, including increasing sales penetration.
- We launched a tender-neutral loyalty program, Style Circle Rewards<sup>®</sup>, which complements our existing private label credit card program and will allow us to better understand our guests' shopping habits, offer more personalized promotional offers, and provide attractive rewards.

### ***Other NEOs 2016 Performance***

#### *Mr. Shein*

As CFO, Mr. Shein's responsibilities were to oversee our finance functions, which include accounting, tax, treasury, financial planning and analysis, investor relations and our private label credit card program. He was instrumental in our fiscal

management. His financial expertise and efforts to expand our private label credit card program have added significant value to our business.

*Mr. Weber*

Prior to his appointment as our Chief Merchandising Officer in September 2016, Mr. Weber served as our Senior Vice President, Planning and Allocation, with responsibility for our merchandise planning and allocation functions. With his promotion to Chief Merchandising Officer in September 2016, Mr. Weber's responsibilities were expanded to include our merchandising strategies and our merchandising, planning and allocation functions. His expertise was important in updating our product assortment, adding categories within existing brands and extending existing brands to additional stores.

*Mr. Hunter*

During 2016 and prior to our acquisition of the Gordmans business in 2017, Mr. Hunter served as our Chief Information Officer with responsibilities to oversee our information technology, systems, information security, supply chain, ancillary sales, e-commerce platform and guest service functions. His contributions in 2016 included maintaining and updating key systems.

*Mr. Reynolds*

As Chief Legal Officer and Secretary, Mr. Reynolds is responsible for our legal, risk management, real estate, lease administration, construction and property management functions. He has played a key role in developing our legal support function, furthering our compliance efforts, managing our insurance programs and overseeing our property portfolio.

***Base Salaries for 2017***

The named executive officers' base salaries were not adjusted for 2017, except that Mr. Reynolds' base salary was increased to \$375,000 in connection with his promotion to Executive Vice President in April 2017. The Committee reviewed competitive market data, including the base salaries of comparators in our compensation Peer Group and the review suggested that the named executive officers' base salaries were generally below the Peer Group median; however, our CEO and other named executive officers recommended to the Committee that it should not increase base salaries as a result of corporate performance in 2016. Taking into account the recommendation of our CEO and other named executive officers, the Committee determined that our named executive officers' base salaries would not be adjusted for 2017 (aside from the increase provided in connection with Mr. Reynolds' promotion).

***Annual Performance Incentive Bonuses for 2017***

In early 2017, the Committee recommended, and the independent directors approved, the components for the 2017 performance incentive bonus opportunity for our named executive officers. A bonus could be earned based on our (1) pre-tax earnings from continuing operations (constituting 75% of the opportunity) and (2) comparable sales relative to the Performance Group (constituting 25% of the opportunity). The Committee and the other independent directors selected these financial measures because they believe the measures are strong indicators of our operating results and financial condition.

In light of our 2016 performance and the challenging environment anticipated for department store retailers in 2017, the Committee set the target at a pre-tax loss of \$12.6 million for 2017 to align the bonus target with our operating plan and provide a realistic target. Actual bonus payments, if any, are prorated for results between threshold and maximum levels, and in order to earn any portion of the comparable sales component, we must achieve 75% of the pre-tax earnings target. The Committee and other independent directors believe the targeted performance levels provided challenging, but reasonable, levels of performance that were appropriate in light of our projected corporate operating plan for 2017 and our objective to motivate our executives.

To calculate the results under the annual performance incentive awards, we first calculate each component consistent with the accounting principles generally accepted in the United States of America. We then make an adjustment to remove the effect of unusual or non-recurring events, transactions and accruals set forth in the Bonus Plan and approved by the Committee early in each fiscal year when the performance incentive bonus opportunities are established. The adjustments may have the net effect of increasing or decreasing the pre-tax earnings and comparable sales results. The Committee may also exercise negative discretion to cancel or decrease the annual performance incentive awards earned (but not increase an annual performance incentive award for a covered employee, as that term is used within Section 162(m) of the IRC). Accordingly, the pre-tax earnings and comparable sales amounts resulting from the adjustments may differ from the amounts reflected in our reports filed with the SEC and other public disclosures.

The following table shows the threshold, target and maximum payout percentages and performance goals established for each component of the 2017 performance incentive bonus opportunity:

	Pre-Tax Earnings (Loss)		Comparable Sales	
	Performance Goal	Payout as (%) of Target	Performance Goal (Relative Percentile)	Payout as (%) of Target
Threshold	(\$32.0) million	Up to 10	25 <sup>th</sup>	25
Target	(\$12.6) million	100	50 <sup>th</sup>	100
Maximum	\$3.0 million	200	75 <sup>th</sup>	200

The following table shows the: (1) threshold, target and maximum amounts of the 2017 performance incentive bonus that were attainable, both as a percentage of the named executive officer's annual base salary and as a dollar amount, based on the extent to which we achieve the pre-tax earnings and comparable sales components set forth above; and (2) total actual performance incentive bonus payments earned based on our 2017 performance of (a) \$37.5 million of pre-tax loss, calculated as noted above (i.e., 0% of the total bonus target earned), and (b) comparable sales at the 15.8<sup>th</sup> percentile of the 2017 Performance Group (i.e., 0% of the bonus target earned):

Executive	Threshold		Target		Maximum		2017 Bonus Earned	
	% of Salary	Potential Payout (\$)	% of Salary	Potential Payout (\$)	% of Salary	Potential Payout (\$)	% of Salary	Actual Payout (\$)
Mr. Glazer	13.75	137,500	100.0	1,000,000	200.0	2,000,000	0	0
Mr. Shein	8.25	33,990	60.0	247,200	120.0	494,400	0	0
Mr. Weber	9.63	49,088	70.0	357,000	140.0	714,000	0	0
Mr. Hunter	8.25	38,775	60.0	282,000	120.0	564,000	0	0
Mr. Reynolds	7.78	28,719	56.6	208,868	113.2	417,736	0	0

#### **Long-Term Equity Incentive Awards for 2017 and Reviewing Performance Awards Scheduled to Vest**

##### *2014 Performance Share Unit Awards Scheduled to Vest Were Not Earned or Received (2014 – 2016 Performance Cycle)*

In early 2017, the Committee reviewed the final TSR results for the three-year performance cycle for the 2014 performance share units (i.e., 2014 through 2016). The Committee determined that our named executive officers did not earn any common shares from the 2014 performance share unit awards, because we did not meet the requisite threshold TSR performance level relative to the Performance Group established at the beginning of 2014 (i.e., our TSR did not rank at least 20<sup>th</sup> of the 26 members of the 2014 Performance Group). The following table shows the (1) number of our common shares that may have been earned and received by each named executive officer at the threshold, target and maximum TSR performance levels; and (2) actual number of our common shares earned and received under the 2014 performance share unit awards based on our 2014 through 2016 TSR performance:

Executive	Common Shares at Threshold TSR Performance	Common Shares at Target TSR Performance	Common Shares at Maximum TSR Performance	Common Shares Earned and Received under the 2014 PSU Awards
Mr. Glazer	12,604	50,417	100,834	0
Mr. Shein	2,292	9,167	18,334	0
Mr. Weber	860	3,438	6,876	0
Mr. Hunter	2,865	11,458	22,916	0
Mr. Reynolds (I)	0	0	0	0

(I) Mr. Reynolds commenced employment with us in August 2014; therefore, he did not receive a performance share unit award in 2014.

##### *2017 Awards Granted*

In early 2017, the Committee also (1) reviewed the current standing and attainment levels for 2015 and 2016 performance share awards based on the TSR of the Performance Groups established at the beginning of those years, (2) discussed individual

2017 long-term incentive grants for senior executives recommended by management, (3) reviewed estimated shares needed for 2017 awards, and (4) reviewed shares available for future grants. To determine the size of each equity award, the Committee reviewed market data, prior years' long-term equity incentive decisions, the performance and potential of our named executive officers and recommendations from the Committee's independent compensation consultant.

Based upon the recommendation of the Committee and the approval of the other independent directors, the following long-term equity incentive awards were granted to our named executive officers in 2017 in consideration of their 2016 performance and in recognition of the critical roles they play in our future success and long-term growth:

<b>Executive</b>	<b>Performance Share Units (#)(1)</b>	<b>Restricted Stock / Restricted Stock Units (#)(2)</b>
Mr. Glazer	240,000	360,000
Mr. Shein	50,000	75,000
Mr. Weber	100,000	150,000
Mr. Hunter	50,000	105,000
Mr. Reynolds	40,000	90,000

- (1) The vesting of the performance share units depends on our TSR over the three-year performance cycle compared to the Performance Group established at the beginning of 2017 (see the "Overview of 2017 Executive Compensation – Long-Term Incentives" section of this CD&A for additional information regarding how TSR is calculated under the terms of our performance share unit awards). The performance cycle began on the first day of 2017 (January 29, 2017) and ends on the last day of 2019 (February 1, 2020). The number of shares reflected in the table above is the number of shares of our common stock each named executive officer will earn and receive if our TSR for the performance cycle is at the 50<sup>th</sup> percentile of the 2017 Performance Group. On a sliding scale, the performance share units earned can vary as follows:

<b>Percentile Ranking in Performance Group</b>	<b>Performance Share Units Earned as (%) of Target</b>
≥94.74%	200.0%
89.47%	188.9%
84.21%	177.8%
78.95%	166.7%
73.68%	155.6%
68.42%	144.5%
63.16%	133.4%
57.89%	122.3%
52.63%	111.1%
47.37%	87.5%
42.11%	75.0%
36.84%	62.5%
31.58%	50.0%
26.32%	37.5%
< 21.05%	—

- (2) Mr. Glazer received awards of restricted stock in 2017 (226,259 in March and 133,741 in June following shareholder approval of the 2017 LTIP), and the other named executive officers received an award of restricted stock units. In the case of Mr. Hunter, 30,000 of this total 2017 restricted stock unit award was granted in May in connection with his transition to Chief Operating Officer – Gordmans. In the case of Mr. Reynolds, one-third of his total 2017 restricted stock unit award was granted in April in connection with his promotion to Executive Vice President. In all cases, the award will vest on a pro rata basis over four years (i.e., 25% per year), subject to continuous employment with us. The restricted stock units may settle only in cash, with the payment limited to five times the grant date fair market value of our common shares. A recipient of restricted stock has the rights of a shareholder, including the right to vote and receive dividends, with respect to restricted stock that has not vested. A recipient of restricted stock units does not have the rights of a shareholder, but is entitled to a dividend equivalent payment equal to any cash dividends paid by us while the recipient holds unvested restricted stock units.

*2015 Performance Share Unit Awards Scheduled to Vest Were Not Earned or Received (2015 – 2017 Performance Cycle)*

At the end of 2017, the Committee reviewed the final TSR results for the three-year performance cycle for the 2015 performance share units (i.e., 2015 through 2017). The Committee determined that our named executive officers did not earn any common shares from the 2015 performance share unit awards, because we did not meet the requisite threshold TSR performance level relative to the Performance Group established at the beginning of 2015 (i.e., our TSR did not rank at least 17<sup>th</sup> of the 22 members of the 2015 Performance Group). The following table shows the (1) number of our common shares that may have been earned and received by each named executive officer at the threshold, target and maximum TSR performance levels; and (2) actual number of our common shares earned and received under the 2015 performance share unit awards based on our 2015 through 2017 TSR performance:

<b>Executive</b>	<b>Common Shares at Threshold TSR Performance</b>	<b>Common Shares at Target TSR Performance</b>	<b>Common Shares at Maximum TSR Performance</b>	<b>Common Shares Earned and Received under the 2015 PSU Awards</b>
Mr. Glazer	15,236	60,942	121,844	0
Mr. Shein	3,015	12,061	24,122	0
Mr. Weber	1,428	5,713	11,426	0
Mr. Hunter	1,587	6,348	12,696	0
Mr. Reynolds	1,270	5,078	10,156	0

### **Executive Compensation for 2018**

At its March 2018 meeting, the Committee reviewed (1) our performance in 2017, (2) each named executive officer's performance in 2017, (3) comparative compensation information regarding our Peer Group and additional survey data provided by the Committee's independent compensation consultant, (4) the importance that each named executive officer plays in our future success and long-term growth, (5) the need to create an incentive for future performance and retention, (6) tally sheets reflecting all elements of compensation, total annual compensation and total deferred compensation for each named executive officer and (7) internal pay equity.

As a result of that review and discussion with our other independent directors, the Committee and our other independent directors approved the following 2018 compensation for our named executive officers:

<b>Executive</b>	<b>2018 Base Salary (\$)</b>	<b>2018 Target Performance Bonus Opportunity (as Pct. of Salary) (%) (1)</b>	<b>Performance Share Units / Performance Units (#) (2)</b>	<b>Restricted Stock / Restricted Stock Units (#) (3)</b>
Mr. Glazer	\$1,050,000	100.0	280,000	420,000
Mr. Shein	\$440,000	60.0	60,000	90,000
Mr. Weber	\$525,000	70.0	100,000	150,000
Mr. Hunter	\$480,000	60.0	50,000	75,000
Mr. Reynolds	\$383,000	60.0	50,000	75,000

- (1) The percentage of base salary for a threshold performance incentive bonus opportunity is 13.75% of the target reflected in the above table for each named executive officer. The percentage of base salary for a maximum performance incentive bonus opportunity is double the target reflected in the above table for each named executive officer.
- (2) Mr. Glazer received an award of performance share units, and the other named executive officers received an award of performance units. In all cases, the award vesting depends on our TSR over the three-year performance cycle compared to the Performance Group established at the beginning of 2018. The performance cycle began on the first day of 2018 (February 4, 2018) and ends on the last day of 2020 (January 30, 2021). The number of units reflected in the table above equates to the number of shares of our common stock each named executive officer will earn if our TSR for the performance cycle is at the 50<sup>th</sup> percentile of the 2018 Performance Group, with the performance share units settling in shares of our common stock and the performance units settling in cash.
- (3) Mr. Glazer received an award of restricted stock, and the other named executive officers received an award of restricted stock units. In all cases, the award will vest on a pro rata basis over four years (i.e., 25% per year), subject to continuous employment with us. The restricted stock units may settle only in cash, with the payment limited to five times the grant date fair market value of our common shares. A recipient of restricted stock has the rights of a shareholder, including the right to vote and receive dividends, with respect to restricted stock that has not vested. A recipient of restricted stock units

does not have the rights of a shareholder, but is entitled to a dividend equivalent payment equal to any cash dividends paid by us while the recipient holds unvested restricted stock units.

The Committee also granted each named executive officer other than Mr. Glazer an incentive compensation award in recognition of the contributions of the executives in improving our results during 2017, the absence of salary increases since 2015 (in the case of Mr. Shein and Mr. Hunter) and bonuses since 2014 (in the case of each executive), and the desire to retain executive talent it believes is necessary to continue improving our performance. Under the terms of the arrangement, the executive will earn a cash award on each of the first three anniversaries of the grant date if he is continuously employed by us. The value of the annual awards is \$66,667 for Mr. Shein and Mr. Weber and \$50,000 for Mr. Hunter and Mr. Reynolds.

### **Executive Compensation Program Administration**

The Committee administers the base salary, annual performance incentive bonus, long-term incentive and other compensation programs for our named executive officers and other executive officers. The Committee seeks to ensure that the total compensation paid to our named executive officers is fair, reasonable and competitive. Although the compensation committees of some companies make all compensation decisions with respect to their named executive officers, we believe it is consistent with best practices in corporate governance to reach a consensus among all independent directors when establishing executive compensation. Accordingly, while the Committee takes the lead in formulating executive compensation, it also seeks the approval of our other independent directors to provide an additional check on the appropriateness of the compensation awarded.

### **Tax and Accounting Considerations**

For compensation awarded in 2017, IRC Section 162(m) (“Section 162(m)”) imposed a \$1 million limit on the amount that a public company may deduct for compensation paid to its CEO or any of its three other most highly compensated executive officers (other than the CFO) who are employed as of the end of the year. This limitation does not apply to compensation that meets the requirements under Section 162(m) for “qualified performance-based compensation” (i.e., compensation paid only if the individual’s performance meets pre-established objective goals based on performance criteria approved by the shareholders). The Committee’s policy in 2017 was to design compensation programs that further our compensation objectives and the interests of our shareholders and that generally preserve the tax deductibility of compensation expenses. There can be no assurance that any compensation intended to be deductible under Section 162(m) will qualify as such.

In 2017, performance incentive bonus opportunities provided to executive officers and awards granted under our equity incentive plans, other than restricted stock awards, were designed to constitute qualified performance-based compensation for purposes of Section 162(m). The Committee also believes, however, that it must maintain the flexibility to take actions that it deems to be in our best interests but which may not qualify for tax deductibility under Section 162(m). In this regard, if the amount of base salary, plus the value of any restricted stock awards vesting or other nonqualifying compensation received in the same year, for a named executive officer exceeds \$1 million, any amounts over \$1 million will not be deductible for federal income tax purposes.

In 2017, the Committee considered (1) the impact of the \$1 million limit on the deductibility of non-qualified performance based compensation imposed by Section 162(m), (2) the accounting treatment of various types of equity-based compensation under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 718, and (3) the non-deductibility of excess parachute tax payments under IRC Section 280G (and the related excise tax imposed on covered employees under IRC Section 4999) in its design of executive compensation programs. In addition, the Committee considered other tax and accounting provisions in developing the compensation programs for our named executive officers. These included the special rules applicable to nonqualified deferred compensation arrangements under IRC Section 409A, as well as the overall income tax rules applicable to various forms of compensation.

As a result of the Tax Cuts and Jobs Act of 2017, Section 162(m) has been significantly modified. Beginning with 2018, the performance-based compensation exception to the Section 162(m) deduction limitation has been repealed (subject to a transition rule for written binding contracts which were in effect on November 2, 2017 and are not modified in any material respect on or after such date). Additionally, the \$1 million deduction limitation for public companies now applies to the CEO, CFO and three other most highly compensated executive officers who are employed at any time during the taxable year, and those individuals will continue to be included in that group of “covered employees” so long as they remain employed by the public company. Due to these changes, beginning with 2018, we will no longer be able to deduct compensation paid to a named executive officer in excess of \$1 million (regardless of whether all or a portion of such excess is “qualified performance-based compensation”).

While the Committee strives to compensate our named executive officers in a manner that produces favorable tax and accounting treatments, its main objective is to develop fair, equitable and competitive compensation arrangements that appropriately motivate, reward and retain those executives.



### Summary Compensation Table for 2017

The following table sets forth the compensation earned by or paid to our named executive officers as defined by SEC rules for each of the last three fiscal years, except where an officer did not serve as a named executive officer in a reported fiscal year. However, the amounts reflected in the table below are not indicative of the lesser compensation amounts actually realized by the named executive officers in the fiscal years reported.

Name and Principal Position (1)	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$ (2))	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation (\$ (3))	Total (\$)
Michael L. Glazer <i>President and Chief Executive Officer</i>	2017	1,019,231	—	1,208,473	—	191,051	2,418,755
	2016	1,000,000	—	2,465,378	—	167,912	3,633,290
	2015	995,231	—	2,824,427	—	232,208	4,051,866
Oded Shein <i>Executive Vice President, Chief Financial Officer and Treasurer</i>	2017	419,923	—	246,750	—	75,590	742,263
	2016	412,000	—	524,552	—	79,205	1,015,757
	2015	410,155	—	908,982	—	75,576	1,394,713
Thorsten I. Weber <i>Executive Vice President, Chief Merchandising Officer</i>	2017	519,808	—	493,500	—	95,170	1,108,478
	2016	466,808	—	746,053	—	63,982	1,276,843
Steven L. Hunter <i>Executive Vice President, Chief Operating Officer – Gordmans</i>	2017	479,038	—	321,750	—	77,367	878,155
	2016	470,000	—	524,552	—	79,074	1,073,626
	2015	464,385	—	639,044	—	83,787	1,187,216
Chadwick P. Reynolds <i>Executive Vice President, Chief Legal Officer and Secretary</i>	2017	373,558	—	272,700	—	80,673	726,931

- (1) The amounts in this table include the base salary and all other compensation earned during the 53<sup>rd</sup> week of our 2017 fiscal year, while the other two fiscal years reported consisted of 52 weeks.
- (2) The amounts in this column reflect the grant date fair value for performance share units, restricted stock and restricted stock units for the named executive officers with respect to the fiscal year in accordance with FASB ASC Topic 718. These amounts do not represent the actual amounts that will be realized by the named executive officers with respect to such awards. Assumptions used in the calculation of these amounts are included in Note 12 to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended February 3, 2018. Further information regarding the 2017 awards is included in the Grants of Plan-Based Awards table and the Outstanding Awards at Fiscal Year-End table in this Proxy Statement. The grant date fair value of the performance share units awarded in 2017 and reflected in this column is the payout based on the probable outcome of the performance criteria, determined as of the grant date. The maximum potential achievement for the 2017 performance share units would be 200% of the target number of shares awarded and the grant date fair value if the highest level of performance is attained would be as follows: Mr. Glazer (\$864,000), Mr. Shein (\$180,000), Mr. Weber (\$360,000), Mr. Hunter (\$180,000) and Mr. Reynolds (\$144,000). The grant date fair value of the restricted stock and restricted stock units was determined by multiplying the closing price of our common shares on the date of grant by the number of shares of restricted stock or restricted stock units granted, and factors in the value of any dividends payable on the restricted stock or dividend equivalent rights payable on the restricted stock units.

- (3) For 2017, the amounts in this column include the following compensation for the executives, as more fully described in the table included with this footnote:
- Matching contributions made by us pursuant to our DC Plan, as described in the narrative disclosure accompanying the Nonqualified Deferred Compensation table below;
  - Reimbursement of out-of-pocket healthcare costs under our supplemental executive medical plan, as described in the “Compensation Elements – Benefits and Perquisites” section of the CD&A;
  - Healthcare insurance premium payments associated with our supplemental executive medical plan;
  - Life insurance premium payments;
  - Long-term disability insurance premium payments;
  - The cost to us associated with the executive’s use of an automobile or the cash allowance provided in lieu of an automobile;
  - An allowance for professional fees incurred in connection with estate planning, personal financial advisory services and individual tax preparation services; and
  - The aggregate incremental cost to Stage associated with limited non-business use of corporate aircraft by Mr. Glazer.

The aggregate incremental cost of non-business use of corporate aircraft is calculated based on the costs we incur in connection with operating a flight, including expenses for fuel, landing fees, flight planning, navigation charges, ground services, on-board catering, and other miscellaneous costs. Due to the fact that the corporate aircraft are used primarily for business travel, fixed costs which do not change based on usage, such as pilot salaries, hangar fees, management fees, purchase costs, depreciation and capitalized improvements to the aircraft, are excluded. We did not reimburse or otherwise “gross-up” Mr. Glazer for any income tax obligation associated with his non-business use of corporate aircraft. The benefit of non-business use of corporate aircraft, which was approved by the Compensation Committee as part of Mr. Glazer’s overall compensation packages, is described in the “Benefits and Perquisites” section of the CD&A.

Name	DC Plan Matching Contributions (\$)	Healthcare Cost Reimburse- ment (\$)	Healthcare Insurance Premiums (\$)	Life Insurance Premiums (\$)	Long-Term Disability Insurance Premiums (\$)	Auto Use / Allowance (\$)	Professional Fees Allowance (\$)	Non- Business Aircraft Usage (\$)
Mr. Glazer	104,311	16,418	11,652	449	840	12,231	10,000	35,150
Mr. Shein	39,668	6,821	15,555	475	840	12,231	—	—
Mr. Weber	54,819	5,956	16,147	507	840	12,231	4,670	—
Mr. Hunter	46,184	250	15,490	541	840	12,231	1,831	—
Mr. Reynolds	35,086	18,341	12,870	346	788	11,192	2,050	—

### Grants of Plan-Based Awards in 2017

The following table sets forth each award made to our named executive officers in 2017 under a plan. Additional information regarding the performance share units, restricted stock and restricted stock units granted in 2017 is set forth in the “Compensation Elements – Long-Term Incentive Compensation” section of the CD&A.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares of Stock or Units (#) (3)	Grant Date Fair Value of Stock Awards (\$) (4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Mr. Glazer	—	137,500	1,000,000	2,000,000	—	—	—	—	—
	3/28/2017	—	—	—	60,000	240,000	480,000	—	432,000
	3/28/2017	—	—	—	—	—	—	226,259	472,881
	6/1/2017	—	—	—	—	—	—	133,741	303,592
Mr. Shein	—	33,990	247,200	494,400	—	—	—	—	—
	3/28/2017	—	—	—	12,500	50,000	100,000	—	90,000
	3/28/2017	—	—	—	—	—	—	75,000	156,750
Mr. Weber	—	49,088	357,000	714,000	—	—	—	—	—
	3/28/2017	—	—	—	25,000	100,000	200,000	—	180,000
	3/28/2017	—	—	—	—	—	—	150,000	313,500
Mr. Hunter	—	38,775	282,000	564,000	—	—	—	—	—
	3/28/2017	—	—	—	12,500	50,000	100,000	—	90,000
	3/28/2017	—	—	—	—	—	—	75,000	156,750
	5/11/2017	—	—	—	—	—	—	30,000	75,000
Mr. Reynolds	—	28,719	208,868	417,736	—	—	—	—	—
	3/28/2017	—	—	—	10,000	40,000	80,000	—	72,000
	3/28/2017	—	—	—	—	—	—	60,000	125,400
	4/10/2017	—	—	—	—	—	—	30,000	75,300

(1) The amounts in these columns represent the threshold, target and maximum payouts that each named executive officer was eligible to receive under our 2017 performance incentive bonus awards. These awards were not earned, so no amounts are included for 2017 in the Summary Compensation Table as non-equity incentive plan compensation. Further detail regarding the 2017 performance incentive bonus awards may be found in “Executive Compensation for 2017 – Annual Performance Incentive Bonuses for 2017” section of the CD&A.

(2) The amounts in these columns reflect performance share units that will vest after a three-year performance cycle based on our TSR relative to the Performance Group, as described in the “Executive Compensation for 2017 – Long-Term Incentive Compensation Awards for 2017” section of the CD&A (see also the “Overview of 2017 Executive Compensation – Long-Term Incentives” section of the CD&A for additional information regarding the TSR calculation in connection with our performance share unit awards). The threshold number of shares refers to the number of our common shares the named executive officer may earn and receive at the end of the performance cycle if the results are at the 25<sup>th</sup> percentile of the Performance Group. Performance results below the 25<sup>th</sup> percentile at the end of the performance cycle will result in the executives earning no common shares under this award. The target number of shares refers to the number of our common shares the named executive officer may earn and receive at the end of the performance cycle if the results are at the 50<sup>th</sup> percentile of the Performance Group. The maximum number of shares refers to the number of our common shares the named executive officer may earn and receive at the end of the performance cycle if the results are at the top percentile of the Performance Group.

(3) This column reflects restricted stock awards, in the case of Mr. Glazer, and restricted stock unit awards, in the case of the other named executive officers, that vest ratably over a four-year period (i.e., 25% per year). A recipient of restricted stock has the rights of a shareholder, including the right to vote and receive dividends, with respect to restricted stock that has not vested. A recipient of restricted stock units does not have the rights of a shareholder, but is entitled to a dividend equivalent payment equal to any cash dividends paid by us while the recipient holds unvested restricted stock units.

- (4) The amounts in this column reflect the grant date fair value for performance share units, restricted stock and restricted stock units for the named executive officers calculated in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 12 to our audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended February 3, 2018. The grant date fair value of the performance share unit awards reflected in this column is the payout based on the probable outcome of the performance criteria, determined as of the grant date.

### Outstanding Equity Awards at 2017 Fiscal Year-End

The following table sets forth, as of the end of 2017, all equity awards outstanding under our equity compensation plans for each named executive officer. Market value is computed using the closing market price of our common stock of \$1.64 on February 2, 2018, the final trading day of our last completed fiscal year.

Name	Option / SARs Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options / SARs Exercisable (#)	Number of Securities Underlying Unexercised Options / SARs Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options / SARs (#)	Option / SARs Exercise Price (\$)	Option / SARs Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (2)	Equity Incentive Plan Awards: Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Mr. Glazer	—	—	—	—	—	531,873	872,272	361,447	592,773
Mr. Shein	—	—	—	—	—	120,851	198,196	75,840	124,378
Mr. Weber	—	—	—	—	—	238,160	390,582	111,628	183,070
Mr. Hunter	8,850	—	—	18.84	3/29/2018	—	—	—	—
	—	—	—	—	—	147,716	242,254	75,840	124,378
Mr. Reynolds	—	—	—	—	—	107,660	176,562	60,672	99,502

- (1) Common shares reported in this column underlie unvested restricted stock and unvested restricted stock unit awards as of the end of 2017. The vesting dates following the end of 2017 for each award of restricted stock or restricted stock units are as follows (with a prorated portion of each award scheduled to vest annually):

Name	Number of Shares of Restricted Stock or Restricted Stock Units That Have Not Vested (#)	Vesting Dates
Mr. Glazer	133,741	6/1/2018, 6/1/2019, 6/1/2020, 6/1/2021
	226,259	3/28/2018, 3/28/2019, 3/28/2020, 3/28/2021
	136,629	3/24/2018, 3/24/2019, 3/24/2020
	24,931	3/26/2018, 3/26/2019
	10,313	4/3/2018
Mr. Shein	75,000	3/28/2018, 3/28/2019, 3/28/2020, 3/28/2021
	29,070	3/24/2018, 3/24/2019, 3/24/2020
	9,972	6/16/2018, 6/16/2019
	4,934	3/26/2018, 3/26/2019
	1,875	4/3/2018

Name	Number of Shares of Restricted Stock or Restricted Stock Units That Have Not Vested (#)	Vesting Dates
Mr. Weber	150,000	3/28/2018, 3/28/2019, 3/28/2020, 3/28,2021
	72,036	9/29/2018, 9/29/2019, 9/29/2020
	13,082	3/24/2018, 3/24/2019, 3/24/2020
	2,338	3/26/2018, 3/26/2019
	704	4/3/2018
Mr. Hunter	30,000	5/11/2018, 5/11/2019, 5/11/2020, 5/11,2021
	75,000	3/28/2018, 3/28/2019, 3/28/2020, 3/28,2021
	29,070	3/24/2018, 3/24/2019, 3/24/2020
	8,080	4/1/2018, 4/1/2019
	2,597	3/26/2018, 3/26/2019
	625	12/1/2018
	2,344	4/3/2018
Mr. Reynolds	30,000	4/10/2018, 4/10/2019, 4/10/2020, 4/10,2021
	60,000	3/28/2018, 3/28/2019, 3/28/2020, 3/28,2021
	13,082	3/24/2018, 3/24/2019, 3/24/2020
	2,078	3/26/2018, 3/26/2019
	2,500	8/4/2018

- (2) Common shares reported in this column underlie unvested performance share units (at the target number of performance share units) as of the end of 2017. If we achieved maximum TSR performance under the terms of a performance share unit award, the named executive officer would receive twice the target number of performance share units. The performance share units cliff vest after a three-year performance cycle based on our TSR return relative to the Performance Group, as described in the CD&A. The performance share units having a performance cycle ending on February 3, 2018, the end of 2017, were not earned and therefore forfeited by the named executive officers. The final day of each three-year performance cycle is as follows:

Name	Number of Performance Share Units That Have Not Vested (#)	Final Day of the Three-Year Performance Cycle
Mr. Glazer	60,942	2/3/2018
	121,447	2/2/2019
	240,000	2/1/2020
Mr. Shein	12,061	2/3/2018
	25,840	2/2/2019
	50,000	2/1/2020
Mr. Weber	5,713	2/3/2018
	11,628	2/2/2019
	100,000	2/1/2020
Mr. Hunter	6,348	2/3/2018
	25,840	2/2/2019
	50,000	2/1/2020
Mr. Reynolds	5,078	2/3/2018
	20,672	2/2/2019
	40,000	2/1/2020

### Option Exercises and Stock Vested in 2017

The following table reflects all exercises of SARs and the vesting of restricted stock and performance share units held by each of our named executive officers during 2017.

Name	Option / SARs Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) (1)	Value Realized on Vesting (\$) (2)
Mr. Glazer	—	—	76,419	162,961
Mr. Shein	—	—	20,593	44,926
Mr. Weber	—	—	32,742	60,886
Mr. Hunter	—	—	19,573	43,470
Mr. Reynolds	—	—	7,899	15,278

(1) The amounts in this column reflect the number of our common shares vesting under restricted stock awards during 2017.

(2) The value realized is based on the average of the high and low market prices of our common shares on the vesting date.

### Pension Benefits in 2017

None of our named executive officers participate in our defined benefit plan, which was closed to new participants and frozen effective June 30, 1998.

### Nonqualified Deferred Compensation in 2017

The following table reflects the contributions to, earnings in and balance of each named executive officer's account held under our DC Plan.

Name	Executive Contributions in Last Fiscal Year (\$ (1)	Registrant Contributions in Last Fiscal Year (\$ (2)	Aggregate Earnings in Last Fiscal Year (\$ (3)	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$ (4)
Mr. Glazer	104,311	104,311	92,027	—	1,223,333
Mr. Shein	39,668	39,668	160,289	—	951,822
Mr. Weber	54,819	54,819	78,220	—	551,040
Mr. Hunter	46,184	46,184	127,491	—	735,803
Mr. Reynolds	35,086	35,086	46,677	—	294,296

(1) The amounts in this column are included in the Salary column of the Summary Compensation Table for 2017.

(2) The amounts in this column are included in the All Other Compensation column of the Summary Compensation Table for 2017.

(3) The amounts in this column are not included in the Summary Compensation Table as these amounts reflect only the earnings on the investments designated by the named executive officer in his or her DC Plan account (i.e., appreciation or decline in account value). The amounts in this column do not include any above-market or preferential earnings, as defined by Item 402(c)(2)(viii) of Regulation S-K and the instructions thereto.

(4) \$922,683, \$712,198, \$363,183 and \$515,943 of the amounts in this column were previously reported as compensation to Mr. Glazer, Mr. Shein, Mr. Weber and Mr. Hunter, respectively, in the Summary Compensation Table for the prior years reported.

### Retirement Plans

#### Deferred Compensation Plan

We sponsor the DC Plan which provides our named executive officers and certain other officers with the opportunity to participate in an unfunded, deferred compensation program that is not qualified under the IRC. Generally, the IRC and the Employee Retirement Income Security Act of 1974, as amended, restrict contributions to a tax-qualified 401(k) plan by highly

compensated employees, and our named executive officers are unable to participate in our tax-qualified 401(k) plan. The DC Plan is intended to allow participants to defer income on a pre-tax basis. Under the DC Plan, participants may defer up to 50% of their base compensation and up to 100% of their bonus and earn a rate of return based on actual investments chosen by each participant. We have established a grantor trust for the purpose of holding assets to provide benefits to the participants. We will match 100% of each participant's contributions, up to 10% of the sum of their base salary and bonus.

The named executive officers have the opportunity to allocate the investment of the funds in their participant employee account among more than thirty investment options, including an option to invest in our common shares. In the case of the option to invest in our common shares, the DC Plan provides the opportunity to acquire our common shares on a pre-tax basis.

### **Frozen Defined Benefit Plan**

We sponsor the DB Plan, a defined benefit pension plan for substantially all employees who met eligibility requirements and were enrolled prior to June 30, 1998. The DB Plan was frozen effective June 30, 1998. None of our named executive officers are participants in the DB Plan.

### **Potential Payments Upon Termination or Change In Control**

This section addresses the rights of our named executive officers under their employment agreements and other compensation plans and arrangements in the event their employment with us is terminated or upon a change in control, as defined below. The payments that a named executive officer would be entitled to receive upon termination or a change in control are not considered by the Compensation Committee when making annual compensation decisions for the named executive officers and do not factor into decisions made by us regarding other compensation elements.

The narrative discussion and tables below set forth the compensation payable to each named executive officer (or his beneficiaries, as applicable) as a result of his termination of employment with us under various scenarios or upon a change in control. The amounts shown in the tables below are based on the assumption that the named executive officer's termination was effective as of February 3, 2018, the final day of 2017. The closing market price of our common shares on February 2, 2018, the final trading day of 2017, was \$1.64. The actual amounts that would be payable in connection with the termination of a named executive officer or a change in control could only be determined at the time of the actual triggering event.

Upon termination, each participating named executive officer would receive his aggregate balance in our DC Plan, as is reflected in the "Aggregate Balance at Last Fiscal Year End" column of the Nonqualified Deferred Compensation table above, subject to any required waiting period. However, the named executive officers are not entitled to receive compensation for any unused vacation days upon termination.

### **Payments Upon Various Triggering Events at 2017 Fiscal Year-End**

#### ***Termination by Us For Good Cause or Termination by Executive Without Good Reason***

If we terminate a named executive officer for Good Cause (as defined below) or a named executive officer terminates his employment with us without Good Reason (as defined below), the executive will be entitled to receive any earned and unpaid base salary, and certain accrued and unpaid benefits, through the date of termination and will automatically forfeit any unvested restricted stock, restricted stock units, performance shares, performance share units, SARs, stock options or similar rights as of the date of termination.

#### ***Termination by Reason of Death, Disability or Retirement***

If a named executive officer's employment with us terminates as a result of his death, disability or retirement, (1) the executive will be entitled to receive any base salary earned and unpaid, and certain benefits accrued and unpaid, through the date of termination, (2) all unvested restricted stock, restricted stock units, SARs, stock options or similar rights held by the executive will fully vest as of, and (in the case of SARs and stock options) be exercisable for one year following, the date of termination and (3) all unvested performance share units will vest at the target level and be payable to the executive.

<b>Source of Payment</b>	<b>Mr. Glazer</b>	<b>Mr. Shein</b>	<b>Mr. Weber</b>	<b>Mr. Hunter</b>	<b>Mr. Reynolds</b>
Vesting of Restricted Stock / Restricted Stock Units (\$)	872,272	198,196	390,582	242,254	176,562
Vesting of Performance Share Units (at target level) (\$)	692,718	144,158	192,439	134,788	92,998
<b>Total (\$)</b>	<b>1,564,990</b>	<b>342,354</b>	<b>583,021</b>	<b>377,042</b>	<b>269,560</b>



### ***Termination by Us Without Good Cause or Termination by Executive For Good Reason***

If we terminate a named executive officer without Good Cause or a named executive officer terminates his employment with us for Good Reason, the named executive officer will be entitled to receive any base salary earned and unpaid, and certain benefits accrued and unpaid, through the date of termination, and the following:

- severance in an amount equal to two times his base salary in the case of Mr. Glazer;
- in the case of the other named executive officers, severance in an amount equal to the aggregate of his base salary plus performance incentive bonus at the target level as in effect as of the date of termination;
- the performance incentive bonus for the fiscal year in which the termination occurs prorated through the date of termination; provided, however, the named executive officer will not receive any portion of the performance incentive bonus unless the Board determines that the performance incentive bonus was earned and the executive would have been entitled to receive it had the termination not occurred;
- in the case of Mr. Glazer, all unvested restricted stock held by him will fully vest as of the date of termination and all unvested performance share units at or above the 50<sup>th</sup> percentile of achievement as of the termination date will vest on a prorated basis at the target level and be payable to him;
- continuation of healthcare benefits to which the named executive officer is participating as of the date of termination for a period of 18 months, in the case of Mr. Glazer, and 12 months, in the case of the other named executive officers, from the date of termination; and
- outplacement services for a period of 12 months from the date of termination up to a maximum of \$15,000.

In the following table, the benefits continuation amounts shown include the estimated premiums to be paid by us on behalf of the named executive officer for healthcare insurance.

<b>Source of Payment</b>	<b>Mr. Glazer</b>	<b>Mr. Shein</b>	<b>Mr. Weber</b>	<b>Mr. Hunter</b>	<b>Mr. Reynolds</b>
Severance (\$)	2,000,000	659,200	867,000	752,000	600,000
2017 Performance Incentive Bonus (\$)	0	0	0	0	0
Vesting of Restricted Stock (\$)	872,272	—	—	—	—
Vesting of Performance Share Units (at target level) (\$)	131,200	—	—	—	—
Healthcare Benefits (\$)	42,106	22,376	22,104	15,740	31,212
Outplacement (\$)	15,000	15,000	15,000	15,000	15,000
Total (\$)	3,060,578	696,576	904,104	782,740	646,212

### ***Change in Control – Termination Without Good Cause or Termination by Executive For Good Reason***

If a change in control occurs, and during the period beginning six months before and ending 24 months after the change in control, we or our successor terminates the named executive officer's employment without Good Cause or the named executive officer terminates his employment with Good Reason, the named executive officer will be entitled to receive any base salary earned and unpaid, and certain benefits accrued and unpaid, through the date of the change in control or termination, and the following:

- severance in an amount equal to three times, in the case of Mr. Glazer, and two times, in the case of the other named executive officers, the aggregate of his base salary plus performance incentive bonus at the target level as in effect as of the date of the change in control or termination;
- the performance incentive bonus for the fiscal year in which the termination occurs prorated through the date of termination;
- all unvested restricted stock, restricted stock units, SARs, stock options or similar rights will fully vest and all unvested performance share units will vest at the target level and be payable as of the date of the change in control;
- continuation of healthcare benefits to which the named executive officer is participating as of the date of change in control or termination for a period of 36 months, in the case of Mr. Glazer, and 24 months in the case of the other named executive officers, from the date of the change in control or termination;
- outplacement services for a period of 12 months from the date of the change in control or termination up to a maximum of \$15,000; and

- financial planning allowance for a period of 36 months in the case of Mr. Glazer, and 24 months in the case of the other named executive officers, from the date of the change in control or termination.

If any payment to the named executive officer due to a change in control subjects the executive to any excise tax, we will not pay to the executive a gross-up payment to compensate him for the amount of the excise tax.

The payments and benefits provided in connection with a change in control are intended to help provide us with continuity of management and continued focus on the business by senior management in the event of a change in control.

In the following table, the benefits continuation amounts shown include the estimated premiums to be paid by us on behalf of the named executive officer for healthcare insurance.

Source of Payment	Mr. Glazer	Mr. Shein	Mr. Weber	Mr. Hunter	Mr. Reynolds
Severance (\$)	6,000,000	1,318,400	1,734,000	1,504,000	1,200,000
2017 Performance Incentive Bonus (\$)	0	0	0	0	0
Vesting of Restricted Stock / Restricted Stock Units (\$)	872,272	198,196	390,582	242,254	176,562
Vesting of Performance Share Units (at target level) (\$)	692,718	144,158	192,439	134,788	92,998
Healthcare Benefits (\$)	84,213	44,752	44,208	31,479	62,424
Outplacement (\$)	15,000	15,000	15,000	15,000	15,000
Financial Planning (\$)	30,000	10,000	10,000	10,000	10,000
Total (\$)	7,694,203	1,730,506	2,386,229	1,937,521	1,556,984

### ***Change in Control – Without Termination***

If a change in control occurs, all unvested restricted stock, restricted stock units, SARs, stock options or similar rights will fully vest and all unvested performance share units will vest at the target level and be payable to the named executive officer as of the date of the change in control.

Source of Payment	Mr. Glazer	Mr. Shein	Mr. Weber	Mr. Hunter	Mr. Reynolds
Vesting of Restricted Stock / Restricted Stock Units (\$)	872,272	198,196	390,582	242,254	176,562
Vesting of Performance Share Units (at target level) (\$)	692,718	144,158	192,439	134,788	92,998
Total (\$)	1,564,990	342,354	583,021	377,042	269,560

### **Change in Control Described**

A “change in control” shall be deemed to have occurred:

- on such date, within the 12-month period following the date that any one person, or more than one person acting as a group (as defined in §1.409A-3(i)(5)(v)(B) of the Treasury Regulations), acquires ownership of stock that represents 25% or more of the combined voting power of our then outstanding securities (“Trigger Date”), that a majority of the individuals who, as of the Trigger Date, constitute the Board (“Incumbent Board”) are replaced by new members whose appointment or election is not endorsed by a majority of the members of the Incumbent Board before the date of such appointment or election;
- as of the date that any one person, or more than one person acting as a group (as defined in §1.409A-3(i)(5)(v)(B) of the Treasury Regulations), acquires ownership of stock that, together with stock held by such person or group, constitutes more than 50% of either (1) the then outstanding shares of our common stock or (2) the combined voting power of our then outstanding voting securities entitled to vote generally in the election of directors; provided, however, if any one person or more than one person acting as a group, is considered to own more than 50% of the total fair market value or total voting power of our stock, the acquisition of additional stock by the same person or persons shall not be considered to cause a change in control; or
- on the date any one person, or more than one person acting as a group (as defined in §1.409A-3(i)(5)(v)(B) of the Treasury Regulations), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) all, or substantially all, of our assets, except for any sale, lease exchange or transfer resulting from any action taken by any creditor of ours in enforcing its rights or remedies against any of our assets in which such creditor holds a security interest. Provided further, a transfer of assets by us shall not be treated as a change in control if the assets are transferred to: (1) a shareholder of ours (immediately before the asset transfer) in exchange for or with respect to its stock; (2) an entity, 50% or more of the total value or voting power of which is

owned, directly or indirectly, by us; (3) a person, or more than one person acting as a group, that owns, directly or indirectly, 50% or more of the total value or voting power of all our outstanding stock; or (4) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in this paragraph. For purposes of this paragraph and except as otherwise provided in clause (1), a person's status is to be determined immediately after the transfer of the assets.

### **Good Cause and Good Reason Defined**

As used in this discussion, the definitions for Good Cause and Good Reason are as follows:

- “Good Cause” means: (1) the named executive officer's criminal conviction of a felony by a federal or state court of competent jurisdiction including any plea of guilty or no contest; (2) a material and significant act of dishonesty by the named executive officer relating to us; (3) a failure to comply with our Code of Ethics and Business Conduct; or (4) the named executive officer's failure to follow a direct, reasonable and lawful order from the Board within the reasonable scope of his position, which failure, if remediable, is not remedied within thirty days after written notice to the named executive officer.
- “Good Reason” shall exist if, without the named executive officer's express written consent, we: (1) materially reduce or decrease the named executive officer's base salary or incentive compensation opportunity level from the level in effect on the effective date of the employment agreement (or some subsequent higher level put into effect by the Board subsequent to the effective date of the employment agreement), unless such reduction or decrease is in connection with an across-the-board reduction or decrease in the base salaries or incentive compensation opportunity levels of all of our other senior level executives; (2) willfully fail to include the named executive officer in any incentive compensation plans, bonus plans, or other plans and benefits provided by us to other executive level executives; (3) materially reduces, decreases or diminishes the nature, status or duties and responsibilities of the named executive officer's position from those in effect on the effective date of the employment agreement, and such reduction, decrease or diminution is not reasonably related to or the result of an adverse change in the named executive officer's performance of assigned duties and responsibilities; (4) hires an executive senior to the named executive officer; or (5) require the named executive officer to (a) regularly perform the duties and responsibilities of his position at, or (b) relocate the named executive officer's principal place of employment to, a location which is more than fifty miles from the location of the named executive officer's principal place of employment. Good Reason shall not include the death, disability or voluntary retirement of the named executive officer or any other voluntary action taken by or agreed to by the named executive officer related to his or her position or employment with us.

### **Timing of Payments**

The payments provided in connection with the termination events will be paid as follows:

- Severance payments will be made to the executive in regular payroll payments throughout the severance period;
- Incentive bonus payments will be made to the executive in a lump sum on or around April 1 following the end of the fiscal year in which the termination occurred;
- Benefits will be provided in accordance with our standard policies and practices;
- Outplacement payments will be made directly to the entity providing outplacement services following receipt of an invoice or statement from the entity providing the outplacement services;
- Financial planning reimbursements will be made in accordance with our or our successor's policies and procedures; and
- Deferred compensation payments will be made in accordance with the provisions of the DC Plan.

### **2017 Pay Ratio**

Our CEO to median employee pay ratio is calculated in accordance with Item 402(u) of Regulation S-K. We identified our median employee by examining the base wages of all 14,514 of our associates (excluding our CEO) employed by us on February 2, 2018. Base wages of each associate were calculated as the product of the associate's hourly rate (or the hourly rate equivalent for salaried associates), the average hours worked per week by such associate (40 hours in the case of salaried associates) and 52 weeks. In doing so, we annualized the base wages for any permanent associate who had less than a full year of service during 2017. We believe this methodology results in a consistently applied compensation measure throughout our organization. After identifying the median employee, we calculated the annual total compensation of the median employee for 2017 using the same methodology used to calculate the total annual compensation of our CEO and other named executive officers for purposes of the Summary Compensation Table included in this Proxy Statement. The total annual compensation for 2017 was \$2,418,755 for our CEO and \$12,048 for our median employee. The ratio of the annual total compensation of our

CEO to the annual total compensation of our median employee for 2017 was 201 to 1. As is customary for many retailers, a significant portion of our workforce is comprised of part-time, hourly employees, including our median employee. Of the 14,514 associates we employed on February 2, 2018, approximately 79% worked an average of fewer than 40 hours per week during 2017.

## **DIRECTOR COMPENSATION**

The compensation of our non-employee directors is established by the Board at the recommendation of the Corporate Governance and Nominating Committee (referred to as the “CGNC” in this section). In developing its recommendations, the CGNC is guided by the following objectives: (1) non-employee directors should receive competitive compensation for the services they provide to a company of our size and complexity; and (2) compensation should align the interests of the directors with the long-term interests of our shareholders. As requested by the CGNC, its director compensation consultant (most recently, Willis Towers Watson) prepares competitive compensation analyses regarding both the Peer Group and the broader market for similarly situated companies and advises the CGNC on the level and design of compensation programs for non-employee directors. The Chair of the CGNC works directly with the CGNC’s director compensation consultant, if any, to determine the scope of the work needed to assist the CGNC in its compensation determinations. We reimburse our directors for the actual expenses they incur while attending, or otherwise participating in, Board meetings, committee meetings and ad hoc committee assignments.

Directors who are also our full-time employees receive no additional compensation for serving on the Board. Non-employee directors received the compensation described below for 2017.

### **Retainers and Fees**

#### **Board Retainer**

Non-employee directors received a \$60,000 annual retainer for service on the Board, which was earned and paid pro rata over their term at the beginning of each month. The annual retainer is intended to compensate the director for attendance at regularly scheduled quarterly Board meetings (including by teleconference) and up to two special meetings of the Board, as well as consultation and participation in meetings held for periodic updates.

#### **Chairman Retainer**

In addition to the annual board retainer, the Chairman of the Board received a \$125,000 retainer, which was earned and paid pro rata over his term at the beginning of each month. The chairman retainer is intended to compensate the Chairman for the additional duties set forth in the Governance Guidelines.

#### **Committee Chair Fees**

The Chair of the Audit Committee received a committee chair fee of \$20,000. The Chair of the Compensation Committee received a committee chair fee of \$15,000. The Chair of the Corporate Governance and Nominating Committees received a committee chair fee of \$12,500. The annual committee chair fee was earned and paid pro rata over the Chair’s term at the beginning of each month.

#### **Special Board Meeting Fee**

Beginning with the seventh meeting of the Board, directors received a special board meeting fee of \$1,500 per meeting for their preparation and attendance at special meetings of the Board (including attendance by teleconference) called for the purpose of specific actions by the Board and held at times other than in conjunction with regular quarterly meetings of the Board. No additional meeting fee was paid for attendance at regular quarterly Board meetings and the first two special Board meetings.

#### **Committee Meeting Fees**

Non-employee directors received (1) a regular committee meeting fee of \$1,500 per meeting for their preparation and attendance at regular quarterly meetings of the committees on which they serve (including by teleconference), and (2) a special committee meeting fee of \$1,500 per meeting for (a) their preparation and attendance at committee meetings (including by teleconference) called for the purpose of specific actions by their committees and held at times other than in conjunction with regular quarterly meetings of their committees and (b) their preparation and attendance at ad hoc committee assignments held at times other than in conjunction with regular quarterly meetings of their committees or the Board. Non-committee members who voluntarily attend a committee meeting did not receive a fee.

## **Restricted Stock Awards**

### **Initial Grant**

Upon a non-employee director's initial appointment or election, the director receives a restricted stock award valued at \$100,000, based on the closing price of our common shares on the date of appointment or election, but prorated for the number of months the director will serve until the next annual meeting of our shareholders ("Initial Grant"). The Initial Grant cliff vests on the earlier of one year from the grant date or the date of the first annual meeting of our shareholders following the grant date.

### **Reelection Grant**

Upon a non-employee director's reelection to the Board, the director receives a restricted stock award valued at \$100,000, based on the closing price of our common shares on the date of reelection ("Reelection Grant"). The Reelection Grant cliff vests on the earlier of one year from the grant date or the date of the first annual meeting of our shareholders following the grant date.

### **Forfeiture of Grants**

A director will forfeit any unvested Initial Grant and Reelection Grants if he or she ceases to be a director at any time prior to the vesting date other than due to (1) the fact that the director's age prohibits him or her from serving as a director per the Governance Guidelines, (2) death, (3) permanent disability (as determined by the Board) or (4) a change in control (as defined in the applicable equity incentive plan), at which time the unvested Initial Grant and Reelection Grant will fully vest.

## **Health Benefits**

We have made arrangements with our medical provider to offer medical and dental coverage to the directors and their eligible family members. The cost to the directors is the same premiums our active employees pay through payroll deductions.

### **Election Concerning Receipt of Certain Compensation**

Under our Amended and Restated 2003 Non-Employee Director Equity Compensation Plan, a non-employee director may elect to receive the board retainer, chairman retainer, special board meeting fees, committee meeting fees, committee chair fee, and such other compensation as the Board may deem appropriate in the form of: (1) restricted stock, deferred stock units, cash, or a combination of restricted stock, deferred stock units and cash at the time that such compensation is earned; or (2) in cash or restricted stock at a later date. Any issuance of restricted stock in lieu of cash will be made by us on such terms and conditions as the Board may establish. In order to receive restricted stock, a director must notify us of his or her election to receive restricted stock by executing an election form and a shareholder agreement by which the director agrees not to sell any of the restricted stock until the director leaves the Board.

## Director Compensation Table for 2017

The following table provides information concerning the compensation earned by each person who served as a non-employee director during 2017.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Alan J. Barocas	88,896	100,000	—	—	—	188,896
Elaine D. Crowley	105,229	100,000	—	—	—	205,229
Diane M. Ellis	91,562	100,000	—	—	—	191,562
Earl J. Hesterberg	87,896	100,000	—	—	—	187,896
Lisa R. Kranc	91,229	100,000	—	—	—	191,229
William J. Montgoris	209,396	100,000	—	—	—	309,396
C. Clayton Reasor <sup>(3)</sup>	88,896	100,000	—	—	—	188,896
Ralph P. Scozzafava <sup>(4)</sup>	40,657	—	—	—	—	40,657

- (1) The amounts shown in this column reflect the amount of cash compensation earned during 2017 for Board and committee service. Directors may elect to receive the board retainer, chairman retainer, special board meeting fees, committee meeting fees, committee chair fees and such other compensation as the Board may deem appropriate, as the case may be, as described above in the “Election Concerning Receipt of Certain Compensation” section.
- (2) The amounts shown in the column reflect the grant date fair value of restricted stock awards granted in 2017 to the named directors valued in accordance with ASC 718 and is equal to the closing market price of 44,053 common shares on the date of grant. The recipient has the rights of a shareholder, including the right to vote and receive dividends, with respect to restricted stock that has not vested.
- (3) Effective March 22, 2018, Mr. Reasor resigned from the Board to devote his time and attention to health-related family matters.
- (4) Effective June 1, 2017, immediately prior to our 2017 annual meeting of shareholders, Mr. Scozzafava resigned from the Board in order to devote all of his professional time to his employer, thus he did not receive a restricted stock award in 2017.

### **ITEM 2: SAY-ON-PAY VOTE (ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION)**

We are asking our shareholders to approve a non-binding, advisory resolution on the compensation of our named executive officers as disclosed in this Proxy Statement (commonly referred to as a “Say-on-Pay Vote”). The Board has adopted a policy providing for an annual Say-on-Pay Vote. In accordance with this policy and Section 14A of the Exchange Act, and as a matter of good corporate governance, the Board recommends that you vote FOR the following resolution:

**RESOLVED, that the compensation paid to the named executive officers of Stage Stores, Inc., as disclosed in this Proxy Statement pursuant to Item 402 of SEC Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.**

As described above in the “Compensation Discussion and Analysis” section (“CD&A”) of this Proxy Statement, the key objectives of our executive compensation program are to:

- Enable us to attract, motivate and retain the executive talent required to successfully manage and grow our business and to achieve our short-term and long-term business objectives;
- Maximize the long-term commitment of our executive officers to our success by providing compensation elements that align their interests with the interests of our shareholders by linking compensation elements directly to financial metrics that the Committee believes influence the creation of long-term shareholder value; and

- Reward our executive officers upon the achievement of short-term and long-term business objectives and the creation of shareholder value.

We urge our shareholders to read the CD&A, which describes in greater detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables and narrative included in the “Executive Compensation” section of this Proxy Statement, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and the Board believe that the policies and procedures articulated in the CD&A are effective in achieving our goals.

## 2017 Overview

While we are pleased with the progress we made in 2017, we did not achieve our performance targets for the year, so no bonuses were paid for 2017 for the third straight year and no performance share units were earned for the three-year performance cycle ended with 2017. During 2017, we took significant actions designed to support the future success of our business, including entering the off-price segment of the retail industry by acquiring 58 Gordmans stores, increasing total merchandise margins, controlling expenses and inventories and growing our direct-to-consumer business. These actions resulted in significant improvement from the beginning to the end of 2017, culminating in a positive comparable sales increase of 1.1% during the fourth quarter and generating positive free cash flow for 2017. Despite our actions and improved performance, we continued to face a challenging environment for the department store segment of the retail industry.

Our financial results and strategic actions for 2017 included the following:

### *Financial Results*

- Net sales, including sales from our new off-price Gordmans stores, increased \$149.6 million, or 10.4%, to \$1.6 billion.
- Comparable sales decreased 3.6%, with significant improvement after the first quarter 2017, culminating in a comparable sales increase of 1.1% in the fourth quarter 2017.
- Gross profit increased \$65.4 million, or 22.0%, compared to 2016.
- Pre-tax loss was \$50.4 million, compared to pre-tax loss of \$63.1 million for 2016.
- Diluted loss per common share was \$1.37, compared with diluted loss per common share of \$1.40 for 2016.
- Cash and cash equivalents were \$21.3 million, a 54.0% increase over 2016.
- Penetration of our private label credit card in our department stores grew to 49%.
- Cash dividends of \$8.5 million, or \$0.30 per share, were paid to shareholders.
- TSR, as calculated under the terms of our performance share unit awards, was -21.0% for 2017 and -84.7% for the three-year period ended February 3, 2018 (see the “Overview of 2017 Executive Compensation – Long-Term Incentives” section of this CD&A for additional information regarding how TSR is calculated under the terms of our performance share unit awards).

### *Strategic Actions*

- We added 58 Gordmans stores and have progressed with the transition to an off-price concept with our pricing strategy and merchandising.
- We evolved our product assortment to offer more contemporary fashions and brands, adding categories within existing brands and extending existing brands to additional stores.
- We drove sales in trending categories. Non-apparel, led by beauty, outperformed all year. Our Beauty Bar concept was rolled out to 150 stores in 2017 and was well received, particularly among our younger guests. In addition, we added smaller Estee Lauder and Clinique counters to 32 stores. In apparel, active and outdoor delivered strong results.
- We launched gRewards™ and relaunched the value proposition for Style Circle Rewards®, our loyalty programs, which complement our existing private label credit card and enable us to better understand our guests’ shopping habits, offer more personalized promotional offers and provide attractive rewards. In November 2017, we reissued new private label credit cards to more than 2 million guests. Private label credit card sales penetration in our department stores was 49%, and we established the foundation for achieving our long-term goal of 25% private label credit card sales penetration in Gordmans.
- We advanced our omni-channel strategy with the launch of Web@POS, which provides our guests access to our online assortments from within our stores. We also deployed several enhancements to improve the performance of our e-

commerce website, which has had a significant benefit to our e-commerce sales. We made investments in digital marketing and our mobile site, as well as to our supply chain, to support continued online growth. Our digital channels provide our guests with added convenience and enhanced assortments, and allow us to acquire guests beyond our local markets and further build our brand.

- We continued our multi-year plan to close underperforming stores, including 21 department stores in 2017, following a strategic evaluation of our store portfolio according to increased profitability and return on investment standards. We have now closed 81 stores since we began our multi-year effort in 2015 to exit underperforming locations.
- In December 2017, we closed our South Hill, Virginia distribution center as part of our strategy to increase the efficiency of our distribution network. Operations from the Virginia distribution center have been transferred to our distribution centers in Texas and Ohio.

While we made a number of important improvements in our business from 2016 to 2017, our 2017 financial performance fell short of our expectations. As a result, our named executive officers did not earn an annual performance incentive bonus for 2017, and shares were not earned under the three-year performance share unit awards whose performance cycle ended with 2017. We have tied these important components of compensation to our pre-tax earnings, comparable sales and TSR in order to align the interests of our named executive officers with our shareholders and to deliver meaningful portions of executive compensation only when we perform. The relationship between our 2017 performance and realized compensation, as well as the design of our executive compensation program to emphasize shareholder alignment, demonstrates the effectiveness of our program.

#### **Say-on-Pay Vote Recommendation**

This vote on executive compensation is advisory, which means that the vote is not binding on the Board, the Compensation Committee or us. Although non-binding, the Board and the Compensation Committee will continue to consider the results of Say-on-Pay Votes in determining future executive compensation.

The affirmative vote of a majority of the votes cast is required to approve this advisory resolution. Broker discretionary voting of uninstructed shares is not permitted for a shareholder vote on executive compensation.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE ABOVE ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION.**

#### **ITEM 3: RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018**

The Audit Committee appointed Deloitte & Touche LLP as our independent registered public accounting firm for 2018. This selection is being presented to the shareholders for their ratification. Proxies solicited by the Board will, unless otherwise directed, be voted to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2018.

Deloitte & Touche LLP has been our independent registered public accounting firm since 2001. The Audit Committee has been advised by Deloitte & Touche LLP that it is an independent registered public accounting firm with respect to us within the meaning of the Exchange Act.

A representative of Deloitte & Touche LLP will be present at the Annual Meeting to respond to appropriate questions and to make a statement if so desired.

The affirmative vote of a majority of the shares present or represented and entitled to vote either in person or by proxy is required to ratify the selection of Deloitte & Touche LLP.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE FOLLOWING RESOLUTION RATIFYING OUR APPOINTMENT OF AN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM:**

**RESOLVED, that the appointment of Deloitte & Touche LLP, as the independent registered public accounting firm for Stage Stores, Inc. for 2018 is hereby RATIFIED.**



## AUDIT COMMITTEE MATTERS

### Pre-Approval Policies

The Audit Committee has direct responsibility to select, retain, terminate, determine compensation and oversee the work of our independent registered public accounting firm. Pre-approval by the Audit Committee is required for any engagement of our independent registered public accounting firm and the Audit Committee has established a pre-approval policy to prevent the provision of services that would impair the independence of our independent registered public accounting firm. Under the policy, the Audit Committee annually pre-approves the audit and any non-audit services proposed to be provided by our independent registered public accounting firm. Requests to provide services that require pre-approval by the Audit Committee are submitted to the Audit Committee by our Chief Financial Officer, Controller or other officer and our independent registered public accounting firm. In determining whether to approve the engagement of our independent registered public accounting firm, the Audit Committee considers whether such services are consistent with the SEC's and the Public Company Accounting Oversight Board's rules on auditor independence. The Audit Committee also considers the amount of audit related fees in comparison to all other fees paid to our independent registered public accounting firm and reviews such comparison each year.

### Principal Accountant Fees and Services

The fees billed to us by Deloitte & Touche LLP, our independent registered public accounting firm, during the two most recently completed fiscal years, were as follows:

<i>(\$ in thousands)</i>	2017 (\$)	2016 (\$)
Audit Fees (1)	1,593	1,148
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees (2)	19	47
Total Fees	1,612	1,195

- (1) Audit fees for 2017 and 2016 consisted of fees for (a) the audit of our annual financial statements, (b) the review of financial statements in our quarterly reports on Form 10-Q, (c) the audit of the effectiveness of our internal control over financial reporting, and (d) services that are provided by the independent registered public accounting firm in connection with statutory and regulatory filings.
- (2) All other fees for 2017 and 2016 consisted of fees for services related to the audit of the financial statements of our nonqualified DC Plan, which are included in the DC Plan's Annual Report on Form 11-K, as well as benchmarking survey fees in 2016. All services were approved by the Audit Committee.

### Audit Committee Report

The Audit Committee has reviewed and discussed the audited financial statements for 2017 with management and our independent registered public accounting firm, Deloitte & Touche LLP. The Audit Committee has discussed with Deloitte & Touche LLP the matters required to be discussed by Auditing Standard No. 61, as amended, as adopted by the Public Company Accounting Oversight Board Rule 3200T. The Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding Deloitte & Touche LLP's communications with the Audit Committee concerning independence, and has discussed with Deloitte & Touche LLP its independence. Based on these reviews and discussions, the undersigned members of the Audit Committee recommended to the Board that our audited financial statements for 2017 be included in our Form 10-K for filing with the SEC.

#### Members of the Audit Committee

Elaine D. Crowley, Chair  
Alan J. Barocas  
Diane M. Ellis  
William J. Montgoris

## ADDITIONAL INFORMATION

### Annual Report on Form 10-K

A copy of our 2017 Annual Report on Form 10-K will be furnished without charge to shareholders, upon written request to Stage Stores, Inc., Attn: Investor Relations, 2425 West Loop South, Houston, Texas 77027. Our 2017 Annual Report on Form 10-K may also be accessed in the Financial Reports section of our website ([corporate.stage.com/financial-reports](http://corporate.stage.com/financial-reports)).

### Electronic Access to Proxy Statement and Annual Report

This Proxy Statement, our Annual Report to Shareholders for 2017 and our Annual Report on Form 10-K for 2017 are available to review at [envisionreports.com/SSI](http://envisionreports.com/SSI) for registered shareholders and at [edocumentview.com/SSI](http://edocumentview.com/SSI) for beneficial shareholders. This Proxy Statement and our Annual Report on Form 10-K for 2017 are also available on the SEC's EDGAR database located at [sec.gov](http://sec.gov).

### Documents Available in Print

In addition to being posted with printer friendly versions in the Corporate Governance section of our website ([corporate.stage.com/corporate-governance](http://corporate.stage.com/corporate-governance)), the charters of our Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee, our Governance Guidelines, our Code of Ethics for Senior Officers, and our Code of Ethics and Business Conduct are available in print to any shareholder who requests them. Written requests should be made to Stage Stores, Inc., Attn: Investor Relations, 2425 West Loop South, Houston, Texas 77027.

### Solicitation of Proxies

This solicitation of proxies is made by and on behalf of the Board. In addition to mailing the Notice of Internet Availability (or, if applicable, paper copies of this Proxy Statement, the Notice of Annual Meeting of Shareholders and the proxy card) to shareholders of record on the Record Date, the brokers, banks and other nominees holding our common shares for beneficial holders must, at our expense, provide our proxy materials to persons for whom they hold our common shares. Solicitation may also be made by our officers and other employees personally or by telephone, mail or electronic mail. Any of our officers or employees who assist with solicitation will not receive any additional compensation. The cost of the solicitation will be borne by us. D.F. King & Co. has been retained to assist in soliciting proxies at an estimated fee of \$7,000, plus reasonable expenses.

### Shareholder Proposals

Shareholder proposals intended to be presented at our 2019 annual meeting of shareholders must be received by our Secretary at our corporate office on or before December 27, 2018 to be eligible for inclusion in our 2019 proxy statement and form of proxy. Such proposals must be submitted in accordance with Rule 14a-8 of the Exchange Act. Any shareholder intending to present a proposal at our 2019 annual meeting of shareholders without inclusion of that proposal in our 2019 proxy materials, must provide written notice of the proposal to our Secretary at our corporate office on or before March 12, 2019. If we do not receive such notice on or before such deadline or we meet additional requirements of the SEC rules, proxies solicited by the Board for our 2019 annual meeting of shareholders will confer discretionary authority on the proxy holders named therein to vote on the relevant shareholder proposal at the 2019 annual meeting of shareholders. Proposals and notices of intention to present proposals should be addressed to our Secretary as follows: Stage Stores, Inc., Attn: Chief Legal Officer and Secretary, 2425 West Loop South, 11<sup>th</sup> Floor, Houston, Texas 77027.

## OTHER MATTERS

As of the date of this Proxy Statement, the Board knows of no other matters that will be presented for consideration at the Annual Meeting other than Item 1, Item 2 and Item 3 described above. If any other matter is properly brought before the Annual Meeting, including any adjournment thereof, common shares represented by proxies received in response to this solicitation will be voted on such matter in accordance with the recommendation of the Board.

By Order of the Board of Directors,



Chadwick P. Reynolds  
*Executive Vice President,  
Chief Legal Officer and Secretary*

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

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**FORM 10-K**

(Mark One)

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

For the fiscal year ended February 3, 2018

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-14035

**Stage Stores, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

NEVADA

(State or Other Jurisdiction of Incorporation or Organization)

91-1826900

(I.R.S. Employer Identification No.)

2425 WEST LOOP SOUTH, HOUSTON, TEXAS

(Address of Principal Executive Offices)

77027

(Zip Code)

Registrant's telephone number, including area code: (800) 579-2302

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

Title of each class  
Common Stock (\$0.01 par value)

Name of each exchange on which registered  
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

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

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 28, 2017 (the last business day of the registrant's most recently completed second quarter), the aggregate market value of the voting and non-voting common stock of the registrant held by non-affiliates of the registrant was \$52,166,748 (based upon the closing price of the registrant's common stock as reported by the New York Stock Exchange on July 28, 2017).

As of March 23, 2018, there were 27,633,604 shares of the registrant's common stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive proxy statement relating to the registrant's Annual Meeting of Shareholders to be held on June 7, 2018, which will be filed within 120 days of the end of the registrant's fiscal year ended February 3, 2018 ("Proxy Statement"), are incorporated by reference into Part III of this Form 10-K to the extent described therein.

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*References to a particular year are to Stage Stores, Inc.'s fiscal year, which is the 52- or 53-week period ending on the Saturday closest to January 31st of the following calendar year. For example, a reference to "2015" is a reference to the fiscal year ended January 30, 2016, "2016" is a reference to the fiscal year ended January 28, 2017 and "2017" is a reference to the fiscal year ended February 3, 2018. 2015 and 2016 each consisted of 52 weeks, while 2017 consisted of 53 weeks. Similarly, references to a particular quarter are to Stage Stores, Inc.'s fiscal quarters.*

## **PART I**

### **ITEM 1. BUSINESS**

#### **Our Business**

Stage Stores, Inc. and its subsidiary ("we," "us" or "our") is a retailer, which operates specialty department stores and off-price stores. We offer our customers, referred to as "guests," trend-right, moderately priced, name-brand apparel, accessories, cosmetics, footwear and home goods. As of February 3, 2018, we operated in 42 states through 777 department stores under the BEALLS, GOODY'S, PALAIS ROYAL, PEEBLES and STAGE nameplates and 58 GORDMANS off-price stores. We also operate an e-commerce website for our department store business. Our department stores are predominantly located in small towns and rural communities. Our off-price stores are predominantly located in mid-sized, non-rural Midwest markets.

#### **Our History**

Stage Stores, Inc. was formed in 1988 when the management of Palais Royal, together with several venture capital firms, acquired the family-owned Bealls and Palais Royal chains, both of which were originally founded in the 1920s. At the time of the acquisition, Palais Royal operated primarily larger stores, located in and around the Houston metropolitan area, while Bealls operated primarily smaller stores, principally located in rural Texas towns.

In 2003, we acquired Peebles Inc. ("Peebles"), a privately held, similarly small-market focused retail company headquartered in South Hill, Virginia. Our Peebles stores are located in the Mid Atlantic, Northeastern, Midwestern and Southeastern states.

In July 2009, we acquired the "Goody's" name from Goody's Family Clothing, Inc. through a bankruptcy auction. Our Goody's stores are primarily located in the Southeastern and Midwestern states.

On April 7, 2017, we acquired select assets of Gordmans Stores, Inc. and its subsidiaries through a bankruptcy auction ("Gordmans Acquisition"). The results of the Gordmans stores that we operated from April 7, 2017 through February 3, 2018 are included in our consolidated statement of operations for fiscal year 2017 (see Note 15 to the consolidated financial statements). Our Gordmans stores are primarily located in the Midwestern states.

#### **Competition**

The department store and off-price retail markets are highly competitive and fragmented. We operate in a challenging macroeconomic and retail environment and have numerous competitors as further described in Item 1A, Risk Factors, of this Form 10-K. We believe the principal differentiating factors which allow us to compete for guests' patronage include great values on name brand merchandise, assortments that appeal to our target guests, exceptional service in convenient locations, compelling advertising and promotions and an omni-channel shopping experience. We expect the strategic investments we have made and plan to continue to make will enable us to meet these guest expectations and leave us well positioned to compete in the future.

## Stores

*Store Openings and Closures.* We added 58 Gordmans off-price stores in 2017 with the Gordmans Acquisition. We plan to open one new Gordmans store in early 2018. As part of a strategic evaluation of our department store portfolio in 2015, we announced a multi-year plan to close stores that we believe do not have the potential to meet our sales productivity and profitability standards. Since then, we have closed 81 stores, including 21 stores during 2017, and we expect to close approximately 30 stores in 2018. We continually review the profitability of each store and will consider closing a store if the expected store performance does not meet our financial standards. The closure of these stores is expected to improve our ability to effectively allocate capital, deliver higher sales productivity and be accretive to earnings.

*Expansion, Relocation and Remodeling.* During 2017, we completed 9 store remodels, relocations and expansions. Since 2015, we have updated over 200 stores representing approximately 45% of our sales base. We believe that our investment in these stores improves the store environment and helps us create an inviting and differentiated shopping experience. Our store remodels are designed to create a bright, fun and comfortable environment and include upgrades ranging from improved lighting, flooring, paint, fixtures, fitting rooms, visual merchandising and signage, to more extensive expansion projects.

Store count and selling square footage by nameplate are as follows:

	Number of Stores			Selling Square Footage (in thousands)		
	January 28, 2017	2017 Activity Net Changes	February 3, 2018	January 28, 2017	2017 Activity Net Changes	February 3, 2018
Bealls	188	(7)	181	3,787	(171)	3,616
Goody's	223	(6)	217	3,451	(88)	3,363
Palais Royal	49	(3)	46	1,063	(73)	990
Peebles	187	(2)	185	3,429	(39)	3,390
Stage	151	(3)	148	2,858	(80)	2,778
Gordmans	—	58	58	—	2,825	2,825
<b>Total</b>	<b>798</b>	<b>37</b>	<b>835</b>	<b>14,588</b>	<b>2,374</b>	<b>16,962</b>

Our department stores are predominantly located in small towns and rural communities. Utilizing a ten-mile radius from each store, approximately 61% of our department stores are located in communities with populations below 50,000 people, while an additional 24% of our department stores are located in communities with populations between 50,000 and 150,000 people. The remaining 15% of our department stores are located in higher-density markets with populations greater than 150,000 people, such as Houston, San Antonio and Lubbock, Texas.

Our Gordmans off-price stores are predominantly located in mid-sized, non-rural Midwest markets.

## Omni-channel

In our ongoing effort to enhance the guest experience, we are focused on better connecting our department store and online channels. Below are few examples of how our department store and online channels intersect:

- Our website gives guests the opportunity to preview merchandise online before making a purchase in our stores.
- Stores increase online sales by providing guests with the opportunity to view, touch and/or try on physical merchandise before ordering online.
- Most online purchases can easily be returned in our stores.
- In 2016, we introduced Buy Online, Ship-to-Store, which gives our guests the option to have online purchases shipped for free to a local store.
- In 2017, we introduced Web@POS, which gives our guests access to our expanded online assortments from within our stores.
- Style Circle Rewards® can be redeemed online or in stores regardless of where they are earned.
- Guests may apply most discounts to both online and in-store purchases.

Providing our guests with the opportunity to engage with us through multiple channels is part of a cohesive business strategy that helps us build our brand loyalty. Guests that shop with us both online and in stores spend, on average, 3 times more than guests that shop only in our stores.

## Merchandising

We offer a well-edited selection of moderately priced, branded merchandise within distinct merchandise categories of women's, men's and children's apparel, accessories, cosmetics, footwear and home goods that reflect current styles and trends through our department stores, off-price stores and e-commerce website.

The following table sets forth the distribution of net sales among our various merchandise categories:

Merchandise Category	Fiscal Year			2016	2015
	2017		Total Company		
	Department Stores	Off-price Stores			
Women's	35%	29%	34%	37%	38%
Men's	17	13	17	17	17
Children's	11	12	11	12	11
Apparel	63%	54%	62%	66%	66%
Footwear	14%	2%	12%	13%	13%
Accessories	7	9	8	7	7
Cosmetics/Fragrances	11	5	10	10	10
Home/Gifts/Other	5	30	8	4	4
Non-apparel	37%	46%	38%	34%	34%
	100%	100%	100%	100%	100%

Our merchandise mix in our department stores offers more apparel categories, while our off-price stores carry a larger selection of home goods. Merchandise mix may also vary from store to store to accommodate differing demographic, regional and climate characteristics. Our buying and planning team uses technology tools such as size pack optimization, which allow us to better fulfill guest needs by tailoring size assortments by store.

Approximately 82% of sales in our department stores consist of national brands such as Adidas, Calvin Klein, Carters, Chaps, Clinique, Dockers, Estee Lauder, G by Guess, Izod, Jessica Simpson, Levi's, Nike, Nine West and Skechers, while the remaining 18% of sales are private label merchandise. Our off-price stores offer national brands purchased opportunistically bringing greater value to our guests.

Our department store private label portfolio brands are developed and sourced through agreements with third party vendors. We believe our private label and exclusive brands offer a compelling mix of style, quality and value.

## Merchandise Distribution

We distribute merchandise to our department stores through our distribution centers located in Jacksonville, Texas, and Jeffersonville, Ohio and to our Gordmans off-price stores through our distribution center in Omaha, Nebraska. In December 2017, we closed our South Hill, Virginia, distribution center, as part of our strategy to increase the efficiency of our distribution network. Operations from the Virginia distribution center have been transferred to our distribution centers in Texas and Ohio. E-commerce orders are predominantly filled from our distribution center in Jacksonville, Texas and to a lesser extent, from our distribution center in Jeffersonville, Ohio, select stores and directly from our vendors. We contract with third party carriers to deliver merchandise to our stores and to our guests in the fulfillment of online orders. Guests also have the option to pick up an online order in a local store through our Buy Online, Ship-to-Store program.



## **Marketing**

Our marketing strategy is designed to establish and reward brand loyalty. The strategy supports each store's position as the destination for desirable styles and national brands at an attractive value in a comfortable and welcoming environment. Our marketing strategy leverages (i) insights from brand and guest research, (ii) identified guest purchase history and (iii) emerging technology and trends in retail marketing. We use a multi-media advertising approach, including broadcast media, digital media, mobile media, direct mail, and to a lesser degree, newspaper inserts.

Our department stores and off-price stores are similar in many respects. However, our department stores offer deeper, more curated assortments with sales driven by high-low promotions. Conversely, our Gordmans off-price stores offer every day value in a "treasure hunt" environment with sales driven by holidays, back-to-school, and other calendar events.

We consider our private label credit card program, and our loyalty programs, Style Circle Rewards<sup>®</sup> and gRewards<sup>™</sup>, to be vital components of our business because these programs (i) enhance guest loyalty, (ii) allow us to identify and regularly contact our best guests and (iii) create a comprehensive database that enables us to implement targeted and personalized marketing messages. On average, private label credit cardholders and loyalty members visit our stores more frequently, spend more annually, and are less likely to attrite than non-loyalty guests. In our department stores, private label credit card purchases represented 49%, 47% and 44% of our sales in 2017, 2016 and 2015, respectively. In our Gordmans off-price stores, we acquired a historically underpenetrated private label credit card program and implemented best practices developed in our department stores, which we expect to drive future growth. In 2017, we relaunched the value proposition for Style Circle Rewards<sup>®</sup> and our private label credit card in conjunction with launching gRewards<sup>™</sup>. We ended 2017 with 7.4 million Style Circle Rewards<sup>®</sup> members and 0.8 million gRewards<sup>™</sup> members. These programs allow us to better understand and respond to our guests' shopping habits and are powerful tools to drive higher transaction value and frequency of visits.

Brand image is an important part of our marketing program. Our principal trademarks, including the BEALLS, GOODY'S, PALAIS ROYAL, PEEBLES, STAGE and GORDMANS, have been registered with the U.S. Patent and Trademark Office. We have also registered trademarks used in connection with our private label merchandise. We regard our trademarks and their protection as important to our success.

We maintain a connection to the communities we serve and operate a giving campaign in the markets we serve called 30 Days of Giving under our Community Counts program. In 2017, through our Community Counts program and other efforts like our Bears that Care program and Hurricane Harvey relief efforts, we helped raise approximately \$3.0 million for our communities.

## **Guest Service**

We strive to provide exceptional guest service. To ensure consistency of execution, each sales associate is evaluated based on the attainment of specific guest service standards, such as offering a friendly greeting, providing prompt assistance, helping open private label credit card accounts, thanking guests and inviting return visits. We also conduct guest satisfaction surveys to measure and monitor attainment of service expectations. The results of guest surveys are used to provide feedback to reinforce and improve store service. Additionally, we have various programs in place to recognize our sales associates for providing outstanding guest service.

## **Information Systems**

We support our business by using multiple, highly integrated systems in areas such as merchandising, store operations, distribution, sales promotion, asset protection, personnel management, store design and accounting. Our core merchandising systems assist in planning, ordering, allocating and replenishing merchandise assortments for each store, based on specific characteristics and recent sales trends. Our replenishment/fulfillment system allows us to maintain planned levels of in-stock positions in basic items such as jeans and undergarments. In addition, a fully integrated warehouse management system is in place in all three distribution centers.

Our assortment planning system allows us to create guest-centric assortments aligned to sales strategies. The system also facilitates cleaner seasonal transitions and fresher merchandise in stores. We continue to expand the utilization and effectiveness of our merchandise planning system to maximize the generation of sales and gross margin.

We utilize a point-of-sale (“POS”) platform with bar code scanning, electronic credit authorization, instant credit, a returns database and gift card processing in all our stores. The POS platform allows us to capture guest specific sales data for use in our merchandising, marketing and loss prevention systems, while servicing our guests. The POS platform also manages coupon and deal-based pricing, which streamlines the checkout process and improves store associate adherence to promotional markdown policies.

In 2017, we implemented new systems to facilitate our Web@POS and Buy Online, Ship-to-Store programs as part of our strategy to better connect our department store and online channels. Web@POS provides guests access to our online merchandise assortments from within our department stores. Buy Online, Ship-to-Store provides our guests the ability to buy certain merchandise on our website and have it shipped to a store for pick-up. We also continue to invest in enhancements to improve the performance of our e-commerce website.

## **Our Employees**

At February 3, 2018, we employed approximately 14,500 full-time and part-time employees, referred to as “associates.” Employment levels vary during the year as we traditionally hire additional sales associates and increase the hours of part-time sales associates during peak seasonal selling periods. We offer a broad range of company-paid benefits to our associates. Eligibility for and the level of benefits vary depending on associates' full-time or part-time status, compensation level, date of hire and/or length of service. Company-paid benefits include a 401(k) plan, deferred compensation plans, medical and dental plans, disability insurance, paid vacation, life insurance and merchandise discounts. We consider our relationship with our associates to be good, and there are no collective bargaining agreements in effect with respect to any of our associates.

## **Seasonality**

Our business, like many other retailers, is subject to seasonal influences with a significant portion of sales and income typically realized during the last quarter of our fiscal year. Working capital requirements fluctuate during the year and generally reach their highest levels during the third and fourth quarters. Because of the seasonality of our business, results from any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

## Available Information

We make available, free of charge, through the “Investor Relations” section of our website ([corporate.stage.com](http://corporate.stage.com)) under the “Financial Reports” caption, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (“Exchange Act”) as soon as reasonably practicable after we file such material with, or furnish it to, the Securities and Exchange Commission (“SEC”). In this Form 10-K, we incorporate by reference certain information from parts of our Proxy Statement for our 2018 Annual Meeting of Shareholders (“Proxy Statement”).

Also in the “Investor Relations” section of our website ([corporate.stage.com](http://corporate.stage.com)) under the “Corporate Governance” and “Financial Reports” captions, the following information relating to our corporate governance may be found: Corporate Governance Guidelines; charters of our Board of Directors’ Audit, Compensation, and Corporate Governance and Nominating Committees; Code of Ethics and Business Conduct; Code of Ethics for Senior Officers; Chief Executive Officer and Chief Financial Officer certifications related to our SEC filings; and transactions in our securities by our directors and executive officers. The Code of Ethics and Business Conduct applies to all of our directors and employees. The Code of Ethics for Senior Officers applies to our Chief Executive Officer, Chief Financial Officer, Controller and other individuals performing similar functions, and contains provisions specifically applicable to the individuals serving in those positions. We intend to post amendments to and waivers from, if any, our Code of Ethics and Business Conduct (to the extent applicable to our directors and executive officers) and our Code of Ethics for Senior Officers in the “Investor Relations” section of our website ([corporate.stage.com](http://corporate.stage.com)) under the “Corporate Governance” caption. We will provide any of the foregoing information without charge upon written request to our Secretary. The contents of our websites are not part of this report.

## ITEM 1A. RISK FACTORS

### Cautionary Statement Concerning Forward-Looking Statements for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995

The Private Securities Litigation Reform Act of 1995 (“Act”) provides a safe harbor for forward-looking statements to encourage companies to provide prospective information, so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that may cause actual results to differ materially from those discussed in the statements. We wish to take advantage of the “safe harbor” provisions of the Act.

Certain statements in this report are forward-looking statements within the meaning of the Act, and such statements are intended to qualify for the protection of the safe harbor provided by the Act. The words “anticipate,” “estimate,” “expect,” “objective,” “goal,” “project,” “intend,” “plan,” “believe,” “will,” “should,” “may,” “target,” “forecast,” “guidance,” “outlook,” and similar expressions generally identify forward-looking statements. Similarly, descriptions of our objectives, strategies, plans, goals or targets are also forward-looking statements. Forward-looking statements relate to the expectations of management as to future occurrences and trends, including statements expressing optimism or pessimism about future operating results or events and projected sales, earnings, capital expenditures and business strategy.

Forward-looking statements are based upon a number of assumptions and factors concerning future conditions that may ultimately prove to be inaccurate and could cause actual results to differ materially from those in the forward-looking statements. Forward-looking statements that are made herein and in other reports and releases are not guarantees of future performance and actual results may differ materially from those discussed in such forward-looking statements as a result of various factors. These factors include, but are not limited to, the ability for us to maintain normal trade terms with vendors, the ability for us to comply with the various covenant requirements contained in the Revolving Credit Facility agreement (as defined in “Liquidity and Capital Resources”), the demand for apparel, and other factors. The demand for apparel and sales volume can be affected by significant changes in economic conditions, including an economic downturn, employment levels in our markets, consumer confidence, energy and gasoline prices, the value of the Mexican peso, and other factors influencing discretionary consumer spending. Other factors affecting the demand for apparel and sales volume include unusual weather patterns, an increase in the level of competition, competitors’ marketing strategies, changes in fashion trends, changes in the average cost of merchandise purchased for resale, availability of product on normal payment terms and the failure to achieve the expected results of our merchandising and marketing plans as well as our store opening or relocation plans. Additional assumptions, factors and risks concerning future conditions are discussed in the Risk Factors section of this Form 10-K, and may be discussed from time to time in our other filings with the SEC, including Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Most of these factors are difficult to predict accurately and are generally beyond our control.

Forward-looking statements are and will be based upon management’s then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. Although management believes the expectations expressed in forward-looking statements are based on reasonable assumptions within the bounds of our knowledge, forward-looking statements, by their nature, involve risks, uncertainties and other factors, any one or a combination of which could materially affect our business, financial condition, results of operations or liquidity.

Readers should carefully review this Form 10-K in its entirety, including, but not limited to our financial statements and the accompanying notes, and the risks and uncertainties described in this Item 1A. Readers should consider these risks, uncertainties and other factors carefully in evaluating forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. Forward-looking statements contained in this Form 10-K are made as of the date of this Form 10-K. We undertake no obligation to publicly update forward-looking statements whether as a result of new information, future events or otherwise. Readers are advised, however, to consult any further disclosures we make on related subjects in our public announcements and SEC filings.

Our ability to achieve the results contemplated by forward-looking statements is subject to a number of factors, any one, or a combination, of which could materially affect our business, financial condition, results of operations, or liquidity. Described below are certain risk factors that management believes are applicable to our business and the industry in which we operate. There may also be additional risks that are presently immaterial or unknown.

## **Competitive and Operational Risks**

**We face significant competition in the retail apparel industry, which may adversely affect our sales and profitability.** The retail apparel business is highly competitive. We compete with local, regional, national and online retailers, including department, specialty and discount stores, direct-to-consumer businesses and other forms of retail commerce. The Internet and evolving technologies in retail have led to increased competition as there are fewer barriers to entry and consumers are able to quickly and conveniently comparison shop. We compete on many factors, such as merchandise assortment, advertising, price, quality, convenience, guests' shopping experience, store environment, service, loyalty programs and credit availability. Unanticipated changes in the pricing and other practices of our competitors may create downward pressure on prices and lower demand for our products, which may adversely impact our sales and profitability.

**If we are unable to successfully execute our strategies, our operating performance may be significantly impacted.** There is a risk that we will be unable to meet our operating performance targets and goals if our strategies and initiatives are unsuccessful. Our ability to develop and execute our strategic plan and to execute the business activities associated with our strategic and operating plans may impact our ability to meet our operating performance targets.

**Our failure to anticipate and respond to changing guest preferences in a timely manner may adversely affect our operations.** Our success depends, in part, upon our ability to anticipate and respond to changing consumer preferences and fashion trends in a timely manner. We attempt to stay abreast of emerging lifestyles and consumer preferences affecting our merchandise. However, any sustained failure on our part to identify and respond to such trends may have a material and adverse effect on our business, financial condition and cash flows.

**Failure to successfully operate our Gordmans stores as an off-price retailer, or to grow the Gordmans off-price business as planned may adversely affect our results of operations and financial condition.** We operated 58 Gordmans off-price stores during 2017, following the Gordmans Acquisition on April 7, 2017. During 2017, we progressed with converting the Gordmans stores into a true off-price retailer by eliminating promotions and implementing pricing that is competitive with the off-price industry. We view Gordmans as a key growth opportunity for our business. If we are not able to successfully operate the Gordmans stores as an off-price retailer, or grow the Gordmans off-price business as planned, the anticipated scale and profitability may not be realized fully or at all, or may take longer to realize than expected, which may adversely affect our results of operations and financial condition.

**Failure to successfully operate our e-commerce website or fulfill guest expectations may adversely impact our business and sales.** Our e-commerce platform provides another channel to generate sales. We believe that our e-commerce website will drive incremental sales by providing existing guests another opportunity to shop with us and allowing us to reach new guests. If we do not successfully meet the challenges of operating an e-commerce website or fulfilling guest expectations, our business and sales may be adversely affected.

**Our failure to attract, develop and retain qualified employees may negatively impact the results of our operations.** We strive to have well-trained and motivated sales associates provide guests with exceptional service. Our success depends in part upon our ability to attract, develop and retain a sufficient number of qualified employees, including store, service and administrative personnel. Competition for key personnel in the retail industry is intense and our future success will depend on our ability to recruit, train and retain our senior executives and other qualified personnel.

### **Supply Chain and Distribution Risks**

**Risks associated with our vendors from whom our products are sourced may have a material adverse effect on our business and financial condition.** Our merchandise is sourced from a variety of domestic and international vendors. All of our vendors must comply with applicable laws, including our required standards of conduct. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport capacity and costs and other factors relating to foreign trade, the ability to access suitable merchandise on acceptable terms and the financial viability of our vendors are beyond our control and may adversely impact our performance.

**Risks associated with our carriers, shippers and other providers of merchandise transportation services may have a material adverse effect on our business and financial condition.** Our vendors rely on shippers, carriers and other merchandise transportation service providers (collectively “Transportation Providers”) to deliver merchandise from their manufacturers, both in the United States and abroad, to the vendors’ distribution centers in the United States. Transportation Providers are also responsible for transporting merchandise from their vendors’ distribution centers to our distribution centers. We also rely on Transportation Providers to transport merchandise from our distribution centers to our stores and to our guests in the case of online sales. However, if work slowdowns, stoppages, weather or other disruptions affect the transportation of merchandise between the vendors and their manufacturers, especially those manufacturers outside the United States, between the vendors and us, or between us and our e-commerce guests, our business, financial condition and cash flows may be adversely affected.

### **Financial and Liquidity Risks**

**Our dependence upon cash flows and net earnings generated during the fourth quarter, including the holiday season, may have a disproportionate impact on our results of operations.** The seasonal nature of the retail industry causes a heavy dependence on earnings in the fourth quarter. A large fluctuation in economic or weather conditions occurring during the fourth quarter may adversely impact our earnings. In preparation for our peak season, we may carry a significant amount of inventory in advance. If, however, we do not manage inventory appropriately or guest preferences change we may need to increase markdowns or promotional sales to dispose of inventory which will negatively impact our financial results.

**Failure to obtain merchandise product on normal trade terms may adversely impact our business, financial condition and cash flows.** We are highly dependent on obtaining merchandise product on normal trade terms. Failure to meet our performance objectives may cause key vendors and factors to become more restrictive in granting trade credit. The tightening of credit, such as a reduction in our lines of credit or payment terms from the vendor or factor community, may have a material adverse impact on our business, financial condition and cash flows. We are also highly dependent on obtaining merchandise at competitive and predictable prices. If we experience rising prices related to our merchandise, whether due to cost of materials, inflation, transportation costs, or otherwise, our business, financial condition and cash flows may be adversely and materially affected.

**There can be no assurance that our liquidity will not be affected by changes in macroeconomic conditions.** Due to our operating cash flow and availability under the Revolving Credit Facility, we continue to believe that we have the ability to meet our financing needs for the foreseeable future. However, there can be no assurance that our liquidity will not be materially and adversely affected by changes in macroeconomic conditions.

**The Revolving Credit Facility contains covenants that may impose operating restrictions and limits our borrowing capacity to the value of certain of our assets.** The Revolving Credit Facility agreement contains covenants which, among other things, restrict (i) the amount of additional debt or capital lease obligations, (ii) the payment of dividends, and (iii) the repurchase of common stock under certain circumstances. A violation of any of these covenants may permit the lenders to restrict our ability to further access loans and letters of credit and may require the immediate repayment of any outstanding loans. Our failure to comply with these covenants may have a material adverse effect on our capital resources, financial condition, results of operations and liquidity. In addition, any material or adverse developments affecting our business may significantly limit our ability to meet our obligations as they become due or to comply with the various covenant requirements contained in the Revolving Credit Facility agreement. In addition, borrowings under the Revolving Credit Facility are limited to the availability under a borrowing base that is determined principally on eligible inventory, and our inventory, cash and cash equivalents are pledged as collateral under the Revolving Credit Facility. In the event of any material decrease in the amount of or appraised value of our inventory, our borrowing capacity would decrease, which may adversely impact our business and liquidity. In the event of a default that is not cured or waived, the lenders' commitment to extend further credit under the Revolving Credit Facility may be terminated, our outstanding obligations may become immediately due and payable, outstanding letters of credit may be required to be cash collateralized, and remedies may be exercised against the collateral. If we are unable to borrow under the Revolving Credit Facility, we may not have the necessary cash resources for our operations and, if any event of default occurs, there is no assurance that we would have the cash resources available to repay such accelerated obligations, refinance such indebtedness on commercially reasonable terms, or at all, or cash collateralize our letters of credit, which would have a material adverse effect on our business, financial condition, results of operations and liquidity.

**The inability or unwillingness of one or more lenders to fund their commitment under the Revolving Credit Facility may have a material adverse impact on our business and financial condition.** We use the Revolving Credit Facility to provide financing for working capital, capital expenditures and other general corporate purposes, as well as to support our outstanding letters of credit requirements. The lenders under the Revolving Credit Facility are: Wells Fargo Bank, National Association, JPMorgan Chase Bank, N.A., Regions Bank, Bank of America, N.A. and SunTrust Bank. Notwithstanding that we may be in full compliance with all covenants contained in the Revolving Credit Facility, the inability or unwillingness of one or more of those lenders to fund their commitment under the Revolving Credit Facility may have a material adverse impact on our business and financial condition.

**Changes in our private label credit card program may adversely affect our sales and/or profitability.** Our private label credit card ("PLCC") program facilitates sales and generates additional revenue under our profit sharing agreement with the unrelated third party which owns the PLCC accounts receivable. PLCC sales represented 49% of total department stores sales in 2017, and PLCC guests spend more on average than non-PLCC guests. We receive a share of the net finance charges, late fees, other cardholder fees, write-offs, and operating expenses generated by the program. Changes in credit granting standards maintained by the third party, which may be due to macroeconomic trends, could impact our ability to generate new PLCC accounts. Changes in guest payment patterns could impact profit sharing by impacting fee income, write-offs and operating expense. If the sales or profit share that we receive from the PLCC decreases due to economic, legal, social, or other factors that we cannot control or predict, our operating results, financial condition and cash flows may be adversely affected.

**Unexpected costs may arise from our current insurance program and our financial performance may be affected.** Our insurance coverage is subject to deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on the dispersion of our operations. However, we may incur certain types of losses that we cannot insure or that we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other crime and some natural disasters. If we incur these losses and they are material, our business could suffer. Certain material events, including property losses caused by various natural disasters and other types of casualties, may result in sizable losses for the insurance industry and adversely impact the availability of adequate insurance coverage or result in excessive premium increases. To offset negative cost trends in the insurance market, we may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to these market changes. In addition, we self-insure a portion of expected losses under our workers' compensation, general liability and group health insurance programs. Unanticipated changes in any applicable actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including potential increases in medical and indemnity costs, could result in materially different amounts of expense than expected under these programs, which may have a material adverse effect on our financial condition and results of operations. Although we continue to maintain property insurance for catastrophic events, we are self-insured for losses up to the amount of our deductibles. If we experience a greater number of self-insured or uninsured losses than we anticipate or excessive premium increases, our financial performance may be adversely affected.

## **Economic Conditions, Business Disruption and Other External Risks**

**An economic downturn or decline in consumer confidence may negatively impact our business and financial condition.** Our results of operations are sensitive to changes in general economic and political conditions that impact consumer discretionary spending, such as employment levels, taxes, energy and gasoline prices and other factors influencing consumer confidence. We have extensive operations in the South Central, Southeastern, Midwestern and Mid-Atlantic states. Many stores are located in small towns and rural environments that are substantially dependent upon the local economy. We also have concentrations of stores in areas where the local economy is heavily dependent on the oil and gas industry, particularly in portions of Texas, Louisiana, Oklahoma and New Mexico. A decline in crude oil prices and/or oil or gas exploration may negatively impact employment in those communities, resulting in reduced consumer confidence and discretionary spending. Additionally, approximately 3% of our stores contributing approximately 6% of our 2017 sales are located in cities that either border Mexico or are in close proximity to Mexico. A devaluation of the Mexican peso will reduce the purchasing power of those guests who are citizens of Mexico. In such an event, revenues attributable to these stores could be reduced. In early 2017, 2016 and 2015, we experienced pressure on our business in areas that are heavily dependent on the oil industry and near the Mexican border. If those pressures continue or there is an additional economic downturn or decline in consumer confidence, particularly in the South Central, Southeastern, Midwestern and Mid-Atlantic states and any state from which we derive a significant portion of our net sales (such as Texas or Louisiana), our business, financial condition and cash flows will be negatively impacted and such impact may be material.

**We are subject to payment-related risks that may increase our operating costs, expose us to fraud or theft, subject us to potential liability and potentially disrupt our business.** We accept payments using a variety of methods, including cash, checks, credit cards, debit cards, and gift cards, and we may offer new payment options over time. Acceptance of these payment options subjects us to rules, regulations, contractual obligations and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements and rules governing electronic funds transfers. These requirements may change over time or be reinterpreted, making compliance more difficult or costly. We rely on third parties to provide payment processing services and pay interchange and other fees, which may increase over time and raise our operating costs. On October 1, 2015, the payment cards industry began shifting liability for certain debit and credit card transactions to retailers who do not accept Europay, MasterCard and Visa (“EMV”) chip technology transactions. We have not yet implemented EMV chip technology. Implementation of the EMV chip technology and receipt of final certification is subject to the time availability of third-party service providers and may require upgrades to our systems and hardware. Further, we may experience a decrease in transaction volume if we cannot process transactions for cardholders whose card issuer has migrated entirely from magnetic strip to EMV chip enabled cards. Until we are able to fully implement and certify the EMV chip technology in our stores, we may be liable for chargebacks related to counterfeit transactions generated through EMV chip enabled cards, which could negatively impact our operational results, financial position and cash flows.

**Unusual weather patterns or natural disasters may negatively impact our financial condition.** Our business depends, in part, on normal weather patterns in our markets. We are susceptible to unseasonable and severe weather conditions, including natural disasters, such as hurricanes and tornadoes. Any unusual or severe weather, especially in states such as Texas and Louisiana, may have a material and adverse impact on our business, financial condition and cash flows. In addition, our business, financial condition and cash flow may be adversely affected if the businesses of our key vendors or their merchandise manufacturers, shippers, carriers and other merchandise transportation service providers, including those outside of the United States, are disrupted due to severe weather, such as, but not limited to, hurricanes, typhoons, tornadoes, tsunamis or floods.

**An event adversely affecting any of our buying, distribution or other corporate facilities may result in reduced revenues.** Our buying, distribution and other corporate operations are in highly centralized locations. Our operations may be materially and adversely affected if a catastrophic event (such as, but not limited to, fire, hurricanes, tornadoes or floods) or other disruption impacts the access or use of these facilities. While we have contingency plans that would be implemented in such an event, there are no assurances that we would be successful in obtaining alternative servicing facilities in a timely manner.

**War, acts of terrorism, Mexican border violence, public health issues and natural disasters may create uncertainty and may result in reduced revenues.** We cannot predict, with any degree of certainty, what effect, if any, war, acts of terrorism, Mexican border violence, public health issues and natural disasters, if any, will have on us, our operations, the other risk factors discussed herein and the forward-looking statements we make in this Form 10-K. However, the consequences of these events may have a material adverse effect on our business, financial condition and cash flows.



**The price of our common stock as traded on the New York Stock Exchange may be volatile.** Our stock price may fluctuate substantially due to factors beyond our control, including but not limited to, general economic and stock market conditions, risks relating to our business and industry as discussed above, strategic actions by us or our competitors, variations in our quarterly operating performance and investor perceptions of the investment opportunity associated with our common stock relative to other investment alternatives.

### **Legal and Regulatory Risks**

**Changes in the regulatory or administrative landscape could adversely affect our financial condition and results of operations.** Laws and regulations at the local, state, federal and international levels frequently change, and the ultimate cost of compliance cannot be precisely estimated. In addition, we cannot predict the impact that may result from changes in the regulatory or administrative landscape. Any changes in regulations, the imposition of additional regulations, or the enactment of any new or more stringent legislation that impacts employment and labor, trade, product safety, transportation and logistics, health care, tax, privacy, operations, or environmental issues, among others, could have an adverse impact on our financial condition and results of operations.

**Our business may be materially and adversely affected by changes to fiscal and tax policies.** A number of factors influence our effective income tax rate, including changes in tax law and related regulations, interpretation of existing laws, and our ability to sustain our reporting positions on examination. Changes in any of those factors could change our effective tax rate, which could adversely affect our results of operations.

**We may be subject to periodic litigation and regulatory proceedings which may adversely affect our business and financial performance.** From time to time, we are involved in lawsuits and regulatory proceedings. Due to the inherent uncertainties of such matters, we may not be able to accurately determine the impact on us of any future adverse outcome of such matters. The ultimate resolution of these matters may have a material adverse impact on our financial condition, results of operations and liquidity. In addition, regardless of the outcome, these matters may result in substantial cost to us and may require us to devote substantial attention and resources to defend ourselves.

**If our trademarks are successfully challenged, the outcome of those disputes may require us to abandon one or more of our trademarks.** We regard our trademarks and their protection as important to our success. However, we cannot be sure that any trademark held by us will provide us a competitive advantage or will not be challenged by third parties. Although we intend to vigorously protect our trademarks, the cost of litigation to uphold the validity and prevent infringement of trademarks can be substantial and the outcome of those disputes may require us to abandon one or more of our trademarks.

### **Technology Infrastructure, Data Security and Privacy Risks**

**A disruption of our information technology systems may have a material adverse impact on our business and financial condition.** We are heavily dependent on our information technology systems for day-to-day business operations, including sales, warehousing, distribution, purchasing, inventory control, merchandise planning and replenishment, and financial systems. Certain of our information technology support functions are performed by third-parties in overseas locations. While we believe that we are diligent in selecting the vendors that assist us in maintaining the reliability and integrity of our information technology systems, failure by any of these third-parties to implement and/or manage our information systems and infrastructure effectively and securely could result in future disruptions, service outages, service failures or unauthorized intrusions. Despite our precautionary efforts, our information technology systems are vulnerable to damage or interruption from, among other things, natural or man-made disasters, technical malfunctions, inadequate systems capacity, power outages, computer viruses and security breaches, which may require significant investment to fix or replace, and we may suffer loss of critical data and interruptions or delays to our operations in the interim. In addition, as part of our normal course of business, we collect, process and retain sensitive and confidential guest information. Potential risks include, but are not limited to, the following: (i) an intrusion by a hacker, (ii) the introduction of malware (virus, Trojan horse, spyware), (iii) hardware failure, (iv) outages due to software defects and (v) human error. Although we run anti-virus and anti-spyware software and take other steps to ensure that our information technology systems will not be disabled or otherwise disrupted, there are no assurances that disruptions will not occur. The consequences of a disruption, depending on the severity, may have a material adverse effect on our business and financial condition and may expose us to civil, regulatory and industry actions and possible judgments, fees and fines.

**A security breach that results in unauthorized disclosure of guest, employee, vendor or our company information may adversely impact our business, reputation and financial condition.** In the standard course of business, we receive, process and store information about our guests, employees, vendors and our business, some of which is entrusted to third-party service providers and vendors. We also work with third-party service providers and vendors that provide technology, systems and services that we use in connection with the receipt, storage and transmission of this information. Hardware, software or applications obtained from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise our information security. We rely on commercially available systems, software, tools (including encryption technology) and monitoring to provide security and oversight for processing, transmission, storage and the protection of confidential information. Despite the security measures we have in place, our facilities and systems (and those of our vendors and third-party service providers) may be vulnerable to security breaches, acts of vandalism and theft, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Our employees, contractors, vendors or third-party service providers may attempt to circumvent our security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information. Additionally, unauthorized parties may attempt to gain access to our systems or facilities through fraud, trickery, or other means of deceit. We have programs in place to detect, contain, respond to and report (internally and externally) data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, we may be unable to anticipate these techniques or implement adequate preventive measures to safeguard against or timely disclose all data security breaches or misuses of data. Our management and Board of Directors regularly evaluate the risks associated with information security and our efforts to mitigate those risks. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential guest, employee or company information may severely damage our reputation, cause us to incur significant remediation costs, increase our information security protection costs, expose us to the risks of legal proceedings (including fines or other regulatory sanctions in excess of our insurance limits), disrupt our operations, attract a substantial amount of negative media attention, damage our guest and vendor relationships, increase our insurance premiums, damage our competitiveness, and otherwise have a material adverse impact on our reputation, stock price, business, operating results, financial condition and cash flows.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

## ITEM 2. PROPERTIES

Our stores are primarily located in strip shopping centers. We own six of our stores and lease the balance. The majority of leases, which are typically for an initial 10-year term and often with two renewal options of five years each, provide for our payment of base rent plus expenses, such as common area maintenance, utilities, taxes and insurance. Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level. Our stores range in size from approximately 5,000 to 73,000 selling square feet, with the average being approximately 18,000 selling square feet for department stores and approximately 49,000 selling square feet for off-price stores. At February 3, 2018, we operated 835 stores, in 42 states located within 5 regions, as follows:

	Number of Stores		Number of Stores
<i>South Central Region</i>		<i>Midwestern Region</i>	
Arkansas	23	Illinois	11
Louisiana	50	Indiana	30
Oklahoma	34	Iowa	11
Texas	220	Kansas	13
	<u>327</u>	Michigan	17
<i>Mid-Atlantic &amp; Northeastern Region</i>		Minnesota	2
Delaware	3	Missouri	20
Maryland	6	Nebraska	3
New Jersey	5	North Dakota	4
Pennsylvania	32	Ohio	30
Virginia	35	South Dakota	2
West Virginia	10	Wisconsin	8
Massachusetts	2		<u>151</u>
New Hampshire	1	<i>Northwestern &amp; Southwestern Region</i>	
New York	19	Arizona	7
Vermont	4	Colorado	8
	<u>117</u>	Idaho	5
<i>Southeastern Region</i>		Nevada	4
Alabama	27	New Mexico	19
Florida	6	Oregon	4
Georgia	33	Utah	4
Kentucky	34	Wyoming	1
Mississippi	21		<u>52</u>
North Carolina	24		
South Carolina	19		
Tennessee	24	Total Stores	<u>835</u>
	<u>188</u>		

We own a distribution center in Jacksonville, Texas and lease distribution centers in Jeffersonville, Ohio and Omaha, Nebraska. The distribution centers in Texas and Ohio support our department store business, and the distribution center in Nebraska supports our off-price store business. Our distribution centers have the following square footages:

Location	Square Footage
Jacksonville, Texas	437,000
Jeffersonville, Ohio	202,000
Omaha, Nebraska	350,000
	<u>989,000</u>

We also lease a 176,000 square foot facility in Jacksonville, Texas to provide capacity expansion for our growing e-commerce business.

We own a 162,000 square-foot distribution center building located in South Hill, Virginia that is no longer used and is currently held for sale.

We lease our corporate office building located in Houston, Texas.

Our properties are in good condition and are suitable for their intended purpose.

**ITEM 3. LEGAL PROCEEDINGS**

No response is required under Item 103 of Regulation S-K.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

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

#### Market and Dividend Information

Our common stock trades on the New York Stock Exchange under the symbol "SSI". The following table sets forth the high and low market prices per share of our common stock as reported by the New York Stock Exchange and the amount of cash dividends per common share we paid during each quarter in 2017 and 2016:

	Fiscal Year					
	2017			2016		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	\$ 3.00	\$ 1.80	\$ 0.15	\$ 9.00	\$ 6.60	\$ 0.15
2nd Quarter	2.94	1.72	0.05	7.57	4.44	0.15
3rd Quarter	2.43	1.45	0.05	6.56	4.97	0.15
4th Quarter	2.22	1.61	0.05	5.88	2.72	0.15

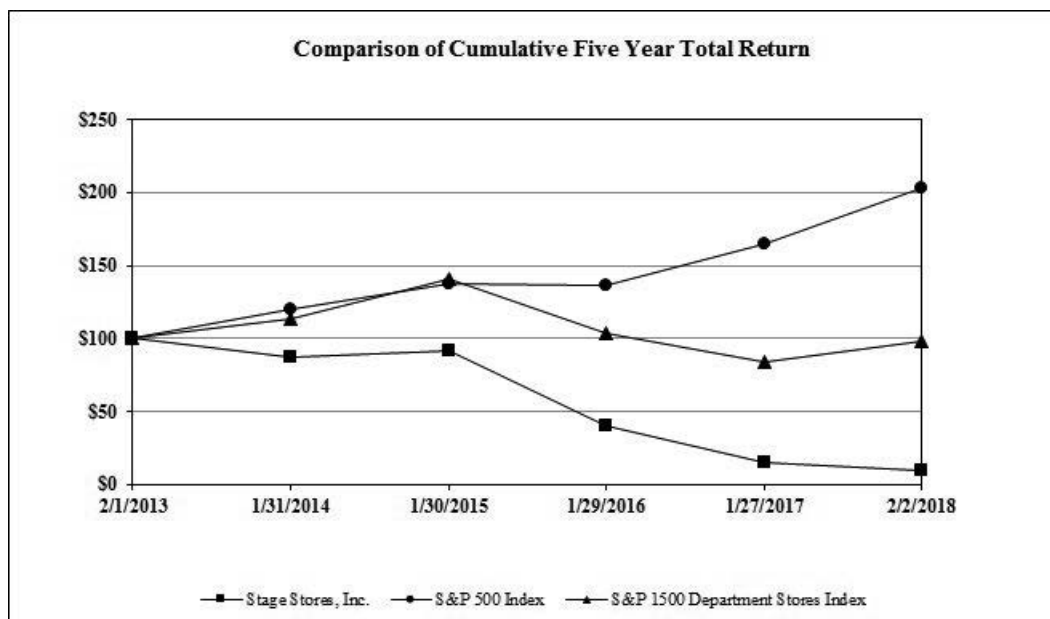
We paid aggregate cash dividends in 2017 and 2016 of \$8.5 million and \$16.7 million, respectively. The declaration and payment of future quarterly cash dividends remain subject to the review and discretion of our Board of Directors ("Board"). Future determinations to pay dividends will continue to be evaluated in light of our results of operations, cash flow and financial condition, as well as meeting certain criteria under the Revolving Credit Facility (as defined in "Liquidity and Capital Resources") and other factors deemed relevant by our Board.

#### Holders

As of the close of trading on the New York Stock Exchange on March 23, 2018 there were approximately 231 holders of record of our common stock.

## Performance Graph

The annual changes for the five-year period shown in the following graph are based on the assumption that \$100 had been invested in each of our common stock, the S&P 500 Index and the S&P 1500 Department Stores Index on February 1, 2013 (the last trading date of 2012), and that all quarterly dividends were reinvested at the closing prices of the dividend payment dates. Subsequent measurement points are the last trading days of 2013, 2014, 2015, 2016 and 2017. The total cumulative dollar returns shown on the graph represent the value that such investments would have had on February 2, 2018 (the last trading date of 2017). The calculations exclude trading commissions and taxes. The stock price performance on the following graph and table is not necessarily indicative of future stock price performance.



Date	Stage Stores, Inc.	S&P 500 Index	S&P 1500 Department Stores Index
2/1/2013	\$100.00	\$100.00	\$100.00
1/31/2014	87.26	120.30	113.28
1/30/2015	91.55	137.42	141.17
1/29/2016	39.80	136.50	103.65
1/27/2017	14.68	164.99	84.00
2/2/2018	9.96	202.66	98.61

## Stock Repurchase Program

On March 7, 2011, our Board approved a stock repurchase program (“2011 Stock Repurchase Program”), which authorizes us to repurchase up to \$200.0 million of our outstanding common stock. The 2011 Stock Repurchase Program will expire when we have exhausted the authorization, unless terminated earlier by our Board. Through February 3, 2018, we repurchased approximately \$141.6 million of our outstanding common stock under the 2011 Stock Repurchase Program. Also in March 2011, our Board authorized us to repurchase shares of our outstanding common stock equal to the amount of the proceeds and related tax benefits from the exercise of stock options, stock appreciation rights (“SARs”) and other equity grants. Purchases of shares of our common stock may be made from time to time, either on the open market or through privately negotiated transactions, and are financed by our existing cash, cash flow and other liquidity sources, as appropriate.

The table below sets forth information regarding our repurchases of our common stock during the fourth quarter of 2017:

### ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased <sup>(a)</sup>	Average Price Paid Per Share <sup>(a)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(b)</sup>
October 29, 2017 to November 25, 2017	10,686	\$ 1.89	—	\$ 58,351,202
November 26, 2017 to December 30, 2017	12,056	1.94	—	58,351,202
December 31, 2017 to February 3, 2018	8,089	1.77	—	58,351,202
<b>Total</b>	<b>30,831</b>	<b>\$ 1.88</b>	<b>—</b>	

<sup>(a)</sup> Although we did not repurchase any of our common stock during the fourth quarter of 2017 under the 2011 Stock Repurchase Program:

- We reacquired 4,445 shares of our common stock from certain employees to cover tax withholding obligations from the vesting of restricted stock at a weighted average acquisition price of \$1.88 per share; and
- The trustee of the grantor trust established by us for the purpose of holding assets under our deferred compensation plan purchased an aggregate of 26,386 shares of our common stock in the open market at a weighted average price of \$1.88 in connection with the option to invest in our stock under the deferred compensation plan and reinvestment of dividends paid on our common stock held in trust in the deferred compensation plan.

<sup>(b)</sup> Reflects the \$200.0 million authorized under the 2011 Stock Purchase Program, less the \$141.6 million repurchased as of February 3, 2018 using our existing cash, cash flow and other liquidity sources since March 2011.

**ITEM 6. SELECTED FINANCIAL DATA**

The following sets forth selected consolidated financial data for the periods indicated. Financial results for 2017 are based on a 53-week period. Financial results for 2016, 2015, 2014 and 2013 are based on a 52-week period. The selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements included herein. All amounts are stated in thousands, except for per share data, percentages and number of stores.

	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Statement of operations data:</b>					
Net sales	\$1,592,275	\$1,442,718	\$1,604,433	\$ 1,638,569	\$1,609,481
Cost of sales and related buying, occupancy and distribution expenses	1,228,780	1,144,666	1,208,002	1,188,763	1,172,995
Gross profit	363,495	298,052	396,431	449,806	436,486
Selling, general and administrative expenses	406,206	356,064	387,859	386,104	393,126
Interest expense	7,680	5,051	2,977	3,002	2,744
(Loss) income from continuing operations before income tax	(50,391)	(63,063)	5,595	60,700	40,616
Income tax (benefit) expense	(13,068)	(25,166)	1,815	22,847	15,400
(Loss) income from continuing operations	(37,323)	(37,897)	3,780	37,853	25,216
Loss from discontinued operations, net <sup>(a)</sup>	—	—	—	(7,003)	(8,574)
Net (loss) income	\$ (37,323)	\$ (37,897)	\$ 3,780	\$ 30,850	\$ 16,642
<i>Adjusted net (loss) income (non-GAAP) <sup>(b)</sup></i>	\$ (23,037)	\$ (24,078)	\$ 16,182	\$ 37,853	\$ 39,986
<i>Basic (loss) earnings per share data:</i>					
Continuing operations	\$ (1.37)	\$ (1.40)	\$ 0.12	\$ 1.18	\$ 0.78
Discontinued operations <sup>(a)</sup>	—	—	—	(0.22)	(0.27)
Basic (loss) earnings per share	\$ (1.37)	\$ (1.40)	\$ 0.12	\$ 0.96	\$ 0.51
Basic weighted average shares outstanding	27,510	27,090	31,145	31,675	32,034
<i>Diluted (loss) earnings per share data:</i>					
Continuing operations	\$ (1.37)	\$ (1.40)	\$ 0.12	\$ 1.18	\$ 0.77
Discontinued operations <sup>(a)</sup>	—	—	—	(0.22)	(0.26)
Diluted (loss) earnings per share	\$ (1.37)	\$ (1.40)	\$ 0.12	\$ 0.96	\$ 0.51
<i>Adjusted diluted (loss) earnings per share (non-GAAP) <sup>(b)</sup></i>	\$ (0.85)	\$ (0.89)	\$ 0.51	\$ 1.18	\$ 1.22
Diluted weighted average shares outstanding	27,510	27,090	31,188	31,763	32,311
<b>Gross profit and SG&amp;A as a percentage of sales:</b>					
Gross profit margin	22.8 %	20.7 %	24.7 %	27.5%	27.1 %
Selling, general and administrative expense rate	25.5 %	24.7 %	24.2 %	23.6%	24.4 %
<b>Cash flow and other data:</b>					
Capital expenditures	\$ 38,630	\$ 74,257	\$ 90,695	\$ 70,580	\$ 61,263
Construction allowances from landlords	1,228	7,079	3,444	5,538	4,162
Business acquisition	36,144	—	—	—	—
Stock repurchases	—	—	41,587	2,755	31,367
Cash dividends per share	0.30	0.60	0.58	0.53	0.48



	Fiscal Year				
	2017	2016	2015	2014	2013
<b>Store data:</b>					
Comparable sales (decline) growth <sup>(c)</sup>	(3.6)%	(8.8)%	(2.0)%	1.4%	(1.5)%
Store openings <sup>(d)</sup>	58	—	3	18	28
Store closings <sup>(d)</sup>	21	37	23	12	10
Number of stores open at end of period <sup>(d)</sup>	835	798	834	854	848
Total selling area square footage at end of period <sup>(d)</sup>	16,962	14,588	15,130	15,409	15,313
	February 3, 2018	January 28, 2017	January 30, 2016	January 31, 2015	February 1, 2014
<b>Balance sheet data:</b>					
Working capital	\$ 298,616	\$ 296,091	\$ 344,880	\$ 299,279	\$ 293,995
Total assets	806,406	786,989	848,099	824,677	810,837
Debt obligations	183,335	170,163	165,723	47,388	63,225
Stockholders' equity	344,114	380,160	429,753	475,930	454,444

<sup>(a)</sup> Discontinued operations reflect the results of Steele's, which was divested in 2014.

<sup>(b)</sup> See Reconciliation of Non-GAAP Financial Measures on page 24 for additional information and reconciliation to the most directly comparable U.S. GAAP financial measure.

<sup>(c)</sup> Comparable sales for 2017 were measured over the 52-week period and exclude the last week of 2017.

<sup>(d)</sup> Fiscal 2017 reflects the addition of Gordmans off-price stores. The fiscal 2016 year-end store count includes one store that was relocated during the year after being temporarily closed in 2015, and was excluded from the 2015 year-end store count. Fiscal 2013 and 2014 exclude Steele's, which was divested in 2014.

## Reconciliation of Non-GAAP Financial Measures

To provide additional transparency, we have disclosed the results of operations for the years presented on a basis in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and on a non-GAAP basis to show earnings excluding certain items presented below. We believe this supplemental financial information enhances an investor’s understanding of our financial performance as it excludes those items which impact comparability of operating trends. The non-GAAP financial information should not be considered in isolation or viewed as a substitute for net income, cash flow from operations, diluted earnings per common share or other measures of performance as defined by GAAP. Moreover, the inclusion of non-GAAP financial information as used herein is not necessarily comparable to other similarly titled measures of other companies due to the potential inconsistencies in the method of presentation and items considered. The following tables set forth the supplemental financial information and the reconciliation of GAAP disclosures to non-GAAP financial measures (in thousands, except diluted earnings per share):

	Fiscal Year				
	2017	2016	2015	2014	2013
Net (loss) income (GAAP)	\$ (37,323)	\$ (37,897)	\$ 3,780	\$ 30,850	\$ 16,642
Loss from discontinued operations, net of tax benefit of \$4,228 and \$5,237, respectively (GAAP) <sup>(a)</sup>	—	—	—	7,003	8,574
(Loss) income from continuing operations (GAAP)	(37,323)	(37,897)	3,780	37,853	25,216
Business acquisition costs (pretax) <sup>(b)</sup>	9,059	—	—	—	—
South Hill distribution center closure (pretax) <sup>(c)</sup>	828	—	—	—	—
Pension settlement (pretax) <sup>(d)</sup>	438	—	748	—	—
Store closures, impairments and other strategic initiatives (pretax) <sup>(e)</sup>	2,608	21,256	12,186	—	—
Severance charges associated with workforce reductions (pretax) <sup>(f)</sup>	—	1,632	1,885	—	—
Consolidation of corporate headquarters (pretax) <sup>(g)</sup>	—	110	3,538	—	—
South Hill Consolidation related charges (pretax) <sup>(h)</sup>	—	—	—	—	23,789
Income tax impact of above adjustments <sup>(i)</sup>	(4,979)	(9,179)	(5,955)	—	(9,019)
Valuation allowance on net deferred tax assets <sup>(j)</sup>	6,077	—	—	—	—
Tax Act <sup>(k)</sup>	255	—	—	—	—
Adjusted net income (loss) (non-GAAP)	\$ (23,037)	\$ (24,078)	\$ 16,182	\$ 37,853	\$ 39,986
Diluted (loss) earnings per share (GAAP)	\$ (1.37)	\$ (1.40)	\$ 0.12	\$ 0.96	\$ 0.51
Loss from discontinued operations (GAAP) <sup>(a)</sup>	—	—	—	(0.22)	(0.26)
Diluted (loss) earnings per share from continuing operations (GAAP)	(1.37)	(1.40)	0.12	1.18	0.77
Business acquisition costs (pretax) <sup>(b)</sup>	0.33	—	—	—	—
South Hill distribution center closure (pretax) <sup>(c)</sup>	0.03	—	—	—	—
Pension settlement (pretax) <sup>(d)</sup>	0.02	—	0.02	—	—
Store closures, impairments and other strategic initiatives (pretax) <sup>(e)</sup>	0.09	0.78	0.39	—	—
Severance charges associated with workforce reductions (pretax) <sup>(f)</sup>	—	0.06	0.06	—	—
Consolidation of corporate headquarters (pretax) <sup>(g)</sup>	—	—	0.11	—	—
South Hill Consolidation related charges (pretax) <sup>(h)</sup>	—	—	—	—	0.73
Income tax impact of above adjustments <sup>(i)</sup>	(0.18)	(0.33)	(0.19)	—	(0.28)
Valuation allowance on net deferred tax assets <sup>(j)</sup>	0.22	—	—	—	—
Tax Act <sup>(k)</sup>	0.01	—	—	—	—
Adjusted diluted (loss) earnings per share (non-GAAP)	\$ (0.85)	\$ (0.89)	\$ 0.51	\$ 1.18	\$ 1.22

	Fiscal Year		
	2017	2016	2015
Net (loss) income (GAAP)	\$ (37,323)	\$ (37,897)	\$ 3,780
Interest expense	7,680	5,051	2,977
Income tax (benefit) expense	(13,068)	(25,166)	1,815
EBIT (Non-GAAP)	(42,711)	(58,012)	8,572
Business acquisition costs (pretax) <sup>(b)</sup>	9,059	—	—
South Hill distribution center closure (pretax) <sup>(c)</sup>	828	—	—
Pension settlement charge (pretax) <sup>(d)</sup>	438	—	748
Store closures, impairments and other (pretax) <sup>(e)</sup>	2,608	21,256	12,186
Severance charges associated with workforce reduction (pretax) <sup>(f)</sup>	—	1,632	1,885
Consolidation of corporate headquarters (pretax) <sup>(g)</sup>	—	110	3,538
Adjusted EBIT (non-GAAP)	<u>\$ (29,778)</u>	<u>\$ (35,014)</u>	<u>\$ 26,929</u>

<sup>(a)</sup> Discontinued operations reflect the results of Steele's, which was divested in 2014.

<sup>(b)</sup> Reflects acquisition and integration related costs associated with the Gordmans Acquisition (see Note 15 to the consolidated financial statements).

<sup>(c)</sup> Reflects charges associated with the closure of our distribution center in South Hill, Virginia.

<sup>(d)</sup> Reflects non-cash charges as a result of pension lump sum distributions exceeding interest cost.

<sup>(e)</sup> Charges in 2017 reflect impairment charges and store closure costs. Charges in 2016 reflect impairment charges recognized as a result of deteriorating operating performance of our stores and costs related to our strategic store closure plan and other initiatives announced in 2015. Charges in 2015 reflect our strategic store closure plan, and primarily consist of impairment charges, as well as fixture moving costs and lease termination charges and other strategic initiatives.

<sup>(f)</sup> Reflects severance charges associated with workforce reductions.

<sup>(g)</sup> Reflects duplicate rent expense and moving related costs associated with the consolidation of our corporate headquarters into a single location, which was completed in February 2016.

<sup>(h)</sup> Reflects charges associated with the consolidation of our operations in South Hill, Virginia, into our corporate headquarters. The charges were primarily for transitional payroll and benefits, recruiting and relocation costs, severance, property and equipment impairment and inventory markdowns.

<sup>(i)</sup> Taxes were allocated based on the annual effective tax rate, excluding the effect of the valuation allowance and Tax Cuts and Jobs Act ("Tax Act").

<sup>(j)</sup> In 2017, we recorded a valuation allowance against our deferred tax assets. Refer to the Income Taxes discussion within Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 14 of the Financial Statements.

<sup>(k)</sup> Represents provisional charges for the remeasurement of deferred tax assets related to the Tax Act. Refer to the Income Taxes discussion within Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 14 of the Financial Statements.

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

### Our Business

We are a retailer of trend-right, moderately priced, name-brand apparel, accessories, cosmetics, footwear and home goods. As of February 3, 2018, we operated in 42 states through 777 specialty department stores under the BEALLS, GOODY'S, PALAIS ROYAL, PEBBLES and STAGE nameplates and 58 GORDMANS off-price stores. We also operate an e-commerce website. Our department stores are predominantly located in small towns and rural communities. Our off-price stores are predominantly located in mid-sized, non-rural Midwest markets.

On April 7, 2017, we acquired select assets of Gordmans Stores, Inc. and its subsidiaries. The results of the Gordmans stores that we operated from April 7, 2017 through February 3, 2018 are included in our consolidated statement of operations for fiscal year 2017 (see Note 15 to the consolidated financial statements).

### Results of Operations

*Results for 2017 reflect 53 weeks versus 52 weeks in 2016, except that comparable sales were measured over 52 weeks for both years.*

Select financial results for 2017 were as follows (comparisons are to 2016):

- Net sales increased \$149.6 million, or 10.4%, to \$1.6 billion, including \$222.2 million in sales from our Gordmans off-price stores.
- Comparable sales decreased 3.6%. Comparable sales consist of store sales after a store has been in operation for 14 full months and e-commerce sales.
- Gross profit increased \$65.4 million, or 22.0%.
- Selling, general and administrative ("SG&A") expenses increased \$50.1 million, or 14.1%, primarily due to the addition of the Gordmans off-price stores.
- Diluted loss per common share was \$1.37, compared to diluted loss per common share of \$1.40.
- Adjusted (non-GAAP) diluted loss per common share was \$0.85, compared to adjusted (non-GAAP) diluted loss per common share of \$0.89 (see reconciliation of non-GAAP financial measures on page 24).
- Paid cash dividends of \$8.5 million, or \$0.30 per share.

### 2017 Strategy and Results

Our department stores sales trend improved as 2017 progressed, and culminated in positive comparable sales in the fourth quarter. Sales benefited from our efforts to inject newness into our merchandise and marketing, better connect our stores and website, and deliver on improved guest service. Macroeconomic trends also contributed to the improved sales trend, particularly in markets that are heavily dependent on the oil and gas industry, which has impacted our stores in Texas, Louisiana, Oklahoma and New Mexico. Store sales in these states represent approximately 51% of our department stores sales.

In the first quarter of 2017, we completed the Gordmans Acquisition, and we operated 58 Gordmans off-price stores during the year. We believe Gordmans provides a growth vehicle for our business.

Our accomplishments in 2017 position us for future growth and improved profitability.

- We progressed with the transition of the Gordmans stores to an off-price concept with our pricing strategy and merchandising.
- We invigorated our merchandise with a more frequent flow of new items and evolved our product assortment to offer more contemporary fashions and brands, adding categories within existing brands and extending existing brands to additional stores.
- We drove sales in trending categories. Non-apparel, led by beauty, outperformed all year. Our Beauty Bar concept was rolled out to 150 stores in 2017 and was well received, particularly among our younger guests. In addition, we added smaller Estee Lauder and Clinique counters to 32 stores. In apparel, active and outdoor delivered strong results.

- We increased merchandise margin and raised our average unit retail price by improving promotional disciplines, eliminating overlapping coupons, enhancing seasonal transitions and editing less productive merchandise categories.
- We advanced our efforts to deliver a true omni-channel experience to our guests by better connecting stores and online. In the fourth quarter of 2017, we launched Web@POS, which offers guests access to a significantly larger assortment while they are shopping in our department stores. We also deployed several enhancements to improve the performance of our e-commerce website, and made investments in our supply chain to support continued online growth.
- We focused our marketing efforts on digital and broadcast and moved away from print. As a result of these efforts, traffic trends improved during the course of the year.
- We launched gRewards™ and relaunched the value proposition for Style Circle Rewards®. Our loyalty programs, which are available to our guests regardless of the payment method used, complement our private label credit card and enable us to better understand our guests' shopping habits, offer more personalized promotional offers and provide attractive rewards. In November 2017, we reissued new private label credit cards to more than 2 million cardholders. In 2017, private label credit card purchases represented 49% of our department store sales. In our Gordmans stores, we acquired a historically underpenetrated private label credit card program and implemented best practices developed in our department stores, which we expect to drive future growth.
- We closed 21 department stores during the year. Since 2015, we have closed 81 department stores as part of our multi-year plan to exit stores that do not meet our sales productivity and profitability standards.
- In December 2017, we closed our South Hill, Virginia distribution center as part of our strategy to increase the efficiency of our distribution network. Operations from the Virginia distribution center have been transferred to our distribution centers in Texas and Ohio.

## 2018 Strategy and Outlook

In 2018, we are focused on achieving the following goals:

- *Off-Price Growth* - In early 2018, we completed the conversion of our Gordmans stores to an off-price shopping environment. As 2018 progresses, we will continue to refine this business model, and we look to identify additional Gordmans store opening opportunities in 2019 and beyond.
- *Differentiation* - Highlighting points of differentiation between our stores and our competitors is a key focus for 2018. In our department stores, we will continue to differentiate through beauty as we roll out our Beauty Bar to an additional 350 stores. In Gordmans, we will continue to grow our home category with exciting items at a great value that help set us apart from many of the apparel-focused off-price retailers. Additionally, taking advantage of synergistic relationships between our department stores and Gordmans will allow us to accelerate growth in home for department stores, beauty for Gordmans, and in other trending categories such as athletic, outdoor, and gifts.
- *Guest Acquisition and Retention* - Our private label credit cards and loyalty programs foster guest loyalty and enable us to better connect with our guests through digital marketing. By focusing our marketing efforts on digital media, we can reach more guests and be more nimble and efficient with our promotional efforts. In 2018, we expect our private label credit card sales penetration to reach 50% in our department stores. In our off-price stores, we have set a long-term goal for our private label credit card sales penetration to reach 25%.
- *Guest Experience* - Omni-channel will continue to be a focus area in 2018, as we grow our Web@POS and Buy Online, Ship-to-Store programs. In our stores, we will deliver a fun, convenient shopping experience as we re-focus on a service and selling culture, continue to optimize inventory levels, maintain an ongoing flow of new merchandise, and make selective investments in maintaining our store fleet.

In 2018, we expect the recovery in our oil and gas markets to benefit sales in our department stores and we are positioned for growth in our Gordmans off-price stores. We plan to close approximately 30 underperforming department stores in 2018, as part of our strategic store closure plan, and open one Gordmans off-price store in early 2018.

The financial information, discussion and analysis that follow should be read in conjunction with our Consolidated Financial Statements and accompanying footnotes included in this Form 10-K.

## 2017 Compared to 2016

	Fiscal Year Ended					
	February 3, 2018		January 28, 2017		Change	
	Amount <sup>(a)</sup>	% to Sales <sup>(b)</sup>	Amount <sup>(a)</sup>	% to Sales <sup>(b)</sup>	Amount <sup>(a)</sup>	%
Net sales	\$ 1,592,275	100.0 %	\$ 1,442,718	100.0 %	\$ 149,557	10.4%
Cost of sales and related buying, occupancy and distribution expenses	1,228,780	77.2 %	1,144,666	79.3 %	84,114	7.3%
Gross profit	363,495	22.8 %	298,052	20.7 %	65,443	22.0%
Selling, general and administrative expenses	406,206	25.5 %	356,064	24.7 %	50,142	14.1%
Interest expense	7,680	0.5 %	5,051	0.4 %	2,629	
Loss before income tax	(50,391)	(3.2)%	(63,063)	(4.4)%	12,672	
Income tax benefit	(13,068)	(0.8)%	(25,166)	(1.7)%	12,098	
Net loss	\$ (37,323)	(2.3)%	\$ (37,897)	(2.6)%	\$ 574	

<sup>(a)</sup> Amounts in thousands.

<sup>(b)</sup> Percentages may not foot due to rounding.

### Net Sales

Sales increased \$149.6 million, or 10.4%, to \$1,592.3 million in 2017 from \$1,442.7 million in 2016, primarily due to \$222.2 million in sales from our Gordmans off-price stores added in 2017, partially offset by a decrease in our department stores sales. The decrease in our department store sales in 2017 as compared to 2016, was driven by store closures and a 3.6% decrease in comparable sales. Comparable sales reflect a 5.1% decrease in the number of transactions, partially offset by a 1.5% increase in average transaction value. Transactions in 2017 and 2016 were negatively impacted by a decline in guest traffic in our stores. The increase in average transaction value was comprised of a 2.0% increase in average unit retail and a 0.5% decrease in units per transaction.

In 2017, comparable sales for our stores in Texas, Louisiana, Oklahoma and New Mexico, which are generally impacted by the oil and gas industry, outperformed the balance of our chain for the first time since 2013. Comparable sales in these four states were down 2.8%, while comparable sales in the balance of our chain were down 4.5%.

Comparable sales (decrease) increase by quarter is presented below:

	Fiscal Year	
	2017	2016
1st Quarter	(9.6)%	(8.5)%
2nd Quarter	(3.6)	(9.8)
3rd Quarter	(3.9)	(8.2)
4th Quarter <sup>(a)</sup>	1.1	(8.5)
Total Year <sup>(a)</sup>	(3.6)%	(8.8)%

<sup>(a)</sup> Comparable sales for the fourth quarter and full year 2017 exclude the 53rd week.

Our non-apparel categories outperformed our comparable sales average and our apparel categories underperformed. Home, gifts, footwear, cosmetics and men's were our best performing merchandise categories. Our best performing apparel areas were plus sizes, activewear, dresses and handbags. In 2017, we drove sales in trending categories by shifting resources into these categories and injecting a continual flow of new merchandise.

### ***Gross Profit***

Gross profit in 2017 was \$363.5 million, an increase of 22.0% from \$298.1 million in 2016. Gross profit, as a percent of sales, increased 210 basis points to 22.8% in 2017 from 20.7% in 2016. The increase in the gross profit rate reflects an increase in merchandise margin of 130 basis points as a result of a measured approach to markdowns and less clearance sales attributable to effective inventory management, and a decrease in the buying, occupancy and distribution expenses rate of 80 basis points driven by lower store impairment charges, which were \$1.7 million in 2017 compared to \$19.9 million in 2016.

### ***Selling, General and Administrative Expenses***

SG&A expenses in 2017 increased \$50.1 million to \$406.2 million from \$356.1 million in 2016. As a percent of sales, SG&A expenses increased to 25.5% in 2017 from 24.7% in 2016 as a result of deleverage from lower department store sales in the current year. The increase in SG&A expenses is primarily attributable to higher store expenses from the addition of the Gordmans stores. SG&A expenses in 2017 also included the Gordmans Acquisition related costs of \$9.1 million, or 0.6% of sales.

### ***Interest Expense***

Interest expense was \$7.7 million in 2017 and \$5.1 million in 2016. Interest expense was primarily comprised of interest on borrowings under the Revolving Credit Facility, related letters of credit and commitment fees, amortization of debt issuance costs and interest on finance obligations. The increase in interest expense is primarily due to an increase in average borrowings and interest rate under the Revolving Credit Facility for 2017 as compared with 2016. During 2017, the weighted average interest rate on outstanding borrowings and the average daily borrowings under the Revolving Credit Facility were 2.69% and \$224.5 million, respectively, as compared to 1.90% and \$192.4 million in 2016. The increase in average daily borrowings for 2017 compared to the 2016 includes the Gordmans Acquisition and related costs.

### ***Income Taxes***

Our effective tax rate was 25.9% in 2017, resulting in a tax benefit of \$13.1 million. This compares to an effective tax rate of 39.9% and an income tax benefit of \$25.2 million for 2016. The effective tax rate for 2017 was impacted by the Tax Cuts and Jobs Act ("Tax Act"), enacted on December 22, 2017. Among other provisions, the Tax Act reduces the federal corporate tax rate to 21% from the prior maximum rate of 35%, effective January 1, 2018. We remeasured our deferred tax assets using the new federal rate of 21.0% and recorded provisional charges for the remeasurement of the deferred tax assets of \$0.3 million to our income tax expense. While our accounting for the impact of the reduction in the U.S. federal corporate rate is complete, the final impact of the Tax Act may differ, due to, among other things, changes in our interpretations and assumptions, legislative technical corrections, and actions we may take. Most significantly, we are awaiting clarification of new net operating loss carryforward/carryback requirements for fiscal year taxpayers, which impacted our ability to carryback our current year net operating loss and if carried back would have resulted in a current benefit of approximately \$3.0 million. We are continuing to monitor tax developments regarding The Act and anticipated regulations. Additionally, we recorded a charge of \$6.1 million to our income tax expense for valuation of the net deferred tax assets at February 3, 2018.

## 2016 Compared to 2015

	Fiscal Year Ended				Change	
	January 28, 2017		January 30, 2016			
	Amount <sup>(a)</sup>	% to Sales <sup>(b)</sup>	Amount <sup>(a)</sup>	% to Sales <sup>(b)</sup>	Amount <sup>(a)</sup>	%
Net sales	\$ 1,442,718	100.0 %	\$ 1,604,433	100.0%	\$ (161,715)	(10.1)%
Cost of sales and related buying, occupancy and distribution expenses	1,144,666	79.3 %	1,208,002	75.3%	(63,336)	(5.2)%
Gross profit	298,052	20.7 %	396,431	24.7%	(98,379)	(24.8)%
Selling, general and administrative expenses	356,064	24.7 %	387,859	24.2%	(31,795)	(8.2)%
Interest expense	5,051	0.4 %	2,977	0.2%	2,074	
(Loss) income before income tax	(63,063)	(4.4)%	5,595	0.3%	(68,658)	
Income tax (benefit) expense	(25,166)	(1.7)%	1,815	0.1%	(26,981)	
Net (loss) income	\$ (37,897)	(2.6)%	\$ 3,780	0.2%	\$ (41,677)	

<sup>(a)</sup> Amounts in thousands.

<sup>(b)</sup> Percentages may not foot due to rounding.

### Net Sales

Sales decreased \$161.7 million, or 10.1% to \$1,442.7 million in 2016 from \$1,604.4 million in 2015, reflecting the impact of a decline in comparable sales and closed stores. Comparable sales decreased by 8.8% in 2016 as compared to 2015, attributable to a decrease of 13.2% in the number of transactions, partially offset by an increase of 5.1% in average transaction value. The increase in average transaction value was comprised of a 1.6% decline in average unit retail and an increase of 6.8% in units per transaction. During 2016 and 2015, we experienced a decline in traffic in our stores and lower consumer demand, especially in our stores in Texas, Louisiana, Oklahoma and New Mexico, which were impacted by depressed oil prices, and in our markets near the Mexican border due to the devaluation of the Mexican peso. Comparable sales in these four states were down 11.1%, while comparable sales in the balance of our chain were down 6.0%.

Comparable sales increase (decrease) by quarter is presented below:

	Fiscal Year	
	2016	2015
1st Quarter	(8.5)%	(1.1)%
2nd Quarter	(9.8)	0.8
3rd Quarter	(8.2)	(3.5)
4th Quarter	(8.5)	(3.4)
Total Year	(8.8)%	(2.0)%

Our home, gifts, cosmetics and men's categories outperformed our comparable sales average. There was also strong performance in dresses across merchandise categories.



### ***Gross Profit***

Gross profit in 2016 was \$298.1 million, a decrease of 24.8% from \$396.4 million in 2015. Gross profit as a percent of sales decreased 400 basis points to 20.7% in 2016 from 24.7% in 2015. The decrease in the gross profit rate reflects a decrease in merchandise margin of 140 basis points, as a result of additional promotions and markdowns to drive sales and clear inventory, and an increase in the buying, occupancy and distribution expenses rate of 260 basis points due to deleverage from lower sales in 2016 compared to 2015, increased rent and depreciation associated with remodeled stores and store impairment charges. In 2016, we recorded store impairment charges of \$19.9 million compared to \$10.6 million in 2015.

### ***Selling, General and Administrative Expenses***

SG&A expenses in 2016 decreased \$31.8 million to \$356.1 million from \$387.9 million in 2015. As a percent of sales, SG&A expenses increased to 24.7% in 2016 from 24.2% in 2015 as a result of deleverage from lower sales in the current year. The decrease in SG&A expenses is primarily due to lower payroll, advertising, incentive compensation and lower charges incurred in 2016 related to our corporate headquarters consolidation and severance costs associated with our workforce reduction compared to 2015.

### ***Interest Expense***

Interest expense was \$5.1 million in 2016 and \$3.0 million in 2015. Interest expense was primarily comprised of interest on borrowings under the Revolving Credit Facility, related letters of credit and commitment fees, amortization of debt issuance costs, and interest on finance obligations. The increase in interest expense is primarily due to an increase in average borrowings and interest rate under the Revolving Credit Facility for 2016 compared to 2015. During 2016, the weighted average interest rate on outstanding borrowings and the average daily borrowings under the Revolving Credit Facility were 1.90% and \$192.4 million, respectively, as compared to 1.53% and \$102.5 million in 2015. The increase in average daily borrowings for 2016 compared to the 2015 is primarily due to stock repurchases made in the fourth quarter 2015 and capital expenditures.

### ***Income Taxes***

Our effective tax rate was 39.9% in 2016, resulting in tax benefit of \$25.2 million. This compares to an effective rate of 32.4% and income tax expense of \$1.8 million in 2015. The increase in the 2016 effective tax rate is primarily due to the net loss for the year, which caused permanent book-tax benefits that would normally reduce the effective tax rate, including a \$0.7 million benefit associated with the favorable resolution of an uncertain tax position under audit, to be reflected as an increased percentage of the net loss. The 2015 effective income tax rate benefited from permanent book-tax differences, which had an increased impact due to low net income for the year.

### ***Seasonality and Inflation***

Our business, like many other retailers, is subject to seasonal influences, with a significant portion of sales and income typically realized during the last quarter of our fiscal year. Working capital requirements fluctuate during the year and generally reach their highest levels during the third and fourth quarters. Because of the seasonality of our business, results from any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

We do not believe that inflation has had a material effect on our results of operations. However, there can be no assurance that our business will not be affected by inflation in the future.

The following table shows quarterly information (unaudited) (in thousands, except per share amounts):

	Fiscal Year 2017			
	Q1	Q2	Q3	Q4 <sup>(a)(b)</sup>
Net sales	\$ 308,607	\$ 377,081	\$ 357,236	\$ 549,351
Gross profit	62,218	92,941	71,694	136,642
Net (loss) income	(18,987)	(6,258)	(17,722)	5,644
Basic (loss) earnings per share	\$ (0.70)	\$ (0.23)	\$ (0.64)	\$ 0.19
Diluted (loss) earnings per share	(0.70)	(0.23)	(0.64)	0.19
Basic weighted average shares	27,268	27,535	27,602	27,628
Diluted weighted average shares	27,268	27,535	27,602	27,628
	Fiscal Year 2016			
	Q1	Q2	Q3	Q4 <sup>(a)(b)</sup>
Net sales	\$ 332,750	\$ 338,385	\$ 317,140	\$ 454,443
Gross profit	66,987	85,570	56,590	88,905
Net (loss) income	(15,460)	41	(15,634)	(6,844)
Basic (loss) earnings per share	\$ (0.57)	\$ —	\$ (0.58)	\$ (0.25)
Diluted (loss) earnings per share	(0.57)	—	(0.58)	(0.25)
Basic weighted average shares	26,932	27,111	27,155	27,163
Diluted weighted average shares	26,932	27,175	27,155	27,163

<sup>(a)</sup> The fourth quarter 2017 consisted of 14 weeks compared with 13 weeks in the fourth quarter 2016.

<sup>(b)</sup> The fourth quarter 2017 and 2016 included impairment charges recognized in cost of sales and related buying, occupancy and distribution expenses of \$1.6 million and \$19.4 million, respectively.

## Liquidity and Capital Resources

Our liquidity is currently provided by (i) existing cash balances, (ii) operating cash flows, (iii) trade credit terms from our vendors and their factors and (iv) the Revolving Credit Facility. Our primary cash requirements are for operational needs, including rent and salaries, inventory purchases, and capital investments in our stores, e-commerce and information technology. We also have used our cash flows and other liquidity sources to pay quarterly cash dividends. Our cash requirements for 2017 included the Gordmans Acquisition and additional investments required to support the integration of the Gordmans operations into our infrastructure.

While there can be no assurances, we believe that our sources of liquidity will be sufficient to cover working capital needs, planned capital expenditures and debt service requirements for 2018 and the foreseeable future.

Key components of our cash flow are summarized below (in thousands):

	Fiscal Year		
	2017	2016	2015
Net cash provided by (used in):			
Operating activities	\$ 75,461	\$ 84,284	\$ 40,300
Investing activities	(72,361)	(73,078)	(90,977)
Financing activities	4,347	(13,890)	49,999

### Operating Activities

During 2017, we generated \$75.5 million in cash from operating activities. Net loss, adjusted for non-cash expenses, provided cash of approximately \$37.8 million. Changes in operating assets and liabilities generated net cash of approximately \$36.5 million, which included a \$1.4 million decrease in merchandise inventories, an increase in other assets of \$8.5 million and an increase in accounts payable and other liabilities of \$43.6 million. Additionally, cash flows from operating activities included construction allowances from landlords of \$1.2 million, which funded a portion of the capital expenditures related to store leasehold improvements in remodeled and relocated stores.

During 2016, we generated \$84.3 million in cash from operating activities. Net loss, adjusted for non-cash expenses, provided cash of approximately \$40.1 million. Changes in operating assets and liabilities generated net cash of approximately \$37.1 million, which included a \$26.6 million decrease in merchandise inventories, a decrease in other assets of \$0.8 million and an increase in accounts payable and other liabilities of \$9.8 million. Additionally, cash flows from operating activities included construction allowances from landlords of \$7.1 million, which funded a portion of the capital expenditures related to store leasehold improvements in new and relocated stores and our new corporate office building.

During 2015, we generated \$40.3 million in cash from operating activities. Net income, adjusted for non-cash expenses, provided cash of approximately \$94.3 million. Changes in operating assets and liabilities used net cash of approximately \$57.4 million, which included a \$5.5 million decrease in merchandise inventories, a decrease in other assets of \$1.6 million and a decrease in accounts payable and other liabilities of \$64.4 million. Additionally, cash flows from operating activities also included construction allowances from landlords of \$3.4 million, which funded a portion of the capital expenditures related to store leasehold improvements in new and relocated stores.

## Investing Activities

The following table summarizes key information about our investing activities for each period presented (in thousands, except number of stores):

	Fiscal Year		
	2017	2016	2015
Capital expenditures	\$ 38,630	\$ 74,257	\$ 90,695
Construction allowances received from landlords <sup>(a)</sup>	1,228	7,079	3,444
Capital expenditures, net of construction allowances	<u>\$ 37,402</u>	<u>\$ 67,178</u>	<u>\$ 87,251</u>
Business acquisition	\$ 36,144	\$ —	\$ —
Number of stores remodeled, relocated and expanded	9	86	122
Number of new stores <sup>(b)</sup>	58	—	3

<sup>(a)</sup> Construction allowances are reflected in operating activities on the statements of cash flows.

<sup>(b)</sup> 2017 reflects the addition of Gordmans off-price stores.

Capital expenditures in 2017 were primarily for store remodels, expansions and relocations, and investments in our technology, omni-channel and supply-chain. Construction allowances received from landlords were used to fund a portion of the capital expenditures related to store leasehold improvements in remodeled and relocated stores. In 2016, we also received construction allowances to fund a portion of our new corporate office building. These funds are recorded as deferred rent credits in the balance sheet and are amortized as an offset to rent expense over the lease term commencing with the date the allowances were contractually earned.

During 2017, we paid \$36.1 million for the Gordmans Acquisition (see Note 15 to the consolidated financial statements), which was funded with existing cash and availability under the Revolving Credit Facility.

We estimate that capital expenditures in 2018, net of construction allowances from landlords, will be approximately \$30.0 million. The expenditures are principally for store remodels, expansions and relocations, new cosmetic counters, and investments in our technology, omni-channel and supply chain.

## ***Financing Activities***

We have a \$400.0 million senior secured revolving credit facility (“Revolving Credit Facility”) with a seasonal increase to \$450.0 million and a \$25.0 million letter of credit sublimit.

We use the Revolving Credit Facility to provide financing for working capital and general corporate purposes, as well as to finance capital expenditures and to support our letter of credit requirements. Borrowings are limited to the availability under a borrowing base that is determined principally on eligible inventory as defined by the Revolving Credit Facility agreement. Inventory, cash and cash equivalents are pledged as collateral. The daily interest rates are determined by a prime rate or LIBOR, plus an applicable margin, as set forth in the Revolving Credit Facility agreement. During 2017, the weighted average interest rate on outstanding borrowings and the average daily borrowings under the Revolving Credit Facility were 2.69% and \$224.5 million, respectively, as compared to 1.90% and \$192.4 million in 2016. The increase in average daily borrowings for 2017 compared to the 2016 includes the Gordmans Acquisition and related costs.

Letters of credit issued under the Revolving Credit Facility support certain merchandise purchases and collateralize retained risks and deductibles under various insurance programs. At February 3, 2018, we had outstanding letters of credit totaling approximately \$7.1 million. These letters of credit expire within 12 months of issuance. Excess availability under the Revolving Credit Facility at February 3, 2018 was \$111.9 million.

The Revolving Credit Facility agreement contains covenants which, among other things, restrict, based on required levels of excess availability, (i) the amount of additional debt or capital lease obligations, (ii) the payment of dividends to \$30 million in a fiscal year, and (iii) the repurchase of common stock under certain circumstances. The agreement also contains a fixed charge coverage ratio covenant in the event excess availability is below a defined threshold or an event of default has occurred. At February 3, 2018, we were in compliance with the financial covenants of the Revolving Credit Facility agreement and expect to continue to be in compliance in 2018.

During 2017, we paid \$8.5 million in cash dividends. On February 22, 2018, subsequent to year-end, our Board declared a quarterly cash dividend of \$0.05 per share on our common stock, payable on March 21, 2018, to shareholders of record at the close of business on March 6, 2018.

## Contractual Obligations

We have contractual commitments for purchases of merchandise inventories, services arising in the ordinary course of business, letters of credit, the Revolving Credit Facility and other debt service and leases. The following table summarizes payments due under our contractual obligations at February 3, 2018 (in thousands). These items are discussed in further detail in Note 6 and Note 11 to the consolidated financial statements.

Contractual Obligations <sup>(a)</sup>	Total	Payment Due by Period			
		Less Than One Year	1-3 Years	4-5 Years	More than 5 Years
Revolving Credit Facility <sup>(b)</sup>	\$ 179,288	\$ —	\$ —	\$ 179,288	\$ —
Documentary letters of credit <sup>(c)</sup>	1,093	1,093	—	—	—
Finance obligations:					
Principal payments	1,549	995	554	—	—
Interest payments	127	101	26	—	—
Other long-term debt obligations:					
Principal payments	2,498	1,990	508	—	—
Interest payments	54	51	3	—	—
Operating lease obligations <sup>(d)</sup>	540,881	111,260	185,395	131,879	112,347
Purchase obligations <sup>(e)</sup>	239,482	220,582	15,339	3,456	105
<b>Total contractual obligations</b>	<b>\$ 964,972</b>	<b>\$ 336,072</b>	<b>\$ 201,825</b>	<b>\$ 314,623</b>	<b>\$ 112,452</b>

<sup>(a)</sup> The disclosure of contractual obligations in this table is based on assumptions and estimates that we believe to be reasonable as of the date of this report. Those assumptions and estimates may prove to be inaccurate; consequently, the amounts provided in the table may differ materially from those amounts that we ultimately incur. Variables that may cause the stated amounts to vary from the amounts actually incurred include, but are not limited to: the timing of termination of a contractual obligation; the acquisition of more or less services or goods under a contractual obligation than are anticipated by us as of the date of this report; fluctuations in third party fees, governmental charges, or market rates that we are obligated to pay under contracts we have with certain vendors; and the exercise of renewal options under, or the automatic renewal of, contracts that provide for the same.

<sup>(b)</sup> Includes principal and interest accrued as of February 3, 2018.

<sup>(c)</sup> These documentary letters of credit support the importing of private label merchandise. We also had outstanding stand-by letters of credit that totaled approximately \$6.0 million at February 3, 2018 required to collateralize retained risks and deductibles under various insurance programs. The estimated liability that will be paid in cash related to stand-by letters of credit supporting insurance programs is reflected in accrued expenses. If we fail to make payments when due, the beneficiaries of letters of credit could make demand for payment under the letters of credit.

<sup>(d)</sup> We have operating leases related to office, property and equipment. Certain operating leases have provisions for step rent or escalation payments. We record rent expense on a straight-line basis, evenly dividing rent expense over the lease term, including the build-out period, if any, and where appropriate, applicable available lease renewal option periods. However, this accounting treatment does not affect the future annual operating lease cash obligations as shown herein. We record construction allowances from landlords as a deferred rent credit when earned. Such deferred rent credit is amortized over the related term of the lease, commencing with the date we contractually earned the construction allowance, as a reduction of rent expense.

Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level. These amounts are excluded from minimum rent and are included in the determination of total rent expense when it is probable that the expense has been incurred and the amount is reasonably estimable.

<sup>(c)</sup> Purchase obligations include contracts for merchandise, utilities, capital expenditures, software acquisition/license commitments and services. For the purposes of this table, contractual obligations for purchases of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Included in purchase obligations are outstanding purchase orders in the ordinary course of business for merchandise of \$181.6 million that are typically made up to six months in advance of expected delivery. For non-merchandise purchase obligations that are non-cancelable, the entire value of the contract is also included in the above table. If the obligation is cancelable, and we would incur liquidated damages if canceled, the dollar amount of the liquidated damages is included as a “purchase obligation.” We fully expect to receive the benefits of the goods or services in connection with fulfilling our obligation under these agreements. The expected timing for payment of the obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the timing of receipt of goods or services or changes to agreed-upon amounts for some obligations

Other long-term liabilities on the consolidated balance sheets consist of deferred rent, deferred compensation, pension liability and deferred revenue (see Note 7 to the consolidated financial statements). Deferred rent of \$38.1 million is included as a component of “operating lease obligations” in the contractual obligations table. Deferred compensation and pension liability are not included in the contractual obligations table as the timing of future payments is indeterminable.

Our pension obligation funding policy is to make contributions to maintain the minimum funding requirements in accordance with the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). We may elect to contribute additional amounts to maintain a level of funding to minimize the Pension Benefit Guaranty Corporation premium costs or to cover short-term liquidity needs of our defined benefit plan in order to maintain current invested positions. In 2017, we contributed \$0.9 million, and we expect to contribute approximately \$1.2 million in 2018.

We had no unrecognized tax benefits at February 3, 2018.

## Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The primary estimates underlying our consolidated financial statements include the valuation of inventory, the impairment analysis on long-lived assets, the valuation of intangible assets, self-insurance reserves and the estimated liability for pension obligations. We caution that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Therefore, actual results may differ materially from these estimates. We base our estimates on historical experience and on various assumptions which are believed to be reasonable under the circumstances. The following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

*Inventory Valuation.* We value merchandise inventories using the lower of cost or net realizable value with cost determined using the weighted average cost method. We capitalize distribution center costs associated with preparing inventory for sale, such as distribution payroll, benefits, occupancy, depreciation and other direct operating expenses as part of merchandise inventories. We also include in inventory the cost of freight to our distribution centers and to stores as well as duties and fees related to import purchases.

*Vendor Allowances.* We receive consideration from our merchandise vendors in the form of allowances and reimbursements. Given the promotional nature of our business, the allowances are generally intended to offset our costs of handling, promoting, advertising and selling the vendors' products in our stores. These allowances are recognized in accordance with ASC Subtopic 605-50, *Customer Payments and Incentives*. Vendor allowances related to the purchase of inventory are recorded as a reduction to the cost of inventory until sold. Vendor allowances are recognized as a reduction of cost of goods sold or the related selling expense when the purpose for which the vendor funds were intended to be used has been fulfilled and amounts have been authorized by vendors.

*Impairment of Long-Lived Assets.* Property, plant and equipment and other long-lived assets are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, we base our evaluation on impairment indicators such as the nature of the asset's physical condition, the future economic benefit of the asset, any historical or future profitability measurements and other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate the carrying amount of the asset may not be recoverable, we determine whether impairment has occurred through the use of an undiscounted cash flow analysis of the asset at the lowest level for which identifiable cash flows exist. If impairment has occurred, we recognize a loss for the difference between the carrying amount and the estimated fair value of the asset. Management's judgment is necessary to estimate fair value.

*Intangible Assets and Impairment of Intangible Assets.* Indefinite life intangible assets are tested for impairment annually or more frequently when indicators of impairment exist. As a part of the acquisition of Peebles, Inc. in 2003 and the Gordmans Acquisition in 2017, we acquired the rights to the PEEBLES and the GORDMANS trade names and trademarks (collectively, the "Trademarks"), which were identified as indefinite life intangibles. The values of the Trademarks were determined to be \$14.9 million and \$1.9 million, respectively, at the time of acquisition. We completed our annual impairment testing during the fourth quarter of 2017 and determined that the fair value of the Peebles trademarks exceeded the carrying values by greater than 10%. The carrying value of the Gordmans trademarks approximates their fair value.

*Self-Insurance Reserves.* We maintain self-insured retentions with respect to general liability, workers compensation and health benefits for our employees. We estimate the accruals for the liabilities based on industry development factors and historical claim trend experience. Although management believes adequate reserves have been provided for expected liabilities arising from our self-insured obligations, projections of future losses are inherently uncertain, and it is reasonably possible that estimates of these liabilities will change over the near term as circumstances develop.



*Frozen Defined Benefit Plan.* We maintain a frozen defined benefit plan. The plan's obligations and related assets are presented in Note 13 to the consolidated financial statements. The plan's assets are invested in actively managed and indexed mutual funds of domestic and international equities and investment-grade corporate bonds and U.S. government securities. The plan's obligations and the annual pension expense are determined by independent actuaries using a number of assumptions. Key assumptions in measuring the plan's obligations include the discount rate applied to future benefit obligations and the estimated future return on plan assets. At February 3, 2018, assumptions used were a weighted average discount rate of 3.98% and a weighted average long-term rate of return on the plan assets of 6.5%.

#### **Recent Accounting Standards and Disclosures**

For a description of new applicable accounting pronouncements, see Note 1, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements, included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Borrowings under the Revolving Credit Facility bear a floating rate of interest. As of February 3, 2018, the outstanding borrowings under the Revolving Credit Facility were \$179.3 million. On future borrowings, an increase in interest rates may have a negative impact on our results of operations and cash flows. During 2017, we had average daily borrowings of \$224.5 million bearing a weighted average interest rate of 2.69%. A hypothetical 10% change from the weighted average interest rate would have a \$0.6 million effect on our 2017 annual results of operations and cash flows.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and the Board of Directors of Stage Stores, Inc.

**Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of Stage Stores, Inc. and subsidiary (the "Company") as of February 3, 2018 and January 28, 2017, the related consolidated statements of operations and comprehensive (loss) income, stockholders' equity, and cash flows for each of the three years in the period ended February 3, 2018, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of February 3, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 3, 2018 and January 28, 2017, and the results of its operations and its cash flows for each of the three years in the period ended February 3, 2018, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 3, 2018, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

**Basis for Opinions**

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities law and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

## **Definition of Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas  
April 10, 2018

We have served as the Company's auditor since 2001.

**Stage Stores, Inc.**  
**Consolidated Balance Sheets**  
(in thousands, except par value)

	February 3, 2018	January 28, 2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,250	\$ 13,803
Merchandise inventories, net	439,735	409,384
Prepaid expenses and other current assets	51,049	41,574
Total current assets	<u>512,034</u>	<u>464,761</u>
Property, equipment and leasehold improvements, net	252,788	284,110
Intangible assets	17,135	15,235
Other non-current assets, net	24,449	22,883
Total assets	<u>\$ 806,406</u>	<u>\$ 786,989</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$ 145,991	\$ 101,985
Income taxes payable	176	326
Current portion of debt obligations	2,985	6,414
Accrued expenses and other current liabilities	64,266	59,945
Total current liabilities	<u>213,418</u>	<u>168,670</u>
Long-term debt obligations	180,350	163,749
Deferred taxes	—	547
Other long-term liabilities	68,524	73,863
Total liabilities	<u>462,292</u>	<u>406,829</u>
<b>Commitments and contingencies (Note 8)</b>		
Common stock, par value \$0.01, 100,000 shares authorized, 32,806 and 32,340 shares issued, respectively	328	323
Additional paid-in capital	418,658	410,504
Treasury stock, at cost, 5,175 shares, respectively	(43,298)	(43,286)
Accumulated other comprehensive loss	(5,177)	(5,648)
(Accumulated deficit) retained earnings	(26,397)	18,267
Total stockholders' equity	<u>344,114</u>	<u>380,160</u>
Total liabilities and stockholders' equity	<u>\$ 806,406</u>	<u>\$ 786,989</u>

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

**Stage Stores, Inc.**  
**Consolidated Statements of Operations and Comprehensive (Loss) Income**  
(in thousands, except earnings per share)

	Fiscal Year		
	2017	2016	2015
Net sales	\$ 1,592,275	\$ 1,442,718	\$ 1,604,433
Cost of sales and related buying, occupancy and distribution expenses	1,228,780	1,144,666	1,208,002
Gross profit	363,495	298,052	396,431
Selling, general and administrative expenses	406,206	356,064	387,859
Interest expense	7,680	5,051	2,977
(Loss) income before income tax	(50,391)	(63,063)	5,595
Income tax (benefit) expense	(13,068)	(25,166)	1,815
Net (loss) income	<u>\$ (37,323)</u>	<u>\$ (37,897)</u>	<u>\$ 3,780</u>
<b>Other comprehensive (loss) income:</b>			
Employee benefit related adjustment, net of tax of \$233, \$112 and (\$258), respectively	\$ 733	\$ 189	\$ (431)
Amortization of employee benefit related costs, net of tax of \$192, \$381 and \$290, respectively	605	516	484
Loss on pension settlement, net of tax of \$106, \$0 and \$280, respectively	332	—	468
Total other comprehensive income	1,670	705	521
Comprehensive (loss) income	<u>\$ (35,653)</u>	<u>\$ (37,192)</u>	<u>\$ 4,301</u>
<b>Basic (loss) earnings per share data:</b>			
Basic (loss) earnings per share	\$ (1.37)	\$ (1.40)	\$ 0.12
Basic weighted average shares outstanding	27,510	27,090	31,145
<b>Diluted (loss) earnings per share data:</b>			
Diluted (loss) earnings per share	\$ (1.37)	\$ (1.40)	\$ 0.12
Diluted weighted average shares outstanding	27,510	27,090	31,188

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

**Stage Stores, Inc.**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	Fiscal Year		
	2017	2016	2015
<i>Cash flows from operating activities:</i>			
Net (loss) income	\$ (37,323)	\$ (37,897)	\$ 3,780
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation, amortization and impairment of long-lived assets	67,161	91,656	77,599
(Gain) loss on retirements of property, equipment and leasehold improvements	(918)	296	719
Deferred income taxes	(1,078)	(20,224)	(2,330)
Tax (deficiency) benefit from stock-based compensation	—	(4,565)	409
Stock-based compensation expense	8,386	9,461	12,394
Amortization of debt issuance costs	289	229	218
Excess tax benefits from stock-based compensation	—	—	(945)
Deferred compensation obligation	12	218	881
Amortization of employee benefit related costs and pension settlement charges	1,235	897	1,522
Construction allowances from landlords	1,228	7,079	3,444
Other changes in operating assets and liabilities:			
Decrease in merchandise inventories	1,419	26,612	5,456
(Increase) decrease in other assets	(8,532)	754	1,551
Increase (decrease) in accounts payable and other liabilities	43,582	9,768	(64,398)
Net cash provided by operating activities	<u>75,461</u>	<u>84,284</u>	<u>40,300</u>
<i>Cash flows from investing activities:</i>			
Additions to property, equipment and leasehold improvements	(38,630)	(74,257)	(90,695)
Proceeds from insurance and disposal of assets	2,413	1,179	43
Addition to intangible asset	—	—	(325)
Business acquisition	(36,144)	—	—
Net cash used in investing activities	<u>(72,361)</u>	<u>(73,078)</u>	<u>(90,977)</u>
<i>Cash flows from financing activities:</i>			
Proceeds from revolving credit facility borrowings	575,210	512,873	575,570
Payments of revolving credit facility borrowings	(555,624)	(510,011)	(460,640)
Proceeds from long-term debt obligation	—	5,830	—
Payments of long-term debt obligations	(6,414)	(4,252)	(1,714)
Payments of debt issuance costs	(34)	(815)	—
Repurchases of common stock	—	—	(41,587)
Payments for stock related compensation	(251)	(859)	(4,465)
Proceeds from issuance of equity awards	—	—	543
Excess tax benefits from stock-based compensation	—	—	945
Cash dividends paid	(8,540)	(16,656)	(18,653)
Net cash provided by (used in) financing activities	<u>4,347</u>	<u>(13,890)</u>	<u>49,999</u>
Net increase (decrease) in cash and cash equivalents	7,447	(2,684)	(678)
Cash and cash equivalents:			
Beginning of period	13,803	16,487	17,165
End of period	<u>\$ 21,250</u>	<u>\$ 13,803</u>	<u>\$ 16,487</u>
<i>Supplemental disclosures including non-cash investing and financing activities:</i>			
Interest paid	\$ 7,282	\$ 4,816	\$ 2,705
Income taxes (refunded) paid	(8,761)	1,601	15,237
Unpaid liabilities for capital expenditures	2,937	3,943	11,951

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

**Stage Stores, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
(in thousands, except per share amounts)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount		Shares	Amount			
Balance, January 31, 2015	31,632	\$ 316	\$ 395,395	—	\$ (600)	\$ (6,874)	\$ 87,693	\$ 475,930
Net income	—	—	—	—	—	—	3,780	3,780
Other comprehensive loss	—	—	—	—	—	521	—	521
Dividends on common stock, \$0.58 per share	—	—	—	—	—	—	(18,653)	(18,653)
Deferred compensation	—	—	881	—	(881)	—	—	—
Repurchases of common stock	—	—	—	(5,175)	(41,587)	—	—	(41,587)
Issuance of equity awards, net	398	4	539	—	—	—	—	543
Tax withholdings paid for net settlement of stock awards	—	—	(3,584)	—	—	—	—	(3,584)
Stock-based compensation expense	—	—	12,394	—	—	—	—	12,394
Tax benefit from stock-based compensation	—	—	409	—	—	—	—	409
Balance, January 30, 2016	32,030	\$ 320	\$ 406,034	(5,175)	\$ (43,068)	\$ (6,353)	\$ 72,820	\$ 429,753
Net loss	—	—	—	—	—	—	(37,897)	(37,897)
Other comprehensive income	—	—	—	—	—	705	—	705
Dividends on common stock, \$0.60 per share	—	—	—	—	—	—	(16,656)	(16,656)
Deferred compensation	—	—	218	—	(218)	—	—	—
Issuance of equity awards, net	310	3	(3)	—	—	—	—	—
Tax withholdings paid for net settlement of stock awards	—	—	(641)	—	—	—	—	(641)
Stock-based compensation expense	—	—	9,461	—	—	—	—	9,461
Tax deficiency from stock-based compensation	—	—	(4,565)	—	—	—	—	(4,565)
Balance, January 28, 2017	32,340	\$ 323	\$ 410,504	(5,175)	\$ (43,286)	\$ (5,648)	\$ 18,267	\$ 380,160
Net loss	—	—	—	—	—	—	(37,323)	(37,323)
Other comprehensive income	—	—	—	—	—	1,670	—	1,670
Dividends on common stock, \$0.30 per share	—	—	—	—	—	—	(8,540)	(8,540)
Deferred compensation	—	—	12	—	(12)	—	—	—
Issuance of equity awards, net	466	5	(5)	—	—	—	—	—
Tax withholdings paid for net settlement of stock awards	—	—	(239)	—	—	—	—	(239)
Stock-based compensation expense	—	—	8,386	—	—	—	—	8,386
Reclassification of tax effects to retained earnings <sup>(a)</sup>	—	—	—	—	—	(1,199)	1,199	—
Balance, February 3, 2018	32,806	\$ 328	\$ 418,658	(5,175)	\$ (43,298)	\$ (5,177)	\$ (26,397)	\$ 344,114

<sup>(a)</sup> See Note 14 - Income Taxes.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Description of Business.* We are a retailer of trend-right, moderately priced, name-brand apparel, accessories, cosmetics, footwear and home goods. As of February 3, 2018, we operated in 42 states through 777 BEALLS, GOODY'S, PALAIS ROYAL, PEBBLES and STAGE specialty department stores and 58 GORDMANS off-price stores. We also operate an e-commerce website. Our department stores are predominantly located in small towns and rural communities. Our off-price stores are predominantly located in mid-sized, non-rural Midwest markets.

*Principles of Consolidation.* The consolidated financial statements include the accounts of Stage Stores, Inc. and its subsidiary. All intercompany transactions have been eliminated in consolidation. We report our department stores, off-price stores and e-commerce website in a single operating segment. Revenues from guests are derived from merchandise sales. We do not rely on any major guest as a source of revenue.

*Fiscal Year.* References to a particular year are to our fiscal year, which is the 52- or 53-week period ending on the Saturday closest to January 31st of the following calendar year.

Fiscal Year	Ended	Weeks
2017	February 3, 2018	53
2016	January 28, 2017	52
2015	January 30, 2016	52

*Use of Estimates.* The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, we evaluate our estimates, including those related to inventory, deferred tax assets, intangible assets, long-lived assets, sales returns, gift card breakage, pension obligations, self-insurance and contingent liabilities. Actual results may differ materially from these estimates. We base our estimates on historical experience and on various assumptions which are believed to be reasonable under the circumstances.

*Cash and Cash Equivalents.* We consider highly liquid investments with initial maturities of less than three months to be cash equivalents. Cash and cash equivalents also includes amounts due from credit card sales transactions.

*Concentration of Credit Risk.* Financial instruments which potentially subject us to concentrations of credit risk are primarily cash. Our cash management and investment policies restrict investments to low-risk, highly-liquid securities and we perform periodic evaluations of the relative credit standing of the financial institutions with which we deal.

*Merchandise Inventories.* We value merchandise inventories using the lower of cost or net realizable value with cost determined using the weighted average cost method. We capitalize distribution center costs associated with preparing inventory for sale, such as distribution payroll, benefits, occupancy, depreciation and other direct operating expenses as part of merchandise inventories. We also include in inventory the cost of freight to our distribution centers and to stores as well as duties and fees related to import purchases.



Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

*Vendor Allowances.* We receive consideration from our merchandise vendors in the form of allowances and reimbursements. Given the promotional nature of our business, the allowances are generally intended to offset our costs of handling, promoting, advertising and selling the vendors' products in our stores. These allowances are recognized in accordance with ASC Subtopic 605-50, *Customer Payments and Incentives*. Vendor allowances related to the purchase of inventory are recorded as a reduction to the cost of inventory until sold. Vendor allowances are recognized as a reduction of cost of goods sold or the related selling expense when the purpose for which the vendor funds were intended to be used has been fulfilled and amounts have been authorized by vendors.

*Stock-Based Compensation.* We recognize as compensation expense an amount equal to the fair value of share-based payments granted to employees and independent directors, net of forfeitures. That cost is recognized ratably in SG&A expense over the period during which an employee or independent director is required to provide service in exchange for the award.

*Property, Equipment and Leasehold Improvements.* Additions to property, equipment and leasehold improvements are recorded at cost and depreciated over their estimated useful lives using the straight-line method. The estimated useful lives of leasehold improvements do not exceed the term of the related lease, including applicable available renewal options where appropriate. The estimated useful lives in years are generally as follows:

Buildings & improvements	20
Information systems	3 - 10
Store and office fixtures and equipment	5 - 10
Warehouse equipment	5 - 15
Leasehold improvements - stores	5 - 15
Leasehold improvements - corporate office	10 - 12

*Impairment of Long-Lived Assets.* Property, plant and equipment and other long-lived assets are reviewed to determine whether any events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. For long-lived assets to be held and used, we base our evaluation on impairment indicators such as the nature of the asset's physical condition, the future economic benefit of the asset, any historical or future profitability measurements and other external market conditions or factors that may be present. If such impairment indicators are present or other factors exist that indicate the carrying amount of the asset may not be recoverable, we determine whether impairment has occurred through the use of an undiscounted cash flows analysis of the asset at the lowest level for which identifiable cash flows exist. If impairment has occurred, we recognize a loss for the difference between the carrying amount and the estimated fair value of the asset. Management's judgment is necessary to estimate fair value.

*Insurance Recoveries.* We incurred casualty losses during 2017, 2016 and 2015. We received total insurance proceeds of \$15.7 million, \$3.3 million and \$2.5 million during 2017, 2016 and 2015, respectively, and recognized net gains of \$4.3 million, \$0.7 million and \$0.8 million in 2017, 2016 and 2015, respectively, which are included in selling, general and administrative expenses ("SG&A"). Insurance proceeds and net gains realized in 2017 were predominantly related to inventory claims for stores impacted by Hurricane Harvey and other casualty events such as floods and tornadoes.

*Intangible Assets and Impairment of Intangible Assets.* Indefinite life intangible assets are tested for impairment annually or more frequently when indicators of impairment exist. As a part of the acquisition of Peebles, Inc. in 2003 and the Gordmans Acquisition in 2017, we acquired the rights to the PEEBLES and the GORDMANS trade names and trademarks (collectively the "Trademarks"), which were identified as indefinite life intangibles. The values of the Trademarks were determined to be \$14.9 million and \$1.9 million, respectively, at the time of acquisition. We completed our annual impairment testing during the fourth quarter of 2017 and determined that the fair value of the Peebles trademarks exceeded the carrying values by greater than 10%. The carrying value of the Gordmans trademarks approximates their fair value.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

*Debt Issuance Costs.* Debt issuance costs are accounted for as a deferred charge and amortized on a straight-line basis over the term of the related financing agreement. The balance of debt issuance costs, net of accumulated amortization of \$0.3 million and \$0.1 million, is \$1.1 million and \$1.4 million at February 3, 2018 and January 28, 2017, respectively.

*Revenue Recognition.* Our retail stores record revenue at the point of sale. Sales of merchandise shipped to our guests are recorded based on estimated receipt of merchandise by the guest. Shipping and handling fees charged to guests are included in net sales with the corresponding costs recorded as costs of goods sold. Total revenues do not include sales tax because we are a pass-through conduit for collecting and remitting sales taxes. Revenues are recognized net of expected returns, which we estimate using historical return patterns as a percentage of sales.

We record deferred revenue on our balance sheet for gift cards sales and merchandise credits issued related to guest returns. Upon redemption, we recognize this revenue in net sales.

*Gift Card and Merchandise Credit Liability.* Unredeemed gift cards and merchandise credits are recorded as a liability. Our gift cards and merchandise credits do not expire. Based on historical redemption rates, a small and relatively stable percentage of gift cards and merchandise credits will never be redeemed, which is referred to as “breakage.” Estimated breakage income is recognized over time in proportion to actual gift card and merchandise credit redemptions. We recognized breakage income of approximately \$0.9 million and \$3.0 million in net sales in 2017 and 2016, respectively, and approximately \$1.6 million as an offset to SG&A expenses in 2015.

*Guest Loyalty Program.* Prior to the third quarter of 2016, guests who spent a required amount within a specified time frame using our private label credit card received reward certificates which could be redeemed for merchandise. We estimated the net cost of the rewards and recorded a liability associated with unredeemed certificates and guest spend toward unissued certificates. The cost of the loyalty rewards program was recorded in cost of sales. In the third quarter of 2016, we expanded our loyalty program to enable all guests to earn benefits regardless of how they choose to pay. We record deferred revenue, net of estimated breakage, for the retail value of certificates earned and as guests make purchases towards earning reward certificates.

*Self-Insurance Reserves.* We maintain self-insured retentions with respect to general liability, workers compensation and health benefits for our employees. We estimate the accruals for the liabilities based on industry development factors and historical claim trend experience. Although management believes adequate reserves have been provided for expected liabilities arising from our self-insured obligations, projections of future losses are inherently uncertain, and it is reasonably possible that estimates of these liabilities will change over the near term as circumstances develop.

*Advertising Expenses.* Advertising costs are charged to operations when the related advertising first takes place. Advertising costs were \$83.6 million, \$88.7 million and \$91.0 million, in 2017, 2016 and 2015, respectively, which are net of advertising allowances received from vendors of \$3.1 million, \$4.3 million and \$4.9 million, respectively.

*Rent Expense.* We record rent expense on a straight-line basis over the lease term, including the build out period, and where appropriate, applicable available lease renewal option periods. The difference between the payment and expense in any period is recorded as deferred rent in other long-term liabilities in the consolidated financial statements. We record construction allowances from landlords when contractually earned as a deferred rent credit in other long-term liabilities. Such deferred rent credit is amortized over the related lease term, commencing on the date we contractually earned the construction allowance, as a reduction of rent expense.

Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level. These amounts are excluded from minimum rent and are included in the determination of total rent expense when it is probable that the expense has been incurred and the amount is reasonably estimable.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

*Income Taxes.* The provision for income taxes is computed based on the pretax income (loss) included in the consolidated financial statements. The asset and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts for financial reporting purposes and the tax basis of assets and liabilities. A valuation allowance is established if it is more likely than not that some portion of the deferred tax asset will not be realized. See Note 14 for additional disclosures regarding income taxes and deferred income taxes.

*Earnings Per Share.* Basic earnings per share is computed using the weighted average number of common shares outstanding during the measurement period. Diluted earnings per share is computed using the weighted average number of common shares as well as all potentially dilutive common share equivalents outstanding during the measurement period.

We granted non-vested stock and restricted stock unit awards that contain non-forfeitable dividend rights. Under Accounting Standards Codification (“ASC”) 260-10, *Earnings Per Share*, non-vested stock awards that contain non-forfeitable dividend or dividend equivalent rights are considered participating securities and are included in the calculation of basic and diluted earnings per share pursuant to the two-class method. The two-class method determines earnings per share for each class of common stock and participating securities according to dividends or dividend equivalents and their respective participation rights in undistributed earnings. See Note 2 for additional disclosures regarding earnings per share.

*Recently Adopted Accounting Pronouncements.* In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which modifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows, and the option to estimate expected forfeitures or recognize forfeitures as they occur. We adopted this standard on a prospective basis in first quarter of 2017. Under the new standard, excess income tax benefits and deficiencies related to awards that vest or settle are recognized in the provision for income taxes as a discrete event in the period in which they occur, which may create significant volatility in the provision for income taxes and earnings. Historically, these amounts were reflected within additional paid-in capital on the balance sheet. In addition, upon adoption excess tax benefits are reflected within operating activities in the statements of cash flows, whereas historically these amounts were reflected as a financing activity. Cash paid to tax authorities on an employee’s behalf for withheld shares continues to be classified as a financing activity in the statement of cash flows. We made a policy election to recognize forfeitures as they occur. For 2017, we recognized excess tax deficiencies of \$2.1 million in the provision for income taxes. The adoption of the other requirements of this guidance did not have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on certain specific cash flow issues including proceeds received from the settlement of insurance claims. This guidance requires cash proceeds received from the settlement of insurance claims to be classified on the statement of cash flows on the basis of the related insurance coverage (that is, the nature of the loss). The new standard is effective for fiscal years and interim periods beginning after December 15, 2017, with early adoption permitted and is to be applied retrospectively. We adopted this guidance in the first quarter of 2017. The adoption of ASU 2016-15 did not change the presentation of our consolidated statements of cash flows.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (“Tax Act”). In addition, the ASU requires certain disclosures regarding stranded tax effects. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We adopted the new standard in the fourth quarter of 2017 and reclassified \$1.2 million from accumulated other comprehensive income to retained earnings. See Note 14 of the Financial Statements for additional disclosures regarding the stranded tax effects.

In March 2018, the FASB issued ASU 2018-05, which amends *Income Taxes (Topic 740)* by incorporating the Securities and Exchange Commission’s (“SEC”) Staff Accounting Bulletin 118 (“SAB 118”) issued on December 22, 2017. SAB 118 provides guidance on accounting for the effects of the Tax Act. We recognized the income tax effects of the Tax Act in our 2017 financial statements in accordance with SAB 118. See Note 14 of the Financial Statements for additional disclosures.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

*Recent Accounting Pronouncements Not Yet Adopted.* In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which supersedes most existing revenue recognition guidance in GAAP. The core principle of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects what the entity expects to be entitled to in exchange for those goods or services. The guidance establishes a five-step revenue recognition model, which includes (i) identifying the contract with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. The guidance also requires additional disclosures to describe the nature, timing and uncertainty of revenue and cash flows from contracts with customers. ASU 2014-09 may be applied retrospectively to each prior reporting period presented, or retrospectively with the cumulative effect of initially applying the guidance recognized in retained earnings at the date of adoption. The new guidance is effective for us in the first quarter of fiscal 2018. We have selected the full retrospective method of adoption. In order to determine the impact of the new guidance on our financial statements, we reviewed representative transactions across our revenue streams and compared our historical accounting practices to the new guidance. We do not expect the adoption to have a material impact on our financial condition, results of operations or cash flows. Our 2018 consolidated financial statements will include incremental disclosures regarding our revenue recognition policies and related amounts.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. The new standard requires lessees to recognize a right-of-use asset and lease liability on the balance sheet for all leases with terms longer than 12 months. We plan to make a policy election that will keep leases with an initial term of 12 months or less off the balance sheet and will result in recognizing those lease payments in the consolidated statements of operations on a straight-line basis over the lease term. Consistent with current GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a financing or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. As a result, lessees will be required to put most leases on their balance sheets while recognizing expense on their income statements in a manner similar to current accounting. In addition, this guidance requires disclosures about the amount, timing and uncertainty of cash flows arising from leases. ASU 2016-02 specifies a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements and that the new and enhanced disclosures be provided for each period presented (including comparative periods). On March 7, 2018, the FASB affirmed its proposed ASU, *Leases (Topic 842): Targeted Improvements*, which provides entities with an additional (and optional) transition method to adopt the new lease requirements by allowing entities to initially apply the requirements by recognizing a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which the entity adopts the new lease requirements would continue to be in accordance with current GAAP, including disclosures. The new standard will be effective for us in the first quarter of fiscal 2019, which begins on February 3, 2019. We continue to evaluate the impact that the adoption of this ASU will have on our consolidated financial statements and disclosures, including the effect of certain optional practical expedients permitted under the transition guidance. Based on our assessment to date, we expect the adoption of ASU 2016-02 will result in a significant increase in lease-related assets and liabilities on our consolidated balance sheets. The ultimate impact of adopting the new standard will depend on our lease portfolio as of the adoption date.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires the service cost component of net periodic benefit cost to be presented in the same income statement line item as other employee compensation costs arising from services rendered during the period. If a subtotal for operating income is shown on the income statement, then the other components of the net periodic benefit cost must be presented separately from the line item that includes the service cost and outside of any subtotal of operating income. ASU 2017-07 also requires disclosure of the line item(s) in the income statement that include net periodic benefit costs. Additionally, only the service cost component of the net periodic benefit cost is eligible for capitalization. The new standard is effective for us in the first quarter of fiscal 2018. The change in presentation of service cost must be applied retrospectively, while the capitalization of service cost must be applied on a prospective basis. The pension plan that we sponsor is frozen, and therefore, service costs no longer accrue under the plan. Upon adoption, we will recognize net periodic pension costs in SG&A expenses, consistent with our current presentation, and we will disclose the financial statement line item presentation in the notes to the financial statements.

**NOTE 2 - EARNINGS PER SHARE**

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the measurement period. Diluted earnings (loss) per share is computed using the weighted average number of common shares as well as all potentially dilutive common share equivalents outstanding during the measurement period.

The following tables show the computation of basic and diluted earnings (loss) per share for each period (in thousands, except per share amounts):

	Fiscal Year		
	2017	2016	2015
Basic:			
Net (loss) income	\$ (37,323)	\$ (37,897)	\$ 3,780
Less: Allocation of earnings to participating securities	—	—	(48)
Net (loss) income allocated to common shares	(37,323)	(37,897)	3,732
Basic weighted average shares outstanding	27,510	27,090	31,145
Basic (loss) earnings per share	\$ (1.37)	\$ (1.40)	\$ 0.12

	Fiscal Year		
	2017	2016	2015
Diluted:			
Net (loss) income	\$ (37,323)	\$ (37,897)	\$ 3,780
Less: Allocation of earnings to participating securities	—	—	(48)
Net (loss) income allocated to common shares	(37,323)	(37,897)	3,732
Basic weighted average shares outstanding	27,510	27,090	31,145
Add: Dilutive effect of stock awards	—	—	43
Diluted weighted average shares outstanding	27,510	27,090	31,188
Diluted (loss) earnings per share	\$ (1.37)	\$ (1.40)	\$ 0.12

The number of shares attributable to stock options, stock appreciation rights (“SARs”) and non-vested stock grants that would have been considered dilutive securities, but were excluded from the calculation of diluted earnings (loss) per share because the effect was anti-dilutive were as follows (in thousands):

	Fiscal Year		
	2017	2016	2015
Number of anti-dilutive shares due to net loss for the period	—	34	—
Number of anti-dilutive stock options, SARs due to exercise price greater than average market price of our common stock	124	192	251

### NOTE 3 - FAIR VALUE MEASUREMENTS

We recognize or disclose the fair value of our financial and non-financial assets and liabilities on a recurring and non-recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities which are required to be recorded at fair value, we assume the highest and best use of the asset by market participants in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability.

We applied the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels, and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Inputs that are both unobservable and significant to the overall fair value measurement reflect our estimates of assumptions that market participants would use in pricing the asset or liability.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

Financial assets and liabilities measured at fair value on a recurring basis were as follows (in thousands):

February 3, 2018					
Balance	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Other assets:					
\$	20,293	\$	20,293	\$	—
\$	—	\$	—	\$	—
January 28, 2017					
Balance	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Other assets:					
\$	18,094	\$	18,094	\$	—
\$	—	\$	—	\$	—

<sup>(a)</sup> The liability for the amount due to participants corresponding in value to the securities held in the grantor trust is recorded in other long-term liabilities.

<sup>(b)</sup> Using the market approach, the fair values of these securities represent quoted market prices multiplied by the quantities held. Net gains and losses related to the changes in fair value in the assets and liabilities under the various deferred compensation plans are recorded in SG&A expenses and were nil during 2017 and 2016.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

Non-financial assets measured at fair value on a nonrecurring basis were as follows (in thousands):

February 3, 2018				
	Balance	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Store property, equipment and leasehold improvements <sup>(a)</sup>	\$ 778	\$ —	\$ —	\$ 778
January 28, 2017				
	Balance	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Store property, equipment and leasehold improvements <sup>(a)</sup>	\$ 8,795	\$ —	\$ —	\$ 8,795

<sup>(a)</sup> Using an undiscounted cash flow model, we evaluate the cash flow trends of our stores at least annually and when events or changes in circumstances, such as a store closure, indicate that property, equipment and leasehold improvements may not be fully recoverable. When a store's projected undiscounted cash flows indicate its carrying value may not be recoverable, we use a discounted cash flow model, with a 10% discount rate, to estimate the fair value of the underlying long-lived assets. An impairment write-down is recorded if the carrying value of a long-lived asset exceeds its fair value. Key assumptions in estimating future cash flows include, among other things, expected future operating performance, including expected closure date and lease term, and changes in economic conditions. We believe estimated future cash flows are sufficient to support the carrying value of our long-lived assets. Significant changes in the key assumptions used in our cash flow projections may result in additional asset impairments. See Note 4 for additional disclosures on impairments charges.

Due to the short-term nature of cash and cash equivalents, payables and short-term debt obligations, the carrying value approximates the fair value of these instruments. In addition, we believe that the Revolving Credit Facility obligation approximates its fair value because interest rates are adjusted daily based on current market rates.



**NOTE 4 - PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

The components of property, equipment and leasehold improvements were as follows (in thousands):

	February 3, 2018	January 28, 2017
Land	\$ 1,544	\$ 1,842
Buildings and improvements	12,966	15,633
Fixtures and equipment	526,313	548,145
Leasehold improvements	411,753	415,577
Property, equipment and leasehold improvements	952,576	981,197
Less: Accumulated depreciation	699,788	697,087
Property, equipment and leasehold improvements, net	<u>\$ 252,788</u>	<u>\$ 284,110</u>

Depreciation expense and impairment charges were as follows for each period presented (in thousands):

	Fiscal Year		
	2017	2016	2015
Depreciation expense	\$ 65,401	\$ 71,779	\$ 66,998
Store impairment charges	1,739	19,856	10,580
Total depreciation and impairment	<u>\$ 67,140</u>	<u>\$ 91,635</u>	<u>\$ 77,578</u>

Depreciation expense and store impairment charges included in cost of sales and related buying, occupancy and distribution expense for 2017, 2016 and 2015 were \$52.9 million, \$77.9 million and \$67.9 million, respectively.

**NOTE 5 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

The components of accrued expenses and other current liabilities were as follows (in thousands):

	February 3, 2018	January 28, 2017
Accrued compensation and benefits	\$ 11,828	\$ 12,165
Gift card and merchandise credit liability	12,122	10,864
Self-insurance liability	9,994	9,437
Accrued occupancy	6,129	10,259
Other	24,193	17,220
Accrued expenses and other current liabilities	<u>\$ 64,266</u>	<u>\$ 59,945</u>

**NOTE 6 - DEBT OBLIGATIONS**

Debt obligations consisted of the following (in thousands):

	February 3, 2018	January 28, 2017
Revolving Credit Facility	\$ 179,288	\$ 159,702
Finance obligations	1,549	2,708
Other financing	2,498	7,753
Total debt obligations	183,335	170,163
Less: Current portion of debt obligations	2,985	6,414
Long-term debt obligations	<u>\$ 180,350</u>	<u>\$ 163,749</u>

On December 16, 2016, we entered into an amendment to our senior secured revolving credit facility (“Revolving Credit Facility”) that increased total capacity to \$400.0 million with a seasonal increase to \$450.0 million and a \$25.0 million letter of credit sublimit. The Revolving Credit Facility matures on December 16, 2021.

We use the Revolving Credit Facility to provide financing for working capital and general corporate purposes, as well as to finance capital expenditures and to support our letter of credit requirements. Borrowings are limited to the availability under a borrowing base that is determined principally on eligible inventory as defined by the Revolving Credit Facility agreement. Inventory, cash and cash equivalents are pledged as collateral. The daily interest rates are determined by a prime rate or LIBOR, plus an applicable margin, as set forth in the Revolving Credit Facility agreement. During 2017, the weighted average interest rate on outstanding borrowings and the average daily borrowings under the Revolving Credit Facility were 2.69% and \$224.5 million, respectively, as compared to 1.90% and \$192.4 million in 2016.

Letters of credit issued under the Revolving Credit Facility support certain merchandise purchases and collateralize retained risks and deductibles under various insurance programs. At February 3, 2018, we had outstanding letters of credit totaling approximately \$7.1 million. These letters of credit expire within 12 months of issuance. Excess availability under the Revolving Credit Facility at February 3, 2018 was \$111.9 million.

The Revolving Credit Facility agreement contains covenants which, among other things, restrict, based on required levels of excess availability, (i) the amount of additional debt or capital lease obligations, (ii) the payment of dividends to \$30.0 million in a fiscal year, and (iii) the repurchase of common stock under certain circumstances. The agreement also contains a fixed charge coverage ratio covenant in the event excess availability is below a defined threshold or an event of default has occurred. At February 3, 2018, we were in compliance with the financial covenants of the Revolving Credit Facility agreement and expect to continue to be in compliance in 2018.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

While infrequent in occurrence, occasionally we are responsible for the construction of leased stores and for paying project costs. ASC 840-40-55, *The Effect of Lessee Involvement in Asset Construction*, requires us to be considered the owner (for accounting purposes) of this type of project during the construction period. Such leases are accounted for as finance obligations with the amounts received from the landlord being recorded in debt obligations. Interest expense is recognized at a rate that will amortize the finance obligation over the initial term of the lease. Where ASC 840-40-55 was applicable, we have recorded finance obligations with interest rates ranging from 6.1% to 16.9% on our consolidated financial statements related to four store leases as of February 3, 2018. Minimum annual payments required under existing finance obligations as of February 3, 2018 are as follows (in thousands):

Fiscal Year	Minimum Payments	Less: Interest	Principal Payments
2018	\$ 1,096	\$ 101	\$ 995
2019	580	26	554
Total	<u>\$ 1,676</u>	<u>\$ 127</u>	<u>\$ 1,549</u>

At February 3, 2018, \$2.5 million remained outstanding under our 2016 secured equipment financing note, of which \$2.0 million and \$0.5 million will be paid in 2018 and 2019, respectively. The note bears an effective interest rate of 3.2%.

**NOTE 7 - OTHER LONG-TERM LIABILITIES**

The components of other long-term liabilities were as follows (in thousands):

	February 3, 2018	January 28, 2017
Deferred rent	\$ 38,109	\$ 43,382
Deferred compensation	20,293	18,180
Pension liability	7,247	8,801
Deferred revenue under ADS agreement (see Note 10)	2,875	3,500
Other long-term liabilities	<u>\$ 68,524</u>	<u>\$ 73,863</u>

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

We have numerous contractual commitments for purchases of merchandise inventories, services arising in the ordinary course of business, letters of credit, Revolving Credit Facility and other debt service and leases. Contractual obligations for purchase of goods or services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities. In the ordinary course of business, we enter into arrangements with vendors to purchase merchandise typically up to six months in advance of expected delivery.

From time to time, we are involved in various legal proceedings arising in the ordinary course of our business. We do not believe that any pending legal proceedings, either individually or in the aggregate, are material to our financial condition, results of operations or cash flows.

## **NOTE 9 - STOCKHOLDERS' EQUITY**

Our deferred compensation plan covering executives and certain officers provides an investment option that allows participants to elect to purchase shares of our common stock (“Company Stock Investment Option”). We established a grantor trust to facilitate the collection of funds and purchase our shares on the open market at prevailing market prices. All shares purchased through the grantor trust are held in the trust until the participants are eligible to receive the benefits under the terms of the plan. At the time of the participant’s eligibility, the deferred compensation obligation related to the Company Stock Investment Option is settled by the delivery of the fixed number of shares held by the grantor trust on the participant’s behalf. In 2017, 2016 and 2015, participants in our deferred compensation plan elected to invest approximately \$0.2 million, \$0.3 million and \$0.9 million, respectively, of the total amount of deferred compensation withheld, in the Company Stock Investment Option. The purchase of shares made by the grantor trust on behalf of the participants is included in treasury stock and the corresponding deferred compensation obligation is included in additional paid-in capital.

On February 22, 2018, subsequent to year-end, our Board of Directors (“Board”) declared a quarterly cash dividend of \$0.05 per share on our common stock, payable on March 21, 2018, to shareholders of record at the close of business on March 6, 2018.

On March 7, 2011, our Board approved a stock repurchase program (“2011 Stock Repurchase Program”), which authorizes us to repurchase up to \$200.0 million of our outstanding common stock. The 2011 Stock Repurchase Program will expire when we have repurchased \$200.0 million of our outstanding common stock, unless terminated earlier by our Board. As of February 3, 2018, we had \$58.4 million available under the program. Also in March 2011, our Board authorized us to repurchase shares of our outstanding common stock equal to the amount of the proceeds and related tax benefits from the exercise of stock options, SARs and other equity grants. Purchases of shares of our common stock may be made from time to time, either on the open market or through privately negotiated transactions and are financed by our existing cash, cash flow and other liquidity sources, as appropriate.

## **NOTE 10 - PRIVATE LABEL CREDIT CARD PROGRAM**

On August 8, 2012, we entered into an Amended and Restated Private Label Credit Card Plan Agreement (“Agreement”) with World Financial Network Bank (now Comenity Bank) (“Bank”), an affiliate of Alliance Data Systems Corporation (“ADS”). Under the terms of the Agreement, which expires July 31, 2021, the Bank provides credit card services for our private label credit card program, including account activation, receivables funding, card authorization, private label credit card issuance, statement generation, remittance processing and guest service functions. We are required to perform certain duties, including electronic processing and transmitting of transaction records and marketing and promoting the private label credit card program. As consideration, among other payments set forth in the Agreement, the Bank pays us a monthly net portfolio yield payment and an annual portfolio performance bonus, if earned.

We received certain upfront payments upon execution of the Agreement that are being recognized over the life of the Agreement, and as of February 3, 2018, the remaining amount to be amortized is \$4.6 million. We realized \$58.9 million, \$55.3 million and \$54.1 million in income related to our private label credit card program during 2017, 2016 and 2015, respectively, which have been recorded as a reduction to SG&A expenses.

**NOTE 11 - OPERATING LEASES**

We lease stores, our corporate headquarters, two distribution centers and equipment under operating leases. The majority of store leases, which are typically for an initial 10-year term and often with two renewal options of five years each, require us to pay base rent plus expenses, such as common area maintenance, utilities, taxes and insurance. Certain store leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level. A number of store leases provide for escalating minimum rent.

Minimum rental commitments on long-term, non-cancelable operating leases at February 3, 2018, are as follows (in thousands):

Fiscal Year	Commitments	Sublease Income	Net Minimum Lease Commitments
2018	\$ 111,260	\$ (1,447)	\$ 109,813
2019	97,401	(1,447)	95,954
2020	87,994	(1,492)	86,502
2021	73,229	(1,582)	71,647
2022	58,650	(1,582)	57,068
Thereafter	112,347	(1,054)	111,293
Total	<u>\$ 540,881</u>	<u>\$ (8,604)</u>	<u>\$ 532,277</u>

Rental expense for operating leases, net of sublease income, consisted of the following for each period presented (in thousands):

	Fiscal Year		
	2017	2016	2015
Minimum rentals	\$ 104,240	\$ 85,538	\$ 84,170
Contingent rentals	2,224	2,365	3,067
Sublease income	(1,474)	(1,436)	(5)
Total	<u>\$ 104,990</u>	<u>\$ 86,467</u>	<u>\$ 87,232</u>

**NOTE 12 - STOCK-BASED COMPENSATION**

As approved by our shareholders, we established the Stage Stores, Inc. Amended and Restated 2001 Equity Incentive Plan (“2001 Equity Incentive Plan”), the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan (“2008 Equity Incentive Plan”) and the Stage Stores 2017 Long-Term Incentive Plan (“2017 LTIP” and, collectively with the 2001 Equity Incentive Plan and the 2008 Equity Incentive Plan, the “Equity Incentive Plans”) to reward, retain and attract key personnel. The Equity Incentive Plans provide for grants of non-qualified or incentive stock options, SARs, performance shares or units, stock units and stock grants. To fund the 2001 Equity Incentive Plan, the 2008 Equity Incentive Plan and the 2017 LTIP, 12,375,000, 4,484,346 and 1,365,654 shares of our common stock were reserved for issuance upon exercise of awards, respectively. The 2001 Equity Incentive Plan expired in the second quarter of 2014. On June 1, 2017, the 2017 LTIP replaced the 2008 Equity Incentive Plan and no new awards will be granted under the 2008 Equity Incentive Plan.

Stock-based compensation expense by type of grant for each period presented was as follows (in thousands):

	Fiscal Year		
	2017	2016	2015
Non-vested stock	\$ 5,626	\$ 6,676	\$ 7,171
Restricted stock units	434	—	—
Performance shares	2,760	2,785	5,193
Stock options and SARs	—	—	30
Total stock-based compensation expense	8,820	9,461	12,394
Related tax benefit	(3,313)	(3,557)	(4,660)
Stock-based compensation expense, net of tax	<u>\$ 5,507</u>	<u>\$ 5,904</u>	<u>\$ 7,734</u>

As of February 3, 2018, we had unrecognized compensation cost of \$10.1 million related to stock-based compensation awards granted. That cost is expected to be recognized over a weighted average period of 2.0 years.

*Non-vested Stock*

We grant shares of non-vested stock to our employees and non-employee directors. Shares of non-vested stock awarded to employees vest 25% annually over a four-year period from the grant date. Shares of non-vested stock awarded to non-employee directors cliff vest after one year. At the end of the vesting period, shares of non-vested stock convert one for one to common stock. Certain non-vested stock awards have shareholder rights, including the right to vote and to receive dividends. The fair value of non-vested stock awards with dividend rights is based on the closing share price of our common stock on the grant date. The fair value of non-vested stock awards that do not have dividend rights is discounted for the present value of expected dividends during the vesting period. Compensation expense is recognized ratably over the vesting period.

The following table summarizes non-vested stock activity during 2017:

Non-vested Stock	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 28, 2017	1,596,410	\$ 10.22
Granted	668,371	2.21
Vested	(577,897)	11.10
Forfeited	(49,847)	9.30
Outstanding at February 3, 2018	<u>1,637,037</u>	6.67

The aggregate intrinsic value of non-vested stock that vested during 2017, 2016 and 2015 was \$1.2 million, \$2.7 million and \$5.4 million, respectively. The weighted-average grant date fair value for non-vested stock granted in 2017, 2016 and 2015 was \$2.21, \$6.75 and \$18.70, respectively. The payment of the employees’ tax liability for a portion of the non-vested stock that vested during 2017 was satisfied by withholding shares with a fair value equal to the tax liability. As a result, the actual number of shares issued was 465,007.

*Restricted Stock Units (“RSUs”)*

We grant RSUs to our employees, which vest 25% annually over a four-year period from the grant date. Each vested RSU is settled in cash in an amount equal to the fair market value of one share of our common stock on the vesting date, not to exceed five times the per share fair market value of our common stock on the grant date. Unvested RSUs have the right to receive a dividend equivalent payment equal to cash dividends paid on our common stock. RSUs are accounted for as a liability in accordance with accounting guidance for cash settled stock awards. The liability for RSUs is remeasured based on the closing share price of our common stock at each reporting period until the award vests. Compensation expense is recognized ratably over the vesting period and adjusted with changes in the fair value of the liability.

The following table summarizes RSU activity during 2017:

Restricted Stock Units	Number of Units	Weighted Average Grant Date Fair Value
Outstanding at January 28, 2017	—	\$ —
Granted	1,321,250	2.14
Forfeited	(37,500)	2.09
Outstanding at February 3, 2018	<u>1,283,750</u>	2.14

*Performance Share Units (“PSUs”)*

We grant PSUs as a means of rewarding management for our long-term performance based on total shareholder return relative to a specific group of companies over a three-year performance cycle. PSUs cliff vest following a three-year performance cycle, and if earned, are settled in shares of our common stock. The actual number of shares of our common stock that may be earned ranges from zero to a maximum of twice the number of target units awarded to the recipient. Grant recipients do not have any shareholder rights on unvested or unearned PSUs. The fair value of PSUs is estimated using a Monte Carlo simulation, based on the expected term of the award, a risk-free rate, expected dividends, expected volatility, and share price of our common stock and the specified peer group. The expected term is estimated based on the vesting period of the awards, the risk-free rate is based on the yield on U.S. Treasury securities matching the vesting period, and the volatility is based on the historical volatility over the expected term. Compensation expense is recorded ratably over the corresponding vesting period.

The following table summarizes PSU activity during 2017:

Period Granted	Target PSUs Outstanding at January 28, 2017	Target PSUs Granted	Target PSUs Vested and Earned	Target PSUs Vested and Unearned	Target PSUs Forfeited	Target PSUs Outstanding at February 3, 2018	Weighted Average Grant Date Fair Value per Target PSU
2015	158,490	—	—	(154,046)	(4,444)	—	\$ 28.33
2016	330,233	—	—	—	(8,527)	321,706	8.69
2017	—	600,000	—	—	—	600,000	1.80
Total	<u>488,723</u>	<u>600,000</u>	<u>—</u>	<u>(154,046)</u>	<u>(12,971)</u>	<u>921,706</u>	7.65

No PSUs were earned in 2017. The aggregate intrinsic value of PSUs that vested and were earned during 2016 and 2015 was \$0.1 million and \$4.9 million, respectively.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

*SARs*

Prior to 2012, we granted SARs to our employees, which generally vested 25% annually over a four-year period from the grant date. Outstanding SARs will expire, if not exercised or forfeited, within seven years from the grant date. Exercised SARs are settled by the issuance of common stock in an amount equal to the increase in share price of our common stock between the grant date and the exercise date.

The following table summarizes SARs activity during 2017:

	Number of Outstanding Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding, vested and exercisable at January 28, 2017	177,900	\$ 17.69		
Forfeited	(80,000)	16.29		
Outstanding, vested and exercisable at February 3, 2018	<u>97,900</u>	<u>\$ 18.83</u>	<u>0.2</u>	<u>\$ —</u>

No SARs were exercised during 2017 or 2016. The aggregate intrinsic value of SARs, defined as the amount by which the market price of the underlying stock on the date of exercise exceeds the exercise price of the award, exercised during 2015 was \$0.9 million.

**NOTE 13 - BENEFIT PLANS**

*401(k) Plan.* We have a contributory 401(k) savings plan (“401(k) Plan”) generally available to full and part-time employees with 60 days of service, who are age 21 or older. Under the 401(k) Plan, participants may contribute up to 50% of their qualifying earnings on a pre-tax basis, and up to 10% of their qualifying earnings on a post-tax basis, subject to certain restrictions. We currently match 50% of each participant’s pre-tax contributions, limited up to 6% of each participant’s compensation under the Plan. We may make discretionary matching contributions during the year. Our matching contributions expense for the 401(k) Plan were approximately \$1.7 million, \$1.4 million and \$1.5 million in 2017, 2016 and 2015, respectively.

*Deferred Compensation Plans.* We have two nonqualified deferred compensation plans (“DC Plans”) which provide executives and other key employees with the opportunity to participate in unfunded, deferred compensation programs that are not qualified under the Internal Revenue Code of 1986, as amended, (“Code”). Generally, the Code and ERISA restrict contributions to a 401(k) plan by highly compensated employees. The DC Plans are intended to allow participants to defer income on a pre-tax basis. Under the DC Plans, participants may defer up to 50% of their base salary and up to 100% of their bonus and earn a rate of return based on actual investments chosen by each participant. We have established grantor trusts for the purposes of holding assets to provide benefits to the participants. For the plan covering executives, we will match 100% of each participant’s contributions, up to 10% of the sum of their base salary and bonus. For the plan covering other key employees, we may make a bi-weekly discretionary matching contribution. We currently match 50% of each participant’s contributions, up to 3% of the participant’s compensation. For both DC Plans, our contributions are vested 100%. In addition, we may, with approval by our Board, make an additional employer contribution in any amount with respect to any participant as is determined in our sole discretion. Our matching contribution expense for the DC Plans was approximately \$0.9 million, \$1.0 million and \$1.1 million for 2017, 2016 and 2015, respectively.



Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

*Non-Employee Director Equity Compensation Plan.* In 2003, we adopted, and our shareholders approved, and in 2004 we amended and restated, the Stage Stores, Inc. Amended and Restated 2003 Non-Employee Director Equity Compensation Plan. We reserved 225,000 shares of our common stock to fund this plan. Under this plan, non-employee directors have the option to defer all or a portion of their annual compensation fees and to receive such deferred fees in the form of restricted stock or deferred stock units as defined in this plan. At January 28, 2017 and February 3, 2018 there were no participants in or amounts deferred under this plan.

*Frozen Defined Benefit Plan.* We sponsor a defined benefit plan (“DB Plan”), which covers substantially all employees who had met eligibility requirements and were enrolled prior to June 30, 1998. The DB Plan was frozen effective June 30, 1998.

Benefits for the DB Plan are administered through a trust arrangement, which provides monthly payments or lump sum distributions. Benefits under the DB Plan were based upon a percentage of the participant’s earnings during each year of credited service. Any service after the date the DB Plan was frozen will continue to count toward vesting and eligibility for normal and early retirement for existing participants. The measurement dates used to determine pension benefit obligations were February 3, 2018 and January 28, 2017.

Information regarding the DB Plan is as follows (in thousands):

	Fiscal Year	
	2017	2016
<b>Change in benefit obligation:</b>		
Benefit obligation at beginning of year	\$ 34,962	\$ 35,223
Employer service cost	490	340
Interest cost	1,430	1,598
Actuarial loss	1,835	1,067
Settlements	(1,989)	—
Plan disbursements	(1,979)	(3,266)
Projected benefit obligation at end of year	<u>34,749</u>	<u>34,962</u>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	26,161	26,310
Actual return on plan assets	4,456	3,117
Employer contributions	853	—
Settlements	(1,989)	—
Plan disbursements	(1,979)	(3,266)
Fair value of plan assets at end of year	<u>27,502</u>	<u>26,161</u>
Underfunded status	<u>\$ (7,247)</u>	<u>\$ (8,801)</u>
Amounts recognized in the consolidated balance sheet consist of:		
Accrued benefit liability - included in other long-term liabilities	\$ (7,247)	\$ (8,801)
Amount recognized in accumulated other comprehensive loss, pre-tax <sup>(a)</sup>	6,822	9,023

<sup>(a)</sup> Consists solely of net actuarial losses as there are no prior service costs.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

	Fiscal Year	
	2017	2016
<b>Weighted-average assumptions:</b>		
<i>For determining benefit obligations at year-end:</i>		
Discount rate	3.98%	4.33%

	Fiscal Year		
	2017	2016	2015
<i>For determining net periodic pension cost for year:</i>			
Discount rate	4.33%	4.79%	3.90%
Expected return on assets	6.50%	7.00%	7.00%

The discount rate was determined using yields on a hypothetical bond portfolio that matches the approximated cash flows of the DB Plan. We develop our long-term rate of return assumptions using long-term historical actual return data considering the mix of investments that comprise plan assets and input from professional advisors. The DB Plan's trustees have engaged investment advisors to manage and monitor performance of the investments of the DB Plan's assets and consult with the DB Plan's trustees.

The allocations of DB Plan assets by category are as follows:

	2018 Target Allocation	Fiscal Year	
		2017	2016
Equity securities	50%	51%	51%
Fixed income securities	50	47	48
Other - primarily cash	—	2	1
Total	100%	100%	100%

We employ a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return on DB Plan assets for a prudent level of risk. The investment portfolio consists of actively managed and indexed mutual funds of domestic and international equities and investment-grade corporate bonds and U.S. government securities. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

The following tables present the DB Plan assets measured at fair value on a recurring basis in the consolidated financial statements (in thousands):

February 3, 2018				
	Balance	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Mutual funds:</b>				
Equity securities	\$ 14,162	\$ 14,162	\$ —	\$ —
Fixed income securities	12,833	12,833	—	—
Other - primarily cash	507	507	—	—
<b>Total</b>	<b>\$ 27,502</b>	<b>\$ 27,502</b>	<b>\$ —</b>	<b>\$ —</b>

January 28, 2017				
	Balance	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Mutual funds:</b>				
Equity securities	\$ 13,309	\$ 13,309	\$ —	\$ —
Fixed income securities	12,540	12,540	—	—
Other - primarily cash	312	312	—	—
<b>Total</b>	<b>\$ 26,161</b>	<b>\$ 26,161</b>	<b>\$ —</b>	<b>\$ —</b>

The components of net periodic benefit cost for the DB Plan were as follows (in thousands):

	Fiscal Year		
	2017	2016	2015
<b>Net periodic pension cost for the fiscal year:</b>			
Employer service cost	\$ 490	\$ 340	\$ 350
Interest cost on pension benefit obligation	1,430	1,598	1,566
Expected return on plan assets	(1,654)	(1,749)	(2,195)
Amortization of net loss	797	897	774
Settlement charges <sup>(a)</sup>	438	—	748
<b>Net periodic pension cost</b>	<b>\$ 1,501</b>	<b>\$ 1,086</b>	<b>\$ 1,243</b>

<sup>(a)</sup> Non-cash pension settlement charges were recognized as a result of lump sum distributions exceeding interest cost for the year. Settlement charges are recorded in selling, general and administrative expenses in our consolidated statements of operations.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

Other changes in DB Plan assets and benefit obligations recognized in other comprehensive loss are as follows (in thousands):

	Fiscal Year	
	2017	2016
Amortization of net loss	\$ (797)	\$ (897)
Settlement charges	(438)	—
Net gain	(966)	(301)
Net change recognized in other comprehensive loss, pre-tax	\$ (2,201)	\$ (1,198)

The estimated net loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next year is \$0.5 million. The amortization of net loss is recorded in SG&A expenses.

Our funding policy is to make contributions to maintain the minimum funding requirements for our pension obligation in accordance with ERISA. We may elect to contribute additional amounts to maintain a level of funding to minimize the Pension Benefit Guaranty Corporation premium costs or to cover short-term liquidity needs of the DB Plan in order to maintain current invested positions. We contributed \$0.9 million in 2017, and we expect to contribute approximately \$1.2 million in 2018.

The following benefit payments are expected to be paid (in thousands):

Fiscal Year	Payments
2018	\$ 2,201
2019	2,880
2020	2,722
2021	2,988
2022	3,043
Fiscal Years 2023 - 2027	13,067

## NOTE 14 - INCOME TAXES

On December 22, 2017, the U.S. government enacted the Tax Act, making broad and complex changes to the U.S. tax code that affect our current fiscal year, including, but not limited to, (1) reducing the U.S. federal corporate tax rate, (2) creating a new limitation on deductible interest expense and (3) changing rules related to uses and limitations of net operating losses generated in tax years ending after December 31, 2017.

The Tax Act reduced the federal corporate tax rate from 35.0% to 21.0% effective January 1, 2018. In accordance with Section 15 of the Internal Revenue Code, we have utilized a blended rate of 33.7% for our fiscal 2017 tax year, by applying a prorated percentage of the number of days prior to and after the January 1, 2018 effective date. The Act required the remeasurement of the deferred tax assets at enactment date resulting in an adjustment of \$0.3 million to our income tax expense.

Existing accounting guidance required remeasurement for amounts recorded through accumulated other comprehensive income to run through tax expense. This impact is commonly referred to as the “stranded tax effect”. In February 2018, the FASB issued ASU 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, to address concerns regarding the “stranded tax effect”. ASU 2018-02 provides entities an election to reclassify the difference between the new and old corporate tax rates resulting from the Tax Act between retained earnings and accumulated other comprehensive income for fiscal years beginning after December 15, 2018, with early adoption permitted. We made an election under ASU 2018-02 to reclassify the income tax rate change effects on items originally recorded in accumulated other comprehensive income to retained earnings in the amount of \$1.2 million. Currently, only changes to the minimum pension liability are recorded into accumulated other comprehensive income. The amount of the reclassification was determined based on the amount of the federal tax rate change on the deferred tax liability remaining in accumulated other comprehensive income including the federal tax effect on future state tax benefits at the enactment date. Our current accounting policy related to releasing tax effects from accumulated other comprehensive income for minimum pension liability is on a plan approach.

On December 22, 2017, the SEC issued SAB 118, which provides guidance on accounting for tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for entities to complete the accounting under ASC 740. In accordance with SAB 118, an entity must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that an entity’s accounting for certain income tax effects of the Tax Act is incomplete, but it is able to determine a reasonable estimate, it must record a provisional estimate to be included in the financial statements. If an entity cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 based on the provision of the tax laws that were in effect immediately before the enactment of the Tax Act. Our accounting for the impact of the reduction in U.S. federal corporate rate is complete.

We record valuation allowances when it is more-likely-than-not that some portion or all of our deferred tax assets will not be realized. The ultimate realization of the deferred tax assets depends on the ability to generate sufficient taxable income of the appropriate character and in the appropriate taxing jurisdictions in the future. If we do not meet our expectations with respect to taxable income, we may not realize the full benefit from our deferred tax assets which would require us to record a valuation allowance in our tax provision in future years. Management assesses all available positive and negative evidence to estimate our ability to generate sufficient future taxable income of the appropriate character, and in the appropriate taxing jurisdictions, to permit use of our existing deferred tax assets. In determining the need for valuation allowances, we have considered and made judgments and estimates regarding estimated future taxable income and ongoing prudent and feasible tax planning strategies. These estimates and judgments include some degree of uncertainty and changes in these estimates and assumptions could require us to adjust the valuation allowances for our deferred tax assets. The ultimate realization of the deferred tax assets depends on the generation of sufficient taxable income in the applicable taxing jurisdictions.

We believe that the reversal of existing deferred tax liabilities will create taxable income that will allow us to recognize an equal amount of tax assets. In the current year, we have recorded a valuation allowance against net tax assets of \$6.1 million. We also generated federal and state net operating losses estimated at \$21.0 million which are included in deferred tax assets. Under the Tax Act, the federal losses generated in tax years ending after December 31, 2017, can be carried forward indefinitely; states are still considering conformity with the new law.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

As of February 3, 2018, we had no unrecognized tax benefits. We file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. We recognize penalty and interest accrued related to unrecognized tax benefits, if any, as an income tax expense. We are subject to U.S. federal income tax examinations by tax authorities for 2014 forward. We are also subject to audit by the taxing authorities of 38 states for years generally after 2013 and 3 additional states relating to the Gordmans Acquisition beginning in 2017. The outcome of tax audits cannot be predicted with certainty. If any issues addressed in our tax audits are resolved in a manner not consistent with our expectations, we could be required to adjust our provision for income taxes in the period such resolution occurs.

All of our operations are domestic. Income tax (benefit) expense consisted of the following (in thousands):

	Fiscal Year		
	2017	2016	2015
Federal income tax (benefit) expense:			
Current	\$ (12,216)	\$ (5,234)	\$ 3,380
Deferred	428	(19,052)	(2,156)
	<u>(11,788)</u>	<u>(24,286)</u>	<u>1,224</u>
State income tax (benefit) expense:			
Current	193	292	765
Deferred	(1,473)	(1,172)	(174)
	<u>(1,280)</u>	<u>(880)</u>	<u>591</u>
Total income tax (benefit) expense	<u>\$ (13,068)</u>	<u>\$ (25,166)</u>	<u>\$ 1,815</u>

A reconciliation between the federal income tax (benefit) expense computed at statutory tax rates and the actual income tax (benefit) expense recorded is as follows (in thousands):

	Fiscal Year		
	2017	2016	2015
Federal income tax (benefit) expense at the blended statutory rate	\$ (16,992)	\$ (22,072)	\$ 1,958
State income taxes, net	(1,345)	(1,084)	332
Uncertain tax position	—	(743)	128
Other	1,375	654	474
Tax deficiencies related to share-based payments <sup>(a)</sup>	1,948	—	—
Tax credits	(4,386)	(1,921)	(1,077)
Valuation allowance on net deferred tax assets	6,077	—	—
Tax Act	255	—	—
Total income tax (benefit) expense	<u>\$ (13,068)</u>	<u>\$ (25,166)</u>	<u>\$ 1,815</u>

<sup>(a)</sup> We recognized tax deficiencies of \$2.1 million related to share-based payments in 2017, of which \$0.2 million was for state income taxes.

Stage Stores, Inc.  
Notes to Consolidated Financial Statements – (continued)

Deferred tax assets (liabilities) consisted of the following (in thousands):

	February 3, 2018	January 28, 2017
<b>Gross deferred tax assets:</b>		
Net operating loss	\$ 6,758	\$ 10,184
Accrued expenses	2,203	2,893
Lease obligations	9,355	16,762
Deferred compensation	7,147	12,048
Deferred income	2,583	3,956
Other	4,650	4,434
	<u>32,696</u>	<u>50,277</u>
<b>Gross deferred tax liabilities:</b>		
Inventory	(1,862)	(4,706)
Depreciation and amortization	(24,342)	(45,703)
	<u>(26,204)</u>	<u>(50,409)</u>
Valuation allowance	(6,492)	(415)
Net deferred tax liabilities	<u>\$ —</u>	<u>\$ (547)</u>

**NOTE 15 - GORDMANS ACQUISITION**

On April 7, 2017, we acquired select assets of Gordmans Stores, Inc. and its subsidiaries (collectively, the “Sellers”) through a bankruptcy auction. The terms of the transaction agreement required us to take assignment of a minimum of 50 of the Sellers’ store leases, with rights to take assignment of the leases for an additional seven stores and a distribution center. We also acquired all of the Sellers’ inventory, furniture, fixtures and equipment at the 57 store locations and distribution center, as well as the trademarks and other intellectual property of the Sellers. The Gordmans stores, which we operate as an off-price concept, add scale to our business, while allowing us to leverage strategic synergies and our current infrastructure. The acquisition also brings beneficial geographic and guest diversification.

The purchase price for the inventory and other assets acquired from the Sellers was approximately \$36.1 million, all of which was paid by the end of the second quarter 2017 using existing cash and availability under our Revolving Credit Facility. We took assignment of 55 of the 57 store locations and the distribution center, and we renegotiated the terms of many of those leases. We also entered into new leases for three former Gordmans store locations, of which, two were opened in the second quarter 2017 and one opened in the third quarter 2017, for a total of 58 stores.

The estimated fair values of the assets acquired at the acquisition date, were as follows (in thousands):

	April 7, 2017	
Inventory	\$	31,770
Property, plant and equipment and other assets		4,374
Total	\$	36,144

We recognized \$9.1 million of acquisition and integration related costs in selling, general and administrative expenses in 2017.

Net sales included in our consolidated statements of operations from our Gordmans stores that we operated beginning on April 7, 2017, were \$222.2 million in 2017.

Pro forma net sales and earnings for 2017 and 2016 are not presented due to the impracticability in substantiating this information as the Gordmans Acquisition was limited to select assets and assignment of leases acquired through a bankruptcy auction. Furthermore, the results of operations may be impacted by the Sellers’ liquidation and may not be indicative of future performance.



**NOTE 16 - QUARTERLY FINANCIAL INFORMATION (unaudited)**

The following table shows quarterly information (in thousands, except per share amounts):

	Fiscal Year 2017			
	Q1	Q2	Q3	Q4 <sup>(a) (b)</sup>
Net sales	\$ 308,607	\$ 377,081	\$ 357,236	\$ 549,351
Gross profit	62,218	92,941	71,694	136,642
Net (loss) income	(18,987)	(6,258)	(17,722)	5,644
Basic (loss) earnings per share	\$ (0.70)	\$ (0.23)	\$ (0.64)	\$ 0.19
Diluted (loss) earnings per share	(0.70)	(0.23)	(0.64)	0.19
Basic weighted average shares	27,268	27,535	27,602	27,628
Diluted weighted average shares	27,268	27,535	27,602	27,628
	Fiscal Year 2016			
	Q1	Q2	Q3	Q4 <sup>(a) (b)</sup>
Net sales	\$ 332,750	\$ 338,385	\$ 317,140	\$ 454,443
Gross profit	66,987	85,570	56,590	88,905
Net (loss) income	(15,460)	41	(15,634)	(6,844)
Basic (loss) earnings per share	\$ (0.57)	\$ —	\$ (0.58)	\$ (0.25)
Diluted (loss) earnings per share	(0.57)	—	(0.58)	(0.25)
Basic weighted average shares	26,932	27,111	27,155	27,163
Diluted weighted average shares	26,932	27,175	27,155	27,163

<sup>(a)</sup> The fourth quarter 2017 consisted of 14 weeks compared with 13 weeks in the fourth quarter 2016.

<sup>(b)</sup> The fourth quarter 2017 and 2016 included impairment charges recognized in cost of sales and related buying, occupancy and distribution expenses of \$1.6 million and \$19.4 million, respectively.

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

Not applicable.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as that term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”), as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have each concluded that such disclosure controls and procedures were effective as of the end of the period covered by this report.

**Management’s Annual Report on Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements, and provide reasonable assurance as to the detection of fraud.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures based on the framework and criteria established in Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that our internal control over financial reporting was effective as of February 3, 2018.

Our independent registered public accounting firm, Deloitte & Touche LLP, with direct access to our Board of Directors through our Audit Committee, has audited the consolidated financial statements we prepared and issued an attestation report on the effectiveness of our internal control over financial reporting. The report appears in the Consolidated Financial Statements section of this Form10-K.

**Changes in Internal Control over Financial Reporting**

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the internal control over financial reporting and concluded that no change in our internal control over financial reporting occurred during the fourth quarter ended February 3, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

Not applicable.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following information pertains to our executive officers as of March 23, 2018:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Michael L. Glazer	69	President and Chief Executive Officer, Director
William E. Gentner	49	Executive Vice President, Chief Marketing Officer
Amy B. Gray	47	Executive Vice President, Chief Human Resources Officer
Steven L. Hunter	47	Executive Vice President, Chief Operating Officer - Gordmans
Russell A. Lundy, II	55	Executive Vice President, Chief Stores Officer
Chadwick P. Reynolds	44	Executive Vice President, Chief Legal Officer and Secretary
Oded Shein	56	Executive Vice President, Chief Financial Officer and Treasurer
Thorsten I. Weber	47	Executive Vice President, Chief Merchandising Officer
Steven R. Williams, Jr.	53	Executive Vice President, Chief Information Officer
Richard E. Stasyszen	57	Senior Vice President, Finance and Controller

Mr. Glazer joined us in April 2012 as President and Chief Executive Officer. He has served as a member of our Board since August 2001. Mr. Glazer served as the President and CEO of Mattress Giant Corporation from October 2009 to April 2012.

Mr. Gentner joined us in June 2012 as Senior Vice President, Marketing and was promoted to Executive Vice President, Chief Marketing Officer in June 2014. From June 2007 to June 2012, he served in various marketing positions at J.C. Penney Company, Inc., including Senior Vice President, Strategic Brands and Senior Vice President, Marketing Planning and Promotions.

Ms. Gray joined us in May 1998 as a Corporate Recruiter, was quickly promoted to Manager of Recruitment, and to Director of Staffing and Placement in 2002. She was promoted to Vice President of Recruitment, Placement, Learning and Development in August 2010, to Senior Vice President of Human Resources in April 2014, and to Executive Vice President, Chief Human Resources Officer in April 2017.

Mr. Hunter joined us in June 2008 as Senior Vice President, Chief Information Officer and was promoted to Executive Vice President, Chief Information Officer in March 2010, and to Executive Vice President, Chief Operating Officer - Gordmans in May 2017. From May 2003 to June 2008, he served as Senior Vice President of Information Technology at Belk, Inc.

Mr. Lundy joined us in November 2003 as Senior Vice President, Stores, was promoted to Executive Vice President, Stores in January 2013, and to Executive Vice President, Chief Stores Officer in October 2014. Prior to joining us, he spent 27 years with Peebles, Inc.

Mr. Reynolds joined us in August 2014 as Senior Vice President, Chief Legal Officer and Secretary, and was promoted to Executive Vice President, Chief Legal Officer and Secretary in April 2017. Previously, he spent 16 years with Big Lots, Inc., where he most recently served as Vice President, Deputy General Counsel and Assistant Corporate Secretary from March 2009 to August 2014.

Mr. Shein joined us in January 2011 as Executive Vice President, Chief Financial Officer. From July 2004 to January 2011, he served in various financial positions at Belk, Inc., including Vice President, Finance and Vice President and Treasurer. Prior to joining Belk, Inc., Mr. Shein served as the Vice President, Treasurer of Charming Shoppes, Inc.

Mr. Weber joined us in July 2013 as Senior Vice President, Planning and Allocation and was promoted to Executive Vice President, Chief Merchandise Officer in September 2016. Most recently, he served as Senior Vice President, Planning and Allocation with Kohl's Corporation. Previously, he spent 10 years with J.C. Penney Company, Inc., where he ultimately held the position of Senior Vice President, Planning and Allocation. Prior to joining J.C. Penney Company, Inc., he spent 9 years at the Kaufmann's Division of May Department Stores Company where he began his career and held buying positions of increasing responsibility.

Mr. Williams joined us in June 2017 as Executive Vice President, Chief Information Officer. Previously, he spent 5 years with Boot Barn Holdings, Inc., where he served as Chief Information Officer. Prior to joining Boot Barn Holdings, Inc., he spent 12 years at Mattress Giant Corporation and served as Senior Vice President, Chief Information Officer.

Mr. Stasyszen joined us in March 1998 as Assistant Controller and was promoted to Vice President and Controller in February 1999. In July 2001, he was promoted to Senior Vice President, Finance and Controller.

The remaining information called for by this item, including with respect to our directors, shareholder nomination procedures, code of ethics, Audit Committee, audit committee financial experts, and Section 16(a) beneficial ownership reporting compliance, is incorporated herein by reference "Item 1: Election of Directors," "Governance," "Security Ownership of Certain Beneficial Owners and Management" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

#### **ITEM 11. EXECUTIVE COMPENSATION**

Information regarding executive compensation, Compensation Committee interlocks and insider participation, director compensation, and the Compensation Committee Report called for by this item is incorporated herein by reference to "Governance," "Compensation Committee Interlocks and Insider Participation," "Executive Compensation," "Director Compensation" and "Compensation Committee Report" in the Proxy Statement.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information regarding the security ownership of certain beneficial owners and management and related stockholder matters called for by this item is incorporated herein by reference to "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement. The remaining information called for by this item is incorporated by reference to "Equity Compensation Plan Information" in the Proxy Statement.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Information regarding our review of director independence and transactions with related persons called for by this item is incorporated herein by reference to "Item 1: Election of Directors," "Governance" and "Transactions with Related Persons" in the Proxy Statement.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Information regarding fees billed to us by our independent registered public accounting firm, Deloitte & Touche LLP, and our Audit Committee's pre-approval policies and procedures called for by this item is incorporated herein by reference to "Audit Committee Matters" in the Proxy Statement.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements:

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Report of Independent Registered Public Accounting Firm	40
Consolidated Balance Sheets	42
Consolidated Statements of Operations and Comprehensive (Loss) Income	43
Consolidated Statements of Cash Flows	44
Consolidated Statements of Stockholders' Equity	45
Notes to Consolidated Financial Statements	46

2. Financial Statement Schedules:

All schedules are omitted because they are not required or are not applicable or because the information required to be set forth therein either was not material or is included in the consolidated financial statements or notes thereto.

3. Exhibits Index:

The following documents are the exhibits to this Form 10-K. Copies of exhibits will be furnished upon written request and payment of our reasonable expenses in furnishing the exhibits.

**Exhibit  
Number**

**Description**

- |      |  |
|------|--|
| 3.1  | Amended and Restated Articles of Incorporation of Stage Stores, Inc. dated June 7, 2007 are incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q filed on September 12, 2007.   |
| 3.2  | Amended and Restated Bylaws of Stage Stores, Inc. dated September 15, 2016 are incorporated by reference to Exhibit 3 to our Quarterly Report on Form 10-Q filed on December 8, 2016.  |
| 4.1  | Form of Common Stock Certificate of Stage Stores, Inc. is incorporated by reference to Exhibit 4.1 to our Registration Statement on Form 10 filed on October 29, 2001.   |
| 10.1 | Second Amended and Restated Credit Agreement dated October 6, 2014, among Specialty Retailers, Inc., as borrower, Stage Stores, Inc., as guarantor, and the banks named therein is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 10, 2014. Some schedules to this Exhibit have been omitted. The registrant agrees to furnish supplementally a copy of any of the omitted schedules to this Exhibit to the Securities and Exchange Commission upon its request.                       |
| 10.2 | First Amendment to Second Amended and Restated Credit Agreement dated December 16, 2016, among Specialty Retailers, Inc., as borrower, Stage Stores, Inc., as guarantor, and the banks named therein is incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on December 19, 2016. Some schedules to this Exhibit have been omitted. The registrant agrees to furnish supplementally a copy of any of the omitted schedules to this Exhibit to the Securities and Exchange Commission upon its request. |

- 10.3 Second Amendment to Second Amended and Restated Credit Agreement and Amendment to Amended and Restated Security Agreement dated April 21, 2017, among Specialty Retailers, Inc., as borrower, Stages Stores, Inc., as guarantor, and the banks named therein is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on June 8, 2017.
- 10.4† Stage Stores, Inc. Amended and Restated 2001 Equity Incentive Plan effective June 3, 2004 is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.5† Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan effective June 9, 2011 is incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.6† Stage Stores, Inc. Amended and Restated 2003 Non-Employee Director Equity Compensation Plan effective June 10, 2014 is incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on September 11, 2014.
- 10.7† Form of Stock Appreciation Rights Agreement (Employee) under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan is incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.8† Form of Performance Based Share Agreement under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan is incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.9† Form of Restricted Stock Award Agreement (Employee) under the Stage Stores, Inc. Amended and Restated 2001 Equity Incentive Plan (4 year pro rata vesting; SVPs and above) is incorporated by reference to Exhibit 10.9 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.10† Form of Restricted Stock Award Agreement (Employee) under the Stage Stores, Inc. Amended and Restated 2001 Equity Incentive Plan (4 year pro rata vesting; below SVP level) is incorporated by reference to Exhibit 10.10 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.11† Form of Restricted Stock Award Agreement (Employee) under the Stage Stores, Inc. Amended and Restated 2001 Equity Incentive Plan (4 year pro rata vesting; EVPs and above; with non-compete) is incorporated by reference to Exhibit 10.11 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.12† Form of Restricted Stock Award Agreement (Employee) under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan (cliff vesting; all employees) is incorporated by reference to Exhibit 10.12 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.13† Form of Restricted Stock Award Agreement (Employee) under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan (4 year pro rata vesting; SVPs and above) is incorporated by reference to Exhibit 10.13 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.14† Form of Restricted Stock Award Agreement (Employee) under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan (4 year pro rata vesting; below SVP level) is incorporated by reference to Exhibit 10.14 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.15† Form of Restricted Stock Award Agreement (Employee) under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan (4 year pro rata vesting; EVPs and above; with non-compete) is incorporated by reference to Exhibit 10.15 to our Quarterly Report on Form 10-Q filed on September 6, 2012.

- 10.16† Form of Initial Grant Restricted Stock Award Agreement (Director) under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan is incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on September 11, 2014.
- 10.17† Form of Reelection Grant Restricted Stock Award Agreement (Director) under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan is incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on September 11, 2014.
- 10.18† Form of Restricted Stock Unit Award Agreement (Employee) under the Stage Stores, Inc. Second Amended and Restated 2008 Equity Incentive Plan (4 year pro rata vesting: GVPs and above) is incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed on June 8, 2017.
- 10.19† Form of Shareholder Agreement for restricted stock (Director) under the Stage Stores, Inc. Amended and Restated 2003 Non-Employee Director Equity Compensation Plan is incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q filed on September 11, 2014.
- 10.20† Stage Stores 2017 Long-Term Incentive Plan is incorporated by reference to Exhibit 4.4 to our Registration Statement on Form S-8 filed on May 19, 2017.
- 10.21† Form of Stage Stores Performance Share Unit Award Agreement under the Stage Stores 2017 Long-Term Incentive Plan is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 1, 2017.
- 10.22† Form of Stage Stores Restricted Stock Unit Award Agreement under the Stage Stores 2017 Long-Term Incentive Plan is incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on June 1, 2017.
- 10.23† Form of Stage Stores Restricted Stock Award Agreement under the Stage Stores 2017 Long-Term Incentive Plan is incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on June 1, 2017.
- 10.24† Form of Stage Stores Nonemployee Director Restricted Stock Award Agreement under the Stage Stores 2017 Long-Term Incentive Plan is incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed on June 1, 2017.
- 10.25† Stage Stores Executive Performance Incentive Bonus Plan is incorporated by reference to Exhibit 10 to our Current Report on Form 8-K filed on June 16, 2015.
- 10.26† Stage Stores, Inc. Nonqualified Deferred Compensation Plan, as Amended and Restated effective June 5, 2008 is incorporated by reference to Exhibit 4.4 to our Registration Statement on Form S-8 filed on June 10, 2008.
- 10.27# Amended and Restated Private Label Credit Card Plan Agreement Between World Financial Network Bank (now Comenity Bank) and Stage Stores, Inc. and Specialty Retailers, Inc. dated as of August 8, 2012 is incorporated by reference to Exhibit 10.1 to our Amended Quarterly Report on Form 10-Q/A filed on March 7, 2013.
- 10.28# Amendment No. One to Amended and Restated Private Label Credit Card Plan Agreement dated as of February 1, 2013, Between World Financial Network Bank (now Comenity Bank) and Stage Stores, Inc. and Specialty Retailers, Inc. is incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K filed on April 3, 2013.
- 10.29# Amendment No. Two to Amended and Restated Private Label Credit Card Plan Agreement dated as of February 13, 2014, Between Comenity Bank and Stage Stores, Inc. and Specialty Retailers, Inc. is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on June 10, 2014.

- 10.30# Amendment No. Three to Amended and Restated Private Label Credit Card Plan Agreement dated as of May 4, 2014, Between Comenity Bank and Stage Stores, Inc. and Specialty Retailers, Inc. is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on September 11, 2014.
- 10.31# Amendment No. Four to Amended and Restated Private Label Credit Card Plan Agreement dated as of March 28, 2016, Between Comenity Bank and Stage Stores, Inc. and Specialty Retailers, Inc. is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on June 3, 2016.
- 10.32# Amendment No. Five to Amended and Restated Private Label Credit Card Plan Agreement dated as of August 11, 2017 between Stage Stores, Inc. and Comenity Bank is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q/A filed on January 26, 2018.
- 10.33\* Amendment No. Six to Amended and Restated Private Label Credit Card Plan Agreement dated as of December 12, 2017 between Stage Stores, Inc. and Comenity Bank.
- 10.34\* Amendment No. Seven to Amended and Restated Private Label Credit Card Plan Agreement dated as of December 22, 2017 between Stage Stores, Inc. and Comenity Bank.
- 10.35† Employment Agreement between Oded Shein and Stage Stores, Inc. dated June 16, 2015 is incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 22, 2015.
- 10.36† Employment Agreement between Steven L. Hunter and Stage Stores, Inc. dated May 11, 2017 is incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on June 8, 2017.
- 10.37† Employment Agreement between Michael Glazer and Stage Stores, Inc. dated June 12, 2012 is incorporated by reference to Exhibit 10.25 to our Quarterly Report on Form 10-Q filed on September 6, 2012.
- 10.38† Employment Agreement between Thorsten I. Weber and Stage Stores, Inc. dated September 29, 2016 is incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q filed on December 8, 2016.
- 10.39† Employment Agreement between Russ Lundy and Stage Stores, Inc. dated August 6, 2010 is incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on June 13, 2013.
- 10.40† Employment Agreement between Bill Gentner and Stage Stores, Inc. dated June 17, 2014 is incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q filed on September 11, 2014.
- 10.41† Employment Agreement between Amy B. Gray and Stage Stores, Inc. dated April 10, 2017 is incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q filed on June 8, 2017.
- 10.42† Employment Agreement between Chadwick P. Reynolds and Stage Stores, Inc. dated April 10, 2017 is incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q filed on June 8, 2017.
- 10.43† Employment Agreement between Steven R. Williams, Jr. and Stage Stores, Inc. dated June 26, 2017 is incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q filed on September 7, 2017.
- 10.44† Form of Indemnity Agreement is incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q filed on December 8, 2016.



- 14 Code of Ethics for Senior Officers dated January 25, 2011 is incorporated by reference to Exhibit 14 to our Annual Report to Form 10-K filed on March 30, 2011.
- 21\* Subsidiaries of Stage Stores, Inc.
- 23\* Consent of Independent Registered Public Accounting Firm.
- 24.1\* Power of Attorney: Directors (Form 10-K).
- 24.2\* Power of Attorney: Section 16 Filers.
- 31.1\* Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32\* Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS\* XBRL Instance Document
- 101.SCH\* XBRL Taxonomy Extension Schema Document
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document

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\* Filed electronically herewith.

† Management contract or compensatory plan or arrangement.

# Certain confidential portions have been omitted pursuant to a confidential treatment request that has been filed separately with the Securities and Exchange Commission.

**ITEM 16. FORM 10-K SUMMARY**

An optional summary of the information required by this Form 10-K is not included in this Form 10-K.

## 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.

STAGE STORES, INC.

/s/ Michael L. Glazer

April 10, 2018

Michael L. Glazer  
President and Chief Executive Officer  
(Principal Executive Officer)

STAGE STORES, INC.

/s/ Oded Shein

April 10, 2018

Oded Shein  
Executive Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

STAGE STORES, INC.

/s/ Richard E. Stasyszen

April 10, 2018

Richard E. Stasyszen  
Senior Vice President, Finance and Controller  
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

\* \_\_\_\_\_ Director April 10, 2018

Alan J. Barocas

\* \_\_\_\_\_ Director April 10, 2018

Elaine D. Crowley

\* \_\_\_\_\_ Director April 10, 2018

Diane M. Ellis

/s/ Michael L. Glazer Director April 10, 2018

Michael L. Glazer

\* \_\_\_\_\_ Director April 10, 2018

Earl J. Hesterberg

\* \_\_\_\_\_ Director April 10, 2018

Lisa R. Kranc

\* \_\_\_\_\_ Director April 10, 2018

William J. Montgoris

(Constituting a majority of the Board of Directors)

\*By: /s/ Oded Shein

Oded Shein

Attorney-in-Fact

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# shareholder INFORMATION AS OF APRIL 9, 2018

## DIRECTORS

### Alan Barocas (1), (3)

Former Senior Executive Vice President of Leasing, GGP, Inc.

### Elaine Crowley (1)\*, (2)

Former Executive Vice President, Chief Financial Officer, Mattress Giant Corporation

### Diane Ellis (1), (3)

Brand President, Chico's, Chico's FAS

### Michael Glazer

President and Chief Executive Officer, Stage Stores, Inc.

### Earl Hesterberg (2)\*, (3)

President and Chief Executive Officer, Group 1 Automotive, Inc.

### Lisa Kranc (2), (3)\*

Former Senior Vice President, Marketing, AutoZone, Inc.

### William Montgoris (1), (4)

Former Chief Operating Officer, The Bear Stearns Companies, Inc.

1) Audit Committee

2) Compensation Committee

3) Corporate Governance & Nominating Committee

4) Chairman of the Board

\*Committee Chairman

## PRESIDENT & CHIEF EXECUTIVE OFFICER

### Michael Glazer

## EXECUTIVE VICE PRESIDENTS

### Bill Gentner

Chief Marketing Officer

### Amy Gray

Chief Human Resources Officer

### Steven Hunter

Chief Operating Officer, Gordmans

### Russ Lundy II

Chief Stores Officer

### Chad Reynolds

Chief Legal Officer and Secretary

### Oded Shein

Chief Financial Officer and Treasurer

### Thorsten Weber

Chief Merchandising Officer

### Steve Williams

Chief Information Officer

## SENIOR VICE PRESIDENTS

### Tassy Beasley

Planning and Allocation

### Roger Blanchard

Store Operations

### Jason Curtis

Finance and Credit

### Joan Fluke

Cosmetics

### Blake Garner

General Merchandise Manager

### Kay Mannino

Visual Merchandising Presentation and Product Development

### Jack Matzer

General Merchandise Manager

### Clark McNaught

Chief Merchandising Officer, Gordmans

### Kevin Richardson

Gordmans Technology

### Michael Smith

Omnicommerce

### Richard Stasyszen

Finance and Controller

### Allan Watters

Asset Protection

### Kent Williams

Real Estate

## CORPORATE HEADQUARTERS

2425 West Loop South  
Houston, Texas 77027  
1-800-579-2302

[www.corporate.stage.com](http://www.corporate.stage.com)

## ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 8:15 a.m. Central Time on Thursday, June 7, 2018, at the Company's Corporate Headquarters.

## FORM 10-K

A copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission for the fiscal year ended February 3, 2018, will be sent without charge upon written request to the Company's Investor Relations Department at the Company's Corporate Headquarters address.

## TRANSFER AGENT AND REGISTRAR

Computershare Investor Services  
P.O. Box 30170  
College Station, Texas 77842-3170

Within USA and Canada:  
1-877-878-7531

Outside USA and Canada:  
1-201-680-6578

[www.computershare.com/investor](http://www.computershare.com/investor)

## AUDITORS

Deloitte & Touche LLP  
1111 Bagby Street, Suite 4500  
Houston, Texas

## STOCK LISTING

The Company's common stock trades on the New York Stock Exchange under the symbol "SSI."

## COMMON STOCK MARKET PRICE

The following table sets forth the high and low market prices per share of the Company's common stock for each quarter during fiscal 2017 as reported on the New York Stock Exchange:

FISCAL 2017	High	Low
First Quarter	3.00	1.80
Second Quarter	2.94	1.72
Third Quarter	2.43	1.45
Fourth Quarter	2.22	1.61



BEALLS  
GOODY'S  
PALAIS ROYAL  
Peebles  
STAGE  
*Gordmans*

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