

STAGE STORES INC  
Form PRE 14A  
April 05, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

SCHEDULE 14A  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.   )

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o  
Check the appropriate box:

- x Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to § 240.14a-12

Stage Stores, Inc.  
(Name of Registrant as Specified In Its Charter)

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- x No fee required.
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  - (4) Date Filed: \_\_\_\_\_

Stage Stores, Inc.  
Notice of 2016 Annual Meeting of Shareholders  
and  
Proxy Statement

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

April [§], 2016

Dear Shareholder:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the 2016 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 2, 2016, beginning at 8:30 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 4, 2016. 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. We believe furnishing proxy materials to our shareholders on the Internet will allow us to provide our shareholders with the information they need, while lowering the costs of delivery of our proxy materials and reducing the environmental impact of the Annual Meeting. 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 2016 ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD JUNE 2, 2016

To our Shareholders:

The 2016 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 2, 2016, beginning at 8:30 a.m. CDT, for the following purposes:

1. Elect as directors the nine nominees named in the Proxy Statement for a term of one year;
2. Approve an amendment to our Amended and Restated Bylaws to implement a majority voting standard in uncontested director elections;
3. Approve, on an advisory basis, the compensation of our named executive officers;
4. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for our fiscal year ending January 28, 2017; and
5. Transact such other business as may properly come before the Annual Meeting.

The Board of Directors has fixed the close of business on April 4, 2016, 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 [§], 2016 to shareholders of record at the close of business on April 4, 2016. The Notice contains information on how to access on the Internet our 2016 Proxy Statement, our 2015 Annual Report to Shareholders, our Annual Report on Form 10-K for the fiscal year ended January 30, 2016 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  
Senior Vice President,  
Chief Legal Officer and Secretary

April [§], 2016  
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 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 holder of record, you are considered the beneficial shareholder of the common shares, which are often referred to as held in “street name.”

If you are a beneficial shareholder, you must instruct your broker 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 does not have discretionary authority to vote. This is called a “broker non-vote”. In such cases, your broker 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 voting authority under NYSE rules to vote your common shares on Item 4 (Ratification of the Appointment of Deloitte & Touche LLP), even if the broker does not receive voting instructions from you. However, your broker does not have discretionary authority to vote on Item 1 (Election of Directors), Item 2 (Amendment to Bylaws) or Item 3 (Advisory Vote to Approve Executive Compensation) 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 financial institution where you hold your common shares. The Securities and Exchange Commission (“SEC”) also has a website ([www.sec.gov/spotlight/proxymatters.shtml](http://www.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 ([www.stagestoresinc.com](http://www.stagestoresinc.com)).

#### IMPORTANT INFORMATION REGARDING AVAILABILITY OF PROXY MATERIALS

Our 2016 Proxy Statement, our 2015 Annual Report to Shareholders and our Annual Report on Form 10-K for 2015 are available for review by shareholders of record at [www.envisionreports.com/SSI](http://www.envisionreports.com/SSI) and by beneficial shareholders at [www.edocumentview.com/SSI](http://www.edocumentview.com/SSI).

#### IMPORTANT INFORMATION REGARDING ANNUAL MEETING ATTENDANCE

In accordance with our security procedures, all persons attending the Annual Meeting must present 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, and picture identification. If you are a shareholder of record and plan to attend the Annual Meeting in person, please bring your Notice of Internet Availability or your admission ticket with you to the meeting. 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 ([www.stagestoresinc.com](http://www.stagestoresinc.com)).

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 2016 Annual Meeting of Shareholders to be held at our corporate office located at 2425 West Loop South, Houston, Texas 77027, on June 2, 2016, beginning at 8:30 a.m. CDT (“Annual Meeting”). On or about April [§], 2016, we began mailing to our shareholders of record at the close of business on April 4, 2016, 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 2015.

Unless otherwise noted, references in this Proxy Statement to a particular year correspond to our fiscal year. For example, “2013” refers to our fiscal year ended February 1, 2014, “2014” refers to our fiscal year ended January 31, 2015, “2015” refers to our fiscal year ended January 30, 2016, and “2016” refers to our fiscal year ending January 28, 2017.

**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 nine nominees named in this Proxy Statement; (2) approve an amendment to our Amended and Restated Bylaws (“Bylaws”) to implement a majority voting standard in uncontested director elections; (3) 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; (4) ratify the appointment of Deloitte & Touche LLP as our independent registered accounting firm for 2016; and (5) transact such other business as may properly come before the Annual Meeting.

**Voting Securities and Shareholder Voting Rights**

Our voting securities consist of \$0.01 par value per share of common stock. Only those shareholders of record at the close of business on April 4, 2016 (“Record Date”) are entitled to receive notice of, and to vote at, the Annual Meeting. On the Record Date, there were [§] outstanding shares of our common stock and holders of an additional [§] shares of 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 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 holder of record, you are considered the beneficial shareholder of the common shares, which are often 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 2015 Annual Report to Shareholders and our Annual Report on Form 10-K for 2015, 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 holder of record who is considered the registered shareholder with respect to common shares will 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 holder of record 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 holder of record on how to vote their common shares by following the voting instructions they receive from their broker, bank or other holder of record.

To enroll in the electronic delivery service for future shareholder meetings, use your Notice of Internet Availability (or proxy card, if you received printed copies of the proxy materials) to register online at [www.envisionreports.com/SSI](http://www.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 [www.envisionreports.com/SSI](http://www.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 written ballot at the Annual Meeting. If, after receiving the Notice of Internet Availability, you request (via online, toll-free telephone number or e-mail) 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 1, 2016, 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 each of Item 1 (Election of Directors), Item 2 (Amendment to Bylaws), Item 3 (Advisory Vote to Approve Executive Compensation) and Item 4 (Ratification of the Appointment of Deloitte & Touche LLP) and in their discretion for such other matters as may properly come before the Annual Meeting.

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 corporate 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 holder of record who is the registered holder of their common shares to instruct such registered holder how to vote

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those common shares or revoke previously given voting instructions. Please contact your broker, bank or other holder of record 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 holder of record who is the registered holder of their common shares.

Brokers, banks and other holders of record 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 4 (Ratification of the Appointment of Deloitte & Touche LLP), without specific voting instructions from the beneficial owner of such common shares. Brokers, banks and other holders of record may not, however, vote such common shares on “non-routine” matters, such as Item 1 (Election of Directors), Item 2 (Amendment to Bylaws) and Item 3 (Advisory Vote to Approve Executive Compensation) without specific voting instructions from the beneficial owner of such common shares. Proxies submitted by brokers, banks and other holders of record 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.

#### 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 its nominated slate of directors (see Item 1);
2. FOR the approval of an amendment to our Bylaws to implement a majority voting standard in uncontested director elections (see Item 2);
3. FOR the approval, on an advisory basis, of the compensation of our named executive officers, as disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K, including the Compensation Disclosure and Analysis, compensation tables and the narrative discussion accompanying the tables (see Item 3); and
4. FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for 2016 (see Item 4).

If any other matter properly comes before the Annual Meeting, 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, permitting 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

For purposes of Item 1 (Election of Directors), pursuant to our Bylaws and Section 78.330 of the Nevada Revised Statutes, the nominees receiving the nine highest vote totals of the votes cast at the Annual Meeting in person or by proxy will be elected as directors.

##### Other Items

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For purposes of Item 2 (Amendment to Bylaws), Item 3 (Advisory Vote to Approve Executive Compensation) and Item 4 (Ratification of the Appointment of Deloitte & Touche LLP), the affirmative vote of a majority of the votes cast on each such

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matter will be required for approval. The votes received with respect to Item 3 and Item 4 are advisory and will not bind the Board or us. A properly executed proxy marked “abstain” with respect to Item 2, Item 3 or Item 4 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 (other than Item 1) 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 recommendation of the Board.

#### ITEM 1: ELECTION OF DIRECTORS

At the Annual Meeting, nine 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 nine nominees are currently directors on the Board. Proxies may not be voted at the Annual Meeting for more than nine persons. Our shareholders do not have cumulative voting rights in the election of directors. The Board’s Corporate Governance and Nominating Committee recommended the current directors for re-election. The Board knows of no reason why any nominee may be unable to serve as a director. If any nominee is unable to 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”). An asterisk (\*) next to a nominee’s name in the following table denotes that the Board has determined that the individual is an independent director.

Name	Age	Director Since	Business Experience, Current Positions on the Board’s Committees, and Specific Qualifications for Service on the Board
Alan J. Barocas*	67	2007	<p>Business Experience: Senior Executive Vice President of Leasing at General Growth Properties, Inc., a real estate development and management firm, since January 2011. 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, serving last as Senior Vice President of Real Estate.</p> <p>Committee Memberships: Corporate Governance and Nominating Committee; Compensation Committee</p> <p>Director Qualifications: 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>

Name	Age	Director Since	Business Experience, Current Positions on the Board's Committees, and Specific Qualifications for Service on the Board
Elaine D. Crowley*	57	2014	<p>Business Experience: Liquidation Trustee for the Bombay Liquidation Trust, which oversees the liquidation of The Bombay Company, Inc. ("Bombay"), a furniture and home goods retailer, since September 2008, where she has served as Senior Vice President, Chief Financial Officer and Treasurer since February 2000. Bombay filed for bankruptcy protection on September 20, 2007. From August 2010 to 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, Contoller and Chief Accounting Officer/Chief Financial Officer for Michaels Stores, Inc., an arts and crafts retailer.</p> <p>Committee Memberships: Audit Committee; Compensation Committee</p> <p>Director Qualifications: 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> <p>Business Experience: CEO of The Limited, a fashion retailer, since August 2013. 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>Committee Memberships: Audit Committee; Corporate Governance and Nominating Committee (Chair)</p>
Diane M. Ellis*	58	2012	<p>Director Qualifications: 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> <p>Business Experience: 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>Committee Memberships: None</p>
Michael L. Glazer	67	2001	<p>Director Qualifications: Mr. Glazer's 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>

Name	Age	Director Since	Business Experience, Current Positions on the Board's Committees, and Specific Qualifications for Service on the Board
Earl J. Hesterberg*	62	2010	<p>Business Experience: 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>Committee Memberships: Compensation Committee (Chair); Corporate Governance and Nominating Committee</p> <p>Director Qualifications: 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> <p>Business Experience: 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>
Lisa R. Kranc*	62	2012	<p>Committee Memberships: Compensation Committee; Corporate Governance and Nominating Committee</p> <p>Director Qualifications: 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> <p>Business Experience: 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>
William J. Montgoris*	69	2004	<p>Committee Memberships: Audit Committee</p> <p>Director Qualifications: 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>



Name	Age	Director Since	Business Experience, Current Positions on the Board's Committees, and Specific Qualifications for Service on the Board
C. Clayton Reasor*	59	2012	<p>Business Experience: Executive Vice President, Investor Relations, Strategy, Corporate and Government Affairs of Phillips 66, an energy manufacturing and logistics company, since October 2014. From May 2012 to September 2014, Mr. Reasor served as Senior Vice President, Investor Relations, Strategic Development, Public Affairs and Public Policy of Phillips 66. From April 2009 to April 2012, Mr. Reasor served as Vice President, Investor Relations and Public Affairs of ConocoPhillips, a crude oil and natural gas exploration and production company. Mr. Reasor is a director of Phillips 66 Partners GP LLC, the general partner of Phillips 66 Partners LP, a publicly-traded owner, developer and acquirer of crude oil, refined petroleum and natural gas pipelines and terminals.</p> <p>Committee Memberships: Compensation Committee; Corporate Governance and Nominating Committee</p> <p>Director Qualifications: Mr. Reasor's significant experience in the development, implementation and communication of corporate strategy, his background working with investment analysts and investors and his tenure in executive roles for large public companies provides the Board with valuable strategic planning and investor relations expertise and leadership experience.</p>
Ralph P. Scozzafava*	57	2012	<p>Business Experience: Executive Vice President and Chief Operating Officer of Dean Foods Company, a food and beverage processor and distributor, since October 2014. From December 2013 to October 2014, Mr. Scozzafava was an adviser to consumer products companies. From May 2008 to November 2013, Mr. Scozzafava served as Chairman and CEO of Furniture Brands International, Inc. ("Furniture Brands"), a furniture manufacturer. From June 2007 to January 2008, Mr. Scozzafava served as Vice Chairman and CEO-designate of Furniture Brands. Furniture Brands filed for bankruptcy protection on September 9, 2013. From 2001 until June 2007, Mr. Scozzafava was employed at Wm. Wrigley Jr. Company, where he held several executive positions.</p> <p>Committee Memberships: Audit Committee (Chair); Compensation Committee</p> <p>Director Qualifications: Mr. Scozzafava's tenure in senior executive roles, including as a CEO, for large public companies and extensive experience in marketing, brand management and strategic planning provides the Board with valuable leadership and strategic planning experience and marketing and branded consumer goods 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 nine 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, by reviewing materials provided to them, by visiting our offices, stores and distribution centers, and by participating in meetings of the Board and its committees.

Our CEO does not serve as the Chairman of the Board. We believe that this leadership structure is appropriate 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, all of whom are highly qualified and experienced and



exercise a strong oversight function. The Chairman plans 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.

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#### Corporate Governance Guidelines

We have adopted written Corporate Governance Guidelines (“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 Investor Relations section of our website ([www.stagestoresinc.com](http://www.stagestoresinc.com)) under the “Corporate Governance” caption.

#### 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 with a positive, supportive attitude.

We have also adopted a Code of Ethics for Senior Officers (“Code for Senior Officers”) in order to promote ethical conduct in the practice of financial management. We believe our CEO, Chief Financial Officer and Controller each hold an important role in corporate governance. The Code for Senior Officers is designed to deter wrongdoing and provide principles to which our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions are expected to adhere 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 Investor Relations section of our website ([www.stagestoresinc.com](http://www.stagestoresinc.com)) under the “Corporate Governance” caption. We intend to post amendments to or waivers from any applicable provision (related to elements listed under Item 406(b) of Regulation S-K) of the Code of Ethics and the Code for Senior Officers (in each case, to the extent applicable to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions), if any, in the Investor Relations section of our website ([www.stagestoresinc.com](http://www.stagestoresinc.com)) under the “Corporate Governance” caption.

#### Director Independence

The Board undertook its most recent annual review of director independence in March 2016. 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 directors 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 nominee 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 Mr. Barocas’ employer, General Growth Properties, Inc. (“General Growth”). In the ordinary course of our business, we leased two of our more than 830 store locations from General Growth at January 30, 2016. As a result, the Board conducted an independence analysis to determine whether Mr. Barocas remains an independent director, pursuant to

NYSE rules. Quarterly (most recently in March 2016), the Board reviewed the payments we made to General Growth in each of the last three years (\$0.3 million in 2015, \$0.3 million in 2014 and \$0.5 million in 2013), discussed the matter with Mr. Barocas, and reviewed General Growth's reported consolidated gross revenues (\$2.4 billion in 2015, \$2.5 billion in 2014 and \$2.5 billion in 2013). As a result, 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

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2015. As Mr. Barocas is employed by, and we lease stores from, General Growth, the Board will continue its quarterly reviews of these transactions and the independence of Mr. Barocas.

#### Related Person Transactions

The Board, with the assistance of the Audit Committee and the Corporate Governance and Nominating Committee, monitor 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 will promptly consider whether to ratify the transaction. Where advance approval is not practicable or we discover a related person transaction that has not been approved and the Audit Committee disapproves the transaction, the 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 company. We do not intend to engage in related person transactions disapproved 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 2016, none of our directors, director nominees, officers or other employees have engaged in any related person transaction requiring disclosure since the beginning of 2015.

#### 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”) 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

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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 four regular meetings and five special meetings during 2015. During 2015, 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. In addition to regularly scheduled meetings, a number of directors were involved in numerous informal meetings with management, offering valuable advice and suggestions on a broad range of corporate matters. It is the Board's policy that each director nominee should be present for the annual meeting of shareholders absent exceptional cause. Each director named in Item 1 attended the 2015 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. The reports are regularly presented to the Board and include discussions of committee agenda topics, including matters involving risk oversight. The Board may also directly consider specific topics, including risks associated with our strategic plan, capital structure 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 Board-adopted written charter. 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 Investor Relations section of our website ([www.stagestoresinc.com](http://www.stagestoresinc.com)) under the "Corporate Governance" caption.

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 the 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:

Independent Directors	Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Mr. Barocas		M	M
Ms. Crowley	M	M	
Ms. Ellis	M		C
Mr. Glazer			
Mr. Hesterberg		C	M
Ms. Kranc		M	M
Mr. Montgoris	M		
Mr. Reasor		M	M
Mr. Scozzafava	C	M	

M Denotes a member of the committee.

C Denotes the chair of the committee.

#### Audit Committee

The primary purpose of the Audit Committee is 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 an “audit committee financial expert,” as that term is defined by the SEC. The Audit Committee met 10 times during 2015.

#### 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 2015.

#### 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 has selected and retained Willis Towers Watson as its independent compensation consultant to advise it on executive compensation. The Compensation Committee assessed the independence of Willis Towers Watson pursuant to NYSE and SEC rules and concluded that no conflict of interest exists that would prevent Willis Towers Watson from independently representing the Compensation Committee during 2015.

During 2015, we paid Willis Towers Watson \$79,585 in connection with the Compensation Committee's engagement of Willis Towers Watson for executive compensation consulting services. In addition, we paid Willis Towers Watson \$7,169 for data and surveys and \$150,627 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 described 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.

#### 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 2015, 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 2015, 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 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 2015.

#### 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 willingness to devote adequate time to Board duties. The Corporate Governance and Nominating Committee and the Board shall 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.

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**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 at least a majority of the members of our Audit Committee qualify as audit committee financial experts (as defined by NYSE 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, financial and 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 2015, we operated more than 830 stores in 39 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., c/o Secretary, 2425 West Loop South, 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 2017 annual meeting of shareholders, recommendations for director nominees must be submitted in writing by December 23, 2016.

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 principal executive office. Under a process approved by the Board for handling correspondence received by us and addressed to independent directors, our corporate 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., c/o Secretary, 2425 West Loop South, 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) set forth compliance procedures that employees may easily use, including 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.

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## 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, 2015 as reported in such filings, except as otherwise noted.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
FMR LLC (1) 245 Summer Street Boston, MA 02210	4,802,326	15.7%
Wellington Management Group LLP (2) 280 Congress Street Boston, MA 02210	3,722,631	12.2%
BlackRock, Inc. (3) 55 East 52nd Street New York, NY 10022	3,473,831	11.4%
Dimensional Fund Advisors LP (4) Building One 6300 Bee Cave Road Austin, TX 78746	2,413,835	7.9%
The Vanguard Group, Inc. (5) 100 Vanguard Boulevard Malvern, PA 19355	1,879,687	6.2%

The information is based on the Schedule 13G/A (Amendment No. 1) filed with the SEC on February 12, 2016 by FMR LLC reporting on beneficial ownership as of December 31, 2015. According to the filing, the reporting (1) person has sole voting power with respect to 635,767 common shares, sole dispositive power with respect to 4,802,326 common shares, and no shared voting power or shared dispositive power over any of our common shares.

The information is based on the Schedule 13G/A (Amendment No. 13) filed with the SEC on February 11, 2016 by Wellington Management Group LLP reporting on beneficial ownership as of December 31, 2015. According to (2) the filing, the reporting person has shared voting power with respect to 2,894,351 common shares, shared dispositive power with respect to 3,722,631 common shares, and no sole voting power or sole dispositive power over any of our common shares.

The information is based on the Schedule 13G/A (Amendment No. 7) filed with the SEC on January 8, 2016 by BlackRock, Inc. reporting on beneficial ownership as of December 31, 2015. According to the filing, the reporting (3) person has sole voting power with respect to 3,363,358 common shares, sole dispositive power with respect to 3,473,831 common shares, and no shared voting power or shared dispositive power over any of our common shares.

The information is based on the Schedule 13G/A (Amendment No. 8) filed with the SEC on February 9, 2016 by Dimensional Fund Advisors LP reporting on beneficial ownership as of December 31, 2015. According to the (4) filing, the reporting person has sole voting power with respect to 2,325,046 common shares, sole dispositive power with respect to 2,413,835 common shares, and no shared voting power or shared dispositive power over any of our common shares.

(5) The information is based on the Schedule 13G/A (Amendment No. 5) filed with the SEC on February 10, 2016 by The Vanguard Group, Inc. reporting on beneficial ownership as of December 31, 2015. According to the filing, the reporting person has sole voting power with respect to 40,372 common shares, sole dispositive power with respect

to 1,841,015 common shares, shared dispositive power with respect to 38,672 shares, and no shared voting power over any of our common shares.

Security Ownership of Management

The following table provides information regarding the beneficial ownership of our common shares, including unvested restricted stock, by each named executive officer listed in the Summary Compensation Table, each of our directors, and all of our directors and executive officers as a group. The table also provides information about stock options and stock appreciation

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rights (“SARs”) exercisable within 60 days of the Record Date. Unless otherwise indicated by footnote, individuals have sole voting and investment (dispositive) power. All information is as of the Record Date, except as otherwise noted. Other than in the case of Mr. Glazer, as footnoted, none of the shares are pledged as security.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership				Percent of Class
	Common Stock	Unvested Restricted Stock	Stock Options / SARs Exercisable Within 60 Days	Total	
Michael L. Glazer (1)	[\$]	[\$]	—	[\$]	[\$]%
Oded Shein	[\$]	[\$]	[\$]	[\$]	*
Steven P. Lawrence	[\$]	[\$]	—	[\$]	*
Steven L. Hunter	[\$]	[\$]	[\$]	[\$]	*
Stephen B. Parsons	[\$]	[\$]	—	[\$]	*
Alan J. Barocas	[\$]	[\$]	—	[\$]	*
Elaine D. Crowley	[\$]	[\$]	—	[\$]	*
Diane M. Ellis	[\$]	[\$]	—	[\$]	*
Earl J. Hesterberg	[\$]	[\$]	—	[\$]	*
Lisa R. Kranc	[\$]	[\$]	—	[\$]	*
William J. Montgoris	[\$]	[\$]	—	[\$]	*
C. Clayton Reasor	[\$]	[\$]	—	[\$]	*
Ralph P. Scozzafava	[\$]	[\$]	—	[\$]	*
All directors and executive officers as a group (17 persons)	[\$]	[\$]	[\$]	[\$]	[\$]%

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

(1) Mr. Glazer holds 122,929 shares of common stock pledged as security in a margin account.

#### 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 2015 with the reporting requirements of Section 16(a) of the Exchange Act, except: (1) Mr. Glazer, Mr. Parsons, Russell A. Lundy II and Richard E. Stasyszen, each of whom did not timely report the March 18, 2015 acquisition of our common shares in connection with the reinvestment of dividends on our common shares held in the individual’s nonqualified deferred compensation plan account (these transactions were reported on Form 4s dated March 24, 2015); (2) Mr. Hunter who did not timely report the December



1, 2015 disposition of our common shares in connection with our withholding of common shares to satisfy the taxes due upon vesting of a restricted stock award (this transaction was reported on a Form 4 dated December 9, 2015); and (3) Mr. Lundy who did not timely report the holdings of his spouse, which holdings Mr. Lundy disclaimed beneficial ownership (these holdings were reported on a Form 4 dated February 10, 2016).

Stock Ownership by Executive Officers

The Board has adopted a stock ownership and retention policy (“Ownership Policy”) applicable to 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 Policy, on and after the later of (1) the fifth anniversary of his or her appointment as an executive vice president or higher, or (2) the fifth anniversary of the effective date of the Ownership Policy (i.e., March 29, 2016) (in either case, the “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:

▲ Target Ownership Level for the CEO having a value equal to three times his or her base salary; and  
▲ 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 Policy, 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 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 SARs, (4) from earned performance shares, 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. As of the Record Date, each executive whose tenure dictates that he or she satisfy the Target Ownership Level has done so.

In the event of a financial hardship (e.g., illness, tuition, mortgage), an executive, with the prior written consent of the Compensation Committee and subject to certain limitations, may sell our common shares acquired by him or her to satisfy the Target Ownership Level requirement of the Ownership Policy.

#### 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 the 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 the Additional Investment. As of the Record Date, each director who has served on the Board for at least three years satisfied the stock ownership requirements.

#### 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. Exceptions to the prohibition on margin accounts and pledged securities may be made only by the Board and only with respect to our securities pledged on or before April 11, 2014.

As of April 11, 2014, Mr. Glazer, a director since August 2001 and our President and CEO since April 2012, was the beneficial owner of 278,376 shares of our common stock, of which 122,929 shares were pledged as security in a margin account (“Pledged Stock”). In view of the undue financial hardship that would result if he is required to sell other longstanding investments as a condition to the immediate release of all of the Pledged Stock from his margin account, the Board granted Mr. Glazer an exception from our anti-pledging policy, but only with respect to the Pledged Stock. The Board does not believe that

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this exception will undermine the goal of aligning Mr. Glazer's interests with long-term shareholder interests, or cause a negative impact on our stock price in the event a portion or all of the Pledged Stock is sold to meet a margin call because our stock is actively traded.

## ITEM 2: APPROVAL OF AMENDMENT TO OUR BYLAWS TO ADOPT MAJORITY VOTING IN UNCONTESTED DIRECTOR ELECTIONS

We are asking our shareholders to approve amendments to our Bylaws to implement majority voting in uncontested director elections (i.e., elections in which the number of nominees equals the number of directors to be elected). Under the laws of the State of Nevada, the state in which we are incorporated, directors are elected by a plurality of the votes cast by shareholders unless the corporation's articles of incorporation or bylaws require more than a plurality of the votes cast. Section 2.14 of our Bylaws currently provides that our directors are elected by a plurality of the votes cast by the shares entitled to vote for each director in the election at a meeting at which quorum is present. Since neither our Articles of Incorporation nor our Bylaws require more than a plurality of the votes cast, director nominees who receive a plurality of votes cast are elected even if that plurality represents less than a majority of the votes cast. After careful consideration of views expressed by shareholders and in light of current corporate governance trends, the Board concluded that it is in the best interests of Stage and our shareholders to approve an amendment to our Bylaws to provide for majority voting in uncontested director elections. Majority voting requires that in order for a director nominee to be elected to the Board the votes cast for the nominee must exceed the votes cast against the nominee. The Board believes that the adoption of the proposed majority voting standard in uncontested director elections will give shareholders a greater voice in determining the composition of the Board. The amendment provides that our directors will continue to be elected by a plurality of the votes cast in contested elections (i.e., elections in which the number of nominees exceeds the number of directors to be elected).

Based upon its review of the various forms of majority voting in director elections and corresponding corporate governance standards, the Board unanimously adopted a resolution approving an amendment to Section 2.14 of our Bylaws to implement majority voting in uncontested director elections and, consistent with good governance practice, directed that the proposed amendment be submitted to a vote of our shareholders at the Annual Meeting with a recommendation that the shareholders adopt such amendment.

The proposed amendment to Section 2.14 of our Bylaws, the full text of which is attached to this Proxy Statement as Annex A, provides that following its adoption by our shareholders, our directors will:

- be elected by a majority of the votes cast in an uncontested election (i.e., if the votes cast for such nominee's election exceed the votes cast against such nominee's election); and
- continue to be elected by a plurality of the votes cast in a contested election.

Under Nevada law and our Bylaws, a director's term extends until the director's successor is elected and qualified or until the director's earlier death, resignation or removal. This situation is sometimes referred to as a director holdover, and the adoption of a majority voting standard could result in an incumbent director who receives less than a majority of the votes cast in an uncontested election remaining in office as a result of the director's successor not being elected and qualified. In addition, under Nevada law and our Bylaws, incumbent directors may only be removed by a vote of the shareholders. To address director holdovers and the limitations on the ability to remove incumbent directors, the Board has adopted, subject to the approval of this proposal by our shareholders, a director resignation policy to be included in our Corporate Governance Guidelines that will require an incumbent director who receives less than a majority of the votes cast in an uncontested election to tender his or her resignation and outline the procedures the Board will consider in determining whether to accept such resignation. The resignation policy will provide that:

- a director nominee who fails to receive the votes required by the Bylaws for reelection must tender a letter of resignation from the Board promptly after the certification of the shareholder vote;
- the Corporate Governance and Nominating Committee will promptly consider the resignation and recommend to the Board whether to accept the resignation or take other action;
- the Board will accept or reject the resignation, or take other action, no later than 100 days following the certification of the shareholder vote;
- the Corporate Governance and Nominating Committee and the Board will evaluate the resignation in light of the best interests of Stage and our shareholders and may consider any factors and information they deem relevant; and

the Board will promptly publicly disclose its decision regarding the resignation.

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The affirmative vote of a majority of the votes cast on this proposal is required for approval of the amendment to Section 2.14 of our Bylaws to implement majority voting in uncontested elections of directors. Broker non-votes, if any, and abstentions will have no effect on the vote on this proposal.

**THE BOARD RECOMMENDS THAT YOU VOTE FOR THE PROPOSAL TO APPROVE AN AMENDMENT TO OUR BYLAWS TO ADOPT MAJORITY VOTING IN UNCONTESTED DIRECTOR ELECTIONS.**

#### 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 January 30, 2016.

##### Members of the Compensation Committee

Earl J. Hesterberg, Chair

Alan J. Barocas

Elaine D. Crowley

Lisa R. Kranc

C. Clayton Reasor

Ralph P. Scozzafava

##### Compensation Discussion and Analysis

##### Executive Summary

In this CD&A, we describe the material objectives and principles underlying our compensation policies and decisions and the material elements of the compensation of our named executive officers for 2015. For 2015, our “named executive officers” were:

Executive	Title
Michael L. Glazer	President and Chief Executive Officer (“CEO”)
Oded Shein	Executive Vice President, Chief Financial Officer (“CFO”) and Treasurer
Steven P. Lawrence	Chief Merchandising Officer
Steven L. Hunter	Executive Vice President, Chief Information Officer
Stephen B. Parsons	Executive Vice President, Chief Human Resources Officer (“CHRO”)

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

##### Business Strategy and Highlights

Our objective for 2015 was to build on our strong achievements in 2014 and to pursue meaningful sales and earnings growth. In the face of several macroeconomic challenges to our business in 2015, including depressed oil prices, a devalued peso and a warm holiday season, our financial performance in 2015 did not meet our expectations. As a result of our performance in 2015 and the emphasis that our executive compensation program places on performance-based compensation, the actual compensation realized by our named executive officers in 2015 was significantly lower than our budget levels and the total potential compensation awarded to our named executive officers for 2015. Specifically, we did not achieve our pre-tax earnings thresholds required for our named executive officers to earn an annual performance incentive bonus for 2015, and our total shareholder return (“TSR”) for the 2013 through 2015 performance cycle was below the level required for our named executive officers to earn any of the underlying shares.

Our financial results and strategic actions for 2015 include the following:

#### Financial Results

Net sales decreased \$34.1 million, or 2.1%, to \$1.6 billion.

Comparable sales decreased 2.0%.

Direct-to-consumer sales, included in comparable sales, increased 20.2% to \$45.4 million.

Gross profit decreased \$53.4 million, or 11.9%.

Pre-tax earnings were \$5.6 million, compared to pre-tax earnings of \$60.7 million for 2014.

Diluted earnings per common share from continuing operations was \$0.12, compared with \$1.18 for 2014.

We generated \$40.3 million in cash from operating activities, a 60.6% decrease over 2014.

We increased our quarterly dividend rate by 7.1% to \$0.15 per common share in August 2015.

We paid cash dividends of \$18.7 million, or \$0.58 per share.

TSR, as calculated under the terms of our performance share awards, was -58.4% for 2015 and -59.4% for the three year period ended January 30, 2016 (see the "Overview of 2015 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 awards).

#### Strategic Actions

We enhanced our customer online shopping experience with a new mobile app and mobile-optimized website, expanded our online assortments, added recommendation and pricing engines, and improved operational efficiency by increasing our centralized fulfillment to approximately 70%.

We grew our direct-to-consumer business by 20% for the year and achieved almost 4% penetration in the fourth quarter.

- We updated our product assortment by offering more contemporary fashions and new brands, adding categories within existing brands, and extending existing brands to additional stores.

We continued to grow our cosmetics business with the installation of counters in 30 stores, which increased the total number of stores in which we have Estee Lauder and/or Clinique counters to over 330.

We built out our localization efforts, notably adding size optimization, to enable better alignment with customer preferences.

We completed 122 remodels, relocations and expansions in order to continue improving the shopping experience for our customers.

We increased the profitability benchmarks for our stores and, as part of a strategic evaluation of our store portfolio, we began a multi-year plan to close approximately 100 underperforming stores, including 23 stores in 2015.

We opened 3 new stores.

We began rebranding our stores and image, adding a fresh new logo and new look and feel to our marketing.

- We leveraged our technology to create more personalized direct mail and email programs, and shifted our marketing activity to be more digitally-focused.

We reissued our private label credit card to approximately 2.8 million customers and grew sales penetration by 400 basis points.

We developed and rolled out to all associates our five core values.

Our 2015 financial performance fell short of our expectations. As a result, our named executive officers did not earn an annual performance incentive bonus for 2015, and shares were not earned under the three-year performance share awards whose performance cycle ended with 2015. 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 shareholders and to deliver meaningful portions of executive compensation only when we perform. The relationship between our 2015 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 2015 at our Annual Meeting (see Item 3 in this Proxy Statement).

Overview of 2015 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.

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Approximately 76% of target total compensation awarded to Mr. Glazer in 2015 was variable compensation that tied to our performance and/or the value of our common shares, and approximately 70% of 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 significant 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 annually review 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

Based on performance in the prior year and competitive market data, the 2015 base salaries of our named executive officers were increased by 2% to 4%, except for Mr. Hunter who received an 8% increase to make his base salary more consistent with the base salaries of his comparators in our compensation Peer Group (as described later in this CD&A).

#### Annual Performance Incentive Bonuses

The opportunity to earn a performance incentive bonus under the Stage Stores Executive Performance Incentive Bonus Plan (“Bonus Plan”) for 2015 was based on two components. First, a pre-tax earnings performance component was weighted to determine two-thirds of the amount earned. Second, a relative comparable sales performance component was weighted to determine one-third of the amount earned. The pre-tax earnings component was based on our achievement relative to an earnings growth target established by the Committee and the other independent directors, after consultation with management, at the beginning of 2015. The comparable sales component was based on the year-over-year change in our comparable sales results in 2015 as compared to the 2015 Performance Group (as described below in “Incentive-Based Compensation Benchmarking; 2015 Performance Group”). “Comparable sales” means sales in stores open for at least 14 full months prior to the applicable reporting period and includes direct-to-consumer sales.

**Target.** For 2015, our pre-tax earnings target was \$65.7 million, an increase of \$5.0 million, or 8.2%, compared to our 2014 actual pre-tax earnings. The comparable sales target was a 50<sup>th</sup> percentile ranking among the Performance Group for 2015 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 earnings thresholds required for our named executive officers to earn an annual performance incentive bonus for 2015. Accordingly, our named executive officers were not paid bonuses for 2015.

#### Long-Term Equity Incentive Awards

For 2015, the long-term equity incentive awards for our named executive officers consisted of performance shares and restricted stock. Our long-term incentive awards are designed to reward sustained, multi-year performance and retain executives for the duration of each award. Performance shares may be earned based on our TSR over a three-year period versus the Performance Group established at the beginning of that three-year period. For purposes of the performance shares, 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. For the 2013 through 2015 performance cycle, none of the target number of shares were earned. Restricted stock will generally vest ratably over a four year period.

#### Significant Executive Compensation Policies and Practices

##### Stock Ownership and Retention Policy

Our named executive officers are subject to a stock ownership and retention policy that requires each executive to acquire and maintain a minimum ownership stake in our common shares (see the “Stock Ownership by Executive Officers” 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).

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#### 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. In order to make whole those named executive officers who we recruit and seek to relocate, we may provide a reimbursement of taxes related to certain relocation expenses.

#### No Repricing

It is the policy of our Board that we will not reprice or swap stock options or SARs without shareholder approval.

#### Limited Perquisites

Our executive compensation program offers limited perquisites that we believe are reasonable and customary in our industry.

#### 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 2015 annual meeting of shareholders, 94.7% of the votes cast approved the compensation paid to our named executive officers for 2014. Our pay-for-performance alignment remains strong. Accordingly, our Board recommends that shareholders vote FOR the compensation paid to our named executive officers in 2015 at our Annual Meeting (see Item 3 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 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.

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 improve 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;
- 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;
- Align the interests of our executive officers with those of our shareholders;
- Require the achievement of threshold performance levels to earn payouts under annual and long-term performance-based incentives;
- Convene an executive session (without management) of the Committee 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 made annually.

#### 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 anticipated or incurred 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 any compensation for the applicable 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 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 charts show the 2015 variable compensation (i.e., compensation that is impacted by our performance and/or the value of our common shares) for Mr. Glazer and our 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 charts illustrate, 76% of Mr. Glazer's and 67% of our other named executive officers' compensation was dependent on our financial or stock price performance.

Mix of Compensation Elements

The Committee strives to provide an appropriate mix of compensation elements, including finding a balance between current and long-term compensation and between cash and equity incentive compensation. Cash payments primarily reward more recent performance while equity awards encourage our named executive officers to continue to deliver long-term results and also 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 the 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 executive compensation with our short-term and long-term goals.

Comparative Compensation Data; 2015 Peer Group

In making compensation decisions, the Committee considers executive compensation data from a peer group of publicly-traded retailers listed below (“Peer Group”). The Peer Group 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 2015 Peer Group were:

Abercrombie & Fitch Co.	Chico’s FAS, Inc.	New York & Company, Inc.
Aeropostale, Inc.	The Children’s Place Retail Stores, Inc.	Pacific Sunwear of California, Inc.
American Eagle Outfitters, Inc.	Christopher & Banks Corporation	Stein Mart, Inc.
Ann Inc.	DSW Inc.	Urban Outfitters, Inc.
Ascena Retail Group, Inc.	Express, Inc.	
The Bon-Ton Stores, Inc.	The Men’s Wearhouse, 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. After the annual review, no changes were made between the 2014 and 2015 Peer Groups.

In addition to the Peer Group analysis, the Committee considers data from the Willis Towers Watson Compensation Data Bank (CDB) Retail/Wholesale Services Executive 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; 2015 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 awards, our Board and the Committee selected a group of 21 department store and apparel store retailers (“Performance Group”) that generally possess attributes similar to us, including market capitalization, annual sales, merchandise assortments, target customer, 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 2015. However, because the Dow Jones general retailers sector was comprised of 76 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 2015 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 awards).

The Performance Group for 2015 was as follows:

Department Store Group	Apparel Store Group	
Dillard’s, Inc.	Abercrombie & Fitch Co.	Genesco Inc.
J. C. Penney Company, Inc.	American Eagle Outfitters, Inc.	Guess?, Inc.
Kohl’s Corporation	Ann Inc.	L Brands, Inc.
Macy’s, Inc.	Ascena Retail Group, Inc.	The Men’s Wearhouse, Inc.
Nordstrom, Inc.	Chico’s FAS, Inc.	Ross Stores, Inc.
Sears Holdings Corporation	DSW Inc.	The TJX Companies, Inc.
	Foot Locker, Inc.	Urban Outfitters, Inc.
	The Gap, Inc.	

The following companies included in the 2014 Performance Group were removed from the 2015 Performance Group: Aeropostale, Inc., The Buckle, Inc., The Children’s Place, Inc., and Express, Inc.

### 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 CHRO regularly attend Committee meetings and provide management’s point of view regarding 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 fiscal 2015, the Committee retained independent compensation consultant Willis Towers Watson to provide Peer Group compensation, 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

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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 2015 annual meeting of shareholders, 94.7% of the votes cast approved the compensation paid to our named executive officers for 2014, as disclosed in last year's Proxy Statement ("Say-on-Pay Vote"). Our Board and the Committee believe that the 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 initial Say-on-Frequency Vote at our 2011 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 2017 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 on the wrongdoers 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 current 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.

#### 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. In order to make whole those named executive officers who we recruit and seek to relocate, we may provide a reimbursement of taxes related to certain relocation expenses.

#### No Repricing

It is the policy of our Board that we will not reprice or swap stock options or 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 over time;

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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 shares and restricted stock, 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. The Committee considers both internal pay equity and external competitiveness in determining the base salary of our named executive officers. 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, 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 2015 was subject to our achievement of two performance components: (1) pre-tax earnings from continuing operations (constituting two-thirds of the opportunity) and (2) comparable sales relative to the Performance Group (constituting one-third 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, CHRO, 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 reviews our financial results for the completed performance period (i.e., fiscal year), certifies the calculation of bonus amounts and reports the results and calculations to our Board.

For additional information on the performance incentive bonuses for 2015, see the "Executive Compensation for 2015" 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 spring 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 annual grants of equity awards. For 2015, long-term incentive compensation awards made to our named executive officers were in the form of performance shares and restricted stock granted under our Second Amended and Restated 2008 Equity Incentive Plan (“2008 Equity Plan”). We have discontinued the use of stock options and SARs except in extraordinary circumstances.

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The Committee believes that the use of multiple equity vehicles balances the equity-driven growth and performance aspects of performance shares with the retention aspects of restricted stock. 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

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. The Committee views restricted stock as an excellent mechanism to align executive interests with those of shareholders by supporting increased share ownership for key executives. Restricted stock is also an effective retention tool based on the vesting schedule which occurs over a period of several years. Restricted stock 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 with a four year pro rata vesting schedule (i.e., 25% per year). If the executive's employment is terminated before vesting for any reason other than death, disability or retirement, the unvested portion of the restricted stock award will be forfeited. If the executive dies, becomes disabled or retires, or a change in control occurs, the restricted stock award will fully vest.

#### Performance Shares

Performance shares also provide our named executive officers with the opportunity to earn full value shares of our stock. The Committee views performance shares as a critical link between executive compensation and the creation of shareholder value. The number of performance shares 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 shares are awarded (see the "Overview of 2015 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 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 award is forfeited. If the executive dies, becomes disabled or retires during the performance cycle, the executive will receive the target number of performance shares awarded. In the event of a change in control, the target number of performance shares awarded will vest.

#### Stock Appreciation Rights

The use of SARs was discontinued in 2012 except in extraordinary circumstances. Some of our named executive officers hold SARs granted prior to 2012.

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.

All outstanding SARs have vested. 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 below 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.

In 2015, the Compensation Committee and other independent directors authorized Mr. Glazer to use corporate aircraft for up to 40 hours of non-business flights. During 2015, Mr. Glazer used corporate aircraft for 4.7 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, making the aircraft available to Mr. Glazer allowed him to efficiently and securely conduct business during both business and non-business flights and to maximize his availability to conduct business before and after his flights. In

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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 (e.g., visits to our stores). 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 Internal Revenue Code of 1986, as amended and including applicable rules, regulations and authoritative interpretations promulgated thereunder ("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 2015" 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 an executive 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 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 determined 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.