

STAGE STORES INC
Form DEF 14A
April 23, 2007

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

SCHEDULE 14A

(Rule 14a-101)

**Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934**

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

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

Stage Stores, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

T No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

- 1. Title of each class of securities to which transaction applies: _____
- 2. Aggregate number of securities to which transaction applies: _____
- 3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): _____
- 4. Proposed maximum aggregate value of transaction: _____
- 5. Total Fee Paid: _____

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1. Amount Previously Paid: _____
- 2. Form, Schedule or Registration Statement No.: _____

3. Filing Party: _____

4. Date Filed: _____

STAGE STORES INC.

BEALLS PALAIS ROYAL PEBBLES STAGE

**Notice of 2007
Annual Meeting
and
Proxy Statement**

STAGE STORES INC.

BEALLS PALAIS ROYAL PEEBLES STAGE

**10201 Main Street
Houston, Texas 77025**

May 1 2007

Dear Shareholder:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the 2007 Annual Meeting of Shareholders of Stage Stores, Inc. on Thursday, June 7, 2007, at 1:00 p.m. local time, in Houston, Texas. Information about the Annual Meeting is presented in the following pages.

The Annual Meeting will begin with a discussion and vote on the matters set forth in the accompanying Notice of 2007 Annual Meeting of Shareholders and Proxy Statement, followed by a discussion on any other business matters that are properly brought before the meeting.

Your vote is very important. We encourage you to read the Proxy Statement and vote your shares as soon as possible. Whether or not you plan to attend, you can be sure your shares are represented at the Annual Meeting by promptly completing, signing, dating and returning your Proxy Card in the enclosed envelope or by submitting your vote and proxy by telephone or by the Internet.

If you will need special assistance at the Annual Meeting because of a disability, please contact Bob Aronson, Vice President, Investor Relations, at (800) 579-2302.

Thank you for your continued support of Stage Stores, Inc. We look forward to seeing you on June 7th.

Sincerely,

James R. Scarborough
Chairman of the Board and Chief Executive Officer

TABLE OF CONTENTS

<u>Notice of 2007 Annual Meeting of Shareholders</u>	iii
<u>Proxy Statement</u>	1
<u>General</u>	1
<u>Voting</u>	1
<u>Matters to be Acted Upon</u>	2
<u>nItem 1 - Election of Directors</u>	2
<u>Information Relating to Directors and Director Nominees</u>	2
<u>Security Ownership of Certain Beneficial Owners and Management</u>	3
<u>Information Relating to the Board of Directors and Committees</u>	5
<u>In General</u>	5
<u>Corporate Governance</u>	5
<u>Attendance at Board, Committee and Annual Meetings</u>	7
<u>Standing Committees</u>	7
<u>Corporate Governance and Nominating Committee</u>	8
<u>Audit Committee</u>	9
<u>Compensation Committee</u>	10
<u>Shareholder Communications with the Board</u>	12
<u>Transactions with Related Persons</u>	12
<u>Compensation of Directors and Executive Officers</u>	13
<u>Compensation Discussion and Analysis</u>	13
<u>Compensation Committee Report</u>	27
<u>Summary Compensation Table</u>	27
<u>All Other Compensation Table</u>	28
<u>Grants of Plan-Based Awards Table</u>	28
<u>Outstanding Equity Awards at Fiscal Year-End Table</u>	30
<u>Option Exercises and Stock Vested Table</u>	32
<u>Pension Benefits</u>	32
<u>Nonqualified Deferred Compensation Table</u>	32
<u>Potential Payments on Termination or Change In Control</u>	33
<u>Director Compensation Table</u>	41
<u>nItem 2– Ratification of the Selection of Deloitte & Touche LLP as Independent Registered Public Accounting Firm For 2007</u>	43
<u>Principal Accountant Fees and Services</u>	43
<u>Pre-Approval Policies</u>	44
<u>Audit Committee Report</u>	44
<u>Proposals to Amend Articles of Incorporation</u>	45
<u>nItem 3 - Amendment of Articles of Incorporation to Increase Authorized Common Stock</u>	47
<u>nItem 4 - Amendment of Articles of Incorporation to Specify Authorized Preferred Stock</u>	49
<u>nItem 5 - Amendment of Articles of Incorporation to Eliminate Bankruptcy Related Language</u>	50
<u>Securities Authorized for Issuance under Equity Compensation Plans</u>	51
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	52
<u>Additional Information</u>	52
	To be voted on at the meeting
<u>Appendix A - Amended and Restated Articles of Incorporation</u>	

**EVERY SHAREHOLDER'S VOTE IS IMPORTANT. PLEASE
COMPLETE, SIGN, DATE AND RETURN YOUR PROXY
CARD, OR SUBMIT YOUR VOTE AND PROXY BY
TELEPHONE OR BY INTERNET, AS SOON AS POSSIBLE.**

STAGE STORES INC.

BEALLS PALAIS ROYAL PEBBLES STAGE

NOTICE OF 2007 ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders:

The 2007 Annual Meeting of Shareholders of Stage Stores, Inc. (the “Company”) will be held at the offices of the Company, 10201 Main Street, Houston, Texas 77025 on Thursday, June 7, 2007, at 1:00 p.m. local time. The shareholders will vote on the following matters:

1. Election of eight directors for a term of one year;
2. Ratification of the selection of Deloitte & Touche LLP as independent registered public accounting firm for 2007;
3. Amendment of Articles of Incorporation to increase authorized common stock;
4. Amendment of Articles of Incorporation to specify authorized preferred stock;
5. Amendment of Articles of Incorporation to eliminate bankruptcy related language; and
6. Action upon such other matters as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on April 16, 2007 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting.

By Order of the Board of Directors

Michael E. McCreery
Executive Vice President,
Chief Financial Officer, and Secretary
Stage Stores, Inc.

May 1 2007

In accordance with the Company’s security procedures, all persons attending the Annual Meeting must present an Admission Card and picture identification. If you are a shareholder of record and plan to attend the meeting in person, please bring the Admission Card you received in this proxy mailing with you to the meeting. For security purposes, briefcases, bags and purses will be subject to search at the door.

PROXY STATEMENT

GENERAL

This Proxy Statement is furnished in connection with the solicitation of proxies by Stage Stores, Inc. (the “Company”) on behalf of the Board of Directors (the “Board”) for the 2007 Annual Meeting of Shareholders (the “Annual Meeting”) which will be held at the principal executive offices of the Company, 10201 Main Street, Houston, Texas 77025, on Thursday, June 7, 2007, at 1:00 p.m. local time. This Proxy Statement and Proxy Card are first being sent to the shareholders on or about May 1 2007. The proxy will be voted at the Annual Meeting if the signer of the proxy or shareholder submitting his or her vote and proxy by telephone or by the Internet was a shareholder of record on April 16, 2007 (the “Record Date”).

VOTING

The holders of common stock are entitled to one vote per share on all matters to be voted upon by the shareholders. On the Record Date, there were 43,408,403 shares of common stock, par value \$0.01, outstanding and entitled to vote at the Annual Meeting. A list of the shareholders entitled to vote at the Annual Meeting will be available for inspection at the Annual Meeting for purposes relating to the Annual Meeting.

You can ensure that your shares are voted at the Annual Meeting by submitting your instructions by completing, signing, dating and returning the enclosed Proxy Card in the envelope provided or by submitting your vote and proxy by telephone or by the Internet. Submitting your instructions by Proxy Card, by telephone, or by the Internet will not affect your right to attend the Annual Meeting and vote. A shareholder who gives a proxy may revoke it at any time before it is exercised by voting in person at the Annual Meeting, by delivering a subsequent proxy, or by notifying the Inspectors of Election in writing of such revocation.

The representation in person or by proxy of a majority of the outstanding shares of common stock entitled to a vote at the Annual Meeting is necessary to provide a quorum for the transaction of business at the Annual Meeting. Shares can only be voted if the shareholder is present in person or is represented by a properly signed Proxy Card or by a vote and proxy submitted by telephone or by the Internet. Each shareholder’s vote is very important. Whether or not you plan to attend the Annual Meeting in person, please sign and promptly return the enclosed Proxy Card or submit your vote and proxy by telephone or by the Internet. All signed and returned Proxy Cards and votes and proxies submitted by telephone or by the Internet will be counted towards establishing a quorum for the Annual Meeting, regardless of how the shares are voted.

A shareholder of record on the Record Date may vote in any of the following four ways:

- by toll-free number at 1-866-540-5760; or
- by the Internet at <http://www.proxyvoting.com/ssi>; or
- by completing and mailing the Proxy Card; or
- by written ballot at the Annual Meeting.

Edgar Filing: STAGE STORES INC - Form DEF 14A

If you vote by the Internet or by telephone, your vote must be received by 11:59 p.m. Eastern Time on Wednesday, June 6th, the day before the Annual Meeting. Your shares will be voted as you indicate. If you return your Proxy Card, but you do not indicate your voting preferences, the proxies will vote your shares FOR Items 1, 2, 3, 4 and 5 and in their discretion for Item 6 (such other matters as may properly come before the Annual Meeting or any adjournment thereof).

If your shares are held in a brokerage account in your broker's name (this is called street name), you should follow the voting directions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in most cases, submit voting instructions by mail, by telephone or by the Internet. Your shares should be voted by your broker or nominee as you have directed.

1

The Company will pass out written ballots to any shareholder entitled to vote at the Annual Meeting.

For additional information concerning the manner of proxy solicitation and voting, please see “Additional Information” on page 52 of this Proxy Statement.

MATTERS TO BE ACTED UPON

ITEM 1 - ELECTION OF DIRECTORS

INFORMATION RELATING TO DIRECTORS AND DIRECTOR NOMINEES

In General

At the Annual Meeting, eight Directors are to be elected to hold office until the 2008 Annual Meeting and until their successors have been elected and have qualified. Information concerning the eight nominees is set forth below. All nominees are currently Directors of the Company. The Board of Directors has determined that the following six Directors are Independent Directors, as independence is defined by the New York Stock Exchange: Alan J. Barocas, Michael L. Glazer, John T. Mentzer, Margaret T. Monaco, William J. Montgoris and Sharon B. Mosse. The Board’s Corporate Governance and Nominating Committee recommended all of these Directors for re-election. The Board knows of no reason why any nominee may be unable to serve as a Director.

Your Board of Directors recommends a vote FOR each nominee for Director set forth below.

The following information pertains to each nominee’s (i) age as of April 16, 2007, (ii) principal occupations for at least the past five years, and (iii) directorships in other public companies:

Name	Age	Positions Currently Held
James R. Scarborough	56	Chairman, Chief Executive Officer
Michael E. McCreery	59	Executive Vice President, Chief Financial Officer, Director
Alan J. Barocas	58	Director
Michael L. Glazer	59	Director, Chairman of Compensation Committee
John T. Mentzer	55	Director, Chairman of Corporate Governance and Nominating Committee
Margaret T. Monaco	59	Director
William J. Montgoris	60	Director, Lead Independent Director
Sharon B. Mosse	57	Director

Mr. Scarborough has been Chairman of the Board since August 24, 2001. He joined the Company as President and Chief Executive Officer in August of 2000. He served as President of the Company until February 20, 2006. From 1996 to 2000, Mr. Scarborough served as President and Chief Executive Officer of Busy Body, Inc.

Mr. McCreery has been a Director of the Company since August 24, 2001. He joined the Company as Executive Vice President and Chief Financial Officer in February of 2001. From 1998 to 2001, Mr. McCreery was Senior Vice President and Chief Financial Officer of Levitz Furniture Company.

Alan J. Barocas was appointed a Director on January 15, 2007. Since May 2006, he has been the principal of Alan J. Barocas and Associates, a real estate consulting firm. From June 1981 until April 2006, Mr. Barocas was employed

by GAP, Inc. His last position with GAP, Inc. was Senior Vice President of Real Estate.

2

Mr. Glazer has been a Director since August 24, 2001. Since August 2005, he has served as Managing Director of Team Neu, located in Pittsfield, Massachusetts. From May 1996 until August 2005, he served as President and Chief Executive Officer of KB Toys, Inc., which filed a petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware on January 14, 2004 and emerged from bankruptcy on August 29, 2005.

Dr. Mentzer has been a Director since August 24, 2001. Since January of 1994, he has been a professor of Business Policy in the Department of Marketing and Logistics at the University of Tennessee. Professor Mentzer is currently the Bruce Excellence Chair of Business and Executive Director, Integrated Value Chain Forums. He is also President of JTM & Associates, a consulting firm.

Ms. Monaco has been a Director since June 3, 2004. She returned to the position of Principal of Probus Advisors, a management and financial consulting firm which she founded in June of 1993, in October of 2003. From April of 1999 until October of 2003, Ms. Monaco served as the Chief Operating Officer of KECALP Inc. and Merrill Lynch Ventures LLC. She was KECALP Inc.'s Chief Administrative Officer from April of 1998 until April of 1999. Ms. Monaco is also a Director of Barnes and Noble, Inc.

Mr. Montgoris has been a Director since June 3, 2004. He retired from Bear Stearns in June of 1999. From June of 1996 until June of 1999, Mr. Montgoris served as Chief Operating Officer of Bear Stearns. From June of 1993 until June of 1996, he served as Chief Financial Officer of Bear Stearns. Mr. Montgoris is a Trustee of five funds within The Reserve Funds family of money market mutual funds.

Ms. Mosse has been a Director since October 4, 2004. Since May of 2006, Ms. Mosse has served as President of Strategic Marketing Group, Inc., a marketing consulting firm which she founded in May of 2002. From January of 2005 until April of 2006, she served as Chief Marketing Officer of Red Door Spa Holdings-Elizabeth Arden. From May of 2002 until January of 2005, Ms. Mosse served as President of Strategic Marketing Group, Inc. From May of 2000 until May of 2002, she served as Chief Marketing Officer for Barnes & Noble, Inc.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table provides information regarding beneficial ownership of the Company's common stock by any person or entity known by the Company to be the beneficial owner of more than five percent (5%) of the Company's outstanding common stock as of April 16, 2007. The amounts reflect the effects of a three-for-two split of outstanding common stock on January 31, 2007 (the "Stock Split"). As of April 16, 2007, there were 43,408,403 shares of common stock outstanding.

Name and Address	Number of Shares Beneficially Owned	Percent of Class	
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, CA 90401	3,037,133	7.0%	(1)
Paradigm Capital Management, Inc. Nine Elk Street Albany, NY 12207	2,855,739	6.6%	(2)

Edgar Filing: STAGE STORES INC - Form DEF 14A

Wellington Management Company, LLP	2,429,697	5.6%	(3)
75 State Street			
Boston, MA 02109			

(1) The information is based on the Schedule 13G filed with the Securities and Exchange Commission on February 9, 2007 by Dimensional Fund Advisors LP reporting on beneficial ownership as of December 31, 2006, then adjusted for the Stock Split. According to the filing, the reporting person has sole voting and investment power with respect to 2,024,755 shares (3,037,133 shares after the Stock Split).

3

- (2) The information is based on the Schedule 13G filed with the Securities and Exchange Commission on February 14, 2007 by Paradigm Capital Management, Inc. reporting on beneficial ownership as of December 31, 2006, and then adjusted for the Stock Split. According to the filing, the reporting person has sole voting and investment power with respect to 1,903,826 shares (2,855,739 shares after the Stock Split).
- (3) The information is based on the Schedule 13G filed with the Securities and Exchange Commission on February 14, 2007 by Wellington Management, LLP reporting on beneficial ownership as of December 31, 2006, and then adjusted for the Stock Split. According to the filing, the reporting person has shared voting power with respect to 1,317,348 shares (1,976,022 shares after the Stock Split) and shared investment power with respect to 1,619,798 shares (2,429,697 shares after the Stock Split).

Security Ownership of Management

The following table shows the number of shares of our common stock that are beneficially owned as of April 16, 2007 by each Named Executive Officer listed in the Summary Compensation Table and each of our Directors, as well as the number of shares beneficially owned by all of our Directors and executive officers as a group. As of April 16, 2007, there were 43,408,403 shares of our common stock outstanding. None of the shares are pledged as security. The table also includes information about stock options exercisable within 60 days and Deferred Stock Units credited to the accounts of each Director and Named Executive Officer under various compensation plans. Unless otherwise indicated by footnote, individuals have sole voting and investment power.

Name	Common Stock	Restricted Stock (1)	Stock Options Exercisable Within 60 Days	Deferred Stock Units (2)	Percent of Class
James R. Scarborough	32,611	21,777	1,520,811	-	3.6%
Andrew T. Hall	9,533	30,000	37,500	-	(3)
Michael E. McCreery	12,681	10,889	148,782	-	(3)
Dennis E. Abramczyk	924	-	61,875	-	(3)
Cynthia S. Murray	-	22,500	56,250	-	(3)
Alan J. Barocas	-	2,569	-	-	(3)
Scott J. Davido	1,962	5,224	22,501	1,685	(3)
Michael L. Glazer	54,749	5,224	11,250	-	(3)
John T. Mentzer	1,350	5,224	56,248	3,065	(3)
Margaret T. Monaco	3,150	5,224	36,562	-	(3)
William J. Montgoris	2,959	5,224	36,562	-	(3)
Sharon B. Mosse	-	5,224	25,312	4,520	(3)
All Directors and Executive Officers as a group (20 persons)	132,303	119,079	2,312,927	9,270	5.9%

(1) Restricted stock is granted under the Stage Stores, Inc. Amended and Restated 2001 Equity Incentive Plan. The restricted stock granted to Messrs. Scarborough and McCreery vests ratably over two years. The restricted stock granted to Mr. Hall vests ratably over three years. The remainder of the restricted stock granted vests at the end of a three-year period from the date of grant.

(2) Deferred Stock Units (“DSU”) are held under the Stage Stores, Inc. 2003 Non-Employee Director Equity Compensation Plan. Each DSU is equal in value to a share of Company stock, but does not have voting

rights. Individuals do not have investment power with respect to DSUs. The number of DSUs credited to a Director's account will be adjusted, as appropriate, to reflect any stock split, any dividend paid in cash and any dividend payable in shares of Company stock. At the election of the Director upon termination of his or her service as a Director, the DSUs will be distributed to the Director either (i) in cash, or (ii) in shares of Company stock.

- (3) Ownership is less than one percent of outstanding common stock.

Stock Ownership by Executive Officers

On December 28, 2006, the Board adopted a resolution stating that it believes that an officer of the Company who has reached the level of Executive Vice President or above should be a shareholder and should have a financial stake in the Company and that while the Board does not believe it appropriate to specify the level of stock ownership for those executive officers, the Board encourages those executive officers to either purchase stock in the open market or use their equity grants to acquire and retain, during their employment, shares of our common stock in an amount that the executive officer deems appropriate.

Stock Ownership by Directors

On August 29, 2006, the Board adopted a resolution stating that it believes that Directors should be shareholders and have a financial stake in the Company in an amount that a Director deems appropriate and that while the Board does not believe it appropriate to specify the level of stock ownership for individual Directors, each Director must develop and maintain a stock position in the Company with an original investment of at least four times the Annual Retainer, which is currently \$30,000 for Independent Directors (the "Original Investment"), by the later of (i) three years of the date of the Director's initial election to the Board, or (ii) August 29, 2009. In determining whether the Director has achieved the Original Investment, the Director can include (i) a Director's tax basis in any stock acquired by the Director in open market purchases, and (ii) the amount of any Director fees which the Director has designated to be used for the acquisition of restricted stock or Deferred Stock Units under our 2003 Non-Employee Director Equity Compensation Plan.

INFORMATION RELATING TO THE BOARD OF DIRECTORS AND COMMITTEES

In General

Our business is managed under the direction of our Board of Directors. Members of our Board are kept informed of our business through discussions with our Chairman and Chief Executive Officer and other officers, by reviewing materials provided to them, by visiting our offices and by participating in meetings of the Board and its Committees.

Our Board currently consists of nine Directors. Scott Davido, a Director since August 24, 2001, is not standing for reelection. On January 3, 2006, the Board retained the services of Spencer Stuart to assist it in the recruitment of a new Director as Walter Salmon retired from the Board effective June 1, 2006. Several potential candidates were identified by Spencer Stuart. On January 15, 2007, Mr. Barocas accepted the Board's offer and was appointed to the Board.

Corporate Governance

Corporate Governance Guidelines. The Board has adopted written Corporate Governance Guidelines (the "Governance Guidelines") to assist it in the exercise of its corporate governance responsibilities. The purpose of the Governance Guidelines is to provide a structure within which our Directors and our management can 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 on our website at www.stagestoresinc.com. They can be accessed by clicking "Investor Relations", then "Corporate Governance", then "Corporate Governance Guidelines."

Director Independence. Seven of our nine Directors are Independent Directors, as independence is defined by the New York Stock Exchange, and two are not Independent Directors by virtue of the fact that they are our Chief

Executive Officer and Chief Financial Officer, respectively. All members of the Board's Audit, Compensation, and Corporate Governance and Nominating Committees are Independent Directors. Members of the Audit Committee must also satisfy, and they do satisfy, the additional independence requirement of Exchange Act Rule 10A-3, which provides that they may not accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any of its subsidiaries other than compensation for their service as a Director.

5

Lead Independent Director. The Governance Guidelines provide that if the Chairman of the Board is not an Independent Director, the Independent Directors must appoint a Lead Independent Director. Since Mr. Scarborough, the Chairman of the Board, is not an Independent Director, the Independent Directors have appointed Mr. Montgoris as the Lead Independent Director. The Lead Independent Director is required to perform the following duties:

- Coordinate the activities of the Independent Directors;
- Provide the Chairman of the Board with input on agendas for the Board and Board committee meetings;
- Coordinate and develop the agenda for, and chair executive sessions and other meetings of, the Independent Directors;
- Facilitate communications between the Chairman of the Board and the other members of the Board, including communicating other members' requests to call special meetings of the Board;
- Discuss the results of the Chief Executive Officer's performance evaluation with the Chairman of the Compensation Committee;
- Convey to the Chief Executive Officer, together with the Chairman of the Compensation Committee, the results of the Chief Executive Officer's performance evaluation; and
- Preside at regularly scheduled executive sessions of the Independent Directors.

Code of Ethics for Senior Officers. In order to promote ethical conduct in the practice of financial management throughout the Company, the Board has adopted a Code of Ethics for Senior Officers (the "Code"). The Company believes that, in addition to the Chief Executive Officer, the Chief Financial Officer and the Controller each holds an important and elevated role in corporate governance. The Code is designed to deter wrongdoing and provides principles to which the Company's principal executive officer, princ