

STAGE STORES INC
Form 11-K
March 28, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 11-K

(Mark One)

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

For the fiscal year ended December 31, 2018

or
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☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-14035

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Stage Stores, Inc. Nonqualified Deferred Compensation Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

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

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Schedules I, II and III have been omitted because the required information is shown in the financial statements or notes, or the information is not applicable to this Plan.	
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Plan Participants and
Audit Committee of Stage Stores, Inc.
Nonqualified Deferred Compensation Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for plan benefits of Stage Stores, Inc. Nonqualified Deferred Compensation Plan (the "Plan") as of December 31, 2018 and 2017, the related statements of changes in net assets available for plan benefits for the years ended December 31, 2018, 2017 and 2016, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2018 and 2017, and the changes in net assets available for plan benefits for the years ended December 31, 2018, 2017 and 2016, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP
Houston, Texas
March 28, 2019

We have served as the auditor of the Plan since 2008.

STAGE STORES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

	December 31,	
	2018	2017
Assets:		
Investments, at fair value:		
Mutual funds	\$ 11,467,444	\$ 12,001,964
Stage Stores, Inc. common stock, 382,755 and 238,364 shares with a cost basis of \$1,977,588 and \$1,696,191, respectively	283,239	400,451
Total assets	11,750,683	12,402,415
Liabilities:		
Administrative expenses payable	6,610	5,625
Net assets available for plan benefits	\$ 11,744,073	\$ 12,396,790

The accompanying notes are an integral part of theses financial statements.

STAGE STORES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
STATEMENTS OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS

	For the Year Ended December 31,		
	2018	2017	2016
Additions:			
Net investment income:			
Dividend and interest income on investments in:			
Mutual funds	\$613,841	\$451,036	\$362,570
Stage Stores, Inc. common stock	58,397	59,252	94,658
Net (depreciation) appreciation in fair value of investments	(1,717,016)	1,002,611	(244,555)
	(1,044,778)	1,512,899	212,673
Contributions:			
Employer	649,822	752,187	788,391
Participant	667,505	793,127	916,940
	1,317,327	1,545,314	1,705,331
Total additions	272,549	3,058,213	1,918,004
Deductions:			
Distributions to participants	904,139	3,986,489	1,243,437
Administrative expenses	21,127	14,853	11,289
Total deductions	925,266	4,001,342	1,254,726
Net (decrease) increase in assets	(652,717)	(943,129)	663,278
Net assets available for plan benefits:			
Beginning of year	12,396,790	13,339,919	12,676,641
End of year	\$11,744,073	\$12,396,790	\$13,339,919

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

STAGE STORES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018 and 2017
AND FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - PLAN DESCRIPTION

The following description of the Stage Stores, Inc. Nonqualified Deferred Compensation Plan ("Plan") provides only general information. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan and was established on January 1, 2002 by Stage Stores, Inc. ("Company" or "Plan Administrator") for the purpose of attracting and retaining highly qualified individuals for the successful conduct of the Company's business by helping to provide for the retirement of the Company's key employees selected to participate in the Plan. The Plan covers key employees, the selection of which remains at the sole discretion of the Plan Administrative Committee ("Committee") of the Company, as defined in the Plan document. As of December 31, 2018 and 2017, there were 25 and 26 participants with account balances in the Plan, respectively. Of these participants, 18 and 22 were active employees at December 31, 2018 and 2017, respectively.

Plan Administration

The Committee, comprised of members appointed by the Company, is responsible for the administration of the provisions of the Plan. The Company has contracted with Fidelity Management Trust Company (the "Trustee" or "Fidelity") to serve as the Plan's trustee and Fidelity Workplace Services LLC as the Plan's record keeper. The Company has also contracted with Regions Bank to provide consulting services regarding the Plan's design and fee structure.

Participant Accounts

The Company maintains a participant account for each participant deferring compensation to the Plan. Each participant's account is adjusted for the participant's deferral/contribution, employer matching contributions, investment gains or losses and payments or distributions in accordance with the Plan Document.

Effective June 5, 2008, the Company amended the Plan to include a stock investment option wherein participants can elect to invest a portion of their deferrals in the Company's common stock ("Company Stock Investment Option"). These shares are held in a grantor trust. The number of shares of common stock credited to a participant's account shall be adjusted, as appropriate, to reflect any stock split, any dividends or deemed dividends, any recapitalization of the Company, or any reorganization of the Company. Shares of common stock will be issued in the name of the Plan. Company stock in a participant's account at the time in which the participant is no longer a Plan participant will remain in the participant's account until six months after the participant is no longer an employee of the Company. Investments in Company stock may not be settled in cash.

Contributions

Participants may elect to contribute up to fifty percent (50%) of pretax annual compensation and up to one hundred percent (100%) of the participant's bonus. Employer matching contributions are determined by the Committee. For the year ended December 31, 2018, the Company matched 100% of each participant's contributions, up to 10% of the sum of the participant's base salary and bonus.

Vesting

Participants are immediately vested in their contributions, the Company's matching contributions and earnings on the contributions.

STAGE STORES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
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AND FOR THE YEAR ENDED DECEMBER 31, 2018

Payment of Benefits

On termination of service, a participant may generally elect to receive either a lump sum amount equal to the value of the participant's vested interest in his or her account or annual installments over a 2 to 5 year period.

Plan Termination

Although it has not expressed any intent to do so, the Company retains the unilateral power to amend or terminate the Plan at any time. No such amendment or termination shall adversely affect any participant or their beneficiaries with respect to their right to receive the value of their accounts, determined as of the later of the date that the Plan amendment or termination is adopted or by its terms to be effective, without the consent of affected participants or their beneficiaries.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires the Committee to make estimates and assumptions that affect the reported amounts of assets and changes therein, and disclosure of contingent assets at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. The Plan's investments include publicly traded mutual funds and shares of Company stock, both of which are valued based on quoted market prices on the last business day of the Plan year. The change in market value of the investments is reflected in the Statements of Changes in Net Assets Available for Plan Benefits as appreciation /depreciation in the fair value of investments. Refer to Note 4 for further details related to the Plan's fair value valuation methods. Realized gains and losses on investments are calculated using average cost. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Distributions

Distributions to participants are recorded when paid.

Risks and Uncertainties

Investment securities, in general, are exposed to various risks, such as interest rate, liquidity risk, credit and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such a change could materially

affect participants' account balances and the amount reported in the Statements of Net Assets Available for Plan Benefits.

STAGE STORES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018 and 2017
AND FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - INVESTMENTS

The following table sets forth the Plan's investments by individual fund for the periods presented:

	December 31, 2018			2017		
	Shares	Price Per Share	Investments at Fair Value	Shares	Price Per Share	Investments at Fair Value
Mutual funds:						
American Century Mid Cap Value R6	19,909	\$13.47	\$268,178	14,570	\$17.52	\$255,263
American Funds EuroPacific Growth R6	2,034	44.99	91,490	29	56.14	1,600
Columbia Balanced R5	16,711	36.91	616,801	21,923	41.33	906,094
DFA US Targeted Value I	6,648	19.83	131,824	6,607	24.89	164,456
Fidelity Adv Mid Cap II Z	18,484	16.74	309,425	13,967	21.57	301,276
Fidelity Contrafund K	141,351	11.01	1,556,279	13,836	122.39	1,693,442
Fidelity Dividend Growth K	10,625	25.28	268,603	7,059	32.78	231,390
Fidelity Extended Market Index	958	53.12	50,907	—	—	—
Fidelity Extended Market Index Premium	—	—	—	251	62.05	15,564
Fidelity Government Income	23,942	10.06	240,853	20,548	10.21	209,790
Fidelity Government Money Market Prime	890,474	1.00	890,474	1,015,307	1.00	1,015,307
Fidelity International Index	18,308	36.35	665,512	—	—	—
Fidelity International Index Institutional Class	—	—	—	21,119	43.18	911,895
Fidelity Real Estate Index	17,704	14.32	253,523	—	—	—
Fidelity Real Estate Index Premium	—	—	—	16,208	15.58	252,524
Fidelity 500 Index	17,723	87.10	1,543,658	—	—	—
Fidelity Spartan 500 Index	—	—	—	14,170	93.45	1,324,224
MFS Value R6	31,392	35.30	1,108,155	30,452	40.56	1,235,149
Oppenheimer Developing Markets I	12,961	37.58	487,085	10,654	42.93	457,362
Pimco Real Return Institutional Class	12,006	10.56	126,779	9,283	11.06	102,669
Pimco Total Return Institutional Class	67,016	9.93	665,466	54,123	10.27	555,848
Prudential High Yield Z	47,381	5.13	243,066	40,698	5.53	225,056
Templeton Global Bond Advisor Class	30,653	11.25	344,848	27,370	11.85	324,335
T. Rowe Price QM US Small Cap Growth	4,855	31.16	151,267	3,269	34.89	114,067
T. Rowe Price Retirement 2005	8,473	12.34	104,561	7,458	13.65	101,796
T. Rowe Price Retirement 2010	455	16.23	7,391	420	18.28	7,676
T. Rowe Price Retirement 2015	569	13.00	7,400	516	14.98	7,731
T. Rowe Price Retirement 2025	15,188	15.43	234,349	17,112	17.59	300,998
T. Rowe Price Retirement 2030	16,300	22.30	363,487	10,543	25.92	273,276
T. Rowe Price Retirement 2035	26,229	16.26	426,481	23,558	18.97	446,905
T. Rowe Price Retirement 2040	7,410	23.03	170,662	16,510	27.24	449,739
T. Rowe Price Retirement 2050	1,581	13.20	20,874	1,457	15.52	22,610
T. Rowe Price Retirement 2055	3,001	13.37	40,128	208	15.58	3,233

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Wasatch International Growth	3,171	24.57	77,918	2,634	34.43	90,689
Stage Stores, Inc. common stock	382,755	0.74	283,239	238,364	1.68	400,451
			\$11,750,683			\$12,402,415

STAGE STORES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 - FAIR VALUE MEASUREMENTS

In accordance with Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures, the Plan defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Plan considers the principal or most advantageous market in which the Plan would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Common Stocks. Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds. Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

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

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Inputs that are generally unobservable and typically reflect the Plan Administrator’s estimates of assumptions that market participants would use in pricing the asset or liability.

Using the market approach, the following table presents the Plan’s assets measured at fair value on a recurring basis:

December 31, 2018				
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	\$ 11,467,444	\$ —	\$ —	\$ 11,467,444
Stage Stores, Inc. common stock	283,239	—	—	283,239
	\$ 11,750,683	\$ —	\$ —	\$ 11,750,683
December 31, 2017				
	Level 1	Level 2	Level 3	Total
Assets:				
Mutual funds	\$ 12,001,964	\$ —	\$ —	\$ 12,001,964
Stage Stores, Inc. common stock	400,451	—	—	400,451
	\$ 12,402,415	\$ —	\$ —	\$ 12,402,415

For the years ended December 31, 2018 and 2017, there were no transfers between levels.

STAGE STORES, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - ADMINISTRATIVE EXPENSES

Certain administrative expenses of the Plan, including consulting services related to the Plan's design and fee structure and participant educational services, are allocated to participant accounts. Administrative expenses also include transaction-based fees under the Plan, such as short term redemption fees and commissions, which are charged directly to participant accounts. Investment related expenses are included in net appreciation or depreciation in fair value of investments. Expenses paid by the Company, such as legal and accounting fees associated with the administration of the Plan, are excluded from these financial statements.

NOTE 6 - INCOME TAX STATUS

The Plan, being operated as a nonqualified deferred compensation plan, is not subject to Federal income tax. A nonqualified deferred compensation arrangement effectively defers compensation for individual participants.

NOTE 7 - RELATED PARTIES

At December 31, 2018 and 2017, the Plan held \$283,239 and \$400,451, respectively, of common stock of the Company, the sponsoring employer, with a cost basis of \$1,977,588 and \$1,696,191, respectively. During the years ended December 31, 2018, 2017 and 2016, the Plan recorded dividend income of \$58,397, \$59,252 and \$94,658 respectively, on investments held in the Company's stock. In addition, certain mutual fund investments of the Plan are managed by Fidelity, the Plan's Trustee.

EXHIBITS

Exhibit Number	Description
23	<u>Consent of Independent Registered Public Accounting Firm</u>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan Administrative Committee has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

STAGE STORES, INC. NONQUALIFIED
DEFERRED COMPENSATION PLAN

Dated: March 28, 2019

/s/ Jason T. Curtis
Jason T. Curtis
Executive Vice President, Chief Financial Officer and
Treasurer
On behalf of the Plan Administrative Committee