

CHICOS FAS INC
Form DEF 14A
May 03, 2004

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SCHEDULE 14A INFORMATION

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement Confidential, for Use of the Commission
Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy
Statement

Definitive Additional
Materials

Soliciting Material
Pursuant to
Section 240.14a-11(c)
or Section 240.14a-2.

Chico s FAS, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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CHICOS FAS, INC.

**11215 Metro Parkway
Ft. Myers, Florida 33912**

April 28, 2004

TO OUR STOCKHOLDERS:

You are cordially invited to attend our 2004 Annual Meeting of Stockholders which will be held at the Sanibel Harbour Resort, 17260 Harbour Pointe Drive, Fort Myers, Florida, on June 22, 2004 at 2:00 P.M., local time.

We have once again selected the Sanibel Harbour Resort as the venue for the annual meeting because it continues to serve as a particularly nice setting for our annual meeting. I look forward to this opportunity to let you become better acquainted with Chicos, our directors and officers, our achievements and our plans for the future.

Please read these materials so that you will know what we plan to do at the meeting. Also, please sign and return the accompanying proxy card. This way, your shares will be voted as you direct even if you cannot attend the meeting.

MARVIN J. GRALNICK
Chairman of the Board

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CHICO S FAS, INC.

**11215 Metro Parkway
Ft. Myers, Florida 33912**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 22, 2004**

To the Stockholders of Chico s FAS, Inc.:

TIME	2:00 P.M., Local Time, on Tuesday, June 22, 2004
PLACE	Sanibel Harbour Resort 17206 Harbour Pointe Drive Ft. Myers, Florida 33908
ITEMS OF BUSINESS	<ol style="list-style-type: none">1. To elect three Class II directors, each to serve for a three-year term and to elect one Class I director, to serve the remaining two years of a three-year term;2. To approve the Articles of Amendment to the Amended and Restated Articles of Incorporation of Chico s FAS, Inc. increasing the maximum number of directors authorized;3. To ratify and approve the Amended and Restated Chico s FAS, Inc. 2002 Employee Stock Purchase Plan;4. To ratify the appointment of Ernst & Young LLP as the Company s independent certified public accountants for the fiscal year ending January 29, 2005 (fiscal 2004); and5. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.
RECORD DATE	You can vote if you are a stockholder of record on April 26, 2004.
ANNUAL REPORT	Our 2003 Annual Report, which is not a part of the proxy soliciting material, is enclosed.
PROXY VOTING	It is important that your shares be represented and voted at the Annual Meeting. Please vote by dating, signing and mailing the enclosed proxy promptly in the enclosed postage paid pre-addressed envelope. If you should be present at the meeting and desire to vote in person, you may withdraw your proxy.

By Order of the Board of Directors,

CHARLES J. KLEMAN
Secretary

April 28, 2004

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CHICOS FAS, INC.

**11215 Metro Parkway
Ft. Myers, Florida 33912**

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JUNE 22, 2004

To the Stockholders of Chico's FAS, Inc.:

April 28, 2004

These proxy materials are delivered in connection with the solicitation by the Board of Directors of Chico's FAS, Inc. (Chico's, the Company, we, or us), a Florida corporation, of proxies to be voted at our 2004 Annual Meeting of Stockholders and at any adjournments or postponements thereof.

You are invited to attend our Annual Meeting of Stockholders on June 22, 2004, beginning at 2:00 P.M., Local Time. The Annual Meeting will be held at the Sanibel Harbour Resort, Fort Myers, Florida. Stockholders will be admitted beginning at approximately 1:30 P.M.

It is important that proxies be returned promptly to avoid unnecessary expense to the Company. Therefore, whether you plan to attend the Annual Meeting or not and regardless of the number of shares of stock you own, please date, sign and return the enclosed proxy promptly.

ABOUT THE ANNUAL MEETING

What is the purpose of the meeting?

At the Annual Meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including the election of directors, the Articles of Amendment to the Amended and Restated Articles of Incorporation, the amendment and restatement of the Chico's FAS, Inc. 2002 Employee Stock Purchase Plan, and ratification of the Company's independent certified public accountants. In addition, the Company's management will report on the performance of the Company during the fiscal year ended January 31, 2004 and respond to questions from stockholders.

When are these materials being mailed?

This proxy statement and the form of proxy are being mailed starting on approximately April 30, 2004.

What is a proxy?

It is your legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document also is called a proxy or a proxy card. The form of proxy card included with this proxy statement designates each of Marvin J. Gralnick, Scott A. Edmonds and Patricia Murphy Kerstein as proxies for the 2004 Annual Meeting.

What is a proxy statement?

It is a document that SEC regulations require us to give you when we ask you to sign a proxy card designating individuals as proxies to vote on your behalf.

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What is the difference between a stockholder of record and a stockholder who holds stock in street name?

(a) If your shares are registered in your name, you are a stockholder of record. Owners of record receive their proxy materials from us. When you properly complete, sign and return your proxy card, you are instructing the named proxies to vote your shares in the manner you indicate on the proxy card.

(b) If your shares are held in the name of your broker or other financial institution, which is usually the case if you hold your shares in a brokerage or similar account, your shares are held in street name. Your broker or other financial institution is the stockholder of record for your shares. As the holder of record, only your broker or other institution is authorized to vote or grant a proxy for your shares. Accordingly, if you wish to vote your shares in person, you must contact your broker or other institution to obtain the authority to do so. Street name holders receive their proxy materials from their broker or other institution. When you properly complete, sign and return your proxy card, you are giving your broker or other financial institution instructions on how to vote the shares they hold for you.

What is the record date and what does it mean?

Owners of record of common stock at the close of business on the record date are entitled to:

(a) receive notice of the meeting, and

(b) vote at the meeting and any adjournments or postponements of the meeting.

The record date for the 2004 Annual Meeting is April 26, 2004. The record date is established by the Board of Directors as required by law and the Company's Articles of Incorporation and By-laws.

What are abstentions and broker non-votes?

An abstention occurs when a stockholder of record (which may be a broker or other nominee of a street name holder) is present at a meeting (or deemed present) but fails to vote on a proposal, indicates that the stockholder abstains from voting on the proposal, or withholds authority from proxies to vote for director nominees while failing to vote for other eligible candidates in their place. A broker non-vote occurs when a broker or other nominee who holds shares for another does not vote on a particular item because the nominee does not have discretionary voting authority for that item and has not received instructions from the street name owner of the shares.

What constitutes a quorum for the meeting?

At least a certain number of shares must be present or represented by proxy at a meeting before any stockholder vote at the meeting can be effective. A quorum is necessary to conduct business at the meeting. For the Annual Meeting, a majority of the outstanding shares of common stock present or represented by proxy will constitute a quorum. You are part of the quorum if you have voted by proxy. Abstentions, broker non-votes and votes withheld from director nominees count as shares present at the meeting for purposes of determining a quorum. However, abstentions and broker non-votes do not count in the voting results.

Who is entitled to vote and how many votes do I have?

If you are a common stockholder of record at the close of business on the record date, you can vote. For each matter presented for vote, you have one vote for each share you own. If you are a holder in street name at the close of business on the record date, you generally will have the right to instruct your broker or other financial institution how to vote your shares, although specific procedures depend on the terms of your account arrangement. As of the record date, there were 89,141,254 common shares outstanding. Each common share is entitled to one vote on each matter properly brought before the Annual Meeting. Shares of common stock, par value \$.01 per share, are the only outstanding voting securities of the Company.

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How do I vote my shares?

Stockholders of record can vote by:

returning a completed proxy card by mail to Registrar and Transfer Company, Attn: Proxy Department, P.O. Box 1159, Cranford, New Jersey 07016-9748;

delivering a completed proxy card to an inspector of election prior to the Annual Meeting; or

completing a ballot and returning it to an inspector of election during the Annual Meeting.

If you hold your shares in street name, you can vote by submitting a voting instruction card to your broker or other institution in accordance with the procedures and requirements applicable to your account. If your shares are held in street name and you wish to cast your vote in person at the Annual Meeting, you must either (i) obtain a legal proxy, executed in your favor, from the bank, broker, or nominee, as the case may be, or (ii) obtain a proxy direction form from the bank, broker, or nominee, as the case may be, and follow the instructions on the form so as to provide such bank, broker or nominee with your directions as to how you want such shares to be voted.

Can I vote by telephone or electronically?

The Company has not established procedures to allow telephone or electronic voting by stockholders of record, but we may do so for future stockholder meetings if we determine that the added convenience to our stockholders would justify the additional costs to the Company associated with these voting methods.

Street name holders may vote by telephone or the Internet if their bank or broker makes those methods available, in which case your bank or broker will enclose the instructions with this proxy statement.

Can I change my vote?

You may revoke your proxy or change your voting instructions before the time of voting at the meeting in several ways.

If you are a stockholder of record, you may revoke or change your proxy instructions at any time prior to the vote at the Annual Meeting. To do so:

mail a revised proxy card dated later than the prior one;

give us written notice of your change or revocation; or

attend the Annual Meeting and vote in person.

If you hold your shares in street name, you may revoke or change your proxy instructions at any time prior to the vote at the Annual Meeting by submitting new voting instructions to your broker or other institution in accordance with the procedures and requirements applicable to your account.

If I submit a proxy, how will my shares be voted?

If you submit a properly executed proxy card, the individuals named on the card, as your proxies, will vote your shares in the manner you indicate. If you sign and return the card without indicating your instructions, your shares will be voted for the election of the three nominees to serve three-year terms on our Board of Directors, for the election of the one nominee to serve the remaining two years of a three-year term on our Board of Directors, for approval of the amendment to the Amended and Restated Articles of Incorporation, for ratification and approval of the Amended and Restated Chico's FAS, Inc. 2002 Employee Stock Purchase Plan, for ratification of the appointment of Ernst & Young LLP as the Company's independent certified public accountants for the fiscal year ending January 29, 2005 (fiscal 2004), and otherwise as recommended by the Board of Directors.

Your vote is important. Whether or not you plan to attend the meeting, we encourage you to vote by proxy as soon as possible.

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What are the Board's recommendations?

The Board's recommendations regarding the proposals to be considered at the Annual Meeting are set forth together with the descriptions of the proposals in this proxy statement. In summary, the Board recommends a vote:

for election of the nominees for the Class II Director positions (see page 5).

for election of the nominee for the Class I Director position (see page 5).

for approval of the Articles of Amendment to the Amended and Restated Articles of Incorporation (see page 14).

for ratification and approval of the Amended and Restated Chico's FAS, Inc. 2002 Employee Stock Purchase Plan (see page 15).

for ratification of the appointment of Ernst & Young LLP as the Company's independent certified public accountants for the fiscal year ending January 29, 2005 (fiscal 2004) (see page 18).

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board of Directors or, if no recommendation is given, in their own discretion. At the date this proxy statement went to press, we did not know of any other matter to be raised at the Annual Meeting.

What vote is required to approve each item?

Election of Directors. Directors shall be elected by a plurality of the votes present in person or represented by proxy at the Annual Meeting and entitled to vote on the election of directors. A properly executed proxy marked "WITHHOLD AUTHORITY" with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, even though it will be counted for purposes of determining whether there is a quorum present at the Annual Meeting.

Approval of Amendment to Amended and Restated Articles of Incorporation. The Articles of Amendment to the Amended and Restated Articles of Incorporation will be approved if the number of votes cast "FOR" approval is at least 66 2/3% of the number of shares of common stock outstanding that are eligible to vote.

Ratification and Approval of Amended and Restated Employee Stock Purchase Plan. The Amended and Restated Chico's FAS, Inc. 2002 Employee Stock Purchase Plan will be ratified and approved if the number of votes cast "FOR" ratification and approval by holders entitled to vote exceeds the number of votes cast opposing the ratification and approval.

Ratification of Appointment of Accountants. The appointment of Ernst & Young LLP as the Company's independent certified public accountants for the fiscal year ending January 29, 2005 will be ratified if the number of votes cast "FOR" ratification of the appointment by holders entitled to vote exceeds the number of votes cast opposing the ratification of the appointment.

Other Items. If any other item requiring a stockholder vote should come before the meeting, the item will be approved if the number of shares voting for the item is greater than the number of shares voting against the item.

A properly executed proxy marked "ABSTAIN" with respect to any matter will not be voted, even though it will be counted for purposes of determining whether there is a quorum present at the Annual Meeting. Accordingly, for purposes of any vote, an abstention will have the same effect as does a share that is not present or is not voted.

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Are votes confidential? Who counts the votes?

The votes of all stockholders are held in confidence from directors, officers and employees, except:

- (a) as necessary to meet applicable legal requirements and to assert or defend claims for or against the Company,
- (b) in case of a contested proxy solicitation,
- (c) if a stockholder makes a written comment on the proxy card or otherwise communicates his/her vote to management, or
- (d) to allow the independent inspectors of election to certify the results of the vote.

All votes will be tabulated by employees of The Registrar and Transfer Company, the Company's transfer agent for the common stock, whose representatives will serve as one or more of the inspectors of election.

How are abstentions and broker non-votes counted when tabulating the vote?

Abstentions and broker non-votes do not count as votes and are not included in any vote totals for directors or for or against any other matter. Accordingly, abstentions and broker non-votes do not affect the outcome of any vote.

Who is paying for the preparation and mailing of the proxy materials and how will solicitations be made?

We will pay the expenses of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees in person or by telephone, mail, electronic transmission, facsimile transmission or telegram. The Company will request brokerage houses and other custodians, nominees and fiduciaries to forward soliciting material to stockholders and the Company will reimburse such institutions for their out-of-pocket expenses incurred thereby. The Company has not engaged any outside service provider to assist in the solicitation of proxies.

Does each stockholder receive his or her own copy of the 2003 Annual Report and this proxy statement?

In some cases we may send only one annual report and proxy statement to an address shared by two or more stockholders, unless we have received contrary instructions from one or more stockholders at that address. This practice, known as householding, is designed to reduce our printing and postage costs. If you are a stockholder of record residing at such an address and you wish to receive a separate copy of our 2003 Annual Report or this proxy statement, please contact Sherry Terzian by phone at (239) 274-4425 or in writing at 11215 Metro Parkway, Ft. Myers, Florida 33912 and we will promptly send you separate copies. If we have been sending only one annual report and proxy statement to your household but you or another stockholder in the household wishes to receive separate copies of annual reports and/or proxy statements in the future, please contact us in the same manner. Please also contact us if your household receives multiple copies of our annual report and proxy statement and you would prefer that we send only one copy for the entire household.

1. ELECTION OF CLASS I AND CLASS II DIRECTORS ITEM ONE ON YOUR

PROXY CARD

Directors Standing For Election

The full Board is currently comprised of eight directors. The Board is divided into three classes with Class I and II each having three directors and Class III having two directors. Directors are generally elected for three-year terms.

The term of the existing Class II directors, Helene B. Gralnick, Verna K. Gibson and Betsy S. Atkins, expires at the 2004 Annual Meeting. In addition, under applicable Florida law, the stockholders must vote to

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fill the remaining two years of the term of the Class I director seat currently occupied by Scott A. Edmonds who was appointed by the Board in January 2004 to a newly created Class I director seat. The other Class I directors, Charles J. Kleman and Ross E. Roeder, serve until the annual meeting of stockholders in 2006 and the Class III directors, Marvin J. Gralnick and John W. Burden, serve until the annual meeting of stockholders in 2005.

The election of the three Class II directors, and the election of the one Class I director to fill the remaining two-year term of the newly created Class I director seat, will take place at the 2004 Annual Meeting. At its meeting of January 23, 2004, the Board approved the recommendation of the Corporate Governance Committee that the following persons stand for election at the 2004 Annual Meeting:

Class II Director Seats

Helene B. Gralnick

Verna K. Gibson
Betsy S. Atkins

Class I Director Seat

Scott A. Edmonds

If elected, each of the three Class II director nominees will serve on the Board until the annual meeting of stockholders in 2007, or until their successors are duly elected and qualified, and the one Class I director nominee will serve on the Board until the annual meeting of stockholders in 2006, or until his successor is duly elected and qualified. All nominees are currently serving as directors of the Board. If any of the four nominees should become unable to accept election, the persons named as proxies in the proxy card may vote for such other person(s) as may be designated by the Board or as they may determine. Management has no reason to believe that any of the four nominees for election below will be unable to serve.

The persons named in the enclosed form of proxy intend, unless otherwise directed, to vote such proxy **FOR** the election of Helene B. Gralnick, Verna K. Gibson, and Betsy S. Atkins as Class II directors of the Company, and **FOR** the election of Scott A. Edmonds, as a Class I director of the Company, each to serve for the respective term described above.

Each of the proposed nominees for election as directors has consented to serve if elected. If, as a result of circumstances not now known or foreseen, any of the nominees becomes unable or unwilling to serve as a director, proxies may be voted for the election of such other person or persons as the Board of Directors may select. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** THE ELECTION OF THESE NOMINEES FOR ELECTION AS DIRECTORS. The nominees that receive a plurality of the votes cast by the shares entitled to vote at the Annual Meeting shall be elected as the directors.

Nominees for election at this meeting to terms expiring in 2006:

Scott A. Edmonds, 46, is President and Chief Executive Officer of the Company. Mr. Edmonds has been employed by the Company since September 1993, when he was hired as Operations Manager. In February 1994, he was elected to the position of Vice President - Operations and, effective January 1, 1996, he was promoted to the position of Senior Vice President - Operations. In February 2000, Mr. Edmonds was further promoted to Chief Operating Officer, in September 2001, Mr. Edmonds was promoted to President, and in September 2003, Mr. Edmonds was appointed to the additional office of Chief Executive Officer. Prior to joining the Company in 1993, Mr. Edmonds was employed by Ferguson Enterprises, Inc., a plumbing and electrical wholesale company, since 1980. His last position with Ferguson was President of the Ft. Myers, Florida Division.

Director since 2004.

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Nominees for election at this meeting to terms expiring in 2007:

Helene B. Gralnick, 56, served as Senior Vice President - Design and Concept for the Company from February 1995 until recently in March 2004 when she stepped down from her management positions. Since early March 2004, Ms. Gralnick has been engaged by the Company on an at-will basis to provide her assistance, guidance and direction, as needed. Ms. Gralnick was a co-founder of the Company, together with her husband, Marvin J. Gralnick, and has served the Company in various senior executive capacities throughout its history. She was first elected Vice President/Secretary in 1983. Ms. Gralnick was elected as Senior Vice President - Merchandise Concept in 1992. In September 1993, Ms. Gralnick stepped down from all officer positions with the Company. In connection with the resignation of the then current Chief Executive Officer and President of the Company in November 1994, Ms. Gralnick returned to the Company on a full time basis to head up merchandise design, marketing and image for the Company and took on the position of Senior Vice President - Design and Concept in February 1995.

Director since 1983.

Verna K. Gibson, 61, presently is a retailing consultant. From 1985 to 1991, Ms. Gibson was President and Chief Executive Officer of the Limited Stores Division of The Limited, Inc., a retail apparel specialty chain. From January 1991 through 1995, she served as President of Outlook Consulting Int., Inc. and in January 1999, she resumed the position of President of Outlook Consulting Int., Inc. From December 1994 to July 1996, Ms. Gibson was the Chairman of the Board of Petrie Retail, Inc. From 1993 to fall 1999, Ms. Gibson was a partner of Retail Options, Inc., a New York based retail consulting firm.

Director since 1993.

Betsy S. Atkins, 49, is the Chief Executive Officer of Baja Accordiant Ventures, an independent venture capital firm focused on the technology and life sciences industry since 1994. Prior to 1994 Ms. Atkins was Chairman and Chief Executive Officer of NCI, Inc. a functional food/nutraceutical company from 1991 through 1993. Ms. Atkins was a co-founder of Ascend Communications, Inc. in 1989, a member of their Board of Directors, and served as its Worldwide Sales, Marketing and International Sr. Vice President prior to its acquisition by Lucent Technologies in 1999. Ms. Atkins currently also serves on the Boards of Directors of Polycom, Inc., UTStarcom, McData Corp. and Paychex, Inc. Ms. Atkins publishes and keynote speaks on corporate board governance best practices for the National Association of Corporate Directors. Ms. Atkins is also a Presidential-appointee to the Pension Benefit Guaranty Corporation advisory committee, and a Governor-appointed member of the Florida International University Board of Trustees. Ms. Atkins was recommended as a director nominee by Mr. Edmonds with approval by Ms. Gibson.

Director since 2004.

Directors Continuing in Office

Directors whose present terms continue until 2005:

Marvin J. Gralnick, 69, is Chairman of the Board of the Company. Mr. Gralnick, together with his wife, Helene B. Gralnick, founded the Company in December 1983. He served the Company as its Chief Executive Officer until he stepped down in September 1993. In connection with the resignation of the then current Chief Executive Officer and President of the Company in November 1994, Mr. Gralnick returned to the Company on a full time basis to head up merchandise design, marketing and image for the Company. In February 1995, Mr. Gralnick reassumed the role of Chief Executive Officer and served in that position until September 2003, at which time Scott A. Edmonds was promoted to Chief Executive Officer. In March 1997, Mr. Gralnick reassumed the position of President and served in that position until September 2001, at which time Mr. Edmonds was promoted to the position of President. Mr. Gralnick also served as President from the Company's founding until 1990 when he became Chairman of the Board and was given the official title of Chief Executive Officer. Mr. and Ms. Gralnick's vision and creative talents led the development and evolution

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of the Company's philosophy and the design and feel of Chico's merchandise and Chico's stores through September 1, 1993 and again from November 1994 through September 2003. In addition to serving as Chairman, since early March 2004, Mr. Gralnick has been engaged by the Company on an at-will basis to provide his assistance, guidance and direction, as needed.

Director since 1983.

John W. Burden, 67, is currently an independent retailing consultant, having served as a consultant and partner in Retail Options, Inc. from November 1993 to December 1997. From December 1990 to March 1993, Mr. Burden's principal occupation was as an officer in Pelican Palms Realty Company, a real estate sales company he owned. In 1990, he retired as the Chairman of both Federated Department Stores, Inc., and Allied Department Stores, Inc., following a 19 year career in various merchandising positions in the Federated organization, including President of Burdines and Chairman of the Abraham and Strauss Division. Prior to that time, he spent 12 years with Macy's.

Director since 1997.

Directors whose present terms continue until 2006:

Charles J. Kleman, 53, is Chief Operating Officer, Executive Vice President - Finance, Chief Financial Officer, Treasurer and Secretary of the Company. Mr. Kleman has been employed by the Company since January 1989, when he was hired as the Company's Controller. In 1991, he was elected as Vice President/Assistant Secretary. In 1992, Mr. Kleman was designated as the Company's Chief Financial Officer. In September 1993, he was elected to the additional position of Secretary/Treasurer, served as Senior Vice President - Finance from January 1996 through November 1996, effective December 1996, was promoted to the position of Executive Vice President - Finance, and effective November 2003, was promoted to the additional position of Chief Operating Officer. Prior to joining the Company, Mr. Kleman was an independent accounting consultant in 1988, and from 1986 to 1988, Mr. Kleman was employed by Electronic Monitoring & Controls, Inc., a manufacturer and distributor of energy management systems, as its Vice President/Controller. Prior to 1986, Mr. Kleman was employed by various public accounting firms, spending over four years of that time with Arthur Andersen & Co. Mr. Kleman is responsible for real estate, store construction, facilities management, distribution center management, franchise relations, accounting, financial reporting, management information systems and investor relations.

Director since 1993.

Ross E. Roeder, 66, is Chairman and Chief Executive Officer of Smart & Final, Inc., having held these positions since 1999 and having served as a director of SFI Corporation, the parent corporation of Smart & Final, since 1984. From 1986 to 1998, Mr. Roeder served as a director of Morgan-Kaufman Publishers, Inc., a publisher of computer science text and reference books, and from 1993 to 1998 served as its Chairman of the Board. Since the late 1970's, he also served and continues to serve as Chairman of the Board and Chief Executive Officer of MDR, Inc., International Consulting Group. From 1986 until February 1993, Mr. Roeder was President and Chief Executive Officer of Federal Construction Company. Mr. Roeder is also a director of Mercantile Bank.

Director since 1997.

Governance of the Company

Board of Directors

Corporate governance is typically defined as the system that allocates duties and authority among a company's stockholders, board of directors and management. The stockholders elect the board and vote on extraordinary matters; the board is the Company's governing body, responsible for hiring, overseeing and evaluating management, particularly the Chief Executive Officer; and management runs the Company's day-to-day operations. Our Board of Directors currently consists of eight directors. The current Board members and nominees for election include four independent directors and four individuals who are or who

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recently were members of the Company's senior management. The Company is engaged in a diligent search for an additional independent director, preferably one with financial experience who can qualify as a financial expert.

The primary responsibilities of the Board of Directors are oversight, counseling and direction to the Company's management in the long-term interests of Chico's and its stockholders. The Board's detailed responsibilities include: (a) selecting, regularly evaluating the performance of, and approving the compensation of the Chief Executive Officer and other senior executives; (b) planning for succession with respect to the position of Chief Executive Officer and monitoring management's succession planning for other senior executives; (c) reviewing and, where appropriate, approving Chico's major financial objectives, strategic and operating plans and actions; (d) overseeing the conduct of Chico's business to evaluate whether the business is being properly managed; and (e) overseeing the processes for maintaining Chico's integrity with regard to its financial statements and other public disclosures and compliance with law and ethics. The Board of Directors has delegated to the Chief Executive Officer, working with Chico's other executive officers, the authority and responsibility for managing the Company's business in a manner consistent with the Company's standards and practices, and in accordance with any specific plans, instructions or directions of the Board. The Chief Executive Officer and management are responsible for seeking the advice and, in appropriate situations, the approval of the Board with respect to extraordinary actions to be undertaken by Chico's.

Meetings

The Board and its committees meet throughout the year on a set schedule, and also hold special meetings and act by written consent from time to time as appropriate. The Board of Directors held eight meetings during the fiscal year ended January 31, 2004. During the fiscal year ended January 31, 2004, each incumbent director attended at least 75% of the total number of Board and Committee meetings.

The non-employee directors of the Board also meet on a regular basis without the Chief Executive Officer or other members of management present.

Lead Director

In August 2003, the Board created a new position of lead director, whose primary responsibility is to preside over periodic executive sessions of the Board in which management directors and other members of management do not participate. Verna K. Gibson is serving in the position of lead director and has been designated by the non-management members of the Board to continue serving in this position until at least the Company's 2004 annual meeting of stockholders.

Independence

In January 2004, the Board enhanced its corporate governance by adopting Corporate Governance Guidelines. The Guidelines adopted by the Board meet or exceed the new listing standards adopted in late 2003 by the New York Stock Exchange. The full text of the Corporate Governance Guidelines can be found under the Investors Relations portion of the Company's website (www.chicos.com). A copy may also be obtained upon request from the Secretary of the Company.

Pursuant to the Corporate Governance Guidelines, the Board undertook a review of director independence in March 2004. During this review, the Board considered transactions and relationships between each director or any member of his or her immediate family and the Company and its subsidiaries and affiliates. The Board also examined transactions and relationships between directors or their affiliates and members of the Company's senior management or their affiliates. As provided in the Corporate Governance Guidelines, the purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent.

As a result of this review, the Board affirmatively determined that four of the eight current directors (with four of the current directors being nominated for re-election at the annual meeting) are independent of the Company and its management under the standards set forth in the Corporate Governance Guidelines.

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Messrs. Edmonds and Kleman are considered inside directors because of their continued employment as senior executives of the Company. Mr. Gralnick and Ms. Gralnick are considered inside directors both because of their recent employment as senior executives of the Company and because of their continuation as at-will employees from and after early March 2004.

Code of Ethics

The Company has a Code of Ethics, which is applicable to all employees of the Company, including the principal executive officer, the principal financial officer, the principal accounting officer and the directors. The Code of Ethics is available in the Investor Relations portion of the Company's website (www.chicos.com). The Company intends to post amendments to or waivers from its Code of Ethics (to the extent applicable to the Company's chief executive officer, principal financial officer, principal accounting officer or its directors) at this location on its website.

Committees of the Board

The Board of Directors has a standing Corporate Governance Committee (which acts as the Company's Nominating Committee), Audit Committee and Compensation and Benefits Committee.

Corporate Governance Committee

The current members of the Corporate Governance Committee are Ms. Gibson (chair), Mr. Burden, Mr. Roeder and Ms. Atkins, with Ms. Atkins becoming a member upon her appointment to the Board in January 2004. The Corporate Governance Committee held five meetings during the fiscal year ended January 31, 2004. The Corporate Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance, including reviewing and monitoring implementation of the Company's Corporate Governance Guidelines. In addition, its principal responsibilities from the perspective of its role as a Nominating Committee are to interview, evaluate, nominate, and recommend individuals for membership on the Company's Board of Directors and committees thereof, and to evaluate and provide input with respect to individuals to be elected as officers of the Company by the Board of Directors. The Committee also prepares and supervises the Board's annual review of director independence and the Board's performance self-evaluation. The charter of the Corporate Governance Committee is available under the Investors Relations portion of the Company's website (www.chicos.com).

All of the members of the Corporate Governance Committee have been determined to be independent within the meaning of the listing standards of the New York Stock Exchange and the Company's Corporate Governance Guidelines.

Audit Committee

The current members of the Audit Committee are Mr. Roeder (chair), Ms. Gibson and Mr. Burden. The Audit Committee held eight meetings during the fiscal year ended January 31, 2004. The Audit Committee's principal responsibilities are to assist the Board in its general oversight of Chico's financial reporting, internal controls and audit functions. The Committee is directly responsible for the appointment, compensation and oversight of the work of the Company's independent certified public accountants, reviews the annual audit of the Company's financial statements and meets with the independent accountants from time to time in order to review the Company's internal controls and financial management practices. During each fiscal year, at least one (and usually more) of the meetings between the Audit Committee and the independent accountants is held separately without management present. The Audit Committee has established policies and procedures for the engagement of the independent accountants to provide permissible non-audit services, which includes pre-approval of all permissible non-audit services to be provided by the independent accountants. The Audit Committee has the authority to hire its own outside legal and other advisors. A restated charter of the Audit Committee was recently adopted and this current charter is attached to this proxy statement as Annex I and is also available under the Investors Relations portion of the Company's website (www.chicos.com).

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All members of the Audit Committee have been determined to be independent within the meaning of the listing standards of the New York Stock Exchange and the Company's Corporate Governance Guidelines. Newly created federal regulations require the Board to determine if a member of its Audit Committee is an Audit Committee Financial Expert. According to these new regulations, an audit committee member can be designated an Audit Committee Financial Expert only when the audit committee member satisfies five specified qualification requirements, such as experience in (or experience actively supervising others engaged in) preparing, auditing, analyzing, or evaluating financial statements presenting a level of accounting complexity comparable to what is encountered in connection with the Company's financial statements. The regulations further require that such qualifications to have been acquired through specified means of experience or education. The Company's Board of Directors has determined that the Company does not have an Audit Committee Financial Expert, within the meaning of the federal regulations, serving on its Audit Committee. Although a person with such qualifications does not serve on the Company's Audit Committee, the members of the Company's Audit Committee nevertheless have extensive experience in dealing with financial statements, accounting issues, internal controls and other matters relating to public companies and the Board has confidence in the ability and effectiveness of its Audit Committee. The Company is currently in the process of searching for a suitable independent director nominee who may qualify as an Audit Committee Financial Expert, and who may be added to the Company's Board of Directors. The Board does not believe that the absence of an Audit Committee Financial Expert has negatively impacted the Company's performance or the integrity of the Company's financial statements. See the Audit Committee Report on page 19 for further information.

Compensation and Benefits Committee

The current members of the Compensation and Benefits Committee are Mr. Burden (chair), Ms. Gibson, Mr. Roeder and Ms. Atkins. The Compensation and Benefits Committee held six meetings during the fiscal year ended January 31, 2004 and regularly acts by written consent. The principal responsibilities of the Compensation and Benefits Committee are to review and make recommendations to the Board of Directors concerning the compensation of all officers of the Company; to review and make recommendations with respect to the Company's existing and proposed compensation and bonus plans, and to serve as the committee responsible for administering the Company's 1992 Stock Option Plan, 1993 Stock Option Plan, Amended and Restated 2002 Employee Stock Purchase Plan, 2002 Omnibus Stock and Incentive Plan and Deferred Compensation Plan. The charter of the Compensation and Benefits Committee is available under the Investors Relations portion of the Company's website (www.chicos.com).

All of the members of the Compensation and Benefits Committee have been determined to be independent within the meaning of the listing standards of the New York Stock Exchange and the Company's Corporate Governance Guidelines.

Identifying and Evaluating Nominees for Director Positions

Responsibility for Selection of Director Candidates

The Board is responsible for selecting director candidates. The Board has delegated the screening process to the Corporate Governance Committee, with the expectation that other members of the Board and executives will be asked to take part in the process as appropriate. Candidates recommended by the Corporate Governance Committee are subject to approval by the Board.

Stockholder Nominees

The policy of the Corporate Governance Committee is to consider written recommendations from stockholders for positions on the Board of Directors. A stockholder who wishes to recommend a prospective nominee for the Board should notify the Secretary of the Company or any member of the Corporate Governance Committee in writing with whatever supporting material the stockholder considers appropriate, including the nominee's name and qualifications for Board membership. In evaluating such nominations, the

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Corporate Governance Committee seeks to address the criteria set forth under **Director Criteria** and **Director Obligations** below. The Corporate Governance Committee will also consider whether to nominate any person nominated by a stockholder pursuant to the provisions set forth in the Amended and Restated Articles of Incorporation of the Company relating to stockholder nominations. See - **Stockholder Proposals for Presentation at the 2005 Annual Meeting** for further information. The Company received no stockholder nominations in 2003.

Identifying and Evaluating Nominees

The Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director positions. The Corporate Governance Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Corporate Governance Committee considers various potential candidates for the director positions. Candidates may come to the attention of the Corporate Governance Committee through current Board members, current management, professional search firms, stockholders (as described above) or other persons.

Once the Corporate Governance Committee has identified a prospective nominee, the Committee will make an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on whatever information is provided to the Committee with the recommendation of the prospective candidate, as well as the Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the applicable criteria for directors.

If the Committee determines, in consultation with the Chairman of the Board and other Board members, as appropriate, that additional consideration is warranted, it may ask Board members or engage third parties to gather additional information about the prospective nominee's background and experience and to report the findings to the Committee. The Committee then evaluates the prospective nominee against the criteria set out in the Company's Corporate Governance Guidelines. The Committee also considers such other relevant factors as it deems appropriate, including the backgrounds, qualifications and skills of existing Board members, the balance of management and independent directors, the need for Audit Committee expertise, and the Committee's evaluation of other prospective nominees. In connection with this evaluation, the Committee determines whether to interview the prospective nominee, and if warranted, the Chair of the Committee, one of the other independent directors, as well as the Chief Executive Officer and/or President, and others as appropriate, interview prospective nominees in person or by telephone. After completing these evaluations and interviews, the Committee deliberates and makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee.

Director Criteria

The Company's Corporate Governance Guidelines, which are available under the Investors Relations portion of the Company's website (www.chicos.com), set forth the criteria that apply to Board candidates. The Corporate Governance Committee of the Board is responsible for reviewing with the Board the requisite skills and characteristics of new Board candidates in the context of the then current composition of the Board. This assessment includes experience in industry, finance, administration, operations and marketing, as well as diversity. Director candidates should be able to provide insights and practical wisdom based on their experience and expertise.

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Director Obligations

Directors are expected to prepare for, attend and participate in Board meetings and meetings of the committees of the Board of Directors on which they serve, to ask direct questions and require straight answers, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities and duties as directors. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as a director. Service on other boards and other commitments are considered by the Corporate Governance Committee when reviewing Board candidates and in connection with the Board's annual self-assessment process.

Communications to Non-Management Directors

Stockholders and other parties interested in communicating with the lead director or with the other non-management directors as a group may do so by writing to Lead Director, Chico's FAS, Inc., 11215 Metro Parkway, Ft. Myers, Florida 33912. Letters addressed to the lead director or any of the other non-management directors will be routed to the corporate secretary who will review all such correspondence, will keep a file with copies of such correspondence (including a log thereof), will regularly forward such correspondence that, in the opinion of the corporate secretary, deals with the functions of the Board or committees thereof or that he or she otherwise determines requires their attention and may also provide each of the board members with summaries of all such correspondence. Directors may at any time review the file of such correspondence or the log of such correspondence and may request copies of any such correspondence.

A separate process has been established for dealing with concerns relating to accounting, internal controls or auditing matters. Stockholders and other parties interested in communicating about any of these particular matters may alternatively submit such communications by calling in such report to a third party hotline that has been established by the Board of Directors (1-888-361-5813) and such reports will immediately be brought directly to the attention of the chair of the Company's Audit Committee and separately to the head of the Company's internal audit department. If instead a communication relating to accounting, internal controls or auditing matters is received in writing by the Company, the corporate secretary will promptly forward such written correspondence to the chair of the Company's Audit Committee and separately to the head of the Company's internal audit department. These particular reports, whether received through the hotline or in writing, will be handled in accordance with procedures established by the Company's Audit Committee.

Director Attendance at Annual Meeting

The Company has no policy with regard to Board members' attendance at stockholders' annual meetings; however, it has been the custom for Chico's directors to attend the annual meeting of stockholders. All then current Board members attended the 2003 annual meeting of stockholders.

Compensation of Directors

Base Compensation and Benefits. Each non-management director receives an annual retainer of \$40,000, an additional \$1,000 for each board and committee meeting attended, whether in person or by telephone, and an additional \$1,000 for each additional day of any such meeting. Each non-management director who serves as a committee chair receives an additional annual retainer of \$10,000, and the lead director receives an additional annual retainer of \$20,000. Beginning on March 1, 2004, Mr. Gralnick and Ms. Gralnick are counted as being within the group of non-management directors as a result of their retirement as officers of the Company. All directors are also entitled to reimbursement of their reasonable out-of-pocket expenses for attendance at board and committee meetings. Non-employee directors may also elect to participate in the Company's health insurance program with coverage provided for the director and his or her dependents and with the cost thereof paid by the Company. During the last fiscal year, Ms. Gibson participated in this program.

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Stock Options. Each year following the annual meeting of stockholders, each continuing non-employee director receives an automatic grant of stock options to purchase 10,000 shares of common stock. In the fiscal year ended January 31, 2004, Ms. Gibson and Messrs. Burden and Roeder received automatic grants under the Company's 2002 Omnibus Stock and Incentive Plan. Each such option grant, which vested in full on December 24, 2003 and has a ten-year term, permits the holder to purchase shares at their fair market value on the date of grant, which in the case of these particular stock options was \$19.73.

Each new non-employee director receives 10,000 options upon election or appointment. Ms. Atkins, upon her appointment to the Board of Directors on January 23, 2004, received a grant of 10,000 options under the Company's 2002 Omnibus Stock and Incentive Plan, which vest in full on the date of the Company's 2005 Annual Meeting of Stockholders, has a ten-year term, and permits Ms. Atkins to purchase shares at the fair market value on the date of grant, which in the case of these particular stock options was \$38.50.

In addition, Ms. Gibson, Ms. Atkins, Mr. Burden and Mr. Roeder may occasionally receive option grants at the discretion of the Board of Directors under the Company's 2002 Omnibus Stock and Incentive Plan.

Indemnification. We indemnify our directors and certain of our officers to the fullest extent permitted by law so that they will serve free from undue concern that they will not be indemnified. This is authorized under our By-laws, and accordingly we have signed agreements with each of those individuals contractually obligating us to provide this indemnification to them.

**2. PROPOSAL TO AMEND THE AMENDED AND RESTATED ARTICLES OF
INCORPORATION ITEM TWO ON YOUR PROXY CARD**

The Company's Amended and Restated Articles of Incorporation currently provide that the size of the Board of Directors shall consist of not less than three nor more than nine members. The Board of Directors has approved and recommends that the stockholders approve an amendment to the Amended and Restated Articles of Incorporation of the Company (the "Articles of Amendment"), as permitted by the Florida Business Corporation Act, to increase the authorized size of the Board of Directors from not less than three nor more than nine members to not less than three nor more than twelve members.

If this proposal is approved, effective upon filing of the proposed amendment with the Florida Department of State, Section 1 of Article VI of the Company's Amended and Restated Articles of Incorporation will be amended to read as follows:

1. *Number.* The Board of Directors of this Corporation shall consist of not less than three (3) nor more than twelve (12) members, the exact number of directors to be fixed from time to time as provided in the bylaws of this Corporation.

In reviewing recent corporate governance matters, the Board of Directors concluded that it would be desirable to increase the number of directors authorized to serve on the Board. The purpose of this amendment to the Company's Amended and Restated Articles of Incorporation is primarily to enable the Company to take timely advantage of the availability of well-qualified candidates to serve as independent directors of the Company. The Board of Directors believes that this amendment is in the best interests of the Company and its stockholders because it will enable the Company to add talented individuals with a diversity of experience to our Board, when such individuals become available for service. As is the case currently, the Board of Directors would continue to have the authority in between meetings of stockholders to increase the number of directors of the Company and to fill vacancies resulting from such newly created directorships; provided however that, without an appropriate vote of the Company's stockholders, the Board of Directors would not be able to increase the size of the Board above the maximum number of directors authorized in the Amended and Restated Articles of Incorporation. If the proposed amendment is approved, the Board of Directors would be able to increase the size of the Board from its current eight members to up to twelve members and fill any such newly created vacancies. If the proposed amendment is not approved, the Board of Directors would only be able to increase the size of the Board to a maximum of nine members. In either event, in accordance with applicable Florida law, any director vacancy so filled by action of the Board of Directors must be presented for election at the next stockholders' meeting at which directors are to be elected.

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THE BOARD RECOMMENDS THAT YOU VOTE **FOR** APPROVAL OF THE AMENDMENT TO THE AMENDED AND RESTATED ARTICLES OF INCORPORATION. In accordance with Article IX of the Amended and Restated Articles of Incorporation, the affirmative vote of the holders of at least 66 2/3% of the outstanding shares of common stock is required to approve the amendment to Article VI of the Company s Amended and Restated Articles of Incorporation. Abstentions and broker non-votes will have the same effect as a vote against the proposal.

3. PROPOSAL TO APPROVE THE COMPANY S AMENDED AND RESTATED

**2002 EMPLOYEE STOCK PURCHASE PLAN ITEM THREE
ON YOUR PROXY CARD**

On February 18, 2002, the Company s 2002 Employee Stock Purchase Plan (the 2002 ESPP) was adopted by the Board of Directors. The Board solicited and received stockholder approval of the 2002 ESPP at the 2002 Annual Meeting of Stockholders. On March 1, 2004, the Board of Directors, upon recommendation of the Compensation and Benefits Committee, acted to amend and restate the 2002 ESPP, effective as of April 1, 2004, to, among other things:

change the formula with respect to computing the number of shares that would be added each year to the number of shares covered by the plan so as to reduce such number of additional shares and to clarify the maximum number of shares that may be issued under the plan over the entire remaining term of the plan; and

make certain conforming and corresponding changes of a ministerial nature.

The purpose of the amended and restated 2002 ESPP (the Restated 2002 ESPP) continues to be to provide the Company s employees with an opportunity, through the purchase of stock, to become part owners of the Company, or to increase the amount of their stock ownership. The Company believes that employees finding themselves in the dual roles of part owners and employees will have every reason to do all that they can to maintain and increase the success of the Company. The Restated 2002 ESPP replaces the Company s 2002 ESPP in its entirety in order to facilitate ease of administration of the plan.

THE BOARD RECOMMENDS THAT YOU VOTE **FOR** APPROVAL OF THE RESTATED 2002 ESPP. The Restated 2002 ESPP will be approved if the votes cast **FOR** approval of the Restated 2002 ESPP by holders entitled to vote exceed the votes cast opposing the approval of the Restated 2002 ESPP.

A summary of the material features of the Restated 2002 ESPP follows. This summary is qualified in its entirety by reference to the full text of the Restated 2002 ESPP found in Annex II.

Summary of the Restated 2002 ESPP

An aggregate of 400,000 shares of common stock were initially reserved for issuance under the 2002 ESPP. This aggregate shares remaining available under the 2002 ESPP was increased to 800,000 shares as a result of the Company s two for one stock split effectuated in July 2002, was automatically increased further by an additional 426,412 shares at the beginning of fiscal year 2003 and has been decreased through purchases under the 2002 ESPP aggregating 150,659 shares. Because it was believed that there were sufficient shares available under the 2002 ESPP, the Board acted to eliminate the automatic increase in the number of shares that would otherwise have been effectuated at the beginning of fiscal year 2004. As of April 1, 2004, immediately before the effective time of the Restated 2002 ESPP, the aggregate number of shares remaining available under the 2002 ESPP was 1,075,753 shares.

The Restated 2002 ESPP initially reserves an aggregate of 1,100,000 shares of common stock for issuance under the Restated 2002 ESPP from and after the effective date of the amendment and restatement. In addition, the aggregate number of shares that may be offered under the Restated 2002 ESPP will be increased automatically, without further action of the Board of Directors or the stockholders, at the beginning of each fiscal year of the Company after April 1, 2004, by a number of shares equal to (i) one hundred twenty percent (120%) of the total number of shares acquired pursuant to the Restated 2002 ESPP during the immediately

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preceding fiscal year, (2) 75,000 or (3) such lesser number of shares as may be specified by the Board of Directors prior to the last day of such preceding fiscal year. The number of shares reserved under the Restated 2002 ESPP is also subject to automatic adjustment, without further action of the Board of Directors or the stockholders, in the event of a stock dividend, a stock split or certain other recapitalizations with respect to the Company's stock.

Under the Restated 2002 ESPP, which is intended to qualify as an employee stock purchase plan under the provisions of Section 423 of the Internal Revenue Code of 1986, as amended (the Code), eligible employees are given the right to purchase shares of the common stock of the Company twice each year at a price equal to 85% of the fair market value of the stock immediately prior to the beginning of each exercise period. The Restated 2002 ESPP also provides that the Compensation and Benefits Committee may, for any offering period and provided that action is taken at least one month before the beginning of such offering period, elect to utilize an alternative purchase price equal to 85% of the lesser of (a) the fair market value of the stock immediately prior to the beginning of the exercise period or (b) the fair market value of the stock immediately prior to the last day of the exercise period. The fair market value of a share of common stock on any date will be the closing price on the immediately preceding trading day of the common stock on the New York Stock Exchange or, if the common stock is not traded on the New York Stock Exchange, as otherwise determined in accordance with the Restated 2002 ESPP. On April 16, 2004, the closing price of the Company's common stock on the New York Stock Exchange was \$45.31.

During the remainder of 2004 the exercise period will occur from September 1, 2004 through September 30, 2004. Thereafter the offering periods will start on the first day and conclude on the last day of the months of March and September in each of the years 2005 through 2011, inclusive.

All employees of the Company and its subsidiaries are eligible to participate except for those who have been employed by the Company for less than one year, customarily work 20 hours or less per week, customarily work five months or less per year, or own at least 5% of the Company's stock. Rights to acquire stock are to terminate if the employee's employment is terminated for any reason, and the rights are not to be transferable by the employees. No consideration will be received by the Company for the granting of the right to acquire stock under the Restated 2002 ESPP other than the services rendered to the Company by the employee in such capacity.

During each exercise period, an eligible employee is entitled to purchase one share of common stock of the Company for each \$250 of compensation received by him or her for the calendar year preceding the exercise period. However, no eligible employee is entitled to purchase fewer than 10 shares or more than 400 shares in any one exercise period. In addition, the terms of an offering may not allow an employee's right to purchase shares under all stock purchase plans of the Company and its subsidiaries to which Section 423 of the Code applies to accrue at a rate that exceeds \$25,000 of fair market value of shares, as determined on the offering date, for each calendar year in which the offering is outstanding. Within these limits, an eligible employee is able to elect to purchase as many or as few shares in each exercise period as he or she chooses. Unlike the number of shares reserved under the Restated 2002 ESPP, these dollar amounts and share limits are not impacted, and are not automatically adjusted, in the event of any stock dividend, stock split or other recapitalization with respect to the Company's stock.

Payment for the shares must be made at the time of the exercise of the rights and may be made in cash, by check or by withdrawal from a payroll deduction account established by the employee under the terms of the Restated 2002 ESPP. Payroll deductions may not exceed an aggregate of \$25,000 in any calendar year.

The Committee may from time to time determine that any shares issued pursuant to the Restated 2002 ESPP will only be issued in certificated form and that such certificates will be held in safekeeping by the Company until two years after the date of issuance or, if earlier, the date on which such shares are sold or transferred by the employee.

The Restated 2002 ESPP will terminate upon the earlier of when all of the shares reserved for purposes of the Restated 2002 ESPP have been purchased or following the offering period in September 2011, provided that the Board of Directors in its sole discretion may terminate the Restated 2002 ESPP at any time. The

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Board may at any time amend the Restated 2002 ESPP in any and all respects, provided that without stockholder approval, the Board may not increase the number of shares reserved for under the Restated 2002 ESPP, change the formula by which the price at which the shares shall be sold is determined, increase the maximum number of shares that an employee may purchase, materially modify the requirements to become eligible to participate under the Restated 2002 ESPP, otherwise materially increase the benefits to employees under the Restated 2002 ESPP or remove the administration of the Restated 2002 ESPP from the Compensation and Benefits Committee.

The Restated 2002 ESPP is administered by the Compensation and Benefits Committee, whose members currently are Verna K. Gibson, Ross E. Roeder, John W. Burden and Betsy S. Atkins, none of whom are eligible to participate in the Restated 2002 ESPP.

Participation in the Restated 2002 ESPP

The Company cannot determine the amount of shares that the officers and other eligible employees will purchase under the Restated 2002 ESPP because the purchase of those shares is, subject to the applicable limitations described on pages 15 through 17 under the heading Summary of the Restated 2002 ESPP, entirely within the discretion of the officers and eligible employees. Currently, each of the Company's executive officers is eligible to purchase shares under the Restated 2002 ESPP on the same terms as the Company's other employees. Though not necessarily an indicator of how many shares will be purchased during the 2004 fiscal year, executive officers, as a group, purchased 2,800 shares under the 2002 ESPP during the 2003 fiscal year. During that same time, non-executive employees purchased 52,693 shares under the 2002 ESPP.

Federal Income Tax Consequences

The following is a summary of some of the more significant federal income tax consequences under present law of the acquisition of shares under the Restated 2002 ESPP.

Generally, no gain or loss is recognized until the stock is sold or otherwise disposed of by its owner.

If the shares acquired under the Restated 2002 ESPP are held by the employee for the holding period required by the Code (two years from the beginning of the exercise period in which the shares were acquired), upon the disposition of the stock, the employee will recognize ordinary income (as compensation) to the extent of the lesser of: (i) the amount by which the fair market value of the stock at the beginning of the exercise period exceeded 85% of such fair market value or (ii) the amount by which the fair market value of the stock at the time of disposition exceeds the purchase price. Any further gain will be taxed as a capital gain. If the sales price is less than the purchase price, there will be no ordinary income; and the employee will recognize a long-term capital loss equal to the difference between the purchase price and the disposition price. If the holding period is satisfied, the Company will not be entitled to an income tax deduction at any time.

If the two-year holding period is not satisfied, the employee will generally recognize in gross income (as compensation) in the year of disposition the amount by which the fair market value of the stock on the date of transfer exceeded the purchase price. Any difference between the fair market value of the stock on the date of transfer and the sales price upon disposition will be taxed as a capital gain or loss. The Company will be entitled to an income tax deduction in the year of disposition equal to the amount of ordinary income recognized by the employee.

The specific application and impact of the tax rules will vary depending on the specific personal situation of individual employees.

Table of Contents**4. PROPOSAL TO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS****ITEM FOUR ON YOUR PROXY CARD****Appointment Proposed for Ratification**

Based on the recommendation of the Company's Audit Committee, the Company has selected Ernst & Young LLP (E&Y) as its independent certified public accountants for the current fiscal year ending January 29, 2005 (fiscal 2004), subject to ratification of such appointment by the stockholders. Ratification of the Company's independent certified public accountants is not required by the Company's By-Laws or otherwise, but the Board of Directors has decided to seek such ratification as a matter of good corporate practice. E&Y has audited the accounts of the Company since first being engaged by the Company effective July 1, 2002. Representatives of E&Y are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions by stockholders.

We have been advised by E&Y that neither the firm, nor any member of the firm, has any financial interest, direct or indirect, in any capacity in the Company or its subsidiaries.

The persons named in the enclosed form of proxy intend, unless otherwise directed, to vote such proxy **FOR** ratification of the appointment of Ernst & Young LLP as independent certified public accountants for the period specified. If the stockholders do not ratify this appointment, other certified public accountants will be considered by the directors upon recommendations of the Audit Committee.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** THE RATIFICATION OF APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS FOR THE PERIOD SPECIFIED. The appointment will be ratified if the number of votes cast **FOR** ratification of the appointment by holders entitled to vote exceeds the number of votes cast opposing the ratification of the appointment.

Fees to Independent Accountants

The following table presents fees for professional services rendered by E&Y for the audit of the Company's annual financial statements for fiscal 2003 (ended January 31, 2004) and fiscal 2002 (ended February 1, 2003) and fees billed for audit-related services, tax services and all other services rendered by E&Y for fiscal 2003 and fiscal 2002.

	<u>Fiscal 2003</u>	<u>Fiscal 2002</u>
Audit Fees(a)	\$ 301,000	\$ 159,500
Audit-Related Fees(b)	68,000	72,000
Tax Fees(c)	141,000	511,000
All Other Fees	-0-	-0-

- (a) Amounts reflected under the Fiscal 2002 column do not include approximately \$7,000 for audit services rendered during such period by Arthur Andersen LLP.
- (b) Principally due diligence services in connection with the acquisition of The White House, Inc. in fiscal 2003, and accounting consultation and information systems audits in fiscal 2002. Amounts reflected under the Fiscal 2002 column do not include approximately \$6,000 for audit-related services rendered during such period by Arthur Andersen LLP.
- (c) Principally tax compliance preparation services, tax advice and planning, including tax planning for federal taxes and state and local taxes.

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All audit-related services, tax services and other services in fiscal 2003 were pre-approved by the Audit Committee, which concluded that the provision of such services by E&Y was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee's outside auditor independence policy provides for pre-approval of audit, audit-related and tax services specifically described by the Audit Committee on an annual basis and, in addition, individual engagements anticipated to exceed pre-established thresholds must be separately approved. The policy authorizes the Committee to delegate to one or more of its members pre-approval authority with respect to permitted services.

AUDIT COMMITTEE REPORT

The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this report by reference therein.

The Audit Committee of the Company's Board of Directors consists of three directors and operates under a revised written charter adopted by the Board of Directors, which is included in this Proxy Statement as Annex I. The charter is required to be provided to stockholders every three years, unless amended earlier. The members of the Audit Committee are Ross E. Roeder (Chair), Verna K. Gibson and John W. Burden. Each member of the Audit Committee is independent in the judgment of the Company's Board of Directors, as required by the listing standards of The New York Stock Exchange and as set forth in the Company's Corporate Governance Guidelines. The Audit Committee is responsible for selecting, engaging and negotiating fee arrangements with the Company's independent accountants with input from the Company's Board of Directors and management. Management is responsible for the Company's internal controls and the financial reporting process. The independent accountants are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States and for expressing an opinion thereon. The Audit Committee's responsibility is to monitor and oversee these processes. In this context, the Audit Committee has met and held discussions with management, the internal auditors and the independent accountants.

The Sarbanes-Oxley Act of 2002 and regulations issued thereunder added a number of provisions to federal law to strengthen the authority of, and increase the responsibility of, corporate audit committees. Related rules concerning audit committee structure, membership, authority and responsibility have been promulgated by The New York Stock Exchange.

The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent accountants, nor can the Audit Committee certify that the independent accountants are independent under applicable rules. The Audit Committee serves a board-level oversight role, in which it provides advice, counsel and direction to management, internal auditors, and the independent accountants on the basis of the information it receives, and discussions with management, internal auditors, and the independent accountants, and the experience of the Audit Committee's members in business, financial and accounting matters.

As part of its oversight of the Company's financial statements, the Audit Committee reviews and discusses with both management and the Company's independent accountants all annual and quarterly financial statements prior to their issuance. During fiscal 2003, management represented to the Audit Committee that each set of the Company's consolidated financial statements was prepared in accordance with accounting principles generally accepted in the United States, and reviewed significant accounting and disclosure issues with the Committee. Discussions regarding the Company's audited financial statements included the independent accountant's judgments about the quality, not just the acceptability, of the Company's accounting principles and underlying estimates used in the Company's financial statements, as well as other matters, as required by Statement on Auditing Standards (SAS) No. 61 (Communication with Audit Committees), as amended by SAS No. 90 (Audit Committee Communications) and by the updated

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