

GREAT ATLANTIC & PACIFIC TEA CO INC
Form DEF 14A
May 27, 2004

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

SCHEDULE 14A
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 Under Rule 14a-12

The Great Atlantic & Pacific Tea Company, Inc.

(Name of Registrant as Specified In Its Charter)

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

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No fee required.

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THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

2 PARAGON DRIVE
MONTVALE, NEW JERSEY 07645

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
to be held July 13, 2004

To the Stockholders of

The Great Atlantic & Pacific Tea Company, Inc.

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of The Great Atlantic & Pacific Tea Company, Inc. (the "Company") will be held at The Westin Southfield Hotel, 1500 Town Center, Southfield, Michigan, on July 13, 2004, at 9:00 A.M. (E.D.T.). At the meeting, stockholders will act on the following matters:

1. Election of nine (9) directors, each for a term of one (1) year;
2. Approval of the 2004 Non-Employee Director Compensation Plan;
3. Consideration of one (1) stockholder proposal, if properly presented at the meeting; and
4. Any other matters that properly come before the meeting and any adjournments thereof.

The Board of Directors has fixed May 21, 2004, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting. Accordingly, only stockholders of record at the close of business on that date are entitled to vote at the meeting or at any adjournment thereof.

Whether or not you plan to attend the meeting, please either complete and sign the accompanying proxy and return it promptly to the Company in the enclosed envelope, which requires no postage if mailed in the United States, or use the internet or phone voting options detailed on the proxy card.

A copy of the Company's Annual Report to Stockholders for the fiscal year ended February 28, 2004, accompanies this proxy statement.

By Order of the Board of Directors
WILLIAM P. COSTANTINI
Senior Vice President, General Counsel
& Secretary

Dated: May 27, 2004

You are cordially invited to attend the meeting. Whether or not you plan to do so, your vote is important. Please promptly submit your proxy by mail, telephone or internet.

**The Great Atlantic & Pacific Tea Company, Inc.
2 PARAGON DRIVE
MONTVALE, NEW JERSEY 07645**

PROXY STATEMENT

SOLICITATION OF PROXIES

This proxy statement is furnished by the Board of Directors of The Great Atlantic & Pacific Tea Company, Inc. (the "Company") for use at the Company's Annual Meeting of Stockholders to be held on July 13, 2004 (the "Annual Meeting"). It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company, by telephone or by other means of communication at nominal cost. The Company will bear the cost of such solicitation. It will reimburse banks, brokers and trustees, or their nominees, for reasonable expenses incurred by them in forwarding proxy material to beneficial owners of stock in accordance with the New York Stock Exchange ("NYSE") schedule of charges. This proxy statement is first being mailed to stockholders on or about May 28, 2004.

TREATMENT AND REVOCATION OF PROXIES

A stockholder may revoke a proxy at any time prior to its exercise at the Annual Meeting by giving notice in writing to the Secretary of the Company by July 5, 2004, by executing a later-dated proxy or by casting a ballot at the Annual Meeting in person. All shares represented by a properly executed proxy will be voted unless it is revoked and, if a choice is specified, in accordance with such specification. If no choice is specified, a proxy will be voted FOR the election of the nine (9) nominees named under "Election of Directors", FOR the approval of the 2004 Non-Employee Director Compensation Plan and AGAINST the one (1) stockholder proposal. There are no appraisal or dissenter's rights with respect to any matter to be voted on at the Annual Meeting. The Company will treat proxies marked as abstaining (including proxies containing broker non-votes) on any matter to be acted upon by stockholders, as present at the Annual Meeting for purposes of determining a quorum, but will not count such proxies as votes cast on such matters.

VOTING SECURITIES

Only stockholders of record at the close of business on May 21, 2004, will be entitled to vote at the Annual Meeting. As of May 21, 2004, there were outstanding 38,520,530 shares of the Company's \$1 par value common stock (the "Common Stock"), each of which is entitled to one vote.

ITEM 1 □ ELECTION OF DIRECTORS

Nine (9) directors will be elected to the Board of Directors of the Company ("Board of Directors" or "Board") at the Annual Meeting. The persons named as proxies in the accompanying proxy intend to vote, unless otherwise instructed, for the election to the Board of the persons named below. Each nominee is presently a member of the Board and, with the exception of Dr. Jens-Juergen Boeckel, was elected at the Company's annual meeting for the fiscal year ended February 22, 2003 ("Fiscal 2002"). In conjunction with the Board's acceptance of Mrs. Rosemarie Baumeister's resignation from the Board on April 29, 2004, the Board elected Dr. Boeckel as a director on April 29, 2004. Dr. Boeckel was initially recommended to the Governance Committee by Christian W. E. Haub, the Company's Chairman of the Board, President & Chief Executive Officer, on behalf of Tengelmann Warenhandelsgesellschaft KG ("Tengelmann").

Each nominee listed below has consented to nomination and to serve for a one-year term. If elected, each nominee will serve until the Annual Meeting in 2005 and until his or her successor is duly elected and qualified. The Board has determined that five (5) of the nine (9) nominees are independent directors under the Company's Standards of Independence, which conform to, and are more stringent than, the independence requirements in the NYSE listing rules. The Standards of Independence are included in the Company's Corporate Governance Guidelines, which can be found on the Company's website, www.aptea.com.

The Board recommends a vote FOR the following nominees: John D. Barline, Jens-Juergen Boeckel, Bobbie Andrea Gaunt, Christian W. E. Haub, Helga Haub, Dan Plato Kourkoumelis, Edward Lewis, Richard L. Nolan and Maureen B. Tart-Bezer. The affirmative vote of a majority of the votes cast at the Annual Meeting is required for the election of each director.

John D. Barline

Mr. Barline, age 57, has been a member of the Board since July 9, 1996. He is a member of the Compensation, Executive and IT Oversight Committees.

Mr. Barline, an attorney in private practice since 1973, is currently of counsel at the law firm of Williams, Kastner & Gibbs LLP in Tacoma, Washington. His areas of practice include corporate tax law, mergers and acquisitions, general business law, estate planning and real estate. He provides personal legal services to the Haub family, including Helga and Christian W. E. Haub.

Mr. Barline is a member of the board of directors and corporate secretary of Sun Mountain Resorts, Inc. and a director of Wissoll Trading Company, Inc. and Sun Mountain Lodge, Inc., each a small closely held corporation owned primarily by the Haub family. He is also chair of the board of directors of the Le May Automobile Museum, and a director and chair of the compensation committee of Precision Machine Works, Inc.

Jens-Juergen Boeckel

Dr. Boeckel, age 61, has been a member of the Board since April 29, 2004. He is a member of the Finance Committee.

Dr. Boeckel has served as the chief financial officer of Tengelmann since January 1, 2000. From January, 1995 through December, 1999, Dr. Boeckel served as chief financial officer and as a member of the executive board of Schickedanz Holding □ Stiftung & Co. KG, in Fürth, Germany.

Dr. Boeckel is a member of the supervisory board of Kaiser's Tengelmann AG, in Viersen, Germany, OBI AG, in Wermelskirchen, Germany, Löwa and Zielpunkt GmbH, in Vienna, Austria, and Getroncis NV, in Amsterdam, Netherlands. He is also chair of the supervisory board of ACG Advanced Component Group AG, in Wiesbaden, Germany, and chair of the family council and vice-chairman of the advisory board of Fahrzeug-Werke Lueg AG, in Bochum, Germany.

Bobbie Andrea Gaunt

Mrs. Gaunt, age 57, has been an independent member of the Board since May 15, 2001. She is Lead Director, Chair of the Compensation Committee and a member of the Audit, Governance and Executive Committees.

Mrs. Gaunt was elected as an officer, and as vice president, of the Ford Motor Company in June, 1999, and served as president and chief executive officer of the Ford Motor Company of Canada, Ltd., from 1997 until her retirement from the company in December of 2000. Mrs. Gaunt began her automotive career with Ford in 1972 and for over 28 years served in various managerial positions in the areas of sales, marketing, research and building customer relationships.

Mrs. Gaunt is a member of the board of advisors of the Katz Business School, University of Pittsburgh, serves as a mentor to fellows of the International Women's Forum in Washington, D.C., is a member and chair of the board of the Sangatuck Center for the Arts, in Saugatuck, Michigan and serves on the board of directors and on the audit committee and chair of the nomination/compensation committee of ADVO.

Christian W. E. Haub

Mr. Haub, age 39, has been a member of the Board since December 3, 1991. He currently serves as Chairman of the Board, President & Chief Executive Officer of the Company, Chair of the Executive Committee and a member of the Finance Committee.

Mr. Haub has served as Chief Executive Officer of the Company since May 1, 1998 and Chairman of the Board since May 1, 2001. In addition, with the exception of the period between February, 2002 through October, 2002, Mr. Haub has served as President of the Company since December 7, 1993.

Mr. Haub, son of Helga Haub, is a partner and Co-Chief Executive Officer of Tengelmann. Mr. Haub is on the board of directors of the Food Marketing Institute and on the board of trustees of St. Joseph's University, in Philadelphia, Pennsylvania.

Helga Haub

Mrs. Haub, age 69, has been a member of the Board since 1979. She is a member of the Executive and Finance Committees.

Mrs. Haub is a member of the supervisory board of Kaiser's Tengelmann AG, an affiliate of Tengelmann, a consultant to Tengelmann and has an interest in Tenga Capital Corporation. She is also a director of The George C. Marshall Home Preservation Fund, Inc. and the Elizabeth Haub Unterstützungskasse e.V., a member of the board of governors of World USO, president of the board of trustees of the Elizabeth Haub Foundation for Environmental Policy and Law and a member of the supervisory board of GfK Gesellschaft für Konsumforschung, in Nürnberg, Germany.

Mrs. Haub is the mother of Christian W. E. Haub.

Dan Plato Kourkouvelis

Mr. Kourkouvelis, age 53, has been an independent member of the Board since March 21, 2000. Mr. Kourkouvelis is Chair of the IT Oversight Committee and a member of the Audit and Governance Committees.

Mr. Kourkouvelis was president and chief operating officer of Quality Food Centers, Inc. from May 1989 until September 1996, and thereafter president and chief executive officer of Quality Food Centers, Inc. until September 25, 1998, when he retired after Quality Food Centers, Inc. was acquired. He also served as a director of Quality Food Centers, Inc. from April 1991 until March 1998. Mr. Kourkouvelis is a director of Expeditors International Inc. and a director and past president of the Western Association of Food Chains. Mr. Kourkouvelis is a member of the compensation and audit committees of Expeditors International.

Edward Lewis

Mr. Lewis, age 64, has been an independent member of the Board since May 16, 2000. Mr. Lewis is Chair of the Finance Committee and a member of the Compensation and Governance Committees.

Mr. Lewis is chairman and chief executive officer of Essence Communications Partners. He is cofounder and publisher of ESSENCE magazine. He is also a director of the Lower Manhattan Development Corporation, and a member of the leadership council of the Tanenbaum Center for Interreligious Understanding, the Harvard Business School Board of Directors of the Associates, the Economic Club of New York, the New York City Partnership, the Central Park Conservancy, Girls, Inc., NYC2012 and the board of Jazz at Lincoln Center for the Performing Arts. He also served as chairman of the Magazine Publishers of America from 1997 to 1999, becoming the first African-American to hold this position in the 75-year history of the organization.

Richard L. Nolan

Mr. Nolan, age 64, has been an independent member of the Board since October 5, 1999. He is Chair of the Governance Committee and a member of the Audit, Executive and IT Oversight Committees.

Mr. Nolan, the Philip M. Condit Professor of Business Administration at the University of Washington Business School and the William Barclay Harding Professor of Business Administration (Emeritus) at the Harvard Business School, is the originator of the "Stages Theory," one of the most widely used management frameworks for information technology baselining and planning. He is also a member of the board of directors of Novell and ArcStream. Mr. Nolan is chairman of the IT Oversight Committee and a member of the compensation committee of Novell.

Maureen B. Tart-Bezer

Ms. Tart-Bezer, age 48, has been an independent member of the Board since May 15, 2001. Ms. Tart-Bezer is Chair of the Audit Committee and a member of the Finance and Governance Committees.

Ms. Tart-Bezer is executive vice president and chief financial officer of Virgin Mobile USA, a wireless MVNO (mobile virtual network operator) venture in the United States. Prior to her current position, Ms. Tart-Bezer was executive vice president and general manager of the American Express Company, U.S. Consumer Charge Group through December, 2001. From 1977 to 2000, Ms. Tart-Bezer was with AT&T Corporation, serving as a senior financial officer of the company, including positions as senior vice president and corporate controller and senior vice president and chief financial officer for the Consumer Services Group.

Ms. Tart-Bezer is currently a trustee of Caldwell College, a private college in Caldwell, New Jersey and has served as a trustee of the AT&T Foundation and as a director of AT&T Capital Corp. and Lucent Technologies. She is a prior director of MaMamedia.com and trustee to St. Peter's College in Jersey City, New Jersey.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**Beneficial Ownership of More Than 5% of the Company's Common Stock**

Except as set forth below, as of May 13, 2004, no person beneficially owned, to the knowledge of the Company, more than 5% of the outstanding shares of the Company's Common Stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership			% of Class
	Total Beneficial Ownership	Sole Voting/Investment Power	Shared Voting/Investment Power	
Christian W. E. Haub (1) 2 Paragon Drive Montvale, NJ 07645	22,453,000	488,000 (2)	21,965,000	58.29%
Erivan Karl Haub (1) Wissollstrasse 5-43 45478 Mülheim an der Ruhr, Germany	22,080,100	115,100	21,965,000	57.33%
Karl-Erivan Warder Haub (1) Wissollstrasse 5-43 45478 Mülheim an der Ruhr, Germany	21,965,000	0	21,965,000	57.03%
Tengelmann Warenhandelsgesellschaft KG (1) Wissollstrasse 5-43	21,965,000	0	21,965,000	57.03%

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45478 Mülheim an der Ruhr,
Germany

Tengelmann Verwaltungs und Beteiligungs GmbH (1) Wissollstrasse 5-43 45478 Mülheim an der Ruhr, Germany	21,965,000	0	21,965,000	57.03%
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Dimensional Fund Advisors Inc. (3) 1299 Ocean Avenue 11th Floor Santa Monica, CA 90401	2,531,350	2,531,350	0	6.57%
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T. Rowe Price Associates, Inc. (4) 100 E. Pratt Street Baltimore, MD 21202	1,952,500	325,700/1,952,500	0	5.00%
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Barclays Global Investors, NA and affiliates (5) 45 Fremont Street San Francisco, CA 94105	2,363,137	2,151,817	0	6.13%
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(1) The Company obtained the information regarding Tengelmann, Tengelmann Verwaltungs- und Beteiligungs GmbH ("TVB"), Erivan Karl Haub ("Erivan"), Karl-Erivan Warder Haub ("Karl") and Christian W. E. Haub ("Christian") from such persons, from a Schedule 13G filed with the Securities and Exchange Commission (the "SEC") on August 8, 2002 and from a Form 4 filed with the SEC on June 20, 2003. Tengelmann is engaged in general retail marketing and controls, among others, Kaiser's Tengelmann AG, a supermarket retailer in Germany. The general partners of Tengelmann are Erivan, TVB and two of Erivan's sons, Karl and Christian. The sole limited partner of Tengelmann is Georg Rudolf Otto Haub ("Georg"), Erivan's other son, who manages the real estate activities of the Haub family. Erivan owns six percent (6%) of the partnership interests of Tengelmann. The rest is divided equally among Karl, Christian and Georg. TVB, the sole managing partner of Tengelmann, has the exclusive right to direct Tengelmann and is solely responsible for its conduct. TVB, whose only shareholders are Erivan and his three sons, is not an operating company. Karl and Christian are the only Managing Directors of TVB.

(2) Includes options to purchase 482,500 shares of Common Stock, 311,875 of which are exercisable within sixty (60) days.

(3) The Company derived the information regarding Dimensional Fund Advisors Inc., a Delaware corporation ("Dimensional"), from a Schedule 13G filed with the SEC on February 6, 2004. Dimensional is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. It furnishes investment advice to four registered investment companies, and serves as investment manager to certain other commingled group trusts and separate accounts (collectively, the "Funds"). In its role as investment advisor or manager, Dimensional possesses voting and/or investment power over the securities of the Company that are owned by the Funds. Dimensional disclaims beneficial ownership of such securities.

(4) The Company obtained the information regarding T. Rowe Price Associates, Inc., a Maryland corporation ("Price Associates"), from Price Associates itself and from a Schedule 13G filed with the SEC on February 13, 2004. These securities are owned by various individual and institutional investors, for which Price Associates serves as an investment adviser with the power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(5) The Company obtained the information regarding Barclays Global Investors, N.A. and certain of its affiliates from a Schedule 13G filed with the SEC on February 13, 2004. Barclays Global Investors, N.A. and Barclays Global Fund Advisors, report sole voting and investment power over 1,688,621 shares and 463,196, respectively.

Security Ownership of Directors and Management

The following table sets forth the number of shares of Common Stock of the Company beneficially owned as of May 13, 2004, by each director and nominee, the chief executive officer of the Company (the "CEO") and the four (4) most highly compensated officers of the Company other than the CEO who were serving as executive officers of the Company at the end of the fiscal year ended February 28, 2004 ("Fiscal 2003") (collectively, with the CEO, the "Named Executive Officers") and by all directors and the Named Executive Officers as a group:

<u>Director/Named Executive Officer</u>	<u>Shares Beneficially Owned</u>	<u>Stock Option Shares(1)</u>	<u>Deferred Plan (2)</u>	<u>Total</u>	<u>% of Class</u>
John D. Barline (3)	3,700	4,600	11,876	20,176	*
Jens-Juergen Boeckel	□	2,000	□	2,000	*
Eric Claus	1,385	125,000	□	126,385	*
Christian W. E. Haub (3)	21,970,500	482,500	□	22,453,000	58.29%
Helga Haub (3)	2,800	5,200	□	8,000	*
Bobbie Andrea Gaunt	1,000	3,500	6,943	11,443	*
Mitchell P. Goldstein	300	152,500	□	152,800	*
Peter Jueptner	5,000	100,000	□	105,000	*
Dan Kourkoumelis	1,500	4,000	9,145	14,645	*
Edward Lewis	2,000	4,000	8,969	14,969	*
Richard L. Nolan	100	4,000	9,545	13,645	*
Brian C. Piwek	7,000	300,000	□	307,000	*
Maureen B. Tart-Bezer	2,000	3,500	3,471	8,971	*
All directors and named executive officers as a group (14 persons)	21,997,285	1,190,800	49,949	23,238,034	60.33%

* Less than 1%

(1) The amounts shown include all purchase options granted under the Company's stock option plans regardless of whether exercisable within sixty (60) days.

(2) These shares represent the stock equivalent units accrued under the Company's deferred compensation plan for non-employee directors. These share equivalents are subject to Common Stock market price fluctuations.

(3) The association of Dr. Boeckel and Mr. Barline with Helga and Christian Haub and with Tengelmann is set forth under "Item 1 □ Election of Directors." Mr. Christian W. E. Haub has shared voting and investment power over the shares owned by Tengelmann and they are therefore included in the number of shares beneficially owned by him. Mrs. Haub disclaims any investment or voting power over the shares owned by Mr. Erivan Haub and the same are not included herein.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than 10% of the Company's Common Stock, to file reports with the SEC regarding their ownership of such Common Stock. Based on a review of the reports and written certifications provided to the Company, the Company believes that during Fiscal 2003 all such reports were filed on a timely basis.

THE BOARD OF DIRECTORS OF THE COMPANY

GOVERNANCE OF THE COMPANY

The Board of Directors is responsible for the supervision of the overall affairs of the Company. The Board has adopted a Code of Business Conduct and Ethics that applies to all employees, officers and directors of the Company, and has established a set of Corporate Governance Guidelines, which set forth the policies and principles of the Board and the Company.

The Company's website, www.aptea.com, includes the Company's governance materials, including without limitation, the Corporate Governance Guidelines, the Code of Business Conduct and Ethics, information regarding the process by which stockholders can send communications to the Board and the Company's policy regarding the attendance of members of the Board at annual meetings.

BOARD MEETINGS AND COMMITTEES

During Fiscal 2003, the Board of Directors held eleven (11) meetings (four (4) by telephone) and committees thereof held twenty-one (21) meetings. With the exception of Dr. Boeckel, who became a director on April 29, 2004, each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board and (ii) the total number of meetings held by all Committees of the Board on which such director served. Each Board meeting includes an executive session of the independent directors, which is chaired by a Lead Director. The independent directors elect the Lead Director each December for the following calendar year. The Lead Director for 2004 is Bobbie Gaunt. The Board has an Executive Committee, a Finance Committee, an Audit Committee, a Compensation Committee, a Governance Committee and an IT Oversight Committee. The Audit Committee, Compensation Committee, Governance Committee and IT Oversight Committee each have a written charter, which outlines the respective Committee's duties and responsibilities. The Committee charters are published in the Corporate Governance section of the Company's website, www.aptea.com. A copy of the Audit Committee charter is also attached as Appendix A to this proxy statement.

Because Tengelmann owns more than 50% of the Company's Common Stock, the Company qualifies as a "controlled company" under the NYSE listing standards. As a controlled company, the Company is exempt from the NYSE's requirement that it have a majority of independent directors and entirely independent compensation and nominating and corporate governance committees. As indicated below, with the exception of the Compensation Committee, which although not entirely independent does not include any management directors, the Company has voluntarily complied with the NYSE's independence requirements. Additionally, the Company has chosen to have the entirely independent Governance Committee, rather than the Compensation Committee, review and recommend changes to the CEO's compensation.

The Audit Committee, which held ten (10) meetings in Fiscal 2003 (five (5) by telephone), consists of Maureen Tart-Bezer, as Chair, Bobbie Gaunt, Dan Kourkoumelis and Richard Nolan. The Board has determined that each member of the Audit Committee is independent in accordance with the NYSE listing rules, the Company's Standards of Independence and Rule 10A-3 of the Exchange Act. In addition, the Board has determined that each member of the Audit Committee qualifies as an "audit committee financial expert," as defined by the SEC. The Audit Committee (i) reviews annual financial statements prior to submission to the Board and reports thereon, (ii) reviews quarterly results prior to release, (iii) at its discretion, examines and considers matters relating to the internal and external audit of the Company's accounts and financial affairs, (iv) recommends the employment of outside accountants, (v) determines the compensation of, and oversees, the outside accountants, and (vi) as appropriate, meets with Company personnel in the performance of its functions.

The Compensation Committee, which held five (5) meetings in Fiscal 2003, consists of Bobbie Gaunt, as Chair, John Barline and Edward Lewis. The Compensation Committee (i) except with respect to the Company's CEO, establishes and approves salaries and salary increases and benefits where the median base annual compensation for the salary level is at least \$200,000, (ii) recommends to the Board and interprets incentive plans, and (iii) serves as the committee to administer the employee stock option and long term incentive and share award plans.

The Governance Committee, which held four (4) meetings in Fiscal 2003, consists of Richard Nolan, as Chair, Bobbie Gaunt, Dan Kourkoumelis, Edward Lewis and Maureen Tart-Bezer. The Board has determined that each member of the Governance Committee is independent. The Committee's primary purpose is to (i) evaluate the performance of the members of the Board individually and as a group, (ii) review and recommend any changes to the CEO's compensation, (iii) recommend to the Board guidelines and policies for the corporate governance of the Company, (iv) oversee and recommend changes to the governance policies of the Company, examine the relationship between management and the Board and annually review the status of director compensation, and (v) act as a committee for the nomination of candidates for election to the Board.

The Governance Committee will consider director candidates suggested by members of the Board, as well as candidates suggested by management and by stockholders. To submit a recommendation for the Company's next annual meeting, to be held in July, 2005, please provide the prospective candidate's name, contact information, biographical data and qualifications, together with the prospective candidate's written consent to being named as a nominee and to serving on the Board if nominated and elected, to the Governance Committee, c/o The Great Atlantic & Pacific Tea Company, Inc., Office of the General Counsel, 2 Paragon Drive, Montvale, NJ, 07645, by February 1, 2005.

The Governance Committee screens all potential candidates in the same manner regardless of the source of the recommendation. For each candidate, the Governance Committee determines whether the candidate meets the Company's minimum qualifications and specific qualities and skills for directors, which are set forth in the Company's Corporate Governance Guidelines included on the Company's website, and evaluates the candidate's (i) character, judgment, personal and professional ethics, integrity, values and familiarity with national and international issues affecting business, (ii) depth of experience, skills and knowledge complementary to the Board and the Company's business, and (iii) willingness to devote sufficient time to carry out the duties and responsibilities of a Board member effectively. The Governance Committee also considers such other relevant factors as it deems appropriate.

BOARD OF DIRECTOR COMPENSATION

The Company does not pay directors who are also officers of the Company any additional compensation or benefits for serving on the Board. The Company pays non-employee directors an annual retainer of \$32,000, plus an attendance fee of \$1,000 for each Board meeting attended and \$1,000 for each Committee meeting attended if substantial time or effort is involved, plus expenses of attendance. If two (2) or more compensable meetings are held on the same day, the fee for the second meeting is limited to \$500. The Company pays the Chair of each Committee, except the Executive Committee Chair, an additional \$5,000 per year.

On April 28, 2004, the Board adopted the 2004 Non-Employee Director Compensation Plan (the "Plan"), which is summarized in detail in "Item 2 □ Approval of the Company's 2004 Non-Employee Director Compensation Plan" beginning on page 19 of this proxy statement. The Plan shall replace both the 1994 Stock Option Plan for Non-Employee Directors and the Directors' Deferred Payment Plan.

Under the 1994 Stock Option Plan for Non-Employee Directors, the Company granted each non-employee director an initial stock option grant of 2,000 shares and an additional grant of 500 shares after each annual meeting. Under the Directors' Deferred Payment Plan, the Company annually contributed to the deferred payment accounts of directors with less than fifteen (15) years of service an amount equal to 75% of the then current retainer. The Company credited 50% of such deferred payments to a Common Stock equivalent account. The balance, the Company credited, as directed by the applicable director, to a 10-year U. S. Treasury bond equivalent account and/or to the director's Common Stock equivalent account. All previously issued stock option grants and all amounts currently in deferred payment accounts shall remain outstanding and shall vest or be paid out, in accordance with the applicable plan.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

A&P Properties Limited, a subsidiary of the Company, leases a store in Windsor, Ontario, Canada that sits on property of Tenga Capital Corporation, which is owned by Erivan and Helga Haub. The lease, which commenced in 1983, currently expires on October 31, 2013 and provides for four five (5) year renewal options. The base annual rental is CN\$388,540 until October 31, 2013. During the first option the base annual rent increases to CN\$407,967; during the second option to CN\$427,934; and the final two options are at rent to be determined.

Prior to June 30, 2003, when Tengemann sold Wilh. Schmitz-Scholl, a candy manufacturer in Germany, the Company was a party to an agreement with Wilh. Schmitz-Scholl under which it purchased approximately \$278,532 worth of the Black Forest line and Master Choice candy in Fiscal 2003.

During Fiscal 2003, the Company entered into a three (3) year agreement with OBI International, a subsidiary of Tengemann, to purchase seasonal merchandise to be sold in the Company's stores. The Company's purchases from OBI International totaled \$835,248 in Fiscal 2003.

The Company owns a jet aircraft which Tengemann leases from the Company under a full cost reimbursement lease. During Fiscal 2003, the annual amount Tengemann was obligated to reimburse the Company for its use of the aircraft was \$2,786,522.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

The following table sets forth the compensation paid by the Company and its subsidiaries for services rendered in all capacities during each of the last three (3) fiscal years to or for the account of Mr. Haub and the other four (4) Named Executive Officers.

SUMMARY COMPENSATION TABLE

<u>Principal Position During Fiscal Year</u>	<u>Year</u>	<u>Annual Compensation</u>		<u>Long Term Compensation Awards</u>	<u>All Other Compensation (\$)(2)</u>
		<u>Salary (\$)(1)</u>	<u>Bonus (\$)</u>	<u>Securities Underlying Options/SARs(#)</u>	
Christian W. E. Haub <i>Chairman, President & Chief Executive Officer</i>	2003	US \$766,462	413,600	□	38,756
	2002	752,000	□	□	37,962
	2001	696,851	490,000	150,000	33,746
Eric Claus (3) <i>President and Chief Executive Officer, A&P Canada</i>	2003	CN \$509,615	240,000	50,000	2,153
	2002	144,426	116,400	75,000	785
	2001	□	□	□	□
Brian C. Piwek <i>President and Chief Executive Officer, A&P U.S.</i>	2003	US \$509,615	450,000	50,000	31,616
	2002	372,462	291,000	100,000	44,152
	2001	289,375	195,000	75,000	825
Mitchell P. Goldstein <i>Senior Vice President, Chief Financial Officer</i>	2003	US \$346,538	219,120	50,000	21,624
	2002	340,000	90,760	20,000	20,479
	2001	303,122	150,000	50,000	13,384
Peter Jueptner (4)	2003	US \$331,250	227,500	75,000	4,684

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<i>Executive Vice President, A & P</i>	2002	125,000	50,000	25,000	484
<i>U.S.</i>	2001				
		10			

(1) Salary earned for fifty-three weeks in Fiscal 2003. Cash amounts are reported in American dollars for Mr. Haub, Mr. Piwek, Mr. Goldstein, and Mr. Jueptner. Cash amounts are reported in Canadian dollars for Mr. Claus.

(2) Consists of, respectively, Company contributions to the Retirement/Savings Plan and related supplemental plan, and the cost for insurance, for 2003: Mr. Haub (\$36,080 and \$2,676); Mr. Claus (CN\$977 and CN\$1,176); Mr. Piwek (\$26,000 and \$5,616); Mr. Goldstein (\$19,600 and \$3,987); and Mr. Jueptner (\$2,750 and \$1,934).

(3) Mr. Claus was hired as President and Chief Executive Officer, A&P Canada on November 11, 2002.

(4) Mr. Jueptner was hired as Executive Vice President, A&P U.S. on October 2, 2002.

Employment and Termination Agreements

The Company is a party to employment agreements with each of Mr. Claus, Mr. Goldstein, Mr. Jueptner and Mr. Piwek (the "Employment Agreements") which provide for minimum base annual salaries of CN\$500,000, \$340,000, \$325,000 and \$500,000, respectively. The Employment Agreements for Mr. Claus, Mr. Goldstein, Mr. Jueptner and Mr. Piwek have initial termination dates of November 10, 2005, February 23, 2005, October 1, 2005 and November 10, 2005, respectively; provided, however, that each Employment Agreement provides for a rolling eighteen (18) month term commencing May 11, 2004 for Mr. Claus, August 24, 2004 for Mr. Goldstein, April 2, 2004 for Mr. Jueptner and May 11, 2004 for Mr. Piwek. The Employment Agreements also provide for participation in Company benefit programs (including bonus programs) and services, facilities and perquisites appropriate to their positions, including without limitation, the Executive Medical Plan.

Following termination other than for cause, permanent total disability, death or a resignation not for Good Reason and in the absence of a Change of Control (as such terms are defined in the Employment Agreements), each executive is entitled to receive continued insurance coverage for eighteen (18) months and a pro rata bonus for the year of termination. In addition, under the Employment Agreements, each executive is entitled to receive equal monthly payments of one-twelfth of annual base salary plus average bonus for a period of twenty-four (24) months, for Mr. Claus and Mr. Piwek, and for a period of eighteen (18) months, for Mr. Goldstein and Mr. Jueptner.

Under the Change of Control provisions of the Employment Agreements, the separation pay is increased to three (3) times the executive's final base salary plus the bonus amount and is payable in lump sum. Additionally, the insurance continuation is extended to three (3) years. These provisions apply to terminations without cause or resignations for Good Reason occurring within thirteen (13) months following a Change of Control and for any reason during the thirty (30) days beginning on the first anniversary of a Change of Control. The Employment Agreements also provide for gross-up payments to the executive in the event that any payment or distribution made, or benefit provided, to or for the benefit of the Employee is subject to an excise tax.

Option Tables

The following tables provide information with respect to stock options granted to the Named Executive Officers during Fiscal 2003 and the fiscal year-end value of options held by such officers.

Option Grants in Last Fiscal Year

<i>Name</i>	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in FY (2)	Exercise or Base Price (\$/Sh)	Expiration Date	Grant Date Present Value (\$)(3)
Christian W. E. Haub	□	□	□	□	□
Eric Claus	50,000	4.51	4.60	3/17/13	123,000
Brian C. Piwek	50,000	4.51	4.60	3/17/13	123,000
Mitchell P. Goldstein	50,000	4.51	4.60	3/17/13	123,000
Peter Jueptner	75,000	6.77	4.60	3/17/13	184,500

(1) For Mr. Piwek and Mr. Claus, 50% of the options vest ratably over three (3) years beginning on the first anniversary of the grant date, provided pre-established financial goals for Fiscal 2003 are met. The remaining 50% vest ratably over three (3) years beginning on the second anniversary of the grant date, provided that pre-established financial goals for the fiscal year ending February 26, 2005 ("Fiscal 2004") are met. If the pre-established financial goals are not met, the respective options will be forfeited and cancelled. For Mr. Goldstein, 25% of the options vest ratably over three (3) years, beginning on the first anniversary of the grant date, provided that pre-established financial goals for Fiscal 2003 are met and 25% vest ratably over three (3) years, beginning on the second anniversary of the grant date, provided that pre-established goals for Fiscal 2004 are met. If the pre-established financial goals are not met, the respective options will be cancelled and forfeited. The remaining 50% of the options vest ratably over four (4) years beginning on the first anniversary of the grant date. For Mr. Jueptner, one-third of the options vest ratably over three (3) years beginning on the first anniversary of the grant date, provided pre-established financial goals for Fiscal 2003 are met. An additional one-third vest ratably over three (3) years beginning the second anniversary of the grant date, provided that pre-established financial goals for Fiscal 2004 are met. If the pre-established are not met, the respective options will be forfeited and cancelled. The remaining one-third vest ratably over four (4) years beginning on the first anniversary of the grant date. All options have a ten-year term.

(2) Based on total grants during Fiscal 2003 of 1,107,975.

(3) These values were calculated using the Black-Scholes option pricing model. The Black-Scholes model is a complicated mathematical formula which is widely used and accepted for valuing traded stock options. The model is premised on immediate exercisability and transferability of the options. This is not generally true for the Company's options granted to executive officers and other employees. Therefore, the values shown are purely theoretical and do not reflect the market value of the Company's stock at a future date. In addition to the stock prices at time of grants and exercise prices, which are identical, and the ten-year term of each option, the following assumptions were used to calculate the values shown for options granted during Fiscal 2003: expected dividend yield of 0.0; expected stock price volatility of 51%; risk-free rate of return of 2.71% to 4.01%; and a weighted average of seven (7) years from date of grant to date of exercise. If the Named Executive Officers realize the grant date values shown in the table, such values will be less than 1% of the total stockholder appreciation.

Fiscal Year-End Option/SAR Values

<i>Name</i>	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Options/SARs at FY-End		Value of Unexercised In-the Money Options/SARs at FY-End(\$)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
	(#)	(\$)	(#)	(#)	(\$)	(\$)
Christian W. E. Haub	□	□	311,875	170,625	□	□
Eric Claus	□	□	18,750	106,250	37,875	281,125
Brian C. Piwek	□	□	93,750	206,250	37,000	278,500
Mitchell P. Goldstein	□	□	38,750	113,750	□	167,500
Peter Jueptner	□	□	6,250	93,750	□	251,250

(1) Based on the closing price of the Common Stock on February 27, 2004 of \$7.95.

PENSION PLAN TABLE

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