

SHELLS SEAFOOD RESTAURANTS INC
Form DEF 14A
May 31, 2005

**SCHEDULE 14A
(RULE 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

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

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 §240.14a-12

**SHELLS SEAFOOD RESTAURANTS, INC.
(Name of Registrant as Specified in Its Charter)**

N/A

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

Payment of Filing Fee (check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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- Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SHELLS SEAFOOD RESTAURANTS, INC.
16313 N. Dale Mabry Highway
Suite 100
Tampa, Florida 33618

June 1, 2005

Dear Stockholder,

You are cordially invited to attend our Annual Meeting of Stockholders to be held at 10:00 a.m., on Wednesday, June 22, 2005, at our restaurant located at 551 Gulf Blvd., Clearwater Beach, Florida 33767.

At the Annual Meeting of Stockholders, you are being asked to vote on (i) the election of seven directors to our Board of Directors, (ii) an amendment to our certificate of incorporation that will increase the number of authorized shares of our Common Stock from 40,000,000 shares to 58,000,000 shares, and (iii) certain amendments to our 2002 Equity Incentive Plan (the "Plan"), including an amendment to increase the number of shares of Common Stock available for issuance under the Plan. I will be pleased to report on the affairs of our company and a discussion period will be provided for questions and comments of general interest to stockholders.

It is important that your shares be represented at the meeting, whether or not you plan to attend in person. We urge you to promptly vote by following the instructions on the enclosed proxy card. You can vote your shares by completing and returning the enclosed proxy card, or in certain circumstances as we discuss in the following Proxy Statement, by Internet or telephone. In this way, you can be sure your shares will be voted at the meeting. If you later decide to attend the meeting, you can, if you wish, revoke the proxy and vote in person.

Thank you for your cooperation.

Very truly yours,

/s/ Leslie J. Christon
Leslie J. Christon
President and Chief Executive Officer

SHELLS SEAFOOD RESTAURANTS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

June 1, 2005

Notice is hereby given that we will hold the 2005 Annual Meeting of Stockholders of Shells Seafood Restaurants, Inc. on Wednesday, June 22, 2005, at 10:00 a.m., at our restaurant located at 551 Gulf Blvd., Clearwater Beach, Florida 33767 for the following purposes:

- (1) To elect seven directors to serve for the ensuing year;
- (2) To approve an amendment to our certificate of incorporation that will increase the total number of authorized shares of our Common Stock, \$.01 par value per share, from 40,000,000 shares to 58,000,000 shares;
- (3) To approve certain amendments to our 2002 Equity Incentive Plan, including an amendment to increase the number of shares of Common Stock available for issuance under the Plan; and
- (4) To transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Stockholders of record at the close of business on May 10, 2005 will be entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

/s/ Warren R. Nelson
Warren R. Nelson
Secretary

TABLE OF CONTENTS

	Page
ABOUT THE MEETING	1
INFORMATION ABOUT OWNERSHIP OF OUR COMMON STOCK	2
PROPOSAL NO. 1—ELECTION OF DIRECTORS	6
PROPOSAL NO. 2—AMENDMENT TO CERTIFICATE OF INCORPORATION	10
PROPOSAL NO. 3—APPROVAL OF CERTAIN AMENDMENTS TO 2002 EQUITY INCENTIVE PLAN, INCLUDING AN AMENDMENT TO INCREASE THE NUMBER OF SHARES OF COMMON STOCK ISSUABLE UNDER THE PLAN	11
EXECUTIVE COMPENSATION	16
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	18
STOCK OPTION AND COMPENSATION COMMITTEE REPORT TO STOCKHOLDERS REGARDING EXECUTIVE COMPENSATION	20
OUR STOCK PRICE PERFORMANCE	22
AUDIT COMMITTEE REPORT	23
RELATIONSHIP WITH INDEPENDENT AUDITORS	24
OTHER MATTERS	25
APPENDIX A - SHELLS SEAFOOD RESTAURANTS 2002 EQUITY INCENTIVE PLAN	A-1
APPENDIX B - AUDIT COMMITTEE CHARTER	B-1

SHELLS SEAFOOD RESTAURANTS, INC.
16313 N. Dale Mabry Highway
Suite 100
Tampa, Florida 33618

PROXY STATEMENT

ABOUT THE MEETING

This proxy statement contains information relating to our 2005 Annual Meeting of Stockholders to be held on Wednesday, June 22, 2005, at 10:00 a.m. at our restaurant located at 551 Gulf Blvd., Clearwater Beach, Florida 33767, and at any postponements or adjournments of the meeting.

What is the purpose of the Annual Meeting?

At our Annual Meeting, stockholders will (i) elect seven directors to serve on our Board, (ii) vote on an amendment to our certificate of incorporation that will increase the total number of authorized shares of our common stock, \$.01 par value per share ("Common Stock"), from 40,000,000 shares to 58,000,000 shares, (iii) vote on certain amendments to our 2002 Equity Incentive Plan, including an amendment to increase the number of shares of Common Stock issuable under the Plan and (iv) transact any other business which may properly come before the meeting or any adjournment thereof. In addition, management will report on our performance for the fiscal year ended January 2, 2005, which we refer to throughout this proxy statement as "fiscal 2004," and respond to appropriate questions from stockholders. We are not currently aware of any other matters which will come before the meeting.

Proxies for use at the meeting are being solicited by the Board of Directors of Shells, chiefly by mail. We began mailing this proxy statement, along with the proxy card, on or about June 1, 2005. We will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to the beneficial owners of our Common Stock and will reimburse them for their expenses in so doing. To ensure adequate representation of shares of our Common Stock and the presence of a quorum at the meeting, officers, agents and Shells employees may communicate with stockholders, banks, brokerage houses and others by telephone, facsimile or in person to request that proxies be furnished. Shells will bear all expenses incurred in connection with this solicitation. We have no present plans to hire employees or special paid solicitors to assist in obtaining proxies, but reserve the option of doing so if it should appear that a quorum otherwise might not be obtained.

Who is entitled to vote at the meeting?

Only stockholders of record at the close of business on May 10, 2005, the record date for the meeting, are entitled to receive notice of, and to participate in, the Annual Meeting, or any postponements and adjournments of the meeting. If you were a stockholder of record on that date, you will be entitled to vote all of the shares you held on that date at the Annual Meeting. Your proxy card shows the number of shares you held at the close of business on May 10, 2005.

What does it mean if I receive more than one proxy card?

If you received more than one proxy card, you have multiple accounts with your brokers or our transfer agent. Please vote all of these shares. We recommend that you contact your broker or our transfer agent to consolidate as many

accounts as possible under the same name and address. You may contact our transfer agent, Continental Stock Transfer & Trust Company at (212) 509-4000.

What are the voting rights of the holders of Common Stock?

Each outstanding share of our Common Stock will be entitled to one vote on each matter to be acted upon at the meeting. On May 10, 2005, there were 14,639,417 shares of Common Stock outstanding.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority of the Common Stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, will constitute a quorum, thereby permitting the meeting to conduct its business. As stated earlier, there were 14,639,417 shares of Common Stock, representing the same number of votes, outstanding on May 10, 2005. Accordingly, the presence of holders representing at least 7,319,710 votes is required to establish a quorum. Proxies received but marked as abstentions and broker non-votes will be counted in determining whether a quorum is present. "Abstentions" are shares held by stockholders present in person or represented by proxy that are not voted in connection with a particular matter. "Broker non-votes" are shares held by brokers or nominees which are present in person or represented by proxy, but which are not voted on a particular matter because instructions have not been received from the beneficial owner. Under applicable Delaware law, the effect of broker non-votes on a particular matter depends on whether the matter is one as to which the broker or nominee has discretionary voting authority under the applicable rule of the New York Stock Exchange.

How do I vote?

You may vote your shares by mailing the enclosed proxy card which gives detailed instructions. If you vote by mail, please complete and properly sign the enclosed proxy card and return it in the envelope we have provided. It then will be voted according to your instructions. If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card or vote in person. A registered stockholder receives proxy material directly from our transfer agent, Continental Stock Transfer & Trust Co.

If your shares are held in an account in the name of your bank or broker (this is called "street name"), you will receive from that bank or broker a separate Voter Instruction Form with instructions on how to vote by return mail, by telephone or by Internet. Many (but not all) brokerage firms and banks participate in a program provided through ADP Investor Communication Services that offers telephone and Internet voting options.

Unless you give other instructions on your proxy card, the persons named as proxy holders on the proxy card will vote for the election of the nominated slate of directors to serve for the ensuing year and for Proposal Nos. 2 and 3. These votes are in accordance with the recommendations of our Board. With respect to any other matter that properly comes before the meeting, the proxy holders will vote according to their best judgment.

Can I change my vote after I have voted?

Yes. Even after you have submitted your proxy card you may change your vote at any time before the proxy is exercised, by filing with the Secretary of Shells either a notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if you attend the meeting in person and request to vote in person, although attendance at the meeting alone will not itself revoke a previously granted proxy.

If your shares are held by a bank or broker and you wish to vote your shares in person, you must contact the bank or broker holding your shares and request a special proxy card indicating your ownership of our stock. In addition, you should consult your brokerage firm or bank for directions, in the event you voted your shares by Internet or telephone and want to later change your vote prior to the Annual Meeting.

INFORMATION ABOUT OWNERSHIP OF OUR COMMON STOCK

The following table sets forth certain information as of May 10, 2005 regarding the beneficial ownership of our Common Stock by (i) each person known by us to own beneficially more than 5% of the outstanding Common Stock; (ii) each current director (all of whom are standing for re-election); (iii) each executive officer named in the Summary Compensation Table appearing later in this proxy statement; and (iv) all of our directors and executive officers as a group. Except as otherwise specified, the named beneficial owner has the sole voting and investment power over the shares listed, and has an address c/o Shells Seafood Restaurants, Inc., 16313 N. Dale Mabry Highway, Suite 100, Tampa, FL 33618. For purposes of this table, beneficial ownership is determined according to the rules of the Securities and Exchange Commission (the "SEC"), which generally attributes beneficial ownership of securities to persons who possess sole or shared voting power and/or investment power with respect to those securities. Common stock options and warrants which are presently exercisable or which become exercisable within 60 days of May 10, 2005 are considered beneficially owned shares of Common Stock.

Name and Address of Beneficial Owner	Beneficial Ownership Amount	Percent of Class
Philip R. Chapman 750 Lexington Avenue, 18 th Floor New York, NY 10022 ¹	4,528,348	30.8%
Leslie J. Christon ²	312,374	2.1%
Robert Ellin c/o Trinad Capital, L.P. 2121 Avenue of the Stars, Suite 1650 Los Angeles, CA 90067 ³	2,879,881	19.7%
Michael R. Golding 439 Newman Springs Road Lincroft, NJ 07738 ⁴	18,333	*
Gary Herman Galloway Capital Management, LLC 1325 Avenue of Americas, 26 th floor New York, NY 10019 ⁵	494,273	3.4%
Christopher D. Illick 154 Mercer Street Princeton, NJ 08540 ⁶	42,333	*
Jay Wolf c/o Trinad Capital, L.P. 2121 Avenue of the Stars, Suite 1650 Los Angeles, CA 90067 ⁷	8,333	*
Guy C. Kathman ⁸	16,667	*
Warren R. Nelson ⁹	249,583	1.7%
Catherine R. Adler 1520 South Ocean Blvd. Palm Beach, FL 33480 ¹⁰	4,454,015	30.4%
Frederick R. Adler 1520 South Ocean Blvd. Palm Beach, FL 33480 ¹¹	2,204,426	14.1%
Bruce Galloway Galloway Capital Management LLC 1325 Avenue of Americas, 26 th floor New York, NY 10019 ¹²	2,294,566	15.7%
	4,454,015	30.4%

Banyon Investment, LLC
750 Lexington Avenue, 18th Floor
New York, NY 10022

Galloway Capital Management, LLC
1325 Avenue of Americans, 26th floor
New York, NY 10019

387,502 2.7%

Trinad Advisors GP, LLC
153 East 53rd Street, 48th floor
New York, NY 10022¹³

2,871,548