

LUBYS INC  
Form DEF 14A  
December 17, 2013

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**UNITED STATES**

**SECURITIES & EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**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 under Rule 14a-12

**Luby's Inc.**  
**(Name of Registrant as Specified in Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required

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

Title of each class of securities to which transaction applies:

(1)

Aggregate number of securities to which transaction applies:

(2)

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):

(3)

Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

Fee paid previously with preliminary materials.

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

Amount Previously Paid:

(1)

Form, Schedule or Registration Statement No.:

(2)

Filing Party:

(3)

Date Filed:

(4)

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Luby's, Inc.

13111 Northwest Freeway

Suite 600

Houston, Texas 77040

713-329-6800

[www.lubysinc.com](http://www.lubysinc.com)

December 17, 2013

Dear Fellow Shareholder:

It is my pleasure to invite you to attend the Annual Meeting of Shareholders of Luby's, Inc. to be held on Friday, January 24, 2014, at 10:00 a.m., Houston time, at 13111 Northwest Freeway, 4<sup>th</sup> Floor, Houston, Texas 77040. All record holders of outstanding shares of Luby's, Inc. common stock at the close of business on December 2, 2013 are eligible to vote on matters brought before this meeting.

Matters on which action will be taken at the meeting are explained in detail in the attached Notice and Proxy Statement. Please review the following Proxy Statement carefully. Your vote is important, so be sure to vote your shares as soon as possible. Please review the enclosed Proxy Statement for specific voting instructions.

Please note that if you hold your shares through a bank or broker and you do not indicate on your proxy card your preferences with respect to the election of directors, your bank or broker is not permitted to cast your vote on your behalf.

Thank you for your support.

Sincerely,

/s/ CHRISTOPHER J. PAPPAS  
**Christopher J. Pappas**



**LUBY'S, INC.**

**13111 Northwest Freeway, Suite 600**

**Houston, Texas 77040**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD**

**JANUARY 24, 2014**

NOTICE IS HEREBY GIVEN that the Board of Directors of the Company (the "Board") have called the 2014 Annual Meeting of Shareholders (the "Annual Meeting") of Luby's, Inc., a Delaware corporation (the "Company"), which will be held at 13111 Northwest Freeway, 4<sup>th</sup> Floor, Houston, Texas 77040, on Friday, January 24, 2014, at 10:00 a.m., Houston time, for the following purposes:

- (1) To elect nine directors to serve until the 2015 annual meeting of shareholders;
- (2) To ratify the appointment by the Board of Grant Thornton LLP as the Company's independent registered public accounting firm for the fiscal year ending August 27, 2014;
- (3) To conduct an advisory vote approving the compensation of the Company's named executive officers;
- (4) To ratify the Board's approval of the First Amendment to Rights Agreement, dated as of December 3, 2013, between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent; and
- (5) To act upon such other matters as may properly come before the meeting or any adjournment or postponement thereof.

The Board has determined that shareholders of record at the close of business on December 2, 2013, will be entitled to vote at the Annual Meeting.

A complete list of shareholders entitled to vote at the Annual Meeting will be on file at the Company's corporate office at 13111 Northwest Freeway, Suite 600, Houston, Texas, for a period of ten days prior to the Annual Meeting. During such time, the list will be open to the examination of any shareholder during ordinary business hours for any purpose germane to the Annual Meeting.

**Your vote is important. You may vote in any one of the following ways:**

**Use the toll-free telephone number 1-800-690-6903 from the U.S. or Canada;**

**Use the Internet website [www.proxyvote.com](http://www.proxyvote.com); or**

**Mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope.**

Shareholders who do not expect to attend the Annual Meeting in person are urged to review the enclosed proxy for specific voting instructions and to choose the method they prefer for casting their votes.

By Order of the Board of Directors of Luby's, Inc

/S/ ROY CAMBERG

*General Counsel and Secretary*

Houston, Texas

December 17, 2013

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS:**

**The Notice of Annual Meeting of Shareholders, the Proxy Statement for the Annual Meeting, and the Company's Annual Report for the fiscal year ended August 28, 2013 are available electronically at <http://www.lubysinc.com/investors/filings>.**



**LUBY'S, INC.**

**13111 Northwest Freeway, Suite 600**

**Houston, Texas 77040**

**PROXY STATEMENT**

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This Proxy Statement and the accompanying proxy card are being provided to shareholders in connection with the solicitation of proxies by the Board of Directors (the "Board") of Luby's, Inc., a Delaware corporation (the "Company") for use at the Annual Meeting of Shareholders of the Company to be held on Friday, January 24, 2014, or at any adjournment or postponement thereof (the "Annual Meeting"). This Proxy Statement and the accompanying proxy card are first being mailed to shareholders on or about December 17, 2013.

**VOTING PROCEDURES**

**Your Vote is Very Important**

Whether or not you plan to attend the Annual Meeting, please take the time to vote your shares as soon as possible.

**Shares Outstanding, Voting Rights, and Quorum**

Only record holders of the Company's common stock, par value \$0.32 per share ("Common Stock") at the close of business on December 2, 2013, will be entitled to vote at the Annual Meeting or at adjournments or postponements thereof. There were 28,314,984 shares of the Common Stock outstanding as of December 2, 2013. Each share of Common Stock outstanding is entitled to one vote. The presence in person or by proxy of the holders of a majority of the shares of Common Stock outstanding on the record date will constitute a quorum at the Annual Meeting.

**Methods of Voting**



*Shares Held in Shareholder's Name.* If your shares are held in your name, you may vote by proxy or you may vote in person by attending the Annual Meeting. If your shares are held in your name and you would like to vote your shares by proxy prior to the Annual Meeting, there are three ways for you to vote:

1. Call 1-800-690-6903 (toll charges may apply for calls made from outside the United States) and follow the instructions provided;
2. Log on through the Internet at *www.proxyvote.com* and follow the instructions at that site; or
3. If you received a proxy card in the mail, complete, sign, and mail the proxy card in the return envelope provided to you.

Please note that telephone and Internet voting will close at 11:59 p.m. Eastern time on January 23, 2014. If you wish to vote by telephone or Internet, follow the instructions on your proxy card.

If your proxy card is signed and returned without specifying choices, the shares represented will be voted as recommended by the Board.

*Shares Held in "Street Name" Through a Bank or Broker.* If your shares are held through a bank or broker, you can vote via the Internet or by telephone if your bank or broker offers these options. Please see the voting instructions provided by your bank or broker for use in instructing your bank or broker how to vote. Your bank or broker cannot vote your shares without instructions from you. You will not be able to vote in person at the Annual Meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares.

If you plan to attend the Annual Meeting and wish to vote in person, you will be given a ballot at the Annual Meeting. Please note that you may vote by proxy prior to January 24, 2014 and still attend the Annual Meeting.

## **Revoking Your Proxy**

*Shares Held in Shareholder's Name.* If your shares are held in your name, whether you vote by mail, the Internet, or by telephone, you may later revoke your proxy by delivering a written statement to that effect to the Secretary of the Company at the address provided above prior to the date of the Annual Meeting, by a later-dated electronic vote via the Internet, by telephone, by submitting a properly signed proxy with a later date, or by voting in person at the Annual Meeting.

*Shares Held in "Street Name" Through a Bank or Broker.* If you hold your shares through a bank or broker, the methods available to you to revoke your proxy are determined by your bank or broker, so please see the instructions provided by your bank or broker.

## **Vote Required**

A majority of the votes cast by the shares present in person or represented by proxy at the Annual Meeting and entitled to vote in the election of directors at the Annual Meeting is required for the election of a director nominee. Shareholders do not have cumulative voting rights. Ratification of the appointment of the independent registered public accounting firm, the approval of the compensation of our Named Executive Officers and the ratification of the Board's approval of the First Amendment to Rights Agreement each require the affirmative vote of a majority of the votes cast by the shares present in person or represented by proxy at the Annual Meeting. Approval of all other matters requires the affirmative vote of a majority of the votes cast by the shares present in person or represented by proxy at the Annual Meeting. Abstentions and broker non-votes will be included in determining the presence of a quorum at the Annual Meeting. However, abstentions and broker non-votes will not be included in determining the number of votes cast on any matter.

A "broker non-vote" occurs when you fail to provide your bank or broker with voting instructions at least ten days before the Annual Meeting and the bank or broker does not have the discretionary authority to vote your shares in the election of directors or on a particular proposal because the proposal is not a "routine" matter under applicable rules. Under the rules of the New York Stock Exchange, the election of directors, the advisory votes on executive compensation and the ratification of the Board's approval of the First Amendment to Rights Agreement are not routine matters. Accordingly, if you hold your shares through a bank or broker and you do not indicate on your proxy card your preferences with respect to the election of directors, the advisory votes on executive compensation or the ratification of the Board's approval of the First Amendment to Rights Agreement, your bank or broker is not permitted to cast your vote on your behalf on those matters.

## **Other Business**

The Board knows of no other matters that may be presented for shareholder action at the Annual Meeting. If other matters are properly brought before the Annual Meeting, the persons named as proxies on the accompanying proxy card intend to vote the shares represented by them in accordance with their best judgment.

### **Confidential Voting Policy**

It is the Company's policy that any proxy, ballot, or other voting material that identifies the particular shareholder's vote and contains the shareholder's request for confidential treatment will be kept confidential, except in the event of a contested proxy solicitation or as may be required by law. The Company may be informed whether or not a particular shareholder has voted and will have access to any comment written on a proxy, ballot, or other material and to the identity of the commenting shareholder. Under the policy, the inspectors of election at any shareholder meeting will be independent parties unaffiliated with the Company.

**OWNERSHIP OF EQUITY SECURITIES IN THE COMPANY**

The following table sets forth information concerning the beneficial ownership of Common Stock, as of December 2, 2013, for (a) each director currently serving on the Board, (b) each nominee for election as a director at the Annual Meeting named in this Proxy Statement, (c) each of the officers named in the Summary Compensation Table not listed as a director, and (d) all directors and executive officers as a group. In general, “beneficial ownership” includes those shares a director or executive officer has the power to vote or transfer and shares that the director or executive officer has the right to acquire within 60 days after December 2, 2013.

| Name (1)  | Shares<br>Beneficially<br>Owned | Percent<br>of<br>Common<br>Stock |   |
|---|---------------------------------|----------------------------------|---|
| Judith B. Craven (2)  | 44,571                          | *                                |   |
| Arthur R. Emerson (3)   | 45,322                          | *                                |   |
| K. Scott Gray (4)   | 100,716                         | *                                |   |
| Jill Griffin (5)  | 40,914                          | *                                |   |
| J.S.B. Jenkins (6)  | 68,746                          | *                                |   |
| Frank Markantonis (7)   | 58,050                          | *                                |   |
| Joe C. McKinney (8)   | 77,570                          | *                                |   |
| Gasper Mir, III (9)   | 49,877                          | *                                |   |
| Christopher J. Pappas (10)  | 4,616,957                       | 16.05                            | % |
| Harris J. Pappas (11)   | 4,760,789                       | 16.55                            | % |
| Peter Tropoli (12)  | 107,738                         | *                                |   |
| All directors and executive officers of the Company, as a group (11 persons) (13) | 8,896,053                       | 30.92                            | % |

\* Represents beneficial ownership of less than one percent of the shares of Common Stock issued and outstanding on December 2, 2013.

Except as indicated in these notes and subject to applicable community property laws, each person named in the table owns directly the number of shares indicated and has the sole power to vote and to dispose of such shares. Shares of phantom stock held by a nonemployee director convert into an equivalent number of shares of Common Stock when the nonemployee director ceases to be a director of the Company due to resignation, retirement, death, disability, removal, or any other circumstance. The shares of Common Stock payable upon conversion of the phantom stock are included in this table because it is possible for the holder to acquire the shares of Common Stock within 60 days if his or her directorship were to be terminated. Under the Company’s Nonemployee Director Stock Plan, restricted stock awards may become unrestricted when a nonemployee director ceases to be a director of the Company. Unless otherwise specified, the mailing address of each person named in the table is 13111 Northwest Freeway, Suite 600, Houston, Texas 77040.

(2) The shares shown for Dr. Craven include 23,896 shares held for her benefit in a custodial account, 4,000 shares which she has the right to acquire within 60 days under the Nonemployee Director Stock Plan, 11,469 shares of

phantom stock held under the Nonemployee Director Phantom Stock Plan, and 5,206 shares of restricted stock.

The shares shown for Mr. Emerson include 24,290 shares held jointly with his wife in a custodial account, 4,000 (3) shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Plan, 11,826 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan, and 5,206 shares of restricted stock.

(4) The shares shown for Mr. Gray include 19,348 shares held for his benefit in a custodial account and 81,368 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan.

The shares shown for Ms. Griffin include 20,467 shares held for her benefit in a custodial account, 4,000 shares (5) which she has the right to acquire within 60 days under the Nonemployee Director Stock Plan, and 5,206 shares of restricted stock.

The shares shown for Mr. Jenkins include 44,253 shares held for his benefit in a custodial account, 4,000 shares (6) which he has the right to acquire within 60 days under the Nonemployee Director Stock Plan, and 12,493 shares of restricted stock.

The shares shown for Mr. Markantonis include 41,520 shares held for his benefit in a custodial account, 4,000 (7) shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Plan, 3,879 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan, and 8,651 shares of restricted stock.

The shares shown for Mr. McKinney include 55,889 shares held for his benefit in a custodial account, 2,000 shares (8) which he has the right to acquire within 60 days under the Nonemployee Director Stock Plan, and 19,681 shares of restricted stock.

The shares shown for Mr. Mir include 34,879 shares held for his benefit in a custodial account, 2,000 shares which (9) he has the right to acquire within 60 days under the Nonemployee Director Stock Plan, 2,453 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan, and 10,545 shares of restricted stock.

The shares shown for Christopher J. Pappas include 3,413,579 shares held for his benefit in a custodial account, 136,181 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan, and 1,067,197 (10) shares owned by Pappas Restaurants, Inc., as each of Christopher J. Pappas and Harris J. Pappas owns a 50% interest in Pappas Restaurants, Inc. and therefore owns a corresponding beneficial interest in the 1,067,197 shares owned by Pappas Restaurants, Inc.

The shares shown for Harris J. Pappas include 3,552,026 shares held for his benefit in a custodial account, 126,163 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan, 15,403 shares (11) of restricted stock, and 1,067,197 shares owned by Pappas Restaurants, Inc., as each of Christopher J. Pappas and Harris J. Pappas owns a 50% interest in Pappas Restaurants, Inc. and therefore owns a corresponding beneficial interest in the 1,067,197 shares owned by Pappas Restaurants, Inc.

The shares shown for Mr. Tropolli include 20,480 shares held for his benefit in a custodial account and 87,258 (12) shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan.

The shares shown for all directors and executive officers as a group include 7,261,868 shares held in custodial accounts, 454,970 shares which they have the right to acquire within 60 days under the Company's various benefit (13) plans, 82,391 shares of restricted stock, 29,627 shares of phantom stock held by nonemployee directors under the Nonemployee Director Phantom Stock Plan, and 1,067,197 shares owned by Pappas Restaurants, Inc., of which Christopher J. Pappas and Harris J. Pappas each own a 50% interest, as described above.

**PRINCIPAL SHAREHOLDERS**

The following table sets forth information as to the beneficial ownership of Common Stock by each person or group known by the Company to own beneficially more than 5% of the outstanding shares of Common Stock as of December 2, 2013 and, unless otherwise indicated, is based on disclosures made by the beneficial owners in SEC filings under Section 13 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

| <b>Name and Address of Beneficial Owner (1)</b>   | <b>Shares<br/>Beneficially<br/>Owned</b> | <b>Percent of<br/>Common<br/>Stock</b> |
|---|--|--|
| Christopher J. Pappas (2)<br>13939 Northwest Freeway<br>Houston, Texas 77040                                  | 4,616,957                                | 16.05 %                                |
| Harris J. Pappas (3)<br>13939 Northwest Freeway<br>Houston, Texas 77040                                       | 4,760,789                                | 16.55 %                                |
| Hodges Capital Management, Inc. (4)<br>2905 Maple Ave.<br>Dallas, Texas 75201                                 | 2,463,255                                | 8.70 %                                 |
| Thomson Horstmann & Bryant, Inc. (5)<br>501 Merritt 7<br>Norwalk, Connecticut 06851                           | 2,225,553                                | 7.86 %                                 |
| Dimensional Fund Advisors LP (6)<br>Palisades West, Building One, 6300<br>Bee Cave Road, Austin, Texas, 78746 | 2,098,832                                | 7.41 %                                 |
| Bandera Partners LLC (7)<br>50 Broad Street, Suite 1820   | 1,747,844                                | 6.17 %                                 |

New York, New York 10004

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- (1) Except as indicated in these notes and subject to applicable community property laws, each person named in the table owns directly the number of shares indicated and has the sole power to vote and to dispose of such shares.

The shares shown for Christopher J. Pappas include 3,413,579 shares held for his benefit in a custodial account, 136,181 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan, and 1,067,197 (2) shares owned by Pappas Restaurants, Inc., as each of Christopher J. Pappas and Harris J. Pappas owns a 50% interest in Pappas Restaurants, Inc. and therefore owns a corresponding beneficial interest in the 1,067,197 shares owned by Pappas Restaurants, Inc.

The shares shown for Harris J. Pappas include 3,522,026 shares held for his benefit in a custodial account, 126,163 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan, 15,403 shares of (3) restricted stock, and 1,067,197 shares owned by Pappas Restaurants, Inc., as each of Christopher J. Pappas and Harris J. Pappas owns a 50% interest in Pappas Restaurants, Inc. and therefore owns a corresponding beneficial interest in the 1,067,197 shares owned by Pappas Restaurants, Inc.

Information based solely on Report for the Calendar Year or Quarter Ended September 30, 2013 on Form 13F-HR dated November 12, 2013 and filed on November 12, 2013 with the Securities and Exchange Commission by (4) Hodges Capital Management, Inc. Hodges Capital Management, Inc. has sole voting authority with respect to 2,197,000 shares and has no voting authority with respect to 266,255 shares.

Information based solely on Report for the Calendar Year or Quarter Ended September 30, 2013 on Form 13F-HR dated November 1, 2013 and filed on November 1, 2013 with the Securities and Exchange Commission by (5) Thomson Horstmann & Bryant, Inc. Thomson Horstmann & Bryant, Inc. has shared voting authority with respect to 978,150 shares and has no voting authority with respect to 1,247,403 shares.

Information based solely on Report for the Calendar Year or Quarter Ended September 30, 2013 on Form (6) 13F dated November 13, 2013 and filed on November 13, 2013 with the Securities and Exchange Commission by Dimensional Fund Advisors LP. Dimensional Fund Advisors LP has sole voting authority with respect to 2,026,874 shares and has no voting authority with respect to 71,958 shares.



Information based solely on Report for the Calendar Year or Quarter Ended September 30, 2013 on Form 13F-HR (7) dated November 14, 2013 and filed on November 14, 2013 with the Securities and Exchange Commission by Bandera Partners LLC. Bandera Partners LLC has shared voting authority with respect to all 1,747,844 shares.

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## **ELECTION OF DIRECTORS (Item 1)**

Each director is elected to a one-year term expiring at the next succeeding annual meeting. In accordance with the Bylaws of the Company, the Board has fixed the number of directors at nine, pursuant to a resolution adopted by a majority of the entire Board.

The terms of Jill Griffin, Christopher J. Pappas, Judith B. Craven, Frank Markantonis, Arthur Rojas Emerson, Gasper Mir, III, J.S.B. Jenkins, Joe C. McKinney, and Harris Pappas will expire at the Annual Meeting. The Board nominates Jill Griffin, Christopher J. Pappas, Judith B. Craven, Frank Markantonis, Arthur Rojas Emerson, Gasper Mir, III, J.S.B. Jenkins, Joe C. McKinney, and Harris Pappas for election as directors to serve until our 2015 Annual Meeting or until their successors are elected and qualified. The Board recommends a vote “FOR” each nominee.

All such nominees named above have indicated a willingness to serve as directors, but should any of them decline or be unable to serve, proxies may be voted for another person nominated as a substitute by the Board.

There are no family relationships, of first cousins or closer, among the Company’s directors and executive officers, by blood, marriage or adoption, except that Christopher J. Pappas and Harris J. Pappas are brothers and Frank Markantonis is the stepfather of Peter Tropoli, the Company’s Chief Operating Officer.

The following information is furnished with respect to each of the nominees of the Board, including information regarding their business experience, director positions held currently or at any time during the last five years, involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Nominating and Corporate Governance Committee and the Board to determine that the nominees should serve as one of our directors.

### **Nominees for Election to Terms Expiring in 2015**

JILL GRIFFIN, 59, advises corporations, both domestically and abroad, on customer loyalty strategies. Her business best seller, *Customer Loyalty: How to Earn It, How to Keep It*, has been published in six languages and was named to Harvard Business School’s “Working Knowledge” list. In 1988, she founded Austin-based consulting firm, Griffin Group, which specializes in customer loyalty research, customer experience strategy, and executive coaching and serves Fortune 500 firms. Ms. Griffin has been an independent director of the Company since January 2003 and is

Vice-Chair of the Personnel and Administrative Policy Committee and a member of the Executive Compensation Committee. Ms. Griffin began her career at RJR/Nabisco where she served as Senior Brand Manager for Winston, the corporation's largest brand. Ms. Griffin is a magna cum laude graduate, Distinguished Alumna recipient and Trustee of the University of South Carolina Moore School of Business from which she holds her Bachelor of Science and Master of Business Administration degrees. She has served on the marketing faculty at the University of Texas. Her books have been adopted as textbooks for undergraduate and MBA courses at UT and other universities. Ms. Griffin is a member of the board of the National Association of Corporate Board Directors' Texas Tri-Cities Chapter and Board Chairwoman of the Austin Convention and Visitors Bureau.

*Qualifications, Experience, Key Attributes, and Skills:* Ms. Griffin has more than 31 years' experience, has published three books, and is widely regarded as an expert on the topics of brand management, brand loyalty, and customer experience. Furthermore, she brings leadership and management experience from her distinguished career at RJR/Nabisco, culminating in Senior Brand Manager for the corporation's largest brand, and her Austin-based consulting firm, Griffin Group, which she founded and operates.

CHRISTOPHER J. PAPPAS, 66, has been President and Chief Executive Officer and a director of the Company since March 2001. Mr. Pappas is a member of the Executive Committee. He also has been Chief Executive Officer of Pappas Restaurants, Inc. since 1980. Mr. Pappas graduated from the University of Texas with a Bachelor of Science in Mechanical Engineering. He sits on the advisory board of Amegy Bank N.A. (formerly Southwest Bank of Texas N.A.), and he previously served as a director on its board. Mr. Pappas is also a director of the National Restaurant Association; the University of Houston Conrad Hilton School of Hotel and Restaurant Management Dean's Advisory Board; and the Greater Houston Partnership Board.

*Qualifications, Experience, Key Attributes, and Skills:* Mr. Pappas has more than 36 years of experience in the restaurant industry. With his brother, Harris Pappas, he has founded and operated more than 90 restaurants during his successful career, including Pappadeaux Seafood Kitchen, Pappasitos Cantina, and Pappas Bros. Steakhouse. Additionally, Mr. Pappas has broad executive management and operational experience from his 31 year tenure as Chief Executive Officer of Pappas Restaurants, Inc. He also has extensive board and banking experience from his tenure as a board member and advisory board member on the board of Amegy Bank. Mr. Pappas and his brother, Harris Pappas, are widely regarded as restaurant industry experts.

JUDITH B. CRAVEN, M.D., M.P.H., 68, is the retired President of the United Way of the Texas Gulf Coast, where she served from 1992 until 1998. She is licensed to practice medicine and has a distinguished career in public health. She served as Dean of the School of Allied Health Sciences of the University of Texas Health Science Center at Houston from 1983 until 1992 and Vice President of Multicultural Affairs for the University of Texas Health Science Center from 1987 until 1992. She also served as Director of Public Health for the City of Houston from 1980 until 1983, which included responsibility for the regulation of all foodservice establishments in the City. Dr. Craven has been an independent director of the Company since January 1998 and is Vice Chair of the Board, Chair of the Personnel and Administrative Policy Committee, Vice-Chair of the Executive Compensation Committee and the Executive Committee, and a member of the Nominating and Corporate Governance Committee. She is also a director of Belo Corp. (NYSE:BLC); SYSCO Corporation (NYSE:SY); Sun America Fund; and Valic Corp. She is a former member of the Board of Regents of the University of Texas at Austin and the Houston Convention Center Hotel.

*Qualifications, Experience, Key Attributes, and Skills:* Dr. Craven brings a background in public health to the Board that she has gained during her tenure of more than 31 years in the field. During her distinguished career, she has served on a variety of public health and healthcare boards. She also has extensive leadership experience from her high positions at medical academic institutions. Furthermore, Dr. Craven has significant experience from her tenure on the boards of public companies, investment funds, and as a regent of the University of Texas at Austin

FRANK MARKANTONIS, 65, is an attorney with over thirty years of legal experience representing clients in the restaurant industry, with a concentration in real estate development, litigation defense, insurance procurement and coverage, immigration, and employment law. For over fifteen years, he has served as General Counsel of Pappas Restaurants, Inc. He is a graduate of the University of Texas at Austin (1970) and the University of Houston Law Center (1973). Mr. Markantonis is admitted to practice in the following jurisdictions and before the following courts: The United States Supreme Court, District of Columbia Court of Appeals, United States Court of Appeals for the Fifth Circuit, The United States District Court for the Southern District of Texas, and the State of Texas. Mr. Markantonis is a member of the State Bar of Texas, District of Columbia Bar, and is a Fellow in the Houston Bar Association. He has been a director of the Company since January 2002 and is a member of the Personnel and Administrative Policy Committee.

*Qualifications, Experience, Key Attributes, and Skills:* Mr. Markantonis brings extensive state and federal legal experience from his more than 39 years as practicing attorney representing clients in the restaurant industry. He has represented his clients in all areas of legal practice affecting the operations of restaurants and hospitality clients, including real estate development, litigation defense, insurance procurement and coverage, immigration and employment law, and business transactions.

ARTHUR ROJAS EMERSON, 69, has been Chairman and Chief Executive Officer of GRE Creative Communications, a full-service, bilingual marketing and public relations firm with offices in San Antonio, Austin, the Rio Grande Valley, and Washington, D.C. The agency's portfolio includes Hispanic-targeted marketing since June 2000. Mr. Emerson's experience includes conducting foodservice television marketing campaigns locally and nationally. From 1994 until 2000, he was Vice President and General Manager of the Texas stations of the Telemundo television network. In 1994 he served as Chairman of the Hispanic Chamber, and in 1999 served as Chairman of the Greater San Antonio Chamber of Commerce, and is the only person to have held both positions. In

1995, he served as Chairman of CPS Energy, the nation's largest publicly owned utility. He served as Chairman of the San Antonio Port Authority from 2001 to 2007, Chairman of the executive committee of the Free Trade Alliance, Commissioner for the Texas Military Preparedness Commission, and Chairman of the Governor's Advisory Committee on Aerospace Aviation. He served on the Board of the San Antonio Branch of the Dallas Federal Reserve Board from 1998 to 2004. Mr. Emerson has been an independent director of the Company since January 1998 and is a member of the Finance and Audit Committee. Mr. Emerson formerly served as a member of the board of USAA Bank and was Chairman of its Trust Committee. He is a board member of First Call M.D. and numerous local, state, and national philanthropic boards.

*Qualifications, Experience, Key Attributes, and Skills:* Mr. Emerson has more than 22 years' experience in local and national bi-lingual marketing, foodservice marketing, and public relations. His extensive business experience includes operating a state-wide television network for the Telemundo network and founding and operating a full-service marketing and public relations firm. Mr. Emerson has extensive board and financial experience from his tenure on the boards of corporations, banks, and government entities.

GASPER MIR, III, 67, is a Certified Public Accountant and a principal owner of MFR Solutions, Inc. and MFR Healthcare Solutions, both providing professional consulting services. He was previously a Principal in the public accounting and consulting firm of MFR P.C. where his work included financial audit and accounting services for clients in the retail industry. From 1969 until 1987, he worked at KPMG LLP, an international accounting and professional services firm, serving as a partner of the firm from 1978 until 1987. Mr. Mir has been a director of the Company since January 2002 and is Chairman of the Board, Chair of the Executive Committee and the Nominating and Corporate Governance Committee, and a member of the Finance and Audit Committee. As Chair, he presides over all Board meetings, as well as executive sessions and meetings of the independent directors, and he acts as an intermediary between the Board and Luby's Management. Mr. Mir is also a director of the Memorial Hermann Health System; the Greater Houston Community Foundation, and the Houston A+ Challenge.

*Qualifications, Experience, Key Attributes, and Skills:* Mr. Mir has more than 42 years of experience in accounting, finance, and audit from his distinguished tenure at the accounting firms KPMG LLP and MFR P.C. He is an active member of NACD and regularly participates in their professional development conferences. He brings business administration experience as a founder and Principal of MFR Solutions and MFR Healthcare Solutions. Additionally, Mr. Mir has experience in public relations, government, education, health care and community outreach from his board service on several community based organizations.

J.S.B. JENKINS, 70, served as President, Chief Executive Officer, and a Director of Tandy Brands Accessories, Inc. (NYSE:TBAC), a designer, manufacturer and marketer of fashion accessories, since November 1971 until his retirement in 2009. Previously, he served in several executive capacities within that company, including President of Tex Tan Welhausen Co., a division of Tandy Brands, Inc. He has also served as the Executive Vice President of the Bombay Company, Inc., a designer and marketer of home accessories and furniture. Mr. Jenkins has been an independent director of the Company since January 2003 and is Chair of the Executive Compensation Committee, Vice-Chair of the Finance and Audit Committee, a member of the Nominating and Corporate Governance Committee, and a member of the Executive Committee. He formerly served on the Board of Directors for Hardware Resources. He is a member emeritus of the Development Council of the Texas A&M University College of Business Administration/Graduate School of Business, the Texas A&M University President's Council, and the Advisory Board of Directors for the Texas A&M University 12th Man Foundation, and the Cotton Bowl Committee.

*Qualifications, Experience, Key Attributes, and Skills:* Mr. Jenkins has more than 39 years of business, executive, manufacturing, and board experience from his career at Tandy Brands Accessories, Inc. and its divisions, culminating in the titles of President, Chief Executive Officer, and Chairman. He has an extensive background of service and board membership on numerous boards and councils of Texas A&M University.

JOE C. MCKINNEY, 67, has been Vice-Chairman of Broadway National Bank, a locally owned and operated San Antonio-based bank, since October 2002. He formerly served as Chairman of the Board and Chief Executive Officer of JPMorgan Chase Bank-San Antonio from November 1987 until his retirement in March 2002. Mr. McKinney graduated from Harvard University in 1969 with a Bachelor of Arts in Economics, and he graduated from the Wharton School of the University of Pennsylvania in 1973 with a Master of Business Administration in Finance. Mr. McKinney has been an independent director of the Company since January 2003 and is Chair of the Finance and Audit Committee, a member of the Nominating and Corporate Governance Committee, and a member of the Executive Committee. He is a director of Broadway National Bank; Broadway Bancshares, Inc.; USAA Real Estate Company; U.S. Industrial REIT II & III; Cobalt Industrial REIT I, II, & III; and U.S. Global Investors Funds. He was

a director of Prodigy Communications Corporation from January 2001 to November 2001, when the company was sold to SBC Communications, Inc., and served on its Special Shareholder Committee and Audit and Compensation Committee.

*Qualifications, Experience, Key Attributes, and Skills:* Mr. McKinney has over 40 years of experience in banking, finance, and management from his distinguished career in banking, culminating in a tenure of over 14 years as Chairman of the Board and Chief Executive Officer of JPMorgan Chase Bank-San Antonio and 11 years as Vice-Chairman of Broadway National Bank. He further brings significant board experience from his service on over seven boards of banks, investment funds, and corporations.

HARRIS J. PAPPAS, 69, served as Chief Operating Officer of the Company from March 2001 until his retirement in 2011. He is currently a director of the Company and a member of the Executive Committee and the Personnel and Administrative Policy Committee. Mr. Pappas graduated from Texas A&M University with a Bachelor of Business Administration in Finance and Accounting. Mr. Pappas also has been President of Pappas Restaurants, Inc. since 1980. He is a director of Oceaneering International, Inc. (NYSE: OII). Mr. Pappas is also an advisory trustee of Schreiner University and an advisory board member of Frost National Bank-Houston. He served as an advisory director of Memorial Hermann Affiliated Services from 2002 to 2004, and as a Corporate Member of Memorial Healthcare System from October 2004 to October 2006. He also has served as a director of TIRR Hospital in the Memorial Hermann System since January 2009.

*Qualifications, Experience, Key Attributes, and Skills:* Mr. Pappas has more than 37 years of experience in the restaurant industry. With his brother, Christopher Pappas, he has founded and operated more than 90 restaurants during his successful career, including Pappadeaux Seafood Kitchen, Pappasitos Cantina, and Pappas Bros. Steakhouse. Additionally, Mr. Pappas has broad executive management and operational experience from his 31 year tenure as President of Pappas Restaurants, Inc. He also has extensive board experience from his tenure as a trustee and board member on the boards of a petroleum exploration company, as well as educational and healthcare institutions. Mr. Pappas and his brother, Christopher Pappas, are widely regarded as restaurant industry experts.

**THE BOARD RECOMMENDS A VOTE “FOR” EACH OF THE DIRECTOR NOMINEES.**



**DIRECTOR COMPENSATION**

| Name              | Fees<br>Earned<br>or<br>Paid in<br>Cash<br>(\$) | Stock<br>Awards<br>(\$)(1) | Non-equity                       |                                   | Change in<br>nonqualified<br>deferred<br>earnings<br>compensation | All Other<br>Compensation<br>(\$)(2) | Total<br>(\$) |
|-------------------|---|----------------------------|----------------------------------|-----------------------------------|---|--------------------------------------|---------------|
|                   |   |                            | Option<br>awards<br>plan<br>(\$) | incentive<br>compensation<br>(\$) |   |                                      |               |
| Judith B. Craven  | \$72,500  | \$59,697                   | 0                                | 0                                 | 0   | 0                                    | \$132,197     |
| Arthur R. Emerson | 65,851  | 59,697                     | 0                                | 0                                 | 0   | 0                                    | 125,548       |
| Jill Griffin      | 67,118  | 59,697                     | 0                                | 0                                 | 0   | 0                                    | 126,815       |
| J.S.B. Jenkins    | 93,165  | 68,699                     | 0                                | 0                                 | 0   | 0                                    | 161,864       |
| Frank Markantonis | 65,355  | 59,697                     | 0                                | 0                                 | 0   | 0                                    | 125,053       |
| Joe C. McKinney   | 84,607  | 89,103                     | 0                                | 0                                 | 0   | 0                                    | 173,710       |
| Gaspar Mir, III   | 64,750  | 80,693                     | 0                                | 0                                 | 0   | 0                                    | 145,443       |
| Harris J. Pappas  | 71,500  | 89,702                     | 0                                | 0                                 | 0   | 0                                    | 161,202       |

Amounts shown reflect the aggregate proportionate fair value for shares of restricted stock granted to directors in the 2013 fiscal year that the Company has recognized as compensation costs in its financial statements for the 2013 (1) fiscal year, in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*. The grant date fair value for each share is based on the closing stock price of our Common Stock on the date of grant.

(2) Perquisites and other personal benefits that did not exceed \$10,000 in the aggregate for any director have been excluded.

As of January 1, 2012, each nonemployee director other than the Chairman of the Board is paid an annual retainer of \$50,000. The Chairman of the Board is paid an annual retainer of \$85,000. In addition to the base annual retainer of \$50,000, all nonemployee directors except the Chairman of the Board receive \$15,000 for each committee in which they are a member. Further, for nonemployee directors other than the Chairman of the Board, the Chair of the Finance and Audit Committee is paid an additional annual retainer of \$14,000, and the Chair of each other Board Committee is paid an additional annual retainer of \$7,500. Nonemployee directors do not receive meeting fees.

Pursuant to the Company's Second Amended and Restated Nonemployee Director Stock Plan (the "Plan"), each nonemployee director is required to receive the dollar value equivalent of at least \$15,000 of the annual \$30,000 retainer in restricted stock. In addition, each nonemployee director, prior to the end of any calendar year, may elect to receive an Elective Retainer Award (as defined in the Plan), whereupon on the first day of each January, April, July, and October during the term of the plan, the director elects to receive shares, the value of which is equal to any portion of the director's meeting and annual retainer fees in restricted stock. Directors receiving an Elective Retainer Award

will also receive an additional number of whole shares of restricted stock equal to 20% of the number of whole shares of restricted stock issued in payment of the Elective Retainer Award for the quarterly period beginning on that date. The Plan allows the Board, in its discretion, to select nonemployee directors to receive an additional award of up to 5,000 shares of restricted stock in any 12-month period.

Further, under the Plan, nonemployee directors may be periodically granted nonqualified options to purchase shares of Common Stock at an option price equal to 100% of their fair market value on the date of grant or shares of restricted stock. Each option terminates on the earlier of the tenth anniversary of the grant date or one year after the optionee ceases to be a director. An option may not be exercised prior to the first anniversary of the grant date, subject to certain exceptions specified in the Plan. No nonemployee director may receive options to purchase more than 5,000 shares in any 12-month period.

The Company's Nonemployee Director Deferred Compensation Plan permits nonemployee directors to defer all or a portion of their directors' fees in accordance with applicable regulations under the Internal Revenue Code. Deferred amounts bear interest at the average interest rate of U.S. Treasury ten-year obligations. The Company's obligation to pay deferred amounts is unfunded and is payable from general assets of the Company.

The Company's Corporate Governance Guidelines establish guidelines for share ownership. Currently, Directors are expected to accumulate, over time, shares of Common Stock with a market value of at least \$100,000.

## **RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Item 2)**

The Board has appointed the firm of Grant Thornton LLP to audit the accounts of the Company for the 2014 fiscal year. Representatives of Grant Thornton LLP are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. Ratification of the appointment of the independent registered public accounting firm is not a matter which is required to be submitted to a vote of shareholders, but the Board considers it appropriate for the shareholders to express or withhold their approval of the appointment. If shareholder ratification should be withheld, the Board would consider an alternative appointment for the succeeding fiscal year. The affirmative vote of a majority of the votes cast by the shares present in person or represented by proxy at the Annual Meeting is required for approval.

### **Fees Paid to the Independent Registered Public Accounting Firm**

The table below shows aggregate fees for professional services rendered for the Company by the Company's independent registered public accounting firm, Grant Thornton LLP, for the fiscal years ended August 28, 2013 and August 29, 2012:

|                    | <b>2013</b>           | <b>2012</b> |
|--------------------|-----------------------|-------------|
|                    | <b>(in thousands)</b> |             |
| Audit Fees         | \$545                 | \$500       |
| Audit-Related Fees | —                     | —           |
| Tax Fees           | —                     | —           |
| All Other Fees     | —                     | —           |
| Total              | \$545                 | \$500       |

*Audit Fees* for the fiscal years ended August 28, 2013 and August 29, 2012 consisted of fees associated with the audit of the Company's consolidated financial statements and internal control over financial reporting included in the Company's Annual Report on Form 10-K and reviews of its interim financial statements included in the Company's quarterly reports on Form 10-Q.

*Audit-Related Fees.* The Company did not incur any Audit-Related Fees for the fiscal years ended August 28, 2013 and August 29, 2012.

*Tax Fees.* The Company did not incur any Tax Fees for the fiscal years ended August 28, 2013 and August 29, 2012.

*All Other Fees.* The Company did not incur any other fees for the fiscal years ended August 28, 2013 and August 29, 2012.

### **Preapproval Policies and Procedures**

All auditing services and nonaudit services provided by Grant Thornton LLP must be preapproved by the Finance and Audit Committee. Generally, this approval occurs each year at the August meeting of the Finance and Audit Committee for the subsequent fiscal year and as necessary during the year for unforeseen requests. The nonaudit services specified in Section 10A(g) of the Securities Exchange Act of 1934 may not be, and are not, provided by Grant Thornton LLP. Grant Thornton LLP provides a report to the Chair of the Finance and Audit Committee prior to each regularly scheduled Finance and Audit Committee meeting detailing all fees, by project, incurred by Grant Thornton LLP year-to-date and an estimate for the fiscal year. The Chair of the Finance and Audit Committee reviews the Grant Thornton LLP fees at each Finance and Audit Committee meeting. The Finance and Audit Committee periodically reviews these fees with the full Board. During fiscal years 2012 and 2013, no preapproval requirements were waived for services included in the Audit-Related Fees, Tax Fees, and All Other Fees captions of the fee table above pursuant to the limited waiver provisions in applicable rules of the Securities and Exchange Commission.

**THE BOARD RECOMMENDS A VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP.**

**ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS (Item 3)**

The Board is recommending that the shareholders approve the following advisory resolution:

RESOLVED, that the shareholders approve, on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

The Board recommends a vote FOR this resolution because it believes that the policies and practices described in the Compensation Discussion and Analysis are effective in achieving the Company's goals of linking pay to performance and levels of responsibility, encouraging our executive officers to remain focused on both short-term and long-term operational and financial goals of the Company and linking executive performance to shareholder value.

The "Say-on-Pay" vote is required pursuant to Section 14A of the Exchange Act. The vote is advisory in nature and is non-binding on the Company.

We urge shareholders to read the Compensation Discussion and Analysis beginning on page 25 of this Proxy Statement, as well as the Summary Compensation Table and related compensation tables and narrative, beginning on page 30, which provide detailed information on the Company's compensation policies and practices and the compensation of our named executive officers.

Because the vote on this proposal is advisory in nature, it will not affect any compensation already paid or awarded to any named executive officer and will not be binding on or overrule any decisions by the Executive Compensation Committee or the Board. Because we value our shareholders' views, however, the Executive Compensation Committee and the Board will consider the results of this advisory vote when formulating future executive compensation policy.

**THE BOARD RECOMMENDS A VOTE "FOR" THE RESOLUTION APPROVING, ON AN ADVISORY BASIS, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.**



## **RATIFICATION OF THE FIRST AMENDMENT TO RIGHTS AGREEMENT**

### **(Item 4)**

On December 3, 2013, the Company entered into the First Amendment to Rights Agreement (the “Amendment”). The Board is recommending that the shareholders ratify the Amendment to the Rights Agreement with American Stock Transfer & Trust Company, LLC, as Rights Agent, dated as of January 27, 2011 (the “Rights Agreement”) to extend the term of the Rights Agreement for three years. Absent extension, the Rights Agreement will expire on January 27, 2014. The Board has considered whether to renew the Rights Agreement upon its expiration and has decided to amend the Rights Agreement to extend it for three years to expire at the close of business on January 27, 2017 (the “Final Expiration Date”). No other changes have been made to the Rights Agreements.

Although none of our certificate of incorporation, our bylaws, the Rights Agreement or applicable law require shareholder approval or ratification of the Rights Agreement or similar arrangement, the Board has decided to request shareholder ratification of the Amendment as a matter of sound corporate governance. Even if our shareholders ratify the Amendment, the Board could terminate the Rights Agreement at any time prior to the Distribution Date (as defined below). However, if the Board does not otherwise terminate the Rights Agreement, it will expire under its current terms on the Final Expiration Date.

We have summarized certain key provisions of the Rights Agreement below. Because this is only a summary, it may not contain all of the information that is important to you. Accordingly, this summary is qualified in its entirety by reference to the actual text of the Amendment (as defined below) and the Rights Agreement, which are attached to this Proxy Statement as Annex A and Annex B, respectively, and are incorporated herein by reference.

### **Background**

The Rights Agreement was ratified by the Company’s shareholders at our 2012 annual meeting of shareholders. Essentially, the Rights Agreement provides that if any one person or group acquires 15% or more of our Common Stock (or, in the case of an Exempt Person (as defined below), 33% or more), all of our shareholders (other than such person or group) will have the right to acquire Common Stock at a favorable price. As a result, the holdings of the person or group that acquires the 15% interest (or, in the case of an Exempt Person, 33% or more) will be significantly diluted.

### **Reasons for the Amendment**

The Board adopted the Rights Agreement as a precautionary measure and believes that it is in the best interests of the Company and all of its shareholders to ratify the Board's approval of the Amendment for the following reasons:

The Rights Agreement is intended to help the Board ensure that all of our shareholders receive fair and equal treatment in the event of a takeover proposal and to safeguard against coercive tactics designed to take control over our Company without allowing our shareholders to realize the long-term value of their investment. The Board believes that implementing these safeguards will assist us in preventing an acquirer from gaining control of our Company without offering a fair price to our shareholders.

The Rights Agreement provides the Board with adequate time to evaluate unsolicited offers and may deter or delay offers that are not in the shareholders' or the Company's best interests by encouraging the potential acquirer to negotiate with the Board to have the Common Stock purchase rights (the "Rights") redeemed before the potential acquirer acquires more than 15% or more (or, in the case of an Exempt Person, 33% or more) of our Common Stock. Accordingly, the Rights Agreement allows the Board time to pursue alternate strategies to maximize our shareholders' long-term value.

Because the Rights Agreement is one of the most effective tools the Board has to ensure that shareholders realize the full value of their investment and, without the Amendment, it would expire on its terms on January 27, 2014, the Board is recommending that the shareholders ratify the Amendment to extend the term of the Rights Agreement for three years.

The Rights may have certain anti-takeover effects. The Rights will cause substantial dilution to any person or group that attempts to acquire us without the Board's approval. As a result, the overall effect of the Rights may be to render more difficult or discourage any attempt to acquire us even if such acquisition may be favorable to the interests of our shareholders. Because the Board can redeem the Rights and amend the Rights Agreement in any respect at any time prior to a person or group becoming the owner of 15% or more (or, in the case of an Exempt Person, 33% or more) of our outstanding Common Stock, the Rights should not interfere with a merger or other business combination that the Board approves or any other potential acquirer that is willing to make an offer at a fair price or otherwise in our shareholders' best interests.

The Rights Agreement is similar to rights agreements that other public companies have adopted and our adoption of the Amendment was not prompted by any external actions. As is detailed under "Principal Shareholders" on page 5 of this Proxy Statement, we currently have four shareholders, excluding the Exempt Persons, which have reported ownership position of more than 5% of our outstanding Common Stock. Although all of these holdings have been reported to be passive in nature, we believe that the Rights Agreement gives the Board time to evaluate and respond to any unsolicited future attempts to acquire our company and to protect the long-term value of our shareholders' investment in us.





## Description of the Rights Agreement

Prior to the Distribution Date, the Rights will be evidenced by the certificates for and will be transferred with the Common Stock, and the registered holders of the Common Stock will be deemed to be the registered holders of the Rights. After the Distribution Date, the Rights Agent will mail separate certificates evidencing the Rights to each record holder of the Common Stock as of the close of business on the Distribution Date, and thereafter the Rights will be transferable separately from the Common Stock.

The “Distribution Date” means the close of business on the earlier of:

the tenth calendar day after the date of the first public announcement (including the filing of a report on Schedule 13D under the Securities Exchange Act of 1934, as amended, (or any comparable or successor report))

- (1) that a person or group of affiliated or associated persons (an “Acquiring Person”) has acquired beneficial ownership of 15% or more (or, in the case of an Exempt Person (as defined below), 33% or more) of the then outstanding Common Stock (the “Stock Acquisition Date”); and

- (2) the tenth business day (or such later date as may be determined by action of the Board prior to such time as any person becomes an Acquiring Person) after the date of commencement by any person of, or after the date of the first public announcement of the intention of any person to commence, a tender or exchange offer the consummation of which could result in any person becoming the beneficial owner of 15% or more (or, in the case of an Exempt Person, 33% or more) of the then outstanding Common Stock.

An Acquiring Person will not include the Company; any of its subsidiaries; any employee benefit plan of the Company or any of its subsidiaries; any person organized, appointed or established by the Company or any of its subsidiaries for or pursuant to the terms of any such plan; or any Exempt Person (as defined below).

“Exempt Person” means Harris J. Pappas and Christopher J. Pappas (and in the event of death, their respective spouses, descendants and personal representatives of their respective estates), and their affiliates and associates, unless such persons become the beneficial owner of 33% or more of the shares of Common Stock then outstanding, subject to appropriate adjustment for stock splits, reverse stock splits or Common Stock dividends.

Notwithstanding the foregoing, no person (including an Exempt Person) will become an Acquiring Person as a result of an acquisition of Common Stock by the Company or any of its subsidiaries which, by reducing the number of shares of Common Stock outstanding, increases the proportionate number of shares of Common Stock beneficially owned by such person to 15% or more (or, in the case of an Exempt Person, 33% or more) of the then outstanding Common Stock unless such person thereafter becomes the beneficial owner of any additional shares of Common

Stock, in which case such person will be deemed to be an Acquiring Person. An Acquiring Person will not include any person that the Board, in good faith, determines has inadvertently become an Acquiring Person if such person promptly divests a sufficient number of shares of Common Stock so that such person would no longer be an Acquiring Person.

Prior to the Distribution Date, the Rights will not be exercisable. After the Distribution Date, but prior to the time a person becomes an Acquiring Person, each Right will be exercisable to purchase, for \$12.00 (the "Purchase Price") per one-half of one share of Common Stock.

If any person becomes an Acquiring Person, each Right (other than Rights beneficially owned by the Acquiring Person and certain affiliated persons) will entitle the holder to purchase, for the Purchase Price, a number of shares of Common Stock having a market value of two times the Purchase Price.

If, after any person has become an Acquiring Person, (1) the Company is involved in a merger, consolidation or other business combination in which the Company is not the surviving corporation or its Common Stock is exchanged for other securities or (2) the Company and/or one or more of its subsidiaries sells or otherwise transfers assets or earning power aggregating more than 50% of the assets or earning power of the Company and its subsidiaries, taken as a whole, then each Right (other than Rights beneficially owned by the Acquiring Person and certain affiliated persons) will entitle the holder to purchase, for the Purchase Price, a number of shares of common stock of the other party to such business combination or sale (or in certain circumstances, an affiliate) having a market value of two times the Purchase Price.

At any time after any person has become an Acquiring Person, but before any person becomes the beneficial owner of 50% or more of the then outstanding shares of Common Stock, the Board may exchange all or part of the Rights (other than the Rights beneficially owned by the Acquiring Person and certain affiliated persons) for shares of Common Stock at an exchange ratio of one-half of one share of Common Stock per Right.

The Board may, at its option and at any time prior to the close of business on the earlier of the (1) Stock Acquisition Date and (2) the Final Expiration Date, redeem all, but not less than all, of the then outstanding Rights at a redemption price of \$0.001 per Right, which price will be adjusted to reflect any stock split, stock dividend or similar transaction occurring after January 27, 2011. Any such redemption of the Rights by the Board may be made effective at such time, on such basis and with such conditions as the Board in its sole discretion may establish. The Company may, at its option, pay the redemption price in cash, shares of Common Stock or any other form of consideration that the Board deems appropriate, or any combination thereof.



The Rights will expire on the Final Expiration Date, unless the Rights Agreement is earlier terminated or such date is extended or the Rights are earlier exchanged or redeemed as described above.

Prior to the time that any person becomes an Acquiring Person, the Rights Agreement may be amended in any respect. From and after the time that any person becomes an Acquiring Person, the Rights Agreement may only be amended in order to cure any ambiguity, to correct any defect or inconsistency or to make changes that do not adversely affect the interests of holders of Rights (other than an Acquiring Person and its affiliated and associated persons).

Rights holders have no rights as shareholders of the Company, including the right to vote and to receive dividends.

The Rights Agreement includes antidilution provisions designed to prevent efforts to diminish the effectiveness of the Rights.

A committee of independent directors of the Board will review and evaluate the Rights Agreement at least annually in order to consider whether the maintenance of the Rights Agreement continues to be in the best interests of the Company and its shareholders. Following each such review, the committee will communicate its conclusions to the full Board, including any recommendation in light thereof as to whether the Rights Agreement should be modified or the Rights should be redeemed.

Although the distribution of the Rights will not be taxable to shareholders or to the Company, shareholders may, depending upon the circumstances, recognize taxable income if the Rights become exercisable as set forth above. If the Rights become exercisable, holders of Common Stock should consult their own tax advisors concerning the specific tax consequences to them of acquiring, holding, exercising or disposing of the Rights.

The Rights issued pursuant to the Rights Agreement are in all respects subject to and governed by the provisions of the Rights Agreement, as amended by the Amendment.

#### **Vote Required**

The affirmative vote of a majority of votes cast by the shares present in person or represented by proxy at the Annual Meeting is required to ratify the Board's approval of the Amendment.

**THE BOARD RECOMMENDS A VOTE "FOR" THIS PROPOSAL TO RATIFY THE AMENDMENT.**

## **CORPORATE GOVERNANCE**

### **Committees of the Board of Directors**

The Board currently maintains the following standing committees: Finance and Audit, Nominating and Corporate Governance, Personnel and Administrative Policy, Executive Compensation, and Executive. All committees meet as necessary to fulfill their responsibilities. The Board has directed each committee to consider matters within its areas of responsibility and to make recommendations to the full Board for action on these matters. Only the Executive Committee is empowered to act on behalf of the Board, and the specific powers of that committee may be exercised only in extraordinary circumstances.

#### **Finance and Audit Committee**

The Finance and Audit Committee is a standing audit committee established to oversee the Company's accounting and financial reporting processes and the audit of the Company's financial statements. Its primary functions are to monitor and evaluate corporate financial plans and performance and to assist the Board in monitoring: (1) the integrity of the financial statements of the Company; (2) the Company's compliance with legal and regulatory requirements; (3) the independent registered public accounting firm's qualifications and independence; (4) the performance of the Company's internal audit function and its independent registered public accounting firm; and (5) the Company's major risk exposures and the steps management has taken to monitor and control such exposures. Management is responsible for preparing the financial statements, and the independent registered public accounting firm is responsible for auditing those financial statements. The Finance and Audit Committee is also directly responsible for the appointment, compensation, retention, and oversight of the work of the Company's independent registered public accounting firm and the preparation of the Finance and Audit Committee Report below. A copy of the current Finance and Audit Committee Charter adopted by the Board is available in print to any shareholder upon request and on the Company's website at [www.lubysinc.com](http://www.lubysinc.com). All members of the Finance and Audit Committee are independent directors as described under "Corporate Governance Guidelines—Director Independence" on page 20. The Finance and Audit Committee met nine times during the last fiscal year.

The Board determined that Gasper Mir, III and Joe C. McKinney are "audit committee financial experts" as defined in rules of the Securities and Exchange Commission adopted pursuant to the Sarbanes-Oxley Act of 2002 and are "independent" as prescribed by the listing standards of the New York Stock Exchange.

At least quarterly, Committee members have the opportunity to meet privately with representatives of the Company's independent registered public accounting firm and with the Company's Director of Internal Audit.

The members of the Finance and Audit Committee are: Joe C. McKinney (Chair); J.S.B. Jenkins (Vice-Chair); Arthur R. Emerson; and Gasper Mir, III.

### **Nominating and Corporate Governance Committee**

The primary functions of the Nominating and Corporate Governance Committee are: (1) to maintain oversight of the development, structure, performance, and evaluation of the Board; (2) to seek and recommend candidates to fill vacancies on the Board; (3) to recommend appropriate Board action on renewal terms of service for incumbent members as their terms near completion; (4) to review compensation paid to non-management directors; and (5) to develop and periodically review the Company's Corporate Governance Guidelines and recommend such changes as may be determined appropriate to the Board so as to reflect the responsibilities of the Board and the manner in which the enterprise should be governed in compliance with best practices. A copy of the current Nominating and Corporate Governance Committee Charter is available in print to any shareholder upon request and on the Company's website at [www.lubysinc.com](http://www.lubysinc.com). All members of the Nominating and Corporate Governance Committee are independent directors as described below. The Nominating and Corporate Governance Committee met three times during the last fiscal year.

The members of the Nominating and Corporate Governance Committee are: Gasper Mir, III (Chair); Judith B. Craven (Vice-Chair); J.S.B. Jenkins; and Joe C. McKinney.

### **Personnel and Administrative Policy Committee**

The primary functions of the Personnel and Administrative Policy Committee are to monitor and evaluate the policies and practices of: (1) human resource management and administration; (2) management development; (3) non-executive officer compensation and benefits; (4) savings and investment plan administration; (5) marketing and public relations strategies; (6) loss prevention, quality assurance, and food safety policies and procedures; and (7) investor relations and communications on matters other than financial reporting. The Personnel and Administrative Policy Committee met four times during the last fiscal year.

The members of the Personnel and Administrative Policy Committee are: Judith B. Craven (Chair); Jill Griffin (Vice-Chair); Frank Markantonis; and Harris J. Pappas.





None of the members of the Committee is an officer or employee, or a former officer or employee, of the Company, except Harris J. Pappas. Mr. Pappas served as the Company's Chief Operating Officer until April 2011.

### **Executive Compensation Committee**

The Executive Compensation Committee is a standing committee of the Board, consisting of independent directors, whose primary functions are: (1) to discharge the Board's responsibilities relating to compensation of the Company's Named Executive Officers (as defined in "Compensation Discussion and Analysis—Summary Compensation Table") and (2) to communicate to shareholders the Company's ay delegate its responsibilities to a subcommittee consisting of one or more of its members. The Executive Compensation Committee Charter is available in print to any shareholder upon request and on the Company's website at [www.lubysinc.com](http://www.lubysinc.com). All members of the Executive Compensation Committee are independent directors as described under "Corporate Governance Guidelines—Director Independence" on page 20. The Executive Compensation Committee met four times during the last fiscal year.

For information concerning policies and procedures relating to the consideration and determination of executive compensation, including the role of the Executive Compensation Committee, see "Compensation Discussion and Analysis" beginning on page 25. For the report of the Executive Compensation Committee concerning the Compensation Discussion and Analysis, see "Executive Compensation Committee Report" on page 30.

The members of the Executive Compensation Committee are: J.S.B. Jenkins (Chair); Judith B. Craven (Vice-Chair); Jill Griffin; and Arthur Emerson.

*Compensation Committee Interlocks and Insider Participation.* During the fiscal year ended August 28, 2013, none of the Company's executive officers served on the board of directors of any entities whose directors or officers served on the Company's Executive Compensation Committee. No current or past officer serves on the Company's Executive Compensation Committee.

### **Executive Committee**

The primary functions of this Committee are: (1) to facilitate action by the Board between meetings of the Board; and (2) to develop and periodically review the Company's standing committee charters. The Executive Committee did not meet during the last fiscal year.

The members of the Executive Committee are: Gasper Mir, III (Chair); Judith B. Craven (Vice-Chair); Joe C. McKinney; J.S.B. Jenkins; Christopher J. Pappas; and Harris J. Pappas.

### **Nominations for Director**

The Nominating and Corporate Governance Committee considers candidates for Board membership recommended by its members and other Board members, as well as management and shareholders. The Committee may retain a third-party search firm to assist it in identifying candidates. The Nominating and Corporate Governance Committee will consider director candidates whose recommendations are timely submitted by our shareholders in accordance with the notice provisions discussed below under “Shareholder Proposals for 2015 Annual Meeting.”

Once the Nominating and Corporate Governance Committee has identified a prospective nominee, the Committee makes an initial determination as to whether to conduct a full evaluation of the candidate. The initial determination is based on the information 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 of 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 evaluation factors described below.

If the Committee determines, in consultation with the Board, as appropriate, that additional consideration is warranted, it may request a third-party search firm to gather additional information about the prospective nominee’s background and experience and report its findings to the Committee. The Committee then evaluates the prospective nominee against the minimum standards and qualifications set out in the Company’s Corporate Governance Guidelines and the charter of the Nominating and Corporate Governance Committee, including:

- candidate’s expertise and experience;
- independence (as defined by applicable New York Stock Exchange and Securities and Exchange Commission rules);
- financial literacy and understanding of business strategy, business environment, corporate governance, and board operation knowledge;
- commitment to the Company’s core values;



•skills, expertise, independence of mind, and integrity;

•relationships with the Company;

•service on the boards of directors of other companies;

•openness, ability to work as part of a team and willingness to commit the required time; and

•familiarity with the Company and its industry.

The Nominating and Corporate Governance Committee also considers the diversity of, and the optimal enhancement of the current mix of talent and experience on, the Board and other factors as it deems relevant, including the current composition of the Board, the balance of management and independent directors, and the need for Finance and Audit Committee expertise. While no formal diversity policy exists, diversity is considered as one factor of many in evaluating prospective nominees, and the Committee believes that its evaluation of diversity as a factor in evaluating prospective nominees is effective.

In connection with its evaluation, the Committee determines whether to interview the prospective nominee; in addition, if warranted, one or more members of the Committee, and others as appropriate, may interview prospective nominees in person. After completing this evaluation and interview, the Committee 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.

The Company did not pay any third party a fee to assist in the process of identifying or evaluating nominees for election at the Annual Meeting.

## **CORPORATE GOVERNANCE GUIDELINES**

The Company maintains Corporate Governance Guidelines evidencing the views of the Company on such matters as the role and responsibilities of the Board, composition of the Board, Board leadership, functioning of the Board, functioning of committees of the Board, and other matters. These guidelines are reviewed annually and modified when deemed appropriate by the Board. The current version of the Company's Corporate Governance Guidelines are available in print to any shareholder upon request and can be found on the Company's website at [www.lubysinc.com](http://www.lubysinc.com).

### **Director Independence**

The Board has evaluated the independence of the members of the Board under the Luby's Director Independence Test. In conducting this evaluation, the Board considered transactions and relationships between each director or his or her immediate family and the Company to determine whether any such transactions or relationships were material and, therefore, inconsistent with a determination that each such director is independent. Based upon that evaluation, the Board determined that the following directors have no material relationship with us and, thus, are independent:

Judith B. Craven

Arthur R. Emerson

Jill Griffin

J.S.B. Jenkins

Joe C. McKinney

Gasper Mir, III

The Board also has determined that each member of the Finance and Audit Committee, the Nominating and Corporate Governance Committee, and the Executive Compensation Committee meets the independence requirements applicable to those committees prescribed by the New York Stock Exchange, the Securities and Exchange Commission, and the Internal Revenue Service. The Luby's Director Independence Test is available in print to any shareholder upon request and on the Company's website at [www.lubysinc.com](http://www.lubysinc.com).

## **Resignation of Directors**

Any director may resign at any time by giving notice in writing or by electronic transmission to the Board or the Secretary of the Company.

## **Executive Session Meetings of Non-Management Directors**

Non-management directors regularly meet in executive sessions, without the presence of management directors or executive officers of Luby's.

## **Board Leadership Structure and Presiding Director**

Currently, the offices of Chairman and Chief Executive Officer are separate. Corporate policy allows for the separation of these offices to preserve flexibility for the Board regarding the selection of Chairman and Chief Executive Officer and the independence of these positions, although it is not mandated.

The Chairman of the Board currently presides over the executive sessions of non-management directors. If the offices of Chief Executive Officer and Chairman are not separate or, for any other reason, the Chairman is not independent, the independent directors will elect one of the independent directors to preside over the executive sessions of non-management directors.

## **Board Member Meeting Attendance**

Directors are expected to attend Board meetings and meetings of the Committees on which they serve, to spend the time needed, and to meet as frequently as necessary to properly discharge their responsibilities. During the fiscal year ended August 28, 2013, the Board held six meetings. Each Director attended all of the meetings of the Board and Committees on which he or she served. All of the Company's nine Directors attended the 2013 annual meeting of shareholders of the Company, and the Company expects that all continuing members of the Board will be present at the Annual Meeting.

## **The Board of Directors' Role in Risk Oversight**

The Board considers the effective oversight of risk important to running a successful business and in fulfilling its fiduciary responsibilities to the Company and its stockholders. In addition to the Chief Executive Officer, General Counsel, Vice President of Risk Management, and other members of our senior leadership team who are responsible for the day-to-day management of risk, the Board is responsible for ensuring that an appropriate culture of risk management exists within the Company and for overseeing its risk profile and assisting management in addressing specific risks, such as operational risks, strategic and competitive risks, financial risks, brand and reputation risks, and legal and regulatory risks.



Strategic, operational, and competitive risks, as well as the steps management has taken or will take to mitigate these risks, are presented, reviewed, and discussed at regular meetings of the Board and its committees. Additionally, at each quarterly meeting, or more often as necessary, the General Counsel presents to the Board an update on material legal and regulatory matters.

The Nominating and Corporate Governance Committee is responsible for reviewing our Enterprise Risk Management, or ERM, framework and programs, as well as the framework by which management discusses our risk profile and risk exposures with the full board and its committees.

The Finance and Audit Committee meets regularly with our Chief Financial Officer, Internal Auditor, independent auditor, General Counsel, and other members of senior management to discuss our major financial risk exposures, financial reporting, internal controls, credit and liquidity risk, compliance risk, key operational risks, and ERM framework and programs.

The Executive Compensation Committee and Personnel and Administrative Policy Committee are responsible for overseeing human capital and compensation risks, including evaluating and assessing risks arising from our compensation policies and practices for all employees and ensuring executive compensation is aligned with performance. They are also charged with monitoring our incentive and equity-based compensation plans, including employee pension and benefit plans.

The Nominating and Corporate Governance Committee oversees risks related to our overall corporate governance, including board and committee composition, board size and structure, director independence, and our corporate governance profile and ratings. The Committee also is actively engaged in overseeing risks associated with succession planning for the board and management.

### **Code of Conduct and Ethics for All Directors, Officers, and Employees**

The Board has adopted a Policy Guide on Standards of Conduct and Ethics, which is applicable to all directors, officers, and employees. The intent of the Policy Guide on Standards of Conduct and Ethics is to promote observance of fundamental principles of honesty, loyalty, fairness, and forthrightness and adherence to the letter and spirit of the law. Waivers of any part of the Policy Guide on Standards of Conduct and Ethics for any director or executive officer are permitted only by a vote of the Board or a designated Board committee that will ascertain whether a waiver is appropriate under all the circumstances. The Company intends to disclose any waivers of the Policy Guide on Standards of Conduct and Ethics granted to directors and executive officers in print to any shareholder upon request and on the Company's website at [www.lubysinc.com](http://www.lubysinc.com).

Copies of the Policy Guide on Standards of Conduct and Ethics are available in print to shareholders upon request or on the Company's website at [www.lubysinc.com](http://www.lubysinc.com).

### **Code of Ethics for the Chief Executive Officer and Senior Financial Officers**

The Board has adopted a Supplemental Standards of Conduct and Ethics that apply to the Company's Chief Executive Officer, Chief Financial Officer, Controller, and all senior financial officers ("Senior Officers' Code"). The Senior Officers' Code is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

- full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company;

- compliance with governmental laws, rules, and regulations;

- the prompt internal reporting to an appropriate person or persons identified in the Senior Officers' Code of violations of the Senior Officers' Code; and

- accountability for adherence to the Senior Officers' Code.

Waivers of the Senior Officers' Code for the Chief Executive Officer, Chief Financial Officer, and the Controller are permitted only by a vote of the Board or a designated Board committee that will ascertain whether a waiver is appropriate under all the circumstances. The Company intends to disclose any waivers of the Senior Officers' Code granted to the Chief Executive Officer, Chief Financial Officer, or the Controller on the Company's website at [www.lubysinc.com](http://www.lubysinc.com) and in print to any shareholder upon request.

Copies of the Senior Officers' Code are available in print to shareholders upon request or on the Company's website at [www.lubysinc.com](http://www.lubysinc.com).

### **Receipt and Retention of Complaints Regarding Accounting and Auditing Matters**

To facilitate the reporting of questionable accounting, internal accounting controls, or auditing matters, the Company has established an anonymous reporting hotline through which employees can submit complaints on a confidential and anonymous basis. Any concerns regarding accounting, internal accounting controls, auditing, or other disclosure matters reported on the hotline are reported to the Chair of the Finance and Audit Committee. These reports are confidential and anonymous. Procedures are in place to investigate all reports received by the hotline relating to questionable accounting, internal accounting controls, or auditing matters and to take any corrective action, if necessary. The Finance and Audit Committee is notified of these reports at every quarterly committee meeting, or sooner if necessary.

Any person who has concerns regarding accounting, internal accounting controls, or auditing matters may address them to the attention of Chair, Finance and Audit Committee, Luby's, Inc., 13111 Northwest Freeway, Suite 600, Houston, Texas 77040.

### **Nonretaliation for Reporting**

The Company's policies prohibit retaliation against any director, officer, or employee for any report made in good faith. However, if the reporting individual was involved in improper activity, the individual may be appropriately disciplined even if he or she was the one who disclosed the matter to the Company. In these circumstances, the Company may consider the conduct of the reporting individual in promptly reporting the information as a mitigating factor in any disciplinary decision.

### **Shareholder Communications to the Board of Directors**

Shareholders and other parties interested in communicating directly with the Chairman of the Board, the non-management directors as a group or the Board itself regarding the Company may do so by writing to the Chairman of the Board, in care of the Corporate Secretary at Luby's, Inc., 13111 Northwest Freeway, Suite 600, Houston, Texas 77040.

The Board has approved a process for handling letters received by the Company and addressed to non-management members of the Board. Under that process, the Company's Corporate Secretary reviews all such correspondence that, in the opinion of the Corporate Secretary, deals with the function of the Board or committees thereof or that the Corporate Secretary otherwise determines requires the Board's attention. Directors may at any time request copies of

all correspondence received by the Company that is addressed to members of the Board. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of the Company's internal audit department and handled in accordance with procedures that the Finance and Audit Committee has established with respect to such matters.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, executive officers, and any persons beneficially owning more than ten percent of Common Stock to report their initial ownership of Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission and the New York Stock Exchange, and to provide copies of such reports to the Company. Based upon the Company's review of copies of such reports received by the Company and written representations of its directors and executive officers, the Company believes that during the fiscal year ended August 28, 2013, all Section 16(a) filing requirements were satisfied on a timely basis.

## **CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

### **Related Person Transactions**

On July 23, 2002, the Company entered into an Indemnification Agreement with each member of the Board under which the Company obligated itself to indemnify each director to the fullest extent permitted by applicable law so that he or she will continue to serve the Company free from undue concern regarding liabilities. The Company has also entered into an Indemnification Agreement with each person becoming a member of the Board since July 23, 2002. The Board has determined that uncertainties relating to liability insurance and indemnification have made it advisable to provide directors with assurance that liability protection will be available in the future.

The Company obtains certain goods and/or services from entities owned or controlled by Christopher J. Pappas, President and Chief Executive Officer of the Company, and Harris J. Pappas, a member of the Board (the "Pappas Entities"), pursuant to the terms of an Amended and Restated Master Sales Agreement, dated June 13, 2012. Under the terms of the Master Sales Agreement, the Pappas Entities may provide specialized (customized) equipment fabrication and basic equipment maintenance, including stainless steel stoves, shelving, rolling carts, and chef tables. During the 2013 fiscal year, the Pappas Entities provided goods to the Company under the Master Sales Agreement in the amount of approximately zero. Consistent with past practices, the Finance and Audit Committee, consisting entirely of independent directors, reviewed on a quarterly basis all applicable amounts related to the Master Sales Agreement.

The Company anticipates that payments to the Pappas Entities under the Master Sales Agreement during the current fiscal year, if any, will be primarily for goods purchased pursuant to the terms of the Master Sales Agreement. In the opinion of the Finance and Audit Committee, the fees paid by the Company for such goods and/or services are primarily at or below what the Company would pay for comparable goods and/or services (if available) from a party unaffiliated with the Company.

In the third quarter of fiscal year 2004, Messrs. Pappas became partners in a limited partnership which purchased a retail strip center in Houston, Texas. Messrs. Pappas collectively own a 50% limited partner interest and a 50% general partner interest in the limited partnership. An independent third party company manages the center. One of the Company's restaurants has rented approximately 7% of the space in that center since July 1969. No changes were made to the Company's lease terms as a result of the transfer of ownership of the center to the new partnership. On November 22, 2006, due to the approaching expiration of the previous lease, the Company executed a new lease agreement with respect to this property, which provides, effective upon the Company's relocation and occupancy into the new space in July 2008, for a primary term of approximately 12 years with two subsequent five-year options. The new lease also gives the landlord an option to buy out the tenant on or after the calendar year 2015 by paying the then unamortized cost of improvements to the tenant. The Company will owe, under the lease, \$20.00 per square foot plus

maintenance, taxes, and insurance for each of the calendar years 2010, 2011, 2012, and 2013. Thereafter, the lease provides for reasonable increases in rent at set intervals. The new lease agreement was approved by the Finance and Audit Committee. The Company made payments of \$426,000 during fiscal year 2013, and \$68,597 from August 28, 2013 to November 15, 2013, under the current lease agreement.

### **Policies and Procedures Regarding Related Person Transactions**

The Board has adopted a written Related Person Transaction Approval Policy, which requires the Finance and Audit Committee to review each related person transaction (as defined below) and determine whether it will approve or ratify that transaction.

For purposes of the policy, a “related person transaction” is any transaction, arrangement, or relationship where the Company is a participant, the Related Person (defined below) had, has, or will have a direct or indirect material interest and the aggregate amount involved is expected to exceed \$120,000 in any calendar year. “Related Person” includes: (a) any person who is or was (at any time during the last fiscal year) an executive officer, director or nominee for election as a director; (b) any person or group who is a beneficial owner of more than 5% of the Company’s voting securities; (c) any immediate family member of a person described in provisions (a) or (b) of this sentence; or (d) any entity in which any of the foregoing persons is employed, is a partner or has a greater than 5% beneficial ownership interest.

In determining whether a related person transaction will be approved or ratified, the Finance and Audit Committee may consider factors such as: (a) the extent of the Related Person’s interest in the transaction; (b) the availability of other sources of comparable products or services; (c) whether the terms are competitive with terms generally available in similar transactions with persons that are not Related Persons; (d) the benefit to the Company; and (e) the aggregate value of the transaction.

**EXECUTIVE OFFICERS**

Certain information is set forth below concerning the executive officers of the Company, each of whom has been elected to serve until his successor is duly elected and qualified:

| <b>Name</b>           | <b>Served as Officer Since</b> | <b>Positions with Company and Principal Occupation Last Five Years</b>   | <b>Age</b> |
|-----------------------|--------------------------------|--|------------|
| Christopher J. Pappas | 2001                           | President and CEO (since March 2001); CEO of Pappas Restaurants, Inc.  | 66         |
| Peter Tropoli         | 2001                           | Chief Operating Officer (since April 2011); Senior Vice President-Administration and General Counsel (March 2001 to April 2011); Secretary (January 2006 to April 2011). | 41         |
| K. Scott Gray         | 2007                           | Senior Vice President and CFO (since April 2007) and Vice President of Finance (October 2005 to April 2007).   | 44         |

## COMPENSATION DISCUSSION AND ANALYSIS

In our Compensation Discussion and Analysis, we:

- describe our goals for compensating our Named Executive Officers;

- describe how we designed our compensation program and explain how executive compensation decisions reflect both the Company's business performance and the individual performance goals for each of our Named Executive Officers; and

- explain the tables and other disclosures that follow.

Our "Named Executive Officers" are identified in the Summary Compensation Table on page 30.

## EXECUTIVE SUMMARY

This section highlights key actions taken by Luby's Executive Compensation Committee (the "Committee") to further align the interests of our Named Executive Officers with those of our shareholders and improve our pay for performance position.

The Company's executive compensation program ("program") is designed to enable the Company to execute its business objectives by attracting, retaining, and motivating the highest quality of management talent. The program serves to incent and reward executive performance, with the objective of enhancing shareholder value over the long term and encouraging long-term retention of executives. The Company's annual compensation plans are typically determined at the beginning of each fiscal year and are granted during the beginning of the following fiscal year after disclosure of the prior fiscal year's results.

The Committee evaluates the effectiveness of the program in meeting its objectives and in light of the Company's performance for the prior fiscal year, competitive compensation data, evaluation of each executive's contribution to the Company's performance, each executive's experience, responsibilities, management abilities, and other individual criteria. The Committee advises the Board on executive compensation and typically makes recommendations to the Board for approval of the compensation for executive officers.



In fiscal year 2013, we continued to operate our two core brands in the competitive fast casual segment of the restaurant industry. In addition, we continued the progression of our brand growth strategy by opening new restaurants, enlarging our geographic footprint, acquiring new stores, entering into new culinary services contracts, growing our new store development pipeline, and adding another brand through acquisition, Cheeseburger in Paradise. Fiscal year 2013 was the largest growth year for the Company in over a decade, as we opened seven new locations, including a combo unit with a Luby's Cafeteria and a Fuddrucker's that sit side-by-side, as well as six new standalone Fuddrucker's restaurants. Further, we relocated one cafeteria from its location inside a shopping mall to a pad site in front of the mall with great results. During fiscal year 2013, we also increased our franchise pipeline by 35 units, including 6 openings to take place in the fiscal year 2014.

In the second quarter of fiscal year 2013, we acquired Cheeseburger in Paradise, a 23 unit restaurant chain for approximately \$11 million. We have made significant progress integrating Cheeseburger in Paradise, including revamping the menu, providing a one-source purchasing system for food and supplies, and introducing best-in-class restaurant processes and systems. Today at Cheeseburger in Paradise, our guests are assured a better burger, a better bun, and a better overall dining experience.

Our culinary contract services business line entered into six new agreements in fiscal year 2013, and we have improved the mix and margin of this business line.

Our fiscal year 2013 core restaurant initiatives centered on further refining guest experience and restaurant designs, increasing operating efficiencies, exploring new avenues for revenue growth, re-investing in our core restaurant models via remodel activity, and enhancing the customer experience through targeted marketing and promotions coupled with the personal attention of our restaurant managers and enhanced menu items. During fiscal year 2013, we remodeled 10 Luby's Cafeterias and refreshed 4 Fuddrucker's restaurants, including a full remodel of restrooms at 10 Fuddrucker's restaurants. In addition, all three of our restaurant brands, Luby's Cafeteria, Fuddrucker's, and Cheeseburger in Paradise, are ordering their key food and inventory supplies from one distribution consortium, providing better quality, pricing, and consistency.

### **Summary of 2013 Compensation Activity**

In recognition of the various achievements during fiscal year 2012 and in accordance with the objectives outlined below, the Company's executive officers received short-term incentive compensation in the form of bonuses and long-term incentive compensation in the form of stock options and restricted stock in the beginning of fiscal year 2013. Awards granted during the beginning of fiscal year 2013 correlate with earnings under the fiscal year 2012 executive compensation plan. Base salaries of the Company's executive officers were set in accordance with market and industry levels.



## EXECUTIVE COMPENSATION OVERVIEW

The program is designed to enable the Company to execute its business objectives by attracting, retaining, and motivating the highest quality of management talent. The program serves to incent and reward executive performance, with the objective of enhancing shareholder value over the long term and encouraging long-term retention of executives. As such, each element of compensation is an integral part of achieving this purpose. In addition, the Company strives to remain competitive by balancing all elements of compensation.

The Committee annually evaluates the effectiveness of the Company's executive compensation program in meeting its objectives. The Committee annually advises the Board on the compensation to be paid to the Company's executive officers and approves the compensation for executive officers. The Committee evaluates compensation with reference to the Company's performance for the prior fiscal year, competitive compensation data, evaluation of each executive's contribution to the Company's performance, each executive's experience, responsibilities, management abilities, and other individual criteria it deems appropriate.

The Company's executive compensation program currently consists of three main components:

- base salary;

- a performance-based annual cash incentive payment; and

- performance-based short-term and long-term equity incentive compensation awards.

The dollar value of performance-based short-term and long-term incentive equity compensation awards is typically divided between stock options and long-term grants of Common Stock. Fifty percent of such value consists of incentive stock option grants, is referred to as "Short-Term Equity Incentive," is tied to an annual pre-budgeted EBITDA number during the applicable fiscal year, and is subject to vesting schedules requiring continued service with the Company. The other fifty percent of such value consists of grants of Common Stock at the end of a three-year period, is referred to as "Long-Term Equity Incentive," and is tied to the cumulative EBITDA results for the Company over a three-year period.

For the compensation plan relating to fiscal year 2013, the Company replaced three-year vesting restricted stock grants with long-term Common Stock grants, granted at the end of a three-year period and computed based on the level of achievement of cumulative EBITDA results for the Company over said three-year period.

The Company's executive compensation program does not include any pension benefits. None of the Named Executive Officers participates in any retirement or defined benefit plan maintained by the Company. The Company has no compensation agreements or benefits which provide for tax gross-ups. Further, executives do not receive perquisites and other personal benefits which exceed \$10,000 in the aggregate for any executive officer in any fiscal year.

The Company currently has no salary continuation agreement, or change in control agreements having similar effect, with any employee of the Company other than the employment agreement with Christopher J. Pappas as described under "—Employment Agreement" below.

The Committee administers the Company's stock option, ownership, and any other equity-based compensation plans to the Named Executive Officers.

### **Base Salaries**

The Company seeks to compensate executives for their performance throughout the year with annual base salaries that are fair and competitive while being consistent with the Company's position in the foodservice industry.

Base salaries are reviewed annually or biannually by the Committee to ensure continuing consistency with the industry and the Company's level of performance during the previous fiscal year. A third-party consultant, Towers Watson, provided benchmark information in prior years, through the use of peer and general industry data, which was used as a reference to assist the Committee. See "—Benchmarking and Use of Third-Party Compensation Consultant" beginning on page 28.

Any increase in an executive officer's base salary is intended to reflect the Company's financial performance, individual performance, market conditions, and/or potential changes in the officer's duties and responsibilities.

The salary of the Chief Executive Officer is fixed according to his employment agreement, leaving only his short- and long-term performance-based incentive compensation to be determined by the Board. See "—Employment Agreement" and "—Compensation of Chief Executive Officer" beginning on page 29. Members of the Committee, along with members of the Finance and Audit Committee, were involved in advising the Board on the appropriateness and reasonableness of the compensation package for the Chief Executive Officer.



Future adjustments to base salaries and salary ranges will reflect average movement in the competitive market and peers as well as individual performance.

### **Non-Equity Incentive Compensation and Bonus**

The Company's annual incentive compensation is designed to be a balanced set of measures which blend Company-wide financial measures, process-improvement measures, and Company and individual business objectives. Corporate and individual performance objectives are established near the beginning of each fiscal year and monitored throughout the fiscal year. If earned, the annual incentive compensation paid to each executive in the form of a cash payment will vary according to the Company's overall performance.

In prior years, a third-party consultant provided benchmark information through the use of peer and general industry data, which was used as a reference to assist the Committee. See “—Benchmarking and Use of Third-Party Compensation Consultant” beginning on page 28.

The Committee maintains full discretion with regard to annual incentive compensation, including the ability to grant an additional discretionary cash bonus at fiscal year-end and may decide to award or withhold an incentive compensation award for an individual based upon overall Company performance or upon each participant's individual performance during the year.

The Committee believes that same-store sales and earnings before interest, taxes, depreciation, and amortization (“EBITDA”) are important financial measures of executive performance. The two measures, taken together, allow for a reasonably accurate measure of executive performance relative to past periods, while minimizing the impact of non-operating factors, such as macroeconomic trends and acquisition integration. Accordingly, annual incentive compensation for all Named Executive Officers is determined by the Company's performance relative to pre-determined goals that are based on:

• Same-store sales (25%) and

• EBITDA (75%).

Further, the Committee considers individual executive performance factors relative to each executive's functions and area of responsibility. Such factors may include, without limitation: achievement of operational and management goals, revenue, profitability, ROI, cost controls, and enhancement of shareholder's value.

### **Short-Term Equity Incentive Compensation**

Short-term equity incentive compensation in the form of incentive stock option grants, are used to (1) incent performance that leads to enhanced shareholder value, (2) encourage retention, and (3) closely align the executive's interests with shareholders' long-term interests. These grants are based on performance relative to pre-determined goals.

The expected present value of these incentives is calculated using the binomial pricing method. The size of stock option and restricted stock grants is determined relative to the Company's size and its market, scope and responsibility of the individual, individual performance, share usage under the plan, employee qualifications and position, as well as peer and general industry data.

The Committee typically considers the grants of incentive stock options to eligible executive officers and other officers on an annual basis. If earned, such short-term incentive equity compensation will vary according to the Company's overall performance.

The stock option grants are at market value on the date of grant, typically vest at a rate of 25% on each anniversary following the grant date, and typically expire ten years from their grant date.

The stock option grants provide compensation to the optionee only to the extent the market price of the stock increases between the date of grant and the date the option is exercised. Stock options and restricted stock are intended to provide long-term compensation tied specifically to increases in the price of Common Stock.

### **Long-Term Equity Incentive Compensation**

Long-term equity incentive compensation in the form of long-term equity grants of Common Stock, granted at the end of a three-year period based on pre-determined metrics, are used to (1) incent performance that leads to enhanced shareholder value, (2) encourage retention, and (3) closely align the executive's interests with shareholders' long-term interests. These grants are based on the cumulative EBITDA results for the Company over a three-year period.

The size of long-term stock grants is determined relative to the Company's size and its market, scope and responsibility of the individual, individual performance, share usage under the plan, employee qualifications and position, as well as peer and general industry data.





The Committee typically reviews the grants of Common Stock to eligible executive officers and other officers on at least an annual basis. If earned, such long-term incentive equity compensation will vary according to the Company's overall performance.

These short-term and long-term incentive equity compensation awards are based primarily on the Company's achievement of its business plan objectives, consisting of sales and EBITDA objectives at approximately 90%, 100%, and 110% thresholds, and typically are granted on an annual basis following the disclosure of year-end results. The following chart summarizes this process:

| <b>Company achievement of budgeted target</b> | <b>Payout to executives based on predetermined incentive levels</b> |
|---|---|
| Less than 90% of target                       | No payout of incentive equity compensation                          |
| Greater than or equal to 90% of target        | 50% payout of incentive equity compensation                         |
| Greater than or equal to 100% of target       | 100% payout of incentive equity compensation                        |
| Greater than or equal to 110% of target       | 150% payout of incentive equity compensation                        |

All grants require Board approval and are typically presented at the first regularly scheduled Board meeting following the disclosure of year-end results. Neither the Company nor the Committee has a program, plan, or practice to time option grants to its executives in coordination with the release of material nonpublic information. Any stock option grants made to non-executive employees typically occur concurrently with grants to Named Executive Officers.

### **Benchmarking and Use of Third-Party Compensation Consultant**

The Company did not engage a third-party compensation consultant in the year ended August 28, 2013. In prior years, the Company engaged a third-party compensation consultant, Towers Watson, to provide an assessment of the Company's compensation structure for all of its officer positions and to evaluate their compensation relative to the marketplace. Towers Watson relied on its own annual incentive plan design surveys, its experience with general industry companies with annual revenues similar to that of the Company, and research from the proxy statements of companies considered peers of the Company. Towers Watson also developed marketplace base salary, target annual incentive opportunity, target total annual compensation, actual total annual compensation, long term incentive award level, target total direct compensation, and actual total direct compensation rates at the 25th, 50th, and 75th percentiles which were used, in prior years, as a reference to assist the Committee in designing and maintaining the Company's compensation programs.

### **Role of Executive Officers**

Of the Named Executive Officers, only the Chief Executive Officer has a role in determining executive compensation policies and programs. Within the parameters of the compensation policies established by the Committee, the Chief Executive Officer makes preliminary recommendations for base salary adjustments and short-term and long-term incentive levels for the other Named Executive Officers. The Chief Executive Officer may base his recommendation on a variety of factors such as his appraisal of the officer's performance and contribution to the Company and on market data.

### **Stock Ownership Guidelines**

The Board has adopted guidelines for ownership of Common Stock by executives and directors to help demonstrate the alignment of the interests of the Company's executives and directors with the interests of its shareholders. The amount of stock that a particular executive or director is required to hold is determined relative such person's position with the Company. The guidelines provide that executives and directors are expected to attain the following levels of stock ownership within five years of their election to the specified director or officer position:

| <b>Position</b>                    | <b>Share Ownership</b>                           |
|------------------------------------|--|
| Chief Executive Officer, President | 4 times annual base salary                       |
| Chief Operating Officer            | 2 times annual base salary                       |
| Senior Vice President              | 2 times annual base salary                       |
| Nonemployee Director               | Shares with a market value of at least \$100,000 |

Phantom stock and stock equivalents in the nonemployee director deferred compensation plan are considered Common Stock for purposes of the guidelines, as they are essentially awarded in lieu of cash compensation for Board services.

### **Employment Agreement**

The Company is a party to an employment agreement with Christopher J. Pappas, the Company's President and Chief Executive Officer. This agreement was filed on November 14, 2005 with the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2005. The agreement, as amended, expires in December 2013, and currently provides for a fixed base annual salary of \$400,000, plus potential bonus compensation in an amount that the independent directors of the Board or an authorized Committee, shall determine, solely based upon the Company's performance relative to Board-approved goals relating to the Company's achievement of same-store sales (50%) and EBITDA (50%) targets. Please read "—Compensation of Chief Executive Officer" beginning on page 29 for more information regarding Mr. Pappas' employment agreement.



The employment agreement, as amended, provides that Mr. Pappas will be entitled to receive all of his compensation and benefits under the contract on December 31, 2013, if either (1) the Company terminates his employment without cause, as defined in the agreements or (2) he terminates his employment for good reason, as defined in the agreement. For more information regarding potential payments under the employment agreement, please read “—Potential Payments upon Termination or Change in Control” beginning on page 33.

The Company does not have any agreements with any of its other officers, directors, or employees containing provisions governing the compensation and benefits that may be paid to any such person upon termination of employment or a change in control of the Company.

### **Compensation of Chief Executive Officer**

Christopher J. Pappas has a base salary fixed according to his employment agreement with the Company. Under his current employment agreement, as amended on August 28, 2012, which expires in December 2013, the annual base salary in fiscal year 2014 for Mr. Pappas is \$400,000. Mr. Pappas is eligible to receive potential annual cash bonuses and long-term equity incentives under his employment agreement in an amount that the independent directors of the Board or an authorized Committee, shall determine. Although his employment agreement states that said annual cash bonuses shall be based upon the Company’s achievement of Board-approved goals relating to same-store sales (50%) and EBITDA (50%) targets, his Incentive Compensation is computed, similar to all Named Executive Officers, based upon the Company’s achievement of Board-approved goals relating to same-store sales (25%) and EBITDA (75%). For more discussion regarding annual cash bonuses and long-term equity incentives, please read “—Non-Equity Incentive Compensation and Bonus,” “—Short-Term Equity Incentive Compensation” and “—Long-Term Equity Incentive Compensation” beginning on page 27.

### **Compensation and the Company’s Risk Management**

The Company believes that our compensation policies and practices for our employees are appropriately structured and encourage decision making that could expose the Company to unreasonable risks of material adverse consequences. Furthermore, the Company employs a number of safeguards with respect to the compensation policies and practices which mitigate excessive risk-taking by our employees. These safeguards include: benchmarking compensation to market levels; focusing on long-term shareholder value creation; tying long-term incentive grants to objectives; issuing equity awards that vest over multi-year time horizons; and maintaining stock ownership guidelines for our officers.

### **Section 162(m) of the Internal Revenue Code**

Section 162(m) of the Internal Revenue Code generally disallows a public company's tax deduction for compensation to the chief executive officer and the four other most highly compensated executive officers in excess of \$1 million in any calendar year. Compensation that qualifies as "performance based compensation" (as defined for purposes of Section 162(m)) is excluded from the \$1 million limitation, and therefore remains fully deductible by the company that pays it. Options granted under the Company's long-term incentive plan have been structured to qualify as performance-based and thus would not be subject to this deduction limitation. While the Committee will seek to utilize deductible forms of compensation to the extent practicable, it does not believe that compensation decisions should be made solely to maintain the deductibility of compensation for federal income tax purposes. Although none of the Named Executive Officers reached the deduction limitation in fiscal year 2013, the Committee plans to continue to evaluate the Company's salary, bonus, and stock option programs to determine the advisability of future compliance with Section 162(m).

**EXECUTIVE COMPENSATION COMMITTEE REPORT**

The Executive Compensation Committee reviewed and discussed the Company’s Compensation Discussion and Analysis with the Company’s management. Based on this review and discussion, the Executive Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company’s Annual Report on Form 10-K for the fiscal year ended August 28, 2013.

**Executive Compensation Committee**

J.S.B. Jenkins (Chair)

Judith B. Craven (Vice-Chair)

Jill Griffin

Arthur Emerson

**COMPENSATION TABLES AND INFORMATION**

**Summary Compensation Table**

The table below contains information concerning annual and long-term compensation of the current Chief Executive Officer, all persons who served as Chief Executive Officer of the Company during the last fiscal year, the current Chief Financial Officer, the next most highly compensated individuals, as specified in Item 402 of regulation S-K, who made in excess of \$100,000 in total compensation and were serving as executive officers at the end of the last completed fiscal year or who would otherwise have been required to be included in the table but for the fact that they were not serving as an executive officer of the Company at the end of the last completed fiscal year (the “Named Executive Officers”), for services rendered in all capacities for the fiscal year ended August 28, 2013.

Awards granted during the beginning of fiscal year 2013 relate to the earnings from the fiscal year 2012 executive compensation plan.

| <b>Name and Principal Position</b> | <b>Fiscal Salary</b> | <b>Bonus</b> | <b>Stock Awards</b> | <b>Option Awards</b> | <b>Non-Equity Incentive in</b> | <b>Change in</b> | <b>All Other</b> | <b>Total</b> |
|------------------------------------|----------------------|--------------|---------------------|----------------------|--------------------------------|------------------|------------------|--------------|
|------------------------------------|----------------------|--------------|---------------------|----------------------|--------------------------------|------------------|------------------|--------------|

|   | Year | Total Compensation |           | Plan Compensation |           | Nonqualified Compensation |       | Deferred Compensation |             |
|---|------|--------------------|-----------|-------------------|-----------|---------------------------|-------|-----------------------|-------------|
|   |      | Salary             | Bonus     | 401(k)            | Other     | Salary                    | Other | Other                 | Earnings    |
| Christopher J. Pappas                             | 2013 | \$400,000          | \$305,867 | \$199,997         | \$102,043 | \$ 0                      | \$ 0  | \$ 0                  | \$1,007,907 |
| President and Chief Executive Officer             | 2012 | 400,182            | 65,885    | 25,327            | 50,653    | 0                         | 0     | 0                     | 585,710     |
|   | 2011 | 409,666            | 0         | 47,303            | 43,663    | 0                         | 0     | 0                     | 500,632     |
| K. Scott Gray                                     | 2013 | 300,701            | 163,858   | 199,997           | 102,043   | 0                         | 0     | 0                     | 766,599     |
| Senior Vice President and Chief Financial Officer | 2012 | 257,775            | 34,260    | 15,315            | 30,626    | 0                         | 0     | 0                     | 364,175     |
|   | 2011 | 245,580            | 50,000    | 28,378            | 26,199    | 0                         | 0     | 0                     | 350,157     |
| Peter Tropoli (2)                                 | 2013 | 322,572            | 192,259   | 199,997           | 102,043   | 0                         | 0     | 0                     | 816,871     |
| Chief Operating Officer                           | 2012 | 322,205            | 42,166    | 15,315            | 30,626    | 0                         | 0     | 0                     | 441,786     |
|   | 2011 | 286,840            | 55,000    | 34,001            | 31,474    | 0                         | 0     | 0                     | 407,315     |

(1) Perquisites and other personal benefits that did not exceed \$10,000 in the aggregate for any Named Executive Officer have been excluded.

Mr. Tropoli became the Company's Chief Operating Officer on April 26, 2011. He had served as the Company's (2) Senior Vice President—Administration, General Counsel from March 2001 until April 2011 and Secretary from January 2006 until April 2011.

The following table summarizes grants of plan-based awards made to each of the Named Executive Officers during the Company's last fiscal year.

### Grants of Plan-Based Awards

| Name                  | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards (1) |            |             | All Other Stock Awards: Number of Shares of Stock Units (#) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercised or Base Price | Grant date fair value of stock and Option awards (\$) |
|-----------------------|------------|---|-------------|--------------|---|------------|-------------|---|--|-------------------------|---|
|                       |            | Threshold (\$)  | Target (\$) | Maximum (\$) | Threshold (#)   | Target (#) | Maximum (#) |   |  |                         |   |
| Christopher J. Pappas | 11/15/12   | N/A   | N/A         | N/A          | N/A   | N/A        | N/A         | 33,613  | —  | 5.95                    | 199,997   |
|                       | 11/15/12   | N/A   | N/A         | N/A          | N/A   | N/A        | N/A         | —   | 17,150   | 2.44                    | 41,839  |
| K. Scott Gray         | 11/15/12   | N/A   | N/A         | N/A          | N/A   | N/A        | N/A         | 33,613  | —  | 5.95                    | 199,997   |
|                       | 11/15/12   | N/A   | N/A         | N/A          | N/A   | N/A        | N/A         | —   | 17,150   | 2.44                    | 41,839  |
| Peter Tropoli         | 11/15/12   | N/A   | N/A         | N/A          | N/A   | N/A        | N/A         | 33,613  | —  | 5.95                    | 199,997   |
|                       | 11/15/12   | N/A   | N/A         | N/A          | N/A   | N/A        | N/A         | —   | 17,150   | 2.44                    | 41,839  |

(1) The Plan does not contemplate Threshold, Target, or Maximum Payouts. Please see "Compensation Discussion and Analysis—Long-Term Incentive Compensation," above, for further discussion.



The following table provides information regarding outstanding equity awards at fiscal year-end for each of the Named Executive Officers.

### Outstanding Equity Awards at Fiscal Year End

| Name                  | Option Awards (1)                                       |   |   | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Stock Awards   |  |   |   |
|-----------------------|---|---|---|---|----------------------------|------------------------|--|--|---|---|
|                       | Number of Securities Underlying Unexercised Options (#) | Number of Securities Underlying Unexercised Options (#) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) |   |                            |                        | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$) | Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$) |
| Christopher J. Pappas | 63,000  | N/A   | N/A   | 5.27  | 12/8/2018                  | N/A                    | N/A  | N/A  | N/A   |   |
|                       | 37,500  | 12,500 (2)  | N/A   | 3.44  | 11/19/2019                 | N/A                    | N/A  | N/A  | N/A   |   |
|                       | 8,776   | 8,775 (3)   | N/A   | 5.39  | 11/18/2020                 | N/A                    | N/A  | N/A  | N/A   |   |
|                       | 2,865   | 8,595 (5)   | N/A   | 4.42  | 11/15/2021                 | N/A                    | N/A  | N/A  | N/A   |   |
|                       | N/A   | 17,150 (6)  | N/A   | 5.95  | 11/15/2022                 | N/A                    | N/A  | N/A  | N/A   |   |
|                       | N/A   | N/A   | N/A   | N/A   | N/A                        | 8,776 (7)              | 65,557   | N/A  | N/A   |   |
|                       | N/A   | N/A   | N/A   | N/A   | N/A                        | 5,730 (9)              | 42,803   | N/A  | N/A   |   |
|                       | N/A   | N/A   | N/A   | N/A   | N/A                        | 33,613 (10)            | 51,089   | N/A  | N/A   |   |
| K. Scott Gray         | 9,217   | N/A   | N/A   | 11.10   | 11/13/2013                 | N/A                    | N/A  | N/A  | N/A   |   |
|                       | 26,500  | N/A   | N/A   | 5.27  | 12/8/2018                  | N/A                    | N/A  | N/A  | N/A   |   |
|                       | 22,500  | 7,500 (2)   | N/A   | 3.44  | 11/19/2019                 | N/A                    | N/A  | N/A  | N/A   |   |
|                       | 5,266   | 5,265 (3)   | N/A   | 5.39  | 11/18/2020                 | N/A                    | N/A  | N/A  | N/A   |   |
|                       | 1,732   | 5,197 (5)   | N/A   | 4.42  | 11/15/2021                 | N/A                    | N/A  | N/A  | N/A   |   |
|                       | N/A   | 17,150 (6)  | N/A   | 5.95  | 11/15/2022                 | N/A                    | N/A  | N/A  | N/A   |   |
|                       | N/A   | N/A   | N/A   | N/A   | N/A                        | 5,265 (7)              | 39,330   | N/A  | N/A   |   |
|                       | N/A   | N/A   | N/A   | N/A   | N/A                        | 3,465 (9)              | 25,884   | N/A  | N/A   |   |
|                       | N/A   | N/A   | N/A   | N/A   | N/A                        | 33,613 (10)            | 251,089  | N/A  | N/A   |   |
|                       | 14,055  | N/A   | N/A   | 11.10   | 11/13/2013                 | N/A                    | N/A  | N/A  | N/A   |   |

Peter  
Tropoli

|        |            |     |      |            |             |         |     |     |
|--------|------------|-----|------|------------|-------------|---------|-----|-----|
| 26,500 | N/A        | N/A | 5.27 | 12/8/2018  | N/A         | N/A     | N/A | N/A |
| 22,500 | 7,500 (2)  | N/A | 3.44 | 11/19/2019 | N/A         | N/A     | N/A | N/A |
| 1,052  | 1,052 (4)  | N/A | 5.34 | 4/20/2021  | N/A         | N/A     | N/A | N/A |
| 5,266  | 5,265 (3)  | N/A | 5.39 | 11/18/2020 | N/A         | N/A     | N/A | N/A |
| 1,732  | 5,197 (5)  | N/A | 4.42 | 11/15/2021 | N/A         | N/A     | N/A | N/A |
| N/A    | 17,150 (6) | N/A | 5.95 | 11/15/2022 | N/A         | N/A     | N/A | N/A |
| N/A    | N/A        | N/A | N/A  | N/A        | 5,265 (7)   | 39,330  | N/A | N/A |
| N/A    | N/A        | N/A | N/A  | N/A        | 1,053 (8)   | 7,866   | N/A | N/A |
| N/A    | N/A        | N/A | N/A  | N/A        | 3,465 (9)   | 25,884  | N/A | N/A |
| N/A    | N/A        | N/A | N/A  | N/A        | 33,613 (10) | 251,089 | N/A | N/A |

- (1) Except for the stock options granted to Messrs. Pappas, which were granted pursuant to their employment agreements with the Company, the stock options were granted under the Company's Incentive Stock Plans.
- (2) This option vests in equal amounts on each of the first four anniversaries of the grant date, November 19, 2009.
- (3) This option vests in equal amounts on each of the first four anniversaries of the grant date, November 18, 2010.
- (4) This option vests in equal amounts on each of the first four anniversaries of the grant date, April 20, 2011.
- (5) This option vests in equal amounts on each of the first four anniversaries of the grant date, November 15, 2011.
- (6) This award of restricted stock units vests on the third anniversary date of the grant date, November 15, 2012.
- (7) This award of restricted stock units vests on the third anniversary date of the grant date, November 18, 2010.
- (8) This award of restricted stock units vests on the third anniversary date of the grant date, April 20, 2011.
- (9) This award of restricted stock units vests on the third anniversary date of the grant date, November 11, 2011.
- (10) This award of restricted stock units vests on the third anniversary date of the grant date, November 15, 2012.

The following table summarizes options exercised and stock awards that vested during the Company's last fiscal year.

### Option Exercises and Stock Vested

| Name                  | Option Awards        |                            | Stock Awards        |                           |
|-----------------------|----------------------|----------------------------|---------------------|---------------------------|
|                       | Number of Shares     | Value Realized on Exercise | Number of Shares    | Value Realized on Vesting |
|                       | Acquired on Exercise | Exercise                   | Acquired on Vesting | Vesting                   |
|                       | (#)                  | (\$)                       | (#)                 | (\$)                      |
| Christopher J. Pappas | —                    | —                          | —                   | —                         |
| K. Scott Gray         | —                    | —                          | —                   | —                         |
| Peter Tropoli         | —                    | —                          | —                   | —                         |
| Harris J. Pappas      | —                    | —                          | —                   | —                         |

### Potential Payments upon Termination or Change in Control

#### Trigger Events

The employment agreement between the Company and Christopher J. Pappas ("Executive") will terminate upon the Executive's death or upon the Executive's disability, which is defined as his becoming incapacitated by accident, sickness or other circumstance that renders him physically or mentally unable to carry out the duties and services required of him under the employment agreement on a full-time basis for more than 120 days in any 180-day period. If a dispute arises between the Executive and the Company concerning the Executive's physical or mental ability to continue or return to the performance of his duties as described above, the Executive is required to submit to an examination by a competent physician mutually agreeable to both parties or, if the parties are unable to agree, by a physician appointed by the president of the Harris County Medical Association, and that physician's opinion will be final and binding.

The Company may terminate at any time an employment agreement with the Executive for cause, which means that the Executive has (1) been convicted of a crime constituting a felony or a misdemeanor involving moral turpitude, (2) committed, or participated in, an illegal act or acts that were intended to defraud the Company, (3) willfully refused to fulfill his duties and responsibilities as required under the employment agreement, (4) breached material

provisions of the employment agreement, a Company policy, or the Company's code of conduct, in each case after notice from the Board and an opportunity to correct the breach, (5) engaged in gross negligence or willful misconduct in the performance of his duties and obligations to the Company, or (6) willfully engaged in conduct known, or which should have been known, to be materially injurious to the Company. The Company also may terminate at any time an employment agreement for any other reason, in the sole discretion of the Board.

The Executive may terminate his employment agreement for "good reason," which means (1) a material reduction in the nature, scope or duties of the Executive or assignment of duties inconsistent with those of his position as specified in the employment agreement, or a change in the location of the Company's business office in which his services are to be carried out, to a location outside Texas, (2) any breach of a material provision of the employment agreement by the Company after notice from the Executive and an opportunity to correct the breach, (3) within two years after the Company's sale of all or substantially all of its assets or the merger, share exchange or other reorganization of the Company into or with another corporation or entity, with respect to which the Company does not survive, or (4) certain reductions in the employee benefits and perquisites applicable to the Executive. Finally, the Executive may terminate his employment agreement for any other reason, in his sole discretion.

*Termination due to Death or Disability.* If the Executive's employment is terminated due to his death or disability, all compensation and benefits to the Executive under his employment agreement (other than any equity-based compensation awards granted to the Executive by the Company, which are governed by the terms of the applicable award agreement), will terminate immediately upon the termination of employment and without further obligation to the Executive or his legal representatives under his employment agreement, other than the payment of his base salary for the period through the date of termination. Under the Executive's existing incentive stock option agreements, upon the death of the Executive the stock option may be exercised within one year after his death, by the person or persons to whom his rights under the option have passed by will or the laws of descent and distribution, until the expiration of the option. If the Executive is terminated due to disability, the option may be exercised, to the extent the option was exercisable on the date of termination, until the earlier of the first anniversary of the date of termination or the expiration of the option.

*Termination for Cause or other than for Good Reason.* If the Executive terminates his employment without good reason, or if the Company terminates the Executive's employment for cause, all compensation and benefits to the Executive under his employment agreement (other than any equity-based compensation awards granted to the Executive by the Company, which are governed by the terms of the applicable award agreement), will terminate immediately upon the termination of employment and without further obligation to the Executive or his legal representatives under his employment agreement, other than the payment of his base salary for the period through the date of termination. Under the Executive's existing incentive stock option agreement, the Executive's stock option may be exercised, to the extent the option was exercisable on the date of termination, until the earlier of the first anniversary of the date of termination or the expiration of the option.

*Termination Without Cause or For Good Reason.* If the Executive is terminated without cause, or if the Executive terminates his employment for good reason, the Company will be obligated to pay Executive his monthly base salary and benefits in effect on the date of termination for the remainder of the term of the employment agreement, which expires on December 31, 2013. If, however, the Executive violates the provisions in his employment agreement regarding confidentiality, non-competition, and standstill in connection with ownership of or other action with respect to Common Stock, then the Executive will forfeit his rights to receive any further payments under the employment agreement. Under the Executive's existing incentive stock option agreement, the Executive's stock option may be exercised, to the extent the option was exercisable on the date of termination, until the earlier of the first anniversary of the date of termination or the expiration of the option.

*Non-renewal of Agreement.* If the Executive's employment is terminated because the employment agreement is not renewed, then all compensation for periods subsequent to termination and all benefits to the Executive under the employment agreement will terminate immediately upon termination of employment. Under the Executive's existing incentive stock option agreement, the Executive's stock option may be exercised, to the extent the option was exercisable on the date of termination, until the earlier of the first anniversary of the date of termination or the expiration of the option.

#### **Estimated Payments to Chief Executive Officer**

The following table summarizes estimated benefits that would have been payable to the Executive if he had been terminated on August 28, 2013 for the reasons indicated below, giving effect to the amendments to the Executive's employment agreement setting his salary at \$ 400,000 and extending the term of his employment to December 31, 2013.

#### **Christopher J. Pappas**

|   | <b>Base<br/>Salary</b> | <b>Value of<br/>Accelerated<br/>Equity<br/>Awards (1)</b> |
|---|------------------------|---|
| Without Cause or For Good Reason        | \$400,000              | \$ 402,612  |
| For Cause or other than for Good Reason | —                      | 402,612   |
| Death                                   | —                      | 402,612   |
| Disability                              | —                      | 402,612   |
| Non-renewal of Agreement                | —                      | 402,612   |

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(1)

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The value of accelerated equity awards is based on the closing price of \$7.25 per common share at August 28, 2013. Only options with an option exercise price of less than \$7.25 were considered. At August 28, 2013, there were 112,141 exercisable option shares and 47,020 unvested option shares at an exercise prices from \$3.44 to \$5.95. Options vest equally over four years from the date of grant. In addition, 48,119 restricted stock units which vest 100% after three years were included in the value of accelerated equity awards.

## **FINANCE AND AUDIT COMMITTEE REPORT**

In fulfilling its oversight responsibilities, the Finance and Audit Committee reviewed and discussed with management and the independent registered public accounting firm the Company's audited financial statements included in the Annual Report on Form 10-K for the year ended August 28, 2013 and their judgment about the quality and appropriateness of accounting principles and financial statement presentations, the reasonableness of significant judgments, the clarity of the disclosures in the financial statements, and major issues as to the adequacy of the Company's internal controls. In addition, the Finance and Audit Committee discussed any matter required to be communicated under generally accepted auditing standards. The Finance and Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board (the "PCAOB") regarding the independent registered public accounting firm's communications with the Finance and Audit Committee concerning independence and has discussed with the independent registered public accounting firm matters required to be discussed by the statement on Auditing Standards No. 61; as amended (AICPA, professional standards, Vol. I, AV section 380), as adopted by the PCAOB in Rule 3200T. The Finance and Audit Committee also has discussed with the independent registered public accounting firm the firm's independence from the Company and management. The Finance and Audit Committee also considered the compatibility of nonaudit services with the independent registered public accounting firm's independence.

In reliance on the reviews and discussions referred to above, the Finance and Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in the Annual Report on Form 10-K for the year ended August 28, 2013, for filing with the Securities and Exchange Commission. The Finance and Audit Committee appointed Grant Thornton LLP as the independent registered public accounting firm for the Company for the 2014 fiscal year.

### **Finance and Audit Committee**

Joe C. McKinney (Chair)

J.S.B. Jenkins (Vice-Chair)

Arthur Emerson

Gasper Mir, III

## **SHAREHOLDER PROPOSALS FOR 2015 ANNUAL MEETING**

Proposals of shareholders for inclusion in the Company's proxy statement and form of proxy for the Company's 2015 annual meeting of shareholders submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 must be received in writing by the Company at its corporate office no later than August 7, 2014. Notice of a shareholder proposal submitted outside the processes of Rule 14a-8 with respect to the Company's 2015 annual meeting of shareholders will be considered untimely if received by the Company after November 2, 2014.

The Company's Bylaws provide that any shareholder of record may nominate a candidate for election as a director of the Company or bring any other business before an annual meeting of shareholders, so long as the shareholder gives timely notice thereof. To be timely, such notice must be delivered in writing to the Secretary of the Company at the principal executive offices of the Company not later than the close of business on the 90th day and not earlier than the close of business on the 120th day prior to the first anniversary of the preceding year's annual meeting of shareholders and must include (1) as to each person whom the shareholder proposes to nominate for election or reelection as a director, all information with respect to each nominee as would be required to be disclosed in a proxy solicitation relating to an election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934; (2) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and if such business includes a proposal to amend the Company's Bylaws, the language of the proposed amendment), the reasons for conducting such business at the meeting, and any material interest in such business of such shareholder; and (3) as to the shareholder giving the notice, (a) the name and address of such shareholder, as they appear on the Company's books, (b) the class and number of shares of the Company which are owned beneficially and of record by such shareholder, and any derivative positions owned beneficially by such shareholder, and (c) all such other information required to be submitted by the shareholder in accordance with the Bylaws.

## **REIMBURSEMENT OF CERTAIN EXPENSES**

The Company requests persons such as brokers, nominees, and fiduciaries holding stock in their names for the benefit of others, or holding stock for others who have the right to give voting instructions, to forward proxy material to their principals and to request authority for the execution of the proxy, and the Company will reimburse such persons for their reasonable expenses.

## **HOUSEHOLDING OF PROXY MATERIALS**



Under SEC rules, companies and intermediaries (such as brokers) may satisfy the delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This practice, known as “householding,” is intended to improve the convenience of shareholders and to reduce the Company’s printing and postage costs.

A number of brokers with accountholders who are shareholders of the Company will be householding the Company’s proxy materials and accordingly, a single proxy statement will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from an affected shareholder. Shareholders who participate in householding will continue to receive separate proxy cards. Once you who have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or you revoke your consent. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement, please notify your broker or call the Company at (713) 329-6808 or write the Company at Luby’s, Inc., Investor Relations, 13111 Northwest Freeway, Suite 600, Houston, Texas 77040.

Shareholders who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their broker.

## PROXY SOLICITATION

The cost of soliciting proxies will be borne by the Company. Proxies may be solicited through the mail and through telephonic or telegraphic communications to, or by meetings with, shareholders or their representatives by directors, officers, and other employees of the Company who will receive no additional compensation therefore. We have also retained Georgeson to assist us in soliciting proxies for a fee of \$8,500 plus reasonable out-of-pocket expenses. The Company also requests brokers, nominees, and fiduciaries holding stock in their names for the benefit of others, or holding stock for others who have the right to give voting instructions, to forward proxy material to their principals and to request authority for the execution of the proxy, and the Company will reimburse such persons for their reasonable expenses.

**The Company will provide without charge on the written request of any person solicited hereby a copy of the Company's Annual Report on Form 10-K for the year ended August 28, 2013. Written requests should be mailed to Luby's, Inc., Investor Relations, 13111 Northwest Freeway, Suite 600, Houston, Texas 77040.**

By Order of the Board of Directors,

/s/ ROY CAMBERG  
*General Counsel and Secretary*

Dated: December 17, 2013











