

LUBYS INC
Form DEF 14A
December 13, 2011
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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

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

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Luby's, Inc.

13111 Northwest Freeway

Suite 600

Houston, Texas 77040

713-329-6800

www.lubys.com

December 13, 2011

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 20, 2012, at 9:00 a.m., Houston time, at the Sheraton Houston Brookhollow Hotel, 3000 North Loop West, Houston, Texas 77092. All record holders of outstanding shares of Luby's, Inc. common stock at the close of business on December 9, 2011 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

President and Chief Executive Officer

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LUBY S, INC.

13111 Northwest Freeway, Suite 600

Houston, Texas 77040

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD

JANUARY 20, 2012

NOTICE IS HEREBY GIVEN that the 2012 Annual Meeting of Shareholders of Luby s, Inc., a Delaware corporation (the Company), will be held at the Sheraton Houston Brookhollow Hotel, 3000 North Loop West, Houston, Texas 77092, on Friday, January 20, 2012, at 9:00 a.m., Houston time, for the following purposes:

- (1) To elect nine directors to serve until the 2013 Annual Meeting of Shareholders;
- (2) To ratify the appointment of Grant Thornton LLP as the Company s independent registered public accounting firm for the fiscal year ending August 29, 2012;
- (3) To conduct an advisory vote approving the compensation of the Company s named executive officers;
- (4) To conduct an advisory vote on the frequency of future advisory votes the compensation of the Company s named executive officers; and
- (5) To consider and ratify the adoption by the Board of Directors of the Rights Agreement, dated as of January 27, 2011, between the Company and American Stock Transfer & Trust Company, LLC (as amended from time to time, the Rights Agreement); and
- (6) To act upon such other matters as may properly come before the meeting or any adjournment or postponement thereof.

The Board of Directors has determined that shareholders of record at the close of business on December 9, 2011, will be entitled to vote at the meeting.

A complete list of shareholders entitled to vote at the 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 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 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; or

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

Shareholders who do not expect to attend the 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,

/s/ ROY CAMBERG
General Counsel and Secretary

Houston, Texas

December 13, 2011

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS:

The Notice of Annual Meeting of Shareholders, the Proxy Statement for 2012 Annual Meeting of Shareholders, and the Company's Annual Report for the fiscal year ended August 31, 2011 are available electronically at <http://www.lubys.com>.

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LUBY S, INC.

13111 Northwest Freeway, Suite 600

Houston, Texas 77040

PROXY STATEMENT

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 of Luby s, Inc. (the Company) for use at the Annual Meeting of Shareholders of the Company to be held on Friday, January 20, 2012, 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 13, 2011.

VOTING PROCEDURES

Your Vote is Very Important

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

Shares Outstanding, Voting Rights, and Quorum

Only holders of record of common stock of the Company at the close of business on December 9, 2011, will be entitled to vote at the meeting or at adjournments or postponements thereof. There were 28,165,005 shares of common stock outstanding as of December 9, 2011. 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 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 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 19, 2012. 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 of Directors (the Board) of the Company.

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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 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 20, 2012 and still attend the Annual Meeting.

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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 meeting and entitled to vote in the election of directors at the Annual Meeting is required for the election of a director nominee. 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 adoption by the Board of Directors of the 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 meeting. With respect to the advisory vote on the frequency of future advisory votes on the compensation of our named executive officers, the frequency option that receives the highest number of votes cast will be considered the preferred frequency. 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 meeting. Abstentions and broker non-votes will be included in determining the presence of a quorum at the 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 frequency of advisory votes on executive compensation, and the ratification of the adoption of the 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 and frequency of advisory votes on executive compensation, or the ratification of the adoption of the 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 meeting. If other matters are properly brought before the 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.

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The following table sets forth information concerning the beneficial ownership of the Company's common stock, as of November 18, 2011, 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 November 18, 2011.

Name (1)	Shares Beneficially Owned	Percent of Common Stock
Judith B. Craven (2)	49,893	*
Arthur R. Emerson (3)	51,987	*
K. Scott Gray (4)	91,044	*
Jill Griffin (5)	43,579	*
J.S.B. Jenkins (6)	60,373	*
Frank Markantonis (7)	64,715	*
Joe C. McKinney (8)	72,422	*
Gasper Mir, III (9)	52,352	*
Christopher J. Pappas (10)	4,653,621	16.45%
Harris J. Pappas (11)	4,800,904	16.97%
Peter Tropoli (12)	102,852	*
All directors and executive officers of the Company, as a group (11 persons) (13)	8,976,545	31.72%

- * Represents beneficial ownership of less than one percent of the shares of the Company's common stock issued and outstanding on November 18, 2011.
- (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. Shares of phantom stock held by a nonemployee director convert into an equivalent number of shares of the Company's 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 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 9,869 shares held for her benefit in a custodial account, 18,500 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 10,055 shares of restricted stock.
- (3) The shares shown for Mr. Emerson include 11,606 shares held jointly with his wife in a custodial account, 18,500 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 10,055 shares of restricted stock.
- (4) The shares shown for Mr. Gray include 13,583 shares held for his benefit in a custodial account and 77,461 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan.

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- (5) The shares shown for Ms. Griffin include 13,646 shares held for her benefit in a custodial account, 18,500 shares which she has the right to acquire within 60 days under the Nonemployee Director Stock Plan, and 11,433 shares of restricted stock.
- (6) The shares shown for Mr. Jenkins include 16,936 shares held for his benefit in a custodial account, 18,500 shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Plan, and 24,937 shares of restricted stock.
- (7) The shares shown for Mr. Markantonis include 25,458 shares held for his benefit in a custodial account, 20,500 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 14,878 shares of restricted stock.
- (8) The shares shown for Mr. McKinney include 26,539 shares held for his benefit in a custodial account, 12,500 shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Plan, and 33,383 shares of restricted stock.
- (9) The shares shown for Mr. Mir include 17,943 shares held for his benefit in a custodial account, 16,500 shares which 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 15,456 shares of restricted stock.
- (10) The shares shown for Christopher J. Pappas include 3,404,803 shares held for his benefit in a custodial account, 181,621 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan, 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.
- (11) The shares shown for Harris J. Pappas include 3,548,033 shares held for his benefit in a custodial account, 180,891 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan, 4,783 shares 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.
- (12) The shares shown for Mr. Tropoli include 15,215 shares held for his benefit in a custodial account and 87,637 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan.
- (13) The shares shown for all directors and executive officers as a group include 7,103,631 shares held in custodial accounts, 651,110 shares which they have the right to acquire within 60 days under the Company's various benefit plans, 124,980 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.

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The following table sets forth information as to the beneficial ownership of the Company's common stock by each person or group known by the Company to own beneficially more than 5% of the outstanding shares of the Company's common stock as of November 18, 2011 and, unless otherwise indicated, is based on disclosures made by the beneficial owners in SEC filings under Section 13 of the Exchange Act:

Name and Address of Beneficial Owner (1)	Shares Beneficially Owned	Percent of Common Stock
Christopher J. Pappas (2) 13939 Northwest Freeway Houston, Texas 77040	4,653,621	16.45%
Harris J. Pappas (3) 13939 Northwest Freeway Houston, Texas 77040	4,800,904	16.97%
Bandera Partners LLC (4) 50 Broad Street, Suite 1820 New York, New York 10004	2,632,446	9.18%
Dimensional Fund Advisors LP (5) Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas, 78746	2,028,131	7.08%
Hodges Capital Management, Inc. (6) 2905 Maple Ave. Dallas, Texas 75201	1,923,300	6.71%

- (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.
- (2) The shares shown for Christopher J. Pappas include 3,404,803 shares held for his benefit in a custodial account, 181,621 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan, 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.
- (3) The shares shown for Harris J. Pappas include 3,548,033 shares held for his benefit in a custodial account, 180,891 shares which he has the right to acquire within 60 days under Luby's Incentive Stock Plan, 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.
- (4) Information based solely on Report for the Calendar Year or Quarter Ended September 30, 2011 on Form 13F-HR dated November 14, 2011 and filed on November 14, 2011 with the Securities and Exchange Commission by Bandera Partners LLC. Bandera Partners LP has sole voting authority with respect to all 2,632,446 shares.

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- (5) Information based solely on Report for the Calendar Year or Quarter Ended September 30, 2011 on Form 13F-HR dated November 10, 2012 and filed on November 10, 2011 with the Securities and Exchange Commission by Dimensional Fund Advisors LP. Dimensional Fund Advisors LP has sole voting authority with respect to 1,962,929 shares and has no voting authority with respect to 65,202 shares.

- (6) Information based solely on Report for the Calendar Year or Quarter Ended September 30, 2011 on Form 13F-HR dated November 15, 2010 and filed on November 15 2010 with the Securities and Exchange Commission by Hodges Capital Management, Inc. Hodges Capital Management, Inc. has sole voting authority with respect to 1,610,000 shares and has no voting authority with respect to 313,300 shares.

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ELECTION OF DIRECTORS (Item 1)

Prior to the 2009 annual meeting of shareholders, the shareholders elected approximately one-third of the members of the Board of Directors annually. The Board was divided into three classes, as nearly equal in number as possible, with the members of each class serving three-year terms.

At the 2009 annual meeting of shareholders, the shareholders approved a proposal to amend the Company's Certificate of Incorporation to eliminate the classified structure of the Board of Directors. As a result, from and after the 2012 annual meeting, the directors will no longer be divided into classes and each director will be elected to a one-year term expiring at the next succeeding annual meeting. In accordance with the Bylaws of the Company, the Board of Directors has fixed the number of directors at nine, pursuant to a resolution adopted by a majority of the entire Board of Directors.

The terms of Jill Griffin, Christopher J. Pappas, Judith B. Craven, Arthur Rojas Emerson, Frank Markantonis, 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, Arthur Rojas Emerson, Frank Markantonis, Gasper Mir, III, J.S.B. Jenkins, Joe C. McKinney, and Harris Pappas for election as directors to serve until the 2013 annual meeting of shareholders 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 and for each of the directors whose terms will continue after the Annual Meeting, 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 2013

JILL GRIFFIN, 57, 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. 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 (UT). 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 Chairman Elect of the Austin Convention and Visitors Bureau.

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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, 64, 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., 66, 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 of Directors, 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:SYY); Sun America Fund; Valic Corp.; and the Houston Convention Center Hotel. She is a former member of the Board of Regents of the University of Texas at Austin.

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.

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ARTHUR ROJAS EMERSON, 66, 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 is also currently a director of USAA Federal Savings Bank and a member of its Credit Committee and Finance and Audit Committee, and is former 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 21 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.

FRANK MARKANTONIS, 63, 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 38 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.

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GASPER MIR, III, 65, is a Certified Public Accountant and a principal owner of the public accounting and professional services firm MFR, P.C. (formerly known as Mir Fox & Rodriguez, P.C.), which he founded in 1988. He is currently MFR's Chief Administrative Officer, and previously his work included financial audit and accounting services for clients in the retail industry. From January 2003 through January 2008, Mr. Mir took a leave of absence from MFR and served as Executive General Manager of Strategic Partnerships for the Houston Independent School District. From 1969 until 1987, he worked at KPMG, 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 of Directors, Chairman of the Executive Committee and the Nominating and Corporate Governance Committee, and a member of the Finance and Audit Committee. As Chairman, 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 Hospital System; the Greater Houston Community Foundation, the Sam Houston Council of Boy Scouts and the Houston A+ Challenge.

Qualifications, Experience, Key Attributes and Skills: Mr. Mir has more than 42 years of experience in accounting, finance, and auditing from his distinguished tenure at the accounting firms KPMG and MFR. He is an active member of National Association of Corporate Directors and regularly participates in their professional development conferences. He brings business administration experience as a founder and Chief Administrative Officer of MFR. Additionally, Mr. Mir has experience in public relations, government, education, health care and community outreach from his five years as Executive General Manager of Strategic Partnerships for the Houston Independent School District and his board service on several community-based organizations.

J.S.B. JENKINS, 68, 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 Chairman of the Executive Compensation Committee, Vice-Chairman 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.

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JOE C. McKINNEY, 65, 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 Chairman 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 39 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 eight 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, 67, 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 36 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 OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE DIRECTOR NOMINEES.

Table of Contents**DIRECTOR COMPENSATION**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and nonqualified deferred compensation earnings	All Other Compensation \$(2)	Total (\$)
Judith B. Craven	\$ 32,250	\$ 33,851	0	0	0	0	\$ 66,101
Arthur R. Emerson	34,250	33,851	0	0	0	0	68,101
Jill Griffin	29,500	33,851	0	0	0	0	63,351
J.S.B. Jenkins	19,000	56,026	0	0	0	0	75,026
Frank Markantonis	18,500	47,349	0	0	0	0	65,849
Joe C. McKinney	19,750	68,616	0	0	0	0	88,366
Gasper Mir, III	54,750	39,848	0	0	0	0	94,598
Harris J. Pappas(3)	3,250	12,150	0	0	0	0	15,400

- (1) Amounts shown reflect the aggregate proportionate fair value for shares of restricted stock granted to directors in the 2011 fiscal year that the Company has recognized as compensation costs in its financial statements for the 2011 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 Luby's 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.
- (3) Represents compensation earned as a nonemployee director following Mr. Pappas' resignation as Chief Operating Officer of the Company effective April 26, 2011.

Each nonemployee director other than the Chairman of the Board is paid an annual retainer of \$30,000. The Chairman of the Board is paid an annual retainer of \$55,000. In addition to the base annual retainer of \$30,000, the Chairman 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 \$3,500. All nonemployee directors are also paid the following meeting fees for each meeting he or she attends: (1) \$1,500 per day for each meeting of the Board, including Committee meetings attended on the same day as a meeting of the Board, so long as the total duration of the meeting(s) attended on that day exceeds four hours; (2) \$750 per day for each meeting of the Board, including Committee meetings attended on the same day as a meeting of the Board, if the meeting is conducted by telephone or its total duration is less than four hours; (3) \$1,000 per day for each meeting of any Board committee held on a day other than a Board meeting day; and (4) \$500 per day for each meeting of any Board committee conducted by telephone on a day other than a Board meeting day.

Pursuant to the Company's 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, 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 the Company's 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

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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 the Company's common stock with a market value of at least \$100,000.

Table of Contents**RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC****ACCOUNTING FIRM (Item 2)**

The Board of Directors of the Company has appointed the firm of Grant Thornton LLP to audit the accounts of the Company for the 2012 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 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 31, 2011 and August 25, 2010:

	2011	2010
	(in thousands)	
Audit Fees	\$ 500	\$ 473
Audit-Related Fees		67
Tax Fees		
All Other Fees		
Total	\$ 500	\$ 540

Audit Fees for the fiscal years ended August 31, 2011 and August 25, 2010 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 for the fiscal year ended August 25, 2010 were predominately associated with the Company's acquisition of substantially all of the assets of Fuddrucker's, Inc., Magic Brands, LLC and certain of their affiliates.

Tax Fees. The Company did not incur any Tax Fees for the fiscal years ended August 31, 2011 and August 25, 2010.

All Other Fees. The Company did not incur any other fees for the fiscal years ended August 31, 2011 and August 25, 2010.

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

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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 of Directors. During fiscal years 2010 and 2011, 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 OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP.

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

We are asking shareholders to approve the following advisory resolution at the 2012 Annual Meeting of Stockholders:

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 of directors 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.

We urge shareholders to read the Compensation Discussion and Analysis beginning on page 31 of this proxy statement, as well as the Summary Compensation Table and related compensation tables and narrative, beginning on page 38, 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 of Directors. Because we value our shareholders' views, however, the Executive Compensation Committee and the Board of Directors will consider the results of this advisory vote when formulating future executive compensation policy.

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

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ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS (Item 4)

Under the Dodd-Frank Act, shareholders are also entitled to cast an advisory vote to indicate the frequency with which we should hold future advisory votes on executive compensation. Periodically, the Company will include in its proxy materials a resolution, subject to a non-binding shareholder vote, to approve the compensation of our named executive officers.

We are requesting your non-binding, advisory vote to determine whether the frequency of the vote to approve the compensation of our Named Executive Officers should be every one year, two years, or three years.

The Board of Directors recommends an annual advisory vote on executive compensation. We believe that an annual vote would provide us with timely feedback from our shareholders on executive compensation matters.

Although the vote on this proposal is non-binding, the Board of Directors and Executive Compensation Committee value the opinions of our shareholders and will take into account the outcome of the vote in considering the frequency of future advisory votes on the compensation of our named executive officers.

The proxy card provides shareholders with the opportunity to choose among four options (holding the vote every one, two or three years, or abstaining) and, therefore, shareholders will not be voting to approve or disapprove the recommendation of the Board of Directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ONE YEAR ON THE PROPOSAL CONCERNING THE FREQUENCY OF FUTURE ADVISORY VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

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RATIFICATION OF SHAREHOLDER RIGHTS AGREEMENT

(Item 5)

Background

On January 20, 2011, the Board of Directors declared a dividend of one right (each, a Right) for each share of common stock, par value \$.32 per share (the Common Stock), of the Company outstanding at the close of business on February 3, 2011 (the Record Date), pursuant to the terms and conditions of the Rights Agreement, dated as of January 27, 2011, between the Company and American Stock Transfer & Trust Company, LLC, as Rights Agent (the Rights Agreement).

Although none of our certificate of incorporation, our bylaws, or applicable law require shareholder approval or ratification of a Rights Agreement or similar arrangement, our Board has decided to request shareholder ratification of the Rights Agreement as a matter of sound corporate governance. Even if our shareholders ratify the Rights Agreement, our Board could terminate the Rights Agreement at any time prior to the distribution date (as described below). If the Board does not otherwise terminate the Rights Agreement, it will expire under its current terms on January 27, 2014.

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 Rights Agreement, which is attached to this proxy statement as Annex A and is incorporated herein by reference.

Reasons for the Rights Agreement

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 for the following reasons:

The Rights Agreement is intended to help our 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 rights redeemed before the potential acquirer acquires more than 15% or more (or, in the case of an Exempt Person (as defined below), 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.

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 (as defined below), 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 this plan was not prompted by any external actions. As is detailed under Principal Shareholders on page 5 of this proxy statement, we currently have three shareholders, excluding the Exempt Persons, that have reported ownership position of more than 5% of our outstanding common stock, including one of whom

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beneficially owns almost 10% 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:

- (1) 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)) 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 shares of Common Stock then outstanding (the Stock Acquisition Date); and
- (2) the tenth business day (or such later date as may be determined by action of the Board of Directors 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 shares of Common Stock of the Company then outstanding.

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 of the Company outstanding, increases the proportionate number of shares of Common Stock of the Company beneficially owned by such person to 15% or more (or, in the case of an Exempt Person, 33% or more) of the shares of Common Stock of the Company then outstanding unless such person thereafter becomes the beneficial owner of any additional shares of Common Stock of the Company, in which case such person will be deemed to be an Acquiring Person. An Acquiring Person will not include any person that the Board of Directors of the Company, 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), one-half of one share of Common Stock.

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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 outstanding shares of Common Stock, the Board of Directors of the Company 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 of Directors 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 (as defined below), 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 of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors 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 of Directors deems appropriate, or any combination thereof.

The Rights will expire on the close of business on January 27, 2014 (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 Company 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 of Directors, 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.

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

Vote Required

The affirmative vote of a majority of votes cast by the shares present in person or represented by proxy at the meeting is required to ratify the Rights Agreement.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL TO RATIFY THE RIGHTS AGREEMENT.

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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.lubys.com. All members of the Finance and Audit Committee are independent directors as described under "Corporate Governance Guidelines" Director Independence on page 24. The Finance and Audit Committee met ten 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.lubys.com. All members of the Nominating and Corporate Governance Committee are independent directors as described below. The Nominating and Corporate Governance Committee met six times during the last fiscal year.

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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 of Directors, 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 pay 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.lubys.com. All members of the Executive Compensation Committee are independent directors as described under Corporate Governance Guidelines Director Independence on page 24. 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 31. For the report of the Executive Compensation Committee concerning the Compensation Discussion and Analysis, see Executive Compensation Committee Report on page 37.

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. During the fiscal year ended August 31, 2011, 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.

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Nominations for Director

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested 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 2013 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 standards and qualifications set out in the Company's Corporate Governance Guidelines and the charter of the Nominating and Corporate Governance Committee, including:

a 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.

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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.

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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.lubys.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.lubys.com.

Resignation of Directors

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

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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 31, 2011, the Board of Directors held six meetings. Each Director attended at least 80% percent of the meetings of the Board of Directors and Committees on which he or she served. Eight of the Company's nine Directors attended the 2011 Annual Meeting of Shareholders, 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 of Directors 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 of Directors 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.lubys.com.

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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.lubys.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.lubys.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.lubys.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 Chairman 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 Chairman, 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.

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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 the Company's common stock to report their initial ownership of the Company's 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 31, 2011, all Section 16(a) filing requirements were satisfied on a timely basis.

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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 of Directors 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 of Directors of the Company (the Pappas Entities), pursuant to the terms of a Master Sales Agreement, dated December 9, 2005. 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 2011 fiscal year, the Pappas Entities provided goods to the Company under the Master Sales Agreement in the amount of approximately \$27,000. 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 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 \$326,000 during fiscal year 2011, and \$51,000 from August 31, 2011 to November 15, 2011, under the current lease agreement.

On July 26, 2010, the Company entered into the Second Amendment to its Credit Agreement dated as of November 9, 2009 among the Company, the lenders from time to time thereto, Wells Fargo Bank, National Association, as administrative agent, and Amegy Bank National Association, as syndication agent (the Credit Agreement), which, among other things, increased the aggregate amount of the lenders commitments under the Credit Agreement from \$20.0 million to \$53.0 million. As required by the Second Amendment, each of Christopher J. Pappas, President and Chief Executive Officer, and Harris J. Pappas, a member of the Board of Directors, guaranteed the payment of up to \$13.0 million of the Company's indebtedness under the Credit Agreement. The maximum amount of this guaranty was reduced to \$9.5 million on February 28, 2011 and further reduced to \$6.0 million on May 31, 2011 and finally reduced to zero as of August 25, 2011.

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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.

Table of Contents**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:

Name	Served as Officer Since	Positions with Company and		Age
		Principal Occupation Last Five Years		
Christopher J. Pappas	2001	President and CEO (since March 2001); CEO of Pappas Restaurants, Inc.		64
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).		39
K. Scott Gray	2007	Senior Vice President and CFO (since April 2007) and Vice President of Finance (October 2005 to April 2007).		42

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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 38.

EXECUTIVE SUMMARY

This section highlights key actions taken by Luby's Executive Compensation 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 program consists of three main components: (1) base salary; (2) a potential performance-based annual cash incentive payment; and (3) a potential performance-based equity incentive compensation award, the value of which is tied to an annual pre-budgeted EBITDA number, and which is subject to vesting schedules requiring continued service with the Company. The program does not include any pension benefits.

The Executive Compensation Committee (the Committee) annually 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 annually advises the Board on executive compensation and approves the compensation for executive officers.

The Fiscal year 2011 business plan centered around two goals: (1) quickly integrating and improving the facilities and processes of Fuddrucker's restaurants to maximize the return on investment; and (2) continuing to focus on initiatives to attract customers into our restaurants. The Company faced a number of challenges during fiscal year 2011, including: rising commodity costs, the macro-economic environment, and integrating the Fuddrucker's system into the Company's operations.

Despite these challenges, executives led the Company to numerous achievements during fiscal year 2011, including:

Achieving profitability and meeting certain annual pre-budgeted goals;

Increasing same store sales by 2.5%;

Successfully integrating the Fuddrucker's system with its 58 company-owned stores and its franchise network;

Establishing a firm foundation to grow the Fuddrucker's concept with new processes and procedures, an enhanced look and feel to our restaurants, and new menu items;

Making the Company's Culinary Contract Services division one of the leading operators in its trade area;

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Paying down almost \$30.0 million of debt since the Fuddruckers acquisition in July 2010; and

Completing an amendment to our \$50.0 million credit facility that extended the maturity date to September 2014, thereby giving the Company increased financial flexibility.

Summary of 2011 Compensation Activity

In recognition of these various achievements during fiscal year 2011 and in accordance with the objectives outlined below, the Company's executive officers received short-term incentive compensation in the form of modest bonuses and long-term incentive compensation in the form of stock options and restricted stock. Base salaries of the Company's executive officers were set in light of the above achievements in consultation with a third-party compensation consultant, Towers Watson.

Executive Officer Succession

Also in fiscal year 2011, Peter Tropoli was appointed as the Company's Chief Operating Officer, replacing Harris J. Pappas, who retired after serving as the Company's Chief Operating Officer since March 2001. Mr. Pappas remains an active member of the Company's Board of Directors. In connection with his appointment as Chief Operating Officer, Mr. Tropoli's annual base salary was increased to \$320,000.

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 potential performance-based annual cash incentive payment; and

a potential performance-based equity incentive compensation award, the value of which is tied to an annual pre-budgeted EBITDA number, and which is subject to vesting schedules requiring continued service with the Company.

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.

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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, 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 35.

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 36. 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. On September 2, 2010, his employment agreement was amended to return the fixed annual base salary back to \$400,000 from \$250,000.

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.

As 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 35.

The Committee has the ultimate discretion with regard to annual incentive compensation. The Committee retains full discretion 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 the Chief Executive Officer and the Chief Operating Officer is determined with particular emphasis placed upon:

The Company's performance relative to pre-determined goals for each of the Company's business lines that are based on same-store sales (50%) and

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EBITDA (50%).

The annual incentive compensation for all other 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.

Long-Term Incentive Compensation

Long-term incentive compensation in the form of equity grants of the Company's common stock, such as incentive stock option grants and grants of restricted stock, 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:

50% on performance relative to pre-determined goals and

50% according to the discretion of the Committee to reasonably achieve the goals stated above.

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.

As 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 35.

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

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

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

Company achievement of budgeted target	Payout to executives based on predetermined long-term incentive levels
Less than 90% of target	No payout of LTI
Greater than or equal to 90% of target	50% payout of LTI
Greater than or equal to 100% of target	100% payout of LTI
Greater than or equal to 110% of target	150% payout of LTI

The dollar value of any long-term incentive equity compensation awards is typically divided between restricted stock and stock options. The restricted stock component cliff vests three years from the date of grant.

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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 between six and 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 the Company's common stock.

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 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 as a reference to assist the Committee in designing and maintaining the Company's compensation programs. Towers Watson reviewed all methods of compensation and compared the Company's levels and method of compensation to a selected peer group. Target total direct compensation base salary plus target non-equity incentive compensation and bonus plus long-term incentives under the program was below the 25th percentile of the peer group data.

For 2011, Towers Watson utilized a peer group consisting of the following companies that it determined were comparable to the Company based on revenue and market capitalization:

West Marine, Inc.

Sonic Corp.

Denny's Corporation

Marinemax, Inc.

Books-A-Million, Inc.

Build-A-Bear Workshop, Inc.

Benihana, Inc.

Morton's Restaurant Group, Inc.

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Frisch's Restaurant Group, Inc.

Famous Dave's of America, Inc.

J. Alexander's Corp.

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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 of Directors has adopted guidelines for ownership of the Company's 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:

Position	Share Ownership
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
Vice President	Equal to 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 August 2012, and currently provides for a fixed base annual salary of \$400,000, plus potential bonus compensation in an amount that the independent Board of Directors of the Company 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 37 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 August 29, 2012, 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 41.

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.

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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 April 20, 2011, which expires in August 2012, the annual base salary in fiscal year 2012 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 Board of Directors of the Company 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 its goals for same-store sales (50%) and EBITDA (50%). For more discussion regarding annual cash bonuses and long-term equity incentives, please read Non-Equity Incentive Compensation and Bonus and Long-Term Incentive Compensation beginning on page 33.

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 2011, 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 of Directors 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 31, 2011.

Executive Compensation Committee

J.S.B. Jenkins (Chair)

Judith B. Craven (Vice-Chair)

Jill Griffin

Arthur Emerson

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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 31, 2011.

Name and Principal Position	Fiscal Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Compensation	Change in pension value and nonqualified	deferred compen-	All Other Compensation	Total
								sation earnings	(1)	
Christopher J. Pappas President and Chief Executive Officer	2011	\$ 409,666	\$ 0	\$ 47,303	\$ 43,663	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,632
	2010	287,500	0	0	82,877	0	0	0	0	370,377
	2009	400,000	0	0	151,641	0	0	0	0	551,641
K. Scott Gray Senior Vice President and Chief Financial Officer	2011	245,580	50,000	28,378	26,199	0	0	0	0	350,157
	2010	235,826	0	0	49,726	0	0	0	0	285,552
	2009	236,176	52,600	0	63,786	0	0	0	0	352,562
Peter Tropolli (3) Chief Operating Officer	2011	286,840	55,000	34,001	31,474	0	0	0	0	407,315
	2010	251,483	0	0	49,726	0	0	0	0	301,209
	2009	251,287	55,000	0	63,786	0	0	0	0	370,073
Harris J. Pappas (2) Chief Operating Officer	2011	271,322	0	57,335	43,663	0	0	0	0	372,320
	2010	287,627	0	0	82,877	0	0	0	0	370,504
	2009	400,374	0	0	151,641	0	0	0	0	552,015

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

(2) Mr. Pappas was the Company's Chief Operating Officer until April 26, 2011. He currently serves as a member of the Company's Board of Directors.

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

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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) Target			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Stock Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant date fair value stock and awards (\$)			
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Maximum (#)								
Christopher J. Pappas	11/18/10	N/A	N/A	N/A	N/A	N/A	N/A	8,776	17,551	\$ 5.39	\$ 47,303			
	11/18/10	N/A	N/A	N/A	N/A	N/A	N/A					2.49	43,663	
K. Scott Gray	11/18/10	N/A	N/A	N/A	N/A	N/A	N/A	5,265	10,531	5.39	28,378			
	11/18/10	N/A	N/A	N/A	N/A	N/A	N/A					2.49	26,199	
Peter Tropoli	11/18/10	N/A	N/A	N/A	N/A	N/A	N/A	5,265	10,531	5.39	28,378			
	11/18/10	N/A	N/A	N/A	N/A	N/A	N/A					2.49	26,199	
	4/20/11	N/A	N/A	N/A	N/A	N/A	N/A					1,053	5.34	5,623
	4/20/11	N/A	N/A	N/A	N/A	N/A	N/A					2,104	2.51	5,275
Harris J. Pappas	11/18/10	N/A	N/A	N/A	N/A	N/A	N/A							