

LUBYS INC
Form DEF 14A
December 17, 2004

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OMB APPROVAL

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-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):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

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SEC 1913 (11-01)

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Luby s, Inc.

13111 Northwest Freeway, Suite 600

Houston, Texas 77040
713-329-6800
www.lubys.com

December 17, 2004

Dear Shareholders:

On behalf of our Board of Directors, we are pleased to invite you to attend the 2005 Annual Meeting of Shareholders of Luby s, Inc. to be held on Thursday, January 20, 2005, at 9:00 a.m., Central time, at the Crowne Plaza Hotel, 12801 Northwest Freeway, Houston, Texas. All record holders of Luby s outstanding common shares at the close of business on December 3, 2004, are eligible to vote on matters brought before this meeting.

At this year s meeting, you will have an opportunity to vote on several important matters, including new terms proposed for four incumbent directors, ratification of the appointment of Ernst & Young LLP as independent auditor for fiscal 2005, approval of the Amended and Restated Nonemployee Director Stock Plan, and such other matters, including a nonbinding shareholder proposal, as may properly come before the meeting. The following meeting notice and proxy statement provide information you need about the election of directors, as well as information regarding other matters to be voted on at the meeting. There will be time allocated for us to address questions from the shareholders in attendance.

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 for specific voting instructions.

Thank you for your loyalty and support.

Sincerely,

Gaspar Mir, III
Chairman of the Board

Sincerely,

Christopher J. Pappas
President and CEO

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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, 2005

NOTICE IS HEREBY GIVEN that the 2005 Annual Meeting of Shareholders of Luby s, Inc., a Delaware corporation, will be held at the Crowne Plaza Hotel, 12801 Northwest Freeway, Houston, Texas 77040, on Thursday, January 20, 2005, at 9:00 a.m., Central time, for the following purposes:

- (1) To elect four directors to serve until the 2008 Annual Meeting of Shareholders;
- (2) To ratify the appointment of Ernst & Young LLP as independent auditor for the 2005 fiscal year;
- (3) To approve the amendment and restatement of the Nonemployee Director Stock Plan;
- (4) To act upon one nonbinding shareholder proposal to declassify the elections of directors; and
- (5) 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 3, 2004, 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, 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.

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,

Drew R. Fuller, Jr.

Secretary

Dated: December 17, 2004

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LUBY S, INC.

**13111 Northwest Freeway, Suite 600
Houston, Texas 77040**

PROXY STATEMENT

This Proxy Statement and the accompanying proxy 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 Thursday, January 20, 2005, or at any adjournment or postponement thereof. This Proxy Statement and the accompanying proxy are first being mailed to shareholders on or about December 17, 2004.

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 3, 2004, will be entitled to vote at the meeting or at adjournments or postponements thereof. There were 22,601,004 shares of common stock outstanding on the record date, exclusive of 4,933,063 treasury shares. 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 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 mail, via the Internet, or by telephone. You may also vote in person by attending the meeting.

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

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 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.

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Vote Required

A plurality of the votes cast at the Annual Meeting is required for election of a director. Plurality means that the nominees receiving the largest number of votes cast are elected as directors up to the maximum number of directors to be elected at the meeting. Ratification of the appointment of auditors and approval of the amendment and restatement of the Nonemployee Director Stock Plan each require the affirmative vote of a majority of the shares present or represented at the meeting. Approval of the nonbinding shareholder proposal described in the following paragraph and on pages 20-23 requires the affirmative vote of a majority of the shares present or represented at the meeting, although declassification of the Board of Directors as proposed would require an amendment to the Company's certificate of incorporation by an affirmative vote of at least 80% of the outstanding shares upon a further vote of the shareholders at a subsequent meeting. Abstentions and broker nonvotes will be included in determining the presence of a quorum at the meeting. Abstentions and broker nonvotes will not be included in determining the number of votes cast on any matter.

Recommendation of the Board of Directors

The Board recommends that you vote your shares FOR each of the nominees to the Board, FOR the amendment and restatement of the Nonemployee Director Stock Plan, and FOR the appointment of Ernst & Young LLP as independent auditor for the 2005 fiscal year. The Board recommends that you vote your shares AGAINST the nonbinding shareholder proposal sponsored by the Harold J. Mathis, Jr. Family Limited Partnership and Harold J. Mathis, Jr. relating to the manner of election of directors of the Company.

Other Business

The Board knows of no other matters which may be presented for shareholder action at the meeting. If other matters are properly brought before the meeting, the persons named as proxies in 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 vote of a shareholder 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.

ELECTION OF DIRECTORS (Item 1)

The shareholders elect approximately one-third of the members of the Board of Directors annually. The Board is divided into three classes, as nearly equal in number as possible, with the members of each class serving three-year terms. Currently, the Board is comprised of twelve members, four whose terms expire at the 2005 Annual Meeting, four whose terms expire in 2006, and four whose terms expire in 2007. Effective as of the date of the 2005 Annual Meeting, the Board will be comprised of ten members, three whose terms expire at the 2006 Annual Meeting, three whose terms expire in 2007, and four whose terms expire in 2008. The reduction in number of members of the Board of Directors results from the resignations of Roger R. Hemminghaus and Joanne Winik and the Board of Directors' election not to fill the vacancies caused by Mr. Hemminghaus' and Ms. Winik's resignations at this time.

The terms of Judith B. Craven, Arthur R. Emerson, Frank Markantonis, and Gasper Mir, III will expire at the 2005 Annual Meeting of Shareholders. The Board nominates Judith B. Craven, Arthur R. Emerson, Frank Markantonis, and Gasper Mir, III for election as directors to serve until the 2008 Annual Meeting of

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Shareholders and until their successors are elected and qualified. The Board of Directors recommends a vote FOR all such nominees.

The Board has nominated Frank Markantonis to serve until the 2008 Annual Meeting. Mr. Markantonis is an attorney whose principal client is Pappas Restaurants, Inc., an entity controlled by Harris J. Pappas and Christopher J. Pappas. Harris J. Pappas is currently serving until the 2006 Annual Meeting, and his brother, Christopher J. Pappas, is currently serving until the 2007 Annual Meeting, and, as with all directors, each of them would serve until his or her successor is duly elected and qualified. Pursuant to the terms of the First Amendment to Purchase Agreement dated June 7, 2004, entered into by and among the Company, Christopher J. Pappas and Harris J. Pappas, the Company agreed that Messrs. Pappas would have the right to nominate a number of directors for election to the board which, if such nominees are elected, would result in Messrs. Pappas having nominated three of the then serving directors of the Company. Messrs. Pappas are entitled to exercise this right for so long as they are both executive officers of the Company or they remain the holders of the Company's \$10 million in amended and restated convertible subordinated promissory notes dated June 7, 2004. Messrs. Pappas designated themselves and Frank Markantonis as their nominees for directors. The Board of Directors recommends a vote FOR Frank Markantonis.

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.

The following information is furnished with respect to each of the nominees and for each of the directors whose terms will continue after the Annual Meeting. Such information includes all positions with the Company and principal occupations during the last five years.

Nominees for Election to Terms Expiring in 2008

JUDITH B. CRAVEN is President of JAE & Associates LLC. She was President of United Way of the Texas Gulf Coast (from 1992 to 1998). She is 59 and has been a director of the Company since January of 1998. She is a director of A.H. Belo Corporation, Sysco Corporation, and Valic Corp. and serves on the Board of Regents of the University of Texas at Austin. She is Chairman of the Personnel and Administrative Policy Committee, Vice-Chairman of the Executive Compensation Committee, and a member of the Nominating and Corporate Governance Committee and the Executive Committee.

ARTHUR R. EMERSON is Chairman/CEO of Groves Rojas Emerson, an advertising and public relations firm (since June 2000). Prior thereto he was Vice President and General Manager of the Texas stations of the Telemundo television network. He is a director of USAA Federal Savings Bank and Chairman of its Trust Committee. He is 60 and has been a director of the Company since January of 1998. He is a member of the Finance and Audit Committee.

FRANK MARKANTONIS is an attorney licensed to practice in Texas since 1973. He has worked extensively in the real estate and corporate areas for over 30 years. He is a member of the State Bar of Texas and the District of Columbia Bar. His principal client is Pappas Restaurants, Inc. He is 56 years old and has been a director of the Company since January of 2002. He is a member of the Personnel and Administrative Policy Committee.

GASPER MIR, III is currently serving as Executive General Manager of Strategic Partnerships for the Houston Independent School District. Mr. Mir is a principal owner and founder of the public accounting and professional services firm Mir Fox & Rodriguez, P.C. (since 1988). He is currently on a leave of absence from the accounting firm. He is 58 and has been a director of the Company since January of 2002. He is a director of the Memorial Hermann Hospital System, Sam Houston Council of Boy Scouts, the American Leadership Foundation, the Houston Hispanic Chamber of Commerce, the Advisory Board of the University of Houston-Downtown School of Business, and the Houston Region Board of Directors of JPMorgan Chase Bank of Texas. He is Chairman of the Luby's Board, Chairman of the Executive Committee and the Nominating and Corporate Governance Committee, and a member of the Finance and Audit Committee.

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Incumbents Whose Terms Expire in 2007

JILL GRIFFIN is a business consultant, an internationally published author, and speaker. She is a principal of the Griffin Group, founded by her in 1988, which specializes in customer loyalty research, customer relationship program development, and management training. In her early career, she served as senior brand manager for RJR/Nabisco's largest brand. She then joined AmeriSuites Hotels where she served as national director of sales and marketing. She has also served on the marketing faculty at the University of Texas at Austin. She is 49 years of age and has been a director of the Company since January of 2003. She is a member of the Personnel and Administrative Policy Committee and the Executive Compensation Committee.

ROGER R. HEMMINGHAUS is the Chairman Emeritus of Ultramar Diamond Shamrock Corporation where he also served as Chief Executive Officer until 1999 and as President and Chief Executive Officer until 1996. He is 68 and has been a director of the Company since January of 1989. He is a director of Tandy Brands Accessories, Inc., CTS Corporation, Excel Energy, Inc., and Southwest Research Institute. He is Vice-Chairman of the Board, Chairman of the Executive Compensation Committee, Vice-Chairman of the Executive Committee, Vice-Chairman of the Nominating and Corporate Governance Committee, and a member of the Personnel and Administrative Policy Committee. Mr. Hemminghaus has submitted his resignation with an effective date of January 20, 2005.

CHRISTOPHER J. PAPPAS is President and Chief Executive Officer of the Company (since March 7, 2001). He is also Chief Executive Officer of Pappas Restaurants, Inc. He is 57 and has been a director of the Company since March of 2001. He is a director of the National Restaurant Association, the Sam Houston Council of Boy Scouts of America Board, the Southwest Bank of Texas Advisory Board, the University of Houston Conrad Hilton School of Hotel and Restaurant Management Dean's Advisory Board, and the Greater Houston Partnership Board. He is a member of the Executive Committee.

JIM W. WOLIVER is a retired former officer of the Company. He was Senior Vice President-Operations from 1995 to 1997 and Vice President-Operations from 1984 to 1995. He is 67 and has been a director of the Company since January of 2001. He is a member of the Personnel and Administrative Policy Committee and the Executive Compensation Committee.

Incumbent Directors Whose Terms Expire in 2006

J.S.B. JENKINS is President, Chief Executive Officer, and a director of Tandy Brands Accessories, Inc., a manufacturer and marketer of fashion accessories, and has served as such since the company's formation in 1990. He previously served as the Executive Vice President of the Bombay Company, Inc. He is also a member of the Texas A&M University College of Business Administration/ Graduate School of Business Development Council, the Texas A&M University President's Council, the advisory board of directors for the Texas A&M University 12th Man Foundation, and the board of directors for the Cotton Bowl Athletic Association. He is 61 years of age and has been a director of the Company since January of 2003. He is Vice-Chairman of the Finance and Audit Committee.

JOE C. MCKINNEY is Vice-Chairman of Broadway National Bank (since October 1, 2002). He formerly served as Chairman of the Board and Chief Executive Officer of JPMorgan Chase Bank-San Antonio (commercial banking) until his retirement on March 31, 2002. He is 58 years of age and has been a director of the Company since January of 2003. He is a director of Broadway National Bank, Broadway Bancshares, Inc., Columbia Industries, USAA Real Estate Company, Tampa Equities REIT I (USAA), Houston REIT (USAA), and U.S. Industrial REIT I (USAA). He is Chairman of the Finance and Audit Committee and a member of the Nominating and Corporate Governance Committee and the Executive Committee.

HARRIS J. PAPPAS is Chief Operating Officer of the Company (since March 7, 2001). He is 60 and has been a director of the Company since March of 2001. He is also President of Pappas Restaurants, Inc. He is a director of Oceaneering International, Inc., Memorial Hermann Affiliated Services, Inc., and the YMCA of Greater Houston. He is also an advisory trustee of Schreiner's College and an advisory board member of

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Frost National Bank-Houston. He is a member of the Executive Committee and the Personnel and Administrative Policy Committee.

JOANNE WINIK is President, General Manager, and a director of KLRN-TV, San Antonio's Public Broadcasting Service affiliate. She is a director of PBS (Public Broadcasting System). She is 65 and has been a director of the Company since January of 1993. She is Vice-Chairman of the Personnel and Administrative Policy Committee and a member of the Executive Compensation Committee. Ms. Winik has submitted her resignation with an effective date of January 20, 2005.

OWNERSHIP OF EQUITY SECURITIES IN THE COMPANY

The following table sets forth information concerning the beneficial ownership of the Company's common stock, as of December 3, 2004, for (a) each director currently serving on the Company's Board, (b) each nominee for election as a director at the 2005 Annual Meeting, (c) each of the officers named in the Summary Compensation Table (Named Officers) not listed as a director, and (d) directors and executive officers as a group. In general, beneficial ownership includes those shares a director or executive officer has the power to vote or transfer and shares that the director or executive officer has the right to acquire within 60 days after December 3, 2004.

Name(1)	Shares Beneficially Owned	Percent of Common Stock
Judith B. Craven(2)	27,634	*
Arthur R. Emerson(3)	29,728	*
Jill Griffin(4)	4,000	*
Roger R. Hemminghaus(5)	48,651	*
J.S.B. Jenkins(6)	4,000	*
Frank Markantonis(7)	9,978	*
Joe C. McKinney(8)	4,000	*
Gasper Mir, III(9)	8,452	*
Christopher J. Pappas(10)	2,791,900	10.33%
Harris J. Pappas(11)	2,791,900	10.33%
Ernest Pekmezaris(12)	21,760	*
Peter Tropoli(13)	18,750	*
Joanne Winik(14)	30,079	*
Jim W. Woliver(15)	28,416	*
All directors and executive officers of the Company, as a group (14 persons)(16)	5,819,248	21.53%

* Represents beneficial ownership of less than one percent of the shares of the Company's common stock issued and outstanding on December 3, 2004.

- (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 on account of 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 terminated.
- (2) The shares shown for Ms. Craven include 1,500 shares held for her benefit in a custodial account. The shares shown include 14,666 shares which she has the right to acquire within 60 days under the

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- Nonemployee Director Stock Option Plan and 11,468 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan.
- (3) The shares shown for Mr. Emerson include 3,237 shares held jointly with his wife in a custodial account. The shares shown include 14,666 shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Option Plan and 11,825 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan.
 - (4) The shares shown for Ms. Griffin include 4,000 shares which she has the right to acquire within 60 days under the Nonemployee Director Stock Option Plan.
 - (5) The shares shown for Mr. Hemminghaus include 14,300 shares held in a custodial account for the benefit of Mr. Hemminghaus and his wife. The shares shown include 18,000 shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Option Plan and 16,351 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan which will convert into 16,351 shares of common stock on January 20, 2005, the effective date of Mr. Hemminghaus' resignation.
 - (6) The shares shown for Mr. Jenkins include 4,000 shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Option Plan.
 - (7) The shares shown for Mr. Markantonis include 100 shares held for his benefit in a custodial account. The shares shown include 6,000 shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Option Plan and 3,878 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan.
 - (8) The shares shown for Mr. McKinney include 4,000 shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Option Plan.
 - (9) The shares shown for Mr. Mir include 6,000 shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Option Plan and 2,452 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan.
 - (10) The shares shown for Christopher J. Pappas include 671,900 shares held for his benefit in a custodial account. The shares shown include 1,120,000 shares which he has the right to acquire within 60 days pursuant to stock options granted in connection with his employment by the Company in 2001 and 1,000,000 shares which he has the right to acquire within 60 days upon conversion of amended and restated convertible subordinated notes issued in 2004, exclusive of accrued interest which also may be converted. (See Certain Relationships & Related Transactions beginning on page 13).
 - (11) The shares shown for Harris J. Pappas include 671,900 shares held for his benefit in a custodial account. The shares shown include 1,120,000 shares which he has the right to acquire within 60 days pursuant to stock options granted in connection with his employment by the Company and 1,000,000 shares which he has the right to acquire within 60 days upon conversion of amended and restated convertible subordinated notes issued in 2004, exclusive of accrued interest which also may be converted. (See Certain Relationships & Related Transactions beginning on page 13).
 - (12) The shares shown for Mr. Pekmezaris include 3,010 shares held for his benefit in a custodial account. The shares shown include 18,750 shares which he has the right to acquire within 60 days under the Company's stock option plans.
 - (13) The shares shown for Mr. Tropoli include 18,750 shares which he has the right to acquire within 60 days under the Company's stock option plans.
 - (14) The shares shown for Ms. Winik include 2,578 shares held for her benefit in custodial accounts. The shares shown include 13,000 shares which she has the right to acquire within 60 days under the Nonemployee Director Stock Option Plan and 14,501 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan which will convert into 14,501 shares of common stock on January 20, 2005, the effective date of Ms. Winik's resignation.

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- (15) The shares shown for Mr. Woliver include 20,416 shares held in a custodial account for the benefit of Mr. Woliver and his wife. The shares shown include 8,000 shares which he has the right to acquire within 60 days under the Nonemployee Director Stock Option Plan.
- (16) The shares shown for all directors and executive officers as a group include 2,362,331 shares which they have the right to acquire within 60 days under the Company's benefit plans, 2,000,000 shares which they have the right to acquire within 60 days upon conversion of convertible notes, and 60,475 shares of phantom stock held under the Nonemployee Director Phantom Stock Plan.

PRINCIPAL SHAREHOLDERS

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 September 30, 2004, (except for Messrs. Pappas whose information is current as of December 11, 2004) 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) 642 Yale Street Houston, Texas 77007	2,791,900	10.33%
Harris J. Pappas(3) 642 Yale Street Houston, Texas 77007	2,791,900	10.33%
Aegis Financial Corporation(4) 1100 North Glebe Road Arlington, Virginia 22201	2,289,600	8.47%
Dimensional Fund Advisors(4) 1299 Ocean Avenue, 11th Floor Santa Monica, California 90401	1,745,876	6.46%

- (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 671,900 shares held for his benefit in a custodial account. The shares shown include 1,120,000 shares which he has the right to acquire within 60 days pursuant to stock options granted in connection with his employment by the Company and 1,000,000 shares which he has the right to acquire within 60 days upon conversion of the principal of the amended and restated convertible subordinated notes he purchased in 2004, exclusive of any accrued interest, which also may be converted. (See Certain Relationships & Related Transactions beginning on page 13).
- (3) The shares shown for Harris J. Pappas include 671,900 shares held for his benefit in a custodial account. The shares shown include 1,120,000 shares which he has the right to acquire within 60 days pursuant to stock options granted in connection with his employment by the Company and 1,000,000 shares which he has the right to acquire within 60 days upon conversion of the principal of the amended and restated convertible subordinated notes he purchased in 2004, exclusive of any accrued interest, which also may be converted. (See Certain Relationships & Related Transactions beginning on page 13).
- (4) The ownership reported is based upon Form 13F filings for each of these shareholders for the calendar quarter ended September 30, 2004.

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**INFORMATION CONCERNING MEETINGS, COMMITTEES OF THE BOARD,
AND COMPENSATION OF DIRECTORS**

The Board of Directors held four regular meetings and six special meetings during the fiscal year ended August 25, 2004. Each director attended more than 75% of the aggregate of all meetings of the Board and the committees of the Board on which he or she served during the last fiscal year.

The Board has affirmatively determined that Messrs. Emerson, Hemminghaus, Jenkins, McKinney, Mir, and Woliver and Ms. Craven, Griffin, and Winik are independent directors under the New York Stock Exchange listing standards. The membership, charters, and key practices of each of these committees are available on the Company's website at www.lubys.com.

The Board currently has the following committees: Finance and Audit, Nominating and Corporate Governance, Personnel and Administrative Policy, Executive Compensation, and Executive. The Finance and Audit Committee and the Personnel and Administrative Policy Committee typically meet prior to each regularly scheduled meeting of the Board; otherwise, all committees meet as necessary to fulfill their responsibilities, including regular quarterly meetings of the Finance and Audit Committee with management and the Company's independent accountants to review the results of operations and the overall financial status of the Company. The committees have been directed by the Board to consider matters within their respective 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.

Prior to the date of the 2004 Annual Meeting, the Board adopted certain changes to the structure and membership of the Board's committees to comply with rules adopted by the New York Stock Exchange and the Securities and Exchange Commission during the past year. Membership and principal responsibilities of the current Board committees are described below.

Finance and Audit Committee

The members of the Finance and Audit Committee are:

Joe C. McKinney (Chair)

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

Arthur R. Emerson

Gasper Mir, III

The Finance and Audit Committee met fourteen times during the last fiscal year. 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 compliance by the Company with legal and regulatory requirements; (3) the independent auditor's qualifications and independence; and (4) the performance of the Company's internal audit function and its independent auditor. The Finance and Audit Committee is also directly responsible for the appointment, compensation, retention, and oversight of the work of the Company's independent auditor and the preparation of the of the Finance and Audit Committee Report, beginning on page 23.

All members of the Finance and Audit Committee are independent as that term is defined in the listing standards of the New York Stock Exchange.

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. Messrs. Mir and McKinney are independent under the listing standards of the New York Stock Exchange.

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At least quarterly, Committee members have the opportunity to meet privately with representatives of the Company's independent auditor and with the Company's Director of Internal Audit. The Board of Directors has adopted a written charter for the Finance and Audit Committee. A copy of the current Finance and Audit Committee Charter adopted by the Board is attached to this Proxy Statement as Annex A and is available on the Company's website at www.lubys.com.

Nominating and Corporate Governance Committee

The members of the Nominating and Corporate Governance Committee are:

Gasper Mir, III (Chair)

Roger R. Hemminghaus (Vice-Chair)

Judith B. Craven

Joe C. McKinney

The Nominating and Corporate Governance Committee met two times during the last fiscal year. The primary functions of this 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; and (3) to recommend appropriate Board action on renewal terms of service for incumbent members as their terms near completion. A copy of the Nominating and Corporate Governance Committee Charter, as currently in effect, is available on the Company's website at www.lubys.com.

All members of the Nominating and Corporate Governance Committee are independent as that term is defined in the listing standards of the New York Stock Exchange.

Director Nominations

Director Qualifications and Nomination Process

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.

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 whatever information is provided to the Committee with the recommendation of the prospective candidate, as well as the Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation or others. The preliminary determination is based primarily on the need for additional Board members to fill vacancies or expand the size of the Board and the likelihood that the prospective nominee can satisfy the evaluation factors described below.

If the Committee determines, in consultation with the Chairman of the Board and other members, 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 our 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 SEC rules);

Financial literacy and understanding of business strategy, business environment, corporate governance, and board operation knowledge;

Commitment to our core values;

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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 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 audit committee expertise.

In connection with its evaluation, the Committee determines whether to interview the prospective nominee and, 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.

We did not pay any third party a fee to assist in the process of identifying or evaluating nominees for election at the 2005 Annual Meeting. We did not receive any director candidates for election at the 2005 Annual Meeting put forward by a shareholder or group of shareholders who beneficially own more than five percent of our common stock, other than Frank Markantonis as stated above. All nominees for election as directors at the 2005 Annual Meeting are incumbent directors of the Company standing for re-election.

Submission of Shareholder Nominations to the Board of Directors

A shareholder who wishes to recommend a prospective nominee for election to the Board should notify the Corporate Secretary, Luby's, Inc. 13111 Northwest Freeway, Suite 600, Houston, Texas 77040. The notice should be addressed to the attention of the Corporate Secretary or any member of the Nominating and Corporate Governance Committee in care of the Corporate Secretary. The notice should include whatever supporting material the shareholder considers appropriate. The Nominating and Corporate Governance Committee will also consider whether to nominate any person nominated by a shareholder pursuant to the provision of our bylaws relating to shareholder nominations as described in Director Nominations For 2006 Annual Meeting, below.

Shareholder Communications to the Board

Shareholders and other parties interested in communicating directly with the Chairman of the Board, the non-management directors as a group or the Board 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, Attn: Corporate Secretary. Instructions on how to communicate with the Board are also available on our Investor Relations website, which can be reached through a link at <http://www.lubys.com/contactboard.asp>.

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, our 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 he otherwise determines requires their 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 our internal audit department and handled in accordance with procedures established by the Finance and Audit Committee with respect to such matters.

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Director Attendance at Annual Meetings

Although we do not have a formal policy regarding director attendance at our Annual Meeting, all of our directors attended the 2004 Annual Meeting and we expect all continuing members will be present for the 2005 Annual Meeting.

Personnel and Administrative Policy Committee

The members of the Personnel and Administrative Policy Committee are:

Judith B. Craven (Chair)

Joanne Winik (Vice-Chair)

Jill Griffin

Roger R. Hemminghaus

Frank Markantonis

Harris J. Pappas

Jim W. Woliver

The Personnel and Administrative Policy Committee met five times during the last fiscal year. 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) nonexecutive officer compensation and benefits (other than Board and executive compensation); (4) retirement/savings and investment plan administration; (5) marketing and public relations strategies; (6) safety and security policies; and (7) shareholder relations and communications on matters other than financial reporting.

None of the members of the Committee is an officer or employee, or a former officer or employee of the Company, except Messrs. Woliver and Pappas. Mr. Woliver retired as an officer and employee of the Company in 1997, and Mr. Pappas is currently Chief Operating Officer of the Company.

Executive Compensation Committee

The members of the Executive Compensation Committee are:

Roger R. Hemminghaus (Chair)

Judith B. Craven (Vice-Chair)

Jill Griffin

Joanne Winik

Jim W. Woliver

The Executive Compensation Committee met six times during the last fiscal year. The primary functions of the Executive Compensation Committee are (1) to discharge the Board's responsibilities relating to compensation of the Company's executives and its Board; and (2) to communicate to shareholders the Company's executive compensation policies and the reasoning behind such policies.

All members of the Executive Compensation Committee are independent as that term is defined in the listing standards of the New York Stock Exchange.

Executive Committee

The members of the Executive Committee are:

Gaspar Mir, III (Chair)

Roger R. Hemminghaus (Vice-Chair)

Judith B. Craven

Joe C. McKinney

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Christopher J. Pappas
Harris J. Pappas

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The Executive Committee met one time during the last fiscal year. 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 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.

Compensation of Directors

Each nonemployee director other than the Chairman of the Board is currently paid an annual retainer of \$25,000. The Chairman of the Board is currently paid an annual retainer of \$50,000. In addition to the base annual retainer of \$25,000, the Chairman of the Finance and Audit Committee is currently paid an additional annual retainer of \$7,000, and the Chairman of each other Board committee is currently 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: (i) \$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; (ii) \$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; (iii) \$1,000 per day for each meeting of any Board committee held on a day other than a Board meeting day; and (iv) \$500 per day for each meeting of any Board committee conducted by telephone on a day other than a Board meeting day.

Under the Company's Nonemployee Director Stock Option Plan, as previously amended and restated (the Option Plan), nonemployee directors are periodically granted nonqualified options to purchase shares of the Company's common stock at an option price equal to 100% of fair market value on the date of grant. Each option terminates upon the expiration of ten years from the date of grant or one year after the optionee ceases to be a director, whichever first occurs. An option may not be exercised prior to the expiration of one year from the date of grant, subject to certain exceptions specified in the Option Plan. An amendment and restatement of the Option Plan has been submitted for approval by the shareholders at this meeting. See Nonemployee Director Stock Plan beginning on p. 16.

Pursuant to the provisions of the Option Plan, options were granted on February 26, 2004, to Judith B. Craven, Arthur R. Emerson, Jill Griffin, Roger R. Hemminghaus, J.S.B. Jenkins, Frank J. Markantonis, Joe C. McKinney, Gasper Mir, III, Joanne Winik, and Jim W. Woliver for 2,000 shares each, at an option price of \$4.47 per share.

Under the Company's Nonemployee Director Phantom Stock Plan, as amended and restated (the Phantom Stock Plan), nonemployee directors were previously required and encouraged to defer their director retainer and meeting fees into a phantom share account which is credited with dollar amounts in the form of phantom shares priced at current market value of the Company's common stock. Nonemployee directors were required to defer at least 50% of their director retainer fees until they acquired at least \$100,000 of the Company's common stock based on its average closing price over the preceding 365-day period. In addition, nonemployee directors were encouraged to defer the balance of their director retainer fees and their meeting fees into their respective phantom share accounts by provisions of the Phantom Stock Plan, which provides an additional credit to their account of 25% of any amounts voluntarily deferred. The phantom share accounts were also credited with dollar amounts equal to dividends, if any, paid on the common stock. When a participant ceases to be a director, the number of phantom shares in his or her account is converted into an equal number of shares of the Company's common stock.

The Company's Corporate Governance Guidelines have consistently required deferral of director retainer fees until the \$100,000 minimum market value threshold is met. Because the number of authorized shares under the Phantom Stock Plan has been fully depleted, directors may no longer defer payment into the Phantom Stock Plan of cash compensation which would otherwise be payable to nonemployee directors. However, if the amendment and restatement of the Company's Nonemployee Director Stock Option Plan is approved at the 2005 Annual Meeting, each Nonemployee Director (i) will receive quarterly grants of 2,500 shares of restricted stock, (ii) may elect to purchase shares of restricted stock with the director's annual

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meeting and retainer fees, and (iii) will be required to use at least \$10,000 of the annual \$25,000 retainer to purchase restricted stock. See discussion under Nonemployee Director Stock Plan beginning on p. 16.

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.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company obtains certain services from entities owned and controlled by Christopher J. Pappas, President and Chief Executive Officer of the Company, and Harris J. Pappas, Chief Operating Officer of the Company, pursuant to the terms of an Affiliate Services Agreement dated August 28, 2001, and then amended and restated as of July 23, 2002. The types of services periodically provided to the Company by these entities are the supply of goods and other services necessary for the operation of the Company. When the Affiliate Services Agreement was amended, a Master Sales Agreement with such entities was entered into on July 23, 2002, to more properly reflect the current relationship between the Company and those entities regarding the provisions of services and goods.

During the 2004 fiscal year, the entities owned or controlled by Harris and Christopher Pappas (the Pappas Entities) provided goods to the Company under the Master Sales Agreement in the amount of approximately \$113,000. Conversely, no services were provided in fiscal 2003 relative to the Affiliate Services Agreement. Subsequent to August 25, 2004, and through November 30, 2004, the Company incurred costs in the amount of approximately \$47,000 from the Pappas Entities under either the Master Sales Agreement or the Affiliate Services Agreement.

Consistent with past practices, the Finance and Audit Committee of the Board reviewed on a quarterly basis all applicable amounts related to either the Master Sales Agreement or the Affiliate Services Agreement. That Committee is composed entirely of nonemployee directors.

The Company anticipates payments to such entities under the Affiliate Services Agreement and the Master Sales Agreement during the current fiscal year will not exceed \$500,000. Such payments 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 the level which the Company would pay for comparable goods and/or services (if available) from a party unaffiliated with the Company.

The Company is obligated under a separate agreement dated September 28, 2001, for the lease of real property for the Company's service center from the Pappas Entities. This lease agreement was amended on May 20, 2003, to expand the space leased by the Company. The proposal to amend the lease was reviewed by the Company's Internal Audit Department, evaluated by the Finance and Audit Committee of the Board, and evaluated and approved by the Board with Messrs. Pappas and Markantonis abstaining from such vote. The amount paid by the Company under this lease agreement was approximately \$82,000 in fiscal 2004. Subsequent to August 25, 2004, and through November 30, 2004, the Company incurred lease costs for the service center in the amount of \$20,400. The Company has contracted to pay \$6,800 per month in rent pursuant to said lease agreement to such entities during the current fiscal year. The Company is obligated to pay all related repairs and maintenance, insurance, and pro-rata portion of utilities under said lease.

The Company previously leased a location from an unrelated third party. That location is used to house increased equipment inventories due to store closures under the current business plan. The Company considered it more prudent to lease this location rather than to pursue purchasing a storage facility, as its strategy is to focus its capital expenditures on its operating restaurants. In a separate transaction, the third-party property owner sold the location to the Pappas Entities during the fourth quarter of fiscal 2003, with the Pappas Entities becoming the Company's landlord for that location effective August 1, 2003. The storage site complements the Houston Service Center with approximately 27,000 square feet of warehouse space. The

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amount paid by the Company under this lease arrangement was approximately \$69,000 in fiscal 2004. Subsequent to August 25, 2004, and through November 30, 2004, the Company incurred lease costs for the storage site of approximately \$17,000. The Company has contracted to pay \$5,559 per month in rent pursuant to said lease agreement to the Pappas Entities during the current fiscal year. The Company is obligated to pay all related repairs and maintenance, insurance, and pro-rata portion of utilities under said lease.

Late in the third quarter of fiscal 2004, Christopher J. Pappas and Harris J. Pappas became partners in a limited partnership which purchased a retail strip center in Houston, Texas. Messrs. Pappas own a 50% partnership interest. One of the Company's restaurants has rented approximately 7% of the space in that center since July of 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. The amount paid by the Company pursuant to the terms of this lease since the Pappas's inclusion as partners was \$56,000 in fiscal 2004. Management is under instruction that no amendments can be made to this lease without the approval of the Finance and Audit Committee.

The Company entered into a purchase agreement (the Purchase Agreement) with Christopher J. Pappas and Harris J. Pappas on March 9, 2001. Pursuant to the terms of the Purchase Agreement, Messrs. Pappas became obligated to purchase convertible subordinated promissory notes (the Pappas Notes) from the Company in the aggregate amount of \$10 million upon satisfaction of certain conditions specified in the Purchase Agreement. Messrs. Pappas each purchased two convertible subordinated promissory notes dated June 29, 2001, from the Company in the face amounts of \$1.5 million and \$3.5 million each (the Original Notes), resulting in the receipt of \$10 million in proceeds by the Company. The Original Notes were unsecured, and the rights of Messrs. Pappas to receive payments under the Pappas Notes were subordinated to the rights of the Company's senior secured creditors. As previously reported in the Company's Current Report on Form 8-K filed May 23, 2003 and in the Company's periodic filings, the Company's default under the terms of its senior indebtedness which occurred in January of 2003 triggered a default under cross-default provisions in the Original Notes. In connection with the refinancing of the Company's senior indebtedness and with the negotiation of new employment contracts with Messrs. Pappas (to replace the contracts which expired in March of 2004), a committee of independent directors of the Company, which was advised by independent advisors, negotiated an amendment of the Original Notes. These negotiations resulted in the curing of all defaults under the Original Notes and the issuance of two new notes, each in the face amount of \$5 million to each of Christopher and Harris Pappas (the Amended Notes). Messrs. Pappas surrendered the Original Notes to the Company in connection with the issuance of the Amended Notes.

The Amended Notes accrue interest at an annual rate of prime plus 5.00% for as long as the senior debt equals or exceeds \$60 million. When the senior debt is reduced below \$60 million, interest will be prime plus 4.00%. In either case, the rate cannot exceed 12.00% or the maximum legal rate. The Amended Notes remain unsecured and remain subordinated to the rights of the holders of the Company's senior indebtedness. The Original Notes were convertible into the Company's common stock at \$5.00 per share for 2.0 million shares. The terms of the Amended Notes provides that, at the earlier of June 7, 2005, a default under the senior debt, or a change in control as that term is defined in the Amended Notes, the conversion price will lower from \$5.00 to \$3.10 per share. In addition, the Company agreed to certain limits on the amount of indebtedness that can incur while the Amended Notes are outstanding.

The Company has agreed to reserve shares held in treasury for issuance to the holders of the Amended Notes upon conversion of the debt. The Company's treasury shares have also been reserved for two other purposes—the issuance of shares to Messrs. Pappas upon exercise of the options granted to them on March 9, 2001, and for shares issuable under the Company's Nonemployee Director Phantom Stock Option Plan. In accordance with an agreement between Messrs. Pappas and the Company dated June 7, 2004, Christopher and Harris Pappas have agreed to limit their exercise of stock options to a number that will ensure the net treasury shares available are not exceeded. Pursuant to the terms of that agreement, the Company indicated that it will use reasonable efforts to list on the New York Stock Exchange additional shares which would permit full exercise of those options.

On July 23, 2002, the Company entered into an Indemnification Agreement with each member of the Board of Directors under which the Company obligated itself to indemnify each director to the fullest extent

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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 of Directors 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.

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 year ended August 25, 2004, all Section 16(a) filing requirements were satisfied on a timely basis.

CORPORATE GOVERNANCE

During fiscal 2003, the Board adopted amendments to the Company's Policy Guide on Standards of Conduct and Ethics, which applies to all directors, officers, and employees of the Company. The Board also adopted Supplemental Standards of Conduct and Ethics that apply to the Company's Chief Executive Officer, Chief Financial Officer, Controller, and all senior financial officers. These documents are available on the Company's website at www.lubys.com.

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

In fiscal 2003, the Board amended the existing Policy Guide on Standards of Conduct and Ethics, which is applicable to all directors, officers, and employees, to comply with the amended corporate governance standards applicable to issuers whose securities are listed on the New York Stock Exchange. It is the intent of the Policy Guide on Standards of Conduct and Ethics to promote observance of fundamental principles of honesty, loyalty, fairness, and forthrightness and adherence to the letter and spirit of the law. There shall be no waiver of any part of the Policy Guide on Standards of Conduct and Ethics for any director or executive officer except by a vote of the Board or a designated Board committee that shall 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 on the Company's website at www.lubys.com.

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

During fiscal 2003, the Board also adopted 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 a registrant files with, or submits to, the Commission and in other public communications made by the registrant;

Compliance with governmental laws, rules, and regulations;

The prompt internal reporting to an appropriate person or persons identified in the code of violations of the code; and

Accountability for adherence to the code.

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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 shall 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.

Corporate Governance Guidelines

For many years, the Company has had in place Corporate Governance Guidelines which evidence 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 at least annually and modified when deemed appropriate by the Board. On October 28, 2004, the Board of Directors adopted amendments to the Company's Corporate Governance Guidelines which were intended to clarify the Company's expectations concerning the composition of the Board of Directors. The current version of the Company's Corporate Governance Guidelines can be found on the Company's website at www.lubys.com/corporategovernanceguidelines.asp.

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 shall be 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 that concern questionable accounting, internal accounting controls, or auditing matters and to take any corrective action, if necessary. The Board shall be notified of these reports at every quarterly Board 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.

APPOINTMENT OF AUDITORS (Item 2)

The Board of Directors of the Company has appointed the firm of Ernst & Young LLP to audit the accounts of the Company for the 2005 fiscal year. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting of Shareholders 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 auditors is not a matter which is required to be submitted to a vote of shareholders, but the Board of Directors 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 shares present at the meeting in person and by proxy is required for ratification. The Board recommends that the shareholders vote FOR ratification of the appointment of Ernst & Young LLP.

NONEMPLOYEE DIRECTOR STOCK PLAN (Item 3)

The Company's Nonemployee Director Stock Option Plan was approved by the shareholders on January 13, 1995. It was amended by the Board of Directors on January 14, 1997, and by an amendment

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approved by the shareholders of the Company on January 20, 2000. The plan, as so amended, is referred to herein as the Original Plan.

On October 28, 2004, the Board of Directors approved further amendments and a restatement of the Original Plan, subject to the approval of the shareholders at the 2005 Annual Meeting. The Amended and Restated Nonemployee Director Stock Plan (referred to herein as the Amended Plan) is intended to fully restate the Original Plan effective as of the Annual Meeting date.

Original Plan. The Original Plan became effective on January 13, 1995. It provides for discretionary grants to directors who are not employees of the Company or its subsidiaries or affiliated entities of options to purchase common stock of the Company. The maximum number of shares of common stock issuable under the Original Plan is 200,000, subject to the adjustment provisions of the plan. Under the Original Plan, 82,669 shares of common stock remain available for future issuance.

The Nonemployee Directors as a group have received options under the Original Plan to purchase an aggregate of 117,331 shares of common stock of the Company at option prices equal to 100% of market value on the date of grant. None of these options have been exercised and all are outstanding. Each nominee for election as director at the 2005 Annual Meeting has received options under the Original Plan to purchase shares of common stock of the Company at option prices equal to 100% of market value on the date of grant for the number of option shares indicated:

Optionee	Number of Shares
Judith B. Craven	16,666
Arthur R. Emerson	16,666
Frank Markantonis	8,000
Gasper Mir, III	8,000

Principal Changes. The principal changes in the Original Plan to be effected by the Amended Plan are:

(a) increasing the total number of shares of the Company s common stock issuable from 200,000 to 400,000;

(b) authorizing the award of shares of common stock of the Company which are restricted as to transferability for a stated period of time (Restricted Stock); and

(c) making shares of Restricted Stock available for purchase by Nonemployee Directors who elect to use their retainer or meeting fees paid to them by the Company for those purchases.

Summary. The following summary of the Amended Plan is qualified in its entirety by reference to the complete text of the Amended Plan attached as Annex B to this Proxy Statement. The term Company as used in this summary refers only to Luby s, Inc.

Purpose. The purpose of the Amended Plan is to promote the interests of the Company and its shareholders by strengthening the Company s ability to attract and retain the services of experienced and knowledgeable directors. To accomplish these objectives, the Amended Plan authorizes (i) award of options to purchase shares of the Company s common stock, (ii) award of shares of Restricted Stock, (iii) the purchase of Restricted Stock out of retainer and meeting fees paid to Nonemployee Directors, and (iv) the award of an additional twenty percent (20%) of the number of shares of any Restricted Stock purchased by a Nonemployee Director in excess of the amount of retainer and meeting fees which the Board requires be paid in Restricted Stock each year, thereby encouraging Nonemployee Directors to acquire an increased economic interest in the Company.

Administration. The Amended Plan will be administered by the Board of Directors.

Types of Awards. The