

POTBELLY CORP  
Form DEF 14A  
March 24, 2016  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**SCHEDULE 14A**  
**(Rule 14a-101)**  
INFORMATION REQUIRED IN  
PROXY STATEMENT  
**SCHEDULE 14A INFORMATION**  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the registrant

Filed by a party other than the registrant

**Check the appropriate box:**

- Preliminary Proxy Statement
- Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Potbelly Corporation**

*(Name of registrant as specified in its charter)*

**Payment of the 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.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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**Fee paid previously with preliminary materials.**

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**Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(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:

(4) Date filed:

**Table of Contents**

March 24, 2016

Dear Fellow Stockholder:

You are cordially invited to attend our Annual Meeting of Stockholders on May 12, 2016. We will hold the meeting at 8:00 a.m., Central Time, at the Westin O'Hare Hotel, 6100 N. River Road, Rosemont, Illinois 60018. Details of the business to be conducted at the Annual Meeting are given in the notice of meeting and proxy statement that follow.

Please vote promptly by following the instructions in this proxy statement or in the Notice of Internet Availability of Proxy Materials that was sent to you.

Sincerely,

**Aylwin Lewis**

*Chairman of the Board and Chief Executive Officer*

Table of Contents

111 North Canal Street, Suite 850

Chicago, Illinois 60606

**NOTICE OF ANNUAL MEETING OF  
STOCKHOLDERS  
TO BE HELD ON MAY 12, 2016**

To our Stockholders:

The 2016 Annual Meeting of Stockholders of Potbelly Corporation will be held on May 12, 2016, at 8:00 a.m. Central Time, at the Westin O Hare Hotel, 6100 N. River Road, Rosemont, Illinois 60018 for the following purposes:

1. To elect Ann-Marie Campbell, Dan Ginsberg and Harvey Kanter as Class III directors to serve for a term of three years or until their successors are duly elected or appointed and qualified;
  2. The ratification of the appointment of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending December 25, 2016;
  3. To approve the Amended and Restated Potbelly Corporation 2013 Long-Term Incentive Plan; and
  4. To transact any other business properly brought before the Annual Meeting or any adjournment or postponement thereof.
- These items of business are more fully described in the proxy statement accompanying this Notice.

The Board of Directors has set the close of business on March 16, 2016 as the record date for determining Stockholders of the Company entitled to notice of and to vote at the Annual Meeting. A list of the Stockholders as of the record date will be available for inspection by Stockholders, for any purpose germane to the Annual Meeting, at the Company's offices and at the offices of American Stock Transfer & Trust Company LLC, the Company's independent share transfer agent, during normal business hours for a period of 10 days prior to the Annual Meeting. The list will also be available for inspection by Stockholders at the Annual Meeting.

All Stockholders are cordially invited to attend the Annual Meeting in person. **EVEN IF YOU CANNOT ATTEND THE ANNUAL MEETING, PLEASE TAKE THE TIME TO PROMPTLY VOTE YOUR PROXY BY CAREFULLY FOLLOWING THE INSTRUCTIONS ON THE NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS. ALTERNATIVELY, IF YOU HAVE REQUESTED WRITTEN PROXY MATERIALS, PLEASE SIGN, DATE AND RETURN THE PROXY CARD IN THE RETURN ENVELOPE PROVIDED AS PROMPTLY AS POSSIBLE.**

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on May 12, 2016: the Proxy Statement and Annual Report to Stockholders are Available at [www.proxyvote.com](http://www.proxyvote.com).**

By order of the Board of Directors,

**Matthew Revord**

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*Senior Vice President, Chief Legal Officer, General Counsel and Secretary*

March 24, 2016

Table of Contents

# PROXY STATEMENT

## Table of Contents

<b><u>GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u></b>	<b>1</b>
<b><u>CORPORATE GOVERNANCE</u></b>	<b>5</b>
<u>Overview</u>	5
<u>Director Independence</u>	5
<u>Ethics Code of Conduct</u>	5
<u>Conflicts of Interest</u>	5
<u>Structure of the Board of Directors</u>	5
<u>Board Leadership Structure</u>	6
<u>Director Biographies</u>	6
<u>Board Meetings</u>	7
<u>Board Committees</u>	8
<u>Compensation Committee Interlocks and Insider Participation</u>	9
<u>Board's Role in Risk Oversight</u>	9
<u>Policy for Director Recommendations</u>	9
<u>Communication with the Board</u>	10
<b><u>PROPOSAL No. 1 ELECTION OF DIRECTORS</u></b>	<b>11</b>
<b><u>PROPOSAL No. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	<b>12</b>
<u>Policy on Audit Committee Approval of Audit and Non-Audit Services</u>	12
<b><u>PROPOSAL No. 3 APPROVAL OF AMENDED AND RESTATED POTBELLY CORPORATION 2013 LONG-TERM INCENTIVE PLAN</u></b>	<b>13</b>
<u>Equity Compensation Plan Information</u>	17
<b><u>AUDIT COMMITTEE REPORT</u></b>	<b>18</b>
<b><u>EXECUTIVE OFFICERS</u></b>	<b>19</b>
<b><u>EXECUTIVE AND DIRECTOR COMPENSATION</u></b>	<b>21</b>
<u>Introduction</u>	21
<u>2015 Summary Compensation Table</u>	22
<u>Employment Agreements</u>	22
<u>Equity Awards</u>	24
<u>Non-Equity Incentive Awards</u>	24
<u>2015 Outstanding Equity Awards at Fiscal Year-End</u>	25
<u>Potential Payments Upon Termination of Employment or a Corporate Transaction/Change in Control</u>	26
<u>Other Plans</u>	27
<u>2015 Director Compensation</u>	27
<u>Stockownership Guidelines</u>	28

**Table of Contents**

<b><u>RELATED PARTY TRANSACTIONS</u></b>	<b>29</b>
<b><u>Indemnification Agreements</u></b>	29
<b><u>Review, Approval or Ratification of Transactions With Related Persons</u></b>	29
<b><u>BENEFICIAL OWNERSHIP OF OUR COMMON STOCK</u></b>	<b>30</b>
<b><u>Section 16(a) Beneficial Ownership Reporting Compliance</u></b>	31
<b><u>OTHER MATTERS</u></b>	<b>32</b>
<b><u>Proxy Solicitation</u></b>	32
<b><u>Stockholder Proposals for the 2017 Annual Meeting</u></b>	32
<b><u>Form 10-K and Other Filings</u></b>	32
<b><u>Householding</u></b>	32
<b><u>APPENDIX A</u></b>	<b>A-1</b>
<b><u>AMENDED AND RESTATED POTBELLY CORPORATION 2013 LONG-TERM INCENTIVE PLAN</u></b>	A-1

Table of Contents

GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

## POTBELLY CORPORATION

## PROXY STATEMENT

The Board of Directors (the Board of Directors or Board ) of Potbelly Corporation, a Delaware corporation, is using this proxy statement to solicit your proxy for use at our 2016 Annual Meeting. We are sending a Notice Regarding the Availability of Proxy Materials for the Annual Meeting and making proxy materials available to stockholders (or, for those who request, a paper copy of this proxy statement and the form of proxy) on or about March 24, 2016, to our stockholders of record as of the close of business on March 16, 2016. References in this proxy statement to Potbelly, Company, we, us, our and similar terms refer to Potbelly Corporation.

## GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

### Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on May 12, 2016

This proxy statement and our Annual Report for the year ended 2015, which includes our Annual Report on Form 10-K, are available on the Internet at [www.proxyvote.com](http://www.proxyvote.com). Pursuant to rules adopted by the Securities and Exchange Commission (the SEC ), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice Regarding the Availability of Proxy Materials to our stockholders of record as of the close of business on March 16, 2016. All stockholders will have the ability to access our proxy materials on the website referred to in the Notice Regarding the Availability of Proxy Materials ([www.proxyvote.com](http://www.proxyvote.com)) or to request to receive a printed set of our proxy materials. Instructions on how to access our proxy materials over the Internet or request a printed copy of our proxy materials may be found in the Notice Regarding Availability of Proxy Materials. In addition, stockholders may request to receive proxy materials in printed form or by email on an ongoing basis by calling 1-800-579-1639 or via email to [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com).

### Why am I receiving these materials?

Our Board of Directors is soliciting proxies for the 2016 Annual Meeting of Stockholders. On or about March 24, 2016, we expect to begin mailing these proxy materials to stockholders of record as of the close of business on March 16, 2016, the record date. On the record date, there were 26,117,209 shares of our common stock outstanding.

### Where and when is the Annual Meeting of Stockholders?

We will hold the Annual Meeting of Stockholders on Thursday, May 12, 2016, at 8:00 a.m., Central Time, at the Westin O Hare Hotel, 6100 N. River Road, Rosemont, Illinois 60018.

### What am I being asked to vote on at the meeting?



We are asking our stockholders to consider the following items:

the election of three nominees for director named in this proxy statement;

the ratification of the appointment of our independent registered public accounting firm;

the approval of the Amended and Restated Potbelly Corporation 2013 Long-Term Incentive Plan; and

any other business properly introduced at the Annual Meeting.

## Table of Contents

### GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

## How many votes do I have?

You have one vote for each share of our common stock that you owned at the close of business on the record date. These shares include:

shares registered directly in your name with our transfer agent, for which you are considered the stockholder of record; and

shares held for you as the beneficial owner through a broker, bank or other nominee in street name.

## What is the difference between holding shares as a stockholder of record and as a beneficial owner ?

If your shares are registered directly in your name with our transfer agent, you are considered the stockholder of record with respect to those shares. We have sent these proxy materials directly to you.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of the shares held in street name. Your broker, bank or other nominee who is considered the stockholder of record with respect to those shares has forwarded these proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote your shares by using the voting instruction card included in the mailing or by following their instructions for voting by telephone or the Internet.

## How can I vote my shares?

You can vote by proxy or in person.

## What is a proxy?

It is your legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy or a proxy card. We have designated two of our officers as proxies for the Annual Meeting of Stockholders to be held on May 12, 2016. These officers are Aylwin Lewis and Matthew Revord.

## How You Can Vote

**Stockholders of Record.** Stockholders of record may vote their shares or submit a proxy to have their shares voted by one of the following methods:

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**By Internet** - You may authorize your proxy on-line via the Internet by accessing the website [www.proxyvote.com](http://www.proxyvote.com) and following the instructions provided on the Notice Regarding the Availability of Proxy Materials or, if you have requested written proxy materials, the proxy card. Internet voting facilities will be available 24 hours a day and will close at 11:59 p.m., Eastern Time, on May 11, 2016.

**By Telephone** - You may authorize your proxy by touch-tone telephone by calling 1-800-690-6903. Telephone voting facilities will be available 24 hours a day and will close at 11:59 p.m., Eastern Time, on May 11, 2016.

**By Mail** - If you request paper copies of the proxy materials to be sent to you by mail, you may authorize your proxy by completing, signing and dating your proxy card and returning it in the reply envelope included with the paper proxy materials.

**In Person** - You may attend the Annual Meeting and vote in person by completing a ballot; however, attending the Annual Meeting without completing a ballot will not count as a vote. If you choose to vote in person, you must bring proof of identification and your notice or proxy card showing your control number to the Annual Meeting.

**Beneficial Owners.** If you are the beneficial owner of your shares of common stock (that is, you hold your shares in street name through an intermediary such as a broker, bank or other nominee), you will receive instructions from your broker, bank or nominee.

Your broker, bank or nominee will not vote your shares of stock on any matters unless you provide them instructions on how to vote your shares of stock. You should instruct your broker or nominee how to vote your shares of stock by following the

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**Table of Contents**

**GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

directions provided by your broker or nominee. Alternatively, you may obtain a proxy from your bank, broker or other holder of record and bring it with you to hand in with a ballot in order to be able to vote your shares at the meeting. If you choose to vote at the meeting, you must bring the following: (i) proof of identification, (ii) an account statement or letter from the broker, bank or other nominee indicating that you are the owner of the stock and (iii) a signed proxy from the stockholder of record giving you the right to vote the stock. The account statement or letter must show that you were the beneficial owner of the stock on March 16, 2016.

**General.** If you submit your proxy using any of the methods above, Aylwin Lewis or Matthew Revord will vote your shares in the manner you indicate. You may specify whether your shares should be voted for all, some, or none of the nominees for director and for or against any other proposals properly introduced at the Annual Meeting. If you vote by telephone or Internet and choose to vote with the recommendation of our Board of Directors, or if you vote by mail, sign your proxy card, and do not indicate specific choices, your shares will be voted **FOR** the election of both nominees for director, **FOR** ratification of the appointment of our independent public accounting firm, and **FOR** the approval of the Amended and Restated Potbelly Corporation 2013 Long-Term Incentive Plan.

If any other matter is presented, your proxy will authorize Aylwin Lewis or Matthew Revord to vote in accordance with their best judgment. At the time this proxy statement was filed, we knew of no matters to be considered at the Annual Meeting other than those referenced in this proxy statement.

## **How can I revoke my proxy?**

You may revoke a proxy in any one of the following three ways:

submit a valid, later-dated proxy, or vote again electronically after your original vote;

notify our corporate secretary in writing before the Annual Meeting that you have revoked your proxy; or

vote in person at the Annual Meeting.

## **Is my vote confidential?**

Yes. Voting tabulations are confidential except in extremely limited circumstances. Such limited circumstances include contested solicitation of proxies, when disclosure is required by law, to defend a claim against us or to assert a claim by us and when a stockholder's written comments appear on a proxy or other voting material.

## **What quorum is required for the Annual Meeting?**

In order to have a valid stockholder vote, a quorum must exist at the Annual Meeting. For us, a quorum exists when stockholders holding a majority of the issued and outstanding shares entitled to vote are present or represented at a meeting.

## **What vote is required to approve each item?**

<b>Item</b>	<b>Vote Required</b>	<b>No</b>	<b>Yes</b>	<b>Broker Discretionary</b>	<b>Voting Allowed</b>
Proposal 1. Election of Directors	Plurality of votes cast	No	Yes		
Proposal 2. Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 25, 2016	Majority of shares present in person or represented by proxy and entitled to vote	Yes			
Proposal 3. Approval of the Amended and Restated Potbelly Corporation 2013 Long-Term Incentive Plan	Majority of shares present in person or represented by proxy and entitled to vote	No			

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## **Table of Contents**

### **GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

## **How are the voting results determined?**

In the election of Class III Directors, your vote may be cast **FOR** each of the nominees or your vote may be **WITHHELD** with respect to one or more of the nominees. The nominees receiving the largest number of **FOR** votes will be elected as directors, up to the maximum number of directors to be chosen for election. In the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm, your vote may be cast **FOR**, **AGAINST** or **ABSTAIN** with respect to that proposal. In the approval of the Amended and Restated Potbelly Corporation 2013 Long-Term Incentive Plan, your vote may be cast **FOR**, **AGAINST** or **ABSTAIN** with respect to that proposal.

If you are a record holder and you sign (including electronic confirmations in the case of Internet or telephone voting) your proxy card with no instructions on how to vote, your stock will be voted in accordance with the recommendations of the Board. If you are a beneficial owner and you sign (including electronic confirmation in the case of Internet or telephone voting) your broker voting instruction card with no instructions on how to vote, your stock will be voted in the broker's discretion only with respect to routine matters but will not be voted with respect to non-routine matters.

Broker non-votes occur when brokers do not have discretionary voting authority to vote certain shares held in street name on particular non-routine proposals including the election of directors, and the beneficial owner of those shares has not instructed the broker to vote on those proposals. If you are a beneficial owner, your broker, bank or other nominee is permitted to vote your shares only with regard to ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm, even if the holder does not receive voting instructions from you. Shares registered in the name of a broker, bank or other nominee, for which proxies are voted on some, but not all matters, will be considered to be represented at the Annual Meeting and voted only as to those matters for which the broker, bank or other nominee has authority to vote.

Because the election of directors is determined on the basis of a plurality of the votes cast, abstentions have no effect on the outcome of the election of Class III directors, although they will result in a director receiving fewer votes. Because the approval of a majority of shares present and entitled to vote is required to ratify the appointment of Deloitte & Touche LLP as our independent public accountants and to approve our amended and restated long-term incentive plan, abstentions have the effect of a vote against those proposals. Broker non-votes will have no direct effect on the outcome of the election of Class III directors, on the ratification of our independent public accountants, or on the approval of our amended and restated long-term incentive plan.

## **What are the fiscal year end dates?**

This proxy statement provides information about the matters to be voted on at the 2016 Annual Meeting of Stockholders and additional information about Potbelly and its executive officers and directors. Some of the information is provided as of the end of our 2014, or 2015 fiscal years as well as some information being provided as of a more current date. Our fiscal year 2014 ended on December 28, 2014 and our fiscal year 2015 ended on December 27, 2015.

## **Where can I find the voting results?**

We intend to announce preliminary voting results at the Annual Meeting. We will publish the final results in a Current Report on Form 8-K, which we expect to file on or before May 18, 2016. You can obtain a copy of the Form 8-K by logging on to our website at <http://investors.potbelly.com/financials.cfm>, or by calling the SEC at 800-SEC-0330 for the location of the nearest public reference room, or through the EDGAR system at [www.sec.gov](http://www.sec.gov). Information on our website does not constitute part of this proxy statement.



**Table of Contents**

**CORPORATE GOVERNANCE**

# **CORPORATE GOVERNANCE**

## **Overview**

All of our corporate governance materials, including our corporate governance guidelines, our ethics code of conduct and Board committee charters, are published under the Corporate Governance section of our Investor Relations website at [www.potbelly.com](http://www.potbelly.com). Information on our website does not constitute part of this proxy statement. These materials are also available in print to any stockholder without charge upon request made by telephone at (312) 951-0600 or by mail to our principal executive offices at Potbelly Corporation, 111 North Canal Street, Suite 850, Chicago, Illinois 60606, Attention: Corporate Secretary. The Board of Directors regularly reviews these materials, Delaware law, the rules and listing standards of the Nasdaq Global Select Market ( NASDAQ ) and SEC rules and regulations, as well as best practices suggested by recognized governance authorities, and modifies the materials as it believes is warranted.

## **Director Independence**

Our Board of Directors reviews the independence of the current and potential members of the Board of Directors in accordance with independence requirements set forth in the NASDAQ rules and applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the Exchange Act ). During its review, the Board of Directors considers transactions and relationships between each director and potential director, as well as any member of his or her immediate family, and the Company and its affiliates, including those related-party transactions contemplated by Item 404(a) of the SEC's Regulation S-K. The Board of Directors must affirmatively determine that the director has no material relationship with the Company, either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company, that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The purpose of this review is to determine whether any such relationships or transactions exist that are inconsistent with a determination that the director is independent. Our Board of Directors has determined that all current directors except Aylwin Lewis are independent as such term is defined by NASDAQ rules, our corporate governance standards and the federal securities laws. With respect to directors who served in fiscal year 2015 but are no longer on the Board of Directors as of March 1, 2016 (Vann Avedisian, Bryant Keil and Dan Levitan), our Board determined that Mr. Levitan was independent as so defined.

## **Ethics Code of Conduct**

We have a written ethics code of conduct that applies to our directors, officers and employees. A copy of this code is available at <http://investors.potbelly.com/governance.cfm>. We will disclose information regarding any amendment to or waiver from the provision of this code by posting it on the same portion of our website.

## **Conflicts of Interest**

Pursuant to our ethics code of conduct and our related party transaction policy, each director and executive officer has an obligation not to engage in any transaction that could be deemed a conflict of interest. Our directors may not engage in any transaction that could impact their independence on the Board of Directors. See Related Party Transactions.

## **Structure of the Board of Directors**



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Our Board of Directors currently consists of eight members, comprised of Aylwin Lewis, Peter Bassi, Ann-Marie Campbell, Susan Chapman-Hughes, Dan Ginsberg, Marla Gottschalk, Harvey Kanter and Carl Warschausky. Our certificate of incorporation provides that our Board of Directors shall consist of not more than twelve directors, with the exact number as determined from time to time by resolution of the Board.

Our Board is divided into three classes with staggered terms. Mr. Lewis, Mr. Bassi and Ms. Gottschalk are Class I directors with a term expiring at our 2017 annual meeting of stockholders. Ms. Chapman-Hughes and Mr. Warschausky serve as Class II directors with a term expiring at our 2018 annual meeting of stockholders. Ms. Campbell, Mr. Ginsberg and Mr. Kanter serve as

## **Table of Contents**

### **CORPORATE GOVERNANCE**

Class III directors and are current nominees for election with a term expiring at our 2018 annual meeting of stockholders. At our 2018 annual stockholder meeting, our classified board structure will be phased out and, beginning at such meeting, all directors shall be elected for a term expiring at the next annual stockholder meeting.

Our amended and restated bylaws (our Bylaws ) provide that directors may only be removed for cause. To remove a director for cause, 66-2/3% of the voting power of the outstanding voting stock must vote as a single class to remove the director at an annual or special meeting. Additionally, our certificate of incorporation provides that, if a director is removed or if a vacancy occurs due to either an increase in the size of the Board or the death, resignation, disqualification or other cause, the vacancy will be filled solely by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum remain.

## **Board Leadership Structure**

Mr. Lewis serves as both our Chief Executive Officer and our Chairman of the Board. Our Board of Directors has carefully considered its leadership structure and believes at this time that the Company and its stockholders are best served by having one person serve both positions. We believe that combining the roles fosters accountability, effective decision-making and alignment between interests of the Board of Directors and management. Mr. Lewis also is able to use the in-depth focus and perspective gained in his executive function to assist our Board of Directors in addressing both internal and external issues affecting the Company.

Our Board of Directors determined as part of our corporate governance principles, and as required in our Bylaws, that the Board of Directors shall appoint one independent director to serve as lead independent director. Mr. Bassi is our lead director and his responsibilities include presiding over periodic meetings of our independent directors and overseeing the function of our Board of Directors and committees. The lead director is also responsible for providing leadership to our Board if any circumstances arise in which the role of the chairman may be, or may be perceived to be, in conflict. The Bylaws also provide that the chairperson of each of our committees will rotate at least once every three years. Our Board of Directors believes that these and other structural features provide for substantial independent oversight of the Company's management.

Our Board of Directors recognizes that depending on future circumstances, other leadership models may become more appropriate. Accordingly, our Board of Directors will continue to periodically review its leadership structure.

## **Director Biographies**

The following is a list of our current directors, their ages as of December 31, 2015, their occupation during the last five years and certain other biographical information:

*Aylwin Lewis*, 61, has served as our Chief Executive Officer and President and a director since June 2008. From September 2005 to February 2008, Mr. Lewis served as Chief Executive Officer and President of Sears Holdings Corporation. Prior to that, Mr. Lewis was President of Sears Holdings and Chief Executive Officer of Kmart and Sears Retail following Sears' acquisition of Kmart Holding Corporation in 2005. Mr. Lewis had been president and Chief Executive Officer of Kmart since October 2004 until that acquisition. From January 2003 to October 2004, he was President, Chief Multi-Branding and Operating Officer of Yum! Brands, Inc. and served as Chief Operating Officer of Yum! Brands from December 1999 to January 2003. Mr. Lewis has over 26 years of experience in the restaurant industry. Mr. Lewis is also a member of the board of directors of The Walt Disney Company and Starwood Hotels & Resorts Worldwide. Our Board of Directors believes Mr. Lewis' qualifications to serve as a member of our Board include his role as Chief Executive Officer and President, his extensive experience in the restaurant industry and his leadership experience as an executive at publicly-traded companies in the restaurant and retail sectors.

*Peter Bassi*, 66, has served as our director since January 2009. Mr. Bassi retired in 2005 as Chairman of Yum! Restaurants International ( YRI ), the international division of Yum! Brands, Inc., where he served as President beginning in July 1997 and was in charge of YRI's Asian business prior to that. Yum! was created in 1997 in a spin-off from PepsiCo, Inc. Mr. Bassi joined PepsiCo in 1972 and served in various assignments at

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Pepsi Cola International, Pizza Hut (U.S. and International), Frito Lay and Taco Bell. From 2002 to 2009, Mr. Bassi served on the board of The Pep Boys Manny, Moe & Jack and from 2008 to 2010, he served on the board of El Pollo Loco, Inc. Mr. Bassi currently serves on the board of BJ's Restaurants, Inc. and AmRest Holdings SE. Our Board of Directors believes Mr. Bassi's qualifications to serve as a member of our Board include his extensive experience in the restaurant industry and his years of experience in his leadership roles as a director and executive officer.

*Ann-Marie Campbell*, 50, has served as our director since August 2014. Ms. Campbell has been Executive Vice President U.S. Stores for The Home Depot since February 2016. Ms. Campbell has worked for The Home Depot since 1985, progressing from associate, to district manager to vice president, prior to assuming her current position. Ms. Campbell serves on the boards

**Table of Contents****CORPORATE GOVERNANCE**

of Barnes & Noble, Inc. and Georgia State University's Robinson College of Business and of Catalyst, a nonprofit dedicated to expanding opportunities for women and business. Our Board of Directors believes Ms. Campbell's qualifications to serve as a member of our Board include her extensive experience in merchandising, sales and marketing.

*Susan Chapman-Hughes*, 47, has served as our director since May 2014. Since December 2014, Ms. Chapman-Hughes has been Senior Vice President, US Large Market, Global Corporate Payments for American Express Company. Prior to assuming her current role, Ms. Chapman-Hughes was Senior Vice President, US Account Development, Global Corporate Payments for American Express from November 2013 through December 2014; and she was the Senior Vice President, Global Real Estate & Workplace Enablement for American Express from July 2010 through November 2013. Before joining American Express Company, Ms. Chapman-Hughes was the Global CAO/Global Head of Operations and Strategy, Citi Realty Services for Citigroup, Inc. Ms. Chapman-Hughes serves on the board of trustees of the National Trust for Historic Preservation and the board of directors of A Better Chance, each of which is a national nonprofit organization. Our Board of Directors believes Ms. Chapman-Hughes's qualifications to serve as a member of our Board include her real estate knowledge and her general management, innovation, financial and digital experience.

*Dan Ginsberg*, 63, has served as our director since February 2014. Mr. Ginsberg was Chief Executive Officer of Dermalogica, a U.S.-based skincare brand, from January 2011 through August 2014 and has a comprehensive background in branding strategy, marketing, and advertising. Mr. Ginsberg's previous roles include Chief Executive Officer of Red Bull, NA until 2007. Before his Red Bull service, Mr. Ginsberg had been an advertising and marketing executive who held executive positions at agencies such as NW Ayer and Cunningham & Walsh, and Chief Marketing Officer at Hardee's. Our Board of Directors believes Mr. Ginsberg's qualifications to serve as a member of our Board includes his extensive executive officer experience as well as his marketing and branding expertise.

*Marla Gottschalk*, 55, has served as our director since November 2009. Ms. Gottschalk was Chief Executive Officer of The Pampered Chef Ltd., a marketer of kitchen tools, food products and cookbooks for preparing food in the home, from May 2006 until December 2013 and its President and Chief Operating Officer from December 2003 until May 2006. Ms. Gottschalk joined Pampered Chef from Kraft Foods, Inc., where she worked for 14 years in various management positions, including Senior Vice President of Financial Planning and Investor Relations for Kraft, Executive Vice President and General Manager of Post Cereal Division and Vice President of Marketing and Strategy of Kraft Cheese Division. Ms. Gottschalk is currently a member of the board of trustees of Underwriters Laboratories, a world leader in safety testing and certification, a strategic board advisor for Ocean Spray Cranberries, Inc., and sits on the board of directors for Big Lots. She has previously served as a director of GATX Corp. and as a director of Visteon Corp. Our Board of Directors believes Ms. Gottschalk's qualifications to serve as a member of our Board include her extensive experience with global companies, her expertise in the food industry and her years of experience in operations and strategic management.

*Harvey Kanter*, 54, has served as our director since August 2015. Since March 2012, Mr. Kanter has served as Chief Executive Officer and President of Blue Nile, Inc., an online retailer of diamonds and fine jewelry. Prior to joining Blue Nile, from January 2009 through March 2012, Mr. Kanter was the Chief Executive Officer and President of Moosejaw Mountaineering and Backcountry Travel, Inc., a premium outdoor apparel and gear retailer. Mr. Kanter serves on the board of directors for Blue Nile, Inc. (and certain of its subsidiaries) and for the non-profit organization Jewelers for Children. Our Board of Directors believes Mr. Kanter's qualifications to serve as a member of our Board include his deep retail industry experience, brand expertise and leadership skills.

*Carl Warschausky*, 56, has served as our director since May 2015. Since January 2013, Mr. Warschausky has been the President and Chief Executive Officer of World Kitchen, LLC, a global housewares and consumer products manufacturer. Mr. Warschausky has been with World Kitchen, LLC since 2008, serving in various roles including Chief Operating Officer, President of the North America division, and Chief Financial Officer. Mr. Warschausky serves on the board of directors for World Kitchen, LLC. Our Board of Directors believes Mr. Warschausky's qualifications to serve as a member of our Board include his extensive finance and general management experience in dynamic industries, as well as his global perspective and experience.

**Board Meetings**

Our Board of Directors held seven meetings during fiscal 2015. In 2015, each of our directors attended at least 75% of the aggregate number of meetings held by the Board of Directors, and the committees on which the director served, when such director was a member of the Board of Directors. Under our corporate governance guidelines, each director is expected to make every effort to attend each board meeting and each

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meeting of any committee on which he or she sits.

The Company's directors are encouraged to attend our annual meeting of stockholders, but we do not currently have a policy relating to directors attendance at these meetings. All of our directors at the time attended our 2015 annual meeting of stockholders.

## **Table of Contents**

### **CORPORATE GOVERNANCE**

## **Board Committees**

Our Board of Directors has established three standing committees to assist it with its responsibilities. The composition and responsibilities of each committee are described below. The membership and responsibilities of each committee comply with the listing requirements of NASDAQ. Members serve on these committees until their resignation or until otherwise determined by our Board of Directors. A new chairperson of each committee is appointed at least once every three years. In the future, the Board may establish other committees, as it deems appropriate, to assist it with its responsibilities.

### **Audit Committee**

The purpose of the audit committee is set forth in the audit committee charter and is primarily to assist the Board in overseeing:

the integrity of our financial statements, our financial reporting process and our systems of internal accounting and financial controls;

our compliance with legal and regulatory requirements;

the independent auditor's qualifications and independence;

the evaluation of enterprise risk issues;

the performance of our internal audit function and independent auditor;

the preparation of an audit committee report as required by the SEC to be included in our annual proxy statement; and

Potbelly's systems of disclosure controls and procedures and ethical standards.

The audit committee consists of Ms. Chapman-Hughes, Mr. Ginsberg, Ms. Gottschalk, and Mr. Warschausky and the chairperson is Mr. Warschausky. Our Board of Directors has affirmatively determined that each of these audit committee members meets the additional heightened independence criteria applicable to directors serving on the audit committee under NASDAQ and SEC rules. Our Board of Directors has also determined that each of Ms. Chapman-Hughes, Mr. Ginsberg, Ms. Gottschalk, and Mr. Warschausky meet the requirements for financial literacy under the applicable NASDAQ rules and that each is an audit committee financial expert within the meaning of Item 407 of Regulation S-K. Our Board of Directors has adopted a written charter under which the audit committee operates. A copy of the charter, which satisfies the applicable standards of the SEC and NASDAQ, is available on our website at <http://investors.potbelly.com/governance.cfm>.

The audit committee held five meetings during fiscal year 2015.

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

The purpose of the nominating and corporate governance committee is set forth in the nominating and corporate governance committee charter and is primarily to:

identify individuals qualified to become members of our Board of Directors, and to recommend to our Board of Directors the director nominees for each annual meeting of stockholders or to otherwise fill vacancies on the Board;

review and recommend to our Board of Directors committee structure, membership and operations;

recommend to our Board of Directors the persons to serve on each committee and a chairman for such committee;

develop and recommend to our Board of Directors a set of corporate governance guidelines applicable to us; and

lead our Board of Directors in its annual review of its performance.

The nominating and corporate governance committee consists of Mr. Bassi, Ms. Chapman-Hughes and Mr. Ginsberg and the chairperson is Mr. Bassi. Our Board of Directors has adopted a written charter under which the nominating and corporate governance committee operates. A copy of the charter, which satisfies the applicable standards of the SEC and NASDAQ, is available on our website at <http://investors.potbelly.com/governance.cfm>.

The nominating and corporate governance committee held three meetings during fiscal year 2015.

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**Table of Contents**

**CORPORATE GOVERNANCE**

## **Compensation Committee**

The purpose of the compensation committee is set forth in the compensation committee charter and is primarily to:

oversee our executive compensation policies and practices;

discharge the responsibilities of our Board of Directors relating to executive compensation by determining and approving the compensation of our Chief Executive Officer and our other executive officers and reviewing and approving any compensation and employee benefit plans, policies, and programs, and exercising discretion in the administration of such programs; and

produce, approve and recommend to our Board of Directors for its approval reports on compensation matters required to be included in our annual proxy statement or annual report, in accordance with all applicable rules and regulations.

For more information regarding the process and procedures regarding the determination of executive and director compensation, see Executive and Director Compensation.

The compensation committee consists of Ms. Campbell, Ms. Gottschalk and Mr. Kanter and the chairperson is Ms. Gottschalk. Our Board of Directors has affirmatively determined that each of these compensation committee members meets the additional, heightened independence criteria applicable to directors serving on the compensation committee under NASDAQ rules. Our Board of Directors has adopted a written charter under which the compensation committee operates. A copy of the charter, which satisfies the applicable standards of the SEC and NASDAQ, is available on our website at <http://investors.potbelly.com/governance.cfm>.

The compensation committee held five meetings during fiscal year 2015.

## **Compensation Committee Interlocks and Insider Participation**

None of the members of our compensation committee is, or has at any time been, an officer or employee of the Company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of our Board or our compensation committee during fiscal 2015. No directors served on our compensation committee in 2015 other than Ms. Campbell, Ms. Gottschalk and Mr. Kanter, the directors currently serving on such committee, and Dan Levitan, who resigned as a director of the Company in February 2016.

## **Board's Role in Risk Oversight**

The entire Board of Directors is engaged in risk management oversight. At the present time, the Board of Directors has not established a separate committee to facilitate its risk oversight responsibilities. The Board of Directors expects to continue to monitor and assess whether such a committee would be appropriate. The audit committee assists the Board of Directors in its oversight of our risk management and the process established to identify, measure, monitor, and manage risks, in particular major financial risks. The compensation committee assesses risks arising from our compensation policies and practices. The Board of Directors receives regular reports from management, as well as from the audit committee and compensation committee, regarding relevant risks and the actions taken by management to address those risks.

## **Policy for Director Recommendations**