

POTBELLY CORP
Form DEF 14A
March 24, 2015
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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.
(1) Title of each class of securities to which transaction applies:

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(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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(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

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March 24, 2015

Dear Fellow Stockholder:

You are cordially invited to attend our Annual Meeting of Stockholders on May 14, 2015. 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

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POTBELLY CORPORATION

222 MERCHANDISE MART PLAZA

23RD FLOOR

CHICAGO, ILLINOIS 60654

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 14, 2015**

To our Stockholders:

The 2015 Annual Meeting of Stockholders of Potbelly Corporation will be held on May 14, 2015, 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 Susan Chapman-Hughes and Dan Levitan as Class II 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 27, 2015; and
3. 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 18, 2015 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 14, 2015: the Proxy Statement and Annual Report to Stockholders are Available at www.proxyvote.com.

By order of the Board of Directors,

Matthew Revord

March 24, 2015

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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 2015 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, 2015, to our stockholders of record as of the close of business on March 18, 2015. 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 14, 2015

This proxy statement and our Annual Report for the year ended 2014, which includes our Annual Report on Form 10-K, are available on the Internet at 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 18, 2015. 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) 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.

Why am I receiving these materials?

Our Board of Directors is soliciting proxies for the 2015 Annual Meeting of Stockholders. On or about March 24, 2015, we expect to begin mailing these proxy materials to stockholders of record as of the close of business on March 18, 2015, the record date. On the record date, there were 28,844,581 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 14, 2015, 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?

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We are asking our stockholders to consider the following items:

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

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

any other business properly introduced at the Annual Meeting.

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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 14, 2015. 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 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 13, 2015.

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 13, 2015.

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.

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GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

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 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 18, 2015.

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 and **FOR** ratification of the appointment of our independent public accounting firm.

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?

Item	Vote Required	Broker Discretionary	Voting Allowed
Proposal 1. Election of Directors	Plurality of votes cast	No	No
Proposal 2. Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 27, 2015	Majority of shares present in person or represented by proxy and entitled to vote	Yes	Yes

How are the voting results determined?

In the election of Class II 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.

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GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

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 II 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, abstentions have the effect of a vote against that proposal. Broker non-votes will have no direct effect on the outcome of the election of Class II directors or on the ratification of our independent public accountants.

What are the fiscal year-end dates?

This proxy statement provides information about the matters to be voted on at the 2015 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 2013 or 2014 fiscal years as well as some information being provided as of a more current date. Our fiscal year 2013 ended on December 29, 2013 and our fiscal year 2014 ended on December 28, 2014.

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 20, 2015. 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. Information on our website does not constitute part of this proxy statement.

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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. 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, 222 Merchandise Mart Plaza, 23rd Floor, Chicago, Illinois 60654, 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 directors except Aylwin Lewis, Vann Avedisian and Bryant Keil are independent as such term is defined by NASDAQ rules, our corporate governance standards and the federal securities laws.

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 nine members, comprised of Aylwin Lewis, Vann Avedisian, Peter Bassi, Ann-Marie Campbell, Susan Chapman-Hughes, Dan Ginsberg, Marla Gottschalk, Bryant Keil and Dan Levitan. We are currently conducting a search for additional Board members. 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. Mr. Levitan and Ms. Chapman-Hughes serve as Class II directors and are current nominees for election with a term expiring at our 2018 annual meeting of stockholders. Ms. Campbell, Mr. Ginsberg and Mr. Keil serve as Class III directors with an initial term expiring at the 2016 annual meeting of stockholders. At such meeting, the Class III directors shall be elected for a term expiring at our 2018 annual meeting of stockholders. Mr. Keil has chosen to stay on our Board of Directors until no later than October 2015. 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.

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CORPORATE GOVERNANCE

Mr. Avedisian is also a Class II director, but at the time of our initial public offering in 2013 (Initial Public Offering or IPO) elected to stay on the Board for up to 18 months following the completion of the IPO. Therefore, the Board did not nominate Mr. Avedisian for re-election and he will retire from the Board as of the expiration of his term at the 2015 Annual Meeting. Mr. Keil is a Class III Director, but at the time of the IPO elected to stay on the Board for up to two years following completion of our IPO, and therefore will be retiring from the Board by October 2015. Mr. Avedisian has been a member of our Board of Directors since 2001, and has provided his guidance over the past 18 months as we transitioned from a private company to a public company. Mr. Keil's vision and foresight fueled Potbelly's early growth, and his continuing commitment as our Founding Chairman has been an integral part of Potbelly's success. We greatly appreciate the contributions of Mr. Avedisian and Mr. Keil during their long tenure with Potbelly.

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. Levitan 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, 2014, their occupation during the last five years and certain other biographical information:

Aylwin Lewis, 60, 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.

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Bryant Keil, 50, has been our Founding Chairman since June 2011 and a director since 1996. Mr. Keil acquired the original Potbelly store in 1996 and served as Chief Executive Officer from 1996 to 2008 and Chairman from 1996 to 2011. Mr. Keil is a 2007 Ernst & Young Entrepreneur of the Year award recipient, was named 2003 Illinois Restaurateur of the Year by the Illinois Restaurant Association and was named a Henry Crown Fellow, a part of the Aspen Institute, in 2007. Mr. Keil is the Co-Chairman of the board of the Chicagoland Entrepreneurial Center and he serves as a director of Vignette Beverage Company, The Field Museum of Natural History, Big Shoulders, and the Accelerate Institute. Our Board of Directors believes Mr. Keil's qualifications to

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serve as a member of our Board include his extensive experience in the restaurant industry and his historical perspective of our business and strategy, including leading the expansion of Potbelly to over 200 locations.

Vann Avedisian, 50, has served as our director since September 2001. Mr. Avedisian will retire from the Board as of the expiration of his term at the 2015 Annual Meeting. Mr. Avedisian is a Principal of Highgate Holdings, a fully integrated real estate investment firm that has acquired more than \$7 billion of real estate assets. Mr. Avedisian serves on Highgate's Investment Committee, oversees the firm's capital markets activities and serves as an integral member of the investment platform. Prior to joining Highgate, Mr. Avedisian co-founded Oxford Capital Partners and directed the firm's real estate principal investments with an aggregate value in excess of \$1 billion. Mr. Avedisian currently serves on the Board of Trustees of the William Blair Mutual Funds where he serves on the Audit and Nominating and Governance Committees. Mr. Avedisian was a Vice President at LaSalle Partners and a Director and Stockholder of Citizens National Bank of Lake Geneva. Our Board of Directors believes Mr. Avedisian's qualifications to serve as a member of our Board include his financial expertise, his knowledge of our business and his extensive experience in managing capital intensive operations, corporate finance and strategic advisory services.

Peter Bassi, 65, 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 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, 49, has served as our director since August 2014. Ms. Campbell has been President Southern Division for The Home Depot since January 2009. 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 of 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, 46, 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, 62, 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, 54, 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, and a strategic board advisor for Ocean Spray Cranberries, Inc. 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.

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CORPORATE GOVERNANCE

Dan Levitan, 57, has served as our director since September 2001. Mr. Levitan co-founded Maveron LLC, a venture capital firm that invests exclusively in consumer companies, in 1998. From 1983 to 1997, Mr. Levitan was a managing director at Wertheim Schroder & Co., an investment banking firm that was sold to Salomon Smith Barney Inc. in 2000. Mr. Levitan previously served as a member of the board of directors of Zulily, Inc. and The Motley Fool. Mr. Levitan currently serves on the board of directors for PayNearMe Inc., Pinkberry, Inc., Trupanion, Inc., Earnest Inc. and Pro.com. In addition, Mr. Levitan serves on the advisory board of the Arthur Rock Center for Entrepreneurship at Harvard Business School and the board of trustees of Seattle Children's Hospital Foundation. Our Board of Directors believes Mr. Levitan's qualifications to serve as a member of our Board include his extensive venture capital experience, his restaurant and retail experience, his industry and financial expertise and his years of experience providing strategic advisory services to complex organizations.

Board Meetings

Our Board of Directors held ten meetings during fiscal 2014. 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 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 2014 annual meeting of the stockholders.

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;

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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 Mr. Bassi, Ms. Chapman-Hughes, Mr. Ginsberg and Ms. Gottschalk and the chairperson is Mr. Bassi. 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 Mr. Bassi, Ms. Chapman-Hughes, Mr. Ginsberg and Ms. Gottschalk 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 six meetings during fiscal year 2014.

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CORPORATE GOVERNANCE

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 Ms. Chapman-Hughes, Mr. Ginsberg and Mr. Levitan and the chairperson is Mr. Levitan. 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 2014.

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. Levitan 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 2014.

Compensation Committee Interlocks and Insider Participation

None of our executive officers has served on 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 2014. Prior to October 2014, Mr. Avedisian was a member of our compensation committee. In August 2013, we agreed to amend the terms of a warrant held by an entity of which Mr. Avedisian is a co-owner.

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CORPORATE GOVERNANCE

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

Our nominating and corporate governance committee is responsible for reviewing and making recommendations to our Board of Directors regarding nominations of candidates for election as a director of the Company. The nominating and corporate governance committee identifies new director candidates through a variety of sources. Such committee will consider director candidates recommended by stockholders in the same manner it considers other candidates, but it has no obligation to recommend such candidates. A stockholder that wants to recommend a candidate for election to the Board of Directors should send a recommendation in writing to Potbelly Corporation, 222 Merchandise Mart Plaza, 23rd Floor, Chicago, Illinois 60654, Attention: Corporate Secretary. As of May 18, 2015, the Company's principle executive offices will be located at 111 N. Canal Street, Suite 850, Chicago, IL 60606, and, beginning at that time, such recommendations should be sent to the attention of the Corporate Secretary at such address. Such recommendation should describe the candidate's qualifications and other relevant biographical information and provide confirmation of the candidate's consent to serve as director.

Stockholders may also nominate directors at the annual meeting by adhering to the advance notice procedure described under "Stockholder Proposals for the 2016 Annual Meeting" elsewhere in this Proxy Statement.

The nominating and corporate governance committee works with the Board on an annual basis to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members. In evaluating the suitability of individual Board members, the Board and the nominating and corporate governance committee will take into account factors such as the individual's general understanding of disciplines relevant to the success of a publicly traded company; understanding of Potbelly's business; education and professional background, including current employment and other board memberships; reputation for integrity; and any other factors they consider to be relevant. The Board will endeavor to reflect the diversity of Potbelly's stockholders, employees and customers and the communities it serves. Additionally, in determining whether to recommend a director for re-election, the nominating and corporate governance committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.

If the nominating and corporate governance committee determines that an additional or replacement director is required, the committee may take such measures that it considers appropriate in connection with its evaluation of a director candidate, including candidate interviews, inquiry of the person or persons making the recommendation and engagement of an outside search firm to gather additional information. From time to time for a fee, Potbelly uses the executive search firm, Amrop Knightsbridge, to identify and evaluate or assist in identifying and evaluating potential candidates for election as directors. Amrop Knightsbridge has recommended candidates for director in the past, including Ms. Chapman-Hughes, who has been nominated by our Board of Directors for re-election as a Class II director at the 2015 Annual Meeting.

Communication with the Board

Stockholders and other parties interested in communicating directly with one or more individual directors or with the non-management directors as a group, may do so by writing to the individual director or group, c/o Potbelly Corporation, 222 Merchandise Mart Plaza, 23rd Floor, Chicago, Illinois 60654, Attention: Corporate Secretary. As of May 18, 2015, the Company's principle executive offices will be located at 111 N. Canal Street, Suite 850, Chicago, IL 60606, and, beginning at that time, such writings should be sent to the attention of the Corporate Secretary at such address. The Board has directed our corporate secretary to forward stockholder communications to our chairman and any other director to whom

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the communications are directed. In order to facilitate an efficient and reliable means for directors to receive all legitimate communications directed to them regarding our governance or operations, our corporate secretary will use his discretion to refrain from forwarding the following: sales literature; defamatory material regarding us and/or our directors; incoherent or inflammatory correspondence, particularly when such correspondence is repetitive and was addressed previously in some manner; and other correspondence unrelated to the Board of Director s corporate governance and oversight responsibilities.

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PROPOSAL NO. 1

PROPOSAL No. 1

ELECTION OF DIRECTORS

Two candidates have been nominated for election as Class II directors at the Annual Meeting. Our Board of Directors has nominated Susan Chapman-Hughes and Dan Levitan for re-election as Class II directors for a three-year term that will expire at our fifth annual meeting of stockholders in 2018. The Board of Directors is not aware that any nominee will be unwilling or unable to serve as a director. All nominees have consented to be named in the proxy statement and to serve if elected. If, however, a nominee is unavailable for election, your proxy authorizes us to vote for a replacement nominee if the Board of Directors names one. As an alternative, the Board of Directors may reduce the number of directors to be elected at the meeting. Proxies may not be voted for a greater number of persons than the nominees presented.

Our Board currently consists of nine members: Mr. Lewis, Mr. Keil, Mr. Avedisian, Mr. Bassi, Ms. Campbell, Ms. Chapman-Hughes, Mr. Ginsberg, Ms. Gottschalk and Mr. Levitan. Mr. Avedisian is not standing for re-election and will retire from the Board at the 2015 Annual Meeting. We are currently conducting a search for additional Board members. Proxies cannot be voted for a greater number of persons than the number of nominees named in this Proxy Statement.

For more information on the structure of our Board of Directors and our Board members and nominees, see [Corporate Governance](#).

THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** EACH OF THESE NOMINEES.

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PROPOSAL NO. 2

PROPOSAL No. 2**RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The audit committee of our Board of Directors is responsible for recommending, for stockholder approval, our independent registered public accounting firm. The audit committee has selected the accounting firm of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending December 27, 2015. Deloitte & Touche LLP has served as our independent registered public accounting firm since before our Initial Public Offering and has also provided non-audit services from time to time.

Although ratification is not required by our Bylaws or otherwise, our Board of Directors is submitting the selection of Deloitte & Touche LLP to our stockholders for ratification because we value our stockholders' views on our independent registered public accounting firm and as a matter of good corporate practice. The audit committee will consider the outcome of this vote in its decision to appoint an independent registered public accounting firm but is not bound by our stockholders' vote. Even if the selection of Deloitte & Touche LLP is ratified, the audit committee may change the appointment at any time during the year if it determines a change would be in the best interests of the Company and our stockholders.

The following table sets forth the fees paid for audit services during the fiscal years ended December 28, 2014 and December 29, 2013 and for other services during those fiscal years:

	2014	2013
Audit fees ⁽¹⁾	\$ 410,538	\$ 399,651
Audit-related fees ⁽²⁾	0	502,761
Tax fees ⁽³⁾	229,885	229,300
Total fees	\$ 640,423	\$ 1,131,712

- Audit fees include fees for audits of our annual financial statements, reviews of the related quarterly financial statements, and services that are normally provided by the independent accountants in connection with statutory and regulatory filings or engagements, including reviews of documents filed with the SEC.*
- Audit-related fees include all costs associated with services provided by Deloitte & Touche LLP in connection with our Initial Public Offering.*
- Tax fees relate to professional services rendered for tax compliance, tax return review and preparation and related tax advice.*

Policy on Audit Committee Approval of Audit and Non-Audit Services

The audit committee's policy is to approve all audit and permissible non-audit services prior to the engagement of our independent registered public accounting firm to provide such services. The audit committee annually approves, pursuant to detailed approval procedures, certain specific categories of permissible non-audit services. Such procedures include the review of (i) a detailed description by our independent registered public accounting firm of the particular services to be provided and the estimated fees for such services and (ii) a regular report to the committee regarding the services provided and the fees paid for such services. The audit committee must approve on a project-by-project basis any permissible non-audit services that do not fall within a pre-approved category and any fees for pre-approved permissible non-audit services that materially exceed the previously approved amounts. In making the determinations about non-audit services, the audit committee considers whether the provision of non-audit services is compatible with maintaining the auditor's independence.

All services provided to the Company by Deloitte & Touche LLP in fiscal 2014 and fiscal 2013 and related fees were pre-approved by the audit committee.

Representatives of Deloitte & Touche LLP will be available at the 2015 Annual Meeting to respond to your questions. They have advised us that they do not presently intend to make a statement at the 2015 Annual Meeting, although they will have the opportunity to do so.

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

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AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

With regard to the fiscal year ended December 28, 2014, the audit committee has (i) reviewed and discussed with management our audited consolidated financial statements as of December 28, 2014 and for the year then ended; (ii) discussed with Deloitte & Touche LLP, the independent auditors, the matters required by the Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, as adopted by the Public Company Accounting Oversight Board (PCAOB), in Rule 3200T; (iii) received the written disclosures and the letter from Deloitte & Touche LLP required by applicable requirements of the PCAOB regarding Deloitte & Touche LLP s communications with the audit committee regarding independence; and (iv) discussed with Deloitte & Touche LLP their independence.

Based on the review and discussions described above, the audit committee recommended to our Board of Directors of the Company that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 28, 2014 for filing with the SEC.

Peter Bassi, *Chairman*

Susan Chapman-Hughes

Dan Ginsberg

Marla Gottschalk

Table of Contents**EXECUTIVE OFFICERS****EXECUTIVE OFFICERS**

Below is a list of the names, ages as of December 28, 2014, positions, and a brief account of the business experience, of the individuals who serve as our executive officers.

Name	Age	Position
Aylwin Lewis	60	Chairman, Chief Executive Officer and President
John Morlock	59	Senior Vice President, Chief Operations Officer
Matthew Revord	51	Senior Vice President, Chief Legal Officer, General Counsel and Secretary
Charles Talbot	49	Senior Vice President and Chief Financial Officer
Nancy Turk	50	Senior Vice President, Chief People Officer and Corporate Communications
Anne Ewing	50	Senior Vice President, Development

Aylwin Lewis 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.

John Morlock has been our Senior Vice President of Operations since December 2002. Mr. Morlock became our Senior Vice President, Chief Operations Officer in February 2014. Mr. Morlock has deep experience in the restaurant and retail industries. Mr. Morlock started his career with S & A Restaurants from 1978 to 1983. He then went on to be an Operational Partner with Grady's Goodtimes, a casual dining restaurant, from 1983 to 1986. Mr. Morlock became Director of Operations for the largest Blockbuster Franchisee and in 1991 became the Zone Vice President for Blockbuster Entertainment Corporation. Mr. Morlock's experience includes Senior Vice President of Operations of Boston Chicken, Inc. from 1992 to 1994 and then as a Midwest Franchisee with over 100 stores of Boston Market and Einstein Bros. Bagels until 1997. Mr. Morlock has also served as Chief Executive Officer of Clubhouse International Inc., an owner and operator of three country club themed restaurants.

Matthew Revord has been our Senior Vice President, General Counsel and Secretary since January 2007 and oversees all legal matters of the Company and international development. Mr. Revord became our Senior Vice President, Chief Legal Officer, General Counsel and Secretary in February 2014. From January 2002 to January 2007, Mr. Revord served as Deputy General Counsel of Brunswick Corporation and General Counsel of Brunswick New Technologies.

Charles Talbot has been our Senior Vice President and Chief Financial Officer since October 2008. On February 21, 2015, Mr. Talbot informed the Company of his intention to resign from Potbelly to accept a leadership position with another company. The effective date of Mr. Talbot's resignation is March 27, 2015. From March 2007 to September 2008, Mr. Talbot served as Vice President of Strategy, Corporate Planning and Development of Nuveen Investments, a global provider of investment services to institutional and individual investors. Prior to his role with Nuveen, Mr. Talbot spent nine years in the restaurant industry with Yum! Brands in various roles, including Vice President of Corporate Strategy and Mergers and Acquisitions, and as Chief Financial Officer of Long John Silver's and A&W Restaurants.

Nancy Turk has been our Senior Vice President, Human Resources and Corporate Communications since September 2008. Ms. Turk became our Senior Vice President, Chief People Officer and Corporation Communications in February 2014. From 2005 to September 2008, Ms. Turk served as the Divisional Vice President of Corporate Communications at Sears Holdings, and held various human resources leadership roles at Sears Holdings since 1993, where she was involved in divestitures, mergers and acquisitions with Sears Credit, Lands' End and KMart.

Anne Ewing has been our Senior Vice President, Development since October 2013. Ms. Ewing joined Potbelly in March 2007 and has held various leadership positions in Operations and Marketing. In November 2012, Ms. Ewing was promoted to VP, Development. Prior to joining Potbelly, Ms. Ewing spent 13 years with Starbucks in various leadership positions including New Store Development for the Midwest.

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EXECUTIVE AND DIRECTOR COMPENSATION

EXECUTIVE AND DIRECTOR COMPENSATION

Introduction

Our compensation philosophy is to pay for performance, rewarding employees when performance targets are met. Merit increases, annual incentive compensation, option grants and incremental paid time off are all tied to performance and results. Our compensation programs are designed to attract, retain, motivate and reward employees. Pay is commensurate with the scope and influence of the employee's role and the extent to which an employee contributes to the achievement of key initiatives and financial targets and demonstrates our values. All of our compensation programs are designed to align and reward actions that we believe contribute to our competitiveness and encourage superior performance.

For 2013, in preparation for our IPO, management engaged compensation consultants, Aon Hewitt, to conduct an analysis of our compensation programs and provide recommendations for how best the executive pay programs could be designed after our IPO. In addition to providing advice about broad-based plans generally available to all salaried employees, Aon Hewitt provided:

1. Executive benchmarking analysis comparing our executives base salary, target variable pay, and total cash compensation (base salary and target variable pay) to market. The compensation consultants also provided details on post-IPO competitive market levels of equity compensation; and
2. Review of executive employment agreements for competitiveness and compliance with institutional shareholder advisor and general market governance requirements. Aon Hewitt also provided recommendations regarding the competitiveness of the employment agreements against similarly situated companies.

The compensation committee considered Aon Hewitt's recommendations as well as relevant market practices when setting executive compensation to align our executive compensation program with the market for which we compete for executive talent. Our market for executive recruiting is generally other restaurant or retail concepts. For non-operations executives, we look at the general restaurant industry. In evaluating the competitiveness of our executive compensation program, we target compensation against the restaurant industry, specifically the limited-service restaurant segment, national and local competitors to help ensure we are competitive, focusing on items such as equity awards, merit pay, incentive pay and paid time off. We evaluate our executives on a scale of one through five. A score of three means the executive is a Contributor, four is a High Contributor and five is a Star. Annual cash compensation varies based on the executive's score, performance and contributions to Potbelly.

Executive pay is tied to both the Company's and the individual's annual performance. Merit increases, annual incentive compensation, stock options, when granted, and paid time off are generally awarded in March or April of each year, following completion of the first quarter annual performance review cycle, the annual financial audit and approval from the compensation committee. The employment agreements of our named executive officers specify each executive's annual incentive bonus target under our current bonus program. In addition, under our current bonus program, at the discretion of our Chief Executive Officer, up to 10% of the annual bonus pool approved by the compensation committee may be applied on a discretionary basis to award exceptional individual performers, including the other named executive officers.

Table of Contents**EXECUTIVE AND DIRECTOR COMPENSATION****2014 Summary Compensation Table**

The following table summarizes compensation for the years ending December 28, 2014 and December 29, 2013 earned by our principal executive officer and our two other most highly compensated executive officers. These individuals are referred to as our named executive officers.

Name and Principal Position	Year	Salary	Bonus	Option	Non-Equity	All	Total
				Awards ⁽¹⁾	Incentive Plan Compensation ⁽²⁾	Other Compensation	
Aylwin Lewis Chief Executive Officer (Principal Executive Officer)	2014	\$ 725,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 725,000
	2013	\$ 709,327	\$ 0	\$ 1,200,002	\$ 388,221	\$ 20,734 ⁽³⁾	\$ 2,316,244
Charles Talbot Chief Financial Officer (Principal Financial Officer)	2014	\$ 355,115	\$ 0	\$ 200,001	\$ 0	\$ 0	\$ 555,116
	2013	\$ 357,000	\$ 15,000	\$ 719,600	\$ 76,563	\$ 0	\$ 1,368,164
John Morlock Chief Operations Officer	2014	\$ 410,919	\$ 0	\$ 200,001	\$ 0	\$ 0	\$ 610,920
	2013	\$ 413,100	\$ 5,000	\$ 506,985	\$ 88,594	\$ 0	\$ 1,213,680

(1) Represents the aggregate grant date fair value of stock option awards. In 2014, the Company issued a grant of 19,159 stock options to each of Mr. Talbot and Mr. Morlock in recognition of their performance in 2013. The options have an exercise price of \$20.53 per share and have a four year vesting period. The fair value of the options was determined using the Black-Scholes-Merton option pricing model. The Company used the following assumptions for purposes of valuing these option grants: common stock fair value of \$20.53 per share; expected life of options seven years; volatility 49.6%; risk-free interest rate 1.1%; and dividend yield 0.0%. The Company used the simplified method for determining the expected life of the options.

In 2013, the Company entered into a new employment agreement with Mr. Lewis. The agreement included a compensation arrangement as well as the grant of 227,187 options, which are exercisable without restriction and vest over a period of four years. In accordance with ASC Topic 718, Compensation Stock Compensation, fair value of the options was determined using the Black-Scholes-Merton option pricing model and will be amortized over the vesting period. The Company used the following assumptions for purposes of valuing these option grants: common stock fair value of \$10.59 per share; expected life of options seven years; volatility 48%; risk-free interest rate 1.33%; and dividend yield 0%. The Company used the simplified method for determining the expected life of the options.

The Company issued stock option awards to Mr. Talbot and Mr. Morlock in 2013 in conjunction with the consummation of our Initial Public Offering. Mr. Talbot received options to purchase 100,000 shares of our common stock and Mr. Morlock received options to purchase 60,000 shares of our common stock. The options have an exercise price equal to the Initial Public Offering price of \$14.00 per share and have a four year vesting period. The fair value of the options was determined using the Black-Scholes-Merton option pricing model. The Company used the following assumptions for purposes of valuing these option grants: common stock fair value of \$14.00 per share; expected life of options seven years; volatility 48.3%; risk-free interest rate 2.1%; and dividend yield 0.0%. The Company used the simplified method for determining the expected life of the options. The Company was unable to calculate specific stock price volatility as a private company, and as such, the Company used a blended volatility rate for comparable publicly traded companies.

In August 2013, the Company reduced the exercise price for all options held by current employees with an exercise price of \$14.00 per option to \$10.59 per option. The fair value of our common stock used as the grant price for these options was based on a concurrent valuation prepared by an independent valuation specialist as discussed in our consolidated financial statements. As a result of the price modification, Mr. Morlock received incremental value of approximately \$75,000 related to his options outstanding, which is included in the value of his options reported for 2013. Neither Mr. Lewis nor Mr. Talbot held options that were impacted by the price modification.

(2) Non-equity incentive plan compensation represents the amounts earned under the Potbelly Support Center Annual Incentive Plan.

(3) Represents payment of legal fees in connection with Mr. Lewis' 2013 employment agreement (\$18,694) and company provided parking (\$2,040).

Employment Agreements

The following is a summary of the employment agreements the Company has entered into with each of the named executive officers. The summary below does not contain complete descriptions of all provisions of the employment agreements of the named executive officers and is qualified in its entirety by reference to such employment agreements, copies of which are filed as exhibits to our registration statement on form S-1-registration number 333-190893. We have also entered into indemnification agreements with our directors and executive officers. See Related party Transactions Indemnification Agreements.

Aylwin Lewis

Mr. Lewis entered into a new Executive Employment Agreement effective as of August 8, 2013 (the Lewis Agreement) pursuant to which he will continue to serve as our President and Chief Executive Officer. Under the Lewis Agreement, the term of Mr. Lewis' employment continues until August 7, 2017. The Lewis Agreement terminates upon death, disability, termination by us with or without cause or resignation by the executive with or without good reason. If, at least 30 days prior to August 7, 2017, (1) we do not offer to extend Mr. Lewis' employment past the last day of the term on terms reasonably consistent with the terms of his current agreement or (2) we offer to extend Mr. Lewis' employment past the last day of the term but the parties are unable to reach an agreement on the terms of such continuing employment by August 7, 2017, then Mr. Lewis' termination of employment upon expiration of the term of the Lewis Agreement will be treated as a termination by us without cause subject to Mr. Lewis' requests during negotiations being reasonable and consistent with the terms of the Lewis Agreement. The Lewis

Table of Contents**EXECUTIVE AND DIRECTOR COMPENSATION**

Agreement generally defines cause as Mr. Lewis (i) intentional misrepresentation of material information, (ii) felony indictment, (iii) commission of an act involving moral turpitude, (iv) material breach or material default of written obligations that remain unremedied for 30 days after notice, (v) fraud, (vi) embezzlement, (vii) failure to comply with our Board of Director's written lawful direction that remains unremedied for 30 days after notice, or (viii) willful action to harm the Company or its affiliates. The Lewis Agreement generally defines good reason as (1) reduction in base salary or target or maximum bonus percentages, (2) material reduction in position, authority, office, responsibilities or duties, (3) material breach of the agreement by us, (4) Mr. Lewis' failure to be re-elected to the Board of Directors as Chairman while employed as President and Chief Executive Officer, or (5) relocation to a place more than 50 miles from Chicago, in each case without Mr. Lewis' consent.

A reduction in Mr. Lewis' rate of base salary or target or maximum bonus which does not exceed the percentage reduction of an across the board salary or bonus reduction for management employees will not be treated as an event of good reason.

The Lewis Agreement provides Mr. Lewis with a base salary of \$725,000 which shall not be increased. The Lewis Agreement also provides that, under our current bonus program, Mr. Lewis is eligible for an annual target bonus of 100% of his base salary and a maximum (stretch) target of 200% of his base salary. For bonus years beginning 2013, the annual bonus amount and terms and conditions are determined in accordance with incentive plan metrics determined in the sole discretion of the compensation committee (but subject to the same targets described above). The compensation committee determined that for fiscal year 2014 the incentive plan metrics applicable to our executive officers would be the Company's total company revenue, adjusted net income, and adjusted EBITDA (where adjusted EBITDA represents net income (loss) before depreciation and amortization expense, interest expense, provision for income taxes and pre-opening costs, adjusted to eliminate the impact of other items, including certain non-cash as well as certain other items that we do not consider representative of our on-going operating performance). Further, for Mr. Lewis, as a named executive officer, the metrics would be weighted as follows: (a) 30% total company revenue; (b) 35% adjusted net income; and (c) 35% adjusted EBITDA. The Lewis Agreement also provides Mr. Lewis with standard benefits and perquisites, a payment of up to \$20,000 for legal fees in connection with the negotiation of the employment agreement and review of related agreements and a minimum five weeks of vacation.

Pursuant to the Lewis Agreement, Mr. Lewis was granted a stock option with a Black-Scholes value of \$1,200,000 (227,187 shares) on August 8, 2013 (the Effective Date Grant). The Effective Date Grant has an exercise price of \$10.59. The Lewis Agreement provides that all stock options held by Mr. Lewis prior to the date of the Lewis Agreement (other than the Effective Date Grant) became fully vested on August 8, 2013. The Lewis Agreement also contemplates that Mr. Lewis may be granted equity awards under the Company's equity incentive plans beginning after August 8, 2015 with a target value of \$600,000 (subject to increase or decrease as determined by the compensation committee based on performance).

Mr. Lewis is also a party to a confidentiality, noncompetition, noninterference and intellectual property agreement, with the noncompetition and noninterference covenants lasting for one year after termination of employment. For information regarding the severance benefits under the Lewis Agreement as well as the treatment of Mr. Lewis' outstanding equity awards upon a qualifying termination or a corporate transaction/change in control, see Potential Payments Upon Termination of Employment or a Corporate Transaction/Change in Control Aylwin Lewis Employment Agreement.

Charles Talbot and John Morlock

Mr. Talbot and Mr. Morlock each entered into a new employment agreement with the Company (the Employment Agreements) effective as of August 1, 2013. Pursuant to the Employment Agreements, Mr. Talbot continues to serve as our Senior Vice President and Chief Financial Officer and Mr. Morlock continues to serve as our Senior Vice President, Chief Operations Officer. Mr. Talbot's agreement provides for a base salary of \$350,000, and Mr. Morlock's agreement provides for a base salary of \$405,000. The salaries may be increased from time to time by the compensation committee at the recommendation of our Chief Executive Officer. The Employment Agreements provide that, prior to our IPO, each of these executives is eligible for an annual target bonus of 40% of his base salary. For the current bonus year, the annual bonus amount and terms and conditions for each of these executives are determined in accordance with incentive plan metrics recommended by our Chief Executive Officer and approved by the compensation committee. The compensation committee determined that for fiscal year 2014 the incentive plan metrics applicable to our executive officers would be the Company's total company revenue, adjusted net income, and adjusted EBITDA (where adjusted EBITDA represents net income (loss) before depreciation and amortization expense, interest expense, provision for income taxes and pre-opening costs, adjusted to eliminate the impact of other items, including certain non-cash as well as certain other items that we do not consider representative of our on-going operating performance.). Further, for Mr. Talbot and Mr. Morlock, as named executive officers, the metrics would be weighted as follows: (a) 30% total company revenue; (b) 35% adjusted net income; and (c) 35% adjusted EBITDA. The Employment Agreements also provide the executives with standard benefits and perquisites and a minimum five weeks of paid time off. The Employment Agreements contemplate that the executives may be granted equity awards under our equity incentive plans and provided for accelerated vesting of all outstanding equity awards held by Mr. Talbot and Mr. Morlock as of August 1, 2013.

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Each of the Employment Agreements terminates upon death, disability, termination by us with or without cause or resignation by the executive without good reason. The Employment Agreements for Mr. Talbot and Mr. Morlock define cause and good reason in a manner that is comparable to the corresponding terms in the Lewis Agreement (except with respect to election to the Board and nomination as Chairman of the Board). For information regarding the severance benefits under the Employment Agreements and the treatment of Mr. Talbot's and Mr. Morlock's outstanding equity awards upon a qualifying termination of employment or a corporate transaction/change in control, see Potential Payments Upon Termination of Employment or a Corporate Transaction/Change in Control - Charles Talbot and John Morlock Employment Agreements.

Prior to their entry into the Employment Agreements, Mr. Talbot and Mr. Morlock each entered into an employment agreement with the Company in September 2009, which governed their respective employment relationships with the Company for a substantial portion of 2013. Mr. Talbot's prior employment agreement provided for an initial base salary of \$325,000, and Mr. Morlock's prior employment agreement provided for an initial base salary of \$372,968. Our Chief Executive Officer could increase, but not decrease, their respective base salaries. Under these prior agreements, each of these executives was eligible for an annual target bonus of 40% of his base salary, which bonus was earned under the Support Center Annual Incentive Plan. These prior agreements contemplated that the executives may be granted options under the Company's equity incentive plans, with the option price equivalent to or above the fair market value of shares of our common stock.

Mr. Talbot and Mr. Morlock each continue to be parties to a confidentiality, noncompetition, noninterference and intellectual property agreement, with the noncompetition and noninterference covenants lasting for one year after termination of employment.

Equity Awards

Options represent an important component of our executive compensation. We believe long-term incentive awards align the interests of our stockholders and our executives by increasing the proprietary interest of our executives in the Company's growth and success; advance the Company's interests by attracting and retaining qualified employees; and motivates our executives to act in the long-term best interests of our stockholders. Long-term incentive awards are issued under our 2013 Long-Term Incentive Plan, which replaced the Potbelly Corporation 2004 Incentive Plan (provided that awards under the 2004 Incentive Plan will continue to be subject to the terms of the 2004 Incentive Plan). The 2013 Long-Term Incentive Plan provides for grants of options (including nonqualified stock options and incentive stock options), stock appreciation rights, full value awards and cash incentive awards. The 2013 Long-Term Incentive Plan is administered by the compensation committee. Under our Insider Trading Policy, our directors and executive officers are prohibited from engaging in short sales or investing in other kinds of hedging transactions or financial instruments that are designed to hedge or offset any decrease in the market value of our securities.

In March of 2014, Mr. Talbot and Mr. Morlock each received a grant of 19,159 stock options in recognition of his individual performance during the 2013 fiscal year. Neither Mr. Talbot nor Mr. Morlock received a grant of stock options in March 2015 in recognition of his individual performance in fiscal year 2014. The equity compensation for our named executive officers (other than Mr. Lewis) is determined by the compensation committee upon the recommendation of Mr. Lewis. Under the terms of his employment agreement, Mr. Lewis was not eligible to receive equity compensation as part of the Company's annual incentive compensation program in March 2014 or March 2015.

Non-Equity Incentive Awards

The Company has established the Support Center Annual Incentive Plan to provide annual non-equity incentive compensation to executives. Incentives for named executive officers are earned based on the achievement of pre-established targets for performance weighted as follows: (a) 30% total company revenue; (b) 35% adjusted net income; and (c) 35% adjusted EBITDA (where adjusted EBITDA represents net income (loss) before depreciation and amortization expense, interest expense, provision for income taxes and pre-opening costs, adjusted to eliminate the impact of other items, including certain non-cash as well as certain other items that we do not consider representative of our on-going operating performance). This plan sets a threshold, target and maximum level of for each of these metrics applicable to all named executive officers, and the amounts paid are based on the actual figures achieved by the Company. The other executive officers utilize the same metrics and targets, although with different weight assigned to each metric. The targets are set for the year by the compensation committee based on recommendations from Mr. Lewis and Mr. Talbot and are communicated to executives at the beginning of each year. To be eligible for an award under the plan, the executive must receive an annual individual performance appraisal rating of Contributor or higher.

Table of Contents**EXECUTIVE AND DIRECTOR COMPENSATION**

The chart below sets forth the threshold, target and maximum percentages of base salary for awards under the Support Center Annual Incentive Plan in 2014, together with the percentage of actual or weighted salary received, based on actual Company results:

Named Executive Officer	Threshold	Target	Maximum	Percent of Actual or Weighted Average Salary Received
Aylwin Lewis		100% of base salary	200% of base salary	0% of weighted average salary
Charles Talbot	20% of base salary	40% of base salary	80% of base salary	0% of salary
John Morlock	20% of base salary	40% of base salary	80% of base salary	0% of salary

2014 Outstanding Equity Awards at Fiscal Year-End

The following table summarizes outstanding stock options for each named executive officer as of December 28, 2014:

Named Executive Officer	Number of Securities Underlying Unexercised Options (#)		Options Awards		Option Expiration Date
	Exercisable	Unexercisable ⁽¹⁾	Option Exercise Price Per Share		
Aylwin Lewis	780,000	0	\$ 8.00		6/16/2018
	286,157	0	\$ 7.22		5/10/2021
	56,797	170,390	\$ 10.59		8/8/2023
Charles Talbot	100,000	0	\$ 8.00		1/7/2019
	10,000	0	\$ 7.00		7/1/2020
	200,310	0	\$ 7.22		5/10/2021
	25,000	75,000	\$ 14.00		10/4/2023
John Morlock	0	19,159	\$ 20.53		3/6/2024
	13,000	0	\$ 12.00		1/1/2015
	75,000	0	\$ 10.59 ⁽²⁾		11/15/2017
	20,000	0	\$ 8.00		5/14/2018
	6,061	0	\$ 8.00		8/5/2019
	7,000	0	\$ 7.22		5/10/2021
	144,671	0	\$ 9.60		12/3/2022
15,000	45,000	\$ 14.00		10/4/2023	
	0	19,159	\$ 20.53		3/6/2024

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- (1) *Unvested portions of option awards are generally forfeited upon termination of employment. See Potential Payments Upon Termination of Employment or a Corporate Transaction/Change of Control for additional information regarding accelerated vesting on certain terminations of employments. The vesting dates for the awards described in the Outstanding Equity Awards at Fiscal Year-End table are as follows:*

Named Executive Officer	Vest Date ^(a)	Number of Securities
		Underlying Unexercised Options
Aylwin Lewis	8/8/2015	56,797
	8/8/2016	56,797
	8/8/2017	56,796
Charles Talbot	10/4/2015	25,000
	10/4/2016	25,000
	10/4/2017	25,000
	3/6/2015	4,789
	3/6/2016	4,790
John Morlock	3/6/2017	4,790
	3/6/2018	4,790
	10/4/2015	15,000
	10/4/2016	15,000
	10/4/2017	15,000
	3/6/2015	4,789
	3/6/2016	4,790
	3/6/2017	4,790
	3/6/2018	4,790

- (a) *All of Mr. Talbot's and Mr. Morlock's outstanding equity awards granted prior to August 1, 2013 became immediately vested in connection with their execution of their employment agreements, to the extent not already vested. Mr. Talbot and Mr. Morlock were granted IPO contingent options upon completion of the IPO on October 4, 2013 which are subject to a four year vesting period. Mr. Talbot and Mr. Morlock also received options in March of 2014 in recognition of their fiscal year 2013 performance, which options are subject to a four year vesting period. All of Mr. Lewis' outstanding equity awards granted prior to August 8, 2013 became immediately vested in connection with his execution of the Lewis Agreement. Mr. Lewis also received options on August 8, 2013, the effective date of his employment agreement, which are subject to a four year vesting period.*

- (2) *The option exercise price per share was reduced from \$14.00 to \$10.59 on August 1, 2013.*

Potential Payments Upon Termination of Employment or a Corporate Transaction/Change in Control

Each of our named executive officers serves at the pleasure of our Board of Directors. Our employment agreements with the named executive officers include provisions requiring us to make post-termination payments upon certain qualifying termination events. The disclosure below describes certain compensation that may become payable as a result of a qualifying termination of employment, based on the employment agreement in effect for each executive on December 28, 2014. In addition, the following disclosure describes the impact of a qualifying termination of employment, a corporate transaction or a change in control under the terms of the equity awards held by each of our named executive officers as of December 28, 2014 and modifications to such awards pursuant to the employment agreements. These benefits are in lieu of benefits generally available to salaried employees.

Aylwin Lewis Employment Agreement

Pursuant to the Lewis Agreement, Mr. Lewis will be entitled to receive severance pay and severance benefits if his employment terminates as a result of a qualifying termination (including if we fail to offer to extend Mr. Lewis' employment or our failure to reach an agreement with Mr. Lewis as to the term of such extension as described above). If terminated as the result of a qualifying termination prior to a Change in Control (which is defined in the 2013 Long-Term Incentive Plan), Mr. Lewis will be eligible to receive severance equal to one year of his then-current base salary and health and dental coverage at active employee contribution rates for 12 months, and all of his outstanding unvested stock options will vest (provided that if the qualifying termination occurs as a result of our failure to offer to extend the term of Mr. Lewis' employment or our failure to reach an agreement with Mr. Lewis as to the term of such extension as described above, only those unvested stock

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options granted in 2015 and 2016 will fully vest upon the qualifying termination), all subject to a release. If his employment terminates (1) as a result of

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EXECUTIVE AND DIRECTOR COMPENSATION

a qualifying termination on or within six months prior to a Change in Control and at a time when we are a party to a letter of intent relating to transactions, or we are in negotiations regarding a transaction, which if consummated would constitute a Change in Control, (2) three months prior to a Change in Control or (3) within two years after a Change in Control, Mr. Lewis will be entitled to the severance payments and benefits described above except that his cash severance payment will be equal to the sum of his base salary and annual target bonus and the payments and benefits are not subject to a release.

In addition, if Mr. Lewis' termination occurs by reason of death or disability, he will be entitled to a cash payment equal to the amount of the annual bonus that he would have received for the bonus year in which the termination date occurs, pro-rated for the portion of the year prior to his termination date and payable at the same time that bonuses are payable in accordance with our normal bonus plan and all stock options that would have vested within one year of his termination will be vested on his termination date.

Under certain of Mr. Lewis' option award agreements, in the event of a Corporate Transaction (which term generally includes transactions involving a 50% change in ownership of the Company, whether through acquisition of common stock or voting power or through consummation of a reorganization, merger, consolidation or asset sale), the Board of Directors may take action such as (i) providing for the options to be assumed, or equivalent options to be substituted, by the acquiring company; (ii) providing for termination of vested but unexercised options unless exercised prior to the transaction; and (iii) providing for receipt by Mr. Lewis of a cash payment based on the difference between the transaction price and the exercise price.

Charles Talbot and John Morlock Employment Agreements

The Employment Agreements for Mr. Talbot and Mr. Morlock provide for severance pay and benefits if the executive is terminated in a qualifying termination or if the executive's employment is terminated due to death or disability. In the event the executive's employment terminates in a qualifying termination prior to a Change in Control, the executive is entitled to a cash severance payment equal to 12 months of base salary payable in installments over 12 months, subsidized COBRA benefits for 12 months and an extended exercise period with respect to stock options that are outstanding on August 1, 2013, all subject to a release. In the event the executive's employment terminates in a qualifying termination on or within 12 months after a Change in Control, the executive is entitled to the same severance payments and benefits described above and a payment equal to the amount of the annual bonus that the executive would have received for the year in which the termination occurs pro-rated through the date of termination and based on actual performance for the year of termination (the Pro-rated Bonus). Payments and benefits in connection with a Change in Control are not subject to a release. If termination occurs due to death or disability, in addition to any accrued amounts otherwise owed to the executive, the executive will receive the Pro-rated Bonus, subject to a release. The Employment Agreements for Mr. Talbot and Mr. Morlock include the definitions of *cause* and *good reason* in a manner that is comparable to the corresponding terms in Mr. Lewis' employment agreement (except for election to the Board and nomination as chairman of the Board).

Options Granted Prior to 2011. Options granted to our named executive officers prior to 2011 generally contain the following termination and change in control provisions:

If an executive's employment with the Company terminates for any reason other than *cause*, *disability* or *death*, vested options may thereafter be exercised by the executive until the earlier to occur of: (i) the date that is 90 days (or one year in the case of Mr. Lewis) after the effective date of the executive's termination of employment, and (ii) the expiration date of the option, and to the extent the options are not so exercised, they shall terminate upon such earlier date. If the executive dies following a termination for other than *cause* during the period described in the preceding sentence, vested options may thereafter be exercised by the executive's legal representative until the earlier to occur of: (i) the date that is one year after the effective date of the executive's termination of employment, and (ii) the expiration date, and to the extent the options are not so exercised, they shall terminate upon such earlier date.

If an executive's employment with the Company terminates by reason of *disability* or *death*, vested options may thereafter be exercised by the executive or the executive's legal representative until the earlier to occur of: (i) the date that is one year after the effective date of the executive's termination of employment, and (ii) the expiration date, and to the extent the options are not so exercised, they shall terminate upon such earlier date.

If an executive is terminated for *cause* or the executive breaches a covenant in an agreement with the Company, the options automatically terminate.

In the event of a Corporate Transaction, the Board of Directors may take action such as (i) providing for the options to be assumed, or equivalent options to be substituted, by the acquiring company; (ii) providing for termination of vested but unexercised options unless exercised prior to the transaction; (iii) providing for receipt by the executive of a cash payment based on the difference between the transaction price and the exercise price; and/or (iv) providing for accelerated vesting prior to the transaction and termination following such transaction.

Table of Contents**EXECUTIVE AND DIRECTOR COMPENSATION****Other Plans**

Our named executive officers are eligible to participate in our 401(k) plan. The Company matches 50% of the contributions that our named executive officers make to this plan, up to 6% of compensation, with a maximum matching contribution of \$3,000 per year.

The Company established in fiscal 2014 a non-qualified deferred compensation plan which allows highly compensated employees to defer a portion of their base salary and variable compensation each plan year.

2014 Director Compensation

The following table summarizes the amounts earned and paid to our non-employee members of our Board of Directors for 2014. Mr. Lewis, our President, Chief Executive Officer and Chairman of the Board receives no additional compensation for his service on our Board of Directors:

Name ⁽¹⁾⁽²⁾	Fees Earned or Paid in Cash	Stock Awards ⁽³⁾	Total
Bryant Keil	\$ 0	\$ 40,000	\$ 40,000
Vann Avedisian	\$ 0	\$ 40,000	\$ 40,000
Peter Bassi	\$ 40,000	\$ 40,000	\$ 80,000
Ann-Marie Campbell	\$ 0	\$ 31,648	\$ 31,648
Susan Chapman-Hughes	\$ 0	\$ 50,110	\$ 50,110
Gerald Gallagher ⁽⁴⁾	\$ 0	\$ 40,000	\$ 40,000
Dan Ginsberg	\$ 0	\$ 71,110	\$ 71,110
Marla Gottschalk	\$ 0	\$ 80,000	\$ 80,000
Dan Levitan	\$ 0	\$ 40,000	\$ 40,000

⁽¹⁾ Pursuant to our director compensation program, implemented in 2014, all non-investor/non-employee directors may elect to receive (a) shares of unrestricted common stock of the Company having a value of \$40,000 at the time of grant plus \$40,000 in cash or (b) shares of unrestricted common stock of the Company having a value of \$80,000 at the time of grant. The \$40,000 cash component is paid out bi-annually, \$20,000 at the end of our second fiscal quarter and \$20,000 at the end of our fourth fiscal quarter. Mr. Bassi elected to receive \$40,000 in cash and \$40,000 in stock. Pursuant to his fee election, Mr. Bassi received \$40,000 in stock on May 15, 2014. Ms. Gottschalk, Ms. Campbell, Ms. Chapman-Hughes and Mr. Ginsberg each elected to receive all of their director compensation in the form of unrestricted common stock of the Company, issued in a lump sum grant. Ms. Gottschalk received her shares on May 15, 2014. Mr. Ginsberg, Ms. Chapman-Hughes and Ms. Campbell each received a pro-rata portion of the director compensation covering the period from the date he or she joined our Board of Directors through the end of the fiscal year. Mr. Ginsberg received his shares on May 15, 2014, Ms. Chapman-Hughes received her shares on May 20, 2014 and Ms. Campbell received her shares on August 8, 2014.

⁽²⁾ Pursuant to our director compensation program, our investor/non-employee directors are eligible to receive unrestricted Company common stock having a value of \$40,000 at the time of grant. Mr. Keil, Mr. Avedisian, Mr. Gallagher and Mr. Levitan, each an investor/non-employee director, received a lump sum grant on May 15, 2014.

⁽³⁾ No director has any unvested stock awards at December 28, 2014. No director has any unexercised options at December 28, 2014 except for the following: Mr. Keil 442,735; Mr. Bassi 35,807; Ms. Gottschalk 71,614.

⁽⁴⁾ Mr. Gallagher passed away in July of 2014.

The current director compensation program may be subject to change. Our Board of Directors is currently reviewing the vesting terms of the stock grants and other aspects of our current director compensation program to determine if any changes are appropriate.

Stockownership Guidelines

The Board believes that all directors should hold a significant equity interest in Potbelly. Toward this end, the Board expects that all directors own, or acquire within the later of (i) five years of first becoming a director and (ii) five years after our IPO, shares of Potbelly common stock (including restricted shares, but not options, under Potbelly's equity-linked incentive plans) having a market value of at least four times the

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annual cash compensation for directors. Shares owned by investment funds of which a director is an executive officer or general partner will count towards the foregoing ownership guidelines.

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RELATED PARTY TRANSACTIONS

RELATED PARTY TRANSACTIONS

Indemnification Agreements

We have entered into indemnification agreements with our current directors and executive officers, in addition to the indemnification provided for in our certificate of incorporation and Bylaws. These agreements, among other things, provide for indemnification of our directors and executive officers for certain expenses (including attorneys' fees), judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of our Company, arising out of such person's services as a director or executive officer of ours. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

Review, Approval or Ratification of Transactions With Related Persons

In connection with our Initial Public Offering, we adopted a written policy relating to the approval of related party transactions. Our audit committee will review certain financial transactions, arrangements and relationships between us and any of the following related parties:

any of our directors, director nominees or executive officers;

any beneficial owner of more than 5% of our outstanding stock;

any immediate family member of any of the foregoing; and

any entity in which any of the foregoing is employed or has more than a 5% beneficial ownership.

Any member of the audit committee who is a party to a transaction under review will not be permitted to participate in the discussions, consideration or approval of such transaction. Prior to entering into any related party transaction, the interested director or officer shall provide notice of such transaction to our General Counsel. The audit committee shall review any such submissions and shall consider all relevant facts and circumstances of such transaction. The audit committee shall approve only those proposed transactions that are in, or not inconsistent with, the best interests of Potbelly and its stockholders.

In the event management determines a related party transaction exists which was not approved by the audit committee, management will submit the transaction to the audit committee for consideration. The audit committee shall consider all relevant facts and circumstances of such transaction, and shall evaluate all options, including but not limited to ratification, amendment, termination or rescission of the transaction.

The policy lists certain types of transaction in which an officer or director may have an interest that are deemed not to require review as a related party transaction, including (i) transactions in the ordinary course of business not exceeding \$25,000, (ii) certain charitable contributions, and (iii) certain approved compensation arrangements.

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The following table sets forth information as of March 6, 2015 as to the beneficial ownership of shares of our common stock by:

each person (or group of affiliated persons) known to us to beneficially own more than 5 percent of our common stock;

each of our executive officers;

each of our directors; and

all of our executive officers and directors as a group.

The number of shares beneficially owned by each stockholder is determined under SEC rules and generally includes shares for which the holder has voting or investment power. The information does not necessarily indicate beneficial ownership for any other purpose. Unless otherwise indicated below, the address for each listed director, officer and stockholder is c/o Potbelly Corporation, 222 Merchandise Mart Plaza, 23rd Floor, Chicago, Illinois 60654. The percentage of beneficial ownership shown in the following tables is based on 29,863,379 outstanding shares of common stock as of March 6, 2015. For purposes of calculating each person's or group's percentage ownership, shares of common stock issuable pursuant to the terms of stock options exercisable or vesting within 60 days after March 6, 2015 are included as outstanding and beneficially owned for that person or group, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person or group.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Class Beneficially Owned
Beneficial Owners of 5% or more of outstanding common stock		
Maveron Equity Partners and related funds ⁽¹⁾	3,313,609	11.1%
Oak Investment Partners and related funds ⁽²⁾	2,520,046	8.4%
Zuckerman Investment Group, LLC ⁽³⁾	2,208,089	7.4%
Franklin Resources, Inc. ⁽⁴⁾	1,788,413	6.0%
Directors and Executive Officers		
Aylwin Lewis ⁽⁵⁾	1,442,790	4.8%
John Morlock ⁽⁶⁾	250,521	*
Charles Talbot ⁽⁷⁾	350,411	1.2%
Matthew Revord ⁽⁸⁾	238,393	*
Nancy Turk ⁽⁹⁾	169,379	*
Anne Ewing ⁽¹⁰⁾	60,425	*
Vann Avedisian ⁽¹¹⁾	1,276,394	4.3%
Peter Bassi ⁽¹²⁾	45,508	*
Ann-Marie Campbell ⁽¹³⁾	2,577	*
Susan Chapman-Hughes ⁽¹⁴⁾	3,275	*
Daniel Ginsberg ⁽¹⁵⁾	4,483	*
Marla Gottschalk ⁽¹⁶⁾	136,137	*
Bryant Keil ⁽¹⁷⁾	894,004	3.0%
Dan Levitan ⁽¹⁸⁾	3,339,508	11.2%
All directors and executive officers as a group (14 people)	8,213,805	27.5%

* Represents less than 1.0%

⁽¹⁾ Includes 2,046,400 shares of common stock owned by Maveron Equity Partners 2000, L.P. (*Maveron 2000*); 63,948 shares of common stock owned by Maveron Equity Partners 2000-B, L.P. (*Maveron 2000-B*); 285,551 shares of common stock owned by MEP 2000 Associates LLC (*MEP 2000*); 775,752 shares of common stock owned by Maveron Equity Partners III, L.P. (*MEP III*); 32,914 shares of common stock owned by Maveron III Entrepreneurs Fund, L.P. (*Maveron-Entrepreneurs*); 106,366 shares of common stock owned by MEP Associates III, L.P. (*Maveron-Associates*); and 2,678 shares of common stock owned by Maveron LLC. Maveron General Partner 2000 LLC (*Maveron GP*) serves as general partner of Maveron 2000 and Maveron 2000-B and

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possesses shared power to vote and dispose of shares directly owned by Maveron 2000 and Maveron 2000-B. Maveron LLC serves as manager of MEP 2000 and

Table of Contents**BENEFICIAL OWNERSHIP OF OUR COMMON STOCK**

possesses shared power to vote and dispose of shares directly owned by MEP 2000. Dan Levitan, one of our directors, is the managing member of Maveron GP and Maveron LLC. Dan Levitan, Maveron GP (with respect to the shares held directly by Maveron 2000 and Maveron 2000-B) and Maveron LLC (with respect to the shares held directly by MEP 2000) disclaim beneficial ownership of shares held directly by Maveron 2000, Maveron 2000-B and MEP 2000, except to the extent of their pecuniary interest therein. Maveron General Partner III LLC (Maveron GP III) serves as general partner for MEP III, Maveron-Entrepreneurs and Maveron-Associates and possesses shared power to vote and dispose of shares directly owned by MEP III, Maveron-Entrepreneurs and Maveron-Associates. Dan Levitan, Clayton Lewis, Pete McCormick and Jason Stoffer are managing members of Maveron GP III. Such individuals and Maveron GP III disclaim beneficial ownership of shares held directly by MEP III, Maveron-Entrepreneurs and Maveron-Associates. The address for the entities and individuals listed above is 411 First Avenue South, Suite 600, Seattle, Washington 98104.

- (2) Based solely on a report on Schedule 13G filed on February 24, 2015. Includes 2,435,632 shares of common stock owned by Oak Investment Partners IX, Limited Partnership (Oak IX); 25,951 shares of common stock owned by Oak IX Affiliates Fund, Limited Partnership (Oak IX Affiliates); and 58,463 shares of common stock owned by Oak IX Affiliates Fund A, Limited Partnership (Oak IX Affiliates A). Oak Associates IX, LLC is the general partner of Oak IX and, as such, may be deemed to possess shared power to vote and dispose of shares directly owned by Oak IX. Oak IX Affiliates, LLC is the general partner of both Oak IX Affiliates and Oak IX Affiliates A and, as such, may be deemed to possess shared power to vote and dispose of shares directly owned by such entities. Oak Management Corporation is the manager of each of Oak IX, Oak IX Affiliates and Oak IX Affiliates A and, as such, may be deemed to possess shared power to vote and dispose of shares directly owned by such entities. Bandel L. Carano, Edward F. Glassmeyer, Fredric W. Harman and Ann H. Lamont are the managing members of each of Oak Associates IX, LLC and Oak IX Affiliates, LLC and, as such, may be deemed to possess shared power to vote and dispose of shares held by such entities. Each entity and individual listed above disclaims beneficial ownership of all shares other than any shares directly owned by it, him or her, as the case may be. The address for the entities and individuals listed above is c/o Oak Management Corporation, 901 Main Avenue, Suite 600, Norwalk, Connecticut 06851.
- (3) Based solely on a report of Schedule 13G filed on February 6, 2015. Sherwin A. Zuckerman and Daniel R. Zuckerman are Co-CEOs and together are controlling shareholders of Zuckerman Investment Group, LLC and, as such, may be considered beneficial owners of shares beneficially owned by Zuckerman Investment Group, LLC. The address for the individuals and entities listed above is 155 N. Wacker Drive, Suite 1700, Chicago, IL, 60606.
- (4) Based solely on a report on Schedule 13G filed February 9, 2015. Franklin Advisors, Inc. (Advisors) has sole voting power over 1,530,051 shares and sole dispositive power over 1,598,951; Franklin Templeton Portfolio Advisors, Inc. (Portfolio) has sole voting and dispositive power over 151,980 shares; and Fiduciary Trust Company International (FTCI; and together with Advisors and Portfolio, the Investment Management Subsidiaries) has sole voting and dispositive power over 37,482 shares. Advisors, Portfolio and FTCI are investment companies that are direct or indirect subsidiaries of Franklin Resources Inc. (FRI). Charles B. Johnson and Rupert H. Johnson, Jr. (the Principal Shareholders) are the principal stockholders of FRI and, as such, may be deemed to be the beneficial owners of securities held by persons and entities for whom or for which FRI subsidiaries provide investment management services. FRI, the Principal Shareholders and each of the Investment Management Subsidiaries disclaim any pecuniary interest in any such securities.
- (5) Includes 319,836 shares of common stock and options to purchase 1,122,954 shares of common stock.
- (6) Consists of options to purchase 250,521 shares of common stock.
- (7) Includes 10,312 shares of common stock and options to purchase 340,099 shares of common stock. On February 21, 2015, Mr. Talbot informed the Company of his intention to resign from Potbelly to accept a leadership position with another company. The effective date of Mr. Talbot's resignation is March 27, 2015.
- (8) Includes 13,775 shares of common stock held by the Matthew J. Revord Declaration of Trust, of which Mr. Revord is a beneficiary, and options to purchase 224,618 shares of common stock held by Mr. Revord.
- (9) Includes 20,776 shares of common stock and options to purchase 148,603 shares of common stock.
- (10) Consists of options to purchase 60,425 shares of common stock.
- (11) Includes 2,558 shares of common stock held by Mr. Avedisian directly; 223,932 shares of common stock held by the Vann A. Avedisian Trust, of which Mr. Avedisian is the beneficiary; 3,456 shares held by the Armen G. Avedisian Trust, of which Mr. Avedisian is Trustee; and 928 shares held by Mr. Avedisian's minor children. Also includes 700,569 shares of common stock owned by Oxford Blackpoint Venture Partners VII, LLC (Oxford Blackpoint) and warrants owned by Oxford Capital Partners, Inc. (OCPI) to purchase 241,704 shares of common stock and 103,247 shares of common stock held by Concorde Holdings IX, LLC. Oxford Blackpoint is an investment fund managed by OCPI. Mr. Avedisian is a founder and co-owner of OCPI and the sole owner of the general partner of Concorde Holdings IX, LLC. Accordingly, Mr. Avedisian possesses shared power to vote and dispose of shares owned directly by such entities. Mr. Avedisian disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. Mr. Avedisian will retire from the Board as of the expiration of his term at the 2015 Annual Meeting.
- (12) Includes 2,558 shares of common stock held directly by Mr. Bassi; 7,143 shares of common stock held by a family trust of which Mr. Bassi is a beneficiary; and options to purchase 35,807 shares of common stock.
- (13) Consists of 2,577 shares of common stock.
- (14) Consists of 3,275 shares of common stock.
- (15) Consists of 4,483 shares of common stock.
- (16) Includes 64,523 shares of common stock and options to purchase 71,614 shares of common stock.
- (17) Includes 451,269 shares of common stock and options to purchase 442,735 shares of common stock. Mr. Keil has pledged 450,000 shares to secure a bank loan.
- (18) Includes the shares held by the Maveron entities discussed in Footnote 1 and 25,899 shares owned directly by Mr. Levitan.

Section 16(a) Beneficial Ownership Reporting Compliance

Compliance with Section 16(a) of the Exchange Act requires our executive officers and directors and persons who own more than 10% of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than 10% stockholders are required by SEC rules to furnish us with copies of all Section 16(a) forms they file.

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Based solely on a review of the copies of such forms furnished to the Company and on written representations from our officers and directors, we believe that during 2014, all Section 16(a) filing requirements were complied with on a timely basis, except that each of (1) Maveron Equity Partners and related funds, collectively one of our 10% shareholders; (2) Mr. Avedisian; and (3) Ms. Campbell was late in filing one required report on Form 4 relating to one transaction, in each case due to administrative error.

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OTHER MATTERS

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Proxy Solicitation

We will pay the cost of soliciting proxies and may make arrangements with brokerage houses, custodians, nominees and other fiduciaries to send proxy materials to beneficial owners of our common stock. We will reimburse these third-parties for reasonable out-of-pocket expenses. We have engaged Broadridge Financial Solutions, Inc. to serve as our proxy solicitor for the Annual Meeting at a base fee of \$6,000 plus reimbursement of reasonable expenses. Broadridge will provide advice relating to the content of solicitation materials, solicit banks, brokers, institutional investors, and hedge funds to determine voting instructions, monitor voting, and deliver executed proxies to our voting tabulator. Our directors and officers also may solicit proxies by telephone, electronic transmission and personally. However, our directors and officers will not receive any special compensation for such services.

Stockholder Proposals for the 2016 Annual Meeting

Pursuant to Rule 14a-8 under the Exchange Act, in order to be included in the Company's proxy materials for the 2015 annual meeting of stockholders, a stockholder proposal must be received in writing by the Company by November 25, 2015 and otherwise comply with all requirements of the SEC for stockholder proposals. As of May 2015, the Company's new address will be 111 N. Canal Street, Suite 850, Chicago, IL 60606.

In addition, our Bylaws provide that any stockholder who desires to bring a proposal before an annual meeting, or to nominate persons for election as directors, must give timely written notice of the proposal to the Company's Secretary. To be timely, the notice must be delivered to the above address not less than 90 nor more than 120 calendar days prior to the first anniversary of the date on which the Company held the preceding year's annual meeting. Accordingly, to be timely, a notice must be received no earlier than January 15, 2016 and no later than February 14, 2016 (assuming the meeting is held not more than 30 days before or more than 60 days after May 14, 2016). The notice must describe the stockholder proposal in reasonable detail and provide certain other information required by our Bylaws.

Form 10-K and Other Filings

Upon written request and at no charge, we will provide a copy of any of our filings with the SEC, including our Annual Report on Form 10-K, with financial statements and schedules for our most recent fiscal year. We may impose a reasonable fee for expenses associated with providing copies of separate exhibits to the report when such exhibits are requested. These documents are also available on our website at <http://investors.potbelly.com/financials.cfm>, and the website of the SEC at www.sec.gov.

Householding

SEC rules allow delivery of a single annual report and proxy materials, including the Notice of Internet Availability of Proxy Materials, to households at which two or more stockholders reside, unless the affected stockholder has provided contrary instructions. Accordingly, stockholders sharing an address who have been previously notified by their broker or its intermediary will receive only one copy of the Notice of Internet Availability and, if applicable, a single set of the annual report and other proxy materials, unless the stockholder has provided contrary instructions. Individual proxy cards or voting instruction forms (or electronic voting facilities), as applicable, will, however, continue to be provided for each stockholder account. This procedure, referred to as householding, reduces the volume of duplicate information received by stockholders, as well as our expenses. Shareholders having multiple accounts may have received householding notifications from their

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respective brokers and, consequently, such stockholders may receive only one Notice of Internet Availability of Proxy Materials, and if applicable, a single set of the annual report and other proxy materials. Upon written or oral request, Potbelly Corporation will promptly deliver a separate copy of the Notice of Internet Availability of Proxy Materials and, if applicable, a separate set of our annual report and proxy materials to any beneficial owner at a shared address to which a single copy of any of those documents was delivered. To receive a separate copy of the Notice of Internet Availability of Proxy Materials and, if applicable, a separate set of our annual report and proxy materials, you may write or call Potbelly Corporation at Potbelly Corporation, 222 Merchandise Mart Plaza,

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OTHER MATTERS

23rd Floor, Chicago, Illinois 60654, Attention: Corporate Secretary, telephone (312) 951-0600. Stockholders currently sharing an address with another stockholder who wish to have only one copy of our Notice of Internet Availability of Proxy Material or annual report and other proxy materials delivered to the household in the future should also contact our corporate secretary.

By order of the Board of Directors,

Matthew J. Revord

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

March 24, 2015

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POTBELLY CORPORATION
222 MERCHANDISE MART PLAZA
23RD FLOOR
CHICAGO, IL 60654

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

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THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

POTBELLY CORPORATION
The Board of Directors recommends you vote

For All **Withhold All** **For All Except**

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

FOR the following:

- 1. Election of Directors

Nominees:

- Susan
- 01) Chapman-Hughes
- 02) Dan Levitan

The Board of Directors recommends you vote FOR the following proposal:

For Again Abstain

- 2. Ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 27, 2015

NOTE: Such other business as may properly come before the meeting or any adjournment thereof.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Signature
[PLEASE SIGN
WITHIN BOX] Date

Signature (Joint Owners) Date

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Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and the Annual Report are available at www.proxyvote.com.

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POTBELLY CORPORATION

Annual Meeting of Stockholders

May 14, 2015 at 8:00 AM

This proxy is solicited by the Board of Directors

The stockholder(s) hereby appoint(s) Aylwin Lewis and Matt Revord, or either of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of common stock of POTBELLY CORPORATION that the stockholder(s) is/are entitled to vote at the Annual Meeting of stockholder(s) to be held at 8:00 AM, CDT on May 14, 2015, at the Westin O Hare Hotel, 6100 N. River Road, Rosemont, Illinois 60018, and any adjournment or postponement thereof.

This proxy, when properly executed, will be voted in the manner directed herein. If no such direction is made, this proxy will be voted in accordance with the Board of Directors' recommendations.

Continued and to be signed on reverse side