

**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:

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

---

Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

---

---

---

[Table of Contents](#)



May 20, 2020

Dear Fellow Shareholder:

You are cordially invited to attend virtually our Annual Meeting of Shareholders (including any adjournments or postponements thereof, the “[Annual Meeting](#)”) on June 24, 2020. Due to the emerging public health impact of the coronavirus outbreak (COVID-19), and to support the health and well-being of the Company’s employees and shareholders, the meeting will be held in a virtual meeting format only via live audio webcast. Included with this letter are the notice of annual meeting of shareholders, a proxy statement detailing the business to be conducted at the Annual Meeting, and a proxy card. You may also find electronic copies of these documents online at [www.proxyvote.com](http://www.proxyvote.com).

Regardless of whether you plan to attend our virtual Annual Meeting, it is important that your voice be heard. We encourage you to vote in advance of the meeting by telephone, by Internet or by signing, dating and returning your proxy card by mail. You may also vote by attending the virtual annual meeting at <http://www.virtualshareholdermeeting.com/PBPB2020> and voting online. Full instructions are contained in the proxy statement or the enclosed proxy card.

Sincerely,

**Dan Ginsberg**  
*Chairman of the Board*

**Alan Johnson**  
*President and Chief Executive Officer*

[Table of Contents](#)



**111 North Canal Street, Suite 850  
Chicago, Illinois 60606**

**NOTICE OF ANNUAL MEETING OF  
SHAREHOLDERS**

**TO BE HELD ON JUNE 24, 2020**

To our Shareholders:

The 2020 Annual Meeting of Shareholders (including any adjournments or postponements thereof, the “Annual Meeting”) of Potbelly Corporation (the “Company”) will be held on June 24, 2020, at 8:00 a.m. local time exclusively via live webcast at <http://www.virtualshareholdermeeting.com/PBpb2020>, for the following purposes:

1. to elect ten director nominees to serve on the Board of Directors for a term of one year or until their successors are duly elected or appointed and qualified;
2. to ratify the appointment of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending December 27, 2020;
3. to vote, on a non-binding, advisory basis, on a resolution to approve the 2019 compensation of our named executive officers;
4. to approve the amendment and restatement of the Potbelly Corporation 2019 Long-Term Incentive Plan to, among other things, increase the number of shares of common stock authorized for issuance thereunder by 900,000 shares; and
5. to transact any other business properly brought before the Annual Meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors (the “Board”) has set the close of business on June 11, 2020 as the record date for determining shareholders of the Company entitled to notice of and to vote at the Annual Meeting. You may examine our shareholder list during the Annual Meeting by following the instructions provided on the meeting website during the Annual Meeting.

All shareholders are cordially invited to attend the virtual Annual Meeting. To participate in the virtual Annual Meeting, you will need the 16-digit control number that appears on your proxy card or the instructions that accompanied your proxy materials. **EVEN IF YOU CANNOT ATTEND THE VIRTUAL ANNUAL MEETING, PLEASE TAKE THE TIME TO PROMPTLY VOTE YOUR PROXY BY CAREFULLY FOLLOWING THE INSTRUCTIONS ON THE PROXY CARD. IF YOU WISH TO VOTE USING A PAPER PROXY CARD, PLEASE SIGN, DATE AND RETURN THE PROXY CARD IN THE RETURN ENVELOPE PROVIDED AS PROMPTLY AS POSSIBLE.**

**Important Notice of Internet Availability of Proxy Materials for the Annual Meeting to be Held on June 24, 2020: The Proxy Statement for the Annual Meeting and the Annual Report on Form 10-K for the fiscal year ended December 29, 2019 are available at [www.proxyvote.com](http://www.proxyvote.com).**

By order of the Board of Directors,

**Matthew Revord**

*Senior Vice President, Chief Legal Officer, Chief People Officer and Secretary*

May 20, 2020

[Table of Contents](#)

**IMPORTANT**

TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE VIRTUAL ANNUAL MEETING, WE URGE YOU TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE POSTAGE PRE-PAID ENVELOPE PROVIDED, OR VOTE BY TELEPHONE OR THE INTERNET AS INSTRUCTED ON THE PROXY CARD, WHETHER OR NOT YOU PLAN TO ATTEND THE VIRTUAL ANNUAL MEETING. YOU CAN REVOKE YOUR PROXY AT ANY TIME BEFORE THE PROXIES YOU APPOINTED CAST YOUR VOTES.

## [Table of Contents](#)



## **PROXY STATEMENT**

### **Table of Contents**

<a href="#"><u>PROXY STATEMENT SUMMARY</u></a>	1
<a href="#"><u>Annual Meeting Information</u></a>	1
<a href="#"><u>Matters to be Voted on at the Annual Meeting and Board Recommendations</u></a>	1
<a href="#"><u>Board Highlights</u></a>	2
<a href="#"><u>Corporate Governance Highlights</u></a>	3
<a href="#"><u>GENERAL INFORMATION ABOUT THE ANNUAL MEETING AND VOTING</u></a>	4
<a href="#"><u>Why am I receiving these materials?</u></a>	4
<a href="#"><u>Where and when is the Annual Meeting?</u></a>	4
<a href="#"><u>Was the Annual Meeting previously announced for another date?</u></a>	4
<a href="#"><u>What am I being asked to vote on at the Annual Meeting?</u></a>	4
<a href="#"><u>Who can vote?</u></a>	4
<a href="#"><u>How many votes do I have?</u></a>	5
<a href="#"><u>What is the difference between holding shares as a “shareholder of record” and as a “beneficial owner”?</u></a>	5
<a href="#"><u>What is a proxy?</u></a>	5
<a href="#"><u>How can I vote my shares?</u></a>	5
<a href="#"><u>How can I revoke my proxy?</u></a>	6
<a href="#"><u>If I have already voted by proxy on one or more proposals, can I change my vote?</u></a>	6
<a href="#"><u>What “quorum” is required for the Annual Meeting?</u></a>	6
<a href="#"><u>What vote is required to approve each proposal?</u></a>	7
<a href="#"><u>How are the voting results determined?</u></a>	7
<a href="#"><u>What is the effect of abstentions and broker non-votes?</u></a>	7
<a href="#"><u>Will my shares be voted if I do nothing?</u></a>	8
<a href="#"><u>Has the Company received notice from one or more shareholders that they are intending to nominate director candidates at the Annual Meeting?</u></a>	8
<a href="#"><u>What are the fiscal year end dates?</u></a>	8
<a href="#"><u>Where can I find the voting results?</u></a>	8
<a href="#"><u>ANNUAL MEETING PROCEDURES</u></a>	9
<a href="#"><u>Admission to the Annual Meeting</u></a>	9
<a href="#"><u>Participation during the Annual Meeting</u></a>	9
<a href="#"><u>Appraisal Rights</u></a>	9
<a href="#"><u>Shareholder List</u></a>	9
<a href="#"><u>CORPORATE GOVERNANCE</u></a>	10
<a href="#"><u>Overview</u></a>	10
<a href="#"><u>Governance Highlights</u></a>	10
<a href="#"><u>Director Independence</u></a>	10

## Table of Contents

<a href="#"><u>Corporate Environmental and Social Responsibility</u></a>	11
<a href="#"><u>Ethics Code of Conduct</u></a>	11
<a href="#"><u>Conflicts of Interest</u></a>	11
<a href="#"><u>Resolution of Shareholder Nominations</u></a>	11
<a href="#"><u>Structure of the Board of Directors</u></a>	12
<a href="#"><u>Board Leadership Structure</u></a>	12
<a href="#"><u>Director Biographies</u></a>	13
<a href="#"><u>Board Meetings</u></a>	18
<a href="#"><u>Board Committees</u></a>	18
<a href="#"><u>Compensation Committee Interlocks and Insider Participation</u></a>	20
<a href="#"><u>Board's Role in Risk Oversight</u></a>	20
<a href="#"><u>Policy for Director Recommendations</u></a>	20
<a href="#"><u>Communication with the Board</u></a>	21
 <a href="#"><u>DIRECTOR COMPENSATION</u></a>	22
<a href="#"><u>Director Compensation Plan</u></a>	22
<a href="#"><u>2019 Director Compensation</u></a>	22
<a href="#"><u>Director Stock Ownership Guidelines</u></a>	23
 <a href="#"><u>PROPOSAL 1</u></a>	24
<a href="#"><u>Election of Directors</u></a>	24
 <a href="#"><u>PROPOSAL 2</u></a>	25
<a href="#"><u>Ratification of Appointment of Independent Registered Public Accounting Firm</u></a>	25
<a href="#"><u>Policy on Audit Committee Approval of Audit and Non-Audit Services</u></a>	25
 <a href="#"><u>AUDIT COMMITTEE REPORT</u></a>	27
 <a href="#"><u>PROPOSAL 3</u></a>	28
<a href="#"><u>Advisory Vote on a Resolution To Approve Our 2019 Named Executive Officer Compensation</u></a>	28
 <a href="#"><u>PROPOSAL 4</u></a>	29
<a href="#"><u>Approval of the Amended and Restatement of the Potbelly Corporation 2019 Long-Term Incentive Plan</u></a>	29
<a href="#"><u>Background</u></a>	29
<a href="#"><u>Rationale</u></a>	30
<a href="#"><u>Promotion of Good Corporate Governance Practices</u></a>	31
<a href="#"><u>Summary of Plan</u></a>	32
<a href="#"><u>U.S. Federal Income Tax Implications of the Plan</u></a>	35
<a href="#"><u>New Plan Benefits</u></a>	37
<a href="#"><u>Equity Compensation Plan Information</u></a>	38
 <a href="#"><u>EXECUTIVE OFFICERS</u></a>	39
 <a href="#"><u>COMPENSATION DISCUSSION AND ANALYSIS</u></a>	42
<a href="#"><u>Executive Summary</u></a>	42
<a href="#"><u>Compensation Philosophy and Objectives</u></a>	42
<a href="#"><u>Elements of Executive Compensation</u></a>	43
<a href="#"><u>Our Executive Compensation Process</u></a>	43
<a href="#"><u>Base Salary</u></a>	45
<a href="#"><u>Annual Incentive Plan</u></a>	46
<a href="#"><u>Long-Term Incentive Awards</u></a>	46
<a href="#"><u>Other Plans</u></a>	47

## Table of Contents

<a href="#"><u>Executive Stock Ownership Guidelines</u></a>	48
<a href="#"><u>Anti-Hedging Policy</u></a>	48
<a href="#"><u>Clawbacks and Forfeiture Provisions</u></a>	48
<a href="#"><u>Employment Agreements</u></a>	48
<b><a href="#"><u>COMPENSATION COMMITTEE REPORT</u></a></b>	<b>51</b>
<b><a href="#"><u>2019 COMPENSATION TABLES</u></a></b>	<b>52</b>
<a href="#"><u>2019 Summary Compensation Table</u></a>	52
<a href="#"><u>Grants of Plan-Based Awards in 2019</u></a>	53
<a href="#"><u>Outstanding Equity Awards at Fiscal Year-End</u></a>	54
<a href="#"><u>Option Exercises and Stock Vested</u></a>	55
<a href="#"><u>Nonqualified Deferred Compensation</u></a>	56
<a href="#"><u>Potential Payments Upon Termination of Employment or a Corporate Transaction/Change in Control</u></a>	56
<a href="#"><u>CEO Pay Ratio</u></a>	59
<b><a href="#"><u>RELATED PARTY TRANSACTIONS</u></a></b>	<b>61</b>
<a href="#"><u>Settlement Agreement</u></a>	61
<a href="#"><u>Indemnification Agreements</u></a>	61
<a href="#"><u>Review, Approval or Ratification of Transactions with Related Persons</u></a>	61
<b><a href="#"><u>BENEFICIAL OWNERSHIP OF OUR COMMON STOCK</u></a></b>	<b>62</b>
<a href="#"><u>Delinquent Section 16(a) Reports</u></a>	64
<b><a href="#"><u>OTHER MATTERS</u></a></b>	<b>65</b>
<a href="#"><u>Shareholder Proposals for the 2021 Annual Meeting</u></a>	65
<a href="#"><u>Form 10-K and Other Filings</u></a>	65
<a href="#"><u>Householding</u></a>	65
<b><a href="#"><u>APPENDIX A</u></a></b>	
<b><a href="#"><u>POTBELLY CORPORATION 2019 LONG-TERM INCENTIVE PLAN, AS AMENDED AND RESTATED</u></a></b>	<b>A-1</b>

## [Table of Contents](#)



### **PROXY STATEMENT**

The Board of Directors (the “Board of Directors” or “Board”) of Potbelly Corporation, a Delaware corporation (the “Company”), is using this Proxy Statement to solicit your proxy for use at our 2020 Annual Meeting of Shareholders (including any postponements or adjournments thereof, the “Annual Meeting”). References in this Proxy Statement to “Potbelly,” the “Company,” “we,” “us,” “our” and similar terms refer to Potbelly Corporation.

We are sending this Proxy Statement, the enclosed proxy card and our Annual Report on Form 10-K for the fiscal year ended December 29, 2019 (collectively, the “Proxy Materials”) to our shareholders of record as of the close of business on June 11, 2020, the record date. Shareholders of record at the close of business on the record date will be entitled to vote at the Annual Meeting. As of May 19, 2020, the latest practicable date prior to the publication of this Proxy Statement, 23,812,999 shares of our common stock, \$0.01 par value per share, were outstanding. Shareholders are entitled to one vote for each share of common stock held. A majority of these shares present virtually or represented by proxy at the Annual Meeting will constitute a quorum for the transaction of business.

The Proxy Materials are first being mailed to our shareholders of record on or about May 20, 2020.

### **PROXY STATEMENT SUMMARY**

This summary highlights information contained elsewhere in this Proxy Statement. It does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

### **Annual Meeting Information**

Date and Time	Location	Record Date
Wednesday, June 24, 2020 8:00 a.m., Central Time	Exclusively via live webcast at <a href="http://www.virtualshareholdermeeting.com/PBPPB2020">http://www.virtualshareholdermeeting.com/PBPPB2020</a>	June 11, 2020

### **Matters to be Voted on at the Annual Meeting and Board Recommendations**

<u>Proposal</u>	<u>Board Voting Recommendation</u>	<u>Page Reference (for more detail)</u>
<b>1:</b> Election of ten directors	FOR EACH DIRECTOR NOMINEE	24
<b>2:</b> Ratification of selection of Deloitte & Touche LLP as our independent registered public accounting firm for fiscal year 2020	FOR	25
<b>3:</b> Advisory vote on our executive officer compensation	FOR	28
<b>4:</b> Amendments to the Potbelly Corporation 2019 Long-Term Incentive Plan, including an increase in the number of shares of common stock authorized for issuance thereunder by 900,000 shares	FOR	29

## [Table of Contents](#)

### Board Highlights

The following tables provide summary information about our current Board of Directors, including their ages as of December 31, 2019.

Name	Age	Director Since	Audit Committee	Compensation Committee	Nominating & Corporate Governance Committee
Joe Boehm <i>Independent</i>	33	2017	✓		✓
Adrian Butler <i>Independent</i>	49	2019	✓		
Susan Chapman-Hughes <i>Independent</i>	51	2014		Chair	✓
Dan Ginsberg <i>Independent Chairman of the Board</i>	67	2014			Chair
Marla Gottschalk <i>Independent</i>	59	2009	Chair		✓
David Head <i>Independent</i>	63	2019			✓
Alan Johnson <i>President and Chief Executive Officer</i>	60	2017			
David Near <i>Independent</i>	50	2020			✓
Ben Rosenzweig <i>Independent</i>	34	2018			✓
Todd Smith <i>Independent</i>	42	2020			✓

Board Diversity



■ 30% Diversity ■ 20% Ethnically Diverse ■ 20% Women

Strong Board Refreshment



■ 0-3 Yrs ■ 4-7 Yrs ■ 7+ Yrs

## [Table of Contents](#)

### **Corporate Governance Highlights**

---

Nine of ten director nominees are independent. Our CEO is the only management director.

Independent Chairman of the Board who is elected by the independent directors. The independent directors regularly meet in executive session without management present.

All Board committees are comprised only of independent directors.

All directors are up for re-election on an annual basis.

Robust director and executive stock ownership guidelines.

## [Table of Contents](#)

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

#### **Why am I receiving these materials?**

Our Board of Directors is soliciting proxies in connection with the Annual Meeting. The Company will bear the cost of preparing, printing and mailing the materials in connection with this solicitation of proxies. The Company has retained DF King for certain advisory and solicitation services at a fee of approximately \$10,000. Proxies also may be solicited on the Company's behalf by officers and other employees. The Company will reimburse banks and brokers for their reasonable out-of-pocket expenses related to forwarding proxy materials to beneficial owners of stock or otherwise in connection with this solicitation. We are mailing these proxy materials to shareholders of record as of the close of business on June 11, 2020, the record date.

You are receiving this Proxy Statement as a shareholder of the Company. We request that you promptly use the enclosed proxy card to vote, by telephone, Internet, or mail, in the event you desire to express your support of or opposition to the proposals.

**THE BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE ELECTION OF EACH OF THE TEN DIRECTOR NOMINEES NAMED IN PROPOSAL 1 AND "FOR" PROPOSALS 2, 3 AND 4.**

#### **Where and when is the Annual Meeting?**

We will hold the Annual Meeting on June 24, 2020, at 8:00 am, Central Time, exclusively via live webcast. Please go to [www.virtualshareholdermeeting.com/PBpb2020](http://www.virtualshareholdermeeting.com/PBpb2020) for instructions on how to participate in the Annual Meeting.

#### **Was the Annual Meeting previously announced for another date?**

The Company previously disclosed in a Current Report filed on 8K on May 12, 2020 that the Annual Meeting would be held on June 9, 2020. Due to reasons relating to the COVID-19 pandemic, the Board decided to postpone the Annual Meeting to June 24, 2020.

#### **What am I being asked to vote on at the Annual Meeting?**

We are asking our shareholders to consider the following proposals at the Annual Meeting:

- **Proposal 1:** the election of ten director nominees to serve on the Board of Directors for a term of one year or until their successors are duly elected or appointed and qualified.
- **Proposal 2:** the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 27, 2020.
- **Proposal 3:** a non-binding advisory vote on a resolution to approve the 2019 compensation of our named executive officers.
- **Proposal 4:** amendment and restatement of the Potbelly Corporation 2019 Long-Term Incentive Plan, to, among other things, increase the number of shares of common stock authorized for issuance thereunder by 900,000 shares.
- **Proposal 5:** any other business properly brought before the Annual Meeting.

#### **Who can vote?**

Shareholders of record at the close of business on June 11, 2020, the record date, may vote at the Annual Meeting.

## **Table of Contents**

As of May 19, 2020, the latest practicable date prior to the publication of this Proxy Statement, there were 23,812,999 shares of our common stock outstanding.

### **How many votes do I have?**

---

You have one vote for each share of our common stock that you owned as of the record date. These shares include shares held by you as a “shareholder of record” and as a “beneficial owner.”

### **What is the difference between holding shares as a “shareholder of record” and as a “beneficial owner”?**

---

If your shares are registered directly in your name with our transfer agent, you are considered the “shareholder 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 shareholder of record with respect to those shares has forwarded these proxy materials to you. You should direct your broker, bank or other nominee on how to vote your shares by using the voting instruction form included in the mailing or by following their instructions for voting by telephone or the Internet.

### **What is a proxy?**

---

If you legally designate another person to vote the shares you own at a meeting of shareholders according to your instruction, that person is your 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 to serve as proxies for the Annual Meeting. These officers are Alan Johnson and Matthew Revord.

### **How can I vote my shares?**

---

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

- **By Internet**
  - Before the Meeting – You may submit your proxy online via the Internet by following the instructions provided on the enclosed proxy card. Internet voting facilities will be available 24 hours a day and will close at 11:59 p.m., Eastern Time, on June 23, 2020.
  - During the Meeting – You may attend the meeting via the Internet at [www.virtualshareholdermeeting.com/PBPP2020](http://www.virtualshareholdermeeting.com/PBPP2020) and vote during the meeting by following the instructions provided on the enclosed proxy card.
- **By Telephone** – You may vote your shares by touch-tone telephone by calling the toll-free number on the enclosed proxy card. Telephone voting facilities will be available 24 hours a day and will close at 11:59 p.m., Eastern Time, on June 23, 2020.
- **By Mail** – You may submit your proxy by completing, signing and dating your proxy card and returning it in the reply envelope included with these proxy materials.

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

Your bank, broker or other nominee will not vote your shares on Proposals 1, 3 or 4 unless you provide them instructions on how to vote your shares. You should instruct your bank, broker or other nominee how to vote your shares by following the directions provided by your bank, broker or other nominee.

## Table of Contents

**General.** If you submit your proxy using any of the methods above, Alan Johnson 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, for, against or abstain from voting for Proposals 2, 3, 4 and 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 each of the ten director nominees (Proposal 1); **FOR** ratification of the appointment of Deloitte & Touche LLP to serve as our independent public accounting firm (Proposal 2); **FOR** the non-binding resolution to approve our 2019 named executive officer compensation (Proposal 3); and **FOR** the amendment and restatement of the Potbelly Corporation 2019 Long-Term Incentive Plan (Proposal 4).

If a matter to be considered at the Annual Meeting is timely submitted pursuant to Rule 14a-4(c)(1) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), your proxy will authorize Alan Johnson or Matthew Revord to vote your shares in their discretion with respect to any such matter subsequently raised at the Annual Meeting. 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 by Internet or by phone after your original vote;
- notify our corporate secretary in writing before the Annual Meeting that you have revoked your proxy; or
- vote online at the Annual Meeting.

### **If I have already voted by proxy on one or more proposals, can I change my vote?**

---

Yes. To change your vote by proxy, simply sign, date and return the enclosed proxy card or voting instruction form in the accompanying postage pre-paid envelope, or vote by proxy via telephone or the Internet in accordance with the instructions on the proxy card or voting instruction form. We strongly urge you to vote by proxy “**FOR**” the election of each of the ten director nominees named in Proposal 1, and “**FOR**” Proposals 2, 3 and 4. Only your latest dated proxy will count at the Annual Meeting.

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

---

In order to have a valid shareholder vote, a quorum must exist at the Annual Meeting. At the Annual Meeting a quorum exists when shareholders holding a majority of the issued and outstanding shares entitled to vote are present in person or represented by proxy at the meeting.

Votes withheld, abstentions and broker-non votes (discussed below under “– What is the effect of abstentions and broker non-votes?”) will be counted as present or represented for purposes of determining whether a quorum exists. In the absence of a quorum, the Annual Meeting may be adjourned by a majority of the votes entitled to be cast either present in person or represented by proxy or by any officer entitled to preside at the Annual Meeting.

## Table of Contents

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

<b>Proposal 1</b>	<b>Vote Required</b>	<b>Broker Discretionary Voting Allowed</b>
Election of ten director nominees to serve a term of one year	Plurality of votes cast	No
<b>Proposal 2</b>		
Ratification of the appointment of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending December 27, 2020	Majority of shares present in person or represented by proxy and entitled to vote	Yes
<b>Proposal 3</b>		
Non-binding, advisory vote on resolution to approve our 2019 named executive officer compensation	Majority of shares present in person or represented by proxy and entitled to vote	No
<b>Proposal 4</b>		
Amendment and restatement of the Potbelly Corporation 2019 Long-Term Incentive Plan to, among other things, increase the number of shares of common stock authorized for issuance thereunder by 900,000 shares	Majority of shares present in person or represented by proxy and entitled to vote	No

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

For the election of 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. Each of Proposals 2, 3 and 4 will pass if the total votes cast “for” such proposal exceed the total number of votes cast “against” such proposal and “abstain” for such proposal.

### **What is the effect of abstentions and broker non-votes?**

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 ten nominees to the Board of Directors (Proposal 1), although abstentions will result in directors 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 for the fiscal year ending December 27, 2020 (Proposal 2), to approve on an advisory basis, the non-binding resolution to approve our 2019 named executive officer compensation (Proposal 3), and to adopt an amendment and restatement to the Potbelly Corporation 2019 Long-Term Incentive Plan (Proposal 4), abstentions have the effect of a vote against those proposals.

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. 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. Broker non-votes will have no direct effect on the outcome of the election of directors, the advisory resolution on executive compensation or the approval of amendments to the Potbelly Corporation 2019 Long-Term Incentive Plan.

## **Table of Contents**

### **Will my shares be voted if I do nothing?**

If your shares are registered in your name, you must sign and return a proxy card in order for your shares to be voted, unless you vote via telephone or the Internet or vote online at the Annual Meeting. If you submit (including by telephone or Internet) your proxy card with no instructions on how to vote, your shares will be voted in accordance with the recommendations of the Board.

If your shares of our common stock are held in “street name,” your bank, broker or other nominee has enclosed a proxy card or voting instruction form with this Proxy Statement. We strongly encourage you to authorize your bank, broker or other nominee to vote your shares by following the instructions provided on the proxy card or voting instruction form. If you sign (including electronic confirmation in the case of Internet or telephone voting) your broker voting instruction form 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. The only routine matter on the ballot for the Annual Meeting is the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 27, 2020 (Proposal 2).

Please return your proxy card or voting instruction form to your bank, broker or other nominee by proxy by signing, dating and returning the enclosed proxy card or voting instruction form in the accompanying postage pre-paid envelope or vote by proxy via telephone or the Internet in accordance with the instructions in the proxy card or voting instruction form. Please contact the person responsible for your account to ensure that a proxy card or voting instruction form is voted on your behalf.

We strongly urge you to vote by proxy “**FOR**” the election of each of the ten director nominees named in Proposal 1, and “**FOR**” Proposals 2, 3 and 4 by signing, dating and returning the enclosed proxy card in the envelope provided. You may also vote by proxy by telephone using the toll-free number on the proxy card or by Internet using the website address on the proxy card. If your shares are held in “street name,” you should follow the instructions on the voting instruction form provided by your bank, broker or other nominee, and provide specific instructions to your bank, broker or other nominee to vote as described above.

### **Has the Company received notice from one or more shareholders that they are intending to nominate director candidates at the Annual Meeting?**

Intrinsic Investment Holdings, LLC, the Vann A. Avedisian Trust U/A 8/29/85, Vann A. Avedisian, KGT Investments, LLC, The Khimji Foundation, Mahmood Khimji, Bryant L. Keil and Neil Luthra (the foregoing, collectively with each of their respective affiliates, the “Vann Group”) had notified the Company of its intention to nominate a slate of nominees for election as directors at the Annual Meeting. However, the Vann Group withdrew its nomination notice as part of a settlement with the Company. Please see “Corporate Governance—Resolution of Shareholder Nominations” on page 11 for further details.

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

This Proxy Statement provides information about the matters to be voted on at the Annual Meeting and additional information about Potbelly and its executive officers and directors. Some of the information is provided as of the end of our 2017, 2018 or 2019 fiscal years as well as some information being provided as of a more current date. Our fiscal year 2017 ended on December 31, 2017; our fiscal year 2018 ended on December 30, 2018 and our fiscal year 2019 ended on December 29, 2019.

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

We intend to announce preliminary voting results at the Annual Meeting. We will disclose the preliminary results in a Current Report on Form 8-K, which we expect to file on or before June 30, 2020. You can obtain a copy of the Form 8-K by logging on to our website at <http://investors.potbelly.com/financial-information/sec-filings>, or through the EDGAR system at [www.sec.gov](http://www.sec.gov). Information on our website does not constitute part of this Proxy Statement.

## **Table of Contents**

### **ANNUAL MEETING PROCEDURES**

#### **Admission to the Annual Meeting**

---

Only shareholders of the Company or their duly authorized proxies may attend the Annual Meeting. Shareholders may attend the virtual annual meeting at <http://www.virtualshareholdermeeting.com/PB裴2020>. The meeting will only be conducted via webcast; there will be no physical meeting location. To participate in the virtual annual meeting, shareholders will need the 16-digit control number that appears on your proxy card or the instructions that accompanied the proxy materials. If you would like to attend the virtual meeting and you have your control number, please go to <http://www.virtualshareholdermeeting.com/PB裴2020> prior to the start of the meeting to log in. Online access to the webcast will open approximately 15 minutes prior to the start of the Annual Meeting to allow time for our shareholders to log in and test their devices' audio system.

#### **Participation during the Annual Meeting**

---

Shareholders will have the ability to submit questions during the Annual Meeting via the Annual Meeting website at [www.virtualshareholdermeeting.com/PB裴2020](http://www.virtualshareholdermeeting.com/PB裴2020). As part of the Annual Meeting, we will hold a question and answer session, during which we intend to answer questions submitted during the meeting that are pertinent to the Company and the meeting matters, as time permits.

#### **Appraisal Rights**

---

Shareholders do not have appraisal rights under Delaware law in connection with the matters to be voted on at the Annual Meeting.

#### **Shareholder List**

---

You may examine our shareholder list during the Annual Meeting by following the instructions provided on the meeting website during the Annual Meeting.

## Table of Contents

### 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 Governance section of our Investor website at <http://investors.potbelly.com/corporate-governance/governance-documents>.

Information on our website does not constitute part of this Proxy Statement. These materials are also available in print to any shareholder without charge upon request made by telephone at (312) 951-0600 or by mail to our principal executive offices at Potbelly Corporation, 111 North Canal Street, Suite 850, Chicago, Illinois 60606, Attention: Corporate Secretary. The Board of Directors regularly reviews these materials, Delaware law, the rules and listing standards of the Nasdaq Global Select Market (“NASDAQ”) and SEC rules and regulations, as well as best practices suggested by recognized governance authorities, and modifies the materials as it believes is warranted.

#### Governance Highlights

---

##### Corporate Governance

- Nine of ten director nominees are independent (all except for the CEO)
- Independent Chairman with clearly defined and robust responsibilities
- 100% Independent Board Committees
- Executive Sessions of independent directors at every regular Board and Committee meeting
- Active Board oversight of the Company’s strategy and risk management
- All directors attended at least 75% of meetings held
- Ethics Code of Conduct
- No hedging of Company stock by any director, officer or employee

##### Board Refreshment

- Comprehensive, ongoing Board succession planning process
- Focus on diversity (1 new minority director in 2019; 2 female directors hold Board leadership roles; 30% of nominees are women/ethnically diverse)
- Regular Board refreshment and mix of tenure of directors (7 new directors since the beginning of 2017)

##### Shareholder Rights

- Annual election of all directors
- Proxy access right for shareholders
- Active shareholder engagement program
- Shareholder communication process for communicating with the Board

##### Compensation

- Independent Compensation Committee which oversees the Company’s compensation policies and strategic direction
- Comprehensive Compensation Recoupment (Clawback) Policy applicable to executive officers
- Independent Compensation Consultant
- Direct link between Company performance and pay outcomes
- Periodic review of Peer Group to align appropriately with Company size and complexity
- Executive officers’ and directors’ stock ownership reviewed annually against Company guidelines
- Double trigger vesting of equity awards upon a change in control

##### 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 Exchange Act. During its review, the Board of Directors considers transactions and relationships between each

## **Table of Contents**

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 Regulation S-K under the Exchange Act. The Board of Directors must affirmatively determine that the director has no material relationship with the Company, either directly or as a partner, shareholder 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 nominees except Alan Johnson, our President and Chief Executive Officer, are “independent” as such term is defined by NASDAQ rules, our corporate governance standards and the federal securities laws.

## **Corporate Environmental and Social Responsibility**

---

We are committed to improving the world by improving the communities we serve. That means bring a responsible community member in each of our neighborhoods and always looking for ways to reduce our footprint and improve our relationships with people. We believe it is important to conduct our business in an ethical, legal and socially responsible manner and have undertaken a number of initiatives to reduce our environmental impact and to ensure a healthy and safe workplace. Examples of our green initiatives can be found in the “Corporate Responsibility” section of the “About Us” page of our website at [www.potbelly.com](http://www.potbelly.com). We also expect our suppliers and business partners to adhere to these ideals and to promote these values, and have adopted a Supplier Code of Conduct specifying the standards and principles we expect all of our suppliers to adhere to. A copy of the Supplier Code of Conduct and related information can be found in the “Corporate Responsibility” section of the “About Us” page of our website at [www.potbelly.com](http://www.potbelly.com).

## **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/corporate-governance/governance-documents>. 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,” on page 61 of this Proxy Statement.

## **Resolution of Shareholder Nominations**

---

On May 10, 2020, we entered into a Settlement Agreement (the “Settlement Agreement”) with the Vann Group.

Effective upon the execution of the Settlement Agreement, our Board (i) increased the size of the Board from eight to ten members, (ii) appointed David Near and Todd Smith to the Board (together, the “Designees”), and (iii) appointed David Near to the Compensation Committee of the Board and Todd Smith to the Nominating and Corporate Governance Committee of the Board. Our Board also agreed to include David Near and Todd Smith in the Company’s slate of nominees for election to the Board at the Annual Meeting. Also effective upon execution of the Settlement Agreement, the Vann Group withdrew its notice of intent to nominate director candidates for election to the Board at the Annual Meeting.

## Table of Contents

The Settlement Agreement further provides, among other things, that:

- During the period between the Annual Meeting and the Company’s delivery to the Designees and the Vann Group of the renomination notice for the Company’s 2021 annual meeting of shareholders (the “2021 Annual Meeting”), the size of the Board will not be increased beyond ten directors unless approved by the Company’s shareholders.
- During the term of the Settlement Agreement, the Vann Group will vote all of their shares of the Company’s common stock at any and all shareholder meetings in accordance with the Board’s recommendations, subject to certain exceptions relating to extraordinary transactions and recommendations of Institutional Shareholder Services, Inc. and Glass Lewis & Co., LLC.
- During the term of the Settlement Agreement, the Vann Group will be subject to customary standstill restrictions, including with respect to acquiring beneficial ownership of more than 15% of the Company’s outstanding common stock, nominating or recommending for nomination any persons for election to the Board, submitting any proposal for consideration at any shareholder meeting, soliciting any proxy in respect of any proposal for consideration at any shareholder meeting and participating in any “withhold” or similar campaign with respect to any shareholder meeting.
- Each party agrees not to make public statements about the other party, subject to certain exceptions.
- Each party agrees not to sue the other party, subject to certain exceptions.
- The Designees will be subject to customary confidentiality obligations applicable to all directors of the Company and no Designee will be asked to share any material non-public information concerning the Company with the Vann Group.
- Either party may terminate the Settlement Agreement by giving five days’ advance notice to the other party. The earliest possible date of termination is the date that is 30 days prior to the notice deadline for the nomination of director candidates for election to the Board at the 2021 Annual Meeting, subject to certain exceptions (the “Initial Term”). Should the Board renominate the Designees for election to the Board at the 2021 Annual Meeting and should the Designees and the Vann Group accept the renomination, then the Initial Term will be automatically extended until the date that is 45 days prior to the notice deadline for the nomination of director candidates for election to the Board at the 2022 annual meeting of shareholders.

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

---

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 of Directors currently consists of ten members, comprised of Joseph Boehm, Adrian Butler, Susan Chapman-Hughes, David Head, Dan Ginsberg, Marla Gottschalk, Alan Johnson, David Near, Benjamin Rosenzweig and Todd Smith. All current directors are nominees for election for a term expiring at our 2021 Annual Meeting. Our certificate of incorporation provides that if a director is removed or if a vacancy occurs, the vacancy may be filled by a majority of the directors then in office, even if less than a quorum.

## **Board Leadership Structure**

---

Mr. Ginsberg currently serves as our Chairman of the Board. The Board appointed Mr. Ginsberg to the role of Chairman in May of 2019. Prior to that appointment, Mr. Ginsberg had been a member of our Board of Directors since 2014. Our Board of Directors has carefully considered its leadership structure and believes at this time that the Company and its shareholders are best served by having the offices of Chairman of the Board and CEO held by different individuals. As part of our corporate governance principles, and as required in our Bylaws, in the event the Chairman of the Board and CEO positions are ever recombined, or the Chairman of the Board is not otherwise independent, the Board of Directors shall appoint an independent director to serve as lead independent

## [Table of Contents](#)

director. 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 features of our Board structure 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 and candidates for director, their ages as of December 31, 2019, their occupation during the last five years and certain other biographical information:



#### **JOSEPH BOEHM**

Age: 33  
Director Since: 2017  
Committees: Audit, Nominating & Corporate Governance



Turkey Club

#### **Experience**

Joseph Boehm, 33, has served as our director since October 2017. Mr. Boehm has been a Portfolio Manager at Ancora Advisors, LLC, a registered investment advisor, since April 2014. Prior to his current role, Mr. Boehm was an Analyst at Sigma Capital Management, a hedge fund, from February 2013 through March 2014. From 2010 to 2013, Mr. Boehm was an associate at Deutsche Bank, an investment bank.

#### **Skills and Qualifications**

Our Board of Directors believes Mr. Boehm's qualifications to serve as a member of our Board include his financial industries experience.

---



#### **ADRIAN BUTLER**

Age: 49  
Director Since: 2019  
Committees: Audit



Italian

#### **Experience**

Adrian Butler, 49, has served as our director since May 2019. Since August 2015, he has served as Senior Vice President and Chief Information Officer for Dine Brands Global, Inc. From 2011 to 2015, Mr. Butler was Vice President in the Technology Services division of Target Corporation.

#### **Skills and Qualifications**

Our Board of Directors believes Mr. Butler's qualifications to serve as a member of our Board includes his expertise in information technology and experience in the food industry.

---

## [Table of Contents](#)



### **SUSAN CHAPMAN-HUGHES**

Age: 51

Director Since: 2014

Committees: Compensation (Chair); Nominating & Corporate Governance



A Wreck

#### **Experience**

Susan Chapman-Hughes, 51, has served as our director since May 2014. Since February 2018, Ms. Chapman-Hughes has been Global Head of Digital Capabilities, Transformation and Operations, Global Commercial Services for American Express Company, a financial services corporation. Prior to assuming her current role, Ms. Chapman-Hughes was Senior Vice President, US Large Market, Global Corporate Payments from for American Express from December 2014 through February 2018; she was Senior Vice President, US Account Development, Global Corporate Payments 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.

#### **Skills and Qualifications**

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**

Chairman of the Board

Age: 67

Director Since: 2014

Committees: Nominating & Corporate Governance (Chair)



Pick-Your-Pair of Mediterranean with Potbelly hot peppers and soup

#### **Experience**

Dan Ginsberg, 67, 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 his retirement in 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.

#### **Skills and Qualifications**

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.

## [Table of Contents](#)



### **MARLA GOTTSCHALK**

Age: 59

Director Since: 2009

Committees: Audit (Chair); Compensation



Mediterranean with chicken on FLATS

#### **Experience**

Marla Gottschalk, 59, has served as our director since November 2009. Ms. Gottschalk was Chief Executive Officer of The Pampered Chef Ltd., a marketer of kitchen tools, food products and cookbooks for preparing food in the home, from May 2006 until December 2013 and its President and Chief Operating Officer from December 2003 until May 2006. Ms. Gottschalk joined Pampered Chef from Kraft Foods, Inc., where she worked for 14 years in various management positions, including Senior Vice President of Financial Planning and Investor Relations for Kraft, Executive Vice President and General Manager of Post Cereal Division and Vice President of Marketing and Strategy of Kraft Cheese Division. Ms. Gottschalk is currently a member of the board of trustees of Underwriters Laboratories, a world leader in safety testing and certification, a strategic board advisor for Ocean Spray Cranberries, Inc., and sits on the board of directors for Big Lots, Inc. and Reynolds Consumer Products. She has previously served as a director of GATX Corp. and as a director of Visteon Corp.

#### **Skills and Qualifications**

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.



### **DAVID HEAD**

Age: 63

Director Since: 2019

Committees: Compensation



A Wreck

#### **Experience**

David Head, 63, has served as our director since August 2019. Mr. Head has served as Chairman and CEO of Primanti Brothers since 2013. Mr. Head's previous roles include CEO of O'Charley's from 2010 to 2012 and CEO of Captain D's LLC from 2006 to 2010. Prior to O'Charley's, Mr. Head also served as the CEO of Romacorp and Houlihan's Restaurant Group. Mr. Head previously served as a director of Bob Evans Farms, O' Charley's, Inc., Captain D's / Sagittarius Brands, and Invescor.

#### **Skills and Qualifications**

Our Board of Directors believes Mr. Head's qualifications to serve as a member of our Board include his extensive knowledge and proven restaurant industry experience in restaurant operations, food service and production.

## Table of Contents



### **ALAN JOHNSON**

Age: 60  
Director Since: 2017  
Committees: None



Turkey Club on FLATS with avocado

#### **Experience**

Alan Johnson, 60, has served as our President and Chief Executive Officer and a director since November 2017. Mr. Johnson was previously the founder of AJ Consulting, a consulting services firm, from September 2015 through November 2017. Prior to that, he was the Chief Executive Officer of BevMo!, a specialty retailer of alcoholic beverages and related products, from April 2007 through September 2015. From 2005 to 2007, Mr. Johnson served as Chief Operating Officer and Chief Financial Officer of Forth & Towne, a division of Gap Inc. Prior to his service with Gap Inc., Mr. Johnson held various executive leadership positions, including at Walt Disney Parks & Resorts, Regal Theaters, PepsiCo and Pizza Hut International. Mr. Johnson is on the Board of Directors of Saucey, a wine, beer and spirits on-demand delivery start-up. Mr. Johnson has over 30 years of executive leadership experience across a variety of blue chip organizations.

#### **Skills and Qualifications**

Our Board of Directors believes Mr. Johnson's qualifications to serve as a member of our Board include his role as Chief Executive Officer and President, his leadership experience as an executive at publicly-traded companies in the restaurant and retail sectors and his extensive experience in the retail industry.

---

### **DAVID NEAR**

Age: 50  
Director Since: 2020  
Committees: Compensation



A Wreck

#### **Experience**

David Near, 50, has served as our director since May 2020. Mr. Near has been the managing partner of Ramen Tatsuya Holdings LLC since 2014, as well as the owner and co-president of Pisces Foods, L.P., a restaurant operating company, since 1995. In addition, Mr. Near previously operated The Wendy's Company restaurants as a franchisee from 1995 to 2012. From 2006-2009, Mr. Near served as the Chief Operations Officer at The Wendy's Company, where he was responsible for global operations, franchising, new store development, and served as a board member of Wendy's National Advertising Program.

#### **Skills and Qualifications**

Our Board of Directors believes Mr. Near's qualifications to serve as a member of our Board include his experience and expertise in operations and franchising in the restaurant industry.

---

## [Table of Contents](#)



### **BENJAMIN ROSENZWEIG**

Age: 34  
Director Since: 2018  
Committees: Compensation



Turkey Breast

#### **Experience**

Benjamin Rosenzweig, 34, has served as our director since April 2018. Mr. Rosenzweig is a Partner at Privet Fund Management, LLC. Mr. Rosenzweig joined Privet Fund Management LLC in September 2008. He has been an Independent Director of Cicero Inc., a provider of desktop activity intelligence, since February 23, 2017; Hardinge Inc., a designer, manufacturer and distributor of machine tools, since October 14, 2015; and PFSweb, Inc., a global commerce service provider, since May 2013. Mr. Rosenzweig served on the Board of Directors of StarTek, Inc., a customer engagement business process outsourcer, from May 2011 to December 2018. During his time on the Board for StartTek, Mr. Rosenzweig was Chairman of the Audit Committee. He served as a Director of RELM Wireless Corporation, a manufacturer of wireless communications equipment, from September 2013 to September 2015. Prior to joining Privet in September 2008, Mr. Rosenzweig served as an investment banking analyst in the Corporate Finance group of Alvarez and Marsal, where he completed multiple distressed mergers and acquisitions, restructurings, capital formation transactions and similar financial advisory engagements across several industries.

#### **Skills and Qualifications**

Our Board of Directors believes Mr. Rosenzweig's qualifications to serve as a member of our Board include his financial advisory experience across multiple industries.

---



### **TODD SMITH**

Age: 42  
Director Since: 2020  
Committees: Nominating & Corporate Governance



A Wreck on BIGs with extra mayo and mustard

#### **Experience**

Todd Smith, 42, has served as our director since May 2020. Mr. Smith has been the Chief Concept Officer of Cafe Rio Mexican Grill, and a partner in CoreLife Eatery since 2017. Mr. Smith worked at Sonic Drive-in from 2012 to 2017, ultimately serving as its President and Chief Marketing Officer. Prior to Sonic Drive-in, Mr. Smith also worked in the marketing divisions for Yum! Brands and Wendy's International.

#### **Skills and Qualifications**

Our Board of Directors believes Mr. Smith's qualifications to serve as a member of our Board includes his leadership and marketing experience in the restaurant industry.

---

## Table of Contents

### **Board Meetings**

---

Our Board of Directors held thirteen meetings during fiscal 2019. In 2019, 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 or such committee. 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 shareholders, but we do not currently have a policy relating to directors' attendance at these meetings. All of our directors serving at the time attended our 2019 Annual Meeting of Shareholders.

### **Board Committees**

---

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

#### **Audit Committee**

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

- the integrity of our financial statements, our financial reporting process and our systems of internal accounting and financial controls;
- our compliance with legal and regulatory requirements;
- the independent auditor's qualifications and independence;
- the evaluation of enterprise risk issues;
- the performance of our internal audit function and independent auditor;
- the preparation of an audit committee report as required by the SEC to be included in our annual proxy statement; and
- Potbelly's systems of disclosure controls and procedures and ethical standards.

The Audit Committee currently consists of Mr. Boehm, Mr. Butler, and Ms. Gottschalk, and the chairperson is Ms. Gottschalk. Our Board of Directors has affirmatively determined that each of these Audit Committee members meets the 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 these Audit Committee members meet the requirements for financial literacy under the applicable NASDAQ rules and that each is an "audit committee financial expert" under SEC rules. 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/corporate-governance/governance-documents>.

The Audit Committee held four meetings during fiscal year 2019.

## Table of Contents

### **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 shareholders or to otherwise fill vacancies on the Board;
- review and recommend to our Board of Directors committee structure, membership and operations;
- recommend to our Board of Directors the persons to serve on each committee and a chairman for such committee;
- develop and recommend to our Board of Directors a set of corporate governance guidelines applicable to us; and
- lead our Board of Directors in its annual review of its performance.

The Nominating and Corporate Governance Committee consists of Mr. Boehm, Ms. Chapman-Hughes, Mr. Ginsberg and Mr. Smith, and the chairperson is Mr. Ginsberg. Our Board of Directors has affirmatively determined that each of these Nominating and Corporate Governance Committee members meets the independence criteria applicable to directors serving on the Nominating and Corporate Governance Committee under NASDAQ and SEC rules. 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/corporate-governance/documents>.

Included in the incumbent directors nominated for re-election are Mr. Adrian Butler and Mr. David Head, who were each appointed by the Board as a director effective May and August, 2019, respectively. Mr. Butler was identified by JPMorgan Chase & Co's director advisory services group, and Mr. Head was recommended by a member of the Board.

The Nominating and Corporate Governance Committee held eleven meetings during fiscal year 2019.

### **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 director compensation, see "Director Compensation" and such information regarding named executive officer compensation, see "Compensation Discussion and Analysis."

The Compensation Committee consists of Ms. Chapman-Hughes, Ms. Gottschalk, Mr. Head, Mr. Near and Mr. Rosenzweig, and the chairperson is Ms. Chapman-Hughes. Our Board of Directors has affirmatively

## **Table of Contents**

determined that each of these Compensation Committee members meets the independence criteria applicable to directors serving on the Compensation Committee under NASDAQ and SEC 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/corporate-governance/governance-documents>.

The Compensation Committee held eight meetings during fiscal year 2019.

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

---

None of the members of our Compensation Committee is, or has at any time been, an officer or employee of the Company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any other entity that has or has had one or more executive officers who served as a member of our Board or our Compensation Committee during fiscal 2019. No directors served on our Compensation Committee in 2019 other than Ms. Chapman-Hughes, Ms. Gottschalk, Mr. Head and Mr. Rosenzweig, the directors currently serving on such committee, and Ms. Campbell and Mr. Kanter, who decided not to stand for re-election in the 2019 Annual Meeting of Shareholders.

### **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. The committee will consider director candidates recommended by shareholders in the same manner it considers other candidates, but it has no obligation to recommend such candidates. A shareholder that wants to recommend a candidate for election to the Board of Directors should send a recommendation in writing to Potbelly Corporation, 111 North Canal Street, Suite 850, Chicago, Illinois 60606, Attention: Corporate Secretary. 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.

Shareholders may also nominate directors at the annual meeting by adhering to the advance notice procedure described under "Shareholder Proposals for the 2021 Annual Meeting" on page 65 of 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. Pursuant to the provisions of our Corporate Governance Guidelines, the

## Table of Contents

Board will endeavor to reflect the diversity of Potbelly's shareholders, 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 has used the executive search firm, Spencer Stuart, to identify and evaluate or assist in identifying and evaluating potential candidates for election as directors.

### **Communication with the Board**

---

Shareholders 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, 111 North Canal Street, Suite 850, Chicago, Illinois 60606, Attention: Corporate Secretary. The Board has directed our corporate secretary to forward shareholder communications to our chairman and any other director to whom 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.

## [Table of Contents](#)

### DIRECTOR COMPENSATION

#### Director Compensation Plan

---

Our Board of Directors approved a director compensation plan pursuant to the Potbelly Corporation 2013 Long-Term Incentive Plan. Under the director compensation plan in effect for 2019, each non-employee Director who was a member of the Board of Directors as of the 2019 Annual Meeting of Shareholders was eligible to receive \$135,000 in annual compensation. Each non-employee Director will receive (1) \$60,000 in cash (half of which will be paid after the end of the second fiscal quarter and half of which will be paid after the end of the fourth fiscal quarter); plus (2) restricted stock units (“RSUs”) having a grant date Fair Market Value of \$75,000 (with a grant date after the 2019 Annual Meeting).

Pursuant to the director compensation plan, the non-executive Chairman of the Board receives an additional \$80,000 retainer, the Audit Committee Chair receives an additional \$15,000 retainer, the Compensation Committee Chair receives an additional \$10,000 retainer, and the Nominating and Corporate Governance Chair receives an additional \$7,500 retainer. The non-executive Chairman of the Board, the Lead Director (if applicable), the Audit Committee Chair, the Compensation Committee Chair and the Nominating and Corporate Governance Committee Chair will receive the following form of payment for such additional retainer: (1) cash in an amount equal to one-half such additional retainer amount (half of which will be paid after the end of the second fiscal quarter and half of which will be paid after the end of the fourth fiscal quarter); plus (2) RSUs having a grant date Fair Market Value of half of such additional retainer amount (with a grant date after the 2019 Annual Meeting).

RSUs shall vest as follows: fifty percent (50%) on the first anniversary of the grant date, and fifty percent (50%) on the second anniversary of the grant date.

#### 2019 Director Compensation

---

The following table summarizes the amounts earned and paid to our non-employee members of our Board of Directors for 2019. Mr. Johnson, our President and Chief Executive Officer, 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
Joe Boehm	\$ 60,000	\$ 75,000	\$135,000
Adrian Butler	\$ 60,000	\$ 75,000	\$135,000
Susan Chapman-Hughes	\$ 65,000	\$ 80,000	\$145,000
Dan Ginsberg	\$ 103,750	\$118,750	\$222,500
Marla Gottschalk	\$ 67,500	\$ 82,500	\$150,000
David Head	\$ 47,248	\$ 59,060	\$106,308
Ben Rosenzweig	\$ 60,000	\$ 75,000	\$135,000

- (1) Pursuant to our director compensation program in effect for 2019 described below under “Director Compensation Plan,” all non-employee directors will receive RSUs of the Company having a value of \$75,000 at the time of grant plus \$60,000 in cash. Mr. Ginsberg received an additional \$80,000 retainer for his role as non-executive Chairman of the Board and also received an additional \$7,500 retainer for his role as Chair of the Nominating and Corporate Governance Committee, in the form of 50% cash and 50% RSUs. Ms. Gottschalk served as Audit Committee Chair and received an additional \$15,000 retainer, in the form of 50% cash and 50% RSUs. Ms. Chapman-Hughes served as Compensation Committee Chair and received an additional \$10,000 retainer, in the form of 50% cash and 50% RSUs. Mr. Head was appointed a director on August 22, 2019, and his compensation was pro-rated.

## Table of Contents

- (2) *Mr. Pete Bassi, Ms. Ann-Marie Campbell, Ms. Sue Collyns and Mr. Harvey Kanter served as members of our Board of Directors for part of 2019, but did not receive any compensation in 2019 for such service.*
- (3) *The following directors have unvested stock awards at December 29, 2019: Mr. Boehm – 21,726; Mr. Butler – 16,593; Ms. Chapman-Hughes – 20,860; Mr. Ginsberg – 31,405; Ms. Gottschalk – 23,385; Mr. Head – 13,362; and Mr. Rosenzweig – 22,154; each of which represents the RSU awards made by the Company in 2019, as discussed in footnote (1) above, and in 2018. No director has any unexercised options at December 29, 2019.*

### **Director Stock Ownership 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 five years of first becoming a director, 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 annual cash compensation for directors (excluding any additional retainer received for service as Chairman of the Board or Lead Director, or as Chair of any Board committee) offered to directors (regardless of whether the director elects to receive such compensation in cash).

## [Table of Contents](#)

### **PROPOSAL 1**

#### **Election of Directors**

---

Ten candidates will be elected at the Annual Meeting to serve for a one-year term that will expire at the 2021 Annual Meeting and until their successors shall have been elected and qualified. The election of directors requires the affirmative vote of a plurality of our shares of common stock present in person or by proxy at the Annual Meeting.

Our Board of Directors has nominated Joseph Boehm, Adrian Butler, Susan Chapman-Hughes, Dan Ginsberg, Marla Gottschalk, David Head, Alan Johnson, David Near, Benjamin Rosenzweig and Todd Smith for election as directors. 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 this Proxy Statement and to serve as a director of the Company if elected. Proxies may not be voted for a greater number of persons than the number of nominees named in this Proxy Statement.

The Board's nominees possess the requisite experience and skills to successfully oversee the Company's strategy and business, in the Board's view. The Board, and its nominees, are dedicated to analyzing objectively the Company's strategy, business operations, capital allocation and configuration and acting to maximize shareholder value.

For more information on the structure of our Board of Directors and our Board members and nominees, see "Corporate Governance." The qualifications and experience of each nominee that led our Board and the Nominating and Corporate Governance Committee to conclude that such nominee should serve or continue to serve as director are discussed at the end of each of the nominees' biographies.

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

## [Table of Contents](#)

### **PROPOSAL 2**

#### **Ratification of Appointment of Independent Registered Public Accounting Firm**

---

The Audit Committee of our Board of Directors is responsible for recommending, for shareholder 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, 2020. 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 shareholders for ratification because we value our shareholders' 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 shareholders' 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 shareholders.

The following table sets forth the fees pertaining to audit services for the fiscal years ended December 29, 2019 and December 30, 2018 and for other services during those fiscal years:

	<b>2019</b>	<b>2018</b>
Audit fees (1)	\$ 709,445	\$ 683,666
Audit-related fees (2)	10,000	10,000
Tax fees (3)	<u>316,159</u>	<u>392,645</u>
All other fees	0	0
<b>Total fees</b>	<b>\$ 1,035,604</b>	<b>\$ 1,086,311</b>

1. *Audit fees include fees for audits of our annual financial statements and internal controls, 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.*
2. *Audit-related fees were comprised of fees for services performed in connection with other audit-related services and our filing of a registration statement on Form S-8.*
3. *Tax fees relate to professional services rendered for tax compliance, tax return review and preparation, cost segregation study, 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 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 2019 and fiscal 2018 and related fees were pre-approved by the Audit Committee.

[\*\*Table of Contents\*\*](#)

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

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

## Table of Contents

### **AUDIT COMMITTEE REPORT**

With regard to the fiscal year ended December 29, 2019, the Audit Committee has (i) reviewed and discussed with management our audited consolidated financial statements as of December 29, 2019 and for the year then ended; (ii) discussed with Deloitte & Touche LLP, the independent auditors, the matters required by the Public Company Accounting Oversight Board (“PCAOB”) Auditing Standard No. 1301, Communications with Audit Committees; (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 29, 2019 for filing with the SEC.

Marla Gottschalk, *Chairman*  
Joseph Boehm  
Adrian Butler

## [Table of Contents](#)

### **PROPOSAL 3**

#### **Advisory Vote on a Resolution To Approve Our 2019 Named Executive Officer Compensation**

---

We are asking shareholders to approve, on an advisory basis, a non-binding resolution (commonly referred to as a “say-on-pay” resolution) to approve the Company’s 2019 named executive officer compensation as reported in this Proxy Statement.

We urge shareholders to read the “Compensation Discussion and Analysis” section of this Proxy Statement, which describes how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables and narrative, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and our Board of Directors believe that the policies and procedures articulated in the “Compensation Discussion and Analysis” are effective in aligning the interests of our officer team with those of shareholders.

We have committed to holding say-on-pay votes at each year’s annual meeting. In accordance with Section 14A of the Exchange Act and as a matter of good corporate governance, we are asking shareholders to approve the following advisory resolution at the Annual Meeting:

“RESOLVED, that the shareholders of the Company approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed under the “Compensation Discussion and Analysis” and “2019 Compensation Tables” headings of this proxy statement.”

This resolution is non-binding on the Board of Directors. Although non-binding, the Board and the Compensation Committee will review and consider the voting results when making future decisions regarding executive compensation.

#### **THE BOARD OF DIRECTORS RECOMMENDS AN ADVISORY VOTE “FOR” THE RESOLUTION TO APPROVE OUR 2019 NAMED EXECUTIVE OFFICER COMPENSATION**

## [Table of Contents](#)

### **PROPOSAL 4**

#### **Approval of the Amendment and Restatement of the Potbelly Corporation 2019 Long-Term Incentive Plan**

---

The Board recommends approval of the amendment and restatement of the Potbelly Corporation 2019 Long-Term Incentive Plan (the “Plan”), which, if approved by our shareholders, will be effective as of June 24, 2020. The Plan, prior to the amendment and restatement, was initially approved by shareholders on May 16, 2019 (the “Prior Approval Date”). We are submitting the Plan, as amended and restated, to shareholders for approval in order to increase the current share reserve under the Plan by 900,000 shares and make certain other technical changes.

As of May 19, 2020, the latest practicable date prior to the publication of this Proxy Statement, there were 1,218,239 shares available for issuance under the existing long-term incentive plan. The Board believes approval of the amended and restated Plan is necessary to enable us continue to attract, retain and motivate our officers and employees.

We believe that equity awards are critical incentives to attracting, retaining and motivating our officers and employees. The increase in the share reserve will enable us to continue to be able to grant equity awards authorized by the Plan to deserving individuals and remain competitive with our industry peers. If this proposal is not approved, we believe we would be at a significant disadvantage against our competitors for attracting, retaining and motivating those individuals who are critical to our success, and we could be forced to increase cash compensation at a time when we are seeking to be careful in our uses of cash, reducing resources available to meet our other business needs.

A summary of the principal features of the amended and restated Plan is provided below, but it is qualified in its entirety by reference to the full text of the amended and restated Plan that is attached to this Proxy Statement as Appendix A.

### **Background**

---

The purpose of the Plan is to (a) align the interests of our shareholders and the recipients of awards under the plan by increasing the proprietary interest of such recipients in our growth and success; (b) advance our interests by attracting and retaining qualified employees, outside directors and other persons providing services to us and/or our related companies; and (c) motivate such persons to act in the long-term best interests of our shareholders and our Company.

The Board approved an amendment and restatement of the Plan on May 15, 2020. The following are the most significant changes to the Plan included in the amendment and restatement, subject to approval of our shareholders, as more fully described under the heading “Summary of Plan” below:

- We have increased the shares reserved for issuance under the Plan by 900,000 shares; as described in greater detail below;
- We have modified the Plan to provide that shares issued in connection with full value awards granted under the Plan (including, for example, RSUs and performance stock units (“PSUs”)) will reduce the total number of shares of common stock available for issuance under the Plan by a ratio of 1:1 (rather than 2:1, as it was previously); and
- We have eliminated the maximum share limit available to be delivered pursuant to the Plan to any one participant in any one calendar-year period (which was previously 400,000 shares).

On May 19, 2020, the latest practicable date prior to the publication of this Proxy Statement, the closing price of a share of our common stock on NASDAQ was \$2.10.

If the amendment and restatement of the Plan is not approved by the Company’s shareholders, the Company will continue to operate the Plan in accordance with its existing terms.

As of December 31, 2019, six executive officers, seven non-employee members of the Board of Directors and approximately 35 other employees and consultants were eligible to participate in the Plan.

## [Table of Contents](#)

### **Rationale**

---

#### ***Equity is Essential to Talent Acquisition and Retention***

The restaurant industry is intensely competitive with many well-established companies that compete directly and indirectly with us with respect to talent. The additional shares, if approved, would be used for grants not only to our executive officers, but also to recruit and retain employees in our corporate headquarters. We firmly believe that employees with a stake in the future success of our business are highly motivated to achieve long-term growth and are well-aligned with the interests of our other equity-holders to increase shareholder value. It is essential that we continue the use of equity compensation to better position us in the market and allow us to retain our skilled employees while attracting talented new employees to help us achieve our objectives, which include increasing shareholder value by growing the business. The use of shares would enable us reduce cash compensation costs while leveraging equity to retain employees critical to the long-term success of the Company. Without the approval of an addition to our share reserve, we will be very challenged to continue to compete in this highly competitive market. This would ultimately result in the loss of critical talent and inhibit our ability to meet our future growth objectives.

#### ***The Size of Our Share Reserve Request is Reasonable***

The Compensation Committee thoughtfully evaluated the appropriate number of shares for which to seek shareholder approval. The Compensation Committee conducted this evaluation at a time of significant volatility in the stock market and a material decline in our stock price due to unprecedented business disruption resulting from the COVID-19 pandemic and related macroeconomic factors. Because of the lower stock price at the time of the Compensation Committee's decision and continuing uncertainty in relation to the timing of the market's recovery, the Compensation Committee determined that 900,000 additional shares should be requested to allow the Company flexibility to retain and incentivize personnel that are critical to our success. The Compensation Committee is committed to being careful stewards of shareholder capital.

If our request to amend and restate the Plan and increase its share reserve is approved, we will have approximately 2.1 million shares available for grant after June 24, 2020. We currently anticipate that this reserve will be a sufficient amount of equity for attracting, motivating and retaining employees, directors and consultants for approximately one year. In addition to the number of shares we plan to reserve for issuance under the Plan, we also note that the Plan, as amended and restated, does not contain a "fungible ratio," which was included previously in the Plan. Under this "fungible ratio," full-value awards, such as PSUs and RSUs, are charged against the plan limit on a higher basis than 1:1 as a means of equating full value awards and options. Absent a fungible ratio, if the Compensation Committee grants full-value awards in the future, they will be charged against the Plan limit on a one-for-one basis. When an outstanding award under the Plan, prior to the amendment and restatement, or under the Amended and Restated Potbelly Corporation 2013 Long-Term Incentive Plan (the "Prior Plan") expires or is canceled, forfeited, settled in cash or otherwise terminated without a delivery to the participant of the shares to which the award related, such undelivered shares would return to the Plan at the same rate at which they were originally charged against the plan limit, notwithstanding that the ratio for new awards would be one-to-one.

#### ***We Have Responsibly Managed Our Annual Burn Rate***

Our three-year average annual burn rate from 2017 to 2019 was 2.2%, calculated for each year as the number of shares issuable pursuant to equity awards granted in such year divided by the respective weighted-average common shares outstanding during 2017, 2018 and 2019. We believe our three-year average annual burn rate is reasonable for a company of our size in our industry, given our broad-based use of equity awards to compensate our employees. We will continue to monitor our equity use in future years to ensure our burn rate is within competitive market norms.

## Table of Contents

### ***Our Current Equity-Pay Mix Aligns Executive Incentives with Shareholder Gains***

Our executive compensation consists of base salary payable in cash, annual cash bonuses based on the performance of each executive as well as that of the Company, and long-term incentives payable in the form of equity awards. Beginning with grants in 2019, our long-term performance based equity incentive award mix for executive officers changed from 50% stock options and 50% restricted stock units to 50% performance stock units and 50% restricted stock units. The change from stock options to performance stock units, while requiring the issuance of more shares, served to further align the interests of our shareholders and our executive officers by increasing the proprietary interest of our executive officers in the Company's growth and success, advance the Company's interests by attracting and retaining qualified employees over time, and motivate our executives to act in the long-term best interests of our shareholders. We believe these equity awards provide effective incentives to motivate our executives to take actions designed to increase our stock price. If we are unable to offer equity awards to new and existing executives, we may need to increase the cash component of our compensation.

### **Promotion of Good Corporate Governance Practices**

---

The Plan includes a number of responsible corporate governance provisions which will remain in place in this Proposal Four. These include, but are not limited to, the following:

<b><u>Element</u></b>	<b><u>Description</u></b>
No “Evergreen”	The Plan does not include an “evergreen” feature pursuant to which the reserve of shares authorized for issuance would be automatically replenished periodically.
No Liberal Share Recycling	Shares delivered to or withheld by the Company to pay the exercise price of an option or stock appreciation right or to pay the withholding taxes with respect to an award may not be made available again under the Plan.
Minimum 1-Year Vesting Requirement	Except for (a) awards granted under the Plan with respect to shares of common stock which do not exceed, in the aggregate, five percent of the total number of shares of common stock reserved for issuance pursuant to the Plan, (b) awards granted in lieu of other compensation, and (c) awards that are a form of payment of earned performance awards or other incentive compensation provided that the performance period relating to such performance or incentive awards was at least one year, if a participant’s right to become vested in an award is conditioned on the completion of a specified period of service with us or our affiliates being required, then the required period of service shall be at least one (1) year, except if accelerated in the event of the participant’s death or disability, or involuntary termination.
Clawback	In the event that the Company is required to restate its financial results due to material noncompliance with any financial reporting requirement as a result of any gross negligence, intentional misconduct, theft, embezzlement, fraud or other serious misconduct by an executive officer, the result of which is that any performance-based compensation received by such executive officer during the three-year period preceding the publication of the restated financial statement would have been lower had it been calculated based on such restated results, the Compensation Committee may seek to recover the excess of the incentive compensation paid to the executive based on the erroneous data.
Limitation on Awards to Non-Employee Directors	The aggregate value of all awards granted under the Plan to any non-employee director shall not exceed (a) \$300,000 in total value in any one calendar year or (b) in the event such outside director is first appointed or elected to the Board in such calendar year, \$400,000 in total value.
No Repricings	Other than in connection with certain corporate events where a reduction in exercise price is necessary to preserve the benefits or prevent the enlargement of benefits of

## Table of Contents

<u>Element</u>	<u>Description</u>
	awards under the Plan (such as a stock split), we may not, without shareholder approval, reduce the exercise price of a stock option or stock appreciation right or exchange a stock option or stock appreciation right for a new award with a lower exercise price or a full value award.
No Transferability	Awards may not be transferred, except by will or the laws of descent and distribution, or, unless otherwise provided by the Compensation Committee, pursuant to a qualified domestic relations order or to or for the benefit of the participant's family.

## **Summary of Plan**

---

**Administration.** The Plan generally is administered by the Compensation Committee of our Board. The Compensation Committee selects award recipients under the Plan who will thereby become participants, the types of awards to be granted and the applicable terms, conditions, performance criteria, restrictions and other provisions of such awards, not inconsistent with the plan. The Compensation Committee also has the authority to conclusively interpret the Plan. Subject to the applicable securities exchange rules and applicable law, the Compensation Committee may delegate all or any portion of its responsibilities or powers under the Plan to persons selected by it.

**Authorized Shares.** If shareholder approval of the Plan is obtained, the total number of shares that will be available for issuance under the Plan will be equal to 900,000 shares plus the number of shares that were available under the Prior Plan immediately prior to Prior Approval Date. Shares of stock covered by an award will only be counted to the extent that they are actually used. Shares subject to substitute awards (i.e., awards or shares granted in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by us or any of our affiliates) will not be counted against the shares reserved for issuance under the Plan. Any shares of our common stock that (1) are subject to an award under the Plan or (2) are subject to awards that were granted under the Prior Plan and that are outstanding on the approval date, in any case that terminate by reason of expiration, forfeiture, cancellation, or otherwise, without the issuance of such shares, or that are settled in cash (collectively referred to as "Recycled Shares") will be again available for grant under the Plan. Recycled Shares shall be added back to the number of shares of common stock reserved for issuance under the Plan on the same basis that they were charged to the number of shares reserved for issuance under the Plan or the Prior Plan, as applicable, at the time the award relating thereto was granted. The following shares of common stock may not again be made available for issuance under the Plan: (i) shares of common stock not issued or delivered as a result of the net settlement of an outstanding award; (ii) shares delivered to or withheld to pay the exercise price of an option or Stock Appreciation Right ("SAR") or to pay the withholding taxes with respect to an award; (iii) shares of common stock repurchased on the open market with the proceeds of the exercise price of an option; or (iv) shares subject to substitute awards.

**Additional Limits.** No more than 1,200,000 shares of common stock may be subject to incentive stock options ("ISOs") granted under the Plan. The aggregate value of all awards granted under the Plan to any outside director for any calendar year shall not exceed (y) \$300,000 in total value or (z) in the event such outside director is first appointed or elected to the Board in such calendar year, \$400,000 in total value.

**Adjustments.** In the event of a corporate transaction, including a stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, exchange of shares, sale of assets or subsidiaries, combination or other corporate transaction, that affects our common stock such that the Compensation Committee determines that an adjustment is warranted in order to preserve the benefits or prevent the enlargement of benefits of awards under the Plan, the Compensation Committee will make adjustments to awards in a manner that it determines to be equitable in its discretion. Actions that the

## Table of Contents

Compensation Committee may take are: (i) adjustment of the number and kind of shares which may be delivered under the Plan (including adjustments to the individual limitations described above); (ii) adjustment of the number and kind of shares subject to outstanding awards; (iii) adjustment of the exercise price of outstanding options and SARs; and (iv) any other adjustments that the Compensation Committee determines to be equitable, which may include, without limitation, (A) replacement of awards with other awards which the Compensation Committee determines have comparable value and which are based on stock of a company resulting from the transaction, and (B) cancellation of the award in return for cash payment of the current value of the award, determined as though the award is fully vested at the time of payment, provided that in the case of an option or SAR, the amount of such payment may be the excess of the value of the shares of common stock subject to the option or SAR at the time of the transaction over the exercise price.

**Eligibility.** The Compensation Committee may grant awards under the Plan to any officer, director, employee, consultant, independent contractor or agent of the Company and/or a related company, and persons who are expected to become an officer, director, employee, consultant, independent contractor or agent of the Company or a related company. Awards to a person who is expected to become a service provider to the Company or a related company cannot be effective prior to the date on which such person's service begins. ISOs may only be granted to employees of the Company and its corporate related companies which satisfy certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"). As of May 19, 2020, we had approximately 5,300 employees and ten directors, all of whom would be eligible to participate in the Plan if selected by the Compensation Committee.

**Types of Awards.** The Plan will provide for grants of options (including nonqualified stock options ("NQOs") and ISOs), SARs, and Full Value Awards.

- *Options and SARs.* The Compensation Committee may grant options to purchase shares of common stock, which options may be either ISOs or NQOs. ISOs may only be granted to employees of us and our permitted corporate subsidiaries and must satisfy other requirements of section 422 of the Code. An option that does not satisfy the requirements for an ISO will be treated as a NQO and an option will be deemed to be an NQO unless it is specifically designed as an ISO. An SAR entitles the participant to receive (in shares of common stock or cash) an amount that is equal to the excess of the fair market value of a specified number of shares of common stock on the exercise date over the exercise price of the SAR. The exercise price of an option or SAR must be no less than the fair market value of a share of common stock on the date the option or SAR is granted. Except for reductions approved by our shareholders or adjustments for business combinations, the exercise price of an option or SAR may not be decreased after the date of grant nor may an option or SAR be surrendered to us as consideration for the grant of a replacement option or SAR with a lower exercise price or a Full Value Award. In addition, except as approved by our shareholders, no option granted under the Plan may be surrendered to us in consideration of a cash payment if, at the time of such surrender, the exercise price of the option is greater than the then fair market value of a share of common stock. Except as provided by the Compensation Committee at the time of grant, an option or SAR will expire on the earliest to occur of the following (i) the one-year anniversary after the participant's employment or service terminates for death or disability (as defined in the Plan), (ii) the three-month anniversary after the participant's employment or service terminates other than for death, disability or cause (as defined in the Plan), or (iii) the day preceding the date on which the participant's employment or service terminates for cause. In any event, an option or SAR will expire no later than the 10<sup>th</sup> anniversary of the date on which it is granted (or such shorter period required by the rules of any stock exchange on which the common stock is listed).
- *Full Value Awards.* A Full Value Award is a grant of one or more shares of common stock or a right to receive one or more shares of common stock in the future (including restricted stock, restricted stock units, performance stock and performance stock units) which is contingent on continuing service, the achievement of performance objectives during a specified period performance, or other restrictions as determined by the Compensation Committee or in consideration of a participant's previously performed services or surrender

## Table of Contents

or other compensation that may be due. The grant of Full Value Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Compensation Committee, including provisions relating to dividend or dividend equivalent rights and deferred payment or settlement. Notwithstanding the foregoing, no dividends or dividend equivalent rights will be paid or settled on Full Value Awards that have not been earned or vested

**Special Vesting Rules.** Except for (a) awards granted under the Plan with respect to shares of common stock which do not exceed, in the aggregate, five percent of the total number of shares of common stock reserved for issuance pursuant to the Plan, (b) awards granted in lieu of other compensation, and (c) awards that are a form of payment of earned performance awards or other incentive compensation provided that the performance period relating to such performance or incentive awards was at least one year, if a participant's right to become vested in an award is conditioned on the completion of a specified period of service with the us or our affiliates being required, then the required period of service shall be at least one (1) year, except if accelerated in the event of the participant's death or disability, or involuntary termination.

**Transferability.** Awards under the plan generally may not be transferred except through will or by the laws of descent and distribution; provided, however, that unless otherwise provided by the Compensation Committee, awards (other than an ISO) may be transferred to or for the benefit of the participant's family (including, without limitation, to a trust or partnership for the benefit of a participant's family) in accordance with rules established by the Compensation Committee.

**Change in Control.** In the event that (i) a participant is employed or in service on the date of a Change in Control (as defined in the Plan) and the participant's employment or service, as applicable, is terminated by us, our successor or a related company that is the participant's employer for reasons other than cause (as defined in the Plan) within 24 months following the Change in Control, or (ii) the Plan is terminated by us or our successor following a Change in Control without provision for the assumption, continuation or substitution of outstanding awards under the Plan, all options, SARs and related awards which have not otherwise expired will become immediately exercisable and all other awards will become fully vested; provided, however, that all awards with conditions and restrictions relating to the attainment of performance goals shall become vested assuming the higher of (A) achievement of all relevant performance goals at the target level of performance (pro-rated based upon the length of time within the performance period that has elapsed prior to the Change of Control) or (B) actual achievement of the performance goals as of the date of the Change of Control. A participant's employment or service will be deemed to have been terminated by us or our successor for reasons other than for cause if the participant terminates employment or service after a substantial adverse alteration in the nature of the participant's status or responsibilities from those in effect immediately prior to the Change in Control or a material reduction in the participant's annual base salary and target bonus, or in the case of an outside director his annual compensation, as in effect immediately prior to the Change in Control. Special rules apply if, upon a Change in Control, awards in other shares or securities are substituted for outstanding awards under the Plan and if, immediately prior to the Change in Control, the participant becomes an employee or a director of, as applicable, the successor to us.

**Amendment and Termination.** The Board may, at any time, amend or terminate the Plan, and the Board or the Compensation Committee may amend any award agreement, provided that no amendment or termination may, in the absence of written consent to the change by the affected participant (or, if the participant is not then living, the affected beneficiary), adversely affect the rights of any participant or beneficiary under any award granted under the Plan prior to the date such amendment is adopted by the Board (or the Compensation Committee, if applicable). Adjustments to the Plan and awards on account of business transactions (as described above) are not subject to the foregoing prohibition. The provisions of the Plan that prohibit repricing of options and SARs or exchanges of an option or SAR for another award or cash payment if the exercise price is below fair market value on the date of the repricing or exchange cannot be amended unless the amendment is approved by our shareholders. No other amendment may be made to the Plan without approval of our shareholders if such approval is required by law or the rules of any stock exchange on which the stock is listed.

## [Table of Contents](#)

### **U.S. Federal Income Tax Implications of the Plan**

---

The discussion that follows is a summary, based on U.S. federal tax laws and regulations presently in effect, of some significant U.S. federal income tax considerations relating to awards under the Plan. The applicable laws and regulations are subject to change, and the discussion does not purport to be a complete description of the federal income tax aspects of the Plan. This summary does not discuss state, local or foreign laws.

**Stock Options.** The tax treatment of a stock option depends on whether the option is an NQO or an ISO.

The grant of an NQO will not result in taxable income to the participant. Except as described below, the participant will realize ordinary income at the time of exercise in an amount equal to the excess of the fair market value of the shares of stock acquired over the exercise price for those shares of common stock, and we will be entitled to a corresponding deduction.

The grant of an ISO will not result in taxable income to the participant. The exercise of an ISO will not result in taxable income to the participant provided that the participant was, without a break in service, an employee of us and our eligible subsidiaries (determined under tax rules) during the period beginning on the date of the grant of the ISO and ending on the date three months prior to the date of exercise (one year prior to the date of exercise if the participant is disabled, as that term is defined in the Code).

The excess of the fair market value of the shares of common stock at the time of the exercise of an ISO over the exercise price is an adjustment that is included in the calculation of the participant's alternative minimum taxable income for the tax year in which the ISO is exercised. For purposes of determining the participant's alternative minimum tax liability for the year of disposition of the shares of common stock acquired pursuant to the ISO exercise, the participant will have a basis in those shares of common stock equal to the fair market value of the shares of common stock at the time of exercise.

If the participant does not sell or otherwise dispose of the shares of common stock within two years from the date of the grant of the ISO or within one year after receiving the transfer of such shares of common stock, then, upon disposition of such shares of common stock, any amount realized in excess of the exercise price will be taxed to the participant as capital gain, and we will not be entitled to any deduction for Federal income tax purposes.

If the foregoing holding period requirements are not met, the participant will generally realize ordinary income, and a corresponding deduction will be allowed to us, at the time of the disposition of the shares of common stock, in an amount equal to the lesser of (a) the excess of the fair market value of the shares of common stock on the date of exercise over the exercise price, or (b) the excess, if any, of the amount realized upon disposition of the shares of common stock over the exercise price.

Special rules apply if an option is exercised through the exchange of previously acquired stock

**SARs.** A participant will not be deemed to have received any income upon the grant of a SAR. Generally, when a SAR is exercised, the excess of the market price of common stock on the date of exercise over the exercise price will be taxable to a participant as ordinary income. We are entitled to a deduction in the year of exercise equal to the amount of income taxable to the individual.

**Full Value Awards.** The federal income tax consequences of a Full Value Award will depend on the type of award. The tax treatment of the grant of shares of common stock depends on whether the shares are subject to a substantial risk of forfeiture (determined under Code rules) at the time of the grant. If the shares are subject to a substantial risk of forfeiture, the participant will not recognize taxable income at the time of the grant and when the restrictions on the shares lapse (that is, when the shares are no longer subject to a substantial risk of forfeiture), the participant will recognize ordinary taxable income in an amount equal to the fair market value of the shares at that time. If the shares are not subject to a substantial risk of forfeiture or if the participant elects to

## Table of Contents

be taxed at the time of the grant of such shares under Code Section 83(b), the participant will recognize taxable income at the time of the grant of shares in an amount equal to the fair market value of such shares at that time, determined without regard to any of the restrictions. If the shares are forfeited before the restrictions lapse, the participant will be entitled to no deduction on account thereof. The participant's tax basis in the shares is the amount recognized by him or her as income attributable to such shares. Gain or loss recognized by the participant on a subsequent disposition of any such shares is capital gain or loss if the shares are otherwise capital assets.

In the case of other Full Value Awards, such as restricted stock units or performance stock units, the participant generally will not have taxable income upon the grant of the award provided that there are restrictions on such awards that constitute a substantial risk of forfeiture under applicable Code rules. Participants will generally recognize ordinary income when the restrictions on awards lapse, on the date of grant if there are no such restrictions or, in certain cases, when the award is settled. At that time, the participant will recognize taxable income equal to the cash or the then fair market value of the shares issuable in payment of such award, and such amount will be the tax basis for any shares received. In the case of an award which does not constitute property at the time of grant (such as an award of units), participants will generally recognize ordinary income when the award is paid or settled.

We generally will be entitled to a tax deduction in the same amount, and at the same time, as the income is recognized by the participant.

**Section 162(m) and Section 280G.** Compensation that qualifies as “Performance-Based Compensation” is excluded from the \$1 million deductibility cap of Code Section 162(m), and therefore remains fully deductible by the Company paying it. The Tax Reform and Jobs Act of 2017 (the “Act”) eliminated the Performance-Based Compensation exception of Code Section 162(m) for taxable years beginning after December 31, 2017, such that compensation paid to our covered executive officers in excess of \$1 million will not be deductible (assuming that it would have had the exception not been eliminated). Although an exception applies for certain awards in effect in place as of November 2, 2017, we do not believe that awards under the Plan will be covered by the exception.

Compensation to certain employees resulting from the earning or vesting of awards in connection with a change in control or termination following a change in control also may be non-deductible under Code Sections 4999 and 280G.

The foregoing provides only a general description of the application of federal income tax laws to certain awards under the Plan. This discussion is intended for the information of shareholders considering how to vote at the Annual Meeting and not as tax guidance to participants in the Plan, as the consequences may vary with the types of awards made, the identity of the recipients and the method of payment or settlement.

## [Table of Contents](#)

### New Plan Benefits

The following table sets forth time-vesting restricted stock units and performance-vesting performance stock units granted by the Company to the persons and groups named below under the Potbelly Corporation 2019 Long-Term Incentive Plan, contingent on shareholder approval of the amendment and restatement of our Plan. Should shareholder approval not be obtained, these awards will be automatically forfeited. The time-vesting RSUs vest over three years, beginning on the first anniversary of the grant date. The performance-vesting PSUs will vest in 25% increments contingent upon the Company's common stock hitting certain share price hurdles. The number of PSUs included in the table below assumes that the applicable performance goal is achieved. The Company has not granted awards to other employees or non-executive directors subject to shareholder approval.

<u>Name and Position</u>	<u>Dollar value</u>
Alan Johnson President and Chief Executive Officer	\$ 1,000,000
Steven Cirulis SVP, Chief Financial Officer and Chief Strategy Officer	\$ 510,000
Julie Younglove-Webb SVP, Chief Restaurant Operations Officer	\$ 470,668
Brandon Rhoten SVP, Chief Marketing Officer	\$ 525,300
Matthew Revord SVP, Chief Legal Officer, Chief People Officer	\$ 498,478
Executive Group	\$ 3,424,446

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE APPROVAL OF THE PLAN.**

## [Table of Contents](#)

### **Equity Compensation Plan Information**

The following table presents certain information related to our equity incentive plans under which our equity securities are authorized for issuance as of December 31, 2019:

Plan Category	(a)	(b)	(c)
	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	1,774,410	\$ 11.34	1,559,576(2)
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>1,774,410</b>	<b>\$ 11.34</b>	<b>1,559,576</b>

- (1) *Consists of the 2004 Equity Incentive Plan, the Amended and Restated 2013 Long-Term Incentive Plan and the 2019 Long-Term Incentive Plan. No further awards may be made under the 2004 Equity Incentive Plan or the Amended and Restated 2013 Long-Term Incentive Plan.*
- (2) *The total amount reported consists only of shares available for future issuance under the 2019 Long-Term Incentive Plan, which may be issued in connection with awards of stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, performance stock and performance stock units.*

## [Table of Contents](#)

### **EXECUTIVE OFFICERS**

In addition to Alan Johnson, our President and Chief Executive Officer, whose biography is included under the heading “Director Biographies,” our executive officers, their ages as of December 29, 2019, and a brief account of their business experience follows:

---



#### **STEVEN CIRULUS**

Senior Vice President, Chief Financial Officer and Chief Strategy Officer

Age: 49



A Wreck

#### ***Experience***

Steven Cirulus has been our Senior Vice President, Chief Financial Officer and Chief Strategy Officer since April 2020. Mr. Cirulus previously served in a strategic planning, finance and analytical consulting role for the Company since December 2019. Prior to that, Mr. Cirulus served as Senior Vice President, Strategic Projects at Panera Bread from 2017 to 2018. Prior to his role at Panera Bread, Mr. Cirulus was the Global Vice President, Corporate Strategy, at McDonald’s Corporation from 2011 to 2016. Prior to joining McDonald’s, Mr. Cirulus was the Senior Director of Strategy, Business Development and Insights, for Gap Brand at Gap, Inc. from 2006 to 2011.

---



#### **JULIE YOUNGLOVE-WEBB**

Senior Vice President, Chief Restaurant Operations Officer

Age: 49



TKY on FLATS – no cheese, add mushroom

#### ***Experience***

Julie Younglove-Webb has been our Senior Vice President and Chief of Restaurant Operations since December 2018, having served as our Senior Vice President of Operations since May 2015. Ms. Younglove-Webb joined Potbelly in 2008 as a General Manager, assuming various operations roles before reaching her current position. Prior to joining Potbelly, Ms. Younglove-Webb was Senior Vice President and General Manager of Sears Essentials at Sears Holding Corporation, a role she assumed in 2005 after Sears’ acquisition of KMart Corporation. Prior to that acquisition, Ms. Younglove-Webb held various roles of increasing responsibility beginning when she joined KMart in 1999 as Manager, Information Technology and culminating with her role as Vice President, Marketing.

---

## [Table of Contents](#)



### **BRANDON RHOTEN**

Senior Vice President, Chief Marketing Officer

Age: 40



Wrecking Ball

#### **Experience**

Brandon Rhoten has been our Senior Vice President and Chief Marketing Officer since June 2018. He is responsible for all marketing activities, including brand marketing, digital & social media and consumer insights. Mr. Rhoten joined Potbelly from Papa John's International, Inc., where he served as Global Chief Marketing Officer from May 2017 through May 2018. Prior to Papa John's, Mr. Rhoten was Vice President of Advertising, Media and Digital/Social at Wendy's International from May 2011 through May 2017. Mr. Rhoten started his career in marketing at the advertising agency Gyro.

---



### **MATTHEW REVORD**

Senior Vice President, Chief Legal Officer, Chief People Officer and Secretary

Age: 56



Chicken Salad

#### **Experience**

Matthew Revord has been our Senior Vice President, Chief Legal Officer, Chief People Officer and Secretary since May 2018 and oversees all legal matters and human resources matters of the Company. In February 2014 Mr. Revord became the Company's Chief Legal Officer having joined Potbelly in January 2007 as our Senior Vice President, General Counsel and Secretary. From January 2002 to January 2007, Mr. Revord served as Deputy General Counsel of Brunswick Corporation and General Counsel of Brunswick New Technologies.

---



### **Daniel Lecocq**

Senior Vice President, Franchise & Corporate Development

Age: 58



BLTA with mayo and extra avocado

#### **Experience**

Daniel Lecocq has been our Senior Vice President, Franchise & Corporate Development since January 2020. Mr. Lecocq joined our Company from Dine Brands Global, where he served as the Vice President of Development and Finance for Dine Brands' international business since 2016. Prior to Dine Brands, Mr. Lecocq was the Vice President, Business Development at Coffee Bean and Tea Leaf from 2014-2015. Prior to that, Mr. Lecocq served as the Vice President, Development and Administration at Krispy Kreme Doughnut Corporation from 2005-2014. Mr. Lecocq has held various management positions at Williams-Sonoma, The Gap and Yum International.

---

## Table of Contents



**Jeffrey Douglas**  
Senior Vice President, Chief Information Officer  
Age: 48



A Wreck with mustard

### ***Experience***

Jeffrey Douglas has been Senior Vice President and Chief Information Officer of Potbelly Corporation since September 2019. Mr. Douglas joined Potbelly from Levy Restaurants, where he served as the Senior Vice President of Information Technology from February 2016 through September 2019. Prior to Levy, Mr. Douglas was the Vice President of Technology for The Options Clearing Corporation.

## Table of Contents

### **COMPENSATION DISCUSSION AND ANALYSIS**

This Compensation Discussion and Analysis section is intended to provide our shareholders with a clear understanding of our compensation philosophy, objectives and practices; our compensation setting process; our executive compensation program components; and the decisions made with respect to the 2019 compensation of each of our Named Executive Officers (“NEOs”). For 2019 our NEOs were:

- Alan Johnson, President and Chief Executive Officer
- Tom Fitzgerald, Senior Vice President and Chief Financial Officer (resigned effective December 27)
- Julie Younglove-Webb, Senior Vice President and Chief Restaurant Operations Officer
- Brandon Rhoten, Senior Vice President and Chief Marketing Officer
- Matthew Revord, Senior Vice President, Chief Legal Officer, Chief People Officer and Secretary

#### **Executive Summary**

---

**Performance Overview for 2019.** Fiscal year 2019 was a transition year for our business and our leadership team as we continued to execute our strategies to return to sustainable and long-term profitable growth. We launched initiatives to increase our sales and traffic, which included rolling out new menu options, adding off-premise sales options, and increasing marketing and brand awareness programs. We made the investments required and tested new ideas to drive brand awareness, interest and purchase intent, and to support our topline, margin, profitability and growth aspirations. While we achieved meaningful progress toward our objectives, and the fourth quarter of fiscal year 2019 represented our best comparable same-store sales in over three years, we recognized that there is still work to be done as our actions did not translate into share price performance in 2019.

Our incentive compensation plans worked as intended in 2019. The payouts under those plans were strongly aligned with our financial and stock price performance – demonstrating our commitment to structure an executive compensation program that pays for performance.

**2019 Pay Actions.** As a result of the above, our 2019 executive compensation was significantly impacted. There were no cash bonuses to our named executive officers and base salary increases were limited. In addition, the long-term incentive equity awards granted to our executive officers were restructured to 50% performance units and 50% restricted stock units, which further tied executive pay to the Company’s and individual’s annual performance.

#### **Compensation Philosophy and Objectives**

---

Our compensation philosophy is to pay for performance, rewarding employees when performance targets are met. Merit increases, annual incentive compensation, equity awards, and incremental paid time off are all tied to performance and results. Our compensation programs are designed to attract, retain, motivate, and reward employees. Our pay program is designed to compensate employees 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.

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, other individual performance measures, Company 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, equity compensation, when granted, and paid time off are generally awarded in March

## Table of Contents

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, at the discretion of the Compensation Committee in the case of our Chief Executive Officer, and at the discretion of our Chief Executive Officer and upon the approval of the Compensation Committee in the case of our other executive officers, there may be an increase or decrease applied to the annual bonus awarded to an executive, including the other named executive officers, in order to account for exceptional circumstances. However, it is anticipated that such bonuses would only be awarded under unusual circumstances to further the objectives of our compensation program.

### **Elements of Executive Compensation**

---

The following table provides information regarding the elements of our executive compensation program.

<u>Element</u>	<u>Form</u>	<u>Objectives and Basis</u>
<b>Base Salary</b>	Cash	Attract and retain highly qualified executives. Determined based on the position's importance within the Company, the executive's experience, and external market data.
<b>Long-Term Incentive</b>	RSUs and PSUs	Aligns the incentives of our executive officers with shareholder interests and rewards the creation of shareholder value; retain executives through long-term vesting.
<b>Annual Incentive Plan</b>	Cash	Determined under our company-wide Annual Incentive Plan, which provides for variable payouts based on financial performance against pre-established total company revenue and adjusted EBITDA targets and Compensation Committee discretion.

**Other Compensation Policies.** In addition to the principal compensation elements described above, we provide our executive officers with access to the same benefits we provide all of our full-time employees. Our officers also receive certain limited perquisites and other personal benefits that we believe are reasonable and consistent with our compensation objectives. These perquisites have been identified in the "Summary Compensation Table." We also provide sign-on bonuses and new-hire equity awards (subject to a time-based vesting period) when the Compensation Committee determines it is necessary and appropriate to advance the Company's interests, including to attract top-executive talent from other companies. Sign-on bonuses and new hire equity awards are an effective means of offsetting the compensation opportunities executives forfeit when they leave a former employer to join the Company.

### **Our Executive Compensation Process**

---

Compensation for our executive officers is comprised of base salary, target value of long-term incentive, and target annual incentive bonus. Executive compensation is designed to be competitive with peer companies and market data, as explained below under "Role of Market Data and Our Peer Group."

#### **Roles and Responsibilities of the Compensation Committee, Compensation Consultant and the CEO in Setting Executive Officer Compensation.**

##### *Compensation Committee*

The Compensation Committee reports to the Board. In accordance with its obligations as set forth in its charter, the Compensation Committee retains independent consultants and counsel to assist it in evaluating compensation

## Table of Contents

as well as working with the CEO and the CFO to set performance goals. The Compensation Committee determines and approves executive compensation annually, with base salaries, bonus payments (for performance the prior fiscal year), performance goals for long-term incentive grants and annual incentive bonuses approved during the first quarter of the fiscal year. This process allows the Compensation Committee to consider comprehensive information, including the Company's performance and each named executive officer's individual performance during the prior fiscal year, when making final compensation decisions.

### *Compensation Consultant*

In 2019, the Compensation Committee retained the Rewards Solutions practice at Aon plc to provide executive compensation consulting services. Aon attended Compensation Committee meetings when requested and worked with management as necessary to gather and review information required to carry out its obligations. Aon also advised the Compensation Committee on the appropriateness and competitiveness of our compensation programs relative to market practice, our strategy and our internal processes.

### *CEO*

Mr. Johnson, our CEO, and other members of the management team support the Compensation Committee in the executive compensation process and regularly attend portions of committee meetings. Mr. Johnson provides the Compensation Committee with his perspective regarding the performance of his executive leadership team, including the other named executive officers. Mr. Johnson makes recommendations to the Compensation Committee on the full range of annual executive compensation decisions, except with regard to his own compensation. In accordance with NASDAQ rules, Mr. Johnson was not present when his compensation for fiscal 2019 was being discussed and did not vote on executive compensation matters, and neither Mr. Johnson nor other members of management attended executive sessions of the Compensation Committee.

**Role of Market Data and Our Peer Group.** As part of the annual executive compensation process, the Compensation Committee reviews compensation levels and practices for executives holding comparable positions at peer group companies and also includes broader compensation survey data. Our market for executive recruiting is generally other restaurant or retail companies. In evaluating the competitiveness of our executive compensation program, we compare our executive's compensation against the restaurant industry, specifically the limited-service restaurant segment, and 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.

The Compensation Committee does not explicitly benchmark our executive officers' compensation to the peer group, but the peer group data is one of multiple reference points used to evaluate our executive compensation programs.

## Table of Contents

**2019 Peer Group.** Our peer group consists of casual dining, fine dining, quick casual and quick service restaurants with similar market capitalization and revenue. The Compensation Committee and independent directors considered the peer group in connection with their fiscal 2019 executive compensation decisions. The Compensation Committee reviews the composition of the peer group periodically and will make adjustments to the peer group in response to changes in the size of business operations of the Company and of companies in the peer group, companies in the peer group being acquired or taken private, and other companies in the restaurant industry becoming public. The table below lists the companies that were considered for fiscal 2019.

### Casual Dining

Ark Restaurants Corp.	Dine Brands Global, Inc.
BJ's Restaurants, Inc.	J. Alexander's Holdings, Inc.
Chuy's Holdings, Inc.	Luby's Inc.
Denny's Corporation	

### Fine Dining

Del Frisco's Restaurant Group, Inc.	Ruth's Hospitality Group, Inc.
-------------------------------------	--------------------------------

### Quick Casual

Fiesta Restaurant Group, Inc.	The Habit Restaurants, Inc.
Noodles & Company	Zoe's Kitchen, Inc.

### Quick Service

Bojangles', Inc.	El Pollo Loco Holdings, Inc.
Carrols Restaurant Group, Inc.	
Del Taco Restaurants, Inc.	

### **Base Salary**

The Compensation Committee generally reviews and approves base salaries annually during its meetings in the first quarter with new salaries becoming effective in mid-April. For fiscal 2019, the Compensation Committee reviewed and approved the base salaries shown below (and with respect to Mr. Johnson, the Compensation Committee recommended, and the independent directors approved). As the named executive officers did not receive any merit, equity or bonus compensation in fiscal year 2018, Ms. Younglove Webb and Mr. Revord were granted merit increases for fiscal year 2019.

Named Executive Officer	Base Salary (Annualized Rate)		
	Fiscal 2019	Fiscal 2018	% Change
Alan Johnson	\$746,750	\$725,000	3%
Tom Fitzgerald (1)	\$425,000	\$425,000	0%
Julie Younglove-Webb	\$380,800	\$340,000	12%
Brandon Rhoten (2)	\$425,000	\$425,000	0%
Matthew Revord	\$403,300	\$370,000	9%

(1) Mr. Fitzgerald was hired in December 2018 and resigned from his position effective December 2019.

(2) Mr. Rhoten was hired in June 2018.

## [Table of Contents](#)

### **Annual Incentive Plan**

The Company has established the Support Center Annual Incentive Plan to provide annual cash incentive compensation to executives in its corporate offices (the “Support Center”). The graphic below illustrates the weighting of the metrics and the calculation of the objective component of the Annual Incentive Plan.



This plan sets a threshold, target, and maximum level for each of these metrics applicable to all executive officers, and the amounts paid are based on the actual results achieved by the Company. The targets are set for the year by the Compensation Committee based on recommendations from the CEO and the CFO and are communicated to executives at the beginning of each year. To be eligible for an award under the plan, the named executive officer must receive an annual individual performance appraisal rating of “Contributor” or higher. The threshold, target and maximum criteria and actual fiscal year 2019 results for Same Store Sales and Adjusted EBITDA are as follows.

	Threshold (80%)	Target (100%)	Maximum (150%)	2019 Actual Performance	Payout Percentage
Same Store Sales	0.8%	2.4%	4.9%	-3.0%	0%
Adjusted EBITDA (in millions)	\$ 33.0	\$ 35.4	\$ 38.6	\$ 25.5	0%

The chart below sets forth the threshold, target, and maximum percentages of base salary for awards under the Support Center Annual Incentive Plan in 2019, together with the actual bonus levels paid to our NEOs, based on actual Company results.

Named Executive Officer	Threshold	Target	Maximum	Bonus Earned (%) of Target	(\$)
Alan Johnson	—	100% of base salary	200% of base salary	0%	\$0
Tom Fitzgerald	48% of base salary	60% of base salary	90% of base salary	0%	\$0
Julie Younglove-Webb	48% of base salary	60% of base salary	90% of base salary	0%	\$0
Brandon Rhoten	48% of base salary	60% of base salary	90% of base salary	0%	\$0
Matthew Revord	48% of base salary	60% of base salary	90% of base salary	0%	\$0

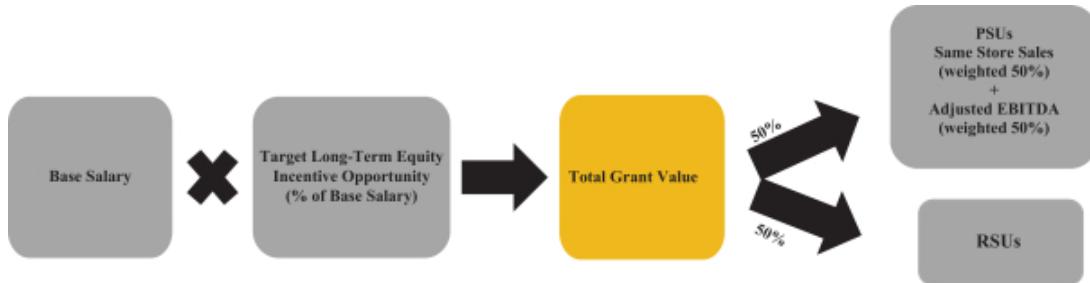
For fiscal year 2019, the Company did not achieve the threshold level for either of the metrics. Accordingly, no annual cash incentive awards were paid to the named executive officers under the Support Center Annual Incentive Plan for fiscal 2019 performance.

### **Long-Term Incentive Awards**

Long-term incentive awards are currently granted under our 2019 Long-Term Incentive Plan (the “Plan”), which replaced the Potbelly Corporation Amended and Restated 2013 Incentive Plan (the “Prior Plan”) (provided that outstanding awards under the Prior Plan will continue to be subject to the terms of the Prior Plan). The Plan is administered by the Compensation Committee. We have adopted amendments to the Plan, subject to approval by our shareholders. A description of the amendments to the Plan is included in Proposal 4.

## Table of Contents

Equity awards represent an important component of our named executive officer compensation. Beginning with grants in 2019, the equity mix for executive officers changed from 50% stock options and 50% restricted stock units to 50% performance stock units and 50% restricted stock units. The change from stock options to performance stock units served to further align the interests of our shareholders and our executive officers by increasing the proprietary interest of our executive officers in the Company's growth and success; advance the Company's interests by attracting and retaining qualified employees over time; and motivate our executives to act in the long-term best interests of our shareholders. To be eligible for an award, the named executive officer must receive an annual individual performance appraisal rating of "Contributor" or higher the previous year. All of our named executive officers, other than Mr. Fitzgerald, who joined the Company in December 2018, were eligible to receive an award in 2019. The graphic below illustrates the weighting of the metrics and the calculation of the long-term incentive award.



### *Performance Stock Units*

Annual performance stock units were granted to our named executive officers on March 15, 2019 pursuant to the Prior Plan. The performance stock units have 3-year cliff vesting and the earning of the grants is based on achievement of adjusted EBITDA and same store sales goals over the three-year performance period. These two metrics were chosen based on (1) the criteria that the awards would be aligned to the Company's long-term strategy and (2) a comparison with the compensation metrics used by the Company's peer group and the broader industry. The specific targets are designated at the beginning of the performance period by the Compensation Committee. To reflect performance above or below target, the value of the grants is determined by a sliding scale that provides for payouts greater than target (up to a maximum 200% payout) or less than target (down to a 50% payout for threshold performance, below which the payout would be 0%). The table below outlines the threshold, target and maximum values for the performance period from December 31, 2018 to December 26, 2021.

	Threshold (50%)	Target (100%)	Maximum (200%)
Same Store Sales – 3-year average	+1.2%	+2.4%	+3.0%
Adjusted EBITDA <sup>(1)</sup> (in millions) – 3 years cumulative	\$ 110.0	\$ 117.5	\$ 122.0

### *Restricted Stock Units*

Annual restricted stock units were granted to our named executive officers on March 15, 2019 pursuant to the Prior Plan. The restricted stock units vest over three years, beginning on the first anniversary of the grant date

### **Other Plans**

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

## Table of Contents

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. The Company matches 50% of the contributions that our highly-compensated employees, including our named executive officers, make to the deferred compensation plan, with a maximum matching contribution of \$3,000 per year. If an employee participates in both the 401(k) plan and the non-qualified deferred compensation plan, the total maximum matching contribution is \$3,000 per year.

### **Executive Stock Ownership Guidelines**

---

Our stock ownership guidelines were established for executive officers to encourage them to have a long-term equity stake in the Company and to align their interests with shareholders. The Board expects that all executive officers own, or acquire within the later of (i) August of 2022, and (ii) five years of first becoming an executive officer, shares of Potbelly common stock (including restricted shares, but not options, under Potbelly's equity-linked incentive plans) having a market value of a multiple of such executive officer's annual base salary. For the Chief Executive Officer, the multiple is four (4) times annual base salary and for all other executive officers the multiple shall be one and one-half (1.5) times annual base salary.

### **Anti-Hedging Policy**

---

Under the Company's Anti-Hedging Policy, our directors, officers and employees are prohibited from engaging in any kind of hedging transaction that could reduce or limit such person's holdings, ownership or interest in or to any securities of the Company, including without limitation outstanding stock options, deferred share units, restricted share units, or other compensation awards the value of which are derived from, referenced to or based on the value or market price of securities of the Company. Prohibited transactions include the purchase by a director, officer or employee of financial instruments, including, without limitation, prepaid variable forward contracts, instruments for short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Company.

### **Clawbacks and Forfeiture Provisions**

---

On October 2019, the Company adopted an executive compensation recoupment policy that provides for the potential recoupment of any incentive-based award paid to all current and former executive officers. In the event that the Company is required to restate its financial results due to material noncompliance with any financial reporting requirement as a result of any gross negligence, intentional misconduct, theft, embezzlement, fraud or other serious misconduct by an executive officer, the result of which is that any performance-based compensation received by such executive officer during the three-year period preceding the publication of the restated financial statement would have been lower had it been calculated based on such restated results, the Compensation Committee may seek to recover the excess of the incentive compensation paid to the executive based on the erroneous data.

### **Employment Agreements**

---

The following is a summary of the employment agreements and similar agreements the Company has entered into with each of the named executive officers.

**Chief Executive Officer Employment Agreement.** Mr. Johnson entered into an employment agreement with the Company effective as of November 29, 2017 and as amended effective May 14, 2018 (collectively, the "[Johnson Agreement](#)") pursuant to which he will serve as our President and Chief Executive Officer. The Johnson Agreement provides for a base salary of \$725,000, subject to increase from time to time in the discretion of the Board. For the 2019 calendar year, Mr. Johnson's base salary was \$746,750. The Johnson Agreement provides

## Table of Contents

that beginning with the 2018 calendar year, Mr. Johnson is eligible for an annual bonus amount to be determined by the Compensation Committee. For the 2019 calendar year, Mr. Johnson was eligible for an annual target bonus of 100% of base salary, with a maximum bonus of 200% of base salary, subject to satisfaction of applicable Company and individual performance targets. The Johnson Agreement also provides for the reimbursement of relocation expenses actually incurred, including transportation expenses, temporary housing, moving household goods, real estate commissions and closing costs incurred with the sale of his current residence and with the purchase of a residence in the Chicago area.

The Johnson Agreement contemplates that Mr. Johnson may be granted equity awards under the Company's equity incentive plan beginning with calendar year 2019 with a target award value of \$1,000,000, with the actual value of the equity award for any year determined by the Compensation Committee in its sole discretion.

The Johnson Agreement terminates upon death, disability, termination by us with or without cause or resignation by Mr. Johnson with or without good reason. The Johnson Agreement generally defines "cause" as Mr. Johnson's (i) willful and continued failure to substantially perform his duties for the Company (other than due to his disability); (ii) willful engagement in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; (iii) engaging in egregious misconduct involving serious moral turpitude to the extent that, in the reasonable judgment of the Board, Mr. Johnson's credibility and reputation no longer confirm to the standard of the Company's executives; (iv) indictment for the commission of a crime that constitutes a felony; or (v) a breach of his confidentiality, non-competition, non-interference and intellectual property agreement. The Johnson Agreement generally defines "good reason" as (1) assignment of duties that are materially inconsistent with his position and that result in a substantial diminution of the duties applicable to the position; (2) material reduction in base salary; (3) relocation to a place more than 50 miles from Chicago; or (4) material breach of the agreement by us.

Mr. Johnson 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 Johnson Agreement as well as the treatment of Mr. Johnson's 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 – Alan Johnson Employment Agreement," on page 57 of this Proxy Statement.

**Named Executive Officer Employment Agreements.** Mr. Fitzgerald (our former Senior Vice President and Chief Financial Officer) entered into an employment agreement with the Company effective as of December 3, 2018. Mr. Rhoten serves as our Senior Vice President and Chief Marketing Officer pursuant to an employment agreement with the Company effective as of June 4, 2018. Ms. Younglove-Webb entered into an employment agreement with the Company effective as of May 1, 2015. Her employment agreement designates Ms. Younglove-Webb as our Senior Vice President, Operations, however she has since been promoted to Senior Vice President and Chief Restaurant Operations Officer. Mr. Revord entered into a new employment agreement effective as of July 25, 2013, and amended effective April 22, 2015, designating him as our Senior Vice President, General Counsel and Secretary. Mr. Revord has since taken on additional responsibilities and currently serves as our Senior Vice President, Chief Legal Officer, Chief People Officer and Secretary.

Each NEO's employment agreement provides for a base salary subject to increase from time to time by the Compensation Committee at the recommendation of our President and Chief Executive Officer. Under the employment agreements, the NEOs are each eligible for an annual bonus in accordance with incentive plan metrics recommended by the CEO and CFO and approved by the Compensation Committee. The employment agreements also provide the executives with standard benefits and perquisites. The employment agreements contemplate that the executives may be granted equity awards under our equity incentive plans.

Our NEOs 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.

## [Table of Contents](#)

**Executive Officer Retention Awards.** On July 17, 2017, the Compensation Committee authorized the Company to enter into retention agreements with each of Ms. Younglove-Webb and Mr. Revord. Subject to the restrictions set forth in the retention agreements, each of Ms. Younglove-Webb and Mr. Revord were eligible to receive a cash retention award in an amount equal to \$382,500, and \$416,250, respectively, in the event he or she remained continuously employed with the Company through December 31, 2018. The retention awards were payable only if the executive (1) remained employed in good standing through the retention date, or was terminated by the Company other than for cause (as defined in the Retention Agreements); and (2) delivered a valid and irrevocable release and waiver in the form provided by the Company. The retention payments were payable in one lump sum payment sixty days following the earlier of (i) the executive's termination date (as defined in the Retention Agreement) or (ii) December 31, 2018. Ms. Younglove-Webb and Mr. Revord earned, and were paid, their respective retention awards in fiscal year 2019.

---

## [Table of Contents](#)

### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis included in this Proxy Statement with management. Based on such review, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement for filing with the SEC.

Susan Chapman-Hughes, *Chairman*  
Marla Gottschalk  
David Head  
Ben Rosenzweig

## Table of Contents

### 2019 COMPENSATION TABLES

#### 2019 Summary Compensation Table

The following table summarizes compensation for the years ending December 29, 2019, December 30, 2018 and December 31, 2017 earned by our named executive officers.

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2)	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation (3)	Total
Alan Johnson (4) Chief Executive Officer (Principal Executive Officer)	2019	\$746,750	\$ —	\$1,250,000	\$ —	\$ —	\$ 18,519	\$2,015,269
	2018	\$725,000	\$543,750	\$ 0	\$ —	\$ —	\$ 399,114	\$1,667,854
	2017	\$ 36,250	\$ —	\$1,000,000	\$1,000,000	\$ —	\$ —	\$2,036,250
Thomas Fitzgerald (5) Former Chief Financial Officer (Principal Financial Officer)	2019	\$444,615	\$ —	\$ —	\$ —	\$ —	\$ 4,828	\$ 449,443
	2018	\$ 16,346	\$ —	\$ 350,000	\$ 350,000	\$ —	\$ —	\$ 716,346
Julie Younglove-Webb Chief Restaurant Operations Officer	2019	\$380,800	\$382,500	\$ 782,000	\$ —	\$ —	\$ 1,318	\$1,546,618
	2018	\$340,000	\$ 51,000	\$ —	\$ —	\$ —	\$ —	\$ 391,000
	2017	\$335,961	\$ —	\$ 195,000	\$ 195,000	\$ —	\$ —	\$ 725,961
Brandon Rhoten (6) Chief Marketing Officer	2019	\$425,000	\$ —	\$ 281,972	\$ —	\$ —	\$ 217	\$ 707,189
	2018	\$228,846	\$ 36,678	\$ 250,000	\$ 250,000	\$ —	\$ 21,125	\$ 786,649
Matthew Revord Chief Legal Officer, Chief People Officer	2019	\$403,300	\$416,250	\$ 481,000	\$ —	\$ —	\$ 3,000	\$1,303,550
	2018	\$370,000	\$205,500	\$ —	\$ —	\$ —	\$ —	\$ 575,500
	2017	\$367,442	\$ —	\$ 150,000	\$ 150,000	\$ —	\$ —	\$ 667,442

(1) Represents retention bonuses paid to Ms. Younglove-Webb and Mr. Revord pursuant to the terms of retention agreements entered with each of Ms. Younglove-Webb and Mr. Revord.

(2) Represents the aggregate grant date fair value calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation – Stock Compensation (“FASB ASC Topic 718”) of restricted stock units (RSUs) and performance share units (PSUs). See Note 12 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 29, 2019 for a discussion of the relevant assumptions used in calculating these amounts. The amounts reported in this column do not correspond to the actual value that will be recognized by the NEOs. The actual value that an NEO may realize will depend on the stock price at the date of vesting and the NEO’s continued service through the vesting period. The 2019 PSU awards will not pay out or have any value unless certain performance targets are achieved, which targets are based on three-year same store sales goals and adjusted EBITDA from 2019-2021. The grant date fair value of the 2019 PSU awards, assuming maximum performance, is \$750,000 for Mr. Johnson, \$391,000 for Ms. Younglove, \$140,986 for Mr. Rhoten and \$240,500 for Mr. Revord. The grant date fair value of the 2019 performance-based RSU awards were \$500,000 for Mr. Johnson, \$391,000 for Ms. Younglove-Webb, \$140,986 for Mr. Rhoten and \$240,500 for Mr. Revord. The PSUs will vest at the end of fiscal year 2021. The RSUs will vest over a period of three years. For further discussion, see above under “Compensation Discussion and Analysis – Long Term Incentive Awards.”

(3) Amount for Mr. Johnson under All Other Compensation represents relocation expenses in the amount of \$6,300, Company-paid life insurance in the amount of \$594.10, parking expenses in the amount of \$1,520.40, and related tax reimbursements in the amount of \$10,104.42. Amount for Mr. Fitzgerald consists of relocation expenses. Amounts for Ms. Younglove-Webb, Mr. Rhoten and Mr. Revord consists of matching contributions made by the Company to Potbelly’s 401(k) Plan for the benefit of the executive.

(4) Mr. Johnson joined the Company as Chief Executive Officer effective November 29, 2017.

(5) Mr. Fitzgerald joined the Company as Chief Financial Officer effective December 3, 2018 and left the Company in December 2019.

(6) Mr. Rhoten joined the Company as Chief Marketing Officer effective June 4, 2018.

## [Table of Contents](#)

### **Grants of Plan-Based Awards in 2019**

The following table sets forth information regarding fiscal 2019 annual incentive bonus awards and equity awards granted to our NEOs for fiscal 2019 performance.

Name	Award	Grant Date)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards(1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/SH)	Grant Date Fair Value of Stock and Option Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Alan Johnson	AIP(2) RSUs(3) PSUs(4)	— 3/15/2019 3/15/2019	— \$746,750	\$1,483,500		44,326	88,652	177,304	59,102			500,000 750,000
Thomas Fitzgerald	AIP(2)	—	\$ 204,000	\$ 255,000	\$ 400,154							
Julie Younglove-Webb	AIP(2) RSUs(3) PSUs(4)	— 3/15/2019 3/15/2019	\$ 182,784	\$ 228,480	\$ 382,500	23,109	46,217	92,434	46,217			391,000 391,000
Brandon Rhoten	AIP(2) RSUs(3) PSUs(4)	— 3/15/2019 3/15/2019	\$ 204,000	\$ 255,000	\$ 382,500	8,333	16,665	33,330	16,665			140,986 140,986
Matthew Revord	AIP(2) RSUs(3) PSUs(4)	— 3/15/2019 3/15/2019	\$ 193,584	\$ 241,980	\$ 362,970	14,214	28,428	56,856	28,428			240,500 240,500

(1) All equity awards are denominated in shares of common stock and were granted under the Potbelly Corporation Amended and Restated 2013 Incentive Plan.

(2) Each executive officer was entitled to a cash award under the Support Center Annual Incentive Plan as described under “Compensation Discussion and Analysis – Annual Incentive Plan.” In fiscal year 2019, the Company did not achieve the threshold levels for the either metric under the Support Center Annual Incentive Plan, and accordingly, no annual cash incentive awards were paid to the named executive officers.

(3) Reflects restricted stock units that vest in three equal annual installments (subject to rounding of partial shares) beginning on first anniversary of the grant date.

(4) Reflects performance stock units that vest at the end of fiscal year 2021 (subject to rounding of partial shares), subject to the achievement of certain performance targets. The payout range for the PSUs is 0% to 200%, and none of the PSUs will vest if the performance target is below threshold.

[Table of Contents](#)

## Outstanding Equity Awards at Fiscal Year-End

The following table summarizes outstanding stock options and stock awards for each named executive officer as of December 31, 2019.

Named Executive Officer	Options Awards				Stock Awards	
	Exercisable	Unexercisable (1)	Option Exercise Price Per Share	Option Expiration Date	Number of Units of Stock That Have Not Vested	Market Value of Units of Stock That Have Not Vested (2)
Alan Johnson	100,200	100,201	\$ 14.08	11/29/2027	26,041(3) 59,102(4) 88,652(5)	\$ 110,414 \$ 250,592 \$ 375,884
Tom Fitzgerald	23,339	0	\$ 9.37	12/3/2028		
Brandon Rhoten	11,878	35,635	\$ 13.05	6/4/2028	12,771(3) 16,665(4) 16,665(5)	\$ 54,149 \$ 70,660 \$ 70,660
Julie Younglove-Webb	3,709 10,000 20,000 20,000 25,000 7,185 95,000 21,108 22,169	0 0 0 0 0 0 0 7,037 22,170	\$ 7.00 \$ 7.22 \$ 8.16 \$ 9.47 \$ 14.00 \$ 20.53 \$ 14.22 \$ 13.73 \$ 11.05	7/1/2020 5/10/2021 3/5/2022 3/5/2023 10/4/2023 3/6/2024 5/8/2025 3/4/2026 5/11/2027	5,882(3) 46,217(4) 46,217(5)	\$ 24,940 \$ 195,960 \$ 195,960
Matthew Revord	7,000 49,427 75,000 14,369 75,000 18,998 17,053	0 0 0 0 0 6,333 17,054	\$ 7.00 \$ 7.22 \$ 14.00 \$ 20.53 \$ 12.98 \$ 13.73 \$ 11.05	7/1/2020 5/10/2021 10/4/2023 3/6/2024 3/5/2025 3/4/2026 5/11/2027	4,525(3) 28,428(4) 28,428(5)	\$ 19,186 \$ 120,535 \$ 120,535

## Table of Contents

(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 stock option awards described in the Outstanding Equity Awards at Fiscal Year-End table are as follows:

Named Executive Officer	Vest Date	Number of Securities Underlying Unexercised Options
Alan Johnson	11/29/2020	50,100
	11/29/2021	50,101
Julie Younglove-Webb	3/4/2020	7,037
	3/7/2020	11,085
	3/7/2021	11,085
Brandon Rhoten	6/4/2020	11,878
	6/4/2021	11,878
	6/4/2022	11,879
	3/4/2020	6,333
Matthew Revord	3/7/2020	8,527
	3/7/2021	8,527

- (2) Calculated based on the closing price of our common stock on the last trading day of the fiscal year, December 27, 2019, which was \$4.24.  
(3) Represents restricted stock awards which vest in three equal installments on each anniversary of the grant date.  
(4) Represents the annual grant of restricted shares units for 2019, which vest in three equal installments on each anniversary of the grant date.  
(5) Represents the annual grant of performance share units for 2019, assuming achievement at the target level over a three-year performance period (2019 through 2021).

## Option Exercises and Stock Vested

The following table provides information regarding stock options that were exercised by our named executive officers and stock awards that vested during fiscal 2019. Option award value realized is calculated by subtracting the aggregate exercise price of the options exercised from the aggregate market value of the shares of common stock acquired on the date of exercise. Stock award value realized is calculated by multiplying the number of shares shown in the table by the closing price of our stock on the date the stock awards vested.

Name	Grant Date	Option Awards		Stock Awards	
		Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)(2)	Value Realized on Vesting (\$)
Alan Johnson	11/29/2017			26,042	131,773
Tom Fitzgerald	12/3/2018			12,451	57,773
Julie Younglove-Webb	5/11/2017			5,882	50,115
Brandon Rhoten	6/4/2018			6,386	31,738
Matthew Revord	1/22/2009 7/29/2013 5/11/2017	12,200 6,000 5,882	2,196 1,080 5,882	4,525	38,553

## [Table of Contents](#)

- (1) The value realized on exercise is calculated by multiplying the number of shares of our common stock that were acquired by the difference between the fair market value of a share of our common stock at the time of exercise and the exercise price of the stock option. The fair market value of a share of our common stock is based on the price of a share of our common stock as reported on NASDAQ.
- (2) The value realized on vesting is calculated by multiplying the number of shares of our common stock that vested by the fair market value of a share of our common stock on the vesting date. The fair market value of a share of our common stock is based on the closing price of a share of our common stock on the vesting date as reported on NASDAQ.

### **Nonqualified Deferred Compensation**

The Company established in fiscal 2014 a non-qualified deferred compensation plan which allows highly compensated employees to defer up to 80% of their salary and up to 100% of their bonus each plan year. The Company matches 50% of the contributions that our highly-compensated employees, including our named executive officers, make to the deferred compensation plan, with a maximum matching contribution of \$3,000 per year. If an employee participates in both the 401(k) plan and the non-qualified deferred compensation plan, the total maximum matching contribution is \$3,000 per year. Our matching contribution vests over six years starting on the first day of the participant's service with the Company, such that an eligible employee with six years of service will be 100% vested in our matching contributions. Our matching contribution also fully vests upon the participant's retirement at 65 or older, death, disability or a change of control. If the participant separates from the Company prior to his or her seniority date (the earlier the participant attains 62 years of age or 10 years of service from date of hire) or upon a change of control or death, the distribution payment will be made as a lump sum to the participant's account. If the participant separates from the Company after his or her seniority date, or upon disability, the participant may elect to receive the distribution as a lump sum payment or in up to five annual installments.

The following table shows the contributions, earnings and account balances for the named executive officers under the nonqualified deferred compensation plan for the fiscal year ended December 29, 2019:

Name	Executive Contributions in Last Fy	Registrant Contributions in Last Fy	Aggregate Earnings in Last Fy	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fye
Alan Johnson	\$ —	\$ —	\$ —	\$ —	\$ —
Tom Fitzgerald	\$ —	\$ —	\$ —	\$ —	\$ —
Julie Younglove-Webb	\$ —	\$ —	\$ —	\$ —	\$ —
Brandon Rhoten	\$ —	\$ —	\$ —	\$ —	\$ —
Matthew Revord	\$ 55,207	\$ —	\$ 35,278	\$ —	\$ 210,157

### **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 27, 2020, the last business day of fiscal year 2020. In addition, the following disclosure describes the impact of a qualifying termination of employment (where a "qualifying termination means a termination by the Company without cause or termination by the named executive officer for good reason), a corporate transaction or a change in control, termination due to death or disability, or retirement under the terms of the our named executive officers' employment agreements and equity awards held by each of our named executive officers as of December 27, 2020. These benefits are in lieu of benefits generally available to salaried employees. Mr. Fitzgerald did not receive any payments or benefits upon termination other than base salary and vacation accrued through his termination date.

## Table of Contents

**Alan Johnson Employment Agreement.** The Johnson Agreement provides for severance pay and benefits if Mr. Johnson is terminated in a qualifying termination or if Mr. Johnson's employment is terminated due to death or disability. In the event Mr. Johnson's employment terminates in a qualifying termination prior to a Change in Control, Mr. Johnson is entitled to a cash severance payment equal to 12 months of base salary payable in installments over 12 months; the amount of any annual bonus earned for the most recently completed fiscal year, to the extent it hasn't already been paid; and a payment equal to the amount of the annual bonus that Mr. Johnson 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; and subsidized COBRA benefits for 12 months, all subject to a release. In the event Mr. Johnson's employment terminates in a qualifying termination on or within 12 months after a Change in Control, Mr. Johnson is entitled to a lump sum payment equal to 18 months of base salary plus his target annual bonus for the year in which the termination date occurs; any annual bonus earned with respect to the most recently completed fiscal year; subsidized COBRA benefits for 12 months; and all equity awards shall vest and shall be exercisable. Payments and benefits in connection with a Change in Control are not subject to a release. If termination occurs due to death or disability, Mr. Johnson will receive any accrued amounts otherwise owed.

**Named Executive Officer Employment Agreements.** The employment agreements for the named executive officers (other than Mr. Johnson) 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 and subsidized COBRA benefits for 12 months, 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 NEOs' employment agreements generally define "cause" as the executive's (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. Their employment agreements generally define "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, or (4) relocation to a place more than 50 miles from Chicago, in each case without the executive's consent.

**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 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

## Table of Contents

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

The following table quantifies the potential payments and benefits to which the named executive officers would have been entitled to receive if one of several different termination of employment or change in control events occurred on December 29, 2019. All employees are also entitled to life insurance benefits of up to the amount of such employee's base salary, up to a maximum amount of \$125,000, if death occurs while actively employed, which benefit is also not included in the table below. With regard to all options and RSUs subject to time-based vesting at December 29, 2019, the assumed values of the awards are shown in the table in the applicable columns. The value of each stock option as to which vesting is accelerated is assumed to be equal to the product of the number of shares underlying the option multiplied by the difference between the exercise price per share and \$4.24, the closing price of our common stock on December 27, 2019 (the last business day of the fiscal year). For RSUs, the value shown in the table is based on the number of RSUs multiplied by \$4.24.

Name	Benefit	Voluntary Termination For Good Reason or Involuntary Termination Without Cause	Qualifying Termination (following Change in Control)	Death/ Disability(1)
Alan Johnson	Cash Severance	\$ 746,750	\$ 1,120,125	\$ —
	Cash Bonus	\$ —	\$ —	\$ —
	Subsidized COBRA	\$ 4,492	\$ 4,492	\$ —
	Options	\$ —	\$ —	\$ —
	RSUs	\$ —	\$ 361,006	\$ —
	TOTAL	\$ 751,242	\$ 1,485,623	\$ —
Julie Younglove-Webb	Cash Severance	\$ 340,000	\$ 340,000	\$ —
	Cash Bonus	\$ —	\$ —	\$ —
	Options	\$ —	\$ —	\$ —
	Subsidized COBRA	\$ 11,590	\$ 11,590	\$ —
	RSUs	\$ —	\$ 220,900	\$ —
	TOTAL	\$ 351,590	\$ 572,490	\$ —
Brandon Rhoten	Cash Severance	\$ 425,000	\$ 425,000	\$ —
	Cash Bonus	\$ —	\$ —	\$ —
	Subsidized COBRA	\$ 6,125	\$ 6,125	\$ —
	Options	\$ —	\$ —	\$ —
	RSUs		\$ 124,809	
	TOTAL	\$ 431,125	\$ 555,214	\$ —
Matthew Revord	Cash Severance	\$ 370,000	\$ 370,000	\$ —
	Cash Bonus	\$ —	\$ —	\$ —
	Options	\$ —	\$ —	\$ —
	Subsidized COBRA	\$ 6,125	\$ 6,125	\$ —
	RSUs		\$ 139,721	
	TOTAL	\$ 376,125	\$ 515,845	\$ —

(1) As noted above, if a named executive officer's termination occurs due to death or disability, the named executive officer would receive a Pro-rated Bonus under the Annual Incentive Plan. For fiscal year 2019, the Company did not achieve the threshold level for cash bonus payments under the Annual Incentive Plan.

## CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Act, and Item 402(u) of Regulation S-K, we are providing the information about the relationship of the annual total compensation of our employees and the annual total

## Table of Contents

compensation of our CEO, Mr. Johnson. Because the SEC rules for identifying the median employee and calculating the pay ratio permit companies to use various methodologies and assumptions, apply certain exclusions, and make reasonable estimates that reflect their employee populations and compensation practices, the pay ratio reported by other companies may not be comparable with the pay ratio that we have reported.

The following table sets forth a summary of the median of the annual total compensation of employees of the Company (other than the CEO), the annual total compensation of our CEO and the ratio of such amounts.

<b>CEO Pay Ratio</b>	
Median employee total compensation	\$ 13,520
CEO total compensation	\$ 2,015,269
Ratio of CEO to Median employee compensation	149:1

As of December 29, 2019, the Company employed over 6,000 persons, including Mr. Johnson. In determining the median employee, a listing was prepared of all employees as of December 29, 2019. Compensation was annualized for those employees who were not employed for the full year of 2019. This resulted in identification of a median employee with total compensation of \$13,520. This total compensation figure reflects employment on a part-time basis, and is not necessarily representative of the compensation of other shop employees or of our overall compensation practices. With respect to the annual total compensation of our CEO, we used the amount reported in the “Total” column of the “Summary Compensation Table” above.

## [Table of Contents](#)

### **RELATED PARTY TRANSACTIONS**

#### **Settlement Agreement**

In connection with the Settlement Agreement with the Vann Group, the Company issued 130,000 shares of common stock (including 41,311 shares issued to the Vann A. Avedisian Trust U/A 8/29/85, 43,571 shares issued to KGT Investments, LLC and 45,118 shares issued to The Khimji Foundation) to reimburse the Vann Group for its documented out-of-pocket costs, fees and expenses incurred in connection with the Settlement Agreement. Based on a report of Schedule 13G filed March 30, 2020 by the Vann Group, the Vann Group beneficially owns 8.3% of the common stock of the Company.

#### **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**

---

We have 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 Chief Legal Officer. 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 shareholders.

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.

## Table of Contents

### BENEFICIAL OWNERSHIP OF OUR COMMON STOCK

Except where indicated by footnote, the following tables set forth information as of May 19, 2020 as to the beneficial ownership 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 director nominees; and
- all of our executive officers and directors as a group.

The number of shares beneficially owned by each shareholder 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 shareholder is c/o Potbelly Corporation, 111 North Canal Street, Suite 850, Chicago, Illinois 60606. The percentage of beneficial ownership shown in the following tables is based on 23,812,999 outstanding shares of common stock as of May 19, 2020, the latest practicable date prior to the publication of this Proxy Statement. For purposes of calculating each person's or group's percentage ownership, shares of common stock issuable pursuant to the terms of stock options or restricted stock units exercisable or vesting within 60 days of May 19, 2020 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
<b><u>Beneficial Owners of 5% or more of outstanding common stock</u></b>		
Vann Group (1)	2,085,444	8.7%
Renaissance Technologies LLC (2)	1,890,500	7.9%
Blackrock Inc. (3)	1,649,877	6.9%
Dimensional Fund Advisors LP (4)	1,517,289	6.4%
180 Degree Capital Corp. (5)	1,410,346	5.9%
Agman Investments LLC (6)	1,359,791	5.7%
Kennedy Capital Management, Inc. (7)	1,295,022	5.4%
Chain of Lakes Investment Fund, LLC/Christopher B. Woodruff (8)	1,269,938	5.3%
Ancora Advisors, LLC (9)	1,258,373	5.3%
<b><u>Directors and Executive Officers</u></b>		
Alan Johnson (10)	151,043	*
Tom Fitzgerald (11)	12,451	*
Steven Cirulis (12)	10,000	*
Julie Younglove-Webb (13)	264,036	1.1%
Brandon Rhoten (14)	38,290	*
Matthew Revord (15)	300,800	1.3%
Jeffrey Douglas (16)	0	*
Daniel Lecocq (17)	0	*
Joseph Boehm (18)	27,610	*
Adrian Butler (19)	8,296	*
Susan Chapman-Hughes (20)	44,561	*
Dan Ginsberg (21)	54,001	*
Marla Gottschalk (22)	162,436	*
David Head (23)	10,000	*
David Near (24)	0	*
Benjamin Rosenzweig (25)	19,418	*
Todd Smith (26)	0	*
All directors and executive officers as a group (17 people)	1,102,942	4.6%

\* Represents less than 1.0%

## Table of Contents

- (1) Based solely on report of Schedule 13D filed May 10, 2020 by Vann A. Avedisian Trust U/A 8/29/85, Intrinsic Investment Holdings, LLC, Bryant L. Keil, Neil Luthra, KGT Investments, LLC and The Khimji Foundation (collectively, the “Vann Group”). Vann A. Avedisian Trust U/A 8/29/85 has sole voting and dispositive power over 554,474 shares (including 41,311 shares which it is entitled to receive within 60 days of May 19, 2020 pursuant to a Settlement Agreement); Intrinsic Investment Holdings, LLC has sole voting and dispositive power over 100 shares; Mr. Keil has sole voting and dispositive power over 165,159 shares; Mr. Luthra has sole voting and dispositive power over 55,713 shares; KGT Investments, LLC has sole voting and dispositive power over 643,571 shares (including 43,571 shares which it is entitled to receive within 60 days of May 19, 2020 pursuant to a Settlement Agreement) and The Khimji Foundation has sole voting and dispositive power over 666,427 shares (including 45,118 shares which it is entitled to receive within 60 days of May 19, 2020 pursuant to a Settlement Agreement). The address for Vann A. Avedisian Trust U/A 8/29/85 and Intrinsic Investment Holdings, LLC is 220 N. Green Street, 3rd Floor, Chicago, IL 60607. The address for Mr. Keil is 25 S. Waukegan Road, Suite A8-50, Lake Forest, IL 60045. The address for Mr. Luthra is 870 Seventh Ave., 2nd Floor, New York, NY 10019. The Address for KGT Investment LLC and The Khimji Foundation is 545 E John Carpenter FWY Ste #1400, Irving, TX 75062.
- (2) Based solely on report of Schedule 13G filed February 13, 2020. The shares are owned by Renaissance Technologies LLC (“RTC”) and beneficially owned by Renaissance Technologies Holdings Corporation (“RTHC”) because of RHTC’s majority ownership of RTC. RTC and RTHC have sole voting power and sole dispositive power over the shares. The address for these entities is 800 Third Avenue, New York, New York 10022.
- (3) Based solely on report of Schedule 13G filed February 5, 2020. Blackrock, Inc. has sole voting power over 1,611,772 shares and sole dispositive power over 1,649,877 shares. The address for this entity is 55 East 52<sup>nd</sup> Street, New York, New York 10055.
- (4) Based solely on report of Schedule 13G filed February 12, 2020. Dimensional Fund Advisors LP (“Dimensional”) is an investment adviser who furnishes investment advice to four investment companies and serves as investment manager or sub-adviser to certain other commingled funds, group trusts and separate accounts (such investment companies, trusts and accounts, collectively, the “Funds”). The Funds own the shares and Dimensional may be deemed beneficial owner as a result of its serving as investment advisor or investment manager. Dimensional or its subsidiaries have sole voting power over 1,455,142 shares and sole dispositive power over 1,517,289 shares. The address for these entities is Building One, 6300 Bee Cave Road, Austin, Texas 78746.
- (5) Based solely on report of Schedule 13D filed January 28, 2020. The address for this entity is 7 N. Willow Street, Suite 4B, Montclair, NJ 07042.
- (6) Based solely on report of Schedule 13G filed April 3, 2020. The address for this entity is 10 E. Ohio St., Second Floor, Chicago, IL 60611.
- (7) Based solely on report of Schedule 13G filed February 14, 2020. The address for this entity is 10829 Olive Blvd, St. Louis, MO 63141.
- (8) Based solely on report of Schedule 13G filed March 19, 2020. Mr. Woodruff is deemed to have shared dispositive and voting power over the shares held by Chain of Lakes Investment Fund, LLC (“COLIF”) as a result of his position as President of COLIF. Mr. Woodruff disclaims beneficial ownership of the shares owned by COLIF. COLIF and Mr. Woodruff’s address is 8101 34th Avenue, Suite 400, Bloomington, MN 55425
- (9) Based solely on report of Schedule 13G filed December 12, 2019. The address of this entity is 6060 Parkland Boulevard, Suite 200, Cleveland, Ohio 44124.
- (10) Consists of 50,843 shares of common stock and options to purchase 100,200 shares of common stock.
- (11) Consists of 12,451 shares of common stock.
- (12) Consists of 10,000 shares of common stock. Mr. Cirulis joined the Company on April 6, 2020.
- (13) Consists of 21,743 shares of common stock and options to purchase 242,293 shares of common stock.
- (14) Consists of 14,534 shares of common stock (including 6,386 RSUs that are scheduled to vest within 60 days of May 19, 2020) and options to purchase 23,756 shares of common stock (including 11,878 shares subject to options exercisable within 60 days of May 19, 2020).

## Table of Contents

- (15) *Consists of 15,318 shares of common stock; options to purchase 271,707 shares of common stock; and 13,775 shares of common stock held by the Matthew J. Revord Declaration of Trust, of which Mr. Revord is a beneficiary.*
- (16) *Mr. Douglas joined the Company on September 23, 2019.*
- (17) *Mr. Lecocq joined the Company on January 6, 2020.*
- (18) *Consists of 27,610 shares of common stock (including 13,429 RSUs that are scheduled to vest within 60 days of May 19, 2020).*
- (19) *Consists of 8,296 RSUs that are scheduled to vest within 60 days of May 19, 2020.*
- (20) *Consists of 44,561 shares of common stock (including 12,010 RSUs that are scheduled to vest within 60 days of May 19, 2020).*
- (21) *Consists of 54,001 shares of common stock (including 18,269 RSUs that are scheduled to vest within 60 days of May 19, 2020).*
- (22) *Consists of 110,822 shares of common stock (including 14,259 RSUs that are scheduled to vest within 60 days of May 19, 2020) and options to purchase 51,614 shares of common stock.*
- (23) *Consists of 10,000 shares of common stock.*
- (24) *Mr. Near joined the Company on May 11, 2020.*
- (25) *Consists of 19,418 shares of common stock (including 13,857 RSUs that are scheduled to vest within 60 days of May 19, 2020).*
- (26) *Mr. Smith joined the Company on May 11, 2020.*

## **Delinquent Section 16(a) Reports**

---

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.

Based solely on a review of the copies of such reports filed with the SEC and on written representations from our executive officers and directors, we believe that during 2019 all Section 16(a) filing requirements were complied with on a timely basis, except that (1) David Head was late in filing one transaction on one required report on Form 3 and (2) William Atkins was late in filing one transaction on one required report on Form 4, in each case due to an administrative error.

## [Table of Contents](#)

### **OTHER MATTERS**

#### **Shareholder Proposals for the 2021 Annual Meeting**

---

Pursuant to Rule 14a-8 under the Exchange Act, in order to be included in the Company's proxy materials for the 2021 Annual Meeting a shareholder proposal must be received in writing by the Company by the close of business on January 20, 2021 and otherwise comply with all requirements of the SEC for shareholder proposals. The Company's address is 111 N. Canal Street, Suite 850, Chicago, IL 60606.

In addition, our Bylaws provide that any shareholder 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 by the close of business 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 February 24, 2021 and no later than March 26, 2021 (assuming the meeting is held not more than 30 days before or more than 60 days after June 24, 2021). The notice must describe the shareholder 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/financial-information/sec-filings>, and the website of the SEC at [www.sec.gov](http://www.sec.gov).

#### **Householding**

---

SEC rules allow delivery of a single annual report and proxy materials to households at which two or more shareholders reside, unless the affected shareholder has provided contrary instructions. Accordingly, shareholders sharing an address who have been previously notified by their broker or its intermediary will receive only one set of the annual report and other proxy materials, unless the shareholder 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 shareholder account. This procedure, referred to as "householding," reduces the volume of duplicate information received by shareholders, as well as our expenses. Shareholders having multiple accounts may have received householding notifications from their respective brokers and, consequently, such shareholders may receive only one set of the annual report and other proxy materials. Upon written or oral request, Potbelly Corporation will promptly deliver 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 set of our annual report and proxy materials, you may write or call Potbelly Corporation at Potbelly Corporation, 111 North Canal Street, Suite 850, Chicago, Illinois 60606, Attention: Corporate Secretary, telephone (312) 951-0600. Shareholders currently sharing an address with another shareholder who wish to have only one set of our 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, Chief People Officer and Secretary*

May 20, 2020

## [Table of Contents](#)

# APPENDIX A – POTBELLY CORPORATION 2019 LONG TERM INCENTIVE PLAN, AS AMENDED AND RESTATED

## POTBELLY CORPORATION 2019 LONG-TERM INCENTIVE PLAN (As Amended and Restated Effective June 24, 2020)

### 1. GENERAL

1.1 **Purposes.** Potbelly Corporation (the “Company”) has established the Potbelly Corporation 2019 Long-Term Incentive Plan (the “Plan”) to: (a) align the interests of the Company’s stockholders and the recipients of Awards under this Plan by increasing the proprietary interest of such recipients in the Company’s growth and success, (b) advance the interests of the Company by attracting and retaining qualified employees, Outside Directors and other persons providing services to the Company and/or to its Related Companies, and (c) motivate Participants to act in the long-term best interests of the Company’s stockholders. The following provisions constitute an amendment and restatement of the Plan, effective June 24, 2020.

1.2 **Definitions.** For purposes of the Plan, the following definitions shall apply:

- (a) “Agreement” shall have the meaning set forth in subsection 6.8 of the Plan.
- (b) “Approval Date” means the date on which the Plan, as amended and restated as set forth herein, is approved by the Company’s stockholders.
- (c) “Award” shall mean an award under Section 3 or 4 of the Plan.
- (d) “Board” shall mean the Board of Directors of the Company.
- (e) “Cause” shall have the meaning set forth in an employment agreement between the Company or a Related Company and the Participant or, if no such agreement exists, “Cause” shall mean (i) the willful failure to substantially perform the duties assigned by the Company or a Related Company (other than a failure resulting from the Participant’s Disability), (ii) the willful engaging in conduct which is injurious to the Company or any of its Related Companies or the Company’s stockholders, monetarily or otherwise, including conduct that, in the reasonable judgment of the Board, no longer conforms to the standard of the Company’s executives or employees, (iii) any act of dishonesty, commission of a felony, or a violation of any statutory or common law duty of loyalty to the Company or any of its Related Companies.
- (f) “Change in Control” means the first to occur of any of the following:
  - (i) the consummation of a transaction, approved by the stockholders of the Company, to merge the Company with or into or consolidate the Company with another entity or sell or otherwise dispose of all or substantially all of its assets, or the stockholders of the Company adopt a plan of liquidation, provided, however, that a Change in Control shall not be deemed to have occurred by reason of a transaction, or a substantially concurrent or otherwise related series of transactions, upon the completion of which 50% or more of the beneficial ownership of the voting power of the Company, the surviving corporation or corporation directly or indirectly controlling the Company or the surviving corporation, as the case may be, is held by the same persons (although not necessarily in the same proportion) as held the beneficial ownership of the voting power of the Company immediately prior to the transaction or the substantially concurrent or otherwise related series of transactions, except that upon the completion thereof, employees or employee benefit plans of the Company may be a new holder of such beneficial ownership; or
  - (ii) (ii) the “beneficial ownership” (as defined in Rule 13d-3 under the Exchange Act) of securities representing 50% or more of the combined voting power of the Company is acquired, other than from the Company, by any “person” as defined in Sections 13(d) and 14(d) of the Exchange Act (other than any trustee or other fiduciary holding securities under an employee benefit or other similar equity plan of the Company); or

## Table of Contents

- (iii) (iii) at any time during any period of two consecutive years, individuals who at the beginning of such period were members of the Board cease for any reason to constitute at least a majority thereof (unless the election, or the nomination for election by the Company's stockholders, of each new director was approved by a vote of at least two-thirds of the directors still in office at the time of such election or nomination who were directors at the beginning of such period).
- (g) "Code" shall mean the Internal Revenue Code of 1986, as amended.
- (h) "Committee" shall have the meaning set forth in subsection 5.1 of the Plan.
- (i) "Common Stock" shall mean a share of common stock, \$.01 par value, of the Company.
- (j) "Company" shall have the meaning set forth in subsection 1.1 of the Plan.
- (k) "Disability" shall mean that an individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months. Whether an individual has a "Disability" shall be determined in a manner that is consistent with section 22(e)(3) of the Code.
- (l) "Effective Date" shall have the meaning set forth in subsection 6.1 of the Plan.
- (m) "Eligible Persons" shall mean any officer, director, employee, consultant, independent contractor or agent of the Company or any Related Company and persons who are expected to become an officer, director, employee, consultant, independent contractor or officer of the Company or any Related Company (but effective no earlier than the date on which such person begins to provide services to the Company or any Related Company), including, in each case, directors who are not employees of the Company or a Related Company.
- (n) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.
- (o) "Exercise Price" shall have the meaning set forth in subsection 3.2 of the Plan.
- (p) "Expiration Date" shall have the meaning set forth in subsection 3.9 of the Plan.
- (q) "Fair Market Value" of a share of Common Stock shall mean, as of any date, the value determined in accordance with the following rules:
  - (i) If the Common Stock is at the time listed or admitted to trading on any stock exchange, then the Fair Market Value shall be the closing price per share of Common Stock on the principal exchange on which the Common Stock is then listed or admitted to trading on the last trading day preceding the date on which Fair Market Value is to be determined or, if no such sale is reported on that date, on the last preceding date on which a sale was so reported.
  - (ii) If the Common Stock is not at the time listed or admitted to trading on a stock exchange, the Fair Market Value shall be the closing average of the closing bid and asked price of a share of Common Stock on the date in question in the over-the-counter market, as such price is reported in a publication of general circulation selected by the Committee and regularly reporting the market price of Common Stock in such market.
  - (iii) If the Common Stock is not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, the Fair Market Value shall be as determined by the Committee in good faith.
- For purposes of determining the Fair Market Value of Common Stock that is sold pursuant to a cashless exercise program, Fair Market Value shall be the price at which such Common Stock is sold.
- (r) "Full Value Award" shall have the meaning set forth in Section 4 of the Plan.
- (s) "Incentive Stock Option" means an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in section 422 of the Code.

## Table of Contents

- (t) “Non-Qualified Stock Option” means an Option that is not intended to be an Incentive Stock Option.
- (u) “Option” means an Award under the Plan that entitles the Participant to purchase shares of Common Stock at an Exercise Price established by the Committee at the time the Option is granted.
- (v) “Outside Director” means a director of the Company who is not an officer or employee of the Company or any Related Company.
- (w) “Participant” shall have the meaning set forth in subsection 1.3 of the Plan.
- (x) “Plan” shall have the meaning set forth in subsection 1.1 of the Plan.
- (y) “Prior Approval Date” shall mean May 16, 2019.
- (z) “Prior Plan” shall mean the Potbelly Corporation 2013 Long-Term Incentive Plan.
- (aa) “Recycled Shares” shall have the meaning set forth in paragraph 2.1(b)(ii) of the Plan.
- (bb) “Related Company” shall mean any corporation, partnership, joint venture or other entity during any period in which (i) the Company, directly or indirectly, owns at least 50% of the combined voting power of all classes of stock of such entity or at least 50% of the ownership interests in such entity or (ii) such entity, directly or indirectly, owns at least 50% of the combined voting power of all classes of stock of the Company.
- (cc) “SAR” means the grant of an Award under the Plan that entitles the Participant to receive, in cash or shares of Common Stock (as determined in accordance with the terms of the Plan) value equal to the excess of: (i) the Fair Market Value of a specified number of shares of Common Stock at the time of exercise; over (ii) an Exercise Price established by the Committee at the time of grant.
- (dd) “Subsidiary” shall mean a corporation that is a subsidiary of the Company within the meaning of section 424(f) of the Code.
- (ee) “Substitute Award” means an Award granted or shares of Stock issued by the Company in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by the Company or any Related Company or with which the Company or any Related Company combines. In no event shall the issuance of Substitute Awards change the terms of such previously granted awards such that the change, if applied to a current Award, would be prohibited under subsection 3.7.
- (ff) “Termination Date” means the date on which a Participant both ceases to be an employee of the Company and the Related Companies and ceases to perform material services for the Company and the Related Companies (whether as a director or otherwise), regardless of the reason for the cessation; provided that a “Termination Date” shall not be considered to have occurred during the period in which the reason for the cessation of services is a leave of absence approved by the Company or the Related Company which was the recipient of the Participant’s services; and provided, further that, with respect to an Outside Director, “Termination Date” means date on which the Outside Director’s service as an Outside Director terminates for any reason.

1.3 Participation. For purposes of the Plan, a “Participant” is any person to whom an Award is granted under the Plan. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Persons those persons who will be granted one or more Awards under the Plan and, subject to the terms and conditions of the Plan, a Participant may be granted any Award permitted under the provisions of the Plan and more than one Award may be granted to a Participant. Except as otherwise agreed by the Company and the Participant, or except as otherwise provided in the Plan, an Award under the Plan shall not affect any previous Award under the Plan or an award under any other plan maintained by the Company or any of the Related Companies. No Eligible Person or other person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Eligible Persons, or holders or beneficiaries of Awards, or of multiple Awards granted to an Eligible Person. The terms and conditions of Awards and the Committee’s

## Table of Contents

determinations and interpretations with respect thereto need not be the same with respect to each Eligible Person (whether or not such Eligible Persons are similarly situated).

## 2. SHARES RESERVED AND LIMITATIONS

2.1 Shares Available and Other Amounts Subject to the Plan. The shares of Common Stock for which Awards may be granted under the Plan shall be subject to the following:

- (a) Shares of Common Stock with respect to which Awards may be made under the Plan shall be currently authorized but unissued shares of Common Stock or currently held or subsequently acquired by the Company as treasury shares (or a combination thereof), including shares purchased in the open market or in private transactions.
- (b) Subject to the provisions of subsection 2.2, the number of shares of Common Stock that may be issued with respect to Awards under the Plan shall be equal to the sum of (1) 900,000 shares plus (2) the number of shares of Common Stock available for issuance under the Prior Plan as of the Prior Approval Date (and immediately prior to the Prior Approval Date). Notwithstanding the foregoing:
  - (i) Shares of Common Stock covered by an Award shall only be counted as used to the extent that they are actually used. A share of Common Stock issued in connection with any Award under the Plan shall reduce the total number of shares of Common Stock available for issuance under the Plan by one.
  - (ii) Any shares of Common Stock (A) that are subject to Awards granted under the Plan or (B) that are subject to awards granted under the Prior Plan that are outstanding on the Approval Date (and immediately prior to approval), in any case that terminate by reason of expiration, forfeiture, cancellation, or otherwise, without the issuance of such shares, or that are settled in cash, shall thereafter again be available for issuance under the Plan (the shares described in subparagraphs (A) and (B), collectively, “Recycled Shares”). Recycled Shares shall be added back to the number of shares of Common Stock reserved for issuance under the Plan on a one for one basis; provided, however, that (A) Recycled Shares attributable to any Full Value Award granted under the Plan and (B) Recycled Shares attributable to any Full Value Awards granted under the Prior Plan, in either case, shall be added back on the same basis that such award reduced the number of total shares available under the Plan or Prior Plan, as applicable, at the time such award was granted.
- (c) Notwithstanding any other provision of the Plan, following shares of Common Stock may not again be made available for issuance under the Plan pursuant to this subsection 2.1: (i) shares of Common Stock not issued or delivered as a result of the net settlement of an outstanding Award; (ii) shares delivered to or withheld by the Company to pay the Exercise Price of an Option or SAR or to pay the withholding taxes with respect to an Award; (iii) shares of Common Stock repurchased on the open market with the proceeds of the Exercise Price of an Option; or (iv) shares subject to Substitute Awards.
- (d) Except as expressly provided by the terms of this Plan, the issue by the Company of stock of any class, or securities convertible into shares of stock of any class, for cash or property or for labor or services, either upon direct sale, upon the exercise of rights or warrants to subscribe therefor or upon conversion of stock or obligations of the Company convertible into such stock or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, Awards then outstanding hereunder.
- (e) To the extent provided by the Committee, any Award may be settled in cash rather than in Common Stock.
- (f) Substitute Awards shall not reduce the number of shares of Common Stock that may be issued under the Plan.
- (g) Subject to the terms and conditions of the Plan, the maximum number of shares of Common Stock that may be delivered to or on behalf of Participants under the Plan with respect to Incentive Stock Options

## Table of Contents

shall be 1,200,000; provided, however, that to the extent that shares not delivered must be counted against this limit as a condition of satisfying the rules applicable to Incentive Stock Options, such rules shall apply to the limit on Incentive Stock Options granted under the Plan.

2.2 Adjustments to Shares of Common Stock. In the event of a stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, exchange of shares, sale of assets or subsidiaries, combination, or other corporate transaction that affects the Common Stock such that the Committee determines, in its sole discretion, that an adjustment is warranted in order to preserve the benefits or prevent the enlargement of benefits of Awards under the Plan, the Committee shall, in the manner it determines equitable in its sole discretion, (a) adjust the number and kind of shares which may be delivered under the Plan (including adjustments to the number and kind of shares that may be granted to an individual during any specified time as described in subsection 2.1); (b) adjust the number and kind of shares subject to outstanding Awards; (c) adjust the Exercise Price of outstanding Options and SARs; and (d) make any other adjustments that the Committee determines to be equitable (which may include, without limitation, (i) replacement of Awards with other awards which the Committee determines have comparable value and which are based on stock of a company resulting from the transaction, and (ii) cancellation of the Award in return for cash payment of the current value of the Award, determined as though the Award is fully vested at the time of payment, provided that in the case of an Option or SAR, the amount of such payment may be the excess of value of the shares of Common Stock subject to the Option or SAR at the time of the transaction over the exercise price).

2.3 Change in Control. In the event that (a) a Participant is employed or otherwise in service on the date of a Change in Control and the Participant's employment or service, as applicable, is terminated by the Company or the successor to the Company (or a Related Company which is his or her employer) for reasons other than Cause within 24 months following the Change in Control, or (b) the Plan is terminated by the Company or its successor following a Change in Control without provision for the assumption, continuation or substitution of outstanding Awards hereunder, all Options, SARs and related Awards which have not otherwise expired shall become immediately exercisable and all other Awards shall become fully vested; provided, however, that all Awards with conditions and restrictions relating to the attainment of performance goals shall become vested assuming the higher of (A) achievement of all relevant performance goals at the target level of performance (pro rated based upon the length of time within the performance period that has elapsed prior to the Change in Control) or (B) actual achievement of the performance goals as of the date of the Change in Control. For purposes of this subsection 2.3, a Participant's employment or service shall be deemed to be terminated by the Company or the successor to the Company (or a Related Company) if the Participant terminates employment or service after (i) a substantial adverse alteration in the nature of the Participant's status or responsibilities from those in effect immediately prior to the Change in Control, or (ii) a material reduction in the Participant's annual base salary and target bonus, if any, or, in the case of a Participant who is an Outside Director, the Participant's annual compensation, as in effect immediately prior to the Change in Control. If, upon a Change in Control, awards in other shares or securities are substituted for outstanding Awards pursuant to subsection 2.2, and immediately following the Change in Control the Participant becomes employed by (if the Participant was an employee immediately prior to the Change in Control) or a board member of (if the Participant was an Outside Director immediately prior to the Change in Control) the entity into which the Company merged, or the purchaser of substantially all of the assets of the Company, or a successor to such entity or purchaser, the Participant shall not be treated as having terminated employment or service for purposes of this subsection 2.3 until such time as the Participant terminates employment or service with the merged entity or purchaser (or successor), as applicable.

2.4 Limits Applicable to Non-Employee Directors. Notwithstanding any other provision of the Plan to the contrary, the aggregate value of all Awards granted under the Plan to any Outside Director for any calendar year shall not exceed (a) \$300,00 in total value or (b) in the event such Outside Director is first appointed or elected to the Board in such calendar year, \$400,000 in total value. For purposes of the foregoing limitation, the value of an Award shall be its grant date fair value, as determined in accordance with ASC 718 or successor provision but excluding the impact of estimated forfeitures related to service-based vesting conditions.

## Table of Contents

### 3. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

3.1 Options and SARs. The Committee shall designate the Participants to whom Options or SARs are to be granted under this Section 3 and shall determine the number of shares of Common Stock subject to each such Option or SAR and the other terms and conditions thereof, not inconsistent with the Plan. Without limiting the generality of the foregoing, the Committee may not grant dividend equivalents (current or deferred) with respect to any Option or SAR granted under the Plan. An Option will be deemed to be a Non-Qualified Option unless it is specifically designated by the Committee as an Incentive Stock Option.

3.2 Exercise Price. The “Exercise Price” of each Option and SAR granted under this Section 3 shall be established by the Committee at the time the Option or SAR is granted; provided, however, that in no event shall such price be less than 100% of the Fair Market Value of a share of Common Stock on the date of grant (or, if greater, the par value of a share of Common Stock).

3.3 Limits on Incentive Stock Options. If the Committee grants Incentive Stock Options, then to the extent that the aggregate fair market value of shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any individual during any calendar year (under all plans of the Company and all Subsidiaries) exceeds \$100,000, such Options shall be treated as Non-Qualified Stock Options to the extent required by section 422 of the Code. Any Option that is intended to constitute an Incentive Stock Option shall satisfy any other requirements of section 422 of the Code and, to the extent such Option does not satisfy such requirements, the Option shall be treated as a Non-Qualified Stock Option.

3.4 Term and Exercisability. Except as otherwise expressly provided in the Plan, an Option or SAR granted under the Plan shall be exercisable in accordance with the following:

- (a) The terms and conditions relating to exercise and vesting of an Option or SAR shall be established by the Committee to the extent not inconsistent with the Plan, and may include, without limitation, conditions relating to completion of a specified period of service, achievement of performance standards prior to exercise or the achievement of Common Stock ownership guidelines by the Participant.
- (b) No Option or SAR may be exercised by a Participant prior to the date on which it is exercisable (or vested) or after the Expiration Date applicable thereto. In no event shall an Option or SAR expire later than the tenth anniversary of the grant date of such Option or SAR.

3.5 Payment of Exercise Price. The payment of the Exercise Price of an Option granted under this Section 3 shall be subject to the following:

- (a) Subject to the following provisions of this subsection 3.5, the full Exercise Price of each share of Common Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise through the use of cash equivalents (including broker-assisted cashless exercise), payment may be made as soon as practicable after the exercise) and, as soon as practicable thereafter, a certificate representing the shares of Common Stock so purchased shall be delivered to the person entitled thereto or shares of Common Stock so purchased or such shares of Common Stock shall otherwise be registered in the name of the Participant on the records of the Company’s transfer agent and credited to the Participant’s account.
- (b) Subject to applicable law, the Exercise Price shall be payable in cash or cash equivalents (including broker-assisted cashless exercise), by tendering, by actual delivery or by attestation (including by means of a net exercise), shares of Common Stock valued at Fair Market Value as of the day of exercise or by a combination thereof; provided, however, that shares of Common Stock may not be used to pay any portion of the Exercise Price unless the holder thereof has good title, free and clear of all liens and encumbrances.

## Table of Contents

3.6 Post-Exercise Limitations. The Committee, in its discretion, may impose such restrictions on shares of Common Stock acquired pursuant to the exercise of an Option as it determines to be desirable, including, without limitation, restrictions relating to disposition of the shares and forfeiture restrictions based on service, performance, Common Stock ownership by the Participant, conformity with the Company's recoupment or clawback policies as in effect from time to time, compliance with restrictive covenants, and such other factors as the Committee determines to be appropriate.

3.7 No Repricing. Except for either adjustments pursuant to subsection 2.2 of the Plan (relating to the adjustment of shares), or reductions of the exercise price approved by the Company's stockholders, the exercise price for any outstanding Option or SAR may not be decreased after the date of grant nor may an outstanding Option or SAR granted under the Plan be surrendered to the Company as consideration for the grant of a replacement Option or SAR with a lower exercise price or a Full Value Award. Except as approved by the Company's stockholders, in no event shall any Option or SAR granted under the Plan be surrendered to the Company in consideration for a cash payment if, at the time of such surrender, the exercise price of the Option or SAR is greater than the then current Fair Market Value of a share of Common Stock. In addition, no repricing of an Option shall be permitted without the approval of the Company's stockholders if such approval is required under the rules of any stock exchange on which the Common Stock is listed.

3.8 Tandem Common Stock Options and SARs. A Option may but need not be in tandem with an SAR, and an SAR may but need not be in tandem with an Option (in either case, regardless of whether the original award was granted under this Plan or another plan or arrangement). If an Option is in tandem with an SAR, the exercise price of both the Option and SAR shall be the same, and the exercise of the Option or SAR with respect to a share of Common Stock shall cancel the corresponding tandem SAR or Option right with respect to such share. If an SAR is in tandem with an Option but is granted after the grant of the Option, or if an Option is in tandem with an SAR but is granted after the grant of the SAR, the later granted tandem Award shall have the same exercise price as the earlier granted Award, but the exercise price for the later granted Award may not be less than the Fair Market Value of the Common Stock at the time of such grant.

3.9 Expiration Date. The "Expiration Date" with respect to an Option or SAR means the date established as the Expiration Date by the Committee at the time of the grant (as the same may be modified in accordance with the terms of the Plan); provided, however, that the Expiration Date with respect to any Option or SAR shall not be later than the earliest to occur of the ten-year anniversary of the date on which the Option or SAR is granted or the following dates, unless the following dates are determined otherwise by the Committee:

- (a) if the Participant's Termination Date occurs by reason of death or Disability, the one-year anniversary of such Termination Date;
- (b) if the Participant's Termination Date occurs for reasons other than death or Disability or Cause, the three-month anniversary of such Termination Date; or
- (c) if the Participant's Termination Date occurs for Cause, the day preceding the Termination Date.

In no event shall the Expiration Date of an Option or SAR be later than the ten-year anniversary of the date on which the Option or SAR is granted (or such shorter period required by law or the rules of any stock exchange on which the Common Stock is listed).

## 4. FULL VALUE AWARDS

A "Full Value Award" is a grant of one or more shares of Common Stock or a right to receive one or more shares of Common Stock in the future (including restricted stock, restricted stock units, performance shares, and performance units) which is contingent on continuing service, the achievement of performance objectives during a specified period performance, or other restrictions as determined by the Committee or in consideration of a Participant's previously performed services or surrender or other compensation that may be due. The grant of

## Table of Contents

Full Value Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee, including provisions relating to dividend or dividend equivalent rights and deferred payment or settlement. Notwithstanding the foregoing, no dividends or dividend equivalent rights will be paid or settled on Full Value Awards that have not been earned or vested.

### 5. COMMITTEE

5.1 Administration. The authority to control and manage the operation and administration of the Plan shall be vested in the committee described in subsection 5.2 (the “Committee”) in accordance with this Section 5. If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

5.2 Selection of Committee. So long as the Company is subject to Section 16 of the Exchange Act, the Committee shall be selected by the Board and shall consist of not fewer than two members of the Board or such greater number as may be required for compliance with Rule 16b-3 issued under the Exchange Act and shall be comprised of persons who are independent for purposes of applicable stock exchange listing requirements. Notwithstanding any other provision of the Plan to the contrary, with respect to any Awards to Outside Directors, the Committee shall be the Board.

5.3 Powers of Committee. The authority to manage and control the operation and administration of the Plan shall be vested in the Committee, subject to the following:

- (a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to (i) select Eligible Persons who will receive Awards under the Plan, (ii) determine the time or times of receipt of Awards, (iii) determine the types of Awards and the number of shares of Common Stock covered by the Awards, (iv) establish the terms, conditions, performance targets, restrictions, and other provisions of Awards, (v) modify the terms of, cancel or suspend Awards, (vi) reissue or repurchase Awards, and (vii) accelerate the exercisability or vesting of any Award. In making such Award determinations, the Committee may take into account the nature of services rendered by the respective employee, the individual’s present and potential contribution to the Company’s or a Related Company’s success and such other factors as the Committee deems relevant.
- (b) Subject to the provisions of the Plan, the Committee will have the authority and discretion to conclusively interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any agreements made pursuant to the Plan and to make all other determinations that may be necessary or advisable for the administration of the Plan.
- (c) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.
- (d) Except as otherwise expressly provided in the Plan, where the Committee is authorized to make a determination with respect to any Award, such determination shall be made at the time the Award is made, except that the Committee may reserve the authority to have such determination made by the Committee in the future (but only if such reservation is made at the time the Award is granted, is expressly stated in the Agreement reflecting the Award and is permitted by applicable law).

Without limiting the generality of the foregoing, it is the intention of the Company that, to the extent that any provisions of this Plan or any Awards granted hereunder are subject to section 409A of the Code, the Plan and the Awards comply with the requirements of section 409A of the Code and that the Plan and Awards be administered in accordance with such requirements and the Committee shall have the authority to amend any outstanding Awards to conform to the requirements of section 409A.

5.4 Delegation by Committee. Except to the extent prohibited by applicable law or the rules of any stock exchange on which the Common Stock is listed, the Committee may allocate all or any portion of its

## Table of Contents

responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

5.5 Information to be Furnished to Committee. The Company and the Related Companies shall furnish the Committee such data and information as may be required for it to discharge its duties. The records of the Company and the Related Companies as to an employee's or Participant's employment or provision of services, termination of employment or cessation of the provision of services, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

5.6 Liability and Indemnification of Committee. No member or authorized delegate of the Committee shall be liable to any person for any action taken or omitted in connection with the administration of the Plan unless attributable to his own fraud or willful misconduct; nor shall the Company or any Related Company be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director or employee of the Company or Related Company. The Committee, the individual members thereof, and persons acting as the authorized delegates of the Committee under the Plan, shall be indemnified by the Company against any and all liabilities, losses, costs and expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Committee or its members or authorized delegates by reason of the performance of a Committee function if the Committee or its members or authorized delegates did not act dishonestly or in willful violation of the law or regulation under which such liability, loss, cost or expense arises. This indemnification shall not duplicate but may supplement any coverage available under any applicable insurance.

5.7 Special Vesting Rules. Except for (a) Awards granted under the Plan with respect to shares of Common Stock which do not exceed, in the aggregate, five percent of the total number of shares of Common Stock reserved for issuance pursuant to subsection 2.1, (b) Awards granted in lieu of other compensation, or (c) Awards that are a form of payment of earned performance awards or other incentive compensation provided that the performance period relating to such performance or incentive awards was at least one year, if a Participant's right to become vested in an Award is conditioned on the completion of a specified period of service with the Company or any Related Company Subsidiaries being required, then the required period of service shall be at least one (1) year, except if accelerated in the event of the participant's death or Disability, or involuntary termination.

## 6. MISCELLANEOUS

6.1 Effective Date and Term. This Plan, as amended and restated, shall be effective as of the date that it is approved by the Board (the "Effective Date"). The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any shares of Common Stock awarded under it are outstanding and not fully vested; provided, however, that no new Awards will be made under the Plan on or after the tenth anniversary of the Effective Date. Any awards granted under the Prior Plan or the Plan prior to the Approval Date shall be subject to the terms and conditions of the Prior Plan or the Plan as in effect at the time of grant.

6.2 Limit on Distribution. Distribution of Common Stock or other amounts under the Plan shall be subject to the following:

- (a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any Common Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity.
- (b) In the case of a Participant who is subject to Section 16(a) and 16(b) of the Exchange Act, the Committee may, at any time, add such conditions and limitations to any Award to such Participant, or

## Table of Contents

any feature of any such Award, as the Committee, in its sole discretion, deems necessary or desirable to comply with Section 16(a) or 16(b) and the rules and regulations thereunder or to obtain any exemption therefrom.

- (c) To the extent that the Plan provides for issuance of certificates to reflect the transfer of Common Stock, the transfer of such Common Stock may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the rules of any stock exchange on which the Common Stock is listed.

**6.3 Liability for Cash Payments.** Subject to the provisions of this Section 6, each Related Company shall be liable for payment of cash due under the Plan with respect to any Participant to the extent that such payment is attributable to the services rendered for that Related Company by the Participant. Any disputes relating to liability of a Related Company for cash payments shall be resolved by the Committee.

**6.4 Withholding.** All Awards and other payments under the Plan are subject to withholding of all applicable taxes, which withholding obligations may be satisfied, with the consent of the Committee, through the surrender of Common Stock which the Participant already owns or to which a Participant is otherwise entitled under the Plan; provided, however, previously-owned Common Stock that has been held by the Participant or Common Stock to which the Participant is entitled under the Plan may only be used to satisfy the minimum tax withholding required by applicable law (or other rates that will not have a negative accounting impact).

**6.5 Transferability.** Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution or, unless otherwise provided by the Committee, pursuant to a qualified domestic relations order (within the meaning of the Code and applicable rules thereunder). To the extent that the Participant who receives an Award under the Plan has the right to exercise such Award, the Award may be exercised during the lifetime of the Participant only by the Participant. Notwithstanding the foregoing provisions of this subsection 6.5, unless otherwise provided by the Committee, Awards may be transferred to or for the benefit of the Participant's family (including, without limitation, to a trust or partnership for the benefit of a Participant's family), subject to such procedures as the Committee may establish. In no event shall an Incentive Stock Option be transferable to the extent that such transferability would violate the requirements applicable to such option under section 422 of the Code.

**6.6 Notices.** Any notice or document required to be filed with the Committee under the Plan will be properly filed if delivered or mailed by registered mail, postage prepaid, to the Committee, in care of the Company or the Related Company, as applicable, at its principal executive offices. The Committee may, by advance written notice to affected persons, revise such notice procedure from time to time. Any notice required under the Plan (other than a notice of election) may be waived by the person entitled to notice.

**6.7 Form and Time of Elections.** Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification or revocation thereof, shall be in writing filed with the applicable Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

**6.8 Agreement With the Company or Related Company.** At the time of an Award to a Participant under the Plan, the Committee may require a Participant to enter into an agreement with the Company or the Related Company, as applicable (the "Agreement"), in a form specified by the Committee, agreeing to the terms and conditions of the Plan and to such additional terms and conditions, not inconsistent with the Plan, as the Committee may, in its sole discretion, prescribe.

**6.9 Limitation of Implied Rights.**

- (a) Neither a Participant nor any other person shall, by reason of the Plan, acquire any right in or title to any assets, funds or property of the Company or any Related Company whatsoever, including, without

## Table of Contents

limitation, any specific funds, assets, or other property which the Company or any Related Company, in its sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the amounts, if any, payable under the Plan, unsecured by any assets of the Company and any Related Company. Nothing contained in the Plan shall constitute a guarantee by the Company or any Related Company that the assets of such companies shall be sufficient to pay any benefits to any person.

- (b) The Plan does not constitute a contract of employment or continued service, and selection as a Participant will not give any employee the right to be retained in the employ or service of the Company or any Related Company, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any right as a stockholder of the Company prior to the date on which he fulfills all service requirements and other conditions for receipt of such rights and shares of Common Stock are registered in his name.

6.10 Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

6.11 Action by the Company or Related Company. Any action required or permitted to be taken by the Company or any Related Company shall be by resolution of its board of directors or governing body or by action of one or more members of the board or governing body (including a committee of the board or governing body) who are duly authorized to act for the board or, in the case of any Related Company which is a partnership, by action of its general partner or a person or persons authorized by the general partner, or (except to the extent prohibited by applicable law or the rules of any stock exchange on which the Common Stock is listed) by a duly authorized officer of the Company.

6.12 Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

6.13 Applicable Law. The provisions of the Plan shall be construed in accordance with the laws of the State of Delaware, without giving effect to choice of law principles.

6.14 Foreign Employees. Notwithstanding any other provision of the Plan to the contrary, the Committee may grant Awards to eligible persons who are foreign nationals on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable to foster and promote achievement of the purposes of the Plan. In furtherance of such purposes, the Committee may make such modifications, amendments, procedures and subplans as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or a Related Company operates or has employees. The foregoing provisions of this subsection 6.14 shall not be applied to increase the share limitations of Section 2 or to otherwise change any provision of the Plan that would otherwise require the approval of the Company's stockholders.

6.15 Recoupment/Forfeiture. Notwithstanding any other provision of the Plan or any Award Agreement to the contrary, unless otherwise specified by the Committee, any Awards under the Plan and any shares of Common Stock or cash issued pursuant to the Plan shall be subject to the Company's compensation recovery, clawback, and recoupment policies as in effect from time to time.

## 7. AMENDMENT AND TERMINATION.

The Board may, at any time, amend or terminate the Plan, and the Board or the Committee may amend any Award Agreement, provided that no amendment or termination may, in the absence of written consent to the

## Table of Contents

change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board (or the Committee, if applicable); and further provided that adjustments pursuant to subsection 2.2 shall not be subject to the foregoing limitations of this Section 7; and further provided that the provisions of subsection 3.7 (relating to Option and SAR repricing) cannot be amended unless the amendment is approved by the Company's stockholders; and provided further that, no other amendment shall be made to the Plan without the approval of the Company's stockholders if such approval is required by law or the rules of any stock exchange on which the Common Stock is listed. It is the intention of the Company that, to the extent that any provisions of this Plan or any Awards granted hereunder are subject to section 409A of the Code, the Plan and the Awards comply with the requirements of section 409A of the Code and that the Board shall have the authority to amend the Plan as it deems necessary to conform to section 409A. Notwithstanding the foregoing, the Company does not guarantee that Awards under the Plan will comply with section 409A and the Committee is under no obligation to make any changes to any Award to cause such compliance.

## Table of Contents

POTBELLY CORPORATION  
111 NORTH CANAL STREET  
SUITE 850  
CHICAGO, IL 60606

### **VOTE BY INTERNET**

Before The Meeting - Go to [www.proxyvote.com](http://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, on June 23, 2020. 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.

During The Meeting - Go to [www.virtualshareholdermeeting.com/PB2020](http://www.virtualshareholdermeeting.com/PB2020)

You may attend the meeting via the Internet and vote during the meeting. Have the information that is printed in the box marked by the arrow available and follow the instructions.

### **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, on June 23, 2020. 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:

D13432-P39907

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

#### POTBELLY CORPORATION

The Board of Directors recommends you vote **FOR** each of the following nominees:

1. Election of ten director nominees to serve on the Board of Directors.

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.

#### Nominees:

- |                          |                         |
|--------------------------|-------------------------|
| 01) Adrian Butler        | 06) David Head          |
| 02) Joseph Boehm         | 07) Alan Johnson        |
| 03) Susan Chapman-Hughes | 08) David Near          |
| 04) Dan Ginsberg         | 09) Benjamin Rosenzweig |
| 05) Marla Gottschalk     | 10) Todd Smith          |

#### The Board of Directors recommends you vote **FOR** the following proposals:

For Against Abstain

- |   |  |
|---|--|
| 2. Ratification of the appointment of Deloitte & Touche LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 27, 2020. | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |
| 3. A non-binding, advisory vote on a resolution to approve the 2019 compensation of the Company's named executive officers.   | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |
| 4. Approval of the amendment and restatement of the Potbelly Corporation 2019 Long-Term Incentive Plan.   | <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> |

**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

[\*\*Table of Contents\*\*](#)

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**  
The Notice and Proxy Statement and Annual Report on Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

-----  
D13433-P39907

**POTBELLY CORPORATION  
ANNUAL MEETING OF SHAREHOLDERS  
ON JUNE 24, 2020 at 8:00 AM  
This proxy is solicited by the Board of Directors**

The undersigned appoints Alan Johnson and Matt Revord and each of them, as proxies, each with full power of substitution and revocation and authorizes each of them to represent and to vote, as designated on the reverse hereof, all of the shares of common stock of POTBELLY CORPORATION, that the shareholder(s) is/are entitled to vote at the Annual Meeting of Shareholders of Potbelly Corporation to be held at 8:00 AM local time on June 24, 2020, at [www.virtualshareholdermeeting.com/PBPB2020](http://www.virtualshareholdermeeting.com/PBPB2020), and any adjournment or postponement thereof.

**This proxy, when properly executed, will be voted as directed herein. If no direction is given, this proxy will be voted FOR the election of each of the ten director nominees listed on the reverse side, and FOR proposals 2, 3 and 4. This proxy revokes any previously executed proxy with respect to all proposals that properly come before the Annual Meeting.**

(Continued, and to be marked, dated and signed, on the other side)