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DJ Luby's Asks Shareholders Not To Vote For Dissident Slate

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NEW YORK (Dow Jones)--A small shareholder group calling for reform at Luby's Inc. (LUB) has moved a step closer nominating its own board of directors as the San Antonio, Texas, cafeteria-style restaurants took a defensive stance.

The Committee of Concerned Luby's Shareholders filed a revised preliminary proxy Monday with the Securities and Exchange Commission after the SEC asked for "minor modifications" of its Oct. 16 preliminary proxy, said committee head Herbert Leslie Greenberg. He added that the committee, whose members control about 1.85% of Luby's outstanding shares, hopes to solicit its proxy by Nov. 24.

Getting that proxy to shareholders might prove difficult. Greenberg said committee members have made two separate requests to Luby's for a list of shareholders in the last month but haven't received a response. Noting that Delaware law allows registered shareholders to request the list for proper purpose, Greenberg said the committee may have to file legal action to get the shareholder list.

Luby's issued a filing of its own late Friday that urged shareholders "not to sign or return any proxy card sent to you by the Committee of Concerned Luby's Shareholders." The company then listed its initiatives to improve operating performance, specifically giving managers greater incentives through profit participation in their restaurants and a bonus for improved sales performance; new marketing efforts to drive sales, including broadcast advertising and coupon incentives; naming 16-year Luby's veteran Darrell Wood to the newly created position of Vice President-Head of Field Operations to unite store managers under his direction and lend managers support; and to suspend payment of its 10-cent quarterly dividend.

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Luby's also said last month that Chief Financial Officer Laura Bishop had resigned, effective Nov. 10. This followed resignation of President and Chief Executive Barry Parker in September.

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The loss of the dividend, earnings weakness and a toppling share price may bring support for the committee, said Greenberg. He estimated that about 30% of Luby's stock is held by institutions and about 5% is held by management, meaning 65% is owned by individuals - "many of whom are former Luby's employees," Greenberg said. "There are a lot of unhappy campers in that group," Greenberg added.

The committee's slate of directors includes Greenberg, who has served as panels of arbitrators of the National Association of Securities Dealers and the New York Stock Exchange; Elisse Jones Freeman, whose father is credited with being one of the founders and a former chief operating officer of Luby's; Davis Simpson, listed as once serving as director of management training at Luby's; William Snyder, a former area vice president, according to the preliminary proxy; and Thomas Palmer, an investment manager in Tyler, Texas.

In addition to its slate, the committee is also proposing that Luby's board hold annual elections for all directors, instead of every three years; that bonuses be paid to the chief executive only when Luby's financial performance exceeds that of the previous year; that any director be given the "unfettered" right to submit items for discussion at board meetings; and it supports a resolution requesting the removal of all anti-takeover defenses.

In addition, the committee wants Luby's to explore more areas for cost cutting, delay an advertising push until the product quality is improved, and return to serving food "made from scratch" instead of outsourcing food. Greenberg added that the group doesn't think the May introduction of "bundled meals" at one affordable price has stimulated sales growth.

"We feel that Luby's is a cash cow that can be turned around," said Greenberg, "but some of the company's procedures work against that end."

Greenberg attracted members to his group by voicing his dissatisfaction with Luby's on Internet message boards. Greenberg said he still gets encouraging phone calls, email and messages from other shareholders.

"I just wish they would take more action than saying they support us," said Greenberg. "But we think we will get a lot of support from general Luby's shareholders."