Exclusive Reports
From the October 27, 2000

SAN ANTONIO BUSINESS JOURNAL

Luby's shareholders group making a move for changes

Greg Jefferson

A small group of shareholders is taking its ire over Luby's Inc.'s sagging stock price and declining financial performance to the cafeteria operator's annual meeting next January. Seven investors who met on the Yahoo! message board for Luby's and collectively own 1.9 percent of the company's common stock plan to run a slate of up to five candidates from their own ranks for the 12-member board of directors.

The group filed a preliminary proxy with the U.S. Securities and Exchange Commission less than a week after Luby's officials delivered bad financial news on Oct. 11 about the fiscal year that ended Aug. 31.

But the main organizer of the dissident group, which calls itself the Committee of Concerned Luby's Shareholders, insists the stockholders aren't looking solely at the bottom line. They want to see the beleaguered company restored to its status as a widely admired company, he says.

"For many of us, it's more than a numbers thing -- it's an emotional thing. We want (Luby's) to be what it was," says Herbert Leslie Greenberg, a semi-retired business attorney in Culver City, Calif., and owner of 5,300 shares of Luby's stock.
Luby's officials were not available for comment.

The strategy

Greenberg had been one of the investors calling for the ouster of president and CEO Barry J.C. Parker, who resigned under pressure on Sept. 25 after a three-year stint with the company.

Group members who are throwing their hats in the ring include Greenberg; Thomas C. Palmer of Tyler, an investment manager; Davis W. Simpson of San Antonio, a retired vice president of management personnel at Luby's; William P. Synder of Dallas, a former regional vice president at Luby's; and Elisse Jones Freeman of San Antonio, daughter of Henry O. Jones -- a founder of Luby's.

How many of those will actually run depends on whether Luby's directors soon opt to increase or decrease the number of board seats, Greenberg says.

"Certainly, it's a serious group," says Stephen Spence, an equity analyst at Southwest Securities Inc. who follows Luby's. "It looks like they're going through the procedures to have an effect on the board."

The investors have also put several proposals designed to make board directors more accountable to investors on the ballot for the annual meeting, according to the SEC filing.
The proposals include:

Electing directors annually, instead of electing one-third of the board for three-year terms every year. Staggered elections are meant to stall a quick takeover of the board by a corporate raider, but Luby's dissidents -- like many other activist shareholders -- argue that so-called board classification merely insulates the board from shareholder demands.

Removing anti-takeover provisions from company by-laws.

Allowing individual board members to add items to meeting agendas.

Closely tying the chief executive's bonus to the company's financial and stock gains.

Greenberg says the group isn't pushing for a sale of the company, which operates 220 cafeterias in 10 states, with the lion's share in Texas. The move to de-classify the board and strip away anti-takeover measures -- so-called poison pills -- are attempts to show the board that "if they don't perform properly, there's somebody who can come in and buy the company," Greenberg says. "We don't want a buyout. We want accountability."

The chances

An expert on proxy fights says nowadays dissident shareholders' chances of getting a member placed on a company's board, in most cases, are good -- about 50-50. …

But, in the case of Luby's dissidents, their relatively small number of shares could hurt their chances as they court support from institutional investors, such as mutual funds, and large individual shareholders….

…

Parker's resignation may also blunt the group's persuasiveness.

…

But institutional investors hold only 34 percent of Luby's shares -- a relatively small number…. The rest are owned by individuals, many of whom have grown up on Luby's, which was founded in 1947.