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As filed with the Securities and Exchange Commission on August 29, 2013

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Potbelly Corporation

(Exact name of registrant as specified in its charter)

Delaware	5812	36-4466837
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

222 Merchandise Mart Plaza, 23rd Floor
Chicago, Illinois 60654
(312) 951-0600
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Matthew J. Revord
Senior Vice President, General Counsel and Secretary
Potbelly Corporation
222 Merchandise Mart Plaza, 23rd Floor, Chicago, Illinois 60654
(312) 951-0600
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑ Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price (1)(2)	Amount of registration fee
Common Stock, $0.01 par value per share, offered by the Registrant	$	$
Common Stock, $0.01 par value per share, offered by the selling stockholders	$	$
Total	$75,000,000	$10,230

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(2) Includes shares of common stock that the underwriters have the option to purchase.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Preliminary Prospectus dated August 29, 2013

PROSPECTUS

Shares

Potbelly Corporation

Common Stock

This is Potbelly Corporation's initial public offering. We are selling shares of our common stock and the selling stockholders are selling shares of our common stock. We will not receive any proceeds from the sale of shares to be offered by the selling stockholders.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the Nasdaq Global Select Market under the symbol "PBPB."

We are an "emerging growth company" under applicable Securities and Exchange Commission rules and will be subject to reduced public company reporting requirements.

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 12 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$
Proceeds, before expenses, to the selling stockholders	$	$

The underwriters may also exercise their option to purchase up to an additional shares from us, and up to an additional shares from the selling stockholders, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2013.

BofA Merrill Lynch **Goldman, Sachs & Co.**
Baird **William Blair** **Piper Jaffray**

The date of this prospectus is , 2013.

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You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be distributed to you. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. This document may only be used where it is legal to sell these securities. You should assume that the information contained in this prospectus is accurate only as of the date of this prospectus.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of the prospectus applicable to that jurisdiction.

Until , 2013 all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

MARKET AND OTHER INDUSTRY DATA

In this prospectus, we rely on and refer to information regarding the restaurant industry and the limited-service restaurant and full-service restaurant segments of the restaurant industry, which has been sourced from Technomic Inc., a national consulting market research firm, and the National Restaurant Association, an industry trade group, or compiled from market research reports, analyst reports and other publicly available information. Other industry and market data included in this prospectus are from internal analyses based upon data available from known sources or other proprietary research and analysis. We believe these data to be reliable as of the date of this prospectus. You should carefully consider the inherent risks and uncertainties associated with the market and other industry data contained in this prospectus.

TRADEMARKS, SERVICE MARKS AND COPYRIGHTS

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business, including our corporate names, logos and website names. Solely for convenience, some of the trademarks, service marks, trade names and copyrights referred to in this prospectus are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent permissible under applicable law, our rights to our copyrights, trademarks, service marks and trade names. All brand names or other trademarks appearing in this prospectus are the property of their respective owners, and their use or display should not be construed to imply a relationship with, or an endorsement or a sponsorship of us by, these other parties.

PROSPECTUS SUMMARY

This summary highlights information appearing elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common stock. You should carefully read the entire prospectus, including the financial data and related notes and the section entitled "Risk Factors," before deciding whether to invest in our common stock. Unless otherwise indicated or the context otherwise requires, references in this prospectus to the "company," "Potbelly," "we," "us" and "our" refer to Potbelly Corporation and its consolidated subsidiaries.

The Neighborhood Sandwich Shop

Potbelly is a fast-growing neighborhood sandwich concept offering toasty warm sandwiches, signature salads and other fresh menu items served by engaging people in an environment that reflects the Potbelly brand. Our combination of product, people and place is how we deliver on our passion to be "The Best Place for Lunch." Our sandwiches, salads and hand-dipped milkshakes are all made fresh to order and our cookies are baked fresh each day. Our employees are trained to engage with our customers in a genuine way to provide a personalized experience. Our shops feature vintage design elements and locally-themed décor inspired by the neighborhood that we believe create a lively atmosphere. Through this combination, we believe we are creating a devoted base of Potbelly fans that return again and again and that we are expanding one sandwich shop at a time.

We believe that a key to our past and future success is our culture. It is embodied in *The Potbelly Advantage*, which is an expression of our Vision, Mission, Passion and Values, and the foundation of everything we do. Our Vision is for our customers to feel that we are their "Neighborhood Sandwich Shop" and to tell others about their great experience. Our Mission is to make people really happy, to make more money and to improve every day. Our Passion is to be "The Best Place for Lunch." Our Values embody both how we lead and how we behave and form the cornerstone of our culture. We strive to be a fun, friendly and hardworking group of people who enjoy taking care of our customers, while at the same time taking care of each other.

We believe executing on *The Potbelly Advantage* at a high level creates a distinct competitive advantage and drives our operating and financial results, as illustrated by the following:

- As of June 30, 2013, we had a domestic base of 286 shops in 18 states and the District of Columbia. Of these, the company operates 280 shops and franchisees operate six shops. In addition, there are 12 franchised shops in the Middle East. Total shop growth was 16.0% over the prior year;
- We achieved positive comparable store sales growth in twelve of the last thirteen quarters through our fiscal quarter ended June 30, 2013 (comparable store sales growth reflects the change in year-over-year sales of shops open for 15 or more months);
- From 2011 to 2012, we increased our total revenue 15.5% to $274.9 million, our adjusted EBITDA 17.6% to $31.5 million, and our net income for the year ended December 30, 2012 to $7.1 million, excluding a $16.9 million non-cash tax benefit as a result of releasing a valuation allowance against our deferred tax assets; and
- From 2008 to 2012, we increased our shop-level profit margin by 520 basis points to 20.7% (shop-level profit margin measures net shop sales less shop operating expenses as a percentage of net shop sales).

Shop-level profit margin is not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP"). See "Selected Consolidated Financial and Other Data" for a discussion of adjusted EBITDA, adjusted EBITDA margin and shop-level profit margin and a reconciliation of the differences between adjusted EBITDA and net income (loss) and shop-level profit and income (loss) from operations, as well as a calculation of shop-level profit margin. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a definition of comparable store sales.

Our History

Potbelly started in 1977 as a small antique store on Lincoln Avenue in Chicago. To boost sales, the original owner began offering toasty warm sandwiches and homemade desserts to customers. As time passed, Potbelly became a well-known neighborhood sandwich shop with a loyal following of regulars and frequent lines out the door. The original owner sold the Lincoln Avenue store to Bryant Keil in 1996. Bryant was the entrepreneur with the vision to expand Potbelly. We opened our second shop in 1997 and continued to open shops in more neighborhoods, reaching 100 shops in 2005, 200 shops in 2008 and 300 shops in 2013. Throughout our growth, each new shop has maintained a similar look, vibe and experience that define the Potbelly brand.

Industry Overview

According to Technomic, Inc. ("Technomic"), a national consulting market research firm, the restaurant industry is divided into two primary segments, limited-service restaurants ("LSRs") and full-service restaurants, and is generally categorized by price, quality of food, service and location. LSRs are defined as establishments with patrons who pay before eating and generate an average check between $3 and $12. The LSR segment is further divided into (i) quick-service restaurants, which are defined as traditional "fast food" restaurants, generally with check averages between $3 and $8.50, and (ii) fast-casual restaurants, which are establishments with limited service, check averages generally between $8.50 and $12, food prepared to order, fresh (or perceived as fresh) ingredients, innovative food suited to sophisticated tastes, and upscale or highly developed interior design.

Technomic reported that LSRs accounted for 73% of the sales of the Top 500 U.S. restaurant chains in 2012. We operate in the "Other Sandwich" category, which includes LSRs specializing in sandwiches and wraps, other than hamburgers. This category accounted for $21.9 billion of sales in 2012 by the Top 500 chains. Sales in this category increased 5.9% from 2011 to 2012, outperforming the broader LSR growth rate of 5.6% over the same time period. We cannot provide assurance that the increases in sales in this category will continue or that we will benefit from any such increases.

Our Competitive Strengths

Simple, Made-to-Order Food. Our menu features items made from high quality ingredients such as fresh vegetables, hearth-baked bread and all-natural chicken (without preservatives or artificial flavors). Our sandwiches are made fresh to order, and many are based on the original recipes from 1977. They are served toasty warm on our signature multigrain wheat or regular bread which is delivered to our shops. We slice our meats and cheeses daily in each shop to ensure freshness. We believe our sandwiches have the right balance of ingredients with the last bite tasting as good as the first. We believe our simple menu and freshly-made food offer ease of ordering and broad appeal and help us create loyal Potbelly fans that return again and again.

Differentiated Customer Experience That Delivers a Neighborhood Feel. We strive to provide a positive customer experience that is driven by both our employees and the atmosphere of our shops. We look to hire employees that are outgoing people and train them to interact with our customers in a genuine way while providing fast service. To support the neighborhood feel of our shops, most of our managers live in the neighborhood where their shop is located. We believe this allows them to get to know their customers and understand the unique character of each neighborhood. Each of our shops features vintage décor and shared design elements, such as the use of wood, our signature Potbelly stove and locally-themed decorations. We also strive to enhance our atmosphere with live, local musicians that perform at least three times per week in the majority of our shops. We believe the unique Potbelly experience encourages repeat customer visits and drives increased sales.

Attractive Shop Economics. Our shop model is designed to generate, and has generated, strong cash flow, attractive shop-level financial results and high returns on investment. We operate our shops successfully in a wide range of geographic markets, population densities and real estate settings. We aim to generate average

shop-level profit margins, a non-GAAP measure, above 20% and target cash-on-cash returns, on new company-operated shops, above 25% after two full years of operation. We have achieved these targets in 2010, 2011, 2012 and the 26 weeks ended June 30, 2013. Our ability to maintain such margins and returns depends on a number of factors. For example, we face increasing commodity costs, which we have partially offset by increasing menu prices. Although there is no guarantee that we will be able to maintain these returns, we believe our attractive shop economics support our ability to profitably grow our brand in new and existing markets.

Management Team with Substantial Operating Experience. Our senior management team has extensive operating experience, with an average of over 17 years in the restaurant industry. Our core senior team has been together since 2008, when we hired our President and CEO, Aylwin Lewis. Aylwin was previously with Yum! Brands, Inc. from 1991 to 2004, most recently as President and Chief Multibranding and Operating Officer, as well as with Sears Holdings from 2004 to 2008, most recently as President and CEO. We believe our experienced leadership team is a key driver of our success and positions us to execute our long-term growth strategy.

Distinct, Deep-Rooted Culture: The Potbelly Advantage. We believe our culture is a key to our success. It is embodied in *The Potbelly Advantage*, which is a written expression of our Vision, Mission, Passion and Values. Our Vision is for our customers to feel we are their "Neighborhood Sandwich Shop" and to become Potbelly fans and advocates. Our Mission is to make our customers and employees happy, to make more money and to improve our business every day. Our Passion is to be "The Best Place for Lunch." We strive to emphasize our Values of integrity, teamwork, accountability, positive energy and coaching throughout all levels of our organization and believe our Values form a common language across our organization. We believe *The Potbelly Advantage* allows us to deliver operational excellence and grow our business and our base of Potbelly fans.

Our Growth Strategy

We strive to grow profitability and create value for our stockholders by working to achieve the goals listed below. While we cannot provide assurances that we will be able to achieve and maintain these objectives, we consider each of them to be a core strategy of our business.

Run Great Shops. We believe that continued excellence in shop-level execution is fundamental to our growth strategy. To maintain our operational standards we use a Balanced Scorecard approach to measure People, Customers, Sales and Profits at each of our shops. Hiring the right people and maintaining optimal staffing levels enable us to run efficient operations. We track metrics such as peak hour throughput, mystery shopper scores and neighborhood engagement activities, such as fundraisers for local causes. Shop sales and profitability are benchmarked against prior year periods and budget, and we focus on achieving targets on a shop-by-shop basis. To support our shop operators, we invest in systems and technology that can meaningfully improve shop-level execution.

Find and Build Great Shops. Our shops are successful in diverse markets in 18 states and the District of Columbia, and we intend to continue to build company-operated shops in both new and existing markets utilizing our thoughtful site selection process. This process is overseen by senior management and focuses on, among other things, demographics, traffic patterns and information gathered from local employees. Our location-specific approach to development allows us to leverage our versatile shop format to achieve strong returns across a wide range of real estate settings. In 2011, 2012 and the 26 weeks ended June 30, 2013, we opened 21, 31 and 17 new company-operated shops, respectively, and expanded into New York, Seattle, Boston, Phoenix, Cleveland, Kansas City, Missouri and Portland, Oregon. In those same time periods, we closed five shops, one shop and one shop, respectively, due to under-performance or lease expirations. In 2013, we expect to open 32 to 35 company-operated shops. Over the long term, we plan to grow the number of Potbelly shops at least 10% annually. We cannot provide assurances that we will be able to grow the number of Potbelly shops by 10% in any year or over any period of time.

Achieve High Margins and Returns. Our approach to margin enhancement begins with continuous efforts to improve the financial results of our shops. We focus on cash-on-cash returns to the company and look to grow shop-level profitability each year through sales growth and productivity improvements. Between 2008 and 2012, we increased our shop-level profit margin, a non-GAAP measure, from 15.5% to 20.7%. Our intention is to maintain average shop-level profit margins over 20% as we continue to grow. We believe we exercise strong financial discipline in managing expenses and by encouraging employee efficiency with the goal of achieving and maintaining general and administrative expenses under 10% of revenue. However, we cannot provide assurances that we will be able to maintain our shop-level profit margin levels or that we will be able to achieve or maintain low levels of expenses.

Become a Global Iconic Brand. We believe that our premise of a "Neighborhood Sandwich Shop" has broad appeal across a wide range of market types and geographies. We find that Potbelly is now a recognized brand beyond the neighborhoods in which we currently operate. We believe a significant contributor to this success is word-of-mouth publicity by our customers who enjoy their Potbelly experience and tell others about it. We believe that our positive brand perception helps drive interest in our shops in both existing and new markets.

Be a Great Franchisor. In 2010, we initiated a program to franchise shops in selected markets in the U.S. and internationally. We intend to expand the number of franchise shops on a disciplined basis as we develop our franchise program. As of June 30, 2013, our franchisees operated six shops in the U.S. and 12 shops in the Middle East. Although we do not expect franchise activities to result in significant revenue in the near term, we see the selective expansion of our franchising efforts to be a valuable potential growth opportunity over time.

Risk Factors

Before you invest in our common stock, you should carefully consider all of the information in this prospectus, including matters set forth under the heading "Risk Factors." Risks relating to our business include the following, among others:

- we face significant competition for customers that could affect our results of operations;
- changes in economic conditions could materially affect our business;
- our operations and future development could be significantly disrupted if we lose key members of our management team;
- changes in food availability and costs could adversely affect our operating results;
- our inability to find and hire qualified employees could slow our growth or harm our current operations; and
- our long-term success is highly dependent on our ability to successfully identify and secure new shop locations and develop and expand our operations.

Company Information

We were incorporated in Delaware in 2001 as Potbelly Sandwich Works, Inc. and changed our name to Potbelly Corporation in 2002. Our principal executive offices are located at 222 Merchandise Mart Plaza, 23rd Floor, Chicago, Illinois 60654, our telephone number at that address is (312) 951-0600 and our internet address is *www.potbelly.com*. Our website and the information contained on or accessible through our website are not part of this prospectus.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced reporting requirements and are relieved from certain other significant requirements that are otherwise generally applicable to public companies. We may choose to take advantage of some but not all of these provisions for as long as we remain an emerging growth company. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least $1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, or (2) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period. See "Risk Factors—We are an 'emerging growth company,' and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors."

The Offering	
Common stock offered by us	shares
Common stock offered by the selling stockholders	shares
Common stock to be outstanding immediately after the completion of this offering	shares
Option to purchase additional shares	We, along with certain of the selling stockholders, have granted the underwriters a 30-day option to purchase up to an additional shares. If this option is exercised in full, we will issue and sell shares and the selling stockholders will sell shares.
Use of proceeds	We expect to receive net proceeds, after deducting estimated offering expenses and underwriting discounts and commissions payable by us, of approximately $ million (or $ million if the underwriters exercise their option to purchase additional shares in full), based on an assumed offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus). We intend to use approximately $49.9 million of the net proceeds to pay a previously-declared cash dividend on shares of our common and preferred stock outstanding on the day immediately prior to the closing date of this offering. We intend to use the remaining net proceeds for working capital and general corporate purposes. We will not receive any proceeds from the sale of shares of common stock by the selling stockholders. See “Use of Proceeds” and “Principal and Selling Stockholders.”
Dividend policy	Our board of directors declared a cash dividend in an aggregate amount of approximately $49.9 million, which is payable on shares of our common and preferred stock outstanding on the day immediately prior to the closing date of this offering. The dividend will be paid from the net proceeds of this offering and will not be paid on any shares purchased in this offering. We do not otherwise pay cash dividends on our common stock and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determinations relating to our dividend policies will be made at the discretion of our board of directors and will depend on various factors. See “Dividend Policy.”
Risk factors	You should read carefully the “Risk Factors” section of this prospectus for a discussion of factors that you should consider before deciding to invest in shares of our common stock.
Proposed Nasdaq Global Select Market symbol	“PBPB”.

Unless otherwise indicated, all information in this prospectus relating to the number of shares of common stock to be outstanding immediately after the completion of this offering is based on the number of shares outstanding as of August 26, 2013 and:

- assumes the conversion of all outstanding shares of all series of our preferred stock into, and the exercise of all outstanding Series F warrants for, an aggregate of 16,383,581 shares of common stock immediately prior to the completion of this offering;
- assumes the effectiveness of our amended and restated certificate of incorporation and amended and restated by-laws, which we will adopt prior to the completion of this offering;
- excludes outstanding options to purchase 4,748,737 shares of our common stock at a weighted average exercise price of $8.99 per share, of which options to purchase 4,249,257 shares at a weighted average exercise price of $8.62 were vested as of such date, and an exercisable warrant to purchase 241,704 shares of our common stock at a price of $8.16 per share. See “Executive and Director Compensation” and “Related Party Transactions;”
- excludes 1,500,000 shares of our common stock reserved for future grants under our 2013 Long-Term Incentive Plan, including options to purchase 395,000 shares of our common stock with exercise prices equal to the initial public offering price to be granted effective with this offering; and
- assumes no exercise by the underwriters of their option to purchase up to additional shares.

Except for pro forma and pro forma as adjusted data and as otherwise indicated, financial data does not give effect to the conversion of all outstanding shares of all series of our preferred stock and the exercise of all outstanding Series F warrants.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our summary consolidated financial and other data as of the dates and for the periods indicated. The summary consolidated financial data as of December 30, 2012 and December 25, 2011 and for each of the two fiscal years in the period ended December 30, 2012 presented in this table have been derived from the audited consolidated financial statements included elsewhere in this prospectus. The summary consolidated financial data as of December 26, 2010 and for the fiscal year then ended have been derived from our audited consolidated financial statements for such year, all of which are included in this prospectus, except for the consolidated balance sheet. The summary consolidated interim financial data as of and for the 26 weeks ended June 30, 2013 and for the 26 weeks ended June 24, 2012 have been derived from the unaudited condensed interim consolidated financial statements included elsewhere in this prospectus. Historical results are not necessarily indicative of the results to be expected for future periods, and our interim results are not necessarily indicative of the results to be expected for the full fiscal year.

Our fiscal year ends on the last Sunday of each year. The first three quarters of our fiscal year consist of 13 weeks and our fourth quarter consists of 13 weeks for 52-week fiscal years and 14 weeks for 53-week fiscal years. The fiscal years ended December 25, 2011 and December 26, 2010 each had 52 weeks. The fiscal year ending December 30, 2012 had 53 weeks.

This summary consolidated financial and other data should be read in conjunction with the disclosures set forth under “Capitalization” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	Fiscal Year Ended			26 Weeks Ended	
	December 26, 2010	December 25, 2011	December 30, 2012	June 24, 2012	June 30, 2013
	($ in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Total revenues	$ 220,573	$ 237,966	$ 274,914	$131,537	$146,930
Expenses:					
Sandwich shop operating expenses:					
Cost of goods sold, excluding depreciation	63,009	68,491	79,847	38,151	42,753
Labor and related expenses	63,506	67,036	77,479	36,841	40,995
Occupancy expenses	25,238	26,511	32,016	14,750	17,530
Other operating expenses	22,620	24,095	28,119	13,449	15,112
General and administrative expenses	26,563	26,911	29,624	15,668	16,005
Depreciation expense	15,647	14,838	16,219	7,553	8,824
Pre-opening costs	267	1,521	2,051	1,130	719
Impairment and loss on disposal of property and equipment	2,952	365	994	78	79
Total expenses	219,802	229,768	266,349	127,620	142,017
Income from operations	771	8,198	8,565	3,917	4,913
Interest expense	519	495	541	251	233
Other expense	9	1	6	—	2
Income before income taxes	243	7,702	8,018	3,666	4,678
Income tax expense (benefit) (1)	773	537	(15,994)	682	1,886
Net income (loss)	(530)	7,165	24,012	2,984	2,792
Net income (loss) attributable to non-controlling interests (2)	—	—	(34)	(39)	15
Net income (loss) attributable to Potbelly Corporation	$ (530)	$ 7,165	$ 24,046	$ 3,023	$ 2,777
Accretion of redeemable convertible preferred stock to maximum redemption value	(45,992)	(17,410)	(10,495)	(8,342)	(10,301)
Net income (loss) attributable to common stockholders	$ (46,522)	$ (10,245)	$ 13,551	$ (5,319)	$ (7,524)

	Fiscal Year Ended			26 Weeks Ended	
	December 26, 2010	December 25, 2011	December 30, 2012	June 24, 2012	June 30, 2013
	($ in thousands, except per share data)				
Net income (loss) per common share attributable to common stockholders (3):					
Basic	$ (9.34)	$ (2.35)	$ 0.72	$ (1.34)	$ (1.77)
Diluted	$ (9.34)	$ (2.35)	$ 0.66	$ (1.34)	$ (1.77)
Weighted average shares outstanding:					
Basic	4,978,621	4,359,930	4,013,414	3,972,873	4,241,752
Diluted	4,978,621	4,359,930	4,388,822	3,972,873	4,241,752
Unaudited pro forma net income per common share attributable to common stockholders (4):					
Basic			$		$
Diluted			$		$
Unaudited pro forma weighted average shares outstanding (4):					
Basic					
Diluted					
Statement of Cash Flows Data:					
Net cash provided by (used in):					
Operating activities	$ 18,780	$ 20,121	$ 25,085	$ 12,050	$ 13,755
Investing activities	(6,243)	(17,758)	(25,936)	(12,790)	(14,411)
Financing activities	(4,382)	(7,197)	(700)	173	(193)
Selected Other Data:					
Total company-operated shops (end of period)	218	234	264	247	280
Change in company-operated comparable store sales	1.8%	1.7%	3.4%	4.8%	1.5%
Operating income margin (5)	0.3%	3.4%	3.1%	3.0%	3.3%
Shop-level profit margin (6)	20.9%	21.6%	20.7%	21.3%	20.5%
Capital expenditures	$ 6,243	$ 17,758	$ 25,936	$ 12,790	$ 14,411
Adjusted EBITDA (7)	$ 21,052	$ 26,752	$ 31,451	$ 14,907	$ 16,183
Adjusted EBITDA margin (7)	9.5%	11.2%	11.4%	11.3%	11.0%

	December 26, 2010	December 25, 2011	December 30, 2012	June 30, 2013		
				Actual	Pro Forma (8)	Pro Forma As Adjusted (9)
				($ in thousands)		
Balance Sheet Data:						
Cash and cash equivalents	$ 28,980	$ 24,146	$ 22,595	$ 21,746	$ 21,747	
Working capital (deficit)	14,764	16,490	15,170	14,490	(35,363)	
Total assets	98,424	99,110	126,699	132,560	132,561	
Total debt	9,313	15,243	15,169	15,132	15,132	
Total redeemable convertible preferred stock	228,544	239,848	250,343	260,644	—	
Total equity (deficit)	(169,643)	(185,302)	(168,728)	(175,095)	35,697	

(1) The fiscal year ended December 30, 2012 included a $16.9 million tax benefit related to the release of a valuation allowance against substantially all of our deferred tax assets.

(2) Non-controlling interests represent the non-controlling partner's share of the assets, liabilities and operations related to the joint venture investment in Potbelly Airport II Boston, LLC, related to one shop located in the Boston Logan International Airport. We own a seventy-five percent interest in this consolidated joint venture.

(3) Net income (loss) per common share attributable to common stockholders is calculated under the two-class method, as our redeemable convertible preferred stock participates in the undistributed earnings of the company. Earnings of the company are allocated between the common and preferred stockholders to account for the accretion of the redeemable convertible preferred stock to its maximum redemption value, thereby reducing the earnings of the company attributable to common stockholders. Except for 2012, for the periods presented, this resulted in net losses attributable to common stockholders, in total and on a per share basis, as the net income attributable to the company (if any) was exceeded by the change in maximum redemption value of the redeemable convertible preferred stock.

(4) Pro forma net income per common share attributable to stockholders and the number of weighted average common shares used in computing pro forma net income per common share attributable to stockholders reflects the number of additional shares that would have been required to be issued to generate sufficient proceeds to fund the payment of the dividend that is payable from the net proceeds of our initial public offering based on an assumed offering price of $

per share (the midpoint of the price range set forth on the cover page of this prospectus) and the conversion of all of our outstanding redeemable convertible preferred stock into, and the exercise of all outstanding Series F warrants for, common stock upon the closing of a qualified public offering as if such conversion had occurred as of the beginning of the fiscal year. See "Related Party Transactions—Arrangements with Our Investors."

(5) Income (loss) from operations as a percentage of total revenues.

(6) Shop-level profit is not required by, or presented in accordance with, GAAP, and is defined as income (loss) from operations less franchise royalties and fees, general and administrative expenses, depreciation expense, pre-opening costs and impairment and loss on disposal of property and equipment. Shop-level profit is a supplemental measure of operating performance of our shops and our calculation thereof may not be comparable to that reported by other companies. Shop-level profit margin represents shop-level profit expressed as a percentage of net company-operated sandwich shop sales. Shop-level profit and shop-level profit margin have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Management believes shop-level profit margin is an important tool for investors because it is a widely used metric within the restaurant industry to evaluate restaurant-level productivity, efficiency and performance. Management uses shop-level profit margin as a key metric to evaluate the profitability of incremental sales at our shops, to evaluate our shop performance across periods and to evaluate our shop financial performance compared with our competitors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of shop-level profit margin and other key performance indicators.

A reconciliation of shop-level profit to income (loss) from operations and a calculation of shop-level profit margin is provided below:

	Fiscal Year Ended			26 Weeks Ended	
	December 26, 2010	December 25, 2011	December 30, 2012	June 24, 2012	June 30, 2013
			($ in thousands)		
Income (loss) from operations	$ 771	$ 8,198	$ 8,565	$ 3,917	$ 4,913
Less: Franchise royalties and fees	—	503	844	343	463
General and administrative expenses	26,563	26,911	29,624	15,668	16,005
Depreciation expense	15,647	14,838	16,219	7,553	8,824
Pre-opening costs	267	1,521	2,051	1,130	719
Impairment and loss on disposal of property and equipment	2,952	365	994	78	79
Shop-level profit [Y]	$ 46,200	$ 51,330	$ 56,609	$ 28,003	$ 30,077
Total revenues	$ 220,573	$ 237,966	$ 274,914	$ 131,537	$ 146,930
Less: Franchise royalties and fees	—	503	844	343	463
Sandwich shop sales, net [X]	$ 220,573	$ 237,463	$ 274,070	$ 131,194	$ 146,467
Shop-level profit margin [Y÷X]	20.9%	21.6%	20.7%	21.3%	20.5%

(7) Adjusted EBITDA has been presented in this prospectus and is a supplemental measure of financial performance that is not required by, or presented in accordance with, GAAP. We define adjusted EBITDA as net income (loss) before depreciation and amortization expense, interest expense, provision for income taxes and pre-opening costs, adjusted to eliminate the impact of other items set forth in the reconciliation below, including certain non-cash as well as certain other items that we do not consider representative of our ongoing operating performance. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by total revenues. Adjusted EBITDA has limitations as an analytical tool and our calculation thereof may not be comparable to that reported by other companies; accordingly, you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Adjusted EBITDA is included in this prospectus because it is a key metric used by management. Additionally, adjusted EBITDA is frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We use adjusted EBITDA, alongside other GAAP measures such as operating income (loss) and net income (loss), to measure profitability, as a key profitability target in our annual and other budgets, and to compare our performance against that of peer companies. We believe that adjusted EBITDA provides useful information facilitating operating performance comparisons from period to period and company to company.

A reconciliation of adjusted EBITDA to net income (loss) attributable to Potbelly Corporation is provided below:

	Fiscal Year Ended			26 Weeks Ended	
	December 26, 2010	December 25, 2011	December 30, 2012	June 24, 2012	June 30, 2013
			($ in thousands)		
Net income (loss) attributable to Potbelly Corporation	$ (530)	$ 7,165	$ 24,046	$ 3,023	$ 2,777
Depreciation expense	15,647	14,838	16,219	7,553	8,824
Interest expense	519	495	541	251	233
Income tax expense (benefit)	773	537	(15,994)	682	1,886
Impairment and closures (a)	3,344	672	1,181	265	87
Pre-opening costs (b)	267	1,521	2,051	1,130	719
Stock-based compensation (c)	1,032	1,524	2,825	1,893	1,142
Costs associated with an initial public offering (d)	—	—	582	110	515
Adjusted EBITDA	$ 21,052	$ 26,752	$ 31,451	$14,907	$16,183

(a) Includes costs related to impairment of long-lived assets, gain or loss on disposal of property and equipment and shop closure expenses.
(b) Includes expenses directly associated with the opening of new shops and are incurred prior to the opening of the shop.
(c) Includes non-cash stock-based compensation.
(d) Includes costs associated with legal, accounting and other costs associated with the initial public offering that are not directly related to our registration statement.

(8) Assumes the effect of our board of directors' declaration of a cash dividend to holders of our common and preferred shares to be paid from the net proceeds of the initial public offering and conversion of all outstanding shares of all series of our preferred stock into, and the exercise of all outstanding Series F warrants for, an aggregate of 16,383,581 shares of common stock immediately prior to the completion of this offering, and excludes, as of August 26, 2013, outstanding options to purchase 4,748,737 shares of our common stock at a weighted average exercise price of $8.99 per share, of which options to purchase 4,249,257 shares at a weighted average exercise price of $8.62 were vested as of such date, and an exercisable warrant to purchase 241,704 shares of our common stock at a price of $8.16 per share.

(9) Gives effect to the transactions described in footnote 8 and the sale of shares of common stock in this offering by us at the estimated initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting underwriting discounts and commissions and estimated expenses payable by us, and the application of the net proceeds of this offering as described under "Use of Proceeds" as if the events had occurred on June 30, 2013.

RISK FACTORS

An investment in our common stock involves various risks. You should carefully consider the following risks and all of the other information contained in this prospectus before investing in our common stock. The risks described below are those that we believe are the material risks that we face. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment in our common stock.

Risks Related to Our Business and Industry

We face significant competition for customers and our inability to compete effectively may affect our traffic, sales and shop-level profit margins, which could adversely affect our business, financial condition and results of operations.

The restaurant industry is intensely competitive with many well-established companies that compete directly and indirectly with us with respect to food quality, ambience, service, price and value and location. We compete in the restaurant industry with national, regional and locally-owned limited-service restaurants and full-service restaurants. Some of our competitors have significantly greater financial, marketing, personnel and other resources than we do, and many of our competitors are well established in markets in which we have existing shops or intend to locate new shops. In addition, many of our competitors have greater name recognition nationally or in some of the local markets in which we have shops. Any inability to successfully compete with the restaurants in our markets will place downward pressure on our customer traffic and may prevent us from increasing or sustaining our revenues and profitability. Consumer tastes, nutritional and dietary trends, traffic patterns and the type, number and location of competing restaurants often affect the restaurant business, and our competitors may react more efficiently and effectively to those conditions. Further, we face growing competition from the supermarket industry, with the improvement of their “convenient meals” in the deli section, and from limited-service and fast casual restaurants, as a result of higher-quality food and beverage offerings by those restaurants. In addition, some of our competitors have in the past implemented programs which provide price discounts on certain menu offerings, and they may continue to do so in the future. If we are unable to continue to compete effectively, our traffic, sales and shop-level profit margins could decline and our business, financial condition and results of operations would be adversely affected.

Changes in economic conditions, including continuing effects from the recent recession, could materially affect our business, financial condition and results of operations.

The restaurant industry depends on consumer discretionary spending. During the economic downturn starting in 2008, continuing disruptions in the overall economy, including the ongoing impacts of the housing crisis, high unemployment, and financial market volatility and unpredictability, caused a related reduction in consumer confidence, which negatively affected customer traffic and sales throughout our industry. These factors, as well as national, regional and local regulatory and economic conditions, gasoline prices, disposable consumer income and consumer confidence, affect discretionary consumer spending. If these economic conditions persist or worsen, customer traffic could be adversely impacted if our customers choose to dine out less frequently or reduce the amount they spend on meals while dining out. If current negative economic conditions persist for a long period of time or become more pervasive, consumer changes to their discretionary spending behavior, including the frequency with which they dine out, could be more permanent. The ability of the U.S. economy to continue to recover from these challenging economic conditions is likely to be affected by many national and international factors that are beyond our control. If sales decrease, our profitability could decline as we spread fixed costs across a lower level of sales. Prolonged negative trends in shop sales could cause us to, among other things, reduce the number and frequency of new shop openings, close shops or delay remodeling of our existing shops or take asset impairment charges.

Our business operations and future development could be significantly disrupted if we lose key members of our management team.

The success of our business continues to depend to a significant degree upon the continued contributions of our senior officers and key employees, both individually and as a group. Our future performance will be substantially dependent in particular on our ability to retain and motivate Aylwin Lewis, our Chief Executive Officer, Charlie Talbot, our Senior Vice President and Chief Financial Officer, John Morlock, our Senior Vice President of Operations, and other members of our senior leadership team. We currently have employment agreements in place with all of the members of our senior leadership team. The loss of the services of any of these executive officers or other key employees could have a material adverse effect on our business and plans for future development. In addition, we may have difficulty finding appropriate replacements and our business could suffer. We also do not maintain any key man life insurance policies for any of our employees.

Increased commodity, energy and other costs could decrease our shop-level profit margins or cause us to limit or otherwise modify our menus, which could adversely affect our business.

Our profitability depends in part on our ability to anticipate and react to changes in the price and availability of food commodities, including among other things beef, poultry, grains, dairy and produce. Prices may be affected due to market changes, increased competition, the general risk of inflation, shortages or interruptions in supply due to weather, disease or other conditions beyond our control, or other reasons. For example, certain regions of the U.S. experienced a significant drought in 2012, which increased the price of certain food commodities, including beef. We have partially offset these costs by increasing menu prices. Other events could increase commodity prices or cause shortages that could affect the cost and quality of the items we buy or require us to further raise prices or limit our menu options. These events, combined with other more general economic and demographic conditions, could impact our pricing and negatively affect our sales and shop-level profit margins. We enter into certain forward pricing arrangements with our suppliers from time to time, which may result in fixed or formula-based pricing with respect to certain food products. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures of Market Risks—Commodity Price Risk.” However, these arrangements generally are relatively short in duration and may provide only limited protection from price changes, and the extent to which we use these arrangements varies substantially from time to time. In addition, the use of these arrangements may limit our ability to benefit from favorable price movements.

Our profitability is also adversely affected by increases in the price of utilities, such as natural gas, whether as a result of inflation, shortages or interruptions in supply, or otherwise. Our profitability is also affected by the costs of insurance, labor, marketing, taxes and real estate, all of which could increase due to inflation, changes in laws, competition or other events beyond our control. Our ability to respond to increased costs by increasing menu prices or by implementing alternative processes or products will depend on our ability to anticipate and react to such increases and other more general economic and demographic conditions, as well as the responses of our competitors and customers. All of these things may be difficult to predict and beyond our control. In this manner, increased costs could adversely affect our performance.

Our inability to identify qualified individuals for our workforce could slow our growth and adversely impact our ability to operate our shops.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified managers and associates to meet the needs of our existing shops and to staff new shops. A sufficient number of qualified individuals to fill these positions may be in short supply in some communities. Competition in these communities for qualified staff could require us to pay higher wages and provide greater benefits. In addition, significant improvement in regional or national economic conditions could increase the difficulty of attracting and retaining qualified individuals and could result in the need to pay higher wages and provide greater benefits. We place a heavy emphasis on the qualification and training of our personnel and spend a significant

amount of time and money on training our employees. Any inability to recruit and retain qualified individuals may result in higher turnover and increased labor costs, and could compromise the quality of our service, all of which could adversely affect our business. Any such inability could also delay the planned openings of new shops and could adversely impact our existing shops. Any such inability to retain or recruit qualified employees, increased costs of attracting qualified employees or delays in shop openings could adversely affect our business and results of operations.

Our long-term success is highly dependent on our ability to successfully identify and secure appropriate sites and develop and expand our operations in existing and new markets.

One of the key means of achieving our growth strategies will be through opening new shops and operating those shops on a profitable basis. We expect this to be the case for the foreseeable future. We opened 31 new company-operated shops in 2012 and expect to open 32 to 35 new company-operated shops in 2013. We must identify target markets where we can enter or expand, taking into account numerous factors such as the location of our current shops, demographics, traffic patterns and information gathered from local employees. We may not be able to open our planned new shops on a timely basis, if at all, given the uncertainty of these factors. In the past, we have experienced delays in opening some shops and that could happen again. Delays or failures in opening new restaurants could adversely affect our business and results of operations. As we operate more shops, our rate of expansion relative to the size of our restaurant base will eventually decline.

The number and timing of new shops opened during any given period may be negatively impacted by a number of factors including, without limitation:

- the identification and availability of attractive sites for new shops and the ability to negotiate suitable lease terms;
- competition in new markets, including competition for appropriate sites;
- anticipated commercial, residential and infrastructure development near our new shops;
- the proximity of potential sites to an existing shop;
- the cost and availability of capital to fund construction costs and pre-opening expenses;
- our ability to control construction and development costs of new shops;
- recruitment and training of qualified operating personnel in the local market;
- our ability to obtain all required governmental permits, including zoning approvals, on a timely basis;
- unanticipated increases in costs, any of which could give rise to delays or cost overruns; and
- avoiding the impact of inclement weather, natural disasters and other calamaties.

We cannot assure you that we will be able to successfully expand or acquire critical market presence for our brand in new geographical markets, as we may encounter well-established competitors with substantially greater financial resources. We may be unable to find and secure attractive locations, build name recognition, successfully market our brand or attract new customers. Competitive circumstances and consumer characteristics and preferences in new market segments and new geographical markets may differ substantially from those in the market segments and geographical markets in which we have substantial experience. If we are unable to expand in existing markets or penetrate new markets, our ability to increase our revenues and profitability may be harmed.

Our expansion into new markets may present increased risks.

We plan to open shops in markets where we have little or no operating experience. Shops we open in new markets may take longer to reach expected sales and profit levels on a consistent basis and may have higher construction, occupancy or operating costs than shops we open in existing markets, thereby affecting our overall profitability. New markets may have competitive conditions, consumer tastes and discretionary spending patters that are more difficult to predict or satisfy than our existing markets. We may need to make greater investments than we originally planned in advertising and promotional activity in new markets to build brand awareness. We may find it more difficult in new markets to hire, motivate and keep qualified employees who share our values. We may also incur higher costs from entering new markets if, for example, we assign area managers to manage comparatively fewer shops than we assign in more developed markets. As a result, these new shops may be less successful or may achieve target shop-level profit margins at a slower rate. If we do not successfully execute our plans to enter new markets, our business, financial condition or results of operations could be adversely affected.

New shops, once opened, may not be profitable, and the increases in comparable store sales that we have experienced in the past may not be indicative of future results.

Our results have been, and in the future may continue to be, significantly impacted by the timing of new shop openings (often dictated by factors outside of our control), including associated shop pre-opening costs and operating inefficiencies, as well as changes in our geographic concentration due to the opening of new shops. We typically incur the most significant portion of pre-opening expenses associated with a given shop within the five months immediately preceding and the month of the opening of the shop. Our experience has been that labor and operating costs associated with a newly opened shop for the first several months of operation are materially greater than what can be expected after that time, both in aggregate dollars and as a percentage of revenues. Our new shops commonly take 10 to 13 weeks to reach planned operating levels due to inefficiencies typically associated with new shops, including the training of new personnel, lack of market awareness, inability to hire sufficient qualified staff and other factors. We may incur additional costs in new markets, particularly for transportation, distribution and training of new personnel, which may impact the profitability of those shops. Accordingly, the volume and timing of new shop openings may have a meaningful impact on our profitability.

Although we target specified operating and financial metrics, new shops may not meet these targets or may take longer than anticipated to do so. Any new shops we open may not be profitable or achieve operating results similar to those of our existing shops. For example, in 2011, 2012 and the 26 weeks ended June 30, 2013, we closed five shops, one shop and one shop, respectively, due to under-performance or lease expirations. If our new shops do not perform as planned, our business and future prospects could be harmed. In addition, if we are unable to achieve our expected comparable store sales, our business, financial condition or results of operations could be adversely affected.

Our sales and profit growth could be adversely affected if comparable store sales are less than we expect.

The level of comparable store sales, which represent the change in year-over-year sales for company-operated shops open for 15 months or longer, will affect our sales growth and will continue to be a critical factor affecting profit growth. Our ability to increase comparable store sales depends in part on our ability to successfully implement our initiatives to build sales. It is possible such initiatives will not be successful, that we will not achieve our target comparable store sales growth or that the change in comparable store sales could be negative, which may cause a decrease in sales and profit growth that would adversely affect our business, financial condition or results of operations.

Our failure to manage our growth effectively could harm our business and operating results.

Our growth plan includes a significant number of new shops. Our existing management systems, financial and management controls and information systems may not be adequate to support our planned

expansion. Our ability to manage our growth effectively will require us to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel. We may not be able to respond on a timely basis to all of the changing demands that our planned expansion will impose on management and on our existing infrastructure, or be able to hire or retain the necessary management and operating personnel, which could harm our business, financial condition or results of operations.

The planned rapid increase in the number of our shops may make our future results unpredictable.

In 2013, we have or plan to open between 32 and 35 company-operated shops and between seven and ten franchisee-operated shops, and we plan to continue to increase the number of our shops in the next several years. This growth strategy and the substantial investment associated with the development of each new shop may cause our operating results to fluctuate and be unpredictable or adversely affect our profits. Our future results depend on various factors, including successful selection of new markets and shop locations, local market acceptance of our shops, consumer recognition of the quality of our food and willingness to pay our prices, the quality of our operations and general economic conditions. In addition, as has happened when other restaurant concepts have tried to expand, we may find that our concept has limited appeal in new markets or we may experience a decline in the popularity of our concept in the markets in which we operate. Newly opened shops or our future markets and shops may not be successful or our average net sandwich shop sales may not increase at historical rates, which could adversely affect our business, financial condition or results of operations.

Opening new shops in existing markets may negatively affect sales at our existing shops.

The consumer target area of our shops varies by location, depending on a number of factors, including population density, other local retail and business attractions, area demographics and geography. As a result, the opening of a new shop in or near markets in which we already have shops could adversely affect the sales of those existing shops. Existing shops could also make it more difficult to build our consumer base for a new shop in the same market. Our business strategy does not entail opening new shops that we believe will materially affect sales at our existing shops, but we may selectively open new shops in and around areas of existing shops that are operating at or near capacity to effectively serve our customers. Sales cannibalization between our shops may become significant in the future as we continue to expand our operations and could affect our sales growth, which could, in turn, adversely affect our business, financial condition or results of operations.

We are subject to risks associated with leasing property subject to long-term non-cancelable leases.

We do not own any real property and all of our company-owned shops are located in leased premises. The leases for our shop locations generally have initial terms of 10 years and typically provide for two renewal options in five-year increments as well as for rent escalations. Generally, our leases are net leases that require us to pay our share of the costs of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent. We generally cannot cancel these leases. Additional sites that we lease are likely to be subject to similar long-term non-cancelable leases. If we close a shop, we nonetheless may be obligated to perform our monetary obligations under the applicable lease, including, among other things, payment of the base rent for the balance of the lease term. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close shops in desirable locations.

Damage to our reputation or lack of acceptance of our brand in existing or new markets could negatively impact our business, financial condition and results of operations.

We believe we have built our reputation on the high quality of our food, service and staff, as well as on our unique culture and the ambience in our shops, and we must protect and grow the value of our brand to continue to be successful in the future. Any incident that erodes consumer affinity for our brand could significantly reduce its value and damage our business. For example, our brand value could suffer and our business could be adversely affected if customers perceive a reduction in the quality of our food, service or staff, or an adverse change in our culture or ambience, or otherwise believe we have failed to deliver a consistently positive experience.

We may be adversely affected by news reports or other negative publicity regardless of their accuracy, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our shops, restaurants operated by other foodservice providers, or others across the food industry supply chain. The risks associated with such negative publicity cannot be completely eliminated or mitigated and may materially harm our results of operations and result in damage to our brand.

Also, there has been a marked increase in the use of social media platforms and similar devices, including weblogs (blogs), social media websites and other forms of Internet-based communications which allow individuals access to a broad audience of consumers and other interested persons. The availability of information on social media platforms is virtually immediate as is its impact. Many social media platforms immediately publish the content their subscribers and participants can post, often without filters or checks on accuracy of the content posted. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning our company may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Such platforms also could be used for dissemination of trade secret information, compromising valuable company assets. In sum, the dissemination of information online could harm our business, prospects, financial condition and results of operations, regardless of the information's accuracy.

Our marketing programs may not be successful.

We incur costs and expend other resources in our marketing efforts to attract and retain customers. These initiatives may not be successful, resulting in expenses incurred without the benefit of higher revenues. Additionally, some of our competitors have greater financial resources, which enable them to spend significantly more on marketing and advertising than we are able to. Should our competitors increase spending on marketing and advertising or our marketing funds decrease for any reason, or should our advertising and promotions be less effective than our competitors, there could be a material adverse effect on our results of operations and financial condition.

Our business is subject to seasonal fluctuations.

Historically, customer spending patterns for our established shops are lowest in the first quarter of the year. Our quarterly results have been and will continue to be affected by the timing of new shop openings and their associated pre-opening costs. As a result of these and other factors, our financial results for any quarter may not be indicative of the results that may be achieved for a full fiscal year.

Because many of our shops are concentrated in local or regional areas, we are susceptible to economic and other trends and developments, including adverse weather conditions, in these areas.

Our financial performance is highly dependent on shops located in Illinois, Texas, Washington, D.C., Michigan, Minnesota and Ohio, which comprised approximately 69% of our total domestic shops as of June 30, 2013. Shops located in the Chicago metropolitan area comprised approximately 27% of our total domestic shops as of such date. As a result, adverse economic conditions in any of these areas could have a material adverse effect on our overall results of operations. In recent years, certain of these states have been more negatively impacted by the economic crisis than other geographic areas. In addition, given our geographic concentrations, negative publicity regarding any of our shops in these areas could have a material adverse effect on our business and operations, as could other regional occurrences such as local strikes, terrorist attacks, increases in energy prices, or natural or man-made disasters.

In particular, adverse weather conditions, such as regional winter storms, floods, severe thunderstorms and hurricanes, could negatively impact our results of operations. For example, we experienced substantial temporary shop closures in the Chicago metropolitan area following a severe blizzard in February 2011. More recently, we have experienced temporary shop closures on the east coast due to Hurricane Sandy. Thirty-nine

shops were closed for at least one day and three shops remained closed for a period of approximately three to five months. A total of 269 and 377 full shop operating days were lost by December 30, 2012 and June 30, 2013, respectively. Temporary or prolonged shop closures may occur and customer traffic may decline due to the actual or perceived effects of future weather related events.

Legislation and regulations requiring the display and provision of nutritional information for our menu offerings, and new information or attitudes regarding diet and health or adverse opinions about the health effects of consuming our menu offerings, could affect consumer preferences and negatively impact our results of operations.

Government regulation and consumer eating habits may impact our business as a result of changes in attitudes regarding diet and health or new information regarding the health effects of consuming our menu offerings. These changes have resulted in, and may continue to result in, the enactment of laws and regulations that impact the ingredients and nutritional content of our menu offerings, or laws and regulations requiring us to disclose the nutritional content of our food offerings.

For example, a number of states, counties and cities have enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information to customers, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Furthermore, the Patient Protection and Affordable Care Act of 2010 (the “PPACA”) establishes a uniform, federal requirement for certain restaurants to post certain nutritional information on their menus. Specifically, the PPACA amended the Federal Food, Drug and Cosmetic Act to require chain restaurants with 20 or more locations operating under the same name and offering substantially the same menus to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. The PPACA also requires covered restaurants to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item, and to provide a statement on menus and menu boards about the availability of this information. The PPACA further permits the United States Food and Drug Administration (the “FDA”) to require covered restaurants to make additional nutrient disclosures, such as disclosure of trans-fat content. An unfavorable report on, or reaction to, our menu ingredients, the size of our portions or the nutritional content of our menu items could negatively influence the demand for our offerings.

Compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming. Additionally, if consumer health regulations or consumer eating habits change significantly, we may be required to modify or discontinue certain menu items, and we may experience higher costs associated with the implementation of those changes. Additionally, some government authorities are increasing regulations regarding trans-fats and sodium, which may require us to limit or eliminate trans-fats and sodium from our menu offerings, switch to higher cost ingredients or may hinder our ability to operate in certain markets. If we fail to comply with these laws or regulations, our business could experience a material adverse effect.

We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general.

We are subject to many federal, state and local laws with which compliance is both costly and complex.

The restaurant industry is subject to extensive federal, state and local laws and regulations, including the recently enacted comprehensive health care reform legislation and those relating to building and zoning requirements and those relating to the preparation and sale of food. The development and operation of restaurants depend to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. We are also subject to licensing and regulation by state and local authorities relating to health, sanitation, safety and fire standards.

We are subject to federal and state laws governing our relationships with employees (including the Fair Labor Standards Act of 1938, the Immigration Reform and Control Act of 1986 and applicable requirements concerning the minimum wage, overtime, family leave, working conditions, safety standards, immigration status, unemployment tax rates, workers' compensation rates and state and local payroll taxes) and federal and state laws which prohibit discrimination. As significant numbers of our associates are paid at rates related to the applicable minimum wage, further increases in the minimum wage or other changes in these laws could increase our labor costs. Our ability to respond to minimum wage increases by increasing menu prices will depend on the responses of our competitors and customers.

In March 2010, the United States federal government enacted comprehensive health care reform legislation which, among other things, includes guaranteed coverage requirements, eliminates pre-existing condition exclusions and annual and lifetime maximum limits, restricts the extent to which policies can be rescinded and imposes new and significant taxes on health insurers and health care benefits. The legislation imposes implementation effective dates that began in 2010 and extend through 2020, and many of the changes require additional guidance from government agencies or federal regulations. To date, we have not experienced material costs related to such legislation. However, due to the phased-in nature of the implementation and the lack of interpretive guidance, it is difficult to determine at this time what impact the health care reform legislation will have on our financial results. Possible adverse effects could include increased costs, exposure to expanded liability and requirements for us to revise the ways in which we provide healthcare and other benefits to our employees.

There is also a potential for increased regulation of certain food establishments in the United States, where compliance with a Hazard Analysis and Critical Control Points ("HACCP") approach may now be required. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Many states have required restaurants to develop and implement HACCP Systems, and the United States government continues to expand the sectors of the food industry that must adopt and implement HACCP programs. For example, the Food Safety Modernization Act (the "FSMA"), signed into law in January 2011, granted the FDA new authority regarding the safety of the entire food system, including through increased inspections and mandatory food recalls. Although restaurants are specifically exempted from or not directly implicated by some of these new requirements, we anticipate that the new requirements may impact our industry. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise impact our business.

We are subject to the Americans with Disabilities Act (the "ADA"), which, among other things, requires our shops to meet federally mandated requirements for the disabled. The ADA prohibits discrimination in employment and public accommodations on the basis of disability. Under the ADA, we could be required to expend funds to modify our shops to provide service to, or make reasonable accommodations for the employment of, disabled persons. In addition, our employment practices are subject to the requirements of the Immigration and Naturalization Service relating to citizenship and residency. Government regulations could affect and change the items we procure for resale such as commodities.

In addition, our franchising activities are subject to laws enacted by a number of states, rules and regulations promulgated by the U.S. Federal Trade Commission and certain rules and requirements regulating franchising activities in foreign countries. Failure to comply with new or existing franchise laws, rules and regulations in any jurisdiction or to obtain required government approvals could negatively affect our franchise sales and our relationships with our franchisees.

The impact of current laws and regulations, the effect of future changes in laws or regulations that impose additional requirements and the consequences of litigation relating to current or future laws and regulations, or our inability to respond effectively to significant regulatory or public policy issues, could increase our compliance and other costs of doing business and, therefore, have an adverse effect on our results of

operations. Failure to comply with the laws and regulatory requirements of federal, state and local authorities could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability. In addition, certain laws, including the ADA, could require us to expend significant funds to make modifications to our shops if we failed to comply with applicable standards. Compliance with all of these laws and regulations can be costly and can increase our exposure to litigation or governmental investigations or proceedings.

Food safety and food-borne illness concerns may have an adverse effect on our business by reducing demand and increasing costs.

Food safety is a top priority, and we dedicate substantial resources to help ensure that our customers enjoy safe, quality food products. However, food-borne illnesses and food safety issues have occurred in the food industry in the past, and could occur in the future. Any report or publicity linking us to instances of food-borne illness or other food safety issues, including food tampering or contamination, could adversely affect our brands and reputation as well as our revenues and profits. In addition, instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of our competitors could result in negative publicity about the food service industry generally and adversely impact our sales.

Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by factors outside of our control and that multiple locations would be affected rather than a single shop. We cannot assure that all food items are properly maintained during transport throughout the supply chain and that our employees will identify all products that may be spoiled and should not be used in our shops. If our customers become ill from food-borne illnesses, we could be forced to temporarily close some shops. Furthermore, any instances of food contamination, whether or not at our shops, could subject us or our suppliers to a food recall pursuant to the recently enacted the Food and Drug Administration Food Safety Modernization Act.

Shortages or interruptions in the supply or delivery of fresh food products could adversely affect our operating results.

We are dependent on frequent deliveries of fresh food products that meet our specifications. Shortages or interruptions in the supply of fresh food products caused by problems in production or distribution, inclement weather, unanticipated demand or other conditions could adversely affect the availability, quality and cost of ingredients, which would adversely affect our operating results.

We have a limited number of suppliers for our major products and rely on one custom distribution company for the majority of our national distribution program in the U.S. If our suppliers or distributors are unable to fulfill their obligations under their contracts, we could encounter supply shortages and incur higher costs.

We have a limited number of suppliers for our major products, such as bread. In 2012, we purchased all of our bread from one supplier, Campagna-Turano Bakery, Inc., and more than 95% of our meat products from nine suppliers. In addition, we contract with Distribution Market Advantage, Inc., or DMA, a cooperative of multiple food distributors located throughout the nation to provide the majority of our food distribution services in the U.S. Although we believe that alternative supply and distribution sources are available, there can be no assurance that we will be able to identify or negotiate with such sources on terms that are commercially reasonable to us. If our suppliers or distributors are unable to fulfill their obligations under their contracts or we are unable to identify alternative sources, we could encounter supply shortages and incur higher costs. See “Business—Sourcing and Supply Chain.”

Failure to obtain and maintain required licenses and permits or to comply with food control regulations could lead to the loss of our food service licenses and, thereby, harm our business.

Restaurants are required under various federal, state and local government regulations to obtain and maintain licenses, permits and approvals to operate their businesses and such regulations are subject to change

from time to time. The failure to obtain and maintain these licenses, permits and approvals could adversely affect our operating results. Typically, licenses must be renewed annually and may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that our conduct violates applicable regulations. Difficulties or failure to maintain or obtain the required licenses and approvals could adversely affect our existing shops and delay or result in our decision to cancel the opening of new shops, which would adversely affect our business.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

We rely on our computer systems and network infrastructure across our operations, including point-of-sale processing at our shops. Our operations depend upon our ability to protect our computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and subject us to litigation or actions by regulatory authorities.

Security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions may adversely affect our business.

The majority of our sales are by credit or debit cards. Other restaurants and retailers have experienced security breaches in which credit and debit card information of their customers has been stolen. We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our customers' credit or debit card information. Any such claim or proceeding, or any adverse publicity resulting from these allegations, may have a material adverse effect on our business.

Changes to estimates related to our property, fixtures and equipment or operating results that are lower than our current estimates at certain shop locations may cause us to incur impairment charges on certain long-lived assets, which may adversely affect our results of operations.

In accordance with accounting guidance as it relates to the impairment of long-lived assets, we make certain estimates and projections with regard to individual shop operations, as well as our overall performance, in connection with our impairment analyses for long-lived assets. When impairment triggers are deemed to exist for any location, the estimated undiscounted future cash flows are compared to its carrying value. If the carrying value exceeds the undiscounted cash flows, an impairment charge equal to the difference between the carrying value and the sum of the discounted cash flows is recorded. The projections of future cash flows used in these analyses require the use of judgment and a number of estimates and projections of future operating results. If actual results differ from our estimates, additional charges for asset impairments may be required in the future. We have experienced significant impairment charges in past years. If future impairment charges are significant, our reported operating results would be adversely affected.

We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business.

Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trademarks, service marks and other proprietary intellectual property, including our name and logos and the unique ambiance of our shops. We have registered or applied to register a number of our trademarks. We cannot assure you that our trademark applications will be approved. Third parties may also oppose our trademark applications, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our goods and services, which could result in loss of brand recognition, and could require us to devote resources to advertising and marketing new brands.

If our efforts to register, maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brands from achieving or maintaining market acceptance. We may also face the risk of claims that we have infringed third parties' intellectual property rights. If third parties claim that we infringe upon their intellectual property rights, our operating profits could be adversely affected. Any claims of intellectual property infringement, even those without merit, could be expensive and time consuming to defend, require us to rebrand our services, if feasible, divert management's attention and resources or require us to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property.

Restaurant companies have been the target of class action lawsuits and other proceedings alleging, among other things, violations of federal and state workplace and employment laws. Proceedings of this nature are costly, divert management attention and, if successful, could result in our payment of substantial damages or settlement costs.

Our business is subject to the risk of litigation by employees, consumers, suppliers, stockholders or others through private actions, class actions, administrative proceedings, regulatory actions or other litigation. The outcome of litigation, particularly class action and regulatory actions, is difficult to assess or quantify. In recent years, restaurant companies have been subject to lawsuits, including class action lawsuits, alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters. A number of these lawsuits have resulted in the payment of substantial damages by the defendants. Similar lawsuits have been instituted from time to time alleging violations of various federal and state wage and hour laws regarding, among other things, employee meal deductions, overtime eligibility of assistant managers and failure to pay for all hours worked. While we have not been a party to any of these types of lawsuits in the past, there can be no assurance that we will not be named in any such lawsuit in the future or that we would not be required to pay substantial expenses and/or damages.

Occasionally, our customers file complaints or lawsuits against us alleging that we are responsible for some illness or injury they suffered at or after a visit to one of our shops, including actions seeking damages resulting from food-borne illness or accidents in our shops. We are also subject to a variety of other claims from third parties arising in the ordinary course of our business, including contract claims. The restaurant industry has also been subject to a growing number of claims that the menus and actions of restaurant chains have led to the obesity of certain of their customers. We may also be subject to lawsuits from our employees, the U.S. Equal Employment Opportunity Commission or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters.

Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations. In addition, they may generate negative publicity, which could reduce customer traffic and sales. Although we maintain what we believe to be adequate levels of insurance, insurance may not be available at all or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims or any adverse publicity resulting from claims could adversely affect our business and results of operations.

Our insurance may not provide adequate levels of coverage against claims.

We believe that we maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Such losses could have a material adverse effect on our business and results of operations.

Unionization activities or labor disputes may disrupt our operations and affect our profitability.

Although none of our employees are currently covered under collective bargaining agreements, our employees may elect to be represented by labor unions in the future. If a significant number of our employees were to become unionized and collective bargaining agreement terms were significantly different from our

current compensation arrangements, it could adversely affect our business, financial condition or results of operations. In addition, a labor dispute involving some or all of our employees may harm our reputation, disrupt our operations and reduce our revenues, and resolution of disputes may increase our costs.

As an employer, we may be subject to various employment-related claims, such as individual or class actions or government enforcement actions relating to alleged employment discrimination, employee classification and related withholding, wage-hour, labor standards or healthcare and benefit issues. Such actions, if brought against us and successful in whole or in part, may affect our ability to compete or could adversely affect our business, financial condition or results of operations.

We have limited control with respect to the operations of our franchisees which could have a negative impact on our business.

Our franchisees are obligated to operate their shops according to the specific guidelines we set forth. We provide training opportunities to these franchisees to integrate them into our operating strategy. However, since we do not have control over these shops, we cannot give assurance that there will not be differences in product quality, operations, marketing or profitably or that there will be adherence to all of our guidelines at these shops. The failure of these shops to operate effectively could adversely affect our cash flows from those operations or have a negative impact on our reputation or our business.

In addition, franchisees may not have access to the financial or management resources that they need to open the shops contemplated by their agreements with us, or be able to find suitable sites on which to develop them, or they may elect to cease development for other reasons. Franchisees may not be able to negotiate acceptable lease or purchase terms for the sites, obtain the necessary permits and governmental approvals or meet construction schedules. Any of these problems could slow our growth from franchise operations and reduce our franchise revenues. Additionally, financing from banks and other financial institutions may not always be available to franchisees to construct and open new shops. The lack of adequate financing could adversely affect the number and rate of new shop openings by our franchisees and adversely affect our future franchise revenues.

Risks Related to this Offering and Our Common Stock

Our stock price could be extremely volatile and, as a result, you may not be able to resell your shares at or above the price you paid for them.

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The stock market in general has been highly volatile, and this may be especially true for our common stock given our growth strategy and stage of development. As a result, the market price of our common stock is likely to be similarly volatile. You may experience a decrease, which could be substantial, in the value of your stock, including decreases unrelated to our operating performance or prospects, and could lose part or all of your investment. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those described elsewhere in this prospectus and others such as:

- actual or anticipated fluctuations in our quarterly or annual operating results and the performance of our competitors;
- publication of research reports by securities analysts about us, our competitors or our industry;
- our failure or the failure of our competitors to meet analysts' projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;

- sales, or anticipated sales, of large blocks of our stock or of shares held by our stockholders, directors or executive officers;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments affecting us or our industry;
- speculation in the press or investment community, whether or not correct, involving us, our suppliers or our competitors;
- changes in accounting principles;
- litigation and governmental investigations;
- terrorist acts, acts of war or periods of widespread civil unrest;
- a food-borne illness outbreak;
- natural disasters and other calamities; and
- changes in general market and economic conditions.

As we operate in a single industry, we are especially vulnerable to these factors to the extent that they affect our industry or our products. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

There is no existing market for our common stock, and we do not know if one will develop to provide you with adequate liquidity.

Prior to this offering, there has not been a public market for our common stock. An active market for our common stock may not develop following the completion of this offering, or if it does develop, may not be maintained. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the shares of our common stock will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following this offering. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than the price you paid in this offering.

There may be sales of a substantial amount of our common stock after this offering by our current stockholders, and these sales could cause the price of our common stock to fall.

After this offering, there will be shares of common stock outstanding (if the underwriters exercise their option to purchase additional shares from us in full). Of our issued and outstanding shares, all the common stock sold in this offering will be freely transferable, except for any shares held by our "affiliates," as that term is defined in Rule 144 under the Securities Act of 1933, as amended. Following completion of this offering, % of our outstanding common stock will be held by our pre-IPO stockholders, including our directors, members of our management and employees (or % if the underwriters exercise their option to purchase additional shares from us and the selling stockholders in full).

Each of our directors and executive officers and all of our stockholders have entered into a lock-up agreement with the representatives of the underwriters which regulates their sales of our common stock for a period of at least 180 days after the date of this prospectus, subject to certain exceptions. See "Underwriting."

Sales of substantial amounts of our common stock in the public market after this offering, or the perception that such sales will occur, could adversely affect the market price of our common stock and make it difficult for us to raise funds through securities offerings in the future. Of the shares to be outstanding after the offering, the shares offered by this prospectus will be eligible for immediate sale in the public market without restriction by persons other than our affiliates. Our remaining outstanding shares will become available for resale in the public market as shown in the chart below (less any shares sold as a result of the exercise of the underwriters' option to purchase additional shares), subject to the provisions of Rule 144 and Rule 701.

Number of Shares	Date Available for Resale
	On the date of this offering (,)
	180 days after this offering (,), subject to certain exceptions

Beginning 180 days after this offering, subject to certain exceptions, holders of shares of our common stock may require us to register their shares for resale under the federal securities laws, and holders of additional shares of our common stock would be entitled to have their shares included in any such registration statement, all subject to reduction upon the request of the underwriter of the offering, if any. See "Related Party Transactions—Arrangements With Our Investors." Registration of those shares would allow the holders to immediately resell their shares in the public market. Any such sales or anticipation thereof could cause the market price of our common stock to decline.

In addition, after this offering, we intend to register shares of common stock that are reserved for issuance under our stock incentive plans. See "Executive and Director Compensation—Equity Incentive Plans."

Provisions in our certificate of incorporation and by-laws and Delaware law may discourage, delay or prevent a change of control of our company or changes in our management and, therefore, may depress the trading price of our stock.

Our certificate of incorporation and by-laws include certain provisions that could have the effect of discouraging, delaying or preventing a change of control of our company or changes in our management, including, among other things:

- our board initially will be classified into three classes of directors with only one class subject to election each year, with the classified board being phased out by our fifth annual meeting of stockholders following the completion of this offering;
- restrictions on the ability of our stockholders to fill a vacancy on the board of directors;
- our ability to issue preferred stock with terms that the board of directors may determine, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquirer;
- the inability of our stockholders to call a special meeting of stockholders;
- our directors may only be removed from the board of directors for cause by the affirmative vote of the holders of at least 66-2/3% of the voting power of outstanding shares of our capital stock entitled to vote generally in the election of directors;
- the absence of cumulative voting in the election of directors, which may limit the ability of minority stockholders to elect directors;
- advance notice requirements for stockholder proposals and nominations, which may discourage or deter a potential acquirer from soliciting proxies to elect a particular slate of directors or otherwise attempting to obtain control of us; and

- our by-laws may only be amended by the affirmative vote of the holders of at least 66-2/3% of the voting power of outstanding shares of our capital stock entitled to vote generally in the election of directors or by our board of directors.

Section 203 of the Delaware General Corporation Law may affect the ability of an "interested stockholder" to engage in certain business combinations, including mergers, consolidations or acquisitions of additional shares, for a period of three years following the time that the stockholder becomes an "interested stockholder." An "interested stockholder" is defined to include persons owning directly or indirectly 15% or more of the outstanding voting stock of a corporation.

We will incur increased costs and obligations as a result of being a public company.

As a privately held company, we were not required to comply with certain corporate governance and financial reporting practices and policies required of a publicly-traded company. As a publicly-traded company, we will incur significant legal, accounting and other expenses that we were not required to incur in the recent past, particularly after we are no longer an "emerging growth company" as defined under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated and to be promulgated thereunder, as well as under the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), and the rules and regulations of the Securities and Exchange Commission and the Nasdaq Stock Market, have created uncertainty for public companies and will increase our costs and the time that our board of directors and management must devote to complying with these rules and regulations. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management's attention from implementing our growth strategy, which could prevent us from improving our business, results of operations and financial condition.

We are an "emerging growth company," and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and, for as long as we continue to be an "emerging growth company," we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We may choose to take advantage of some but not all of these reduced burdens until we are no longer an "emerging growth company." We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenue of at least $1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the prior June 30th, or (2) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards, and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

If you purchase shares in this offering, you will suffer immediate and substantial dilution.

If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in the book value of your stock, because the price that you pay will be substantially greater than the net tangible book value per share of the shares you acquire. The pro forma as adjusted net tangible book value per share, calculated as of June 30, 2013 and after giving effect to the offering at an estimated initial public offering price of $ (the midpoint of the price range set forth on the cover page of this prospectus), is $, resulting in dilution of your shares of $ per share.

You will experience additional dilution upon the exercise of options and warrants to purchase our common stock, including those options currently outstanding and possibly those granted in the future, and the issuance of restricted stock or other equity awards under our stock incentive plans. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial additional dilution. See “Dilution.”

If securities analysts or industry analysts downgrade our stock, publish negative research or reports, or do not publish reports about our business, our stock price and trading volume could decline.

We expect that the trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us, our business and our industry. If one or more analysts adversely change their recommendation regarding our stock or our competitors’ stock, our stock price would likely decline. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Because we have no plans to pay regular cash dividends on our common stock for the foreseeable future, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We may retain future earnings, if any, for future operations, expansion and debt repayment and, except for the previously-declared cash dividend payable on shares of our common and preferred stock outstanding on the day immediately prior to the closing date of this offering, have no current plans to pay any cash dividends for the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness we or our subsidiaries incur, including our credit facility. As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than that which you paid for it. See “Dividend Policy” and “Description of Credit Facility.”

Our ability to raise capital in the future may be limited, which could make us unable to fund our capital requirements.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities, existing stockholders may experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

Our principal stockholders and their affiliates own a substantial portion of our outstanding equity, and their interests may not always coincide with the interests of other holders.

As of June 30, 2013, beneficial owners of 5.0% or more of our outstanding shares owned in the aggregate shares representing approximately 82% of our outstanding voting power, assuming the conversion of all outstanding shares of all series of our preferred stock into, and the exercise of all outstanding Series F warrants for, shares of our common stock. Persons associated with certain of these stockholders currently serve and, following the offering, will continue to serve on our board of directors. In particular, after the offering Maveron Equity Partners 2000, L.P., Maveron Equity Partners III, L.P. and their affiliated funds (the "Maveron Entities") will beneficially own, in the aggregate, shares representing approximately % of our outstanding voting power. If the underwriters exercise their over-allotment option in full, after this offering the Maveron Entities will beneficially own, in the aggregate, shares representing approximately % of our outstanding voting power. As a result, the Maveron Entities, together with certain other stockholders, could potentially have significant influence over all matters presented to our stockholders for approval, including election and removal of our directors and change in control transactions. The interests of such stockholders may not always coincide with the interests of the other holders of our common stock.

A majority of the proceeds we receive in this offering will be paid to related parties and our management will have broad discretion over the use of the remaining proceeds and might not apply those proceeds in ways that increase the value of your investment.

We intend to use approximately $49.9 million of the net proceeds we receive in this offering to pay a dividend to the holders of our capital stock outstanding on the day immediately prior to the closing date of this offering, leaving us with net proceeds of approximately $. Our executive officers, directors, beneficial owners of 5.0% or more of our outstanding shares of capital stock, and affiliated entities, will receive approximately $43.0 million, or 86.2%, of such dividend amount. As a result, a majority of the net proceeds we receive in the offering will not be available to us to use to grow our business or for other uses beneficial to the company. Our management will have broad discretion to use the remaining net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements." These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "strives," "goal," "seeks," "projects," "intends," "forecasts," "plans," "may," "will" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout this prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the "Risk Factors" section of this prospectus, which include, but are not limited to, the following:

- competition in the restaurant industry, which is highly competitive and includes many larger, more well-established companies;
- changes in economic conditions, including continuing effects from the recent recession, the effects of consumer confidence and discretionary spending; the future cost and availability of credit; and the liquidity or operations of our suppliers and other service providers;
- fluctuation in price and availability of commodities, including but not limited to items such as beef, poultry, grains, dairy and produce and energy supplies, where prices could increase or decrease more than we expect;
- our ability to identify and secure new locations and expand our operations (which is dependent upon various factors such as the availability of attractive sites for new shops), negotiate suitable lease terms, obtain all required governmental permits including zoning approvals on a timely basis, control construction and development costs and obtain capital to fund such costs, and recruit, train and retain qualified operating personnel;
- changes in consumer tastes and lack of acceptance or awareness of our brand in existing or new markets; damage to our reputation caused by, for example, any perceived reduction in the quality of our food, service or staff or an adverse change in our culture, concerns regarding food safety and food-borne illness or adverse opinions about the health effects of our menu offerings;
- local, regional, national and international economic and political conditions; the seasonality of our business; demographic trends; traffic patterns and our ability to effectively respond in a timely manner to changes in traffic patterns; the cost of advertising and media; inflation or deflation; unemployment rates; interest rates; and increases in various costs, such as real estate and insurance costs;
- adverse weather conditions, local strikes, natural disasters and other disasters, especially in local or regional areas in which our shops are concentrated;
- litigation or legal complaints alleging, among other things, illness, injury or violations of federal and state workplace and employment laws and our ability to obtain and maintain required licenses and permits;

- government actions and policies; tax and other legislation; regulation of the restaurant industry; and accounting standards or pronouncements;
- our reliance on a limited number of suppliers for our major products and on one distribution company for the majority of our national distribution program;
- security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions or the failure of our information technology system;
- our ability to adequately protect our intellectual property; and
- other factors discussed under the headings “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and industry developments may differ materially from statements made in or suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial condition and liquidity, and industry developments are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

In light of these risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this prospectus speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statement or to publicly announce the results of any revision to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of shares of our common stock in this offering, after deducting underwriter discounts and commissions and estimated expenses payable by us, will be approximately $ million (approximately $ million if the underwriters exercise their option to purchase additional shares in full). This estimate assumes an initial public offering price of $ per share, the midpoint of the price range set forth on the cover page of this prospectus.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

We intend to use approximately $49.9 million of the net proceeds to pay a previously-declared cash dividend on shares of our common and preferred stock outstanding on the day immediately prior to the closing date of this offering, leaving us with net proceeds of approximately $. Our executive officers, directors, beneficial owners of 5.0% or more of our outstanding shares of capital stock, and affiliated entities, will receive approximately $43.0 million, or 86.2%, of such dividend amount. We intend to use the remaining net proceeds from this offering for working capital and general corporate purposes, such as to continue to maintain our existing shops and to support our growth, primarily through opening new shops. Pending such use, we may use such net proceeds to temporarily reduce borrowings under our credit facility, which expires in September 2017. As of June 30, 2013, we had $14.0 million outstanding under the credit facility with a weighted average interest rate of 1.35%. We may also invest the net proceeds in short- and intermediate-term interest-bearing obligations.

We will not receive any proceeds from the sale of shares of common stock by the selling stockholders. See “Principal and Selling Stockholders.”

DIVIDEND POLICY

Our board of directors declared a cash dividend in an aggregate amount of approximately $49.9 million, which is payable on shares of our common and preferred stock outstanding on the day immediately prior to the closing date of this offering and will be paid out of a portion of the net proceeds of the offering. The dividend will not be paid on any shares purchased in this offering.

Other than the dividend described above, we do not currently intend to pay cash dividends on our common stock and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determinations relating to our dividend policies will be made at the discretion of our board of directors and will depend on conditions then existing, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant. In addition, our ability to pay dividends on our common stock is limited under the terms of our credit facility. See “Description of Credit Facility.”

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of June 30, 2013:

- on an actual basis;
- on a pro forma basis to give effect to the conversion of all outstanding shares of all series of our preferred stock into, and the exercise of all outstanding Series F warrants for, common stock immediately prior to this offering and our board of directors' declaration of a cash dividend to holders of our common and preferred shares to be paid from the net proceeds of the initial public offering; and
- on a pro forma as adjusted basis to give effect to the transactions described in the bullet immediately above and (1) the sale of shares of common stock in this offering by us at the estimated initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting underwriting discounts and commissions and estimated expenses payable by us and (2) the application of the net proceeds of this offering as described under "Use of Proceeds," including the payment of the previously-declared cash dividend on shares of our common and preferred stock outstanding on the day immediately prior to the closing date of this offering, as if the events had occurred on June 30, 2013.

This table should be read in conjunction with "Use of Proceeds," "Selected Consolidated Financial and Other Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of June 30, 2013		
	Actual	Pro Forma (1)	Pro Forma As Adjusted (1)
		(in thousands)	
Cash and cash equivalents	$ 21,746	$ 21,747	
Long-term debt, including current portion:			
Credit facility	$ 14,000	$ 14,000	
Note payable	1,132	1,132	
Total long-term debt	15,132	15,132	
Redeemable convertible preferred stock, $0.01 par value—17,183,632 shares authorized and 16,086,375 shares issued and outstanding on an actual basis; 17,183,632 shares authorized and no shares issued and outstanding on a pro forma basis; and 10,000,000 shares authorized and no shares issued and outstanding on a pro forma as adjusted basis	260,644	—	
Equity (deficit):			
Common stock, $0.01 par value—35,500,000 shares authorized and 4,248,360 issued and outstanding on an actual basis; 35,500,000 shares authorized and 20,631,941 shares issued and outstanding on a pro forma basis; and 200,000,000 shares authorized and shares issued and outstanding on a pro forma as adjusted basis	42	206	
Warrants	1,474	908	
Additional paid-in-capital	—	211,194	
Accumulated deficit	(176,822)	(176,822)	
Total stockholders' equity (deficit)	(175,306)	35,486	
Non-controlling interests	211	211	
Total equity (deficit)	(175,095)	35,697	
Total capitalization	$ 100,681	$ 50,829	

(1) Assumes the effect of our board of directors' declaration of a cash dividend to holders of our common and preferred shares to be paid from the net proceeds of the initial public offering and conversion of all outstanding shares of all series of our preferred stock into, and the exercise of all outstanding Series F warrants for, an aggregate of 16,383,581 shares of common stock immediately prior to the completion of this offering, and excludes, as of August 26, 2013, outstanding options to purchase 4,748,737 shares of our common stock at a weighted average exercise price of $8.99 per share, of which options to purchase 4,249,257 shares at a weighted average exercise price of $8.62 were vested as of such date, and an exercisable warrant to purchase 241,704 shares of our common stock at a price of $8.16 per share. See "Executive and Director Compensation" and "Related Party Transactions."

DILUTION

If you invest in our common stock, your ownership interest will experience immediate book value dilution to the extent of the difference between the initial public offering price per share of our common stock and the net tangible book value per share of our common stock after this offering. Dilution results from the fact that the initial public offering price per share of the common stock is substantially in excess of the net tangible book value per share of common stock attributable to the existing stockholders for the presently outstanding shares of common stock. Net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of shares of our common stock outstanding.

Our pro forma net tangible book value at June 30, 2013 was approximately $ million, or $ per share of our common stock, after taking into account the conversion of our outstanding shares of our preferred stock and the exercise of our outstanding Series F warrants but before giving effect to this offering. Dilution in net tangible book value per share represents the difference between the amount per share that you pay in this offering and the net tangible book value per share immediately after this offering.

After giving effect to our sale of shares in this offering and the conversion of our outstanding shares of our preferred stock and the exercise of our outstanding Series F warrants, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), and the application of the estimated net proceeds as described under “Use of Proceeds,” our pro forma as adjusted net tangible book value at June 30, 2013 would have been approximately $ million, or $ per share of common stock. This represents an immediate increase in net tangible book value per share of $ to existing stockholders and an immediate and substantial dilution of $ per share to new investors. The following table illustrates this dilution per share.

Assumed initial public offering price per share of common stock		$
Pro forma net tangible book value per share at June 30, 2013	$	
Increase per share attributable to new investors in the offering		
Pro forma as adjusted net tangible book value per share of common stock after this offering		$
Dilution per share to new investors		$

If the underwriters were to fully exercise their option to purchase additional shares of our common stock, the pro forma as adjusted net tangible book value per share of our common stock after giving effect to this offering would be $ per share of our common stock. This represents an increase in net tangible book value of $ per share of our common stock to existing stockholders and dilution of $ per share of our common stock to new investors.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share of our common stock would increase (decrease) our net tangible book value after giving effect to the offering by $ million, or by $ per share of our common stock, assuming no change to the number of shares of our common stock offered by us as set forth on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

The following table sets forth, as of June 30, 2013, the number of shares of common stock purchased from us, the total consideration paid to us and the average price per share paid by existing stockholders and to be paid by new investors purchasing shares of common stock in this offering, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average price per share
	Number	Percent	Amount (in thousands)	Percent	
Existing stockholders		%	$	%	$
New investors					
Total		100.0%	$	100.0%	

If the underwriters were to exercise in full their option to purchase additional shares of our common stock, the percentage of shares of our common stock held by existing stockholders would be %, and the percentage of shares of our common stock held by new investors would be %.

The discussion and tables above assume the conversion of all outstanding shares of our preferred stock into, and the exercise of all outstanding Series F warrants for, an aggregate of 16,383,581 shares of common stock immediately prior to the completion of this offering and excludes, as of August 26, 2013:

- outstanding options to purchase 4,748,737 shares of our common stock at a weighted average exercise price of $8.99 per share, of which options to purchase 4,249,257 shares at a weighted average exercise price of $8.62 were vested as of such date, and an exercisable warrant to purchase 241,704 shares of our common stock at a price of $8.16 per share; and

- 1,500,000 shares of our common stock reserved for future grants under our 2013 Long-Term Incentive Plan, including options to purchase 395,000 shares of our common stock with exercise prices equal to the initial public offering price to be granted effective with this offering.

To the extent any outstanding options or other equity awards are exercised or become vested or any additional options or other equity awards are granted and exercised or become vested or other issuances of shares of our common stock are made, there may be further economic dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our selected consolidated financial and other data as of the dates and for the periods indicated. The selected consolidated financial data as of December 30, 2012 and December 25, 2011 and for each of the two fiscal years in the period ended December 30, 2012 presented in this table have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated financial data as of December 26, 2010, December 27, 2009 and December 28, 2008 and for the fiscal years then ended have been derived from our audited consolidated financial statements for such years, all of which are not included in this prospectus, except for the consolidated statement of operations for the fiscal year ended December 26, 2010. The selected consolidated interim financial data as of and for the 26 weeks ended June 30, 2013 and for the 26 weeks ended June 24, 2012 have been derived from the unaudited condensed interim consolidated financial statements included elsewhere in this prospectus. Historical results are not necessarily indicative of the results to be expected for future periods, and our interim results are not necessarily indicative of the results to be expected for the full fiscal year.

Our fiscal year ends on the last Sunday of each year. The first three quarters of our fiscal year consist of 13 weeks and our fourth quarter consists of 13 weeks for 52-week fiscal years and 14 weeks for 53-week fiscal years. The fiscal years ended December 25, 2011, December 26, 2010, December 27, 2009 and December 28, 2008 all had 52 weeks. The fiscal year ending December 30, 2012 had 53 weeks.

This selected consolidated financial and other data should be read in conjunction with the disclosure set forth under “Risk Factors,” “Capitalization,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	Fiscal Year Ended					26 Weeks Ended	
	December 28, 2008	December 27, 2009	December 26, 2010	December 25, 2011	December 30, 2012	June 24, 2012	June 30, 2013
	($ in thousands, except per share data)						
Consolidated Statements of Operations Data:							
Total Revenues	$ 207,686	$ 214,733	$ 220,573	$ 237,966	$ 274,914	$ 131,537	$ 146,930
Expenses:							
Sandwich shop operating expenses:							
Cost of goods sold, excluding depreciation	62,612	61,700	63,009	68,491	79,847	38,151	42,753
Labor and related expenses	66,756	63,939	63,506	67,036	77,479	36,841	40,995
Occupancy expenses	23,429	25,574	25,238	26,511	32,016	14,750	17,530
Other operating expenses	22,752	22,373	22,620	24,095	28,119	13,449	15,112
General and administrative expenses	30,785	27,840	26,563	26,911	29,624	15,668	16,005
Depreciation expense	17,599	17,586	15,647	14,838	16,219	7,553	8,824
Pre-opening costs	1,887	95	267	1,521	2,051	1,130	719
Impairment and loss on disposal of property and equipment	2,852	5,511	2,952	365	994	78	79
Total expenses	228,672	224,618	219,802	229,768	266,349	127,620	142,017
Income (loss) from operations	(20,986)	(9,885)	771	8,198	8,565	3,917	4,913
Interest expense (income)	681	828	519	495	541	251	233
Other expense	20	4	9	1	6	—	2
Income (loss) before income taxes	(21,687)	(10,717)	243	7,702	8,018	3,666	4,678
Income tax expense (benefit) (1)	121	219	773	537	(15,994)	682	1,886
Net income (loss)	(21,808)	(10,936)	(530)	7,165	24,012	2,984	2,792
Net income (loss) attributable to non-controlling interests (2)	—	—	—	—	(34)	(39)	15
Net income (loss) attributable to Potbelly Corporation	$ (21,808)	$ (10,936)	$ (530)	$ 7,165	$ 24,046	$ 3,023	$ 2,777
Accretion of redeemable convertible preferred stock to maximum redemption value	8,814	(14,568)	(45,992)	(17,410)	(10,495)	(8,342)	(10,301)
Net income (loss) attributable to common stockholders	$ (12,994)	$ (25,504)	$ (46,522)	$ (10,245)	$ 13,551	$ (5,319)	$ (7,524)

	Fiscal Year Ended					26 Weeks Ended	
	December 28, 2008	December 27, 2009	December 26, 2010	December 25, 2011	December 30, 2012	June 24, 2012	June 30, 2013
	($ in thousands, except per share data)						
Net income (loss) per common share attributable to common stockholders (3):							
Basic	$ (4.40)	$ (5.13)	$ (9.34)	$ (2.35)	$ 0.72	$ (1.34)	$ (1.77)
Diluted	$ (4.40)	$ (5.13)	$ (9.34)	$ (2.35)	$ 0.66	$ (1.34)	$ (1.77)
Weighted average shares outstanding:							
Basic	4,960,984	4,975,511	4,978,621	4,359,930	4,013,414	3,972,873	4,241,752
Diluted	4,960,984	4,975,511	4,978,621	4,359,930	4,388,822	3,972,873	4,241,752
Statement of Cash Flows Data:							
Net cash provided by (used in):							
Operating activities	$ 5,195	$ 11,277	$ 18,780	$ 20,121	$ 25,085	$ 12,050	$ 13,755
Investing activities	(24,856)	(4,385)	(6,243)	(17,758)	(25,936)	(12,790)	(14,411)
Financing activities	21,219	5,152	(4,382)	(7,197)	(700)	173	(193)
Selected Other Data:							
Total company-operated shops (end of period)	214	213	218	234	264	247	280
Change in company-operated comparable store sales	(4.3)%	(2.4)%	1.8%	1.7%	3.4%	4.8%	1.5%
Operating income margin (4)	(10.1)%	(4.6)%	0.3%	3.4%	3.1%	3.0%	3.3%
Shop-level profit margin (5)	15.5%	19.2%	20.9%	21.6%	20.7%	21.3%	20.5%
Capital expenditures	$ 24,856	$ 4,398	$ 6,243	$ 17,758	$ 25,936	$ 12,790	$ 14,411
Adjusted EBITDA (6)	$ 4,038	$ 15,732	$ 21,052	$ 26,752	$ 31,451	$ 14,907	$ 16,183
Adjusted EBITDA margin (6)	1.9%	7.3%	9.5%	11.2%	11.4%	11.3%	11.0%

	December 28, 2008	December 27, 2009	December 26, 2010	December 25, 2011	December 30, 2012	June 30, 2013
	($ in thousands)					
Balance Sheet Data:						
Cash and cash equivalents	$ 8,781	$ 20,825	$ 28,980	$ 24,146	$ 22,595	$ 21,746
Working capital (deficit)	(4,142)	6,014	14,764	16,490	15,170	14,490
Total assets	107,440	101,976	98,424	99,110	126,699	132,560
Total debt	13,440	13,544	9,313	15,243	15,169	15,132
Total redeemable convertible preferred stock	167,983	182,551	228,544	239,848	250,343	260,644
Total equity (deficit)	(105,859)	(124,712)	(169,643)	(185,302)	(168,728)	(175,095)

(1) The fiscal year ended December 30, 2012 included a $16.9 million tax benefit related to the release of a valuation allowance against substantially all of our deferred tax assets.

(2) Non-controlling interests represent the non-controlling partner's share of the assets, liabilities and operations related to the joint venture investment in Potbelly Airport II Boston, LLC, related to one shop located in the Boston Logan International Airport. We own a seventy-five percent interest in this consolidated joint venture.

(3) Net income (loss) per common share attributable to common stockholders is calculated under the two-class method, as our redeemable convertible preferred stock participates in the undistributed earnings of the company. Earnings of the company are allocated between the common and preferred stockholders to account for the accretion of the redeemable convertible preferred stock to its maximum redemption value, thereby reducing the earnings of the company attributable to common stockholders. Except for 2012, for the periods presented, this resulted in net losses attributable to common stockholders, in total and on a per share basis, as the net income attributable to the company (if any) was exceeded by the change in maximum redemption value of the redeemable convertible preferred stock.

(4) Income (loss) from operations as a percentage of total revenues.

(5) Shop-level profit is not required by, or presented in accordance with, U.S. generally accepted accounting principles, or GAAP, and is defined as income (loss) from operations less franchise royalties and fees, general and administrative expenses, depreciation expense, pre-opening costs and impairment and loss on disposal of property and equipment. Shop-level profit is a supplemental measure of operating performance of our shops and our calculation thereof may not be comparable to that reported by other companies. Shop-level profit margin represents shop-level profit expressed as a percentage of net company-operated sandwich shop sales. Shop-level profit and shop-level profit margin have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Management believes shop-level profit margin is an important tool for investors because it is a widely used metric within the restaurant industry to evaluate restaurant-level productivity, efficiency and performance. Management uses shop-level profit margin as a key metric to evaluate the profitability of incremental sales at our shops, to evaluate our shop performance across periods and to evaluate our shop financial performance compared with our competitors. See "Management's Discussion and Analysis of Financial Condition and Results of

Operations" for a discussion of shop-level profit margin and other key performance indicators. A reconciliation of shop-level profit to income (loss) from operations and a calculation of shop-level profit margin is provided below:

	Fiscal Year Ended					26 Weeks Ended	
	December 28, 2008	December 27, 2009	December 26, 2010	December 25, 2011	December 30, 2012	June 24, 2012	June 30, 2013
	($ in thousands)						
Income (loss) from operations	$ (20,986)	$ (9,885)	$ 771	$ 8,198	$ 8,565	$ 3,917	$ 4,913
Less: Franchise royalties and fees	—	—	—	503	844	343	463
General and administrative expenses	30,785	27,840	26,563	26,911	29,624	15,668	16,005
Depreciation expense	17,599	17,586	15,647	14,838	16,219	7,553	8,824
Pre-opening costs	1,887	95	267	1,521	2,051	1,130	719
Impairment and loss on disposal of property and equipment	2,852	5,511	2,952	365	994	78	79
Shop-level profit [Y]	$ 32,137	$ 41,147	$ 46,200	$ 51,330	$ 56,609	$ 28,003	$ 30,077
Total revenues	$ 207,686	$ 214,733	$ 220,573	$ 237,966	$ 274,914	$131,537	$146,930
Less: Franchise royalties and fees	—	—	—	503	844	343	463
Sandwich shop sales, net [X]	$ 207,686	$ 214,733	$ 220,573	$ 237,463	$ 274,070	$131,194	$146,467
Shop-level profit margin [Y÷X]	15.5%	19.2%	20.9%	21.6%	20.7%	21.3%	20.5%

(6) Adjusted EBITDA has been presented in this prospectus and is a supplemental measure of financial performance that is not required by, or presented in accordance with, GAAP. We define adjusted EBITDA as net income (loss) before depreciation and amortization expense, interest expense, provision for income taxes and pre-opening costs, adjusted to eliminate the impact of other items set forth in the reconciliation below, including certain non-cash as well as certain other items that we do not consider representative of our ongoing operating performance. Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by total revenues. Adjusted EBITDA has limitations as an analytical tool and our calculation thereof may not be comparable to that reported by other companies; accordingly, you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Adjusted EBITDA is included in this prospectus because it is a key metric used by management. Additionally, adjusted EBITDA is frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We use adjusted EBITDA, alongside other GAAP measures such as operating income (loss) and net income (loss), to measure profitability, as a key profitability target in our annual and other budgets, and to compare our performance against that of peer companies. We believe that adjusted EBITDA provides useful information facilitating operating performance comparisons from period to period and company to company. A reconciliation of adjusted EBITDA to net income (loss) attributable to Potbelly Corporation is provided below:

	Fiscal Year Ended					26 Weeks Ended	
	December 28, 2008	December 27, 2009	December 26, 2010	December 25, 2011	December 30, 2012	June 24, 2012	June 30, 2013
	($ in thousands)						
Net income (loss) attributable to Potbelly Corporation	$ (21,809)	$ (10,936)	$ (530)	$ 7,165	$ 24,046	$ 3,023	$ 2,777
Depreciation expense	17,599	17,586	15,647	14,838	16,219	7,553	8,824
Interest expense	681	828	519	495	541	251	233
Income tax expense (benefit)	121	219	773	537	(15,994)	682	1,886
Impairment and closures (a)	3,343	6,824	3,344	672	1,181	265	87
Pre-opening costs (b)	1,887	95	267	1,521	2,051	1,130	719
Stock-based compensation (c)	2,216	1,116	1,032	1,524	2,825	1,893	1,142
Costs associated with an initial public offering (d)	—	—	—	—	582	110	515
Adjusted EBITDA	$ 4,038	$ 15,732	$ 21,052	$ 26,752	$ 31,451	$ 14,907	$ 16,183

(a) Includes costs related to impairment of long-lived assets, gain or loss on disposal of property and equipment and shop closure expenses.
(b) Includes expenses directly associated with the opening of new shops and are incurred prior to the opening of a new shop.
(c) Includes non-cash stock-based compensation.
(d) Includes costs associated with legal, accounting and other costs associated with the initial public offering that are not directly related to our registration statement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the "Selected Consolidated Financial and Other Data" and the audited and unaudited historical consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements about our markets, the demand for our products and services and our future results and involves numerous risks and uncertainties. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and generally contain words such as "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "strives," "goal," "estimates," "forecasts," "projects" or "anticipates" or similar expressions. Our forward-looking statements are subject to risks and uncertainties, which may cause actual results to differ materially from those projected or implied by the forward-looking statement. Forward-looking statements are based on current expectations and assumptions and currently available data and are neither predictions nor guarantees of future events or performance. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. See "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" for a discussion of factors that could cause our actual results to differ from those expressed or implied by forward-looking statements.

Operating results are reported on a 52-week fiscal year calendar, with a 53-week year occurring every seventh year. Our fiscal year ends on the last Sunday of each year. Fiscal years 2011 and 2010 were 52-week years. References to fiscal years 2012, 2011 and 2010 are references to fiscal years ended December 30, 2012, December 25, 2011 and December 26, 2010, respectively. Fiscal year 2012 included a 53rd week. The first three quarters of our fiscal year consist of 13 weeks and our fourth quarter consists of 13 weeks for 52-week fiscal years and 14 weeks for 53-week fiscal years.

We own and operate Potbelly Sandwich Works sandwich shops in the United States. We also have domestic and international franchise operations of Potbelly Sandwich Works sandwich shops. Our chief operating decision maker is our Chief Executive Officer. Based on how our Chief Executive Officer reviews financial performance and allocates resources on a recurring basis, the company has one operating segment and one reportable segment.

Overview

Potbelly is a fast-growing neighborhood sandwich concept offering toasty warm sandwiches, signature salads and other fresh menu items served by engaging people in an environment that reflects the Potbelly brand. Our combination of product, people and place is how we deliver on our passion to be "The Best Place for Lunch." Our sandwiches, salads and hand-dipped milkshakes are all made fresh to order and our cookies are baked fresh each day. Our employees are trained to engage with our customers in a genuine way to provide a personalized experience. Our shops feature vintage design elements and locally-themed décor inspired by the neighborhood that we believe create a lively atmosphere. Through this combination, we believe we are creating a devoted base of Potbelly fans that return again and again and that we are expanding one sandwich shop at a time.

We believe that a key to our past and future success is our culture. It is embodied in *The Potbelly Advantage*, which is an expression of our Vision, Mission, Passion and Values, and the foundation of everything we do. Our Vision is for our customers to feel that we are their "Neighborhood Sandwich Shop" and to tell others about their great experience. Our Mission is to make people really happy, to make more money and to improve every day. Our Passion is to be "The Best Place for Lunch." Our Values embody both how we lead and how we behave, and form the cornerstone of our culture. We use simple language that resonates from the frontline associate to the most senior levels of the organization, creating shared expectations and accountabilities in how we approach our day-to-day activities. We strive to be a fun, friendly and hardworking group of people who enjoy taking care of our customers, while at the same time taking care of each other.

Outlook

Potbelly operates in a highly competitive segment of the restaurant industry. We compete with sandwich concepts that have significant scale and presence, as well as with the multitude of locally-owned sandwich shops. Additionally, we compete with many non-sandwich concepts that fall into the limited-service restaurants category. However, we believe that we will continue to succeed in the marketplace based on our combination of excellent product, people and place. The following competitive strengths provide a platform for us to achieve continued growth:

- *Simple, Made-to-Order Food*. Our menu features items made from high quality ingredients such as fresh vegetables, hearth-baked bread, and all-natural chicken (without preservatives or artificial flavors). Our sandwiches are made fresh to order and served toasty warm on our signature multigrain wheat or regular bread which is delivered to our shops. Our menu also features a variety of cookies baked fresh daily in each shop, and our hand-dipped shakes, malts and smoothies are made from real ingredients. We believe the unique Potbelly experience encourages repeat customer visits and drives increased sales.

- *Differentiated Customer Experience That Delivers a Neighborhood Feel*. We strive to provide a positive customer experience that is driven by both our employees and the atmosphere of our shops. We look to hire employees that are outgoing people and train them to interact with our customers in a genuine way while providing fast service. We believe our atmosphere is enhanced by live, local musicians that perform at least three times per week in the majority of our shops. Every Potbelly location strives to the "The Neighborhood Sandwich Shop," creating devoted fans who tell others about their experience.

- *Attractive Shop Economics*. Our shop model is designed to generate, and has generated, strong cash flow, with above 20% shop-level profit margins, a non-GAAP measure, and targeted cash-on-cash returns, on new company-operated shops, above 25% after two full years of operation. We have achieved these targets in 2010, 2011, 2012 and the 26 weeks ended June 30, 2013. Our ability to maintain such margins and returns depends on a number of factors. For example, we face increasing commodity costs, which we have partially offset by increasing menu prices. Although there is no guarantee that we will be able to maintain these returns, we believe our shop economics support our ability to profitably grow our brand in new and existing markets.

- *Management Team with Substantial Operating Experience*. Our senior management team has extensive operating experience across disciplines in the restaurant and retail sectors. Our senior team, led by our CEO, Aylwin Lewis, averages over 17 years of restaurant industry experience and embraces the daily intensity needed to deliver growth in existing shops as well as growing the business in new neighborhoods. We believe our experienced leadership team is a key driver of our success and positions us to execute our long-term growth strategy.

- *Distinct, Deep-Rooted Culture: The Potbelly Advantage*. We believe our culture is a key to our success. It is embodied in *The Potbelly Advantage*, which is an expression of our Vision, Mission, Passion and Values. *The Potbelly Advantage* is a statement of our intentions and is the foundation of everything we do, including how we plan and manage our business. It allows us to deliver operational excellence and grow our business and our base of devoted fans.

We believe the combination of these strengths provides a competitive advantage in the marketplace. Continuing to execute at a high level across all aspects of our business is imperative to realize the growth potential for Potbelly. We are confident in our strategies, our people and the opportunity to make Potbelly a "Global Iconic Brand."

Key Performance Indicators

In assessing the performance of our business, we consider a variety of performance and financial measures. The key measures for determining how our business is performing are comparable store sales growth, number of shop openings, shop-level profit margins and adjusted EBITDA.

Company-Operated Comparable Store Sales Growth

Comparable store sales growth reflects the change in year-over-year sales for the comparable company-operated store base. We define the comparable store base to include those shops open for 15 months or longer. As of the fiscal years ended December 26, 2010, December 25, 2011 and December 30, 2012 and the 26 weeks ended June 24, 2012 and June 30, 2013, there were 211, 211, 227 and 214 and 239 shops, respectively, in our comparable company-operated store base. Comparable store sales growth can be generated by an increase in entree counts and/or by increases in the average check amount resulting from a shift in menu mix and/or increase in price. This measure highlights performance of existing shops as the impact of new shop openings is excluded. Entrees are defined as sandwiches, salads and bowls of soup.

Number of Company-Operated Shop Openings

The number of company-operated shop openings reflects the number of shops opened during a particular reporting period. Before we open new shops, we incur pre-opening costs, which are defined below. Often, new shops open with an initial start-up period of higher than normal sales volumes, which subsequently decrease to stabilized levels. While sales volumes are generally higher during the initial opening period, new shops typically experience normal inefficiencies in the form of higher cost of sales, labor and other direct operating expenses and as a result, shop-level profit margins are generally lower during the start-up period of operation. The average start-up period is 10 to 13 weeks. The number and timing of shop openings has had, and is expected to continue to have, an impact on our results of operations.

Shop-Level Profit Margin

Shop-level profit margin is defined as net company-operated sandwich shop sales less company-operated sandwich shop operating expenses, including cost of goods sold, labor and related expenses, other operating expenses and occupancy expenses, as a percentage of net company-operated sandwich shop sales. Shop-level profit margin is not required by, or presented in accordance with, GAAP. We believe shop-level profit margin is important in evaluating shop-level productivity, efficiency and performance.

Adjusted EBITDA

We define adjusted EBITDA as net income (loss) before depreciation and amortization, interest expense and provision for income taxes, adjusted for the impact of the following items that we do not consider representative of our ongoing operating performance: stock-based compensation expense, impairment and shop closure expenses, gain or loss on disposal of property and equipment and pre-opening expenses. We believe that adjusted EBITDA is a more appropriate measure of operating performance, as it provides a clearer picture of operating results by eliminating expenses that are not reflective of underlying business performance.

Key Financial Definitions

Revenues

We generate revenue from net company-operated sandwich shop sales and our franchise operations.

Net company-operated shop sales consist of food and beverage sales, net of promotional allowances and employee meals. Company-operated shop sales are influenced by new shop openings and comparable store sales.

Franchise royalties and fees consist of royalty income from the franchisee and a one-time shop opening fee.

Cost of Goods Sold

Cost of goods sold consists primarily of food and beverage related costs. The components of cost of goods sold are variable in nature, change with sales volume, are influenced by menu mix and are subject to increases or decreases based on fluctuations in commodity costs.

Labor and Related Expenses

Labor and related expenses include all shop-level management and hourly labor costs, including salaries, wages, benefits and performance incentives, labor taxes and other indirect labor costs.

Occupancy Expenses

Occupancy expenses include fixed and variable portions of rent, common area maintenance and real estate taxes.

Other Operating Expenses

Other operating expenses include all other shop-level operating costs, the major components of which are operating supplies, utilities, repair and maintenance costs, shop-level marketing costs, musician expense and credit card fees.

General and Administrative Expenses

General and administrative expenses is comprised of expenses associated with corporate and administrative functions that support the development and operations of shops, including compensation and benefits, travel expenses, stock compensation costs, legal and professional fees, advertising costs, costs related to abandoned new shop development sites and other related corporate costs.

Depreciation Expense

Depreciation expense includes the depreciation of fixed assets and capitalized leasehold improvements.

Pre-Opening Costs

Pre-opening costs consist of costs incurred prior to opening a new shop and are made up primarily of manager salaries, travel, employee payroll and training costs incurred prior to the shop opening, as well as occupancy costs incurred from when we take site possession to shop opening. Shop pre-opening costs are expensed as incurred.

Impairment and Loss on Disposal of Property and Equipment

We review long-lived assets, such as property and equipment and intangibles, for impairment when events or circumstances indicate the carrying value of the assets may not be recoverable and record an impairment charge when appropriate. The impairment loss recognized is the excess of the carrying value of the asset over its fair value. Typically, the fair value of the asset is determined by estimating future cash flows associated with the asset.

Loss on disposal of property and equipment represents the net book value of property and equipment less proceeds received, if applicable, on assets abandoned or sold. These losses are related to normal disposals in the ordinary course of business, along with disposals related to shop closures and selected shop remodeling activities.

Interest Expense

Interest expense consists primarily of interest expense related to our credit facility.

Non-controlling Interests

Non-controlling interests represent the non-controlling partner's share of the assets, liabilities and operations related to the joint venture investment in Potbelly Airport II Boston, LLC, related to one shop located in the Boston Logan International Airport. The company owns a seventy-five percent interest in this consolidated joint venture.

Accretion of Redeemable Convertible Preferred Stock to Maximum Redemption Value

Accretion of redeemable convertible preferred stock reflects the changes in measurement of the redeemable convertible preferred stock each reporting period to record the redeemable convertible preferred stock at its maximum redemption value at each reporting period.

26 Weeks Ended June 30, 2013 Compared to 26 Weeks Ended June 24, 2012

The following table presents information comparing the components of net income for the periods indicated (dollars in thousands):

	26 Weeks Ended					
	June 24, 2012	% of Revenues	June 30, 2013	% of Revenues	Increase (Decrease)	Percent Change
Revenues						
Sandwich shop sales, net	$131,194	99.7%	$146,467	99.7%	15,273	11.6%
Franchise royalties and fees	343	0.3	463	0.3	120	35.0
Total revenues	131,537	100.0	146,930	100.0	15,393	11.7
Expenses						
Sandwich shop operating expenses						
Cost of goods sold, excluding depreciation	38,151	29.0	42,753	29.1	4,602	12.1
Labor and related expenses	36,841	28.0	40,995	27.9	4,154	11.3
Occupancy expenses	14,750	11.2	17,530	11.9	2,780	18.8
Other operating expenses	13,449	10.2	15,112	10.3	1,663	12.4
General and administrative expenses	15,668	11.9	16,005	10.9	337	2.2
Depreciation expense	7,553	5.7	8,824	6.0	1,271	16.8
Pre-opening costs	1,130	0.9	719	0.5	(411)	(36.4)
Impairment and loss on disposal of property and equipment	78	0.1	79	0.1	1	1.3
Total expenses	127,620	97.0	142,017	96.7	14,397	11.3
Income from operations	3,917	3.0	4,913	3.3	996	25.4
Interest expense	251	0.2	233	0.2	(18)	(7.2)
Other expense (income)	—	*	2	*	2	100.0
Income before income taxes	3,666	2.8	4,678	3.2	1,012	27.6
Income tax expense	682	0.5	1,886	1.3	1,204	176.5
Net income	2,984	2.3	2,792	1.9	(192)	(6.4)
Net income (loss) attributable to non-controlling interests	(39)	*	15	*	54	(138.5)
Net income attributable to Potbelly Corporation	3,023	2.3	2,777	1.9	(246)	(8.1)
Accretion of redeemable convertible preferred stock to maximum redemption value	(8,342)	(6.3)	(10,301)	(7.0)	(1,959)	23.5
Net loss attributable to common stockholders	$ (5,319)	(4.0)%	$ (7,524)	(5.1)%	$ (2,205)	41.5%

* Amount is less than 0.1%

Revenues

Revenues increased by $15.4 million, or 11.7%, to $146.9 million during the 26 weeks ended June 30, 2013, from $131.5 million during the 26 weeks ended June 24, 2012. Company-operated non-comparable store sales contributed $13.4 million, or 87.0%, of the total revenue increase, company-operated comparable store sales contributed $1.9 million, or 12.0%, of the total revenue increase, and franchise shops contributed $0.1 million, or 0.8%, of the total revenue increase. Comparable store sales increased 1.5% as a result of a 2.6% increase in average check, due to a menu price increase and shift in menu mix, and a 1.1% decrease in entree counts.

Cost of Goods Sold

Cost of goods sold increased by $4.6 million, or 12.1%, to $42.8 million during the 26 weeks ended June 30, 2013, compared to $38.2 million during the 26 weeks ended June 24, 2012, primarily due to the increase in revenues. As a percentage of revenues, cost of goods sold increased slightly to 29.1% during the 26 weeks ended June 30, 2013, from 29.0% during the 26 weeks ended June 24, 2012, primarily driven by higher commodity costs.

Labor and Related Expenses

Labor and related expenses increased by $4.2 million, or 11.3%, to $41.0 million during the 26 weeks ended June 30, 2013, from $36.8 million during the 26 weeks ended June 24, 2012, primarily due to new shop openings. As a percentage of revenues, labor and related expenses decreased to 27.9% during the 26 weeks ended June 30, 2013, from 28.0% during the 26 weeks ended June 24, 2012, primarily due to sales leverage (*i.e.*, the ability to spread certain expenses over a higher revenue base).

Occupancy Expenses

Occupancy expenses increased by $2.8 million, or 18.8%, to $17.5 million during the 26 weeks ended June 30, 2013, from $14.8 million during the 26 weeks ended June 24, 2012, primarily due to new shop openings. As a percentage of revenues, occupancy expenses increased to 11.9% during the 26 weeks ended June 30, 2013, from 11.2% during the 26 weeks ended June 24, 2012, due to more shops in higher rent markets, specifically New York City and Boston. There were 19 company-operated shops in New York City and Boston as of June 30, 2013, compared to ten company-operated shops as of June 24, 2012.

Other Operating Expenses

Other operating expenses increased by $1.7 million, or 12.4%, to $15.1 million during the 26 weeks ended June 30, 2013, from $13.4 million during the 26 weeks ended June 24, 2012, primarily due to new shop openings as well as an increase in fees associated with higher credit card usage in our shops. As a percentage of revenues, other operating expenses increased slightly to 10.3% during the 26 weeks ended June 30, 2013, from 10.2% during the 26 weeks ended June 24, 2012, primarily due to the increase in credit card usage and production timing of in-shop marketing promotion materials.

General and Administrative Expenses

General and administrative expenses increased by $0.3 million, or 2.2%, to $16.0 million during the 26 weeks ended June 30, 2013, from $15.7 million during the 26 weeks ended June 24, 2012. The increase was primarily due to an increase of $0.1 million for our General Manager conference in Chicago and an increase from initial public offering planning costs, partially offset by a decrease of $0.8 million in stock compensation expense primarily related to warrants issued during the 26 weeks ended June 24, 2012. As a percentage of revenues, general and administrative expenses decreased to 10.9% during the 26 weeks ended June 30, 2013, from 11.9% during the 26 weeks ended June 24, 2012, primarily due to lower stock compensation expense and sales leverage (*i.e.*, the ability to spread certain expenses over a higher revenue base).

Depreciation Expense

Depreciation expense increased by $1.3 million, or 16.8%, to $8.8 million during the 26 weeks ended June 30, 2013, from $7.5 million during the 26 weeks ended June 24, 2012, primarily due to a higher depreciable base resulting from new shops. As a percentage of revenues, depreciation increased to 6.0% during the 26 weeks ended June 30, 2013, from 5.7% during the 26 weeks ended June 24, 2012, primarily due to a higher depreciable base resulting from new shops in markets with higher build-out costs such as New York City.

Pre-Opening Costs

Pre-opening costs decreased by approximately $0.4 million to $0.7 million during the 26 weeks ended June 30, 2013, from $1.1 million during the 26 weeks ended June 24, 2012 primarily due to opening one company-operated shop in higher rent markets, specifically New York City, during the 26 weeks ended June 30, 2013, compared to four new company-operated shop openings in higher rent markets, specifically New York City, during the 26 weeks ended June 24, 2012.

Impairment and Loss on Disposal of Property and Equipment

Impairment and loss on disposal of property and equipment remained consistent at $0.1 million during the 26 weeks ended June 30, 2013 and June 24, 2012, respectively.

Interest Expense

Interest expense remained consistent at $0.2 million during the 26 weeks ended June 30, 2013 and June 24, 2012, respectively.

Income Tax Expense

Income tax expense increased by $1.2 million to $1.9 million during the 26 weeks ended June 30, 2013, from $0.7 million during the 26 weeks ended June 24, 2012 due to higher pre-tax income and an increased effective tax rate as a result of the Company recognizing federal tax benefits as a result of the release of a valuation allowance against substantially all of our deferred tax assets in the fourth quarter of 2012. In the fourth quarter of fiscal 2012, we determined that it is more likely than not the deferred tax assets will ultimately be realized. Prior to this period, our income tax expense represented our cash income taxes payable to various states and local jurisdictions. In determining the likelihood of future realization of the deferred tax assets as of December 30, 2012, we considered both positive and negative evidence and weighted the effect of such evidence based upon its objectivity. As a result of our analysis of both positive and negative evidence, we believe that the weight of the positive evidence, primarily related to the cumulative income in the most recent three years and achievement of a sustained level of profitability, was sufficient to overcome the weight of the negative evidence, primarily related to continued uncertainty in the condition of the macro-economic environment. For the 26 weeks ended June 24, 2012, our effective tax rate was 18.6%, compared to 40.3% for the 26 weeks ended June 30, 2013.

Fiscal Year 2012 (53 Weeks) Compared to Fiscal Year 2011 (52 Weeks)

The following table presents information comparing the components of net income for the periods indicated (dollars in thousands):

	Fiscal Year					
	2011	% of Revenues	2012	% of Revenues	Increase (Decrease)	Percent Change
Revenues						
Sandwich shop sales, net	$237,463	99.8%	$274,070	99.7%	36,607	15.4%
Franchise royalties and fees	503	0.2	844	0.3	341	67.8
Total revenues	237,966	100.0	274,914	100.0	36,948	15.5
Expenses						
Sandwich shop operating expenses						
Cost of goods sold, excluding depreciation	68,491	28.8	79,847	29.0	11,356	16.6
Labor and related expenses	67,036	28.2	77,479	28.2	10,443	15.6
Occupancy expenses	26,511	11.1	32,016	11.6	5,505	20.8
Other operating expenses	24,095	10.1	28,119	10.2	4,024	16.7
General and administrative expenses	26,911	11.3	29,624	10.8	2,713	10.1
Depreciation expense	14,838	6.2	16,219	5.9	1,381	9.3
Pre-opening costs	1,521	0.6	2,051	0.7	530	34.8
Impairment and loss on disposal of property and equipment	365	0.2	994	0.4	629	172.3
Total expenses	229,768	96.6	266,349	96.9	36,581	15.9
Income from operations	8,198	3.4	8,565	3.1	367	4.5
Interest expense	495	0.2	541	0.2	46	9.3
Other expense	1	*	6	*	5	500.0
Income before income taxes	7,702	3.2	8,018	2.9	316	4.1
Income tax expense (benefit)	537	0.2	(15,994)	(5.8)	(16,531)	(3,078.4)
Net income	7,165	3.0	24,012	8.7	16,847	(235.1)
Net income (loss) attributable to non-controlling interests	—	*	(34)	*	(34)	(100.0)
Net income attributable to Potbelly Corporation	7,165	3.0	24,046	8.7	16,881	(235.6)
Accretion of redeemable convertible preferred stock to maximum redemption value	(17,410)	(7.3)	(10,495)	(3.8)	6,915	39.7
Net income (loss) attributable to common stockholders	$ (10,245)	(4.3)%	13,551	4.9	23,796	232.3

* Amount is less than 0.1%.

Percentages reflected may not compute to the percentages that precede them due to rounding adjustments.

Revenues

Revenues increased by $36.9 million, or 15.5%, to $274.9 million for fiscal year 2012, from $238.0 million for fiscal year 2011. Company-operated non-comparable store sales contributed $28.7 million, or

77.8%, of the total revenue increase, company-operated comparable store sales contributed $7.9 million, or 21.2%, of the total revenue increase, and franchise shops contributed $0.3 million, or 0.9%, of the total revenue increase. Comparable store sales increased 3.4% as a result of a 3.2% increase in average check, due to a menu price increase and a shift in menu mix, and a 0.2% increase in entree counts.

The impact in 2012 of an additional operating week was approximately $3.4 million in total revenue.

Cost of Goods Sold

Cost of goods sold increased by $11.4 million, or 16.6%, to $79.8 million for fiscal year 2012, compared to $68.5 million for fiscal year 2011, primarily due to the increase in revenues. As a percentage of revenues, cost of goods sold increased to 29.0% for fiscal year 2012, from 28.8% for fiscal year 2011, primarily driven by higher commodity costs.

Labor and Related Expenses

Labor and related expenses increased by $10.4 million, or 15.6%, to $77.5 million for fiscal year 2012, from $67.0 million for fiscal year 2011, primarily due to new shop openings. As a percentage of revenues, labor and related expenses remained consistent at 28.2% for fiscal year 2012 and 2011, respectively.

Occupancy Expenses

Occupancy expenses increased by $5.5 million, or 20.8%, to $32.0 million for fiscal year 2012, from $26.5 million for fiscal year 2011, primarily due to new shop openings. As a percentage of revenues, occupancy expenses increased to 11.6% for fiscal year 2012, from 11.1% for fiscal year 2011, due to more shops in higher rent markets, specifically New York City and Boston. There were 16 company-operated shops in New York City and Boston as of December 30, 2012, compared to five company-operated shops as of December 25, 2011.

Other Operating Expenses

Other operating expenses increased by $4.0 million, or 16.7%, to $28.1 million for fiscal year 2012, from $24.1 million for fiscal year 2011, primarily due to new shop openings as well as an increase in fees associated with higher credit card usage in our shops. As a percentage of revenues, other operating expenses increased slightly to 10.2% for fiscal year 2012, from 10.1% for fiscal year 2011, primarily due to the increase in credit card usage.

General and Administrative Expenses

General and administrative expenses increased by $2.7 million, or 10.1%, to $29.6 million for fiscal year 2012, from $26.9 million for fiscal year 2011. The increase was primarily due to an increase of $1.3 million in stock compensation expense related to warrants and stock option grants, in addition to investments made to support new shop growth. As a percentage of revenues, general and administrative expenses decreased to 10.8% for fiscal year 2012, from 11.3% for fiscal year 2011, primarily due to sales leverage (*i.e.*, the ability to spread certain expenses over a higher revenue base).

Depreciation Expense

Depreciation expense increased by $1.4 million, or 9.3%, to $16.2 million for fiscal year 2012, from $14.8 million for fiscal year 2011, primarily due to an increase in the number of shops open from 234 shops as of fiscal year-end 2011, compared to 264 shops as of fiscal year-end 2012. As a percentage of revenues, depreciation decreased to 5.9% for fiscal year 2012, from 6.2% for fiscal year 2011, primarily due to certain assets primarily related to leasehold improvements at legacy shops with a higher build-out cost being fully depreciated.

Pre-Opening Costs

Pre-opening costs increased by approximately $0.5 million to $2.0 million for fiscal year 2012, from $1.5 million for fiscal year 2011. The increase was due to 31 new company-operated shop openings during fiscal year 2012, compared to 21 new company-operated shop openings during fiscal year 2011.

Impairment and Loss on Disposal of Property and Equipment

Impairment and loss on disposal of property and equipment increased by $0.6 million to $1.0 million for fiscal year 2012, from $0.4 million for fiscal year 2011, primarily due to a $0.8 million charge related to the disposal of assets as a result of damage from Hurricane Sandy.

Interest Expense

Interest expense remained consistent at $0.5 million for fiscal years 2012 and 2011, respectively.

Income Tax Expense (Benefit)

Income tax expense decreased approximately $16.5 million in fiscal year 2012, from $0.5 million in fiscal year 2011, due to a benefit from the release of the $16.9 million valuation allowance against our deferred tax assets in the fourth quarter of 2012. In the fourth quarter of fiscal 2012, we determined that it is more likely than not the deferred tax assets will ultimately be realized. Prior to this period, our income tax expense represented our cash income taxes payable to various states and local jurisdictions. In determining the likelihood of future realization of the deferred tax assets as of December 30, 2012, we considered both positive and negative evidence and weighted the effect of such evidence based upon its objectivity. As a result of our analysis of both positive and negative evidence, we believe that the weight of the positive evidence, primarily related to the cumulative income in the most recent three years and achievement of a sustained level of profitability, was sufficient to overcome the weight of the negative evidence, primarily related to continued uncertainty in the condition of the macro-economic environment.

Fiscal Year 2011 Compared to Fiscal Year 2010

The following table presents information comparing the components of net income (loss) for the periods indicated (dollars in thousands):

	Fiscal Year					
	2010	% of Revenues	2011	% of Revenues	Increase (Decrease)	Percent Change
Revenues						
Sandwich shop sales, net	$220,573	100.0%	$237,463	99.8%	$ 16,890	7.7%
Franchise royalties and fees	—	—	503	0.2	503	—
Total revenues	220,573	100.0	237,966	100.0	17,393	7.9
Expenses						
Sandwich shop operating expenses						
Cost of goods sold, excluding depreciation	63,009	28.6	68,491	28.8	5,482	8.7
Labor and related expenses	63,506	28.8	67,036	28.2	3,530	5.6
Occupancy expenses	25,238	11.4	26,511	11.1	1,273	5.0
Other operating expenses	22,620	10.3	24,095	10.1	1,475	6.5
General and administrative expenses	26,563	12.0	26,911	11.3	348	1.3
Depreciation expense	15,647	7.1	14,838	6.2	(809)	(5.2)
Pre-opening costs	267	0.1	1,521	0.6	1,254	469.7
Impairment and loss on disposal of property and equipment	2,952	1.3	365	0.2	(2,587)	(87.6)
Total expenses	219,802	99.7	229,768	96.6	9,966	4.5
Income from operations	771	0.3	8,198	3.4	7,427	963.3
Interest expense	519	0.2	495	0.2	(24)	(4.6)
Other expense	9	*	1	*	(8)	(88.9)
Income before income taxes	243	0.1	7,702	3.2	7,459	3,069.5
Income tax expense	773	0.4	537	0.2	(236)	(30.5)
Net income (loss)	(530)	(0.2)	7,165	3.0	7,695	—
Net income (loss) attributable to non-controlling interest	—	*	—	*	—	—
Net income (loss) attributable to Potbelly Corporation	(530)	(0.2)%	7,165	3.0	7,695	—
Accretion of redeemable convertible preferred stock to maximum redemption value	(45,992)	(20.9)	(17,410)	(7.3)	28,582	62.1
Net loss attributable to common stockholders	$ (46,522)	(21.1)%	$ (10,245)	(4.3)%	$ 36,277	78.0%

* Amount is less than 0.1%.

Percentages reflected may not compute to the percentages that precede them due to rounding adjustments.

Revenues

Revenues increased by $17.4 million, or 7.9%, to $238.0 million for fiscal year 2011, from $220.6 million for fiscal year 2010. Company-operated non-comparable store sales contributed $13.2 million, or 75.8%, of the total revenue increase, company-operated comparable store sales contributed $3.7 million, or

21.3%, of the total revenue increase, and franchise shops contributed $0.5 million, or 2.9%, of the total revenue increase. Comparable store sales increased 1.7% as a result of a 1.4% increase in average check, primarily due to a shift in menu mix, and a 0.3% increase in entree counts.

Cost of Goods Sold

Cost of goods sold increased by $5.5 million, or 8.7%, to $68.5 million for fiscal year 2011, compared to $63.0 million for fiscal year 2010, due to the increase in revenues. As a percentage of revenues, cost of goods sold increased slightly to 28.8% for fiscal year 2011, from 28.6% for fiscal year 2010, primarily driven by higher commodity costs.

Labor and Related Expenses

Labor and related expenses increased by $3.5 million, or 5.6%, to $67.0 million for fiscal year 2011, from $63.5 million for fiscal year 2010, primarily due to new shop openings. As a percentage of revenues, labor and related expenses decreased to 28.2% for fiscal year 2011, from 28.8% for fiscal year 2010, primarily due to leverage of shop personnel and improved labor productivity.

Occupancy Expenses

Occupancy expenses increased by $1.3 million, or 5.0%, to $26.5 million for fiscal year 2011, from $25.2 million for fiscal year 2010, primarily due to new shop openings. As a percentage of revenues, occupancy expenses decreased to 11.1% for fiscal year 2011, from 11.4% for fiscal year 2010, primarily due to sales leverage.

Other Operating Expenses

Other operating expenses increased by $1.5 million, or 6.5%, to $24.1 million for fiscal year 2011, from $22.6 million for fiscal year 2010, primarily due to new shop openings. As a percentage of revenues, other operating expenses decreased to 10.1% for fiscal year 2011, from 10.3% for fiscal year 2010, primarily due to sales leverage and more efficient execution to drive lower operating expenses at our shops.

General and Administrative Expenses

General and administrative expenses increased by $0.3 million, or 1.3%, to $26.9 million for fiscal year 2011, from $26.6 million for fiscal year 2010. The increase was primarily due to an increase of $0.5 million in stock compensation expense in addition to $0.1 million for our General Manager conference in Chicago, offset by lower legal related expenses. As a percentage of revenues, general and administrative expenses decreased to 11.3% for fiscal year 2011, from 12.0% for fiscal year 2010, primarily due to sales leverage and effective cost containment at our corporate headquarters, which we refer to as the Support Center.

Depreciation Expense

Depreciation expense decreased by $0.8 million, or 5.2%, to $14.8 million for fiscal year 2011, from $15.6 million for fiscal year 2010, primarily due to a reduction in depreciation expense for certain underperforming shops where we recorded impairment charges in fiscal year 2010, offset by an increase in depreciation related to new shops opened. The number of shops open as of fiscal year-end 2010 was 218 shops, compared to 234 shops as of fiscal year-end 2011. As a percentage of revenues, depreciation decreased to 6.2% for fiscal year 2011, from 7.1% for fiscal year 2010, primarily related to leasehold improvements at legacy shops with a higher build-out cost being fully depreciated.

Pre-Opening Costs

Pre-opening costs increased by approximately $1.2 million to $1.5 million for fiscal year 2011, from $0.3 million for fiscal year 2010. The increase was due to 21 new company-operated shop openings during fiscal year 2011, compared to six new company-operated shop openings during fiscal year 2010, including one re-location.

Impairment and Loss on Disposal of Property and Equipment

Impairment and loss on disposal of property and equipment decreased by $2.6 million to $0.4 million for fiscal year 2011, from $3.0 million for fiscal year 2010. Due to unfavorable operating results at certain shops, the related assets were assessed for impairment. A determination was made that certain shops had carrying amounts in excess of their fair value as of December 25, 2011 and December 26, 2010. An impairment charge of $0.4 million and $2.9 million was recorded in fiscal years 2011 and 2010, respectively. The reduction in expense is primarily driven by improved operating performance and lower levels of new shop development activities in the immediately preceding years.

Interest Expense

Interest expense remained consistent at $0.5 million for fiscal years 2011 and 2010, respectively.

Income Tax Expense

Income tax expense decreased approximately $0.3 million to $0.5 million in fiscal year 2011, from $0.8 million in fiscal year 2010. In fiscal years 2010 and 2011, we have a full valuation allowance against all deferred tax assets. Our income tax expense primarily relates to current state income taxes payable and the decrease in our effect tax rate is due to the impact of an adjustment in fiscal 2010, offset by changes in state statutory tax rates.

Quarterly Results and Seasonality

The following table sets forth certain unaudited financial and operating data in each fiscal quarter during fiscal year 2012 and each of the first two fiscal quarters during fiscal year 2013. The unaudited quarterly information includes all normal recurring adjustments that we consider necessary for a fair presentation of the information shown. This information should be read in conjunction with the audited consolidated and unaudited condensed consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

	For the 13 Weeks Ended			For the 14 Weeks Ended	For the 13 Weeks Ended	
	March 25, 2012	June 24, 2012	September 23, 2012	December 30, 2012	March 31, 2013	June 30, 2013
	(unaudited; dollars in thousands)					
Total Revenues	$ 62,381	$69,156	$ 69,869	$ 73,508	$ 68,744	$78,186
Income from operations	1,592	2,325	2,817	1,831	152	4,761
Net income attributable to Potbelly Corporation (1)	1,274	1,749	2,548	18,475	18	2,759
Adjusted EBITDA (2)	$ 6,564	$ 8,342	$ 8,034	$ 8,511	$ 5,791	$10,392
Total company-operated shops (end of period)	239	248	257	264	269	280
Change in company-operated comparable store sales	6.4%	3.3%	2.2%	2.0%	(0.3)%	3.0%

(1) The 14 weeks ended December 30, 2012 included a $16.9 million tax benefit related to the release of a valuation allowance against substantially all of our deferred tax assets.

(2) The following table presents a reconciliation of net income (loss), the most directly comparable GAAP financial measure, to adjusted EBITDA for the periods indicated below. For further discussion of the use of adjusted EBITDA, see footnote 5 to the table included in "Selected Consolidated Financial and Other Data."

	For the 13 Weeks Ended			For the 14 Weeks Ended	For the 13 Weeks Ended	
	March 25, 2012	June 24, 2012	September 23, 2012	December 30, 2012	March 31, 2013	June 30, 2013
	(unaudited; dollars in thousands)					
Net Income (loss) attributable to Potbelly Corporation	$ 1,274	$ 1,749	$ 2,548	$ 18,475	$ 18	$ 2,759
Depreciation expense	3,837	3,716	4,080	4,586	4,380	4,444
Interest expense	128	123	176	114	111	122
Income tax expense (benefit)	206	476	84	(16,760)	17	1,869
Impairment and closures	93	171	—	916	26	61
Pre-opening costs	537	593	630	291	290	429
Stock compensation	470	1,423	427	506	708	434
Costs associated with an initial public offering	19	91	89	383	241	274
Adjusted EBITDA	$ 6,564	$ 8,342	$ 8,034	$ 8,511	$ 5,791	$ 10,392

Historically, customer spending patterns for our established shops are lowest in the first quarter of the year. Our quarterly results have been and will continue to be affected by the timing of new shop openings and their associated pre-opening costs. As a result of these and other factors, our financial results for any quarter may not be indicative of the results that may be achieved for a full fiscal year.

Liquidity and Capital Resources

General

Our primary sources of liquidity and capital resources have been cash provided from operating activities, cash and cash equivalents, and our credit facility. Our primary requirements for liquidity and capital are new shop openings, existing shop capital investments (maintenance and improvements), principal and interest payments on our debt, lease obligations, and working capital and general corporate needs. Our requirement for working capital is not significant since our customers pay for their food and beverage purchases in cash or payment cards (credit or debit) at the time of sale. Thus, we are able to sell many of our inventory items before we have to pay our suppliers for such items. Our shops do not require significant inventories or receivables. We believe that these sources of liquidity and capital will be sufficient to finance our continued operations and expansion plans for at least the next twelve months.

The following table presents summary cash flow information for the periods indicated (in thousands):

				26 Weeks Ended	
	2010	2011	2012	June 24, 2012	June 30, 2013
				(unaudited)	
Net cash provided by (used in):					
Operating activities	$18,780	$ 20,121	$ 25,085	$ 12,050	$ 13,755
Investing activities	(6,243)	(17,758)	(25,936)	(12,790)	(14,411)
Financing activities	(4,382)	(7,197)	(700)	173	(193)
Net increase (decrease) in cash	$ 8,155	$ (4,834)	$ (1,551)	$ (567)	$ (849)

Operating Activities

Net cash provided by operating activities increased to $13.8 million for the 26 weeks ended June 30, 2013, from $12.1 million for the 26 weeks ended June 24, 2012, primarily due to a $2.1 million increase in shop-level profits.

Net cash provided by operating activities increased to $25.1 million for fiscal year 2012, from $20.1 million for fiscal year 2011, primarily due to a $5.3 million increase in shop-level profits.

Investing Activities

Net cash used in investing activities increased to $14.4 million for the 26 weeks ended June 30, 2013, from $12.8 million for the 26 weeks ended June 24, 2012. The increase was primarily due to construction costs for 17 new company-operated shops opened during the 26 weeks ended June 30, 2013, compared to 14 new company-operated shops opened for the 26 weeks ended June 24, 2012, as well as capital expenditures for future shop openings, maintaining our existing shops and certain other projects.

For fiscal years 2012, 2011 and 2010, purchases of property and equipment were $25.9 million, $17.8 million and $6.2 million, respectively. Each year, new company-operated shop development accounted for the majority of the expenditures. The increase in 2012, as compared to 2011, and the increase in 2011, as compared to 2010, were driven by an increase in the number of company-operated shop openings. We estimate that total capital expenditures for fiscal year 2013 will be approximately $29.0 million to $31.5 million, with 32 to 35 new company-operated shop openings planned.

Financing Activities

Net cash used in financing activities was $0.2 million for the 26 weeks ended June 30, 2013, compared to net cash provided by financial activities of $0.2 million for the 26 weeks ended June 24, 2012.

Net cash used in financing activities was $0.7 million and $7.2 million during fiscal years 2012 and 2011, respectively. The decrease in net cash used in fiscal year 2012 as compared to fiscal year 2011 was primarily due to $13.5 million of common and preferred share repurchases that were partially offset by $6.0 million of net borrowings from our senior credit facility.

Credit Facility

On September 21, 2012, we entered into a new five-year revolving credit facility agreement that expires in September 2017 and provides for borrowings up to $35.0 million to fund capital expenditures for new shops, renovations and maintenance of existing shops, and to provide ongoing working capital for other general and corporate purposes. We will be entitled to incur additional incremental increases in the revolving credit facility of up to $25.0 million that will be included in the credit facility if no event of default exists and certain other requirements are met. The credit facility contains customary representations, warranties, negative and affirmative covenants, including a requirement to maintain a maximum leverage ratio, as defined, of 2.25:1 and a minimum debt service coverage ratio, as defined, of 1.5:1. The credit facility also limits the restricted payments (primarily distributions and equity repurchases) that we may make, unless we obtain certain waivers or amendments from our lender. We were in compliance with these restrictions and conditions as of June 30, 2013. The credit facility is secured by substantially all assets of the company. Borrowings under the credit facility bear interest at our option at either (i) a eurocurrency rate determined by reference to the applicable LIBOR rate plus an applicable margin or (ii) a prime rate as announced by JPMorgan Chase plus an applicable margin. As of June 30, 2013, we had $14.0 million outstanding under the credit facility with a weighted-average interest rate of 1.35%. Our previous credit facility, which we entered into in January 2008, would have expired in January 2013 and was repaid in full and terminated when we entered into our new credit facility. See “Description of Credit Facility.”

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, investments in special purpose entities or undisclosed borrowings or debt that would be required to be disclosed pursuant to Item 303 of Regulation S-K under the Securities Exchange Act of 1934. Additionally, we do not have any synthetic leases.

Contractual Obligations

The following table presents contractual obligations and commercial commitments as of December 30, 2012 (in thousands):

		Payments Due By Period			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt (including current portion) (a)	$ 15,169	$ 79	$ 1,090	$14,000	$ —
Interest on long-term debt (a)	898	189	378	331	—
Operating leases (b)	183,972	27,552	52,530	40,890	63,000
Capital leases	201	27	60	71	43
Total	$200,240	$27,847	$54,058	$55,292	$ 63,043

(a) On September 21, 2012, we entered into a five-year revolving credit facility agreement that will expire in September 2017 and provides for borrowings up to $35.0 million to fund capital expenditures for new shops, renovations and maintenance of existing shops and to provide ongoing working capital for other general and corporate purposes. Interest on the credit facility is variable and is included in the table above utilizing an interest rate of 1.35% that applied as of December 30, 2012. Interest expense on the credit facility in 2012 was $0.5 million. Long-term debt also includes a note payable with $1.1 million outstanding as of June 30, 2013. As of December 30, 2012, scheduled principal payments on the note payable were $0.1 million in fiscal year 2013, $0.1 million in fiscal year 2014 and $1.0 million in fiscal year 2015. The above table excludes interest on the note, payable quarterly at an interest rate of 6%.

(b) Includes base lease terms and certain optional renewal periods that are included in the lease term in accordance with accounting guidance related to leases. Certain of these options are subject to escalation based on various market-based factors.

Impact of Inflation

Our profitability is dependent, among other things, on our ability to anticipate and react to changes in the costs of key operating resources, including food and beverages, labor, energy and other services. Substantial increases in costs and expenses could impact our operating results to the extent such increases cannot be passed along to our customers. Apart from the commodity effects discussed above, in general, we have been able to substantially offset shop and operating cost increases resulting from inflation by altering our menu items, increasing menu prices, making productivity improvements or other adjustments. However, certain areas of costs, notably labor and utilities, can be significantly volatile or subject to significant changes due to changes in laws or regulations, such as the minimum wage laws. There can be no assurance that we will continue to generate increases in comparable store sales in amounts sufficient to offset inflationary or other cost pressures.

New and Revised Financial Accounting Standards

We qualify as an “emerging growth company” pursuant to the provisions of the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, enacted on April 5, 2012. Section 102 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the “Securities Act”), for complying with new or revised accounting standards. However, we are choosing to “opt out” of such extended transition period, and as a result, we will

comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period is irrevocable.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Critical accounting policies are those that management believes are both most important to the portrayal of our financial condition and operating results, and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We base our estimates on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. Our significant accounting policies can be found in Note 2 to our consolidated financial statements. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements.

Impairment of Long-Lived Assets and Disposal of Property and Equipment

We assess potential impairments to long-lived assets, which includes property and equipment, whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset. Shop-level assets are grouped together for the purpose of the impairment assessment. Due to unfavorable operating results at certain shops, we assessed the related assets for impairment as of December 30, 2012, December 25, 2011 and December 26, 2010. Fair value of the shop assets was determined using the discounted future cash flow method of anticipated cash flows through the shop's lease-end date using fair value measurement inputs classified as Level 3. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. We used a weighted average cost of capital to discount the future cash flows. A 100 basis point change in weighted average cost of capital would not have a material impact on the calculation of an impairment charge. We recorded an impairment charge of $2.9 million, $0.4 million and $0.2 million for the fiscal years 2010, 2011 and 2012, respectively, and $0.1 million and $0.1 million for the 26 weeks ended June 24, 2012 and the 26 weeks ended June 30, 2013, respectively, which is included in impairment and loss on disposal of property and equipment in the consolidated statements of operations. As a result of Hurricane Sandy, we recorded a charge of $0.8 million related to the disposal of assets damaged by the storm.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are attributable to differences between financial statement and income tax reporting. Deferred tax assets, net of any valuation allowances, represent the future tax return consequences of those differences and for operating loss and tax credit carryforwards, which will be deductible when the assets are recovered. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of

deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Prior to our fiscal quarter ended December 30, 2012, we determined that more likely than not our deferred tax assets would not be fully realizable based on a history of operating losses incurred and established a full valuation allowance in accordance with ASC Topic 740. Throughout fiscal 2012, we evaluated evidence to determine if releasing the valuation allowance is appropriate and concluded in the fourth quarter of fiscal 2012 that it was more likely than not the deferred tax assets will ultimately be realized. In determining the likelihood of future realization of the deferred tax assets as of December 30, 2012, we considered both positive and negative evidence and weighted the effect of such evidence based upon its objectivity. As a result of our analysis of both positive and negative evidence, we believe that the weight of the positive evidence, primarily related to the cumulative income in the most recent three years and achievement of a sustained level of profitability, was sufficient to overcome the weight of the negative evidence, primarily related to continued uncertainty in the condition of the macro-economic environment, and recorded a $16.9 million benefit to release the full valuation allowance against our deferred tax assets in the fourth quarter of 2012.

Stock-Based Compensation

Our 2001 and 2004 Equity Incentive Plans (the "Plans") permit the granting of awards to employees and nonemployee officers, directors, consultants, agents, and independent contractors of the company in the form of stock appreciation rights, stock awards, and stock options. We account for our stock-based compensation in accordance with ASC 718, *Stock Based Compensation*. Because our stock option plan contains a performance condition that restricts certain option holders' ability to exercise vested options until the consummation of an initial public offering (an "IPO") under the Securities Act or at the discretion of our board of directors, no compensation cost related to vested stock options with these performance conditions has been recognized through June 30, 2013. We have estimated the potential compensation cost to be recorded upon consummation of an initial public offering associated with vested options is approximately $7.2 million as of the date of this filing, which excludes charges related to the transactions described below under "Common Stock Equity Valuations." We will recognize non-cash stock compensation expense with respect to these options in the period in which the offering is consummated. For stock options granted without these performance conditions, we record stock compensation expense on a straight-line basis over the vesting period based on the grant-date fair value of the option, determined using the Black-Scholes option pricing valuation model. In addition to the grant date fair value of our common stock, the Black-Scholes model requires inputs for risk-free interest rate, volatility and expected lives of the options. Since we do not have a history of traded common stock activity, expected volatility of the options is based on historical data from selected peer public company restaurants. The expected life of options granted is derived from the average of the vesting period and the term of the option. The risk-free rate is based on U.S. Treasury rates in effect at the time of the grant with a similar duration of the expected life of the options.

Common Stock Equity Valuations

Our policy is to have all options granted to be exercisable at a price per share not less than the per-share fair value of our common stock underlying those options on the date of grant. The range of exercise prices of options granted as of June 30, 2013 is $7 to $14 per option, and the options vest over a five-year period from the date of grant. Also, we measure our redeemable convertible preferred stock at its maximum redemption value at each reporting period. The fair value of the company, used to calculate the maximum redemption value of the redeemable convertible preferred stock and to measure the value of the common stock as a key assumption in our stock options, was determined with assistance from an independent third-party valuation specialist. The valuations of the company and our common stock were determined based on valuation methodologies and assumptions selected in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Companies Equity Securities Issued as Compensation*. In the absence of observable market data regarding the value of our stock, the valuation of the company and our common stock was estimated using multiple valuation approaches, primarily an income and market approach.

The income approach is based on the present value of estimated future cash flows and relies upon significant assumptions and estimates, including those related to the selected discount rate and forecasted revenues and expenses. The market approach is based on a comparison to observed fair values of comparable peer companies and recent market transactions, adjusted for the relative size and profitability of these peer companies.

The table below sets forth the options granted during the twelve months prior to June 30, 2013:

Grant Date	Number of Options Granted	Exercise Price	Grant-date Fair Value of Common Stock	Grant-date Black-Scholes Fair Value of Option
10/30/2012	5,000	$ 9.60	$ 9.60	$ 4.44
12/3/2012	144,671	9.60	9.60	4.15
12/21/2012	20,412	9.60	9.60	4.21
2/26/2013	59,865	9.47	9.47	3.88
3/5/2013	289,828	9.47	9.47	4.16 to 4.39
4/9/2013	48,667	9.47	9.47	4.05 to 4.13

In August 2013, we (a) issued options and replacement options to purchase 122,271 and 81,064 shares, respectively, of our common stock at an exercise price of $10.59 per share to Bryant Keil, (b) issued options to purchase 227,187 shares of our common stock at an exercise price of $10.59 per share to Aylwin Lewis and approved the issuance of options to purchase 395,000 shares of our common stock at an exercise price equal to the initial public offering price to certain senior leaders, (c) modified certain option agreements to accelerate vesting for certain executives and (d) reduced the exercise price for all options held by current employees with an exercise price of $14.00 per option to $10.59 per option. The fair value of our common stock used as the grant price for these options was based on a concurrent valuation prepared by an independent valuation specialist as discussed in our consolidated financial statements. A discussion of the compensation expense related to each of the foregoing transactions can be found in note 13 to our consolidated financial statements.

The table below sets forth the range of assumptions used to determine fair value of the various option grants and warrant issuances utilizing the Black-Scholes-Merton option pricing model. We used the simplified method for determining the expected life of the options. We are unable to calculate specific stock price volatility as a private company, and as such, we used a blended volatility rate for comparable publicly traded companies.

Common stock fair value:	$9.47 to $10.59 per share;
Expected life of options:	5 to 6.5 years;
Volatility:	45.5% to 48.6%;
Risk-free interest rate:	0.6% to 1.4%;
Dividend yield:	—

Quantitative and Qualitative Disclosures of Market Risks

Interest Rate Risk

We are subject to interest rate risk in connection with borrowings under our credit facility, which bear interest at variable rates. As of June 30, 2013, we had $14.0 million outstanding under our credit facility. A 100 basis point change in the interest rate would not have a material impact on our financial condition or results of operations. We did not have any material exposure to interest rate market risks for fiscal year 2012 or for the 26 weeks ended June 30, 2013.

Commodity Price Risk

We are also exposed to commodity price risks. Many of the food products we purchase are subject to changes in the price and availability of food commodities, including among other things beef, poultry, grains, dairy and produce. Prices may be affected due to market changes, increased competition, the general risk of

inflation, shortages or interruptions in supply due to weather, disease or other conditions beyond our control, or other reasons. For example, the drought conditions of 2012 increased certain commodity prices, including beef. We have partially offset these costs by increasing menu prices. We work with our suppliers and use a mix of forward pricing protocols for certain items under which we agree with our supplier on fixed prices for deliveries at some time in the future, fixed pricing protocols under which we agree on a fixed price with our supplier for the duration of that protocol, and formula pricing protocols under which the prices we pay are based on a specified formula related to the prices of the goods, such as spot prices. Our use of any forward pricing arrangements varies substantially from time to time and these arrangements tend to cover relatively short periods (i.e., typically twelve months or less). We do not enter into futures contracts or other derivative instruments. Increased prices or shortages could generally affect the cost and quality of the items we buy or may require us to further raise prices or limit our menu options. These events, combined with other general economic and demographic conditions, could impact our pricing and negatively affect our sales and profit margins.

BUSINESS

The Neighborhood Sandwich Shop

Potbelly is a fast-growing neighborhood sandwich concept offering toasty warm sandwiches, signature salads and other fresh menu items served by engaging people in an environment that reflects the Potbelly brand. Our combination of product, people and place is how we deliver on our passion to be "The Best Place for Lunch." Our sandwiches, salads and hand-dipped milkshakes are all made fresh to order and our cookies are baked fresh each day. Our employees are trained to engage with our customers in a genuine way to provide a personalized experience. Our shops feature vintage design elements and locally-themed décor inspired by the neighborhood that we believe create a lively atmosphere. Through this combination, we believe we are creating a devoted base of Potbelly fans that return again and again and that we are expanding one sandwich shop at a time.

We believe that a key to our past and future success is our culture. It is embodied in *The Potbelly Advantage*, which is an expression of our Vision, Mission, Passion and Values, and the foundation of everything we do. Our Vision is for our customers to feel that we are their "Neighborhood Sandwich Shop" and to tell others about their great experience. Our Mission is to make people really happy, to make more money and to improve every day. Our Passion is to be "The Best Place for Lunch." Our Values embody both how we lead and how we behave and form the cornerstone of our culture. We use simple language that resonates from the frontline associate to the most senior levels of the organization, creating shared expectations and accountabilities in how we approach our day-to-day activities. We strive to be a fun, friendly and hardworking group of people who enjoy taking care of our customers, while at the same time taking care of each other.

We believe executing on *The Potbelly Advantage* at a high level creates a distinct competitive advantage and drives our operating and financial results, as illustrated by the following:

- As of June 30, 2013, we had a domestic base of 286 shops in 18 states and the District of Columbia. Of these, the company operates 280 shops and franchisees operate six shops. In addition, there are 12 franchised shops in the Middle East. Total shop growth was 16.0% over the prior year;
- We achieved positive comparable store sales growth in twelve of the last thirteen quarters through our fiscal quarter ended June 30, 2013 (comparable store sales growth reflects the change in year-over-year sales of shops open for 15 or more months);
- From 2011 to 2012, we increased our total revenue 15.5% to $274.9 million, our adjusted EBITDA 17.6% to $31.5 million, and our net income for the year ended December 30, 2012 to $7.1 million, excluding a $16.9 million non-cash tax benefit as a result of releasing a valuation allowance against our deferred tax assets; and
- From 2008 to 2012, we increased our shop-level profit margin by 520 basis points: with levels of 15.5%, 19.2%, 20.9%, 21.6% and 20.7% in 2008, 2009, 2010, 2011 and 2012, respectively (shop-level profit margin measures net shop sales less shop operating expenses as a percentage of net shop sales).

See "Selected Consolidated Financial and Other Data" for a discussion of adjusted EBITDA, adjusted EBITDA margin and shop-level profit margin and a reconciliation of the differences between adjusted EBITDA and net income (loss) and shop-level profit and income (loss) from operations, as well as a calculation of shop-level profit margin. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a definition of comparable store sales.

Our History

Potbelly started in 1977 as a small antique store on Lincoln Avenue in Chicago. To boost sales, the original owner began offering toasty warm sandwiches to customers. Soon, people who had no interest in antiques were stopping by to enjoy the delicious sandwiches, homemade desserts and live music featured in the shop. As time passed, Potbelly became a well-known neighborhood destination with a loyal following of regulars and frequent lines out the door.

The original owner sold the Lincoln Avenue store to Bryant Keil in 1996. Bryant was the entrepreneur with the vision to expand Potbelly. We opened our second shop in 1997 and continued to open shops in more neighborhoods reaching 100 shops in 2005, 200 shops in 2008 and 300 shops in 2013. Throughout our growth, each new shop has maintained a similar look, vibe and experience that defines the Potbelly brand. Though our shops vary in size and shape, we maintain core elements in each new location, such as fast and efficient line flow, vintage décor customized with local details and exceptional customer focus. Just like our first shop on Lincoln Avenue, we are committed to building deep community roots in all the neighborhoods we serve.

Industry Overview

According to the National Restaurant Association ("NRA"), U.S. restaurant industry sales are projected to grow 3.8% to $661 billion in 2013, representing approximately 4% of the U.S. gross domestic product. The NRA projects that 47% of total U.S. food expenditures will be spent at restaurants in 2013, up from 44% in 1996 and 25% in 1955.

According to Technomic, Inc. ("Technomic"), a national consulting market research firm, the restaurant industry is divided into two primary segments, limited-service restaurants ("LSRs") and full-service restaurants, and is generally categorized by price, quality of food, service and location. LSRs are defined as establishments with patrons who pay before eating and generate an average check between $3 and $12. The LSR segment is further divided into (i) quick-service restaurants, which are defined as traditional "fast food" restaurants, generally with check averages between $3 and $8.50, and (ii) fast-casual restaurants, which are establishments with limited service, check averages generally between $8.50 and $12, food prepared to order, fresh (or perceived as fresh) ingredients, innovative food suited to sophisticated tastes, and upscale or highly developed interior design.

Technomic reported that LSRs accounted for 73% of the sales of the Top 500 U.S. restaurant chains in 2012. We operate in the "Other Sandwich" category, which includes LSRs specializing in sandwiches and wraps, other than hamburgers. This category accounted for $21.9 billion of sales in 2012 by the Top 500 chains. Sales in this category increased 5.9% from 2011 to 2012, outperforming the broader LSR growth rate of 5.6% over the same time period. We cannot provide assurance that the increases in sales in this category will continue or that we will benefit from any such increases.

Our Competitive Strengths

We believe the following competitive strengths provide a platform for us to achieve continued growth:

Simple, Made-to-Order Food. Our menu features items made from high quality ingredients, such as fresh vegetables, hearth-baked bread and all-natural, breast meat chicken (without preservatives or artificial flavors). We also use whole muscle turkey, ham and roast beef, rather than chopped and formed deli meats. See "—Our Food —Our Menu" for more information on our ingredients. Our sandwiches are made fresh to order, and many are based on the original recipes from 1977. They are served toasty warm on our signature multigrain wheat or regular bread which is delivered to our shops. We slice our meats and cheeses daily in each shop to ensure freshness. Our sandwiches can be customized with a variety of toppings, including our unique Potbelly hot peppers that are made with a combination of spices exclusively for us. We believe our sandwiches have the right

balance of ingredients with the last bite tasting as good as the first. Our generously sized cookies are baked fresh daily in each shop, and our hand-dipped shakes, malts and smoothies are made from real ingredients and come with our signature butter cookie on the straw. Our menu regularly evolves based on consumer trends and customer feedback. Among other things, we solicit customer feedback quarterly via in-person "Customer Advisories" in our major markets and conduct an annual customer survey to help determine trends. See "—Our Food—Customer Feedback" for more information about these surveys. For example, we now offer signature salads that are made to order and have recently introduced the all-veggie Mediterranean sandwich.

We believe our simple menu and freshly-made food offer ease of ordering and broad appeal and help us create loyal Potbelly fans that return again and again. Based on the CREST® data provided by the NPD Group, which tracks consumer reported eating share trends, on average our customers eat at our shops approximately two times every four-week period. Additionally, based on our 2012 annual customer surveys, which we distributed by email, we believe 18% of our customers come to a Potbelly shop one or more times per week. See "—Our Food—Customer Feedback."

Differentiated Customer Experience That Delivers a Neighborhood Feel. We strive to provide a positive customer experience that is driven by both our employees and the atmosphere of our shops. We look to hire employees that are outgoing people and train them to interact with our customers in a genuine way while providing fast service. To support the neighborhood feel of our shops, most of our managers live in the neighborhood where their shop is located. We believe this allows them to get to know their customers, understand the unique character of each neighborhood and form deep roots within the community. Each of our shops features vintage décor and shared design elements, such as the use of wood, wallpaper motifs and our signature Potbelly stove. In addition, our shops display locally-themed photos and other decorative items inspired by the neighborhood. We believe we enhance our atmosphere with live, local musicians that perform at least three times per week in the majority of our shops. Every Potbelly location strives to be "The Neighborhood Sandwich Shop," creating devoted fans who tell others about their experience. We believe our shops are strongly integrated into the neighborhood through the use of local managers, musicians and locally-themed décor and engage with customers through initiatives such as fundraising for local causes and other promotions that cater to local interests. We believe the unique Potbelly experience encourages repeat customer visits and drives increased sales.

Attractive Shop Economics. Our shop model generates strong cash flow, attractive shop-level financial results and high returns on investment. We operate our shops successfully in a wide range of geographic markets, population densities and real estate settings. The broad appeal of our menu offerings and the moderate investment requirements of our shops allow us to generate average shop-level profit margins above 20% and cash-on-cash returns, on new company-operated shops, above 25% after two full years of operation. We have achieved these targets in 2010, 2011, 2012 and the 26 weeks ended June 30, 2013. Shop-level profit margin is a financial measure which is not required by, or presented in accordance with, U.S. generally accepted accounting principles ("GAAP"). Our ability to maintain such margins and returns depends on a number of factors. For example, we face increasing commodity costs, which we have partially offset by increasing menu prices. Although there is no guarantee that we will be able to maintain these returns, we believe our attractive shop economics support our ability to profitably grow our brand in new and existing markets.

Management Team with Substantial Operating Experience. Our senior management team has extensive operating experience across disciplines in the restaurant and retail sectors, including store operations, marketing, human resources, innovation, real estate, supply chain and finance. This team has an average of over 17 years of restaurant industry experience, and many of our executives have experience at large public companies. Our core senior management team has been together since 2008, when we hired our President and CEO, Aylwin Lewis. Aylwin was previously with Yum! Brands, Inc. from 1991 to 2004, most recently as President and Chief Multibranding and Operating Officer, as well as with Sears Holdings from 2004 to 2008, most recently as President and CEO. We believe our experienced leadership team is a key driver of our success and positions us to execute our long-term growth strategy.

Distinct, Deep-Rooted Culture: The Potbelly Advantage. We believe our culture is a key to our success. It is embodied in *The Potbelly Advantage*, which is an expression of our Vision, Mission, Passion and Values. *The Potbelly Advantage* is the written mission statement for our company that is shared with everyone who works at our company, from our top executives to shop associates. We believe such mission statement serves as the foundation of everything we do, including how we plan and manage our business. Our Vision is to create Potbelly fans nationwide. We want our customers to feel we are their "Neighborhood Sandwich Shop" and to become Potbelly fans and advocates. Our Mission is to make our customers and employees happy, to make more money and to improve our business every day. Our Passion is to be "The Best Place for Lunch." We strive to emphasize our Values of integrity, teamwork, accountability, positive energy and coaching throughout all levels of our organization including in our hiring process and training programs. We also place importance on values for our leaders, such as delivering results through execution and building and inspiring teams. The Potbelly Values form a common language across our organization that we believe makes Potbelly a place our employees love to work. Through our Ethics Code of Conduct, ongoing training and evaluations, we encourage our employees to perform at their personal best and help them to work together as a team to make sure we deliver a positive experience to everyone who works here. See "—Our People." Our culture helps us attract and retain employees and has contributed to our hourly employee turnover rate of 73% for the 26 weeks ended June 30, 2013. We believe *The Potbelly Advantage* allows us to deliver operational excellence and grow our business and our base of devoted Potbelly fans.

Our Growth Strategy

We strive to grow profitability and create value for our stockholders by working to achieve the goals listed below. While we cannot provide assurances that we will be able to achieve and maintain these objectives, we consider each of them to be a core strategy of our business.

Run Great Shops. We believe that continued excellence in shop-level execution is fundamental to our growth strategy. To maintain our operational standards we use a Balanced Scorecard approach to measure People, Customers, Sales and Profits at each of our shops. Hiring the right people and maintaining optimal staffing levels enable us to run efficient operations. We track metrics such as peak hour throughput, mystery shopper scores and neighborhood engagement activities, such as fundraisers for local causes, to improve the customer experience. Shop sales and profitability are benchmarked against prior year periods and budget, and we focus on achieving targets on a shop-by-shop basis. To support our shop operators, we invest in systems and technology that can meaningfully improve shop-level execution. For example, we have enhanced capabilities around in-line order-taking by using a proprietary tablet system in approximately 44% of our shops as of June 30, 2013 to further increase throughput by increasing accuracy and speed of order taking. In addition, we are expanding our backline businesses, including catering, delivery and online ordering, which we view as additional growth drivers.

Find and Build Great Shops. Our shops are successful in diverse markets in 18 states and the District of Columbia, and we intend to continue to build company-operated shops in both new and existing markets utilizing our thoughtful site selection process. We evaluate a number of metrics to assess the optimal sites for our new shops, including neighborhood daytime population, site visibility, traffic and accessibility, along with an on-the-ground qualitative assessment of the characteristics of each unique trade area. This location-specific approach to development allows us to leverage our versatile shop format, which does not have standardized requirements with respect to size, shape or location, to achieve strong returns across a wide range of real estate settings. See "—Site Selection and Expansion—Shop Design" for more information about our shop requirements. In 2011, 2012 and the 26 weeks ended June 30, 2013, we opened 21, 31 and 17 new company-operated shops, respectively, and expanded into New York, Seattle, Boston, Phoenix, Cleveland, Kansas City, Missouri and Portland, Oregon. In those same time periods, we closed five shops, one shop and one shop, respectively, due to under-performance or lease expirations. We expect to open 32 to 35 new company-operated shops in 2013. Over the long term, we plan to grow the number of Potbelly shops at least 10% annually. We cannot provide assurance that we will be able to grow the number of Potbelly shops by 10% in any year or over any period of time or that we will be able to open any specific number of shops in any year.

Achieve High Margins and Returns. Our approach to margin enhancement begins with continuous efforts to improve the financial results of our shops. We focus on cash-on-cash returns to the company and look to grow shop-level profitability each year through sales growth and productivity improvements. Between 2008 and 2012, we increased our shop-level profit margin, a non-GAAP measure, from 15.5% to 20.7%. We also focus on cash flow generation, which supports our self-funded development model of sourcing our liquidity and capital resource needs primarily from operating activities and cash and cash equivalents. We also have a credit facility to provided another source of liquidity and to manage cash flow timing. We believe we exercise strong financial discipline in managing expenses and by encouraging employee efficiency with the goal of achieving and maintaining general and administrative expenses under 10% of revenue. In addition, we expect our sales and shop-level profit margin to grow faster than general and administrative expenses. Our intention is to maintain average shop-level profit margins over 20% as we continue to grow. However, we cannot provide assurances that we will be able to maintain our shop-level profit margin levels or that we will be able to achieve or maintain low levels of expenses.

Become a Global Iconic Brand. We believe that our premise of a "Neighborhood Sandwich Shop" has broad appeal across a wide range of market types and geographies. We believe that Potbelly is a recognized brand beyond the neighborhoods in which we currently operate. Based on our management's experience, we believe a significant contributor to this success is word-of-mouth publicity by our customers who enjoy their Potbelly experience and tell others about it. We learn from the formal customer feedback we solicit (See "—Our Food—Customer Feedback"), and from managers and employees who interact with customers in our shops, that many customers in new markets report positive recommendations from friends and family members who live in regions with established Potbelly shops. We believe that our positive brand perception helps drive interest in our shops in both existing and new markets.

Be a Great Franchisor. In 2010, we initiated a program to franchise shops in selected markets in the U.S., including Indiana, Kentucky, Minnesota, Missouri, Ohio and Texas. As we develop our franchise program, we intend to expand the number of franchise shops on a disciplined basis. We perform a market analysis and focus on markets we believe have appropriate characteristics for our franchise shops and on franchisees that are compatible with the Potbelly culture. As of June 30, 2013, our franchisees operated six shops domestically. In addition, we have signed a franchise development agreement with the Alshaya Trading Company W.L.L. ("Alshaya"), a leading franchisee of retail brands, to develop shops in the Middle East. As of June 30, 2013, Alshaya operated 12 shops in Kuwait, the United Arab Emirates and Bahrain. See "—Franchising" for more information about our program and about Alshaya. We expect to have opened between seven and ten new franchisee-operated shops in 2013. Although we do not expect franchise activities to result in significant revenue in the near term, we see the selective expansion of our franchising efforts to be a valuable potential growth opportunity over time.

Our Food

Our Menu

Each of our shops offers freshly-made food with high quality ingredients from a simple menu with sandwiches at a limited number of price points. The majority of our sales are generated during lunchtime hours, but dinner and breakfast (in locations with high early morning traffic) are also important to our business. Our menu currently includes toasty warm sandwiches, signature salads, soups, chili, sides, desserts and, in our breakfast locations, breakfast sandwiches and steel cut oatmeal.

Every toasty warm sandwich on the Potbelly menu is made-to-order and customizable and many are based on the original recipes from 1977. Sandwiches are made with our signature multigrain wheat or regular bread as "Originals" (our "regular" size), "Bigs" (30% bigger) and "Skinnys" (less meat and cheese on thin cut bread with 20% less fat than Originals). We slice our meats and cheeses daily in each shop to ensure freshness, and each of our sandwiches can be customized with a variety of toppings, including our unique Potbelly hot peppers that are made with a combination of spices exclusively for us. We believe our sandwiches have the right balance of ingredients with the last bite tasting as good as the first.

Our core sandwich offerings include the following:

Customers can also order off-menu sandwiches and variations on our sandwiches, including the “Wrecking Ball” (A Wreck plus meatballs), the “Lucky Seven” (which includes all seven of our sliced meat choices) and the “Cheeseburger” (the Meatball with cheddar cheese and no marinara). These items are on what our loyal fans call the “Underground Menu,” which contributes to the special connection between Potbelly and our customers.

Our shops also offer salads which are made fresh to order with high quality ingredients. Our signature salads include the following:

Customers may order any of our salads without meat for a vegetarian option and may customize a salad as they desire. Salads come with a choice of dressing, including Potbelly Vinaigrette, Balsamic Vinaigrette, Buttermilk Ranch and Non-Fat Vinaigrette. We believe our signature salads are key to diversifying our menu and help ensure that there is something for everyone at our shops.

We also offer soups, chili and side dishes. Different soups are offered daily, including varieties such as Broccoli Cheddar, Chicken Noodle, Loaded Baked Potato, Chicken Enchilada and Spicy Southwest Veggie. We have vegan soup options, including Garden Vegetable and Spicy Black Bean. Our chili is available seven days a week and is a hearty recipe of ground beef, kidney beans, onions and bell peppers sweetened with a touch of molasses. Additionally, customers can choose side dishes of coleslaw, macaroni salad, potato salad, potato chips or a whole dill pickle.

Our hand-dipped shakes and smoothies are made with real ingredients and come with our signature butter cookie on the straw. Our classic shake flavors include vanilla, chocolate, strawberry, coffee and Oreo®, and our smoothies include real fruit, such as bananas and strawberries. Our varieties of cookies are baked fresh in each shop daily and include Oatmeal Chocolate Chip, Sugar, Chocolate Brownie and Chocolate Cherry Granola cookies. Customers can also order an ice cream sandwich, with their choice of cookies and ice cream, or our signature chocolate and caramel Dream Bar.

Certain of our shops in areas with high early morning traffic also offer breakfast selections. Our breakfast menu includes made-to-order breakfast sandwiches on our signature multigrain wheat or regular bread and include Egg & Cheddar Cheese; Bacon, Egg & Cheddar Cheese; Sausage, Egg & Cheddar Cheese; and Ham, Mushroom, Egg & Swiss Cheese. Like our lunch and dinner sandwiches, our breakfast sandwiches are served toasty warm and any of our toppings can be added. We also offer steel cut oatmeal with toppings such as raisins, brown sugar, bananas, walnuts, apples and cranberries, and have other breakfast items available such as yogurt parfaits, bagels and dark roast coffee.

Our shops use high quality ingredients such as fresh produce which is delivered two to three times per week, hearth-baked bread, and whole-block cheeses sliced daily in our shops. We use all-natural chicken (meaning without preservatives or artificial flavors) in our sandwiches and salads. Our turkey, hickory-smoked ham and black angus roast beef are all whole-muscle meats sliced daily in our shops. Our dry-cured salami is made with fresh garlic and real red wine and we use white albacore tuna in our home-made tuna salad.

Overall, we believe our menu of high quality food at reasonable prices offers considerable value to our customers. In fiscal 2012, our system-wide average check was approximately $7.00. We generally do not discount our menu items in order to help ensure that we are able to maintain our high standards, as opposed to the discounting programs implemented by some other restaurant operators aimed at increasing traffic and revenue but that may impact profitability and quality.

Customer Feedback

We seek customer feedback on our food and operations in various ways. For example, we conduct an annual customer survey via email to learn what our customers think about us. We circulate a voluntary online survey to each customer listed in our company-wide email database, which includes email addresses obtained through our website, customer complaints and compliments, our in-shop business card drop, our Facebook page and other methods. In 2012, we sent the online survey to over 300,000 customers, with over 20,000 customers electing to participate. Customers who take the annual survey are not compensated.

We also solicit feedback via quarterly in-person “Customer Advisories” in each of our major markets of Chicago, Washington DC and Dallas. At each “Customer Advisory,” certain executives and local managers meet with approximately 10 customers to get feedback on our products and initiatives. The customers who participate are selected from those listed in our company-wide email database as having recently dined at the shop in which the “Customer Advisory” will be held. Our marketing team strives to have participants who are representative of the diverse customers who patronize the specific shop. Customer participants in each “Customer Advisory” receive a nominal Potbelly gift card as a thank you for their participation.

Evolution of Our Menu

We have selectively expanded our menu offerings in response to shifts in customer tastes and demand. For example, we began offering breakfast items in 2001 and Bigs and Skinnys in 2008. We also added new grilled chicken salads in 2010 and introduced the all-veggie Mediterranean sandwich in 2012. We will continue to respond to consumer trends and customer feedback as we believe menu innovations are a way for us to continue to grow our business.

When we enter new markets, we employ a "lifecycle" approach to introducing our menu. Shops opened in new markets initially offer only our Original sandwiches to introduce new customers to our core menu items. Additionally, this approach simplifies our line operations and allows our new shops to focus on execution and speed of service. We gradually increase our menu offerings at these shops until the full range of Potbelly offerings are available.

Food Preparation and Safety

Food safety is a top priority, and we dedicate substantial resources, including our supply chain team and quality assurance teams, to help ensure that our customers enjoy safe, quality food products. We have taken various steps to mitigate food quality and safety risks, including having personnel focused on this goal together with our supply chain team. Our shops undergo third-party food safety reviews, internal safety audits and routine health inspections. We also consider food safety and quality assurance when selecting our distributors and suppliers.

Shop Operations and Management

We believe having an excellent manager in each shop is a critical factor in achieving continuous excellence in operations. Managers hire our employees, help ensure consistent execution of our menu items and strive to achieve specific targets that are evaluated on a quarterly basis. We devote significant time and resources to identifying, selecting and training our managers who plan, manage and operate their shops and who, along with our employees, provide a positive customer experience to our Potbelly fans. We believe our comprehensive processes for developing business leaders, such as our shop managers, are a key factor in driving our success.

Potbelly Operations

Our operations are structured around the elements of People, Customers, Sales and Profits. During our peak hours of 11:30 a.m. to 1:30 p.m., our employees greet our customers and take their orders while they wait in line using a proprietary tablet system in some shops to communicate with our food preparation employees. We focus on effective communication, technology and management to provide a quick and seamless experience for our customers. In addition, each shop completes quarterly tactical plans designed to help the shop achieve its targets relative to each element. In order to better assess and improve the Potbelly experience, we use a Balanced Scorecard that tracks elements such as sales and profitability metrics, employee turnover and a "mystery shopper" score, which essentially is a survey of customer satisfaction with the Potbelly experience. We review overall scores locally, regionally and nationally in order to assess our operational progress and identify areas of operational focus. Attaining certain ratings on the Balanced Scorecard allows a shop to be eligible for incentive targets paid quarterly and annual merit awards.

Our People

We look to attract, hire and retain smart, talented and outgoing people who share and demonstrate our values. We value friendly employees who engage with our customers in a genuine way to provide a personalized experience. We select employees using interview questions based on our values to determine the extent of candidate fit. All employees attend culture training classes that include team exercises and scenarios to practice

utilizing the tools relative to our values of integrity, teamwork, accountability, positive energy and coaching. We strive to empower our employees to do what is right and encourage them to perform at their personal best. We believe we make expectations and accountabilities clear through our culture training and our Ethics Code of Conduct, which summarizes employee conduct guidelines and is required to be reviewed and signed by every employee as a condition of employment. We believe we encourage each employee to perform at their personal best by establishing personal and professional goals through an ongoing continuous development plan. We believe the success of these programs is evident in our turnover rates and our internal promotion rates. For example, our associate, shift leader, assistant manager and general manager turnover rates have experienced significant reductions in the last four years since the inception of these programs. Employees are further encouraged to perform at their personal best through an ongoing scorecard measuring system that is tied directly to a pay for performance compensation program. We believe our sustainable process to hire, train and develop our people enables us to deliver a positive customer experience. A typical Potbelly shop consists of one manager, one assistant manager and as many as 12 to 16 employees during our peak hours.

Most of our managers live in the neighborhood in which their shop is located. We believe this allows them to get to know their customers, understand the unique character of each neighborhood and form deep roots within the community. The shop manager has primary responsibility for the day-to-day operation of the shop and is required to abide by Potbelly's operating standards. Our Management Training Program provides new managers with six to eight weeks of training that emphasizes culture, standards, strategy and procedures to prepare them for success, and is followed by on-going in-shop coaching with their District or Market manager. Our shop managers report to District or Market Managers who typically report to a Zone Manager, and ultimately to our Senior Vice President of Operations. In addition, members of senior management visit shops regularly to help ensure that our culture, strategy and quality standards are being adhered to in all aspects of our operations.

Shop managers are responsible for selecting and training the employees for each new shop. The training period for new non-management employees lasts approximately eight weeks and is characterized by on-the-job supervision by an experienced employee. Ongoing employee training remains the responsibility of the shop manager, but, as noted above, we provide specific training for our employees around *The Potbelly Advantage* several times a year. Special emphasis is placed on the consistency and quality of food preparation and service which is monitored through ongoing meetings with managers. In addition, we have other continuing communications with all of our employees.

The Potbelly Experience

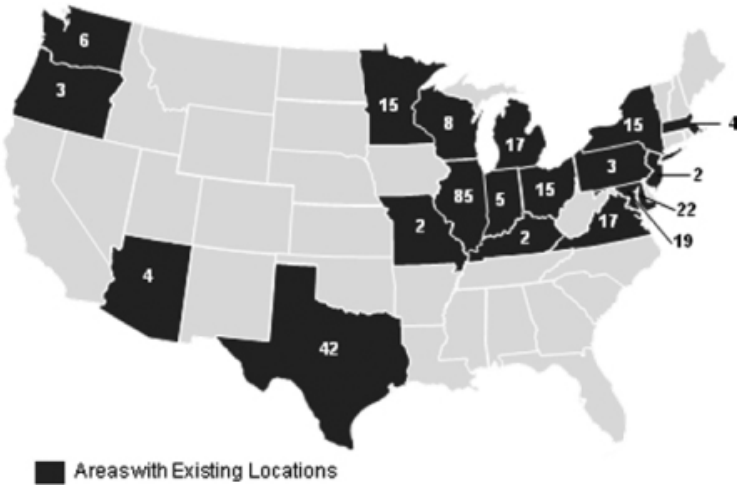
We seek to deliver a positive experience for every customer at every opportunity through our tasty food, unique atmosphere and outgoing and engaging employees. We seek to staff each shop with experienced teams to ensure consistent and attentive customer service. We look to hire employees who are friendly and responsive to the needs of our customers as they assist them in selecting menu items complementing individual preferences. We strive to staff at 110% during peak hours to ensure a fast yet personal Potbelly experience for each customer, with face-to-face interaction from start to finish. We also provide backline services, including catering, delivery and online ordering to serve our Potbelly fans.

In addition, music has been integral to the Potbelly culture since our first shop opened in 1977 and adds a neighborhood vibe. Local musicians frequently perform live at Potbelly shops creating a distinctive dining experience. Some of our shops also host special events. For example, the Potbelly Jazz Series in Chicago features solo jazz musicians and Open Mic Night in Ann Arbor and New York City feature up-and-coming local musicians.

We believe the combination of our great food, people and atmosphere makes Potbelly "The Best Place for Lunch."

Site Selection and Expansion

We believe we are well positioned to continue growth in our existing markets and have significant expansion potential in new geographic areas throughout the United States. As of June 30, 2013, we had a domestic base of 286 shops in 18 states and the District of Columbia. Of these, the company operates 280 shops and franchisees operate six shops. In addition, there are 12 franchised shops in Kuwait, the United Arab Emirates and Bahrain. The following map shows the number of shops in each of the states in which we operated as of June 30, 2013.



Over the long-term, we plan to grow the number of Potbelly shops by at least 10% annually. In 2011, 2012 and the 26 weeks ended June 30, 2013, we opened 21, 31 and 17 new company-operated shops, respectively, and expanded into New York, Seattle, Boston, Phoenix, Cleveland, Kansas City, Missouri and Portland, Oregon. In 2013, we expect to open 32 to 35 company-operated shops in total, including shops in Connecticut. We cannot provide assurance that we will be able to grow the number of Potbelly shops by 10% in any year or over any period of time or that we will be able to open any specific number of shops in any year.

Our proven shop model is designed to generate strong cash flow, attractive shop-level financial results and high returns on investment. With an average new shop investment of approximately $600,000 and average unit volumes in excess of $1 million, which represent the average net sandwich shop sales for all shops on an annual basis, we strive to generate average shop-level profit margins, a non-GAAP measure, above 20% and cash-on-cash returns, on new company-operated shops, above 25% after two full years of operation. However, we cannot provide any assurances that we will achieve and maintain similar profit margins or cash returns in the future.

Site Selection Process

We consider the location of a shop to be a critical variable in its long-term success and as such, we devote significant effort to the investigation and evaluation of potential locations. We actively develop shops in both new and existing markets and plan to continue to expand in selected regions throughout the United States. Our Real Estate Committee, which includes most of our senior management team, meets weekly to discuss all aspects of our development program. The process for selecting locations incorporates management's experience and expertise and includes extensive data collection and analysis. We proactively seek new shop locations based on specific criteria, such as demographic characteristics, daytime population thresholds and traffic patterns, along

with the potential visibility of, and accessibility to, the shop. Additionally, we use information and intelligence gathered from managers and other shop personnel that live in or near the neighborhoods we are considering. New shops are built with only one purpose in mind: to generate cash flow that meets or exceeds those modeled in our return targets. We are disciplined in our development, and we routinely forego sites that have many positive attributes, including strong visibility and street presence, but have challenging economics, such as high occupancy costs.

Since we do not have standardized requirements with respect to size, shape or location, we are flexible in our site selection process. This allows us to choose and open shops with a wide variety of shapes in a wide variety of areas, including in urban central business districts and suburban areas near shopping malls or other high-traffic locations. Proposed locations are visited, reviewed and approved by key members of our Real Estate Committee.

Shop Design

We strive to create a unique customer experience that delivers a neighborhood feel for each shop. We typically design the interior of our shops in-house, utilizing outside architects when necessary. Our design team sources most furnishings and decorations for our shops. Each of our shops features vintage décor and shared design elements, such as the use of wood, wallpaper motifs and our signature Potbelly stove. Consistent with *The Potbelly Advantage*, our shops display locally-themed photos and other decorative items inspired by the neighborhood. Most of our shops also feature a space for musicians to perform. Our shop size averages approximately 2,300 square feet; however, we currently target shop sizes between 1,800 and 2,200 square feet for new openings. The dining area of a typical shop can seat anywhere from 50 to 60 people. Some of our shops incorporate larger dining areas and outdoor patios. We believe the unique atmosphere and local music creates a lively place where friends and family can get together, encourages repeat visits by our customers and drives increased sales.

Construction

Construction of a new shop generally takes approximately 50 to 70 days from the date the location is leased or under contract and fully permitted. Each new shop requires a total cash investment of approximately $600,000, but this figure could be materially higher or lower depending on the market, shop size and condition of the premises upon landlord delivery. We generally construct shops in third-party leased retail space but also construct free-standing buildings on leased properties. In the future, we intend to continue converting existing third-party leased retail space or constructing new shops in the majority of circumstances. For additional information regarding our leases, see “—Properties.”

Franchising

In 2010, we initiated a program to selectively franchise our shops to take advantage of incremental growth opportunities. We intend to expand the number of franchise shops on a disciplined basis as we develop our franchise program. As of June 30, 2013, we had six domestic franchised shops in six locations. Internationally, our first franchise partner is Alshaya, a company with which we had discussions for several years. At June 30, 2013, Alshaya operated 12 franchised shops in Kuwait, the United Arab Emirates and Bahrain and has exclusive franchising rights in the Middle East. Our agreement with Alshaya provides that Alshaya may also open shops in Egypt, Jordan, Lebanon, Oman, Qatar, Saudi Arabia and elsewhere in the United Arab Emirates.

We look for franchisees who love working with a team and have solid business experience, financial qualifications and personal motivation. Our franchise arrangements grant third parties a license to establish and operate a shop using our systems and our trademarks in a given area. The franchisee pays us for the ideas, strategy, marketing, operating system, training, purchasing power and brand recognition. All new franchisees

participate in a ten to twelve week training program consisting of real life experience in our company-operated shops, as well as training at our Potbelly Support Center in Chicago. Franchised shops must be operated in compliance with our methods, standards and specifications, regarding menu items, ingredients, materials, supplies, services, fixtures, furnishings, décor and signs. Although we do not expect franchise activities to result in significant revenue in the near term, we see the selective expansion of our franchising efforts to be a valuable potential growth opportunity over time.

Advertising and Marketing

We believe our shops appeal to a broad base of loyal customers who return again and again for our great food and fun environment staffed by friendly people. Historically, one to two percent of our annual revenue has been spent on marketing efforts. A portion of our marketing budget is spent at the shop level, with the goal of building relationships within our neighborhoods to increase the frequency of return visits and attract new customers. Our methods of marketing and advertising promote and maintain the Potbelly brand image and, among other things, generate awareness of shop locations and new menu offerings.

Neighborhood Shop Marketing

Consistent with our neighborhood approach, a portion of our marketing investments are made at the shop level. Neighborhood shops frequently hire local musicians and hold a variety of community events, including fundraisers. For example, during a “Shake Fundraiser” for smaller community organizations, Potbelly donates a portion of sales for each customized milkshake sold. For larger organizations, Potbelly sponsors local cause fundraisers, where 25% of sales gathered at the event are donated to the organization’s cause. Our shops promote these events and other events through social media, public relations, in-shop materials and local support, which results in increased traffic. Additionally, we engage in a variety of promotional activities, such as contributing food, time and money to charitable, civic and cultural programs, in order to give back to the communities we serve and increase public awareness and appreciation of our shops and our employees.

Advertising

We also promote our shops through regional and local media in markets in which we have scale. The use of radio and outdoor media are the most common advertising vehicles used in these markets. Additionally, we rely on in-shop materials to communicate and market to our customers. Our internal corporate production staff is responsible for the creative work around our advertising and other forms of communication. In the end, our best advertising comes from our customers. We believe the Potbelly experience fosters strong customer loyalty and encourages our fans to promote the brand through word-of-mouth marketing.

E-Marketing and Social Media

We have increased our use of e-marketing tools, which enable us to reach a significant number of people in a timely and targeted fashion at a fraction of the cost of traditional media. We believe that our customers are frequent internet users and will use social media to make dining decisions or to share dining experiences. We have a Facebook page and Twitter feed and advertise on various social media and other websites.

Sourcing and Supply Chain

Our Supply Chain team sources, negotiates and purchases food supplies for our shops. We believe in using high quality ingredients while maintaining our value position in the marketplace. We benchmark our products against the competition using consumer panels. For example, we conduct periodic surveys of our customers to evaluate our product quality against our competition and review industry data to understand overall market trends. We contract with Distribution Market Advantage, Inc., or DMA, a cooperative of multiple food

distributors located throughout the nation. DMA is a broker with whom we negotiate and gain access to third-party food distributors and suppliers. For fiscal year 2012, distributors through our DMA arrangement supplied us with approximately 90%-95% of our food supplies through four primary distributors: Reinhart FoodService, L.L.C., Ben E. Keith Company, Food Services of America, and Shamrock Foods. Our remaining food supplies are distributed by other distributors under separate contracts. Our distributors deliver supplies to our shops approximately two to three times per week.

We negotiate pricing and volume terms directly with certain of our suppliers and distributors or through DMA. Our supply chain team uses a flexible cost lock-in model, and currently we have pricing understandings of varying lengths with our distributors and suppliers, including distributors and suppliers of meats, dairy, bread, cookie dough and other products. Meats represent about 25% of our product purchasing composition. In fiscal year 2012, more than 95% of our meat products were sourced from nine suppliers under non-exclusive contracts. We have a non-exclusive contract with Campagna-Turano Bakery, Inc. for our signature multi-grain bread. Campagna-Turano Bakery, Inc. produces bread items in a primary and secondary production facility. We have secondary suppliers in place for many of our significant meats, and we believe we would be able to source our meat and bread requirements from different suppliers if doing so became necessary. However, changes in the price or availability of certain products may affect the profitability of certain items, our ability to maintain existing prices and our ability to purchase sufficient amounts of items to satisfy our customers' demands.

Many of our products, ingredients and supplies are currently sourced from multiple suppliers. Additionally, our supply chain team has established contingency plans for many key products. For example, manufacturers of certain products maintain alternative production facilities capable of satisfying our requirements should the primary facility experience interruptions. For other products, we believe we have identified alternate suppliers that could meet our requirements at competitive prices or, in some cases, have identified a product match that could be used in our shops. Our supply chain team regularly updates our procurement strategies to include contingency plans for new products and ingredients, as well as additional secondary and alternate suppliers. We believe these strategies would collectively enable us to obtain sufficient product quantities from other sources at competitive prices without material disruption should a current supplier be unable to fulfill its commitment to us.

Management Information Systems

Shop level financial and accounting controls are handled through a point-of-sale computer system and network in each shop that communicates with our corporate headquarters. The POS system is also used to authorize and transmit credit card sales transactions and to manage the business and control costs, such as labor. Our company-operated shops are connected through data centers and a portal to provide our corporate employees with access to business information and tools that allow them to collaborate, communicate, train and share information between shops and the corporate office. We believe our systems currently comply with all credit card industry security standards for processing of credit and gift cards.

Competition

We compete in the restaurant industry, primarily in the LSR segment but also with restaurants in the FSR segment, and face significant competition from a wide variety of restaurants, convenience stores and other outlets on a national, regional and local level. We believe that we compete primarily based on product quality, restaurant concept, service, convenience, value perception and price. Our competition continues to intensify as competitors increase the breadth and depth of their product offerings and open new units. Although new competitors may emerge at any time due to the low barriers to entry, our competitors include: Chipotle, Jimmy John's, Panera Bread and Subway, among others. Additionally, we compete with LSRs, specialty restaurants and other retail concepts for prime shop locations.

Government Regulation

We and our franchisees are subject to various federal, state, local and international laws affecting our business. Each of our shops is subject to licensing and regulation by a number of governmental authorities, which may include, among others, health and safety, nutritional menu labeling, health care, environmental and fire agencies in the state, municipality or country in which the shop is located. Difficulty in obtaining or failing to obtain the required licenses or approvals could delay or prevent the development of a new shop in a particular area. Additionally, difficulties or inabilities to retain or renew licenses, or increased compliance costs due to changed regulations, could adversely affect operations at existing shops.

Our shop operations are also subject to federal and state labor laws, including the Fair Labor Standards Act, governing such matters as minimum wages, overtime and worker conditions. Significant numbers of our food service and preparation personnel are paid at rates related to the applicable minimum wage, and further increases in the minimum wage or other changes in these laws could increase our labor costs. Our ability to respond to minimum wage increases by increasing menu prices will depend on the responses of our competitors and customers. Further, we are continuing to assess the impact of federal health care legislation on our health care benefit costs. The requirement that we provide health insurance benefits to employees that are more extensive than the health insurance benefits we currently provide, or the imposition of additional employer paid employment taxes on income earned by our employees, could have an adverse effect on our results of operations and financial position. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards, which could result in higher costs for goods and services supplied to us.

We and our franchisees may also be subject to lawsuits from our employees, the U.S. Equal Employment Opportunity Commission or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination and similar matters.

The Patient Protection and Affordability Act of 2010 (the “PPACA”) enacted in March 2010 requires chain restaurants with 20 or more locations in the United States to comply with federal nutritional disclosure requirements. It is expected that the FDA will issue final regulations by the end of 2012 or the beginning of 2013 and will begin enforcing regulations by the middle of 2013. A number of states, counties and cities have also enacted menu labeling laws requiring multi-unit restaurant operators to disclose certain nutritional information to customers, or have enacted legislation restricting the use of certain types of ingredients in restaurants. Although the federal legislation is intended to preempt conflicting state or local laws on nutrition labeling, until we are required to comply with the federal law we will be subject to a patchwork of state and local laws and regulations regarding nutritional content disclosure requirements. Many of these requirements are inconsistent or are interpreted differently from one jurisdiction to another. While our ability to adapt to consumer preferences is a strength of our concepts, the effect of such labeling requirements on consumer choices, if any, is unclear at this time.

There is also a potential for increased regulation of certain food establishments in the United States, where compliance with a HACCP approach may now be required. HACCP refers to a management system in which food safety is addressed through the analysis and control of potential hazards from production, procurement and handling, to manufacturing, distribution and consumption of the finished product. Many states have required restaurants to develop and implement HACCP Systems and the United States government continues to expand the sectors of the food industry that must adopt and implement HACCP programs. For example, the FSMA, signed into law in January 2011, granted the FDA new authority regarding the safety of the entire food system, including through increased inspections and mandatory food recalls. Although restaurants are specifically exempted from or not directly implicated by some of these new requirements, we anticipate that the new requirements may impact our industry. Additionally, our suppliers may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require us to take actions that could be costly for us or otherwise harm our business.

We and our franchisees are subject to the Americans with Disabilities Act (the "ADA"), which, among other things, requires our shops to meet federally mandated requirements for the disabled. The ADA prohibits discrimination in employment and public accommodations on the basis of disability. Under the ADA, we and our franchisees could be required to expend funds to modify our shops to provide service to, or make reasonable accommodations for the employment of, disabled persons. In addition, our employment practices are subject to the requirements of the Immigration and Naturalization Service relating to citizenship and residency. Government regulations could affect and change the items we procure for resale. We and our franchisees may also become subject to legislation or regulation seeking to tax and/or regulate high-fat and high-sodium foods, particularly in the United States, which could be costly to comply with. Our results can be impacted by tax legislation and regulation in the jurisdictions in which we operate and by accounting standards or pronouncements.

We and our franchisees are also subject to laws and regulations relating to information security, privacy, cashless payments, gift cards and consumer credit, protection and fraud, and any failure or perceived failure to comply with these laws and regulations could harm our reputation or lead to litigation, which could adversely affect our financial condition.

Our franchising activities are subject to the rules and regulations of the Federal Trade Commission ("FTC") and various state laws regulating the offer and sale of franchises. The FTC's franchise rule and various state laws require that we furnish a franchise disclosure document ("FDD") containing certain information to prospective franchisees and a number of states require registration of the FDD with state authorities. Substantive state laws that regulate the franchisor-franchisee relationship exist in a substantial number of states, and bills have been introduced in Congress from time to time that would provide for federal regulation of the franchisor-franchisee relationship. The state laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply. We believe that our FDDs, together with any applicable state versions or supplements, and franchising procedures comply in all material respects with both the FTC franchise rule and all applicable state laws regulating franchising in those states in which we have offered franchises.

See "Risk Factors" for a discussion of risks relating to federal, state, local and international regulation of our business.

Employees

As of June 30, 2013, we employed approximately 5,000 persons, of which approximately 150 are corporate personnel, 490 are shop management personnel and the remainder are hourly shop personnel.

Properties

We do not own any real property. As of June 30, 2013, we had the following number of company-operated shops located in the following areas:

Location	Number of Shops	Location	Number of Shops
Illinois	85	Washington	6
Texas	41	Indiana	4
District of Columbia	22	Arizona	4
Maryland	19	Massachusetts	4
Michigan	17	Pennsylvania	3
Virginia	17	Oregon	3
New York	15	New Jersey	2
Minnesota	14	Kentucky	1
Ohio	14	Missouri	1
Wisconsin	8	**Total**	**280**

Initial lease terms for our properties are generally ten years, with the majority of the leases providing for an option to renew for two additional five-year terms. Nearly all of our leases provide for a minimum annual rent, and some of our leases call for additional rent based on sales volume at the particular location over specified minimum levels. Generally, the leases are net leases that require us to pay our share of the costs of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent. For additional information regarding our leases, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations."

As of June 30, 2013, we leased approximately 20,000 square feet of office space in Chicago, Illinois for our corporate headquarters under a lease expiring February 29, 2016.

Intellectual Property and Trademarks

We regard our "Potbelly" and "Potbelly Sandwich Works" trademarks as having significant value and as being important factors in the marketing of our shops. We have also obtained trademarks for several of our other menu items, such as "A Wreck," and for various advertising slogans, including "Good Vibes, Great Sandwiches" and "A First Class Dive." We are aware of names and marks similar to the trademarks of ours used by other persons in certain geographic areas in which we have shops. However, we believe such uses will not adversely affect us. Our policy is to pursue registration of our intellectual property whenever possible and to oppose vigorously any infringement thereof.

We license the use of our registered trademarks to franchisees through franchise arrangements. The franchise arrangements restrict franchisees' activities with respect to the use of our trademarks and impose quality control standards in connection with goods and services offered in connection with the trademarks.

Legal Proceedings

We are subject to legal proceedings, claims and liabilities, such as employment-related claims and slip and fall cases, which arise in the ordinary course of business and are generally covered by insurance. In the opinion of management, the amount of ultimate liability with respect to those actions should not have a material adverse impact on our financial position or results of operations and cash flows.

MANAGEMENT

Below is a list of the names, ages as of June 30, 2013, positions, and a brief account of the business experience, of the individuals who serve as the executive officers and directors as of the date of this prospectus.

Name	Age	Position
Aylwin Lewis	59	Director, Chief Executive Officer and President
John Morlock	57	Senior Vice President of Operations
Matthew Revord	50	Senior Vice President, General Counsel and Secretary
Carl Segal	47	Senior Vice President of Operations—Special Projects
Charles Talbot	48	Senior Vice President and Chief Financial Officer
Nancy Turk	48	Senior Vice President Human Resources and Corporate Communications
Bryant Keil	48	Director and Founding Chairman (2)
Vann Avedisian	49	Director (1)(3)
Peter Bassi	64	Director (1)
Gerald Gallagher	72	Director (2)
Marla Gottschalk	52	Director (1)(3)
Matthew Levine	38	Director (4)
Dan Levitan	56	Director (2)(3)

(1) Will serve as member of the Audit Committee following the completion of this offering.
(2) Will serve as member of the Nominating and Corporate Governance Committee following the completion of this offering.
(3) Will serve as member of the Compensation Committee following the completion of this offering.
(4) Matthew has informed us that he will resign from our board of directors immediately prior to the effectiveness of the registration statement of which this prospectus forms a part.

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

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

Matthew Revord has been our Senior Vice President, General Counsel and Secretary since January 2007 and oversees all legal matters of the company and international development. From January 2002 to January 2007, Matt served as Deputy General Counsel of Brunswick Corporation and General Counsel of Brunswick

New Technologies. He began his career at the law firm of Kirkland & Ellis LLP and has worked with several Chicago-based companies, including Sears, Roebuck and Co. and True North Communications Inc., where he handled mergers and acquisitions, litigation and corporate securities. Matt is also a past member of the board of directors of The Illinois Restaurant Association.

Carl Segal has been our Senior Vice President of Operations—Special Projects since January 2013 and has been an executive officer of Potbelly since 2000, including as Senior Vice President of Operations— Operations Support from August 2009 to January 2013, as Senior Vice President of Operations—Special Projects from March 2007 to August 2009, and as Chief Training and Recruiting Officer, Chief People Officer and Senior Vice President—Operations and Development. Carl has broad experience in the restaurant industry. He was a founding partner of Bistro Zinc restaurants in Chicago and previously served as a principal in the consulting firm of Segal Eslick Associates, Ltd. where he created and executed restaurant concepts for Boston Chicken, The Levy Restaurants and The Rosenthal Group/Sopraffina. Carl began his restaurant career with Lettuce Entertain You Enterprises, where he spent ten years managing restaurants and working on restaurant concepts such as Ed Debevic's, Scoozi, Maggiano's Little Italy and Foodlife.

Charles Talbot has been our Senior Vice President and Chief Financial Officer since October 2008. From March 2007 to September 2008, Charlie served as Vice President of Strategy, Corporate Planning and Development of Nuveen Investments, a global provider of investment services to institutional and individual investors. Prior to his role with Nuveen, Charlie spent nine years in the restaurant industry with Yum! Brands in various roles, including Vice President of Corporate Strategy and Mergers and Acquisitions, and as Chief Financial Officer of Long John Silver's and A&W Restaurants.

Nancy Turk has been our Senior Vice President, Human Resources and Corporate Communications since September 2008. Nancy has extensive experience in Human Resources and Corporate Communications in retail, credit and manufacturing organizations. From 2005 to September 2008, Nancy served as the Divisional Vice President of Corporate Communications at Sears Holdings, and held various HR leadership roles at Sears Holdings since 1993, where she was involved in divestitures, mergers and acquisitions with Sears Credit, Lands' End and KMart. Prior to joining Sears, Nancy led Human Resources for Packard Instrument Company and Ametek, Inc.

Bryant Keil has been our Founding Chairman since June 2011 and a director since 1996. Bryant currently serves as a director pursuant to our Stockholders Agreement. Bryant acquired the original Potbelly store in 1996 and served as Chief Executive Officer from 1996 to 2008 and Chairman from 1996 to 2011. Bryant is a 2007 Ernst & Young Entrepreneur of the Year award recipient, was named 2003 Illinois Restaurateur of the Year by the Illinois Restaurant Association and was named a Henry Crown Fellow, a part of the Aspen Institute, in 2007. Bryant is the Co-Chairman of the Board of the Chicagoland Entrepreneurial Center and he serves as a director of Vignette Beverage Company, The Field Museum of Natural History, Big Shoulders, and the Accelerate Institute. Our board of directors believes Bryant's qualifications to serve as a member of our board include his extensive experience in the restaurant industry and his historical perspective of our business and strategy, including leading the expansion of Potbelly to over 200 locations.

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

Peter Bassi has served as our director since January 2009 and was appointed to the board of directors by Maveron Equity Partners 2000, L.P., Maveron Equity Partners III, L.P. and their affiliated funds pursuant to our Stockholders Agreement. Peter retired in 2005 as Chairman of Yum! Restaurants International ("YRI"), the international division of Yum! Brands, Inc., where he served as President beginning in July 1997 and was in charge of YRI's Asian business prior to that. Yum! was created in 1997 in a spin-off from PepsiCo, Inc. Peter joined PepsiCo in 1972 and served in various assignments at Pepsi Cola International, Pizza Hut (U.S. and International), Frito Lay and Taco Bell. From 2002 to 2009, Peter served on the board of The Pep Boys – Manny, Moe & Jack and from 2008 to 2010, he served on the board of El Pollo Loco, Inc. Peter currently serves on the board of BJ's Restaurants, Inc. and AmRest Holdings SE. Our board of directors believes Peter's qualifications to serve as a member of our board include his extensive experience in the restaurant industry and his years of experience in his leadership roles as a director and executive officer.

Gerald Gallagher has served as our director since November 2007 and was jointly appointed to the board of directors by Oak Investment Partners IX, Limited Partnership, and Benchmark Capital Partners IV, L.P., and each of their respective related entities pursuant to our Stockholders Agreement. Jerry has been involved with the retail industry for over 40 years, holding positions as an analyst, manager and venture capitalist. His career includes a Wall Street background at Donaldson, Lufkin & Jenrette where he was a retail industry analyst and an Institutional Investor Magazine "All American." Jerry joined Oak Investment Partners, a venture capital partnership, in 1987, and through Oak has sponsored many restaurant and retail industry businesses, including Baja Fresh, Chamate, Cheddar's Casual Café, Dick's Sporting Goods, Jamba Juice, Office Depot, PetSmart, P.F. Chang's China Bistro, Ulta Salon, Cosmetics & Fragrance and Whole Foods Market. Prior to joining Oak, Jerry was Vice Chairman of Dayton-Hudson Corporation where he served for ten years in both operating and staff positions. Jerry also served as an officer in the submarine service of the U.S. Navy. He is currently a director of six privately held companies. Our board of directors believes Jerry's qualifications to serve as a member of our board include his extensive experience with the retail industry and his experience as an analyst, manager and venture capitalist.

Marla Gottschalk has served as our director since November 2009. She has served as Chief Executive Officer of The Pampered Chef Ltd., a marketer of kitchen tools, food products and cookbooks for preparing food in the home, since May 2006 and as its President and Chief Operating Officer since December 2003. Marla joined Pampered Chef from Kraft Foods, Inc., where she worked for 14 years in various management positions, including as 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. Marla is currently a member of the Board of Trustees of Underwriters Laboratories, a world leader in safety testing and certification, and has previously served as independent director of GATX Corp. and as a director of Visteon Corp. Our board of directors believes Marla'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.

Matthew Levine has served as our director since April 2009 and was appointed to the board of directors by ASP PBSW, LLC, an affiliate of American Securities, pursuant to our Stockholders Agreement. He is a Managing Director of American Securities and has been with the firm since 1999. Matthew's private equity experience spans the industrial and consumer industry and particularly the restaurant segment where he has built expertise in restaurant franchising and expansion with both Potbelly and El Pollo Loco, Inc. Prior to American Securities, he was with Salomon Smith Barney in the Financial Entrepreneurs Group, focusing on leveraged buyouts and recapitalizations. Matthew is also a director of United Distribution Group, Global Tel*Link and FiberMark, Inc. Our board of directors believes Matthew's qualifications to serve as a member of our board include his extensive private equity experience in the industrial and consumer industry, particularly within the restaurant segment and his experience in leadership roles as a director. Matthew has informed us that he will resign from our board of directors immediately prior to the effectiveness of the registration statement of which this prospectus forms a part.

Dan Levitan served as our director since September 2001 and was appointed to the board by the holders of our Series A Preferred Stock pursuant to our Stockholders Agreement. Dan co-founded Maveron LLC, a venture capital firm that invests exclusively in consumer companies, in 1998. From 1983 to 1997, Dan was a managing director at Wertheim Schroder & Co., an investment banking firm that was sold to Salomon Smith Barney Inc. in 2000. Dan holds an A.B. from Duke University and an M.B.A. from Harvard Business School. Dan previously served as a member of the board of directors of Cranium, Inc., drugstore.com and The Motley Fool. Dan currently serves on the board of directors for Decide Inc., PayNearMe Inc., Pinkberry, Inc., Trupanion, Inc. and zulily, Inc. In addition, Dan serves on the advisory board of the Arthur Rock Center for Entrepreneurship at Harvard Business School and the board of trustees of Seattle Children's Hospital Foundation. Our board of directors believes Dan's qualifications to serve as a member of our board include his extensive venture capital experience; his restaurant and retail experience; his industry and financial expertise; and his years of experience providing strategic advisory services to complex organizations.

Board Composition

Our board of directors currently consists of eight directors, all of whom were elected as directors pursuant to our Stockholders Agreement. The Stockholders Agreement, including the provisions regarding the right of our stockholders to nominate and elect members of the board, will terminate upon the completion of this offering. See "Related Party Transactions—Arrangements with Our Investors—Stockholders Agreement." In addition, Matthew Levine has informed us that he will resign from our board of directors immediately prior to the effectiveness of the registration statement of which this prospectus forms a part.

Upon completion of this offering, our board of directors will consist of seven members, comprised of Aylwin Lewis, Vann Avedisian, Peter Bassi, Gerald Gallagher, Marla Gottschalk, Bryant Keil and Dan Levitan. We are currently conducting a search for additional board members. Our certificate of incorporation will provide that our board of directors will consist of not more than twelve directors, as such number of directors may from time to time be fixed by our board of directors pursuant to our by-laws.

Upon the completion of this offering, our certificate of incorporation will divide our board into three classes with staggered terms. Aylwin, Peter and Marla will serve as Class I directors with an initial term expiring at the first annual meeting of stockholders following the completion of this offering. At such meeting, the Class I directors shall be elected for a term expiring at our fourth annual meeting of stockholders. Dan and Vann will serve as Class II directors with an initial term expiring at the second annual meeting of stockholders. At such meeting, the Class II directors shall be elected for a term expiring at our fifth annual meeting of stockholders. Vann has chosen to stay on the board for up to 18 months following the completion of this offering. Bryant and Jerry will serve as Class III directors with an initial term expiring at the third annual meeting of stockholders. At such meeting, the Class III directors shall be elected for a term expiring at our fifth annual meeting of stockholders. Bryant has chosen to stay on the board for up to two years following the completion of this offering. At our fifth annual stockholder meeting, our classified board structure will be phased out and, beginning at such meeting, all directors shall be elected for a term expiring at the next annual stockholder meeting.

Our certificate of incorporation, as amended and restated upon completion of the offering, will provide that directors may only be removed for cause. To remove a director for cause, 66-$^{2}/_{3}$% of the voting power of the outstanding voting stock must vote as a single class to remove the director at an annual or special meeting. The certificate will also provide that, if a director is removed or if a vacancy occurs due to either an increase in the size of the board or the death, resignation, disqualification or other cause, the vacancy will be filled solely by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum remain.

This classification of the board of directors, together with the ability of the stockholders to remove our directors only for cause and the inability of stockholders to call special meetings, may have the effect of delaying

or preventing a change in control or management. See “Description of Capital Stock—Anti-Takeover Effects of Our Certificate of Incorporation and By-laws” for a discussion of other anti-takeover provisions that will be found in our certificate of incorporation.

Director Independence

Our board of directors has determined that all the following directors are “independent” as such term is defined by the Nasdaq Stock Market (“Nasdaq”), corporate governance standards and the federal securities laws: Peter Bassi, Jerry Gallagher, Marla Gottschalk and Dan Levitan.

Board Leadership Structure

Our board of directors does not have a formal policy on whether the roles of Chief Executive Officer and chairman of the board of directors should be separate. However, upon completion of this offering, Aylwin Lewis will serve as both Chief Executive Officer and Chairman. Our board of directors has carefully considered its leadership structure and believes at this time that the company and its stockholders are best served by having one person serve both positions. We believe that combining the roles fosters accountability, effective decision-making and alignment between interests of the board of directors and management. Aylwin also is able to use the in-depth focus and perspective gained in his executive function to assist our board of directors in addressing both internal and external issues affecting the company.

Our board of directors determined as part of our corporate governance principles, and our by-laws will provide, that the board of directors shall appoint one independent director to serve as lead independent director. The lead director will, among other responsibilities, preside over periodic meetings of our independent directors and oversee the function of our board of directors and committees. Upon completion of this offering, Jerry Gallagher will serve as our lead director. The by-laws also will provide that the chairperson of each of our committees will rotate every three years. Further, our board of directors believes that its other structural features, including only one non-independent director and key committees consisting entirely of independent directors, 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.

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. Members will serve on these committees until their resignation or until otherwise determined by our board of directors. Furthermore, the chairperson of each committee will rotate 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 will be set forth in the audit committee charter and will be 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 Securities and Exchange Commission to be included in our annual proxy statement; and
- Potbelly's systems of disclosure controls and procedures and ethical standards.

Upon completion of this offering, the audit committee will consist of Vann Avedisian, Peter Bassi and Marla Gottschalk and the chairperson will be Peter Bassi. Our board of directors has determined that Peter and Marla are "independent directors" and "audit committee financial experts" within the meaning of Item 407 of Regulation S-K. Within one year of the date of this offering, the audit committee will consist entirely of independent directors. Our board of directors has adopted a written charter under which the audit committee will operate. A copy of the charter, which will satisfy the applicable standards of the SEC and Nasdaq, will be available on our website.

Nominating and Corporate Governance Committee

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

- identify individuals qualified to become members of our board of directors, and to recommend to our board of directors the director nominees for each annual meeting of stockholders or to otherwise fill vacancies on the board;
- review and recommend to our board of directors committee structure, membership and operations;
- recommend to our board of directors the persons to serve on each committee and a chairman for such committee;
- develop and recommend to our board of directors a set of corporate governance guidelines applicable to us; and
- lead our board of directors in its annual review of its performance.

Upon completion of this offering, the nominating and corporate governance committee will consist of Jerry Gallagher, Bryant Keil and Dan Levitan and the chairperson will be Jerry Gallagher. Within one year of the date of this offering, the nominating and corporate governance committee will consist entirely of independent directors. Our board of directors has adopted a written charter under which the nominating and corporate governance committee will operate. A copy of the charter, which will satisfy the applicable standards of the SEC and Nasdaq, will be available on our website.

Compensation Committee

The purpose of the compensation committee will be set forth in the compensation committee charter and will be 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.

Upon completion of this offering, the compensation committee will consist of Vann Avedisian, Marla Gottschalk and Dan Levitan and the chairperson will be Vann Avedisian. Within one year of the date of this offering, the compensation committee will consist entirely of independent directors. Our board of directors has adopted a written charter under which the compensation committee will operate. A copy of the charter, which will satisfy the applicable standards of the SEC and Nasdaq, will be available on our website.

Compensation Committee Interlocks and Insider Participation

None of our executive officers have served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

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 board of directors will receive regular reports from management, as well as from the audit committee, regarding relevant risks and the actions taken by management to address those risks.

Code of Business Conduct and Ethics

We have a written code of business conduct and ethics that applies to our directors, officers and employees. Prior to the completion of this offering, we will adopt a new written code of business conduct and ethics that applies specifically to our directors and officers, including our principal executive officer, principal financial and principal accounting officer and persons performing similar functions. A copy of this new code, and information regarding any amendment to or waiver from its provisions, will be posted on our website.

EXECUTIVE AND DIRECTOR COMPENSATION

Introduction

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

For 2012, the compensation committee considered relevant market practices when setting executive compensation to align our executive compensation program with the market for which we compete for executive talent. Our market for executive recruiting is generally other restaurant or retail concepts. For non-operations executives, we look at the general restaurant industry. In evaluating the competiveness of our executive compensation program, we target compensation against the restaurant industry, specifically the limited-service restaurant segment, national and local competitors to help ensure we are competitive, focusing on items such as equity awards, merit pay, incentive pay and paid time off. We evaluate our executives on a scale of one through five. A score of three means the executive is a "Contributor," four is a "High Contributor" and five is a "Star." Annual cash compensation varies based on the executive's score, performance and contributions to Potbelly.

Executive pay is tied to both the company's and the individual's annual performance. Merit increases, annual incentive compensation, stock options, when granted, and paid time off are generally awarded in March or April of each year, following completion of the first quarter annual performance review cycle, the annual financial audit and approval from the compensation committee. Because 2012 was a designated freeze year for option grants to our named executive officers, described below, no options were granted to our named executive officers in 2012 other than replacement options that were granted to John Morlock upon the expiration of options that had previously been awarded to him. The employment agreements of our named executive officers specify each executive's annual incentive bonus target under our current bonus program. In addition, under our current bonus program, at the discretion of our Chief Executive Officer, up to 10% of the annual bonus pool approved by the compensation committee may be applied on a discretionary basis to award exceptional individual performers, including the other named executive officers. None of the named executive officers received a 2012 discretionary bonus.

2012 Summary Compensation Table

The following table summarizes compensation for the years ending December 30, 2012 and December 25, 2011 earned by our principal executive officer and our two other most highly compensated executive officers. These individuals are referred to as our named executive officers.

Name and Principal Position	Year	Salary	Bonus	Option Awards (1)	Non-Equity Incentive Plan Compensation (2)	Total
Aylwin Lewis	2012	$ 700,000	$ 0	$ 0	$ 300,641	$ 1,000,641
Chief Executive Officer (Principal Executive Officer)	2011	$ 700,000	$ 0	$ 1,050,196	$ 570,683	$ 2,320,879
Charles Talbot	2012	$ 345,894	$ 0	$ 0	$ 79,230	$ 425,124
Chief Financial Officer (Principal Financial Officer)	2011	$ 332,125	$ 12,500	$ 735,138	$ 144,410	$ 1,224,173
John Morlock	2012	$ 399,388	$ 0	$ 600,384	$ 91,484	$ 1,091,256
Chief Operating Officer	2011	$ 381,145	$ 12,500	$ 209,190	$ 165,724	$ 768,559

(1) Represents the aggregate grant date fair value of stock option awards. The stock option award issued to John in 2012 is exercisable upon the consummation of an initial public offering under the Securities Act or at the discretion of the board of directors. Accordingly, due to the vesting restrictions, as of the year ended December 30, 2012, the company has not recognized any stock compensation expense associated with this grant. The value reported above represents the aggregate grant date fair value of the 2012 stock option award computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation —Stock Compensation ("FASB ASC Topic 718"). The grant date fair value of the 2012 option award was determined using the Black-Scholes-Merton option pricing model. The company used the following assumptions for purposes of valuing this option grant: common stock fair value – $9.60 per share; expected life of the options – five and half years; volatility – 47%; risk free interest rate – 0.63%; and dividend yield – 0%. The stock options granted to John Morlock in 2012 were awarded to replace options that expired in 2012.

The stock option awards in 2011 were valued at fair value on the grant date computed in accordance with FASB ASC Topic 718. See Note 12, "Stock Options," to our Consolidated Financial Statements for the year ended December 25, 2011 for the assumptions made to value the 2011 stock option awards. Stock options granted in 2011 were awarded for 2010 performance.

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

Employment Agreements

The following is a summary of the employment agreements that we have entered into with each of our named executive officers. The summary below does not contain complete descriptions of all provisions of the employment agreements of our named executive officers and is qualified in its entirety by reference to such employment agreements, copies of which will be included as exhibits to the registration statement of which this prospectus forms a part. See "Where You Can Find More Information."

Aylwin Lewis. Aylwin entered into an Executive Employment Contract and Equity Incentive Plan effective as of June 16, 2008, as amended (the "Prior Lewis Agreement") pursuant to which he served as our President and Chief Executive Officer. The term of the Prior Lewis Agreement continued until June 16, 2014 and thereafter automatically renewed for subsequent one-year terms. The Prior Lewis Agreement could have been terminated upon death, disability, termination by us with or without cause, resignation with or without good reason (termination by us without cause or resignation by Aylwin for good reason being referred to as a "qualifying termination") or by either party giving a non-renewal notice 60 days prior to the end of the existing term. The Prior Lewis Agreement generally defined "cause" as Aylwin'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. The Prior Lewis Agreement generally defined "good reason" as (1) reduction in base salary or target or maximum bonus percentages, (2) material reduction in position, authority, office, responsibilities or duties, (3) material breach of the agreement by us, (4) Aylwin's failure to be re-elected to the board of directors while employed as President and Chief Executive Officer, or (5) relocation to a place more than 50 miles from Chicago, in each case without Aylwin's consent.

The Prior Lewis Agreement provided Aylwin with a base salary of $700,000, subject to increase (but not decrease) at the discretion of our board of directors. Under the Prior Lewis Agreement, Aylwin was eligible for a target bonus equal to 75% of his base salary, with a maximum bonus opportunity equal to 125% of his base salary, which bonus was earned under the Support Center Annual Incentive Plan described below.

The Prior Lewis Agreement provided for an initial equity grant to Aylwin of options to purchase 780,000 shares of our common stock. Currently, all of the options granted to Aylwin under the Prior Lewis Agreement have vested.

Aylwin entered into a new Executive Employment Agreement effective as of August 8, 2013 (the "New Lewis Agreement") pursuant to which he will continue to serve as our President and Chief Executive Officer. The New Lewis Agreement supersedes the Prior Lewis Agreement. Under the New Lewis Agreement, the term of Aylwin's employment continues until August 8, 2017. The New Lewis Agreement terminates upon death, disability, termination by us with or without cause or resignation by the executive with or without good reason. If, at least 30 days prior to August 8, 2017, (1) we do not offer to extend Aylwin's employment past the last day of the term on terms reasonably consistent with the terms of the New Lewis Agreement or (2) we offer to extend Aylwin's employment past the last day of the term but the parties are unable to reach an agreement on the terms of such continuing employment by August 8, 2017, then Aylwin's termination of employment upon expiration of the term of the New Agreement will be treated as a termination by us without cause subject to Aylwin's requests during negotiations being reasonable and consistent with the terms of the New Lewis Agreement. The definition of "cause" and "good reason" under the New Lewis Agreement are similar to those included under the Prior Lewis Agreement, provided that a reduction in Aylwin's rate of base salary or target or maximum bonus which does not exceed the percentage reduction of an across the board salary or bonus reduction for management employees will not be treated as an event of "good reason" and, after our initial public offering, our board's failure to nominate him as chairman while he is employed as our President and Chief Executive Officer will constitute an event of good reason.

The New Lewis Agreement provides Aylwin with a base salary of $725,000 which shall not be increased. The New Lewis Agreement also provides that, under our current bonus program, Aylwin is eligible for an annual target bonus of 100% of his base salary and a maximum (stretch) target of 200% of his base salary. For bonus years beginning after our initial public offering, the annual bonus amount and terms and conditions will be determined in accordance with incentive plan metrics determined in the sole discretion of the Compensation Committee (but subject to the same targets described above). The New Lewis Agreement also provides Aylwin with standard benefits and perquisites, a payment of up to $20,000 for legal fees in connection with the negotiation of the employment agreement and review of related agreements and a minimum five weeks of vacation.

Pursuant to the New Lewis Agreement, Aylwin was granted a stock option with a Black-Scholes value of $1,200,000 (227,187 shares), the terms of which are described in greater detail below under "—Equity Awards—2013 Equity Compensation Decisions". Such award is intended to represent the option grant to Aylwin for the next two years.

The New Lewis Agreement also contemplates that Aylwin may be granted equity awards under the company's equity incentive plans beginning after August 8, 2015 with a target value of $600,000 (subject to increase or decrease as determined by the compensation committee based on performance).

Aylwin 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 both the Prior Lewis Agreement and New Lewis Agreement as well as the treatment of Aylwin'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—Aylwin Lewis Employment Agreement."

Charles Talbot and John Morlock. Charlie and John each entered into an employment agreement with the company in September, 2009 (the "Prior Agreements"), pursuant to which Charlie served as our Senior Vice President and Chief Financial Officer and John served as Senior Vice President of Operations. Charlie's Prior

Agreement provided for an initial base salary of $325,000, and John's Prior Agreement provided for an initial base salary of $372,968. Our Chief Executive Officer could increase, but not decrease, their respective base salaries. Under the Prior Agreements, each of these executives was eligible for an annual target bonus of 40% of his base salary, which bonus was earned under the Support Center Annual Incentive Plan. Each of the Prior Agreements terminated upon death, disability, termination by us with or without cause or resignation with or without good reason (termination by us without cause or resignation by the executive for good reason being referred to as a "qualifying termination"). The Prior Agreements for Charlie and John defined "cause" and "good reason" in a manner that is comparable to the corresponding terms in the Lewis Agreement (except with respect to election to the board). In connection with their Prior Agreements, Charlie and John each agreed to confidentiality, noncompetition, noninterference and intellectual property provisions, with the noncompetition and noninterference covenants lasting for one year after termination of employment.

The Prior Agreements contemplated that the executives may be granted options under the company's equity incentive plans, with the option price equivalent to or above the fair market value of shares of our common stock. For information regarding the severance benefits under the Prior Agreements and the treatment of Charlie and John's outstanding equity awards upon a qualifying termination of employment or a corporate transaction, see "—Potential Payments Upon Termination of Employment or a Corporate Transaction/Change in Control—Charles Talbot and John Morlock Employment Agreements."

Charlie and John each entered into a new employment agreement with the company (the "New Agreements") effective as of July 25, 2013. The New Agreements supersede the Prior Agreements. Pursuant to the New Agreements, Charlie continues to serve as our Senior Vice President and Chief Financial Officer and John continues to serve as our Senior Vice President of Operations. Charlie's New Agreement provides for a base salary of $350,000, and John's New Agreement provides for a base salary of $405,000. The salaries may be increased from time to time by the Compensation Committee at the recommendation of our Chief Executive Officer. The New Agreements provide that, under our current bonus program, each of these executives is eligible for an annual target bonus of 40% of his base salary. For bonus years beginning after our initial public offering, the annual bonus amount and terms and conditions for each of these executives will be determined in accordance with incentive plan metrics recommended by our Chief Executive Officer and approved by the Compensation Committee. The New Agreements also provide the executives with standard benefits and perquisites and a minimum five weeks of paid time off. The New Agreements also contemplate that the executives may be granted equity awards under our equity incentive plans and provided for accelerated vesting of all outstanding equity awards held by Charlie and John as of July 25, 2013.

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

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

Equity Awards

General Option Terms. Options represent an important component of our executive compensation, although we did not generally grant options to our named executive officers in 2012 due to the option freeze mentioned above. John had options to purchase 115,000 shares of common stock at $5.00 per share that expired on December 2, 2012. In November 2010, the compensation committee approved the concept of issuing new options to replace certain options held by executives upon their respective expirations. Accordingly, on December 3, 2012, the compensation committee awarded John options to purchase 144,671 shares of common stock as a replacement for his expired options. These replacement options have an exercise price of $9.60 per share, which price represented the most recent valuation of our common shares at the time the options were replaced. The total number of replacement options granted to John was intended to put John in the same economic position before and after the expiration of his options, giving effect to the increase in the exercise price since the original grant. Except for John's replacement options, we did not issue any other options to our named executive officers in 2012.

Prior to the 2012 option freeze, it had been our practice to award options to our named executive officers based on a target of 10% of base salary if the executive receives an individual performance appraisal rating of "Contributor." If the executive received an individual performance rating of "High Contributor," the target for the option award increased to 15% of base salary, and if the executive received an individual performance rating of "Star," the target for the option award increased to 20% of base salary. Generally, we awarded an annual option grant to our named executive officers but, as noted above, that has not always been the case. When granting options, the compensation committee determined Aylwin's performance rating and reviewed his recommendations with respect to the performance rating of the other named executive officers. When granting options, the compensation committee established an option pool each year for purposes of awarding options based on the performance formula described above. If any options remained in the pool, Aylwin had the discretion to award additional options above the performance formula to the other named executive officers, while the compensation committee had the authority to award additional options from the pool to Aylwin.

Options granted to our named executive officers before 2010 generally provided that shares acquired upon exercise of the option were subject to transfer restrictions, unless we were public or as otherwise permitted by our board of directors. In addition, the options granted to Charlie and John prior to 2010 and the replacement options granted to John in 2012 do not become exercisable until the consummation of our initial public offering. We also have the right to repurchase shares acquired upon the exercise of such options from employees and former employees following certain terminations of employment or certain breaches of employment agreements and to require such shares to be sold in conjunction with the occurrence of a corporate transaction. We refer to these provisions as the "IPO Clause." Consistent with the terms of the original grant agreement, these replacement options granted to John in December 2012 contain the IPO Clause.

Shares issuable upon the exercise of options prior to our initial public offering are subject to transfer restrictions and drag-along rights and an irrevocable proxy in favor of the company. Each executive is bound by a lock-up agreement with the representatives of the underwriters which regulates sales of our common stock for a period of at least 180 days after the date of this prospectus, subject to certain exceptions. See "Underwriting—No Sales of Similar Securities."

2013 Equity Compensation Decisions.

In August 2013, our board approved a repricing of all outstanding employee options to purchase shares of our common stock that had an exercise price equal to $14.00. Options to purchase a total of 218,593 shares of our common stock were so repriced. All other terms and conditions of the repriced options remain the same. In connection with such repricing, we repriced options to purchase 75,000 shares of our common stock held by

John, all of which are vested, from an exercise price of $14.00 to $10.59 per share. The purpose of the repricing was to provide these long-term employees with options based on the June 30, 2013 professional valuation of our common stock.

Pursuant to the New Lewis Agreement, Aylwin was granted stock options with a Black-Scholes value of $1.2 million (227,187 shares) on August 8, 2013 (the "Effective Date Grant"). The Effective Date Grant has an exercise price of $10.59. The New Lewis Agreement provides that all stock options held by Aylwin (other than the Effective Date Grant) became fully vested on August 8, 2013. The New Lewis Agreement also provides that all options granted to Aylwin on or after August 8, 2013 (including the Effective Date Grant) will become vested annually over four years. The New Lewis Agreement provides that if Aylwin's employment is terminated by us without cause or if he resigns his employment due to retirement (defined solely for this purpose as resignation after attaining at least age 57 and completion of at least 10 years of service with our company), all vested stock options that are outstanding on his termination date will remain exercisable for four years after his termination date (or, if less, the expiration of the option term).

In addition, Charlie and John are expected to receive grants, immediately prior to the closing of this offering, of options to purchase 100,000 and 60,000 shares of common stock, respectively, as part of an option grant to members of our senior leadership team (other than Aylwin) under the Potbelly Corporation 2013 Long-Term Incentive Plan adopted in connection with this offering. The options will have an exercise price equal to the initial public offering price in this offering and a vesting period of four years. The grants are expected to be made to incentivize them to grow our stock price over time and as a retention incentive.

Furthermore, as noted above, Charlie and John's New Agreements provide that all options held by them upon the execution of the New Agreements became fully vested upon execution of the New Agreements. The New Agreements also provide that if Charlie's or John's, as applicable, employment is terminated by the company without cause or if he resigns his employment due to retirement (defined solely for this purpose as resignation after attaining at least age 57 and completion of at least 10 years of service with the company), all vested stock options that were outstanding on July 25, 2013 will remain exercisable for five years after his termination date (or, if less, the expiration of the option term), provided that if, after termination, the executive becomes employed on a full-time basis or provides consulting services on a full-time basis for another employer or entity, then the options will remain exercisable until the earlier of (i) 90 days after full-time employment or consulting begins or (ii) the expiration date of the stock option term.

2011-2012 Awards.

In 2011, our named executive officers each received an option grant to align their equity interests with similarly-situated executives in the restaurant industry, as determined by the compensation committee based on advice it received from JMW Partners Inc., its compensation consultant. As a result of the 2013 employment agreement, these grants to the named executive officers are fully vested. The stock option agreements for the 2011 option grants do not contain the IPO Clause.

Non-Equity Incentive Awards

The company has established the Support Center Annual Incentive Plan to provide annual non-equity incentive compensation to executives. Incentives are earned based on the achievement of pre-established targets for performance EBITDA, or earnings before interest, taxes, depreciation and amortization, excluding Support Center bonus, asset impairment, stock-based compensation, unusual non-cash charges and board of director approved unusual cash charges. This plan sets a threshold, target and maximum level of EBITDA applicable to all participants, and the amounts paid are based on the actual EBITDA achieved by the company. The targets are set for the year by the compensation committee based on recommendations from Aylwin and Charlie and are communicated to executives at the beginning of each year. To be eligible for an award under the plan, the executive must receive an annual individual performance appraisal rating of "Contributor" or higher.

The chart below sets forth the threshold, target and maximum percentages of base salary for awards under the Support Center Annual Incentive Plan in 2012, together with the percentage of weighted average salary received, based on actual EBITDA:

Named Executive Officer	Threshold	Target	Maximum	Percent of Weighted Average Salary Received
Aylwin Lewis	—	75% of base salary	125% of base salary	42.9% of weighted average salary
Charles Talbot	8% of base salary	40% of base salary	60% of base salary	22.9% of weighted average salary
John Morlock	8% of base salary	40% of base salary	60% of base salary	22.9% of weighted average salary

2012 Outstanding Equity Awards at Fiscal Year-End

The following table summarizes outstanding stock options for each named executive officer as of December 30, 2012.

	Options Awards			
	Number of Securities Underlying Unexercised Options (#)			
Named Executive Officer	Exercisable	Unexercisable (1)	Option Exercise Price Per Share	Option Expiration Date
Aylwin Lewis	624,000*	156,000*	$ 8.00	6/16/2018
	95,386*	190,771*	$ 7.22	5/10/2021
Charles Talbot	80,000	20,000	$ 8.00	1/7/2019
	4,000	6,000	$ 7.00	7/1/2020
	66,370*	133,540*	$ 7.22	5/10/2021
John Morlock	20,000	0	$ 9.00	1/1/2014
	25,000	0	$ 12.00	1/1/2015
	75,000	0	$ 10.59**	11/15/2017
	16,000	4,000	$ 8.00	5/14/2018
	3,636	2,425	$ 8.00	8/5/2019
	4,000	6,000	$ 7.00	7/1/2020
	19,000*	38,000*	$ 7.22	5/10/2021
	0	144,671	$ 9.60	12/3/2022

(*) Not subject to the IPO Clause.
(**) The option exercise price per share was reduced from $14.00 to $10.59 on August 1, 2013.

(1) Contingent on continued employment and subject to the IPO Clause described under "General Option Terms," above (except where otherwise indicated), the vesting dates for the awards described in the Outstanding Equity Awards at Fiscal Year-End table as of December 30, 2012 were as set forth below. To the extent not already vested, all of John's and Charlie's outstanding equity awards became immediately vested in connection with their execution of the New Agreements and all of Aylwin's outstanding equity awards (other than the Effective Date Grant) became immediately vested in connection with his execution of the New Lewis Agreement.

Named Executive Officer	Vest Date	Number of Securities Underlying Unexercised Options
Aylwin Lewis	6/16/2013(*)	156,000
	5/10/2013(*)	95,385
	5/10/2014(*)	95,386
Charles Talbot	10/20/2013	20,000
	1/1/2013	2,000
	1/1/2014	2,000
	1/1/2015	2,000
	5/10/2013(*)	66,770
	5/10/2014(*)	66,770
John Morlock	1/1/2013	4,000
	8/5/2013	1,212
	8/5/2014	1,213
	1/1/2013	2,000
	1/1/2014	2,000
	1/1/2015	2,000
	5/10/2013(*)	19,000
	5/10/2014(*)	19,000
	6/3/2013	72,335
	12/3/2013	72,336

(*) Not subject to the IPO Clause.

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. We previously entered into employment agreements with each of our named executive officers, which included provisions requiring us to make post-termination payments upon certain qualifying termination events. As described above, we entered into new employment agreements with the named executive officers and those agreements also 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 30, 2012 and under the provisions of the new employment agreements. In addition, the following disclosure describes the impact of a qualifying termination of employment, a corporate transaction or a change in control under the terms of the equity awards held by each of our named executive officers as of December 30, 2012 and modifications to such awards pursuant to the new employment agreements. These benefits are in lieu of benefits generally available to salaried employees.

Aylwin Lewis Employment Agreements. Pursuant to the Prior Lewis Agreement, Aylwin was entitled to receive severance pay and severance benefits if his employment terminated as a result of a qualifying termination. He would also be treated as terminating as a result of a qualifying termination if we elected not to extend the term of his employment. If terminated as the result of a qualifying termination, Aylwin was eligible to

receive severance equal to one year of his then-current base salary, bonus for the then-current fiscal year (calculated assuming that the target level of performance is achieved) and health and dental coverage at active employee contribution rates for 12 months. If Aylwin was terminated as the result of a qualifying termination of employment, death or disability, he would receive a prorated bonus for the year of termination based on target performance.

The options granted to Aylwin under the Prior Lewis Agreement terminate automatically if Aylwin is terminated for cause. The Prior Lewis Agreement provided special accelerated vesting rules in the event that Aylwin's employment was terminated as a result of a qualifying termination, death or disability. If Aylwin was terminated other than for cause or upon death or disability, his options would remain exercisable until the earlier of one year after his termination date or June 16, 2018 (which is the expiration date of these options). Upon the occurrence of a Corporate Transaction (which term generally includes transactions involving a 50% change in ownership of the company, whether through acquisition of common stock or voting power or through the consummation of a reorganization, merger, consolidation or asset sale), 75% of any then non-vested and unexercisable options granted under the Prior Lewis Agreement (and under his 2011 option awards as discussed below) will vest and become exercisable, with the balance becoming vested and exercisable on the dates originally scheduled (but 100% shall become vested and exercisable in the event of a qualifying termination, death or disability occurring subsequent to a Corporate Transaction). Under Aylwin's option award agreements, 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 Aylwin 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. However, with respect to vested options, Aylwin would have the right to exercise the options prior to the transaction or receive a net cash payment, and his unvested options would either become vested or be assumed, or substituted, by the acquiring company. The shares issuable upon the exercise of options, or purchased, pursuant to the Prior Lewis Agreement are subject to repurchase rights of the company, restrictions on transfer, drag-along obligations, tag-along rights and lock-ups.

Pursuant to the New Lewis Agreement, Aylwin will be entitled to receive severance pay and severance benefits if his employment terminates as a result of a qualifying termination (including if we fail to offer to extend Aylwin's employment or our failure to reach an agreement with Aylwin as to the term of such extension as described above). If terminated as the result of a qualifying termination prior to a Change in Control (which, for periods prior to our initial public offering means a Corporate Transaction and thereafter means a Change in Control as defined in the 2013 Long-Term Incentive Plan), Aylwin will be eligible to receive severance equal to one year of his then-current base salary and health and dental coverage at active employee contribution rates for 12 months, and all of his outstanding unvested stock options will vest (provided that if the qualifying termination occurs as a result of our failure to offer to extend the term of Aylwin's employment or our failure to reach an agreement with Aylwin as to the term of such extension as described above, only those unvested stock options granted in 2015 and 2016 will fully vest upon the qualifying termination), all subject to a release. If his employment terminates (1) as a result of a qualifying termination on or within six months prior to a Change in Control and at a time when we are a party to a letter of intent relating to transactions, or we are in negotiations regarding a transaction, which if consummated would constitute a Change in Control, (2) three months prior to a Change in Control or (3) within two years after a Change in Control, Aylwin will be entitled to the severance payments and benefits described above except that his cash severance payment will be equal to the sum of his base salary and annual target bonus and the payments and benefits are not subject to a release.

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

Charles Talbot and John Morlock Employment Agreements. The Prior Agreements for Charlie and John provided for severance pay and severance benefits if the executive was terminated as the result of a qualifying termination. Upon such a termination, the severance pay and benefits consisted of base salary and company-paid health and dental insurance coverage pursuant to the federal health care continuation law commonly known as COBRA for 12 months in the case of Charlie and nine months in the case of John. If an executive's employment was terminated as a result of a qualifying termination, or upon the executive's death or disability, the executive would receive a pro-rated bonus if bonuses are paid to other executive-level employees, at the target level for the year of termination.

The Prior Agreements for Charlie and John provided that upon the occurrence of a Corporate Transaction, 50% of the then non-vested and unexercisable portion of their outstanding options shall vest and become exercisable and the remaining portion shall vest and become exercisable on the date originally scheduled. In addition, certain of their subsequent option agreements also provided for comparable accelerated vesting, or in some cases, allowed our board, in its discretion, to accelerate vesting upon a Corporate Transaction. If the company's initial public offering has not been consummated, and the company had terminated the Prior Agreement without cause, the executive's employment was terminated as a result of a qualifying termination, or the executive died or became disabled, vested options would remain exercisable for three or four years, depending on how long the executive has been employed by the company. However, such extended exercise period would not exceed the earlier to occur of the option's term or the tenth anniversary of the option's grant date. In addition, if the initial public offering occurred during the extended exercise period, the options would expired on the earlier of the date the extended exercise period expired or 90 days after consummation of the initial public offering. The options would automatically expire if our initial public offering had not occurred and the executive's employment terminates as the result of a qualifying termination.

The New Agreements for Charlie and John provide for severance pay and benefits if the executive is terminated in a qualifying termination or if the executive's employment is terminated due to death or disability. In the event the executive's employment terminates in a qualifying termination prior to a Change in Control, the executive is entitled to a cash severance payment equal to 12 months of base salary payable in installments over 12 months, subsidized COBRA benefits for 12 months and an extended exercise period with respect to stock options that are outstanding on July 25, 2013, all subject to a release. In the event the executive's employment terminates in a qualifying termination on or within 12 months after a Change in Control, the executive is entitled to the same severance payments and benefits described above and a payment equal to the amount of the annual bonus that the executive would have received for the year in which the termination occurs pro rated through the date of termination and based on actual performance for the year of termination (the "Pro Rated Bonus"). Payments and benefits in connection with a Change in Control are not subject to a release. If termination occurs due to death or disability, in addition to any accrued amounts otherwise owed to the executive, the executive will receive the Pro Rated Bonus, subject to a release. The New Agreements for Charlie and John include the definitions of "cause" and "good reason" that were included in the Prior Agreements with minor modifications.

Options Granted Prior to 2011. Our option grants for our named executive officers generally contain the following termination and change in control provisions:

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

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

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

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

Options Granted in 2011-2012. Under the 2011 option grants, if the executive has been an employee of the company for at least 24 consecutive months, in the event of a Corporate Transaction, 50% (or 75% in the case of Aylwin) of the executive's non-vested and unexercisable options will vest and become exercisable and the remaining options will vest in accordance with their original vesting schedule. In addition to the option acceleration provisions noted in the bullets above, the 2011 option grants provide that if an executive is terminated without cause or because of death or disability or if an executive resigns for good reason, the exercise period for vested options ties to length of service (two years to exercise if employed by the company for at least two years; three years to exercise if employed by the company for at least three years; capped at four years to exercise if employed by the company for at least four years). The stock option agreements for the 2011 option grants do not contain the IPO Clause.

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

2012 Director Compensation

The following table summarizes the amounts earned and paid to our non-employee members of our board of directors for 2012. Aylwin, our President and Chief Executive Officer, receives no additional compensation for his service on our board of directors:

Name	Fees Earned or Paid in Cash	Total
Bryant Keil (1)	$ 0	$ 0
Vann Avedisian	$ 0	$ 0
Peter Bassi (2)	$ 60,000	$60,000
Gerald Gallagher	$ 0	$ 0
Marla Gottschalk (2)	$ 60,000	$60,000
Matthew Levine	$ 0	$ 0
Dan Levitan	$ 0	$ 0

(1) At December 30, 2012, Bryant had options to purchase 125,000 shares of voting common stock and 500,000 shares of non-voting common stock, which he received as an employee of the company, all of which are vested. In August 2013, in connection with our repricing of all outstanding employee options with an exercise price equal to $14.00, we repriced Bryant's options to purchase the 500,000 shares of non-voting common stock from an exercise price of $14.00 to $10.59 per share. Immediately prior to the completion of this offering, our non-voting common stock will automatically convert into common stock on a 1:1 basis pursuant to our sixth amended and restated certificate of incorporation. Also in August 2013, we issued to

Bryant options to purchase 122,271 shares of our common stock at an exercise price of $10.59 per share. The options are exercisable upon the consummation of this offering and expire on September 30, 2017. See “Related Party Transactions.”

(2) Peter elected to receive $30,000 of his compensation in options to purchase common stock and Marla elected to receive all $60,000 of her compensation as options to purchase common stock. For both of these directors, the number of options granted in lieu of cash compensation was based on the aggregate grant date fair value of stock option awards computed in accordance with FASB ASC Topic 718. The grant date fair value of the options was determined using the Black-Scholes-Merton option pricing model. Due to an administrative delay, the options granted to Peter and Marla for 2012 compensation were not issued until April 2013, at which time they were granted with the exercise price of $9.47, representing the then current per share valuation of our common stock. In order to provide the same economic value as Peter and Marla would have received had the options been timely granted, we used a Black-Scholes value in the Board approved formula to arrive at the appropriate number of options. At December 30, 2012, Peter had options to purchase 19,585 shares of common stock, not counting the options to purchase 8,991 shares of our common stock that were granted in 2013 as compensation for 2012 service, and Marla had options to purchase 39,169 shares of common stock, not counting the options to purchase 17,983 shares of our common stock that were granted in 2013 as compensation for 2012 service. At the same time that our company granted Peter and Marla the options that were part of their 2012 compensation, we also granted them the options that constitute part of their 2013 compensation. Peter received options to purchase 7,231 shares of our common stock and Marla received options to purchase 14,462 shares of our common stock each with an exercise price of $9.47 per share. Of the options granted in 2013 for 2012 compensation, 50% vested immediately upon such grant and the remaining 50% will vest upon the first anniversary of such grant. Of the options granted to Peter and Marla for 2013 compensation, 50% will vest upon the first anniversary of the award and 50% upon the second anniversary of the award.

Our board of directors has generally been comprised of the original investors that have served the company while receiving no compensation. Only our two newest directors, Peter Bassi and Marla Gottschalk, are compensated by the company for their service. They currently receive an annual fee of $60,000, which they may elect to receive in the form of cash, options or a combination of cash and options.

After the consummation of our initial public offering, we intend to implement a director compensation program pursuant to which all non-employee directors will receive an annual retainer of $40,000 in cash plus options having a grant date fair value of $40,000. At that time, we also intend to add stock ownership guidelines for our directors which will require them to own an amount of shares of our common stock valued at four times annual cash compensation for directors. Directors will have five years following the consummation of our initial public offering, or, if later, five years from the date they join the board of directors, to achieve the requisite amount of stock ownership. Only ownership of common stock will count towards our stock ownership threshold and, under the guidelines, unexercised options will not count for this purpose.

Equity Incentive Plans

The following is a summary of the company’s existing equity incentive plans as well as a summary of the equity incentive plan that we have adopted in connection with this offering. The summary below does not contain complete descriptions of all provisions of our equity incentive plans and is qualified in its entirety by reference to the plans, copies of which will be included as exhibits to the registration statement of which this prospectus forms a part. See “Where You Can Find More Information.”

2013 Long-Term Incentive Plan

In connection with this offering, we have adopted the Potbelly Corporation 2013 Long-Term Incentive Plan (the “2013 Incentive Plan”), which will replace our 2004 Incentive Plan (described below) (provided that awards outstanding under the 2004 Incentive Plan will continue to be subject to the terms of the 2004 Incentive Plan). The following summary describes the material terms of the 2013 Incentive Plan.

Purpose. The purpose of the 2013 Incentive Plan is to:

- align the interests of our stockholders and the recipients of awards under the plan by increasing the proprietary interest of such recipients in the company's growth and success;
- advance the company's interests by attracting and retaining qualified employees, outside directors and other persons providing services to the company and/or its related companies; and
- motivate such persons to act in the long-term best interests of our stockholders.

Administration. The 2013 Incentive Plan generally will be administered by the compensation committee of the board of directors. The compensation committee will select award recipients under the 2013 Incentive 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 will also have the authority to conclusively interpret the 2013 Incentive Plan. Subject to the applicable exchange rules and applicable law, the compensation committee may delegate all or any portion of its responsibilities or powers under the 2013 Incentive Plan to persons selected by it.

Authorized Shares. The company has reserved 1,500,000 shares of our common stock for issuance pursuant to the 2013 Incentive Plan, including options to purchase 395,000 shares of our common stock to be granted effective with this offering. Any shares of our common stock covered by an award under the 2013 Incentive Plan that expires or is forfeited or terminated without issuance of shares of common stock (including shares of common stock that are attributable to awards that are settled in cash or used to satisfy the applicable tax withholding obligation or to pay the exercise price of an award) will again be available for awards under the 2013 Incentive Plan.

Additional Limits. The following additional limits will apply to awards under the 2013 Incentive Plan: (i) no more than 1,500,000 shares of common stock may be subject to incentive stock options ("ISOs") granted under the 2013 Incentive Plan; (ii) the maximum number of shares of common stock that may be covered by options and SARs granted to any one participant in any one calendar year may not exceed 400,000 shares of common stock; (iii) with respect to full value awards (as described below) that are intended to be performance-based compensation, the maximum number of shares of common stock that may be delivered pursuant to any such award granted to any one participant during any calendar year, regardless of whether settlement of the award is to occur prior to, at the time of, or after the time of vesting, may not exceed 400,000 shares of common stock; and (iv) in the case of cash incentive awards that are intended to be performance-based compensation, the maximum amount payable to any one participant with respect to any performance period of twelve months (pro rated for performance periods of greater or lesser than 12 months) is $4,500,000.

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 2013 Incentive Plan, the compensation committee will make adjustments to awards in a manner that it determines to be equitable in its discretion. Actions that the compensation committee may take are: (i) adjustment of the number and kind of shares which may be delivered under the 2013 Incentive 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 2013 Incentive 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 Code requirements.

Types of Awards. The 2013 Incentive Plan will provide for grants of options (including nonqualified stock options ("NQOs") and ISOs), SARs, full value awards and cash incentive 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 the company or its 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. 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 the company's stockholders or adjustment 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 the company as consideration for the grant of a replacement option or SAR with a lower exercise price. In addition, except as approved by the company's stockholders, no option granted under the 2013 Incentive Plan may be surrendered to the company 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 2013 Incentive 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 2013 Incentive 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 10th 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, deferred stock units, performance stock and performance stock units). Any full value awards will be subject to such conditions, restrictions and contingencies as the compensation committee determines including provisions relating to dividends or dividend equivalent rights and deferred payment or settlement. Special vesting restrictions also apply to full value awards made to employees.

- *Cash Incentive Awards*. A cash incentive award is the grant of a right to receive a payment of cash (or in the discretion of the compensation committee, shares of common stock having value equivalent to the cash otherwise payable) that is contingent on achievement of performance objectives over a specified period established by the compensation committee. The grant of cash incentive awards may also be subject to such other conditions, restrictions and contingencies, as determined by the compensation committee, including provisions relating to deferred payment.

Performance Measures. The compensation committee may designate a Full Value Award or cash incentive award granted to any participant as "performance-based compensation" within the meaning of section 162(m) of the Code and regulations thereunder. To the extent required by section 162(m) of the Code, any Full Value Award or cash

incentive award so designated shall be conditioned on the achievement of one or more performance targets as determined by the compensation committee, as follows: (i) earnings including operating income, net operating income, same store net operating income, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items or book value per share (which may exclude nonrecurring items) or net earnings; (ii) pre-tax income or after-tax income; (iii) earnings per share (basic or diluted); (iv) operating profit; (v) revenue, revenue growth or rate of revenue growth; (vi) return on assets (gross or net), return on investment (including cash flow return on investment), return on capital (including return on total capital or return on invested capital), or return on equity; (vii) returns on sales or revenues; (viii) operating expenses; (ix) stock price appreciation; (x) cash flow (before or after dividends), free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, cash flow in excess of cost of capital or cash flow per share (before or after dividends); (xi) implementation or completion of critical projects or processes; (xii) economic value created; (xiii) cumulative earnings per share growth; (xiv) operating margin or profit margin; (xv) stock price or total stockholder return; (xvi) cost targets, reductions and savings, productivity and efficiencies; (xvii) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion, customer satisfaction, employee satisfaction, human resources management, supervision of litigation and other legal matters, information technology, and goals relating to contributions, dispositions, acquisitions, development and development related activity, capital markets activity and credit ratings, joint ventures and other private capital activity including generating incentive and other fees and raising equity commitments, and other transactions, and budget comparisons; (xviii) personal professional objectives, including any of the foregoing performance targets, the implementation of policies and plans, the negotiation of transactions, the development of long term business goals, formation and reorganization of joint ventures and other private capital activity including generating incentive and other fees and raising equity commitments, research or development collaborations, and the completion of other corporate transactions; (xix) funds from operations (FFO) or funds available for distribution (FAD); (xx) economic value added (or an equivalent metric); (xxi) stock price performance; (xxii) improvement in or attainment of expense levels or working capital levels; (xxiii) operating portfolio metrics including leasing and tenant retention, (xxiv) new store results, or (xxv) any combination of, or a specified increase in, any of the foregoing. The performance targets may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the company, a related company, or a division or strategic business unit of the company, or may be applied to the performance of the company relative to a market index, a group of other companies or a combination thereof, all as determined by the compensation committee.

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 on the date of a Change in Control (as defined in the 2013 Incentive Plan) and the participant's employment or service, as applicable, is terminated by the company, its successor or a related company that is the participant's employer for reasons other than cause (as defined in the 2013 Incentive Plan) within 24 months following the Change in Control, or (ii) the 2013 Incentive Plan is terminated by the company or its successor following a Change in Control without provision for the continuation of outstanding awards under the 2013 Incentive Plan, all options, SARs and related awards which have not otherwise expired will become immediately exercisable and all other awards will become fully vested. A participant's employment or service will be deemed to have been terminated by the company or a 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 2013 Incentive Plan and if, immediately prior to the Change in Control, the participant becomes an employee or a director of, as applicable, the successor to the company.

Amendment and Termination. The board of directors may, at any time, amend or terminate the 2013 Incentive Plan, and the board of directors 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 2013 Incentive Plan prior to the date such amendment is adopted by the board of directors (or the compensation committee, if applicable). Adjustments to the 2013 Incentive Plan and awards on account of business transactions (as described above) are not subject to the foregoing prohibition. The provisions of the 2013 Incentive Plan that prohibit repricing of options and SARs or exchanges of an option or SAR for another award 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 the company's stockholders.

2004 Equity Incentive Plan

The following is a description of the material terms of the Potbelly Corporation 2004 Equity Incentive Plan (the "2004 Incentive Plan"). As discussed above, once the 2013 Incentive Plan is effective, we will no longer make awards under the 2004 Incentive Plan. However, the 2004 Incentive Plan will continue to govern outstanding awards granted prior to its termination.

Types and Terms of Awards. The 2004 Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock, bonus stock and performance shares. The terms of the award, such as amount, exercise price, expiration date, vesting, restriction period, performance period and performance measures, are set at the time of grant.

Administration. The 2004 Incentive Plan is administered by the compensation committee of the board of directors.

Authorized Shares. A total of 4,289,994 shares of common stock were available under the 2004 Incentive Plan. As of August 26, 2013, options to purchase 4,228,322 shares of our common stock at a weighted average exercise price of approximately $8.60 were outstanding under the 2004 Incentive Plan.

Eligibility. The 2004 Incentive Plan permits awards to be granted to officers, other employees, persons expected to become officers or other employees, directors, consultants, independent contractors and agents of the company.

Termination of Employment. The terms relating to exercise, cancellation, other disposition, forfeiture, satisfaction of performance measures, termination of restriction periods or termination of performance periods upon termination of employment with or service to the company, whether by reason of disability, cause, retirement, death or other termination, are set forth in the underlying award agreement.

Transferability. Awards under the 2004 Incentive Plan generally may not be transferred except through will or by the laws of descent and distribution, unless approved by the company. However, if provided in an award agreement, certain additional transfers may be permitted in limited circumstances.

Change in Control. In the event of a Corporate Transaction (which term includes transactions involving a 50% change in ownership of the company, whether through acquisition of common stock or voting power or through the consummation of a reorganization, merger, consolidation or asset sale, as further defined in the 2004 Incentive Plan), the board of directors may:

- provide that such options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation or entity (or an affiliate thereof);

- upon written notice to the optionees, provide that (A) all exercisable but unexercised options will terminate immediately prior to the consummation of such transaction unless exercised by the

optionee within a specified period following the date of such notice and prior to the consummation of such event or transaction and (B) all unexercisable options will terminate upon consummation of such event or transaction;

- in the event of a merger or consolidation under the terms of which holders of our common stock will receive a cash payment for each share surrendered in the merger or consolidation, make or provide for a cash payment to the optionees equal to the difference between the merger price and the exercise price of all such outstanding options, in exchange for the termination of such options; or

- provide that all or any outstanding options shall become exercisable in full immediately prior to such event or transaction and shall cease to be exercisable at any time after such event or transaction.

Amendment and Termination. The board of directors may, at any time, amend, suspend or terminate the 2004 Incentive Plan as it shall deem advisable, subject to any stockholder approval required by applicable law, rule or regulation. No amendment may impair the rights of a holder of an outstanding award without the consent of such holder.

RELATED PARTY TRANSACTIONS

Arrangements with Our Investors

Stockholders Agreement

On June 1, 2011, we entered into a Seventh Amended and Restated Stockholders Agreement (the "Stockholders Agreement") with certain holders of our preferred stock, including ASP PBSW, LLC ("American Securities"); Benchmark Capital Partners IV, L.P., Benchmark Founders' Fund IV, L.P., Benchmark Founders' Fund IV-A, L.P., Benchmark Founders' Fund IV-B, L.P. and related parties; Maveron Equity Partners 2000, L.P., Maveron Equity Partners III, L.P. and their affiliated funds (the "Maveron Stockholders"); Oak Investment Partners IX, Limited Partnership, Oak IX Affiliates Fund, Limited Partnership and Oak IX Affiliates Fund-A, Limited Partnership (the "Oak Stockholders"); and Oxford Blackpoint Venture Partners VII, LLC (the "Oxford Stockholder"), some of whom individually or together with their affiliates own 5% or more of our capital stock. The Stockholders Agreement superseded and replaced the previous stockholders agreement among the parties.

The Stockholders Agreement gives certain stockholders or groups of stockholders the right to appoint one or more directors each to our board of directors. It also provides that our Chief Executive Officer shall serve as a director and shall be entitled to appoint an additional independent director. The Stockholders Agreement sets a minimum voting threshold for the board of directors to take certain actions, including, among other things, a sale of the company, entering into a related party transaction, or amending our charter or by-laws. Among other things, the Stockholders Agreement also sets forth restrictions on transfers of our preferred stock and any sale of the company.

Upon the completion of a "QPO," or a qualified public offering, with such term defined in the Stockholders Agreement to mean an initial public offering which meets certain pricing thresholds, the Stockholders Agreement will terminate in accordance with its terms. We believe that this offering will meet the requirements of a QPO.

Option Issuance to Bryant Keil

In August 2013, we issued to Bryant Keil, one of our directors, options to purchase 122,271 shares of our common stock at an exercise price of $10.59 per share. The options are exercisable upon the consummation of this offering and expire on September 30, 2017. The issuance of the options was in recognition of Bryant's exemplary past and expected continued service and for his assistance in connection with this offering. We also agreed to reimburse Bryant for $25,000 of his out-of-pocket expenses in connection with activities related to this offering. In addition, in connection with our repricing of all outstanding employee options to purchase shares of our common stock with an exercise price of $14.00, we repriced options to purchase 500,000 shares of our non-voting common stock held by Bryant from an exercise price of $14.00 per share to $10.59 per share, all of which are vested and will be exercisable upon the consummation of this offering, which he received as an employee of the company.

Oxford Capital Partners Warrant

In March 2012, we issued a warrant to purchase 241,704 shares of common stock at a price of $8.16 per share to Oxford Capital Partners, Inc., ("OCPI") an affiliate of the Oxford Stockholder. The warrant was issued to replace a previous warrant to purchase 200,000 shares of common stock at a price of $5.00 per share that expired on September 1, 2011. Pursuant to the terms of the newly issued warrant, OCPI may exercise the warrant at any time prior to the earliest to occur of (i) our initial public offering, (ii) March 28, 2022 or (iii) a Liquidity Event (which term generally includes a sale of all or substantially all of our assets or a transfer of the voting power to elect a majority of our board of directors through a sale of our capital stock or the consummation of a merger or consolidation). The warrant was issued to OCPI in recognition of the exemplary past and expected

continued service of one of our directors, Vann Avedisian, a co-owner of OCPI. In August 2013, we agreed to amend the terms of the warrant, effective upon the consummation of this offering, to provide that OCPI may exercise the warrant at any time prior to the earliest to occur of (i) the fifth anniversary of the closing of this offering and (ii) a Liquidity Event (as described above). The amendment to the warrant was in recognition of the exemplary past and expected continued service of Vann and for his assistance in connection with this offering.

2011 Stock Repurchase

In June 2011, we repurchased certain common and preferred shares from Bryant Keil, our Founding Chairman. We repurchased and retired 500,000 shares of $0.01 par value Series A preferred stock at a purchase price of $10.00 per share and 1,180,748 of $0.01 par value common stock at a purchase price of $7.22 per share, for a total purchase price of approximately $13,525,000. In connection with the stock repurchase, we entered into an agreement with Bryant that, among other things, provided Bryant the right to terminate (a) 50,000 options with an exercise price of $6.00 per share that expire on February 6, 2013 and (b) 75,000 options with an exercise price of $9.00 per share that expire on January 1, 2014. Bryant elected to terminate these options and we have issued to Bryant (i) options expiring on February 6, 2023 to purchase 59,864 shares at an exercise price of $9.47 in replacement of the options to purchase 50,000 shares described above and (ii) options expiring on January 1, 2024 to purchase 81,064 shares at an exercise price of $10.59 in replacement of the options to purchase 75,000 shares described above. Pursuant to the agreement with Bryant, the number of shares and exercise price of the replacement options were designed to provide Bryant with economically equivalent replacement options and were calculated in accordance with set formulas based on multiple factors as determined by our board of directors, including future target common share prices.

2010 Stock Issuance and Repurchase

In July 2010, we issued 84,898 shares (59,895 shares net of tax withholding) of our Series F preferred stock to Aylwin Lewis, our Chief Executive Officer and President, as his 2009 bonus compensation. The fair market value of such issuance was $9.35 per share, or $793,796 in aggregate consideration. We then immediately repurchased 25,003 shares of our Series F preferred stock from Aylwin at fair value for a total purchase price of $233,778.

Indemnification Agreements

We expect to enter into indemnification agreements with our current directors and executive officers prior to the completion of this offering and expect to enter into a similar agreement with any new directors or executive officers. We expect to increase our directors' and officers' liability insurance coverage prior to the completion of this offering.

Review, Approval or Ratification of Transactions With Related Persons

We adopted requirements for the approval of certain related party transactions in our by-laws effective June 1, 2011, and in the Stockholders Agreement (defined above). Both documents require a vote of at least six members of the board of directors to approve a transaction or dealing with any of our Affiliates, as such term is defined in the Stockholders Agreement.

We will adopt a new policy relating to the approval of related party transactions following the completion of this offering. Our audit committee will review certain financial transactions, arrangements and relationships between us and any of the following related parties to determine whether any such transaction, arrangement or relationship is a related party transaction:

- any of our directors, director nominees or executive officers;
- any beneficial owner of more than 5% of our outstanding stock; and

- any immediate family member of any of the foregoing.

Our audit committee will review any financial transaction, arrangement or relationship that:

- involves or will involve, directly or indirectly, any related party identified above and is in an amount greater than $120,000;
- would cast doubt on the independence of a director;
- would present the appearance of a conflict of interest between us and the related party; or
- is otherwise prohibited by law, rule or regulation.

The audit committee will review each such transaction, arrangement or relationship to determine whether a related party has, has had or expects to have a direct or indirect material interest. Following its review, the audit committee will take such action as it deems necessary and appropriate under the circumstances, including approving, disapproving, ratifying, cancelling or recommending to management how to proceed if it determines a related party has a direct or indirect material interest in a transaction, arrangement or relationship with us. Any member of the audit committee who is a related party with respect to a transaction under review will not be permitted to participate in the discussions or evaluations of the transaction; however, the audit committee member will provide all material information concerning the transaction to the audit committee. The audit committee will report its action with respect to any related party transaction to the board of directors.

DESCRIPTION OF CREDIT FACILITY

On September 21, 2012, our wholly-owned subsidiary, Potbelly Sandwich Works, LLC ("PSW"), as borrower, Potbelly Illinois, Inc., PSW's immediate parent corporation, Potbelly Corporation and all of our wholly-owned subsidiaries entered into a senior secured credit facility with JPMorgan Chase Bank, N.A. ("Chase"), as lender and administrative agent. The credit facility provides for senior secured financing, consisting of a revolving credit facility in an initial aggregate commitment amount of $35.0 million, including a letter of credit sub-facility, that matures September 21, 2017. PSW will be entitled to incur additional incremental increases in the revolving credit facility of up to $25.0 million that will be included in the credit facility if no event of default exists and certain other requirements are met. The obligations under the credit facility are guaranteed by us and each of our existing and future domestic wholly-owned subsidiaries and are secured by a perfected security interest on substantially all of the assets of us and such subsidiaries.

The credit facility requires us to comply with certain financial covenants, including a Debt Service Coverage Ratio and a Leverage Ratio (both as defined in the credit agreement). In addition, the credit agreement includes negative covenants limiting, among other things, additional indebtedness, additional liens, transactions with affiliates, sales of assets, investments and advancements, prepayments of debt, mergers and acquisitions and certain other matters customarily restricted in such agreements. The credit facility also limits the "restricted payments" (primarily distributions and equity repurchases) that PSW or Potbelly Corporation may make to $20 million in any trailing 12-month period or $40 million during the term of the credit facility, unless we obtain certain waivers or amendments from our lenders. We have obtained an amendment from Chase in connection with the cash dividend to be paid on shares of our common and preferred stock outstanding on the day immediately prior to the closing date of this offering. The credit facility contains certain customary representations and warranties, affirmative covenants and events of default. If an event of default occurs, the lenders under the credit facility will be entitled to take various actions, including the acceleration of amounts due under the credit facility and all actions permitted to be taken by a secured creditor.

Borrowings under the credit facility generally bear interest at our option at either (i) a eurocurrency rate determined by reference to the applicable LIBOR rate plus a margin ranging from 1.10% to 1.75% or (ii) a prime rate as announced by Chase plus a margin ranging from 0.00% to 0.50%. The applicable margin is determined based upon our consolidated total leverage ratio. Swingline loans bear interest at the rate applicable to base rate loans. On the last day of each calendar quarter, PSW is required to pay a commitment fee ranging from 0.25% to 0.35% per annum in respect of any unused commitments under the credit facility, with the specific rate determined based upon our consolidated total leverage ratio.

This summary describes the material provisions of the credit facility, but may not contain all the information that is important to you. We urge you to read the provisions of the credit agreement governing the credit facility, which has been included as an exhibit to the registration statement of which this prospectus forms a part. See "Where You Can Find More Information."

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock at August 26, 2013 for:

- each person whom we know beneficially owns more than five percent of our common stock;
- each of our named executive officers;
- each of our directors;
- all of our directors and executive officers as a group; and
- each selling stockholder.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC. Unless otherwise indicated below, the address for each listed director, officer and stockholder is c/o Potbelly Corporation, 222 Merchandise Mart Plaza, 23rd Floor, Chicago, Illinois 60654. Certain of the selling stockholders in this offering may be deemed to be underwriters.

Beneficial ownership and the percentage of beneficial ownership by each person before the offering is based on 20,631,941 shares of common stock outstanding as of August 26, 2013 after giving effect to the conversion of all outstanding shares of all series of our preferred stock into, and the exercise of all outstanding Series F warrants for, an aggregate of 16,383,581 shares of common stock immediately prior to the completion of this offering, and the percentage beneficially owned after the offering is based on shares of common stock expected to be outstanding following this offering after giving effect to the issuance of of the shares of common stock offered hereby. See "Description of Capital Stock." Shares of common stock that may be acquired within 60 days following August 26, 2013 pursuant to the exercise of options are deemed to be outstanding for the purpose of computing the percentage ownership of such holder but are not deemed to be outstanding for computing the percentage ownership of any other person shown in the table.

	Shares Beneficially Owned before the Offering			Shares Beneficially Owned after the Offering				
Name of Beneficial Owner	Number	Percentage	Number of Shares Offered	Number	Percentage	Number of Shares Offered at Underwriters Option	Number if Option Exercised in Full	Percentage if Option Exercised in Full
5% stockholders:								
Maveron Equity Partners and related funds (1)	5,810,931	28.2%						
ASP PBSW, LLC (2)	2,669,659	12.9%						
Oak Investment Partners and related funds (3)	2,517,489	12.2%						
Oxford Blackpoint Venture Partners VII, LLC and affiliates (4)	1,642,653	7.9%						
Benchmark Capital Partners and related funds (5)	1,598,157	7.7%						
Sheila Keil (6)	1,370,935	6.5%						
WI-Potbelly, LLC (7)	1,252,693	6.1%						

Name of Beneficial Owner	Shares Beneficially Owned before the Offering		Number of Shares Offered	Shares Beneficially Owned after the Offering		Number of Shares Offered at Underwriters Option	Number if Option Exercised in Full	Percentage if Option Exercised in Full
	Number	Percentage		Number	Percentage			
Named executive officers and directors:								
Aylwin Lewis (8)	1,370,193	6.3%						
John Morlock (9)	357,732	1.7%						
Carl Segal (10)	289,460	1.4%						
Charles Talbot (11)	320,622	1.5%						
Matthew Revord (12)	226,051	1.1%						
Nancy Turk (13)	153,886	*						
Bryant Keil (14)	1,493,206	7.1%						
Vann Avedisian (15)	1,849,152	8.9%						
Peter Bassi (16)	24,081	*						
Gerald Gallagher (17)	2,517,489	12.2%						
Marla Gottschalk (18)	89,712	*						
Matthew Levine (19)	—	—						
Dan Levitan (20)	5,810,931	28.2%						
All executive officers and directors as a group (13 persons)	14,502,515	61.1%						
Other Selling Stockholders:								

* Represents less than 1.0%

(1) Includes 3,584,100 shares of common stock owned by Maveron Equity Partners 2000, L.P. (“Maveron 2000”); 119,719 shares of common stock owned by Maveron Equity Partners 2000-B, L.P. (“Maveron 2000-B”); 501,164 shares of common stock owned by MEP 2000 Associates LLC (“MEP 2000”); 1,361,501 shares of common stock owned by Maveron Equity Partners III, L.P. (“MEP III”); 57,766 shares of common stock owned by Maveron III Entrepreneurs’ Fund, L.P. (“Maveron-Entrepreneurs’”); and 186,681 shares of common stock owned by MEP III Associates Fund, L.P. (“Maveron-Associates” and, together with Maveron 2000, Maveron 2000-B, MEP 2000, MEP III, Maveron-Entrepreneurs’ and Maveron-Associates, the “Maveron Entities”). Maveron General Partner 2000 LLC (“Maveron GP”) serves as general partner of Maveron 2000 and Maveron 2000-B and possesses shared power to vote and dispose of shares directly owned by Maveron 2000 and Maveron 2000-B. Maveron LLC serves as manager of MEP 2000 and possesses shared power to vote and dispose of shares directly owned by MEP 2000. Dan Levitan is the managing member of Maveron GP and Maveron LLC. Dan Levitan, Maveron GP (with respect to the shares held directly by Maveron 2000 and Maveron 2000-B) and Maveron LLC (with respect to the shares held directly by MEP 2000) disclaim beneficial ownership of shares held directly by Maveron 2000, Maveron 2000-B and MEP 2000, except to the extent of their pecuniary interest therein. Maveron General Partner III LLC (“Maveron GP III”) serves as general partner for MEP III, Maveron-Entrepreuners’ and Maveron-Associates and possesses shared power to vote and dispose of shares directly owned by MEP III, Maveron-Entrepreuners’ and Maveron-Associates. Dan Levitan, Clayton Lewis, Pete McCormick and Jason Stoffer are managing members of Maveron GP III. Such individuals and Maveron GP III disclaim beneficial ownership of shares held directly by MEP III, Maveron-Entrepreuners’ and Maveron-Associates. The address for the Maveron Entities and the individuals listed above is 411 First Avenue South, Suite 600, Seattle, WA 98104.

(2) American Securities Capital Partners, LLC is the manager of ASP PBSW, LLC and as such may be deemed to have indirect beneficial ownership of the shares held by ASP PBSW, LLC. The address for ASP PBSW,

LLC is c/o American Securities Capital Partners, LLC, 299 Park Avenue, 34th Floor, New York, NY 10171.

(3) Includes 2,433,161 shares of common stock owned by Oak Investment Partners IX; 25,925 shares of common stock owned by Oak IX Affiliates Fund; and 58,403 shares of common stock owned by Oak IX Affiliates Fund-A. Oak IX Affiliates, L.L.C. is the general partner of Oak Investment Partners IX, L.P., Oak IX Affiliates Fund, L.P. and Oak IX Affiliates Fund-A, L.P. (collectively, the "Oak Entities") and possesses shared power to vote and dispose of shares directly owned by the Oak Entities. Jerry Gallagher, Fredric Harman, Ann Lamont, Edward Glassmeyer and Bandel Carano are managing members of Oak IX Affiliates, L.L.C., and each of such individuals and Oak IX Affiliates, L.L.C. disclaim beneficial ownership of the shares held by the Oak Entities, except to the extent of their pecuniary interest therein. The address for such entities and individuals is 3890 Wells Fargo Center, 90 South 7th Street, Minneapolis, MN 55402.

(4) Includes 1,400,949 shares of common stock owned by Oxford Blackpoint Venture Partners VII, LLC ("Oxford Blackpoint") and warrants owned by Oxford Capital Partners, Inc. ("Oxford Capital") to purchase 241,704 shares of common stock. Oxford Blackpoint is an investment fund managed by Oxford Capital. Vann Avedisian is a founder and co-owner of Oxford Capital and possesses shared power to vote and dispose of shares owned directly by the Oxford entities. Vann disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. The address for such entities is c/o Oxford Capital Partners LLC, 350 W. Hubbard Street, Suite 440, Chicago IL, 60654.

(5) Includes 1,598,157 shares of common stock owned by Benchmark Capital Partners IV, L.P., as nominee for Benchmark Capital Partners IV, L.P., Benchmark Founders' Fund IV, L.P., Benchmark Founders' Fund IV-A, L.P., Benchmark Founders Fund IV-B, L.P. and related individuals. Benchmark Capital Management Co. IV, L.L.C. is the general partner of Benchmark Capital Partners IV, L.P. and as such may be deemed to have indirect beneficial ownership of the shares held by Benchmark Capital Partners IV, L.P. The address for such entities is 2480 Sand Hill Rd. #200, Menlo Park, CA 94025.

(6) Includes 1,050,471 shares of common stock and options to purchase 320,464 shares of common stock.

(7) Waveland Investments I, LLC is the manager of WI-Potbelly, LLC and as such may be deemed to have indirect beneficial ownership of the shares held by WI-Potbelly, LLC. The address for WI-Potbelly, LLC is 1850 Second Street, Suite 201, Highland Park, IL 60035.

(8) Includes 304,036 shares of common stock and options to purchase 1,066,157 shares of common stock. Does not include 227,187 shares subject to stock options that are not exercisable within 60 days of August 26, 2013.

(9) Consists of options to purchase 357,732 shares of common stock. Does not include 60,000 shares subject to stock options to be granted effective with the offering that are not exercisable within 60 days of August 26, 2013.

(10) Includes 15,125 shares of common stock owned by SHK Capital Partners, a partnership controlled by Carl and options to purchase 274,335 shares of common stock. Does not include 35,000 shares subject to stock options to be granted effective with the offering that are not exercisable within 60 days of August 26, 2013.

(11) Includes 10,312 shares of common stock and options to purchase 310,310 shares of common stock. Does not include 100,000 shares subject to stock options to be granted effective with the offering that are not exercisable within 60 days of August 26, 2013.

(12) Includes 13,775 shares of common stock and options to purchase 212,276 shares of common stock. Does not include 75,000 shares subject to stock options to be granted effective with the offering that are not exercisable within 60 days of August 26, 2013.

(13) Includes 20,776 shares of common stock and options to purchase 133,110 shares of common stock. Does not include 50,000 shares subject to stock options to be granted effective with the offering that are not exercisable within 60 days of August 26, 2013.

(14) Includes 1,050,471 shares of common stock and options to purchase 442,735 shares of common stock.

(15) Includes the shares and warrants owned by Oxford Blackpoint and Oxford Capital discussed in Footnote 5 and 206,499 shares of common stock held by Concorde Holdings IX, LLC. Oxford Blackpoint is an investment fund managed by Oxford Capital. Vann is a founder and co-owner of Oxford Capital and the sole owner of the general partner of Concorde Holdings IX, LLC. Accordingly, Vann possesses shared power to vote and dispose of shares owned directly by such entities. Vann disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

(16) Consists of options to purchase 24,081 shares of common stock. While Peter was appointed to the board of directors by the Maveron Entities pursuant to our Stockholders Agreement, he does not possess sole or shared power to vote or dispose of shares held by the Maveron Entities.

(17) Includes the shares held by the Oak Entities discussed in Footnote 3. Oak IX Affiliates, L.L.C. is the general partner of each of the Oak Entities. Jerry Gallagher, Fredric Harman, Ann Lamont, Edward Glassmeyer and Bandel Carano are managing members of Oak IX Affiliates, L.L.C. Accordingly, Jerry possesses shared power to vote and dispose of shares owned directly by the Oak Entities. Jerry disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

(18) Includes 41,551 shares of common stock and options to purchase 48,161 shares of common stock.

(19) While Matthew was appointed to the board of directors by ASP PBSW, LLC pursuant to our Stockholders Agreement, he does not possess sole or shared power to vote or dispose of shares held by such entity.

(20) Includes the shares held by the Maveron Entities discussed in Footnote 1. Maveron GP serves as general partner of Maveron 2000 and Maveron 2000-B, and possesses shared power to vote and dispose of shares directly owned by Maveron 2000 and Maveron 2000-B. Maveron LLC serves as manager of MEP 2000 and possesses shared power to vote and dispose of shares directly owned by MEP 2000. Dan Levitan is the managing member of Maveron GP and Maveron LLC. Maveron GP III serves as general partner for MEP III, Maveron-Entrepreuners' and Maveron-Associates, and possesses shared power to vote and dispose of shares directly owned by MEP III, Maveron-Entrepreuners' and Maveron-Associates. Dan Levitan, Clayton Lewis, Pete McCormick and Jason Stoffer are managing members of Maveron GP III. Accordingly, Dan possesses shared power to vote and dispose of the shares beneficially owned by the Maveron Entities. The foregoing is not an admission by Dan that he is the beneficial owner of the shares held by the Maveron Entities, and Dan disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.

DESCRIPTION OF CAPITAL STOCK

General

Upon the closing of this offering, our certificate of incorporation will be amended and restated to provide for authorized capital stock of 200,000,000 shares of common stock, par value $0.01 per share, and 10,000,000 shares of undesignated preferred stock. As of August 26, 2013, we had outstanding 4,248,360 shares of common stock held by 48 stockholders of record, and we had outstanding options to purchase 4,748,737 shares of our common stock at a weighted average exercise price of $8.99 per share, of which options to purchase 4,249,257 shares at a weighted average exercise price of $8.62 were vested as of such date.

After giving effect to this offering, we will have shares of common stock and no shares of preferred stock outstanding. The following summary describes all material provisions of our capital stock. We urge you to read our certificate of incorporation and our by-laws, which are included as exhibits to the registration statement of which this prospectus forms a part.

Our certificate of incorporation and by-laws will contain provisions that are intended to enhance the likelihood of continuity and stability in the composition of the board of directors and that may have the effect of delaying, deferring or preventing a future takeover or change in control of our company unless that takeover or change in control is approved by our board of directors. These provisions include a classified board of directors, elimination of stockholder action by written consents (except in limited circumstances), elimination of the ability of stockholders to call special meetings (except in limited circumstances), advance notice procedures for stockholder proposals, and supermajority vote requirements for amendments to our by-laws.

Common Stock

Dividend Rights. Subject to preferences that may apply to shares of preferred stock outstanding at the time, holders of outstanding shares of common stock will be entitled to receive dividends out of assets legally available at the times and in the amounts as the board of directors may from time to time determine.

Voting Rights. Each outstanding share of common stock will be entitled to one vote on all matters submitted to a vote of stockholders. Our certificate of incorporation will not provide for cumulative voting in connection with the election of directors, and accordingly, holders of more than 50% of the shares voting will be able to elect all of the directors. The holders of a majority of the shares of common stock issued and outstanding constitute a quorum at all meetings of the stockholders for the transaction of business.

Preemptive Rights. Our common stock will not be entitled to preemptive or other similar subscription rights to purchase any of our securities.

Conversion or Redemption Rights. Our common stock will be neither convertible nor redeemable.

Liquidation Rights. Upon our liquidation, the holders of our common stock will be entitled to receive pro rata our assets that are legally available for distribution, after payment of all debts and other liabilities and subject to the prior rights of any holders of preferred stock then outstanding.

Listing. We have applied to have our shares of common stock listed on the Nasdaq Global Select Market under the symbol “PBPB.”

Warrants

As of June 30, 2013, we had outstanding warrants to purchase 345,213 shares of common stock. As of such date, warrants to purchase 103,509 shares of common stock were exercisable by the holders thereof for $0.01 per share at any time prior to the earliest to occur of (i) the company’s initial public offering, (ii) December 24, 2013 or (iii) a Liquidity Event (which term generally includes a sale of all or substantially all

of the assets of the company or a transfer of the voting power to elect a majority of the board of directors of the company through a sale of the company's capital stock or the consummation of a merger or consolidation). Additionally, as of June 30, 2013, warrants to purchase 241,704 shares of common stock were exercisable by OCPI for $8.16 per share. In August 2013, we agreed to amend the terms of the warrant, effective upon the consummation of this offering, to provide that OCPI may exercise the warrant at any time prior to the earliest to occur of (i) the fifth anniversary of the closing of this offering and (ii) a Liquidity Event (as described above). See "Related Party Transactions." Accordingly, upon the consummation of this offering, warrants exercisable for 241,704 shares of our common stock may be outstanding.

Preferred Stock

Our board of directors may, without further action by our stockholders, from time to time, direct the issuance of shares of preferred stock in series and may, at the time of issuance, determine the designations, powers, preferences, privileges, and relative participating, optional or special rights as well as the qualifications, limitations or restrictions thereof, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights of the common stock. Satisfaction of any dividend preferences of outstanding shares of preferred stock would reduce the amount of funds available for the payment of dividends on shares of our common stock. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of our liquidation before any payment is made to the holders of shares of our common stock. Under specified circumstances, the issuance of shares of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Upon the affirmative vote of a majority of the total number of directors then in office, our board of directors, without stockholder approval, may issue shares of preferred stock with voting and conversion rights that could adversely affect the holders of shares of our common stock and the market value of our common stock. Upon completion of this offering, there will be no shares of preferred stock outstanding, and we have no present intention to issue any shares of preferred stock.

Registration Rights Agreement

The following describes the registration rights of certain of our stockholders pursuant to our registration rights agreement.

Long-Form Registration Rights. At any time following the earlier of (a) December 24, 2013 or (b) the date which is six months after the date we consummate our initial public offering, holders of our Registrable Securities (as defined below) may require us to register such Registrable Securities under the Securities Act (a "Long-Form Registration"). All holders of Registrable Securities have the right to request a Long-Form Registration. However, the registration rights agreement provides that we are not required to conduct a Long-Form Registration unless such a registration is requested by holders of a majority of the Registrable Securities (excluding certain Registrable Securities held by Bryant Keil and his affiliates) then outstanding. We are not required to conduct more than two Long-Form Registrations. "Registrable Securities" include, among other things, any common stock held by our preferred stockholders and any common stock issued upon the conversion of any preferred stock or the exercise of certain warrants. As of the consummation of this offering, we will have approximately 20,000,000 Registrable Securities outstanding.

Short-Form Registration Rights. When we become qualified to file registration statements on Form S-3, any preferred stockholder may request that we register such holder's Registrable Securities on Form S-3. However, we are not required to register securities on Form S-3 more than twice in one year or if the aggregate offering price would be less than $1 million.

Piggyback Registration Rights. If we propose to register any of our securities under the Securities Act, and the registration form to be used may be used for the registration of Registrable Securities, then we are required to give notice to all holders of Registrable Securities and provide them with the right to include their shares in the registration statement. Such piggyback registration rights are subject to certain exceptions,

conditions and limitations, including, without limitation, pro rata reductions in the number of shares to be sold by holders of Registrable Securities. In addition, pursuant to the terms of the registration rights agreement, the holders of Registrable Securities may not require registration of their securities in this offering unless other stockholders' securities are included in such registration.

Expenses of Registration. We are required to bear the registration expenses (other than underwriting discounts and commissions) associated with any registration in accordance with the registration rights agreement, including, in certain cases, the reasonable fees of counsel chosen by the holders of a majority of the Registrable Securities included in the registration.

Termination of Registration Rights. The registration rights agreement will terminate on the fourth anniversary of the consummation of our initial public offering.

Anti-Takeover Effects of Our Certificate of Incorporation and By-laws

Delaware Anti-Takeover Law

We are subject to Section 203 of the Delaware General Corporation Law. Section 203 generally prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- prior to the date of the transaction, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transactions which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding (a) shares owned by persons who are directors and also officers and (b) shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date of the transaction, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66-2/3% of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation of the corporation or any majority-owned subsidiary of the corporation with the interested stockholder;
- any sale, transfer, pledge or other disposition involving of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; and

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation at any time within three years immediately prior to the date of determination and any entity or person affiliated with or controlling or controlled by the entity or person.

Certificate of Incorporation and By-law Provisions

Our certificate of incorporation and by-laws will contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and that may have the effect of delaying, deferring or preventing a future takeover or change in control of the company unless that takeover or change in control is approved by our board of directors.

These provisions include:

Classified Board. Our certificate of incorporation will provide that our board of directors will be divided into three classes of directors, with the classes as nearly equal in number as possible. As a result, approximately one-third of our board of directors will be elected each year. Our classified board structure will be phased out by the fifth annual meeting of stockholders following the completion of this offering. Accordingly, beginning with the fifth annual meeting of stockholders, all directors will be elected for a term expiring at the next annual meeting of stockholders. Until our board of directors is fully declassified, the classified nature of our board of directors could have the effect of delaying or discouraging an acquisition of us or a change in our management.

In addition, because our board initially will be classified, under Delaware General Corporation Law, directors may only be removed for cause. Our certificate of incorporation will also provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed exclusively pursuant to a resolution adopted by our board of directors but will consist of not more than twelve directors. Upon completion of this offering, our board of directors will have seven members. Our certificate of incorporation and by-laws will provide that the authorized number of directors may be changed only by resolution of the board of directors and that all vacancies, including newly created directorships, may, except as otherwise required by law, be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum.

Action by Written Consent; Special Meetings of Stockholders. Our certificate of incorporation will provide that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting. Our certificate of incorporation and by-laws will also provide that special meetings of our stockholders may be called only by the chairman of the board, our Chief Executive Officer or the board of directors pursuant to a resolution adopted by a majority of the total number of authorized directors. Except as otherwise required by law, stockholders will not be permitted to call a special meeting or to require the board of directors to call a special meeting.

Super Majority Approval Requirements. The Delaware General Corporation Law generally provides that the affirmative vote of a majority of the outstanding stock entitled to vote on any matter is required to amend a corporation's bylaws, unless either a corporation's certificate of incorporation or bylaws require a greater percentage. Our certificate of incorporation provides that the affirmative vote of holders of at least 66-2/3% of the total votes entitled to vote in the election of directors will be required to amend, alter, change or repeal our by-laws. This requirement of a supermajority vote to approve amendments to our by-laws could enable a minority of our stockholders to exercise veto power over any such amendments. Our board of directors retains the right to amend our by-laws.

Advance Notice Procedures. Our by-laws will establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to the board of directors. Stockholders at an annual meeting will only be able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of the board of directors or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given our Secretary timely written notice, in accordance with our by-laws, of the stockholder's intention to bring that business before the meeting. Although the by-laws will not give the board of directors the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at a special or annual meeting, the by-laws may have the effect of precluding the conduct of certain business at a meeting if the proper procedures are not followed or may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of the company.

Authorized but Unissued Shares. Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of a majority of our common stock by means of a proxy contest, tender offer, merger or otherwise.

Exclusive Jurisdiction of Certain Actions. Our certificate of incorporation will require, to the fullest extent permitted by law that derivative actions brought in the name of the company, actions against directors, officers and employees for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in the State of Delaware. Although we believe this provision benefits the company by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

Limitations on Liability and Indemnification of Officers and Directors

Our certificate of incorporation will limit the liability of our directors to the fullest extent permitted by the Delaware General Corporation Law, and our by-laws will provide that we will indemnify them to the fullest extent permitted by such law. We expect to enter into indemnification agreements with our current directors and executive officers prior to the completion of this offering and expect to enter into a similar agreement with any new directors or executive officers. We expect to increase our directors' and officers' liability insurance coverage prior to the completion of this offering.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock will be . Its telephone number is (toll free) or .

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for shares of our common stock. We cannot predict the effect, if any, that future sales of shares of our common stock, or the availability for future sale of shares of our common stock, will have on the market price of shares of our common stock prevailing from time to time. The sale of substantial amounts of shares of our common stock in the market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock.

Sale of Restricted Shares

Upon completion of this offering, we will have shares of common stock outstanding. Of these shares, the shares sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares purchased by our "affiliates" as that term is defined in Rule 144 promulgated under the Securities Act. In general, affiliates include our executive officers, directors, and 10% stockholders. Shares purchased by affiliates will remain subject to the resale limitations of Rule 144.

Upon completion of this offering, shares of our common stock will be "restricted securities," as that term is defined in Rule 144 promulgated under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 or 701 promulgated under the Securities Act, which are summarized below.

As a result of the lock-up agreements described below and the provisions of Rules 144 and Rule 701 promulgated under the Securities Act, the shares of our common stock (excluding the shares sold in this offering) will be available for sale in the public market as follows:

- no shares will be eligible for sale on the date of this prospectus;
- shares will be eligible for sale upon the expiration of the lock-up agreements, as more particularly described below, beginning 180 days after the date of this prospectus, subject to certain exceptions; and
- shares will be eligible for sale, upon the exercise of vested options and upon the expiration of the lock-up agreements, as more particularly described below, beginning 180 days after the date of this prospectus, subject to certain exceptions.

Rule 144

Generally, Rule 144 provides that an affiliate who has beneficially owned "restricted" shares of our common stock for at least six months will be entitled to sell on the open market in brokers' transactions, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of the common stock on the Nasdaq Global Select Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

In addition, sales under Rule 144 are subject to requirements with respect to manner of sale, notice, and the availability of current public information about us.

If any person who is deemed to be our affiliate purchases shares of our common stock, sales under Rule 144 of the shares held by that person will be subject to the volume limitations and other restrictions described in the preceding two paragraphs.

The volume limitation, manner of sale and notice provisions described above will not apply to sales by non-affiliates. For purposes of Rule 144, a non-affiliate is any person or entity who is not our affiliate at the time of sale and has not been our affiliate during the preceding three months. Once we have been a reporting company for 90 days, persons who have beneficially owned restricted shares of our common stock for six months may rely on Rule 144 provided that certain public information regarding us is available. The six-month holding period increases to one year if we have not been a reporting company for at least 90 days. However, a non-affiliate who has beneficially owned the restricted shares proposed to be sold for at least one year will not be subject to any restrictions under Rule 144 regardless of how long we have been a reporting company.

Rule 701

Under Rule 701, each of our employees, officers, directors, consultants or advisors who purchased shares pursuant to a written compensatory plan or contract is eligible to resell these shares 90 days after the effective date of this offering in reliance upon Rule 144, but without compliance with specific restrictions. Rule 701 provides that affiliates may sell their Rule 701 shares under Rule 144 without complying with the holding period requirement and that non-affiliates may sell their shares in reliance on Rule 144 without complying with the holding period, public information, volume limitation, or notice provisions of Rule 144.

Lock-Up Agreements

We, our directors and officers and substantially all of our stockholders have agreed, subject to certain exceptions, not to offer, sell or transfer any common stock or securities convertible into or exchangeable or exercisable for common stock for 180 days after the date of this prospectus without first obtaining the written consent of each of the representatives of the underwriters, subject to certain exceptions. See “Underwriting—No Sales of Similar Securities” for a description of these lock-up agreements.

Registration Statements

We intend to file one or more registration statements under the Securities Act as soon as practicable after the completion of this offering for shares issued upon the exercise of options and shares to be issued under our employee benefit plans. As a result, any such options or shares will be freely tradable in the public market. Options to purchase shares of our common stock will have vested and will be exercisable as of the completion of this offering. However, such shares held by affiliates will still be subject to the volume limitation, manner of sale, notice, and public information requirements of Rule 144 unless otherwise resalable under Rule 701.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a summary of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of our common stock by Non-U.S. Holders (defined below). This summary does not purport to be a complete analysis of all the potential tax considerations relevant to Non-U.S. Holders of our common stock. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), the Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change or differing interpretations at any time, possibly with retroactive effect.

This summary assumes that shares of our common stock are held as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code. This summary does not purport to deal with all aspects of U.S. federal income taxation that might be relevant to particular Non-U.S. Holders in light of their particular investment circumstances or status, nor does it address specific tax considerations that may be relevant to particular persons (including, for example, financial institutions, broker-dealers, insurance companies, partnerships or other pass-through entities, certain U.S. expatriates, tax-exempt organizations, pension plans, "controlled foreign corporations," "passive foreign investment companies," corporations that accumulate earnings to avoid U.S. federal income tax, persons in special situations, such as those who have elected to mark securities to market or those who hold common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment, or holders subject to the alternative minimum tax). In addition, except as explicitly addressed herein with respect to estate tax, this summary does not address estate and gift tax considerations or considerations under the tax laws of any state, local or non-U.S. jurisdiction.

For purposes of this summary, a "Non-U.S. Holder" means a beneficial owner of common stock that for U.S. federal income tax purposes is not treated as a partnership and is not:

- an individual who is a citizen or resident of the United States;
- a corporation or any other organization treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is included in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust, if (i) a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons have the authority to control all of the trust's substantial decisions or (ii) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of persons treated as its partners for U.S. federal income tax purposes will generally depend upon the status of the partner and the activities of the partnership. Partnerships and other entities that are classified as partnerships for U.S. federal income tax purposes and persons holding our common stock through a partnership or other entity classified as a partnership for U.S. federal income tax purposes are urged to consult their own tax advisors.

There can be no assurance that the Internal Revenue Service ("IRS") will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. federal income or estate tax consequences to a Non-U.S. Holder of the purchase, ownership or disposition of our common stock.

THIS SUMMARY IS NOT INTENDED TO BE TAX ADVICE. EACH NON-U.S. HOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE U.S. FEDERAL INCOME AND ESTATE TAXATION, STATE, LOCAL AND NON-U.S. TAXATION AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF OUR COMMON STOCK.

Distributions on Our Common Stock

As discussed under "Dividend Policy" above, we do not currently expect to pay regular dividends on our common stock. If we do make a distribution of cash or property with respect to our common stock, any such distributions generally will constitute dividends for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will constitute a return of capital and will first reduce the holder's basis in our common stock, but not below zero. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in "—Gain on Sale, Exchange or Other Taxable Disposition of Our Common Stock." Any such distribution would also be subject to the discussion below in "—Additional Withholding and Information Reporting Requirements."

Dividends paid to a Non-U.S. Holder generally will be subject to withholding of U.S. federal income tax at a 30% rate unless such Non-U.S. Holder provides us or our agent, as the case may be, with the appropriate IRS Form W-8, such as:

- IRS Form W-8BEN (or successor form) certifying, under penalties of perjury, a reduction in the rate of withholding of tax under an applicable income tax treaty, or
- IRS Form W-8ECI (or successor form) certifying that a dividend paid on common stock is not subject to withholding of tax because it is effectively connected with a trade or business in the United States of the Non-U.S. Holder (in which case such dividend generally will be subject to regular graduated U.S. federal income tax rates as described below).

The certification requirement described above also may require a Non-U.S. Holder that provides an IRS form or that claims treaty benefits to provide its U.S. taxpayer identification number. Special certification and other requirements apply in the case of certain Non-U.S. Holders that are intermediaries or pass-through entities for U.S. federal income tax purposes.

Each Non-U.S. Holder is urged to consult its own tax advisor about the specific methods for satisfying these requirements. A claim for exemption will not be valid if the person receiving the applicable form has actual knowledge or reason to know that the statements on the form are false.

If dividends are effectively connected with a trade or business in the United States of a Non-U.S. Holder (and, if required by an applicable income tax treaty, attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States), the Non-U.S. Holder, although exempt from the withholding of tax described above (provided that the certifications described above are satisfied), generally will be subject to U.S. federal income tax on such dividends on a net income basis in the same manner as if it were a resident of the United States. In addition, if a Non-U.S. Holder is treated as a corporation for U.S. federal income tax purposes, the Non-U.S. Holder may be subject to an additional "branch profits tax" equal to 30% (unless reduced by an applicable income treaty) of its earnings and profits in respect of such effectively connected dividend income.

If a Non-U.S. Holder is eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty, the holder may obtain a refund or credit of any excess amount withheld by timely filing an appropriate claim for refund with the IRS.

Gain on Sale, Exchange or Other Taxable Disposition of Our Common Stock

Subject to the discussion below in "—Additional Withholding and Information Reporting Requirements," in general, a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding of tax on gain realized upon such holder's sale, exchange or other taxable disposition of shares of our common stock unless (i) such Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition, and certain other conditions are met, (ii) we are or have been a "United States real property holding corporation," as defined in the Internal Revenue Code (a "USRPHC"), at any time within the shorter of the five-year period preceding the disposition and the Non-U.S. Holder's holding period in the shares of our common stock, and certain other requirements are met, or (iii) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States).

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources (including gain, if any, realized on a disposition of our common stock) exceed capital losses allocable to U.S. sources during the taxable year of the disposition. If the third exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such gain on a net income basis in the same manner as if it were a resident of the United States, and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a branch profits tax with respect to any earnings and profits attributable to such gain at a rate of 30% (or at a reduced rate under an applicable income tax treaty).

Generally, a corporation is a USRPHC only if the fair market value of its U.S. real property interests (as defined in the Internal Revenue Code) equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance in this regard, we believe that we are not, and do not anticipate becoming, a USRPHC. Even if we are or become a USRPHC, a Non-U.S. Holder would not be subject to U.S. federal income tax on a sale, exchange or other taxable disposition of our common stock by reason of our status as a USRPHC so long as our common stock is "regularly traded on an established securities market" at any time during the calendar year in which the disposition occurs and such Non-U.S. Holder does not own and is not deemed to own (directly, indirectly or constructively) more than 5% of our common stock at any time during the shorter of the five-year period ending on the date of disposition and the holder's holding period. However, no assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above. Each Non-U.S. Holder is urged to consult its own tax advisor about the possible consequences to them if we are, or were to become, a USRPHC.

Additional Withholding and Information Reporting Requirements

Legislation enacted in March 2010 (commonly referred to as "FATCA") generally will impose a 30% withholding tax on U.S. source dividends and gross proceeds from the sale or other disposition of stock or property that is capable of producing U.S. source dividends paid to (i) a foreign financial institution (as defined in Section 1471(d)(4) of the Code) unless such foreign financial institution enters into a reporting agreement with the IRS to collect and disclose certain information regarding its U.S. account holders (including certain account holders that are foreign entities that have U.S. owners), complies with any laws and rules implementing FATCA under an applicable bilateral governmental agreement with respect to FATCA between the United States and the foreign financial institution's jurisdiction of organization and/or is otherwise registered deemed compliant with FATCA and (ii) certain other non-U.S. entities unless the entity provides the payor with information regarding certain direct and indirect U.S. owners of the entity, or certifies that it has no such U.S. owners, and complies with certain other requirements. Under current guidance, the FATCA withholding rules would apply to certain payments, including dividend payments on our common stock, if any, paid after June 30, 2014, and to payments

of gross proceeds from the sale or other dispositions of our common stock paid after December 31, 2016. These new FATCA withholding rules apply regardless of whether a payment would otherwise be exempt from the withholding of tax described above in respect of distributions on and dispositions of our common stock.

Each Non-U.S. Holder is urged to consult its own tax advisor about the possible impact of these rules on their investment in our common stock, and the entities through which they hold our common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of this 30% withholding of tax under FATCA.

Backup Withholding and Information Reporting

We must report annually to the IRS and to each Non-U.S. Holder the gross amount of the distributions on our common stock paid to the holder and the tax withheld, if any, with respect to the distributions. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the Non-U.S. Holder's country of residence, organization or incorporation.

Non-U.S. Holders may have to comply with specific certification procedures to establish that the holder is not a United States person (as defined in the Internal Revenue Code) in order to avoid backup withholding at the applicable rate, currently 28%, with respect to dividends on our common stock. Dividends paid to Non-U.S. Holders subject to withholding of U.S. federal income tax, as described above in "—Distributions on Our Common Stock," generally will be exempt from U.S. backup withholding.

Information reporting and backup withholding will generally apply to the proceeds of a disposition of our common stock by a Non-U.S. Holder effected by or through the U.S. office of any broker, U.S. or foreign, unless the holder certifies its status as a Non-U.S. Holder and satisfies certain other requirements, or otherwise establishes an exemption. Dispositions effected through a non-U.S. office of a U.S. broker or a non-U.S. broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Each Non-U.S. Holder is urged to consult its own tax advisor about the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available to the tax authorities of the country in which the Non-U.S. Holder resides or in which the Non-U.S. Holder is incorporated under the provisions of a specific treaty or agreement.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder can be refunded or credited against the Non-U.S. Holder's U.S. federal income tax liability, if any, provided that an appropriate claim is timely filed with the IRS.

Federal Estate Tax

Common stock owned (or treated as owned) by an individual who is not a citizen or a resident of the United States (as defined for U.S. federal estate tax purposes) at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate or other tax treaty provides otherwise, and, therefore, may be subject to U.S. federal estate tax.

Medicare Contributions Tax

A 3.8% tax is imposed on the net investment income (which includes dividends and gains recognized upon of a disposition of stock) of certain individuals, trusts and estates with adjusted gross income in excess of certain thresholds. This tax is imposed on individuals, estates and trusts that are U.S. persons. The tax is expressly not imposed on nonresident aliens; however, estates and trusts that are Non-U.S. Holders are not expressly exempted from the tax. Therefore, each Non-U.S. Holder is urged to consult its own tax advisor about the application of this Medicare contribution tax in their particular situations.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among us, the selling stockholders and the underwriters, we and the selling stockholders have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us and the selling stockholders, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman, Sachs & Co.	
Robert W. Baird & Co. Incorporated	
William Blair & Company, L.L.C.	
Piper Jaffray & Co.	
Total	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We and the selling stockholders have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us and the selling stockholders that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us and the selling stockholders. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$
Proceeds, before expenses, to the selling stockholders	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $ and are payable by us and the selling stockholders.

Option to Purchase Additional Shares

We and the selling stockholders have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to additional shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

No Sales of Similar Securities

We and the selling stockholders, our executive officers and directors and our other existing security holders have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

Nasdaq Global Select Market Listing

We expect the shares to be approved for listing on the Nasdaq Global Select Market, subject to notice of issuance, under the symbol "PBPB."

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us, the selling stockholders and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the history of, and the prospects for, our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. “Naked” short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the Nasdaq Global Select Market, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Distribution

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of shares may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require the company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the company nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for the company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the company, the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Notice to Prospective Investors in Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission ("ASIC"), in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (the "Corporations Act"), and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the "Exempt Investors") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Notice to Prospective Investors in Hong Kong

The shares have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or

document relating to the shares has been or may maybe issued or has been or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to Prospective Investors in Japan

The shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of, any Japanese Person, or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

LEGAL MATTERS

Mayer Brown LLP, Chicago, Illinois, has passed upon the validity of the common stock offered hereby on our behalf. The underwriters are being represented by Sidley Austin LLP, Chicago, Illinois. Sidley Austin LLP has represented us on certain matters.

EXPERTS

The consolidated financial statements as of December 30, 2012 and December 25, 2011 and for each of the three years in the period ended December 30, 2012 included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act that registers the shares of our common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to us and our common stock, you should refer to the registration statement and the exhibits and schedules filed as a part of the registration statement. Statements contained in this prospectus concerning the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, we refer you to the copy of the contract or document that has been filed. Each statement in this prospectus relating to a contract or document filed as an exhibit is qualified in all respects by the filed exhibit.

We are not currently subject to the informational requirements of the Securities Exchange Act of 1934. As a result of this offering, we will become subject to the informational requirements of the Exchange Act and, in accordance therewith, will file reports and other information with the SEC. The registration statement, reports and other information we file with the SEC can be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. You may obtain information regarding the operation of the public reference room by calling 1-800-SEC-0330. The SEC also maintains a website (http://www.sec.gov) that contains reports, proxy and information statements and other information that we file electronically with the SEC. We also maintain a website at www.potbelly.com. Our website, and the information contained on or accessible through our website, is not part of this prospectus.

We intend to furnish our stockholders with annual reports containing audited financial statements and make available to our stockholders quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
Potbelly Corporation and subsidiaries

We have audited the accompanying consolidated balance sheets of Potbelly Corporation and subsidiaries (the "Company") as of December 30, 2012 and December 25, 2011, and the related consolidated statements of operations, redeemable convertible preferred stock and equity (deficit), and cash flows for each of the three years in the period ended December 30, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2012 and December 25, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Chicago, Illinois

May 20, 2013

POTBELLY CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

(amounts in thousands, except share and par value data)

	December 25, 2011	December 30, 2012	June 30, 2013	Pro Forma June 30, 2013
			(Unaudited)	
ASSETS				
Current assets				
Cash and cash equivalents	$ 24,146	$ 22,595	$ 21,746	$ 21,747
Accounts receivable, net of allowances of $17, $16 and $6 as of December 25, 2011, December 30, 2012, June 30, 2013 and June 30, 2013 Pro Forma, respectively	2,355	3,276	4,057	4,057
Inventories	2,620	1,910	2,060	2,060
Prepaid expenses and other current assets	4,825	4,683	5,789	5,789
Total current assets	33,946	32,464	33,652	33,653
Property and equipment, net	59,421	69,309	74,725	74,725
Intangible assets, net	3,404	3,404	3,404	3,404
Goodwill	1,428	1,428	1,428	1,428
Deferred income taxes	—	16,110	14,976	14,976
Deferred expenses, net and other assets	911	3,984	4,375	4,375
Total assets	**$ 99,110**	**$ 126,699**	**$ 132,560**	**$ 132,561**
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable	$ 2,559	$ 2,586	$ 3,383	$ 3,383
Accrued expenses	14,606	14,553	15,225	15,225
Accrued dividend payable	—	—	—	49,854
Accrued income taxes	221	81	481	481
Current portion of long-term debt	70	74	73	73
Total current liabilities	17,456	17,294	19,162	69,016
Long-term debt, net of current portion	15,173	15,095	15,059	15,059
Deferred rent and landlord allowances	10,866	11,849	11,939	11,939
Deferred tax liabilities	760	—	—	—
Other long-term liabilities	309	846	851	850
Total liabilities	44,564	45,084	47,011	96,864
Commitments and contingencies				
Redeemable convertible preferred stock, $0.01 par value—authorized 17,183,632 shares; issued and outstanding, 16,086,375, 16,086,375, 16,086,375 and no shares as of December 25, 2011, December 30, 2012, June 30, 2013 and June 30, 2013 on a pro forma basis, respectively	239,848	250,343	260,644	—
Equity (deficit)				
Common stock, $0.01 par value—authorized, 35,500,000 shares; issued and outstanding, 3,972,873, 4,233,977, 4,248,360 and 20,631,941 shares as of December 25, 2011, December 30, 2012, June 30, 2013 and June 30, 2013 on a pro forma basis, respectively	40	42	42	206
Warrants	2,068	1,552	1,474	908
Additional paid-in-capital	—	—	—	211,194
Accumulated deficit	(187,410)	(170,518)	(176,822)	(176,822)
Total stockholders' equity (deficit)	(185,302)	(168,924)	(175,306)	35,486
Non-controlling interest	—	196	211	211
Total equity (deficit)	(185,302)	(168,728)	(175,095)	35,697
Total liabilities and equity (deficit)	**$ 99,110**	**$ 126,699**	**$ 132,560**	**$ 132,561**

The unaudited pro forma balance sheet gives effect to the board of directors' declaration of a cash dividend to holders of common and preferred shares to be paid from the net proceeds of the initial public offering and the conversion of all outstanding Series F warrants and shares of redeemable convertible preferred stock into 16,383,581 shares of common stock upon the completion of an initial public offering.

See accompanying notes to consolidated financial statements.

POTBELLY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

(amounts in thousands, except share and per share data)

	Fiscal Year			For the 26 Weeks Ended	
	2010	2011	2012	June 24, 2012	June 30, 2013
				(Unaudited)	
Revenues					
Sandwich shop sales, net	$ 220,573	$ 237,463	$ 274,070	$ 131,194	$ 146,467
Franchise royalties and fees	—	503	844	343	463
Total revenues	220,573	237,966	274,914	131,537	146,930
Expenses					
Sandwich shop operating expenses					
Cost of goods sold, excluding depreciation	63,009	68,491	79,847	38,151	42,753
Labor and related expenses	63,506	67,036	77,479	36,841	40,995
Occupancy expenses	25,238	26,511	32,016	14,750	17,530
Other operating expenses	22,620	24,095	28,119	13,449	15,112
General and administrative expenses	26,563	26,911	29,624	15,668	16,005
Depreciation expense	15,647	14,838	16,219	7,553	8,824
Pre-opening costs	267	1,521	2,051	1,130	719
Impairment and loss on disposal of property and equipment	2,952	365	994	78	79
Total expenses	219,802	229,768	266,349	127,620	142,017
Income from operations	771	8,198	8,565	3,917	4,913
Interest expense	519	495	541	251	233
Other expense	9	1	6	—	2
Income before income taxes	243	7,702	8,018	3,666	4,678
Income tax expense (benefit)	773	537	(15,994)	682	1,886
Net income (loss)	(530)	7,165	24,012	2,984	2,792
Net income (loss) attributable to non-controlling interest	—	—	(34)	(39)	15
Net income (loss) attributable to Potbelly Corporation	(530)	7,165	24,046	3,023	2,777
Accretion of redeemable convertible preferred stock to maximum redemption value	(45,992)	(17,410)	(10,495)	(8,342)	(10,301)
Net income (loss) attributable to common stockholders	$ (46,522)	$ (10,245)	$ 13,551	$ (5,319)	$ (7,524)
Net income (loss) per common share attributable to common stockholders:					
Basic	$ (9.34)	$ (2.35)	$ 0.72	$ (1.34)	$ (1.77)
Diluted	$ (9.34)	$ (2.35)	$ 0.66	$ (1.34)	$ (1.77)
Weighted average shares outstanding:					
Basic	4,978,621	4,359,930	4,013,414	3,972,873	4,241,752
Diluted	4,978,621	4,359,930	4,388,822	3,972,873	4,241,752
Unaudited pro forma net income per common share attributable to common stockholders:					
Basic			$		$
Diluted			$		$
Unaudited pro forma weighted average shares outstanding:					
Basic					
Diluted					

The unaudited pro forma per share data reflects the number of additional shares that would have been required to be issued to generate sufficient proceeds to fund the payment of the dividend that is payable from the net proceeds of our initial public offering based on an assumed offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus) and the conversion of all outstanding Series F warrants and shares of redeemable convertible preferred stock into 16,383,581 shares of common stock upon the completion of an initial public offering. Additional information related to the calculation of unaudited pro forma net income per common share attributable to common stockholders and unaudited pro forma weighted average shares outstanding can be found in footnote 3 of the notes to the consolidated financial statements.

See accompanying notes to consolidated financial statements.

POTBELLY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Redeemable Convertible Preferred Stock and Equity (Deficit)

(amounts in thousands, except share data)

	Redeemable Convertible Preferred Stock														Equity (Deficit)						
	Series A		Series B		Series C		Series D		Series E		Series F		Total		Common Stock		Warrants	Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interest	Total Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 26, 2010	4,197,377	51,255	3,290,294	40,178	1,646,595	20,280	1,250,000	19,500	4,194,366	72,814	2,007,743	24,517	16,586,375	228,544	4,978,621	50	2,225	—	(171,918)	—	(169,643)
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,165	—	7,165
Repurchase of common stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,180,748)	(12)	—	—	(8,513)	—	(8,525)
Repurchase of preferred stock	(500,000)	(6,106)	—	—	—	—	—	—	—	—	—	—	(500,000)	(6,106)	—	—	—	1,106	—	—	1,106
Exercise of stock warrants	—	—	—	—	—	—	—	—	—	—	—	—	—	—	55,000	1	(157)	157	—	—	1
Exercise of stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	120,000	1	—	479	—	—	480
Changes in redemption value of preferred stock	—	5,488	—	4,884	—	2,465	—	(1,930)	—	3,523	—	2,980	—	17,410	—	—	—	(3,266)	(14,144)	—	(17,410)
Amortization of stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,524	—	—	1,524
Balance at December 25, 2011	3,697,377	50,637	3,290,294	45,062	1,646,595	22,745	1,250,000	17,570	4,194,366	76,337	2,007,743	27,497	16,086,375	239,848	3,972,873	40	2,068	—	(187,410)	—	(185,302)
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	24,046	(34)	24,012
Contributions from non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	230	230
Issuance of stock warrants	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	909	(909)	—	—	—
Exercise of stock warrants	—	—	—	—	—	—	—	—	—	—	—	—	—	—	261,104	2	(1,425)	1,425	—	—	2
Changes in redemption value of preferred stock	—	2,159	—	1,921	—	970	—	749	—	3,524	—	1,172	—	10,495	—	—	—	(3,341)	(7,154)	—	(10,495)
Amortization of stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,825	—	—	2,825
Balance at December 30, 2012	3,697,377	$ 52,796	3,290,294	$ 46,983	1,646,595	$ 23,715	1,250,000	$ 18,319	4,194,366	$ 79,861	2,007,743	$ 28,669	16,086,375	$250,343	4,233,977	$ 42	$ 1,552	$ —	$(170,518)	$ 196	$ (168,728)
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,777	15	2,792
Beneficial conversion charge	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	50	(50)	—	—
Exercise of stock warrants	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14,383	—	(78)	78	—	—	—
Changes in redemption value of preferred stock	—	2,097	—	1,866	—	942	—	735	—	3,523	—	1,138	—	10,301	—	—	—	(1,270)	(9,031)	—	(10,301)
Amortization of stock-based compensation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,142	—	—	1,142
Balance at June 30, 2013 (Unaudited)	3,697,377	$ 54,893	3,290,294	$ 48,849	1,646,595	$ 24,657	1,250,000	$ 19,054	4,194,366	$ 83,384	2,007,743	$ 29,807	16,086,375	$260,644	4,248,360	$ 42	$ 1,474	$ —	$(176,822)	$ 211	$ (175,095)

See accompanying notes to consolidated financial statements.

POTBELLY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(amounts in thousands)

	Fiscal Year			For the 26 Weeks Ended	
	2010	2011	2012	June 24, 2012	June 30, 2013
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	$ (530)	$ 7,165	$ 24,012	$ 2,984	$ 2,792
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation	15,647	14,838	16,219	7,553	8,824
Deferred income tax	647	113	(16,870)	53	1,134
Deferred rent and landlord allowances	(1,221)	(295)	987	779	90
Amortization of stock compensation expense	1,032	1,524	2,825	1,893	1,142
Asset impairment and disposal of property and equipment	2,952	365	994	78	79
Amortization of debt issuance costs	152	151	154	75	29
Changes in operating assets and liabilities:					
Accounts receivable, net	(245)	(389)	(922)	(610)	(781)
Inventories	(116)	(377)	(213)	(202)	(150)
Prepaid expenses and other assets	(370)	(1,467)	(838)	(504)	(1,453)
Accounts payable	(13)	(2,200)	(361)	422	831
Accrued and other liabilities	845	693	(902)	(471)	1,218
Net cash provided by operating activities	18,780	20,121	25,085	12,050	13,755
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(6,243)	(17,758)	(25,936)	(12,790)	(14,411)
Net cash used in investing activities	(6,243)	(17,758)	(25,936)	(12,790)	(14,411)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from exercise of stock options	—	480	—	—	—
Proceeds from exercise of stock warrants	—	1	2	—	—
Preferred stock repurchase	(234)	(5,000)	—	—	—
Common stock repurchase	—	(8,525)	—	—	—
Proceeds from long-term debt	—	10,000	14,221	—	—
Payments on debt	(4,000)	(4,000)	(14,221)	—	—
Payments on note payable	(148)	(153)	(74)	(36)	(33)
Payment of deferred financing costs	—	—	(335)	(21)	—
Payment of costs associated with initial public offering	—	—	(523)	—	(160)
Contributions from non-controlling interest	—	—	230	230	—
Net cash (used in) provided by financing activities	(4,382)	(7,197)	(700)	173	(193)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	8,155	(4,834)	(1,551)	(567)	(849)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,825	28,980	24,146	24,146	22,595
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$28,980	$ 24,146	$ 22,595	$ 23,579	$ 21,746
Supplemental cash flow information:					
Income taxes paid	$ 294	$ 452	$ 1,050	$ 647	$ 397
Interest paid	377	344	383	177	197
Supplemental non-cash investing and financing activities:					
Unpaid liability for purchases of property and equipment	$ 147	$ 451	$ 2,262	$ 2,767	$ 2,076
Accretion of redeemable convertible preferred stock to maximum redemption value	$45,992	$ 17,410	$ 10,495	$ 8,342	$ 10,301
Issuance of preferred shares to settle accrued bonus obligation	560	—	—	—	—

See accompanying notes to consolidated financial statements.

POTBELLY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(1) Organization and Other Matters

Potbelly Corporation (the "Company" or "Potbelly"), through its wholly owned subsidiary, Potbelly Sandwich Works LLC, operates Potbelly Sandwich Works sandwich shops in 18 states and the District of Columbia. As of fiscal years ended 2010, 2011, 2012 and for the fiscal period ended June 30, 2013, the Company had 218, 234, 264 and 280 company-operated shops in operation, respectively. During fiscal year 2010, the Company opened five shops. During fiscal year 2011, the Company opened 21 shops and closed five shops. During fiscal year 2012, the Company opened 31 new shops and closed one shop. During the 26 weeks ended June 30, 2013, the Company opened 17 new shops and closed one shop.

The Company also sells and administers franchises of new Potbelly Sandwich Works sandwich shops. The first domestic and international franchise locations administered by the Company opened during February 2011. As of June 30, 2013, six franchised shops were in operation in domestic locations and twelve franchised shops were in operation in the Middle East. As of the fiscal year ended 2012, five franchise shops were in operation domestically and ten franchised shops were in operation internationally.

(2) Summary of Significant Accounting Policies

(a) Unaudited Condensed Consolidated Interim Financial Statements

The unaudited condensed consolidated financial statements and notes herein should be read in conjunction with the audited consolidated financial statements of Potbelly Corporation and Subsidiaries and the notes thereto. The unaudited condensed consolidated financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to the SEC's rules and regulations, although management believes that the disclosures are adequate and make the information presented not misleading. In the opinion of management, all adjustments, which are of a normal and recurring nature (except as otherwise noted), that are necessary to present fairly the Company's financial position as of June 30, 2013, and its results of operations and cash flows for the 26 weeks ended June 24, 2012 and June 30, 2013 have been included.

The consolidated results of operations for the interim periods presented herein are not necessarily indicative of the results to be expected for the full year.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Potbelly Corporation; its wholly owned subsidiary, Potbelly Illinois, Inc. ("PII"); PII's wholly owned subsidiaries, Potbelly Franchising, LLC, Potbelly Sandwich Works LLC ("LLC") and 17 of LLC's wholly owned subsidiaries, collectively, the "Company." All significant intercompany balances and transactions have been eliminated in consolidation. For consolidated joint venture, non-controlling interest represents the non-controlling partner's share of the assets, liabilities and operations related to the joint venture investment in Potbelly Airport II Boston, LLC, related to one shop located in the Boston Logan International Airport. The Company owns a seventy-five percent interest in this consolidated joint venture.

The Company does not have any components of other comprehensive income (loss) recorded within its consolidated financial statements, and, therefore, does not separately present a statement of comprehensive income (loss) in its consolidated financial statements.

POTBELLY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Reporting Period

The Company uses a 52/53-week fiscal year that ends on the last Sunday of the calendar year. Approximately every six or seven years a 53rd week is added. Fiscal 2011 and fiscal 2010 each consisted of 52 weeks. Fiscal 2012 consists of 53 weeks. Fiscal period ended June 24, 2012 and June 30, 2013 each consisted of 26 weeks.

(d) Segment Reporting

The Company owns and operates Potbelly Sandwich Works sandwich shops in the United States. The Company also has domestic and international franchise operations of new Potbelly Sandwich Works sandwich shops. Our chief operating decision maker ("CODM") is our Chief Executive Officer. As our CODM reviews financial performance and allocates resources at a consolidated level on a recurring basis, the Company has one operating segment and one reportable segment.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions, primarily related to the long-lived assets, income taxes, stock-based compensation and common stock equity valuations, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company assumes the highest and best use of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions, and credit risk.

The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels, and base the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices in active markets for identical assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Inputs that are both unobservable and significant to the overall fair value measurement reflect an entity's estimates of assumptions that market participants would use in pricing the asset or liability.

POTBELLY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(g) Financial Instruments

The Company records all financial instruments at cost, which is the fair value at the date of transaction. The amounts reported in the consolidated balance sheets for cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the short-term maturities of these instruments. The carrying amount of debt is a reasonable estimate of its fair value since interest rates vary with market conditions and there has been no significant change in the Company's credit standing since the negotiation of the credit facility.

(h) Cash and Cash Equivalents

The Company considers all highly liquid investment instruments with an initial maturity of three months or less when purchased to be cash equivalents. The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits; however, the Company has not experienced any losses in these accounts. The Company believes it is not exposed to any significant credit risk.

(i) Accounts Receivable, net

Accounts receivable, net consists of credit card and miscellaneous receivables. The Company had credit card receivables of $1.4 million, $1.6 million and $2.6 million as of December 25, 2011, December 30, 2012 and June 30, 2013, respectively.

(j) Inventories

Inventories, which consist of food products, paper goods and supplies, and promotional items, are valued at the lower of cost (first-in, first-out) or market. No adjustment is deemed necessary to reduce inventory to the lower of cost or market value due to the rapid turnover and high utilization of inventory.

(k) Property and Equipment

Property and equipment acquired is recorded at cost less accumulated depreciation. Property and equipment is depreciated based on the straight-line method over the estimated useful lives, generally ranging from three to five years for furniture and fixtures, computer equipment, computer software, and machinery and equipment. Leasehold improvements are depreciated over the shorter of their estimated useful lives or the related lease life, generally 10 to 15 years. For leases with renewal periods at the Company's option, the Company determines the expected lease period based on whether the renewal of any options are reasonably assured at the inception of the lease.

Direct costs and expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized, whereas the costs of repairs and maintenance are expensed when incurred. The Company capitalizes certain internal costs associated with the development, design, and construction of new shop locations as these costs have a future benefit to the Company. The Company capitalized costs of $0.3 million, $0.6 million, $0.7 million, $0.3 million and $0.3 million for the fiscal years ended December 26, 2010, December 25, 2011 and December 30, 2012 and the 26 weeks ended June 24, 2012 and June 30, 2013, respectively. Capitalized costs are recorded as part of the asset to which they relate, primarily to leasehold improvements, and such costs are amortized over the asset's useful life. When assets are retired or sold, the asset cost and related accumulated depreciation are removed from the balance sheet and any gain or loss is recorded in the statement of operations.

The Company assesses potential impairments to its long-lived assets, which includes property and equipment, whenever events or circumstances indicate that the carrying amount of an asset may not be

recoverable. Recoverability of an asset is measured by a comparison of the carrying amount of an asset group to its estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset exceeds the fair value of the asset. Shop-level assets are grouped together for the purpose of the impairment assessment. Due to unfavorable operating results at certain shops, the Company assessed the related assets for impairment for the fiscal years ended 2010, 2011 and 2012 and the 26 weeks ended June 24, 2012 and June 30, 2013. The fair value of the shop assets was determined using the discounted future cash flow method of anticipated cash flows through the shop's lease-end date using fair value measurement inputs classified as Level 3. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. The Company used a weighted average cost of capital to discount the future cash flows. The Company recorded an impairment charge of $2.9 million, $0.4 million and $0.2 million for the fiscal years 2010, 2011 and 2012, respectively, and $0.1 million and $0.1 million for the 26 weeks ended June 24, 2012 and the 26 weeks ended June 30, 2013, respectively, which is included in impairment and loss on disposal of property and equipment in the consolidated statements of operations. As a result of Hurricane Sandy, the Company recorded a charge of $0.8 million related to the disposal of assets damaged by the storm.

(l) Intangible Assets

The Company reviews indefinite-lived intangible assets, which includes goodwill and tradenames, annually at fiscal year end for impairment or more frequently if events or circumstances indicate that the carrying value may not be recoverable. An impaired asset is written down to its estimated fair value based on the most recent information available. The Company assesses the fair values of its intangible assets, and its reporting unit for goodwill testing purposes, using both an income-based approach and a market approach. Under the income approach, fair value is based on the present value of estimated future cash flows. The income approach is dependent on a number of factors, including forecasted revenues and expenses, appropriate discount rates and other variables. The market approach measures fair value by comparison to the observed fair values of comparable companies, adjusted for the relative size and profitability of these comparable companies. The annual impairment review utilizes the estimated fair value of the intangible assets and the overall reporting unit and compares the estimated fair values to the carrying values as of the testing date. If the carrying value of these intangible assets or the reporting unit exceeds the fair values, the Company would then use the fair values to measure the amount of any required impairment charge. No impairment charge was recognized for intangible assets for any of the fiscal or interim periods presented.

(m) Pre-opening Costs

Pre-opening costs are expensed as incurred and primarily consist of manager salaries and training, travel, employee payroll, and related training costs incurred prior to the opening of a restaurant, as well as occupancy costs incurred from when we take site possession to shop opening.

(n) Advertising Expenses

Advertising costs are expensed as incurred and are included in general and administrative expenses in the consolidated statements of operations. Advertising expenses were $2.3 million, $2.4 million and $1.8 million in fiscal years 2010, 2011 and 2012, respectively, and $0.7 million and $0.8 million for the 26 weeks ended June 24, 2012 and June 30, 2013, respectively.

POTBELLY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(o) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are attributable to differences between financial statement and income tax reporting. Deferred tax assets, net of any valuation allowances, represent the future tax return consequences of those differences and for operating loss and tax credit carryforwards, which will be deductible when the assets are recovered. Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. In making this assessment of realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years' tax returns.

The Company accounts for uncertain tax positions under current accounting guidance, which prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by tax authorities, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

(p) Stock-Based Compensation

The Company's 2001 and 2004 Equity Incentive Plans (the "Plans") permit the granting of awards to employees and nonemployee officers, consultants, agents, and independent contractors of the Company in the form of stock appreciation rights, stock awards, and stock options. The Company accounts for its stock-based employee compensation in accordance with ASC 718, *Stock Based Compensation*. The Company's stock option plan contains a performance condition that restricts certain option holders' ability to exercise vested options until the consummation of an initial public offering (IPO) under the Securities Act of 1933 or at the discretion of the Company's board of directors. As a result, no compensation cost related to vested employee stock options with these performance conditions has been recognized through June 30, 2013 as it is not possible to determine if these performance conditions will be met. However, the Company has estimated the potential compensation cost to be recorded upon consummation of an initial public offering associated with vested options is approximately $7.2 million as of the date of this filing, determined using the Black-Scholes option pricing valuation model. For stock options granted without these performance conditions, the Company records stock compensation expense on a straight-line basis over the vesting period based on the grant-date fair value of the option, determined using the Black-Scholes option pricing valuation model.

(q) Leases

The Company leases retail shops, warehouse and office space under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, lease premiums, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing incentives, premiums, and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date it takes possession of the leased space for construction purposes as the beginning of the term, which is generally two to three months prior to a shop's opening date. For leases with renewal periods at the Company's option, the Company determines the expected lease period based on whether the renewal of any options are reasonably assured at the inception of the lease. In addition to rental expense, certain leases require the Company to pay a portion of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent.

POTBELLY CORPORATION AND SUBSIDIARIES
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For tenant improvement allowances, rent escalations, and rent holidays, the Company records a deferred rent liability in its consolidated balance sheets and amortizes the deferred rent over the terms of the leases as reductions to occupancy expense in the consolidated statements of operations.

(r) Revenue Recognition

Revenue from retail shops are presented net of discounts and recognized when food and beverage products are sold. Sales taxes collected from customers are excluded from revenues and the obligation is included in accrued liabilities until the taxes are remitted to the appropriate taxing authorities.

Revenues from the Company's gift cards are deferred and recognized upon redemption or after a period of 36 months of inactivity on gift card balances ("gift card breakage") and the Company does not have a legal obligation to remit the value of the unredeemed gift cards to the relevant jurisdictions. The Company recognized $0.2 million, $0.2 million and $0.1 million in gift card breakage income included in other operating expenses in the consolidated statements of operations for the fiscal years ended 2010, 2011 and 2012, respectively, and $20 thousand and $33 thousand for the 26 weeks ended June 24, 2012 and for the 26 weeks ended June 30, 2013, respectively.

The Company earns an initial franchise fee and ongoing royalty fees under the Company's franchise agreements. Initial franchise fee revenue is recognized at the point a franchise shop opens for business to the public, as this is the point in time when the Company has substantially performed all initial services required under the franchise agreement. The Company recognized franchise fee revenue of $0.2 million in each fiscal year 2011 and 2012 and $0.1 million in each of the 26 weeks ended June 24, 2012 and June 30, 2013. Initial franchise fee payments received by the Company before the shop opens are recorded as deferred revenue in the consolidated balance sheet. The Company had deferred revenue of $0.1 million, $0.1 million and $0.3 million recorded as accrued expenses as of December 25, 2011, December 30, 2012 and June 30, 2013, respectively. Royalty fees are based on a percentage of sales and are recorded as revenue as the fees are earned and become receivable from the franchisee. The Company recognized royalty fees revenue of $0.3 million and $0.7 million for fiscal years 2011 and 2012, respectively, and $0.3 million and $0.4 million for the 26 weeks ended June 24, 2012 and for the 26 weeks ended June 30, 2013, respectively.

(s) Recent Accounting Pronouncements

In May 2011, the FASB issued guidance, which amends the fair value measurement and disclosure requirements. The updated guidance was issued to provide a consistent definition of fair value and ensure that fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards ("IFRS"). The updated guidance is effective for fiscal years beginning after December 15, 2011. The adoption of this new accounting guidance did not have an impact on the Company's consolidated financial statements.

(t) Commitments and Contingencies

We are subject to legal proceedings, claims and liabilities, such as employment-related claims and slip and fall cases, which arise in the ordinary course of business and are generally covered by insurance. In the opinion of management, the amount of ultimate liability with respect to those actions should not have a material adverse impact on our financial position, results of operations or cash flows.

Many of the food products we purchase are subject to changes in the price and availability of food commodities, including, among other things, beef, poultry, grains, dairy and produce. We work with our

POTBELLY CORPORATION AND SUBSIDIARIES
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suppliers and use a mix of forward pricing protocols for certain items under which we agree with our supplier on fixed prices for deliveries at some time in the future, fixed pricing protocols under which we agree on a fixed price with our supplier for the duration of that protocol, and formula pricing protocols under which the prices we pay are based on a specified formula related to the prices of the goods, such as spot prices. Our use of any forward pricing arrangements varies substantially from time to time and these arrangements tend to cover relatively short periods (i.e., typically twelve months or less). Such contracts are used in the normal purchases of our food products and not for speculative purposes, and as such are not required to be evaluated as derivative instruments. We do not enter into futures contracts or other derivative instruments.

(3) Earnings per share

Basic and diluted income (loss) per common share attributable to common stockholders have been calculated using the weighted average number of common shares outstanding for the period. Diluted income (loss) per common share attributable to common stockholders is computed by dividing the income (loss) allocated to common stockholders utilizing the two-class method by the weighted average number of fully diluted common shares outstanding. Our redeemable convertible preferred stock are all considered participating securities requiring the two-class method to calculate basic and diluted earnings per share. In periods of a net loss attributable to common stockholders, the redeemable convertible preferred stock are excluded from the computation of basic earnings per share due to the fact that they are not required to fund losses and the redemption amount is not reduced as a result of losses. Dilutive securities do not include stock options awarded to employees that have a performance condition requiring the completion of an initial public offering of common stock, as that performance condition was not satisfied at the reporting date and the holders of these options have no rights in our undistributed earnings until that time.

POTBELLY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

In addition, the table below presents the unaudited pro forma calculation of the weighted average common shares outstanding for basic and dilutive calculation purposes, and the resulting pro forma calculation of the earnings per share available to common stockholders as if the conversion had occurred as of the beginning of the period. Amounts in the table below are presented in thousands, except for share data and earnings per share amounts. The unaudited pro forma basic and diluted earnings per share available to common stockholders for the fiscal year ended December 30, 2012 and the 26 weeks ended June 30, 2013 reflect the number of additional shares that would have been required to be issued to generate sufficient proceeds to fund the payment of the dividend that is payable from the net proceeds of our initial public offering based on an assumed offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus).

	Fiscal Year			For the 26 Weeks Ended	
	2010	2011	2012	June 24, 2012	June 30, 2013
				(Unaudited)	
Calculation of undistributed income (loss) for basic and diluted shares:					
Net income (loss) attributable to Potbelly Corporation	$ (530)	$ 7,165	$ 24,046	$ 3,023	$ 2,777
Less: Accretion of redeemable convertible preferred stock to maximum redemption value	(45,992)	(17,410)	(10,495)	(8,342)	(10,301)
Undistributed (loss) income for basic and diluted shares	$ (46,522)	$ (10,245)	$ 13,551	$ (5,319)	$ (7,524)
Allocation of undistributed income (losses) to participating securities:					
Common shares	$ (46,522)	$ (10,245)	$ 2,878	$ (5,319)	$ (7,524)
Redeemable convertible preferred shares	—	—	10,673	—	—
Undistributed (loss) income	$ (46,522)	$ (10,245)	$ 13,551	$ (5,319)	$ (7,524)
Weighted average common shares outstanding-basic	4,978,621	4,359,930	4,013,414	3,972,873	4,241,752
Plus: Effect of potential stock options exercise	—	—	18,052	—	—
Plus: Effect of potential warrant exercise	—	—	357,356	—	—
Weighted average common shares outstanding-diluted	4,978,621	4,359,930	4,388,822	3,972,873	4,241,752
Income (loss) per share available to common stockholders-basic	$ (9.34)	$ (2.35)	$ 0.72	$ (1.34)	$ (1.77)
Income (loss) per share available to common stockholders-diluted	$ (9.34)	$ (2.35)	$ 0.66	$ (1.34)	$ (1.77)
Potentially dilutive shares that are considered anti-dilutive:					
Common share options	3,611,076	4,261,010	1,258,537	4,553,804	4,399,773
Warrants	633,996	378,996	—	620,700	345,213
Weighted average common shares outstanding-basic, as reported			4,013,414		4,241,752
Plus: Pro forma adjustment to reflect assumed dividend					
Plus: Effect of converting preferred shares			16,276,388		16,279,262
Plus: Effect of converting warrants			338,455		110,117
Pro forma weighted average common shares outstanding-basic					
Plus: Effect of converting warrants issued to related party			18,901		43,350
Plus: Effect of potential stock options exercise			18,052		243,512
Pro forma weighted average common shares outstanding-diluted					
Pro forma earnings per share available to common stockholders-basic			$		$
Pro forma earnings per share available to common stockholders-diluted			$		$

POTBELLY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(4) Property and Equipment

Property and equipment, net consisted of the following (in thousands):

	December 25, 2011	December 30, 2012	June 30, 2013 (Unaudited)
Leasehold improvements	$ 105,488	$ 117,804	$ 124,906
Machinery and equipment	24,217	28,490	32,063
Furniture and fixtures	17,769	19,605	20,954
Computer equipment and software	10,879	12,502	13,703
Construction in progress	1,868	2,856	3,486
	160,221	181,257	195,112
Less: accumulated depreciation	(100,800)	(111,948)	(120,387)
	$ 59,421	$ 69,309	$ 74,725

(5) Intangible assets and goodwill

Intangible assets and goodwill consisted of the following (in thousands):

	December 25, 2011	December 30, 2012	June 30, 2013 (Unaudited)
Goodwill	$ 1,428	$ 1,428	$ 1,428
Trade name	3,404	3,404	3,404
Indefinite-lived assets	4,832	4,832	4,832
Noncompete and nonsolicitation agreement	239	239	239
Accumulated amortization	(239)	(239)	(239)
Definite-lived assets	—	—	—
Total	$ 4,832	$ 4,832	$ 4,832

Amortization expense for definite-lived intangibles was $20 thousand for fiscal year 2011.

(6) Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	December 25, 2011	December 30, 2012	June 30, 2013 (Unaudited)
Accrued labor and related expenses	$ 6,486	$ 4,108	$ 4,890
Deferred gift card revenue	1,409	1,412	914
Accrued occupancy expenses	1,321	1,352	1,301
Deferred rent—current	1,129	1,234	1,351
Accrued corporate and shop expenses	1,000	1,357	1,402
Accrued utilities	701	1,122	1,212
Accrued sales and use tax	792	1,034	1,236
Accrued construction	451	1,267	1,381
Accrued contract termination costs (a)	91	151	110
Accrued professional fees	360	546	641
Accrued other	866	970	787
Total	$ 14,606	$ 14,553	$ 15,225

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(a) The Company incurs expenses associated with exit activity for certain signed lease agreements, which are recognized in general and administrative expenses. Accrued contract termination costs consisted of the following (in thousands):

	December 25, 2011	December 30, 2012	June 30, 2013 (Unaudited)
Accrued contract termination costs—beginning balance	$ 480	$ 91	$ 151
Contract termination costs incurred	231	170	—
Contract termination costs settled and paid	(620)	(110)	(41)
Accrued contract termination costs—ending balance	$ 91	$ 151	$ 110

(7) Income Taxes

Income before income taxes for the Company's domestic and foreign operations was as follows (in thousands):

	Fiscal Year		
	2010	2011	2012
Domestic operations	$243	$7,702	$8,018
Foreign operations	—	—	—
Total	$243	$7,702	$8,018

Income tax expense (benefit) consisted of the following (in thousands):

	Fiscal Year		
	2010	2011	2012
Federal:			
Current	$—	$—	$ —
Deferred	579	89	(13,610)
	579	89	$(13,610)
State and Local:			
Current	126	424	876
Deferred	68	24	(3,260)
	194	448	$ (2,384)
Income tax expense (benefit)	$773	$537	$(15,994)

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Income tax expense differed from the amounts computed by applying the U.S. federal income tax rates to income before income taxes as a result of the following (in thousands):

	Fiscal Year			For the 26 Weeks Ended	
	2010	2011	2012	June 24, 2012	June 30, 2013
				(Unaudited)	
Computed "expected" tax expense	$ 83	$ 2,619	$ 2,726	$ 1,246	$ 1,589
Increase (reduction) resulting from:					
State and local income taxes, net of federal income tax effect	126	424	358	682	256
General business credits and other tax credits	—	—	(41)	—	(23)
Change in valuation allowance	(83)	(2,619)	(19,078)	(1,246)	—
Other, net	647	113	41	—	64
	$773	$ 537	$(15,994)	$ 682	$ 1,886

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities reflected in the consolidated balance sheets are presented below (in thousands):

	December 25, 2011	December 30, 2012
Deferred tax assets—current:		
Accrued liabilities	$ 1,070	$ 1,174
Deferred revenue on gift certificates and gift cards	71	79
Deferred tax assets—non-current:		
Net operating loss carryforwards	7,167	2,810
Stock-based compensation	2,543	3,640
Property and equipment depreciation	6,935	6,922
Deferred rent and start-up amortization	2,590	3,085
Accrued liabilities	90	56
General business credits and other tax credits	—	292
Total deferred tax assets	20,466	18,058
Less: valuation allowance	(19,811)	(47)
Net deferred tax assets	655	18,011
Deferred tax liabilities—current:		
Prepaids	299	339
Deferred tax liabilities—non-current:		
Intangible asset	760	865
Other timing differences	356	697
Total gross deferred tax liabilities	1,415	1,901
Net deferred tax assets (liabilities)	$ (760)	$ 16,110

As of December 30, 2012, the Company had available net operating loss carryforwards for federal and state income tax purposes of approximately $6.6 million and $8.9 million, respectively, which will expire between 2018 and 2032, if unused. These net operating losses accounted for deferred tax assets of approximately $2.2 million and $0.6 million in the year ended December 30, 2012. The Company also has an additional $2.5 million of federal net operating losses as a result of excess tax benefits, which are not recognized for book purposes until realized.

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The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740—Income Taxes, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of the temporary differences between the book and tax basis of recorded assets and liabilities. The Company makes estimates and judgments with regard to the calculation of certain income tax assets and liabilities. ASC 740 requires that deferred tax assets be reduced by a valuation allowance if, based on the consideration of all available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized. The Company has a significant amount of deferred tax assets recorded on its balance sheet, primarily related to net operating loss ("NOL") carryforwards and timing differences for long-lived assets, stock-based compensation and deferred rent. In previous fiscal periods, the Company determined that more likely than not its deferred tax assets would not be fully realizable based on a history of operating losses incurred and established a full valuation allowance in accordance with ASC Topic 740. Throughout fiscal 2012, the Company evaluated evidence to determine if releasing the valuation allowance is appropriate and concluded in the fourth quarter of fiscal 2012 that it is more likely than not the deferred tax assets will ultimately be realized. In determining the likelihood of future realization of the deferred tax assets as of December 30, 2012, the Company considered both positive and negative evidence and weighted the effect of such evidence based upon its objectivity. As a result of the Company's analysis of both positive and negative evidence, it believes that the weight of the positive evidence, primarily related to the cumulative income in the most recent three years and achievement of a sustained level of profitability, is sufficient to overcome the weight of the negative evidence, primarily related to continued uncertainty in the condition of the macro-economic environment, and recorded a $16.9 million benefit to release the full valuation allowance against our deferred tax assets in the fourth quarter of 2012.

In accordance with our accounting policy, the Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. The policy did not change as a result of the adoption of "FIN No. 48." As of December 25, 2011 and December 30, 2012, the Company had no interest or penalties accrued.

The tax years prior to 2010 are generally closed for examination by the United States Internal Revenue Service as a result of previous audits; however, these tax years may be subject to audit as a result of the Company utilizing net operating losses currently recorded. State statutes are generally open for audit for the 2008 to 2011 tax years. Additionally, the tax years from 2001 to 2007 are open for examination by certain state tax authorities due to net operating losses generated at the state level.

(8) Long-term debt

Long-term debt consisted of the following (in thousands):

	December 25, 2011	December 30, 2012	June 30, 2013 (Unaudited)
Senior credit facility (a)	$ 14,000	$ 14,000	$ 14,000
Note payable (b)	1,243	1,169	1,132
Total long-term debt	15,243	15,169	15,132
Less: Current portion	70	74	73
Long-term debt, net of current portion	$ 15,173	$ 15,095	$ 15,059

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The fair value of the current and long-term debt approximates the carrying value of the debt for all periods presented.

(a) Credit facility

JPMorgan Chase Bank, N.A.

On September 21, 2012, the Company entered into a five-year revolving credit facility agreement that expires in September 2017 and provides for borrowings up to $35.0 million to fund capital expenditures for new shops, renovations and maintenance of existing shops, and to provide ongoing working capital for other general and corporate purposes. The credit facility contains customary representations, warranties and negative and affirmative covenants, including a requirement to maintain a maximum leverage ratio, as defined, of 2.25:1 and a minimum debt service coverage ratio, as defined, of 1.5:1. The credit facility also limits the restricted payments (primarily distributions and equity repurchases) that the Company may make, unless we obtain certain waivers or amendments from our lender. The Company was in compliance with these restrictions and conditions as of December 30, 2012 and June 30, 2013. The credit facility is secured by substantially all assets of the Company. Borrowings under the credit facility bear interest at interest rates based upon either the base rate or the London InterBank Offered Rate, plus or minus the applicable margins. The base rate is the higher of the prime rate and the federal funds rate, plus 0.50%. The Company's outstanding borrowings under the credit facility had a weighted average interest rate of 1.35% as of December 30, 2012 and June 30, 2013.

Wells Fargo Bank, N.A.

On January 15, 2008, the Company entered into a five-year revolving credit facility agreement that would have expired in January 2013 and provided for borrowings up to $35.0 million to fund capital expenditures for new shops and renovations and maintenance of existing shops, and to provide ongoing working capital for other general and corporate purposes. This facility terminated on September 21, 2012 upon the execution of the Company's credit facility with JPMorgan Chase Bank, N.A. The Company was in compliance with all of the financial covenants included in this credit facility at the time of its termination.

(b) Note payable

On March 15, 2007, the Company entered into a long-term note payable associated with the acquisition of certain assets of Pot Belly Deli, Inc., an unrelated California company, including the Pot Belly trade name, certain design marks, and other related assets. The Company records interest on the note payable under the effective interest method at an interest rate of 6% and recorded interest expense of $0.1 million in each fiscal year 2010, 2011 and 2012 and $39 thousand for both the 26 weeks ended June 24, 2012 and June 30, 2013. Payment of interest and principal is made monthly. The final payment of the note will be made on April 1, 2015.

As of December 30, 2012, the scheduled payments on debt were as follows (in thousands):

Years Ending	
2013	$ 79
2014	84
2015	1,006
2016	—
2017	14,000
Thereafter	—
Total payments	$15,169

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(9) Capital Stock and Warrants

As of December 25, 2011 and December 30, 2012, the Company had authorized an aggregate of 52,683,632 shares of capital stock, of which 35,000,000 shares were designated as common stock, 500,000 shares were designated as non-voting common stock, and 17,183,632 shares were designated as preferred stock. The preferred stock consisted of 4,197,377 shares designated as Series A preferred stock, 3,375,221 shares designated as Series B preferred stock, 1,666,668 shares designated as Series C preferred stock, 1,250,000 shares designated as Series D preferred stock, 4,194,366 shares designated as Series E preferred stock, and 2,500,000 shares designated as Series F preferred stock. As of December 25, 2011 and December 30, 2012, the Company had issued and outstanding 3,697,377 shares of Series A preferred stock, 3,290,294 shares of Series B preferred stock, 1,646,595 shares of Series C preferred stock, 1,250,000 shares of Series D preferred stock, 4,194,366 shares of Series E preferred stock, and 2,007,743 shares of Series F preferred stock.

A summary of the status of the Company's issued warrants as of December 30, 2012 is set forth below:

Unexercised Warrants	Number of Warrants
Outstanding—December 26, 2010	633,996
Less: Exercise of warrants at $0.01 per share	55,000
Less: Expiration of warrants at $5.00 per share (a)	200,000
Outstanding—December 25, 2011	378,996
Issuance of warrants at $8.16 per share (a)	241,704
Exercise of warrants at $5.46 per share	(261,104)
Outstanding—December 30, 2012	359,596
Exercise of warrants at $0.01 per share	(14,383)
Outstanding—June 30, 2013 (Unaudited)	345,213

(a) As part of the initial investment by outside investors in 2001, the Company issued stock warrants convertible to 200,000 shares of common stock at an exercise price of $5.00 per share, which expired on September 1, 2011. After the expiration of these warrants and to recognize past and continued service to the Board, the Company issued an additional 241,704 warrants at an exercise price of $8.16 per share. The Company used the following assumptions for purposes of valuing these warrants granted in 2011: common stock fair value of $8.16 per share; expected life of warrants-five years; volatility-53%; risk-free interest rate-1.05%; and dividend yield-0%.

All series of preferred stock are subject to substantially the same general terms and conditions. Dividends accrue (whether or not declared) on each share of preferred stock at a rate of 6% per annum of the applicable liquidation value until the first to occur of (1) the date on which the applicable liquidation value of such share is paid to the holder in connection with a significant event, (2) the date on which such share is converted into common stock, or (3) the date on which such share is acquired by the Company. Dividends are cumulative, but are payable only upon their redemption or the occurrence of a significant event that would result in a distribution to their holders of less than 110% of the shares' liquidation value (generally the applicable gross issuance price of the shares). A significant event includes a merger, sale of substantially all assets, change of control, or liquidation of the Company, but it does not include an IPO. Unpaid dividends are forfeited upon any conversion of preferred stock into common stock.

All shares of preferred stock automatically convert to common stock in the event of a qualified IPO (as defined), the election of the holders of a majority of the shares of preferred stock, or the conversion of at least a

majority of the shares of issued preferred stock. None of the shares of preferred stock are mandatorily redeemable. Subsequent to December 24, 2014, preferred stock may be redeemed upon a majority vote of the preferred stockholders in accordance with the terms of the agreement for a period of 12 months ("Redemption Election Period"). If the holders of at least a majority of the preferred stock then outstanding do not approve the redemption of preferred shares outstanding during the Redemption Election Period, the Company shall have no further obligation to redeem any shares of preferred stock. Dividends are cumulative, but are payable only upon their redemption or the occurrence of a significant event that would result in a distribution to their holders of less than 110% of the shares' liquidation value (generally the applicable gross issuance price of the shares). The Company classifies the preferred stock outside of permanent equity on the balance sheet as redemption of the preferred stock is outside the control of the Company.

The Company recognizes changes in the redemption value immediately as they occur via direct charges to additional paid-in capital and then to accumulated deficit, and adjusts the carrying value of the preferred stock to equal its maximum redemption value at the end of each reporting period. In the event of a redemption, the price paid by the Company for the preferred stock would be the greater of (a) the liquidation value of the preferred stock series being redeemed, plus any accrued and unpaid dividends, or (b) the amount in respect of such share of preferred stock that such holder would have been entitled to receive on an as-converted basis assuming all the shares have been converted into common stock. The form of consideration in the event of liquidation would be the same for the common stockholders as would be provided to the preferred stockholders. Based on the terms of the agreements, the redemption and conversion features do not require bifurcation and separate measurement in the financial statements since neither of the features meet the net settlement criteria under ASC 815, *Derivatives and Hedging*.

The Company measures our redeemable convertible preferred stock at its maximum redemption value at each reporting period. The fair value of the Company, used to calculate the maximum redemption value of the redeemable convertible preferred stock and to measure the value of the common stock as a key assumption in the determination of the compensation expense associated with our stock options (see Note 12), was determined with assistance from an independent third-party valuation specialist. The valuations of the Company and our common stock were determined based on valuation methodologies and assumptions selected in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Companies Equity Securities Issued as Compensation*. In the absence of observable market data regarding the value of our stock, the valuation of the Company and our common stock was estimated using multiple valuation approaches, primarily an income and market approach. The income approach is based on the present value of estimated future cash flows, and relies upon significant assumptions and estimates, including those related to the selected discount rate and forecasted revenues and expenses. The market approach is based on a comparison to observed fair values of comparable peer companies and recent market transactions, adjusted for the relative size and profitability of these peer companies relative to the Company.

Each share of common stock has the same relative rights and is identical in all respects with each other share of common stock. Each holder of shares of common stock is entitled to one vote for each share held by such holder at all meetings of stockholders. Each share of non-voting common stock has no voting rights. All shares of non-voting common stock convert into voting common stock on a 1:1 basis immediately prior to the closing of an underwritten IPO or sale of the Company. The redeemable convertible preferred stock include down-round provisions which would adjust the conversion price for any additional stock issued without consideration or for a consideration per share less than the respective conversion price for one or more of the series of preferred stock in effect immediately prior to the issuance of such additional stock.

On December 24, 2008 (the "Initial Closing"), the Company issued 1,268,207 shares of Series F preferred stock at a gross issuance price of $8.00 per share for total proceeds, net of offering costs, of $10.0

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million. Concurrent with the Initial Closing and issuance of the Series F preferred stock, the Company issued stock warrants convertible to 200,548 shares of common stock at an exercise price of $0.01. These warrants expire prior to the earliest to occur of (i) an IPO, (ii) a liquidity event, or (iii) December 24, 2013. The warrants meet the criteria for classification as permanent equity, and as such were recorded at the fair value at the time of issuance.

In January 2009, prior to January 31, 2009 (the "Offering Termination Date"), the Company issued an additional 679,641 shares of Series F preferred stock at a gross issuance price of $8.00 per share for total proceeds, net of offering costs, of $5.4 million. Concurrent with this issuance of the Series F preferred stock, the Company issued stock warrants convertible to 178,448 shares of common stock at an exercise price of $0.01. These warrants expire prior to the earliest to occur of (i) an IPO; (ii) a liquidity event; or (iii) the date specified in each warrant agreement, ranging between December 29, 2013 and January 30, 2014. The warrants meet the criteria for classification as permanent equity, and as such were recorded at the fair value at the time of issuance.

Subsequent to the Offering Termination Date, the applicable conversion price for the Series C preferred stock, Series D preferred stock, and Series E preferred stock was adjusted under the conversion procedure provision in order to prevent dilution. After the adjustment, the Series C preferred stock, Series D preferred stock, and Series E preferred stock are convertible into common stock at the conversion rates of 1:1.01, 1:1.03, and 1:1.03, respectively.

On July 8, 2010, the Company issued 84,898 shares of Series F preferred stock as a settlement for the 2009 bonus compensation of one of the Company's senior executives. The Company immediately repurchased 25,003 shares for a total purchase price of $234,000. The preferred stock was issued and repurchased at fair value. The compensation expense related to the bonus was recorded during the year ended December 27, 2009, and the related liability was included within accrued payroll and other related benefits as of December 27, 2009.

On June 1, 2011, the Company repurchased from a board member and retired 500,000 shares of $0.01 par value Series A preferred stock at a purchase price of $10.00 per share and 1,180,748 of $0.01 par value common stock at a purchase price of $7.22 per share for a total purchase price of $13.5 million. The Company recorded the repurchase and retirement of the preferred and common shares at fair value with the amount in excess of par value allocated to additional paid-in-capital.

On February 26, 2013, the Company issued 59,865 stock options to Bryant Keil, which are exercisable without restriction and vested immediately. Subsequent to the issuance, the applicable conversion price for the Series D preferred stock and Series E preferred stock was adjusted under the conversion procedure provision in order to prevent dilution. After the adjustment, the Series D preferred stock and Series E preferred stock are convertible into common stock at the conversion rates of 1:1.03 and 1:1.03, respectively.

(10) Operating Leases

Rental expense under operating lease agreements were as follows (in thousands):

	Fiscal Year			For the 26 Weeks Ended	
	2010	2011	2012	June 24, 2012	June 30, 2013
				(Unaudited)	
Minimum rentals	$19,474	$20,152	$26,195	$ 12,134	$ 14,849
Contingent rentals	1,363	1,353	1,452	698	777
Less: sublease rentals	(292)	(95)	(96)	(47)	(47)
Total	$20,545	$21,410	$27,551	$ 12,785	$ 15,579

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Of total rental expense, $0.2 million and $0.1 million for two leases with BLK Properties, LLC (a company related through common ownership) for fiscal years 2010 and 2011, respectively. The first lease required monthly payments of $5 thousand over the remaining lease term, which expired in March 2012. The related-party interest of the second lease was dissolved on September 29, 2010, when BLK Properties, LLC sold its ownership interest in the property to an unrelated party.

A schedule by year of future minimum rental payments required under operating leases, excluding contingent rent, that have initial or remaining non-cancelable lease terms in excess of one year, as of December 30, 2012, is as follows (in thousands):

Years Ending	Minimum
2013	$ 27,552
2014	27,289
2015	25,240
2016	22,294
2017	18,595
Thereafter	63,002
Total minimum payments required*	$183,972

* Minimum payments have not been reduced by minimum sublease rentals of $1.0 million due in the future.

Certain leases have outstanding letters of credit in lieu of rent deposits expiring at various dates through August 2013. The letters of credit were $0.7 million, $0.6 million and $0.6 million in aggregate for the years ended December 25, 2011, December 30, 2012, and as of June 30, 2013, respectively. Under the credit facility, outstanding letters of credit are subject to an annual fee of 1.00% and reduce the available borrowing to the Company.

(11) Employee Benefit Plan

The Company sponsors a 401(k) profit sharing plan for all employees who are eligible based upon age and length of service. The Company made matching contributions of $0.3 million for each fiscal year 2010, 2011 and 2012 and $0.1 million for the 26 weeks ended June 24, 2012 and June 30, 2013.

(12) Stock Options

In connection with this offering, the Company’s board of directors plans to adopt the 2013 Long-Term Incentive Plan, which will replace the 2004 Incentive Plan. Once the 2013 Long-Term Incentive Plan is effective, the Company will no longer make awards under the 2004 Incentive Plan. However, the 2004 Incentive Plan will continue to govern outstanding awards granted prior to its termination.

The Company has granted stock options under its 2001 and 2004 Equity Incentive Plans (the “Plans”). The Plans permit the granting of awards to employees and nonemployee officers, consultants, agents, and independent contractors of the Company in the form of stock appreciation rights, stock awards, and stock options. The Plans give broad powers to the Company’s board of directors to administer and interpret the Plans, including the authority to select the individuals to be granted options and rights and to prescribe the particular form and conditions of each option to be granted.

Under the Plans, the number of shares and exercise price of each option are determined by the committee designated by the Company’s board of directors. The options granted are generally exercisable within a 10-year period from the date of grant, upon the consummation of an IPO under the Securities Act of 1933 or at

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the discretion of the board of directors. Certain options have been issued to key executives, which are exercisable without restriction. Options issued and outstanding expire on various dates up to the year 2022. The range of exercise prices of options outstanding as of December 30, 2012, is $6 to $14 per option, and the options vest over a range of immediately to five-year periods.

In 2007, the Company entered into the Stock Option Agreement and Plan (the "Agreement"), which granted a certain key executive 500,000 options of non-voting common stock.

Under the 2001 Plan the Company had 746,749 shares reserved for issuance. In September 2011, the 2001 Plan expired with options outstanding under the plan still available for exercise. As of December 25, 2011, December 30, 2012 and June 30, 2013, a total of 3,960,998, 3,960,998 and 4,289,994 shares of common stock have been reserved for issuance under the 2004 Equity Incentive Plan and a total of 500,000 shares of non-voting common stock have been reserved for issuance under the Agreement.

Activity under the Plans and the Agreement, is as follows:

Options	Shares (Thousands)	Weighted Average Exercise Price	Aggregate Intrinsic Value (Thousands)	Weighted Average Remaining Term (Years)
Outstanding—December 26, 2010	3,611	9.68	$ 1,329	5.80
Granted	1,258	7.20		
Exercised	(120)	4.00		
Canceled	(488)	7.70		
Outstanding—December 25, 2011	4,261	9.19	$ 2,229	6.34
Granted	504	8.65		
Exercised	—	—		
Canceled	(552)	7.67		
Outstanding—December 30, 2012	4,213	9.30	$ 5,348	5.93
Granted	398	9.47		
Exercised	—	—		
Canceled	(212)	8.16		
Outstanding—June 30, 2013 (Unaudited)	4,399	9.37	$ 8,630	5.95
Vested—December 30, 2012	2,783	10.09	$ 2,905	4.80
Vested and expected to vest—December 30, 2012	4,211	9.30	$ 5,344	5.93
Exercisable without restriction—December 30, 2012	2,101	9.16	$ 2,923	5.97

In accordance with ASC Topic 718, *Compensation—Stock Compensation*, stock-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period of the grant). For those options that are exercisable without restriction, the Company recognized $1.0 million, $1.5 million and $2.8 million in stock compensation expense for fiscal years 2010, 2011 and 2012, respectively, and $1.9 million and $1.1 million for the 26 weeks ended June 24, 2012 and for the 26 weeks ended June 30, 2013, respectively, with a corresponding increase to additional paid-in-capital. As of December 25, 2011, December 30, 2012 and June 30, 2013, the unrecognized stock compensation expense was $3.5 million, $1.6 million and $0.7 million, respectively, which will be recognized through 2014. The expenses were recorded as general and administrative expenses in the consolidated statements of operations.

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On May 10, 2011, the Company issued 788,001 stock options to certain key executives, which are exercisable without restriction and vest over a three-year period. The fair value of the options was determined using the Black-Scholes-Merton option pricing model. The Company used the following assumptions for purposes of valuing these option grants in 2011: common stock fair value of $7.22 per share; expected life of options—six years; volatility—51%; risk-free interest rate—2.57%; and dividend yield—0%. The Company used the simplified method for determining the expected life of the options. The Company is unable to calculate specific stock price volatility as a private company, and as such, the Company used a blended volatility rate for comparable publicly traded companies.

On February 26, 2013, the Company issued 59,865 stock options to Bryant Keil, which are exercisable without restriction and vested immediately. The fair value of the options was determined using the Black-Scholes-Merton option pricing model. The Company used the following assumptions for purposes of valuing these option grants: common stock fair value of $9.47 per share; expected life of options—five years; volatility—46.6%; risk-free interest rate—.78%; and dividend yield—0%. The Company used the simplified method for determining the expected life of the options. The Company is unable to calculate specific stock price volatility as a private company, and as such, the Company used a blended volatility rate for comparable publicly traded companies.

(13) Subsequent Events

In August 2013, our board of directors declared a cash dividend in an aggregate amount of approximately $49.9 million, which is payable on shares of our common and preferred stock outstanding on the day immediately prior to the closing date of this offering. The dividend will be paid from the net proceeds of the initial public offering and will not be paid on any shares purchased in such offering.

The Company also modified stock option agreements for all current employees and a board member to revise the exercise price of $14.00 per option on 718,593 options to an exercise price of $10.59 per option and issued 122,271 stock options to the same board member at an exercise price of $10.59 per option. All of these options contain a performance condition that restricts the option holders' ability to exercise vested options until the consummation of an initial public offering (an "IPO") under the Securities Act of 1933 or at the discretion of the Company's board of directors. In accordance with ASC Topic 718, Compensation—Stock Compensation, the Company expects to record a charge of approximately $0.8 million related to the incremental value associated with the reduced exercise price at the time performance conditions have been met and a charge of approximately $0.6 million associated with options issued to a board member at the time performance conditions have been met.

In addition, our board of directors approved the issuance of 395,000 stock options to certain of the Company's senior leaders at exercise prices equal to the IPO price, which are exercisable without restriction and vest over a period of four years. In accordance with ASC Topic 718, Compensation—Stock Compensation, expense related to the options will be amortized over the vesting periods. The Company also modified 241,704 of warrants issued to Oxford Capital Partners, Inc. that were set to expire upon the consummation of an IPO to extend the expiration date of such warrants to five years from the date of the consummation of an IPO. In accordance with ASC Topic 718, Compensation—Stock Compensation, the Company expects to record a charge in the third quarter of fiscal 2013 of approximately $0.1 million related to the incremental value associated with the extension of the expiration date.

Additionally, on July 29, 2013, the Company entered into employment agreements with certain executives, including Charlie Talbot, its Chief Financial Officer, and John Morlock, its Chief Operating Officer. The terms of the agreements are substantially similar to one another and include compensation arrangements consistent with their current compensation arrangements as well as the acceleration of 278,272 unvested stock

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Notes to Consolidated Financial Statements

options, of which 141,341 options include a performance condition that restricts the option holders' ability to exercise vested options until the consummation of an IPO under the Securities Act of 1933 or at the discretion of the Company's board of directors. Accordingly, all outstanding options are now fully vested as of the date of the executed agreements. In accordance with ASC Topic 718, Compensation—Stock Compensation, the Company does not expect to record a charge related to the accelerated vesting of unvested options that do not contain a performance condition since the modification did not result in incremental value. The Company has estimated the potential compensation cost to be recorded upon consummation of an IPO associated with all vested options, including those modified to accelerate vesting, is approximately $7.2 million through the date of this filing.

On August 8, 2013, the Company entered into an employment agreement with Aylwin Lewis, our Chief Executive Officer and President. The agreement includes a compensation arrangement consistent with his current compensation arrangement as well as the grant of 227,187 options, which are exercisable without restriction and vest over a period of four years. In accordance with ASC Topic 718, Compensation—Stock Compensation, fair value of the options was determined using the Black-Scholes-Merton option pricing model and will be amortized over the vesting period. The Company used the following assumptions for purposes of valuing these option grants: common stock fair value of $10.59 per share; expected life of options—seven years; volatility—48%; risk-free interest rate—1.33%; and dividend yield—0%. The Company used the simplified method for determining the expected life of the options.

On August 20, 2013, the Company issued 81,064 replacement stock options to Bryant Keil, which are exercisable without restriction and vested immediately. The fair value of the options was determined using the Black-Scholes-Merton option pricing model. The Company used the following assumptions for purposes of valuing these option grants: common stock fair value of $10.59 per share; expected life of options—five years; volatility—48.0%; risk-free interest rate—1.57%; and dividend yield—0%. The Company used the simplified method for determining the expected life of the options. In accordance with ASC Topic 718, Compensation—Stock Compensation, the Company expects to record a charge in the third quarter of fiscal 2013 of approximately $0.4 million related to the incremental value associated with the extension of the expiration date.

The Company has evaluated subsequent events through August 29, 2013 and has determined that, other than the events discussed, no other subsequent events have occurred.

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THE FIRST POTBELLY NEIGHBORHOOD SANDWICH SHOP
LINCOLN AVENUE, CHICAGO

GOOD VIBES. GREAT SANDWICHES.®

Part II

Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the estimated expenses payable by us in connection with the sale and distribution of the securities registered hereby, other than underwriting discounts or commissions. All amounts are estimates except for the SEC registration fee and the Financial Industry Regulatory Authority filing fee.

SEC Registration Fee	$ 10,230
Financial Industry Regulatory Authority, Inc. Filing Fee	11,750
Listing Fee	*
Blue Sky Fees and Expenses	*
Printing	*
Legal Fees and Expenses	*
Accounting Fees and Expenses	*
Transfer Agent and Registrar Fees	*
Miscellaneous	*
Total	$ *

* To be completed by amendment.

Item 14. Indemnification of Directors and Officers.

The Registrant is governed by the Delaware General Corporation Law, or DGCL. Section 145 of the DGCL provides that a corporation may indemnify any person, including an officer or director, who was or is, or is threatened to be made, a party to any threatened, pending or completed legal action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was or is an officer, director, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such officer, director, employee or agent acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the corporation's best interest and, for criminal proceedings, had no reasonable cause to believe that such person's conduct was unlawful. A Delaware corporation may indemnify any person, including an officer or director, who was or is, or is threatened to be made, a party to any threatened, pending or contemplated action or suit by or in the right of such corporation, under the same conditions, except that such indemnification is limited to expenses (including attorneys' fees) actually and reasonably incurred by such person, and except that no indemnification is permitted without judicial approval if such person is adjudged to be liable to such corporation. Where an officer or director of a corporation is successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to above, or any claim, issue or matter therein, the corporation must indemnify that person against the expenses (including attorneys' fees) which such officer or director actually and reasonably incurred in connection therewith.

The Registrant's amended and restated by-laws will authorize the indemnification of its officers and directors, consistent with Section 145 of the Delaware General Corporation Law, as amended. The Registrant intends to enter into indemnification agreements with each of its directors and executive officers. These agreements, among other things, will require the Registrant to indemnify each director and executive officer to the fullest extent permitted by Delaware law, including advancement of expenses such as attorneys' fees, judgments, fines and settlement amounts incurred by the director or executive officer in any action or proceeding, including any action or proceeding by or in right of the Registrant, arising out of the person's services as a director or executive officer.

Reference is made to Section 102(b)(7) of the DGCL, which enables a corporation in its original certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director for violations of the director's fiduciary duty, except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL, which provides for liability of directors for unlawful payments of dividends or unlawful stock purchases or redemptions or (iv) for any transaction from which a director derived an improper personal benefit.

The Registrant expects to maintain standard policies of insurance that provide coverage (i) to its directors and officers against loss arising from claims made by reason of breach of duty or other wrongful act and (ii) to the Registrant with respect to indemnification payments that it may make to such directors and officers.

The proposed form of Underwriting Agreement to be filed as Exhibit 1.1 to this Registration Statement provides for indemnification to the Registrant's directors and officers by the underwriters against certain liabilities.

Item 15. Recent Sales of Unregistered Securities.

Equity Securities

In July 2010, we issued 84,898 shares of Series F preferred stock to Aylwin Lewis, our Chief Executive Officer and President, as his 2009 bonus compensation. The fair market value of such issuance was $9.35 per share, or $793,796 in aggregate consideration. We then immediately repurchased 25,003 shares of Series F preferred stock from Aylwin at fair value for a total purchase price of $233,778.

During the year ended December 26, 2010, we granted to certain eligible participants approximately 185,000 options to purchase our common stock at a weighted average exercise price of $7.00 under our equity incentive plans.

In May 2011, we sold 55,000 shares of common stock at a price per share of $0.01 for an aggregate purchase price of $550 to William Blair & Company, LLC upon exercise of warrants.

In October 2011, we sold 120,000 shares of our common stock at a price per share of $4.00 for an aggregate purchase price of $480,000 to Arthur Rubinfeld.

In March 2012, we issued warrants to purchase 241,704 shares of common stock at a price of $8.16 to Oxford Capital Partners, Inc. to replace warrants that expired on September 1, 2011.

During the year ended December 25, 2011, we granted to certain eligible participants approximately 1,258,000 options to purchase our common stock at a weighted average exercise price of $7.20 under our equity incentive plans.

During the year ended December 30, 2012, we granted to certain eligible participants approximately 503,516 options to purchase our common stock at a weighted average exercise price of $8.65 under our equity incentive plans.

During the year ended December 30, 2012, we sold an aggregate of 261,104 shares of common stock at a price per share of $0.01 for an aggregate purchase price of $2,611.04 to various holders of our Series F warrants upon the exercise of such warrants, including to certain members of our senior management team.

During the period beginning December 30, 2012 through June 30, 2013, we granted to certain eligible participants approximately 398,360 options to purchase our common stock at a weighted average exercise price of $9.47 under 2004 our Equity Incentive Plan.

During the period beginning December 30, 2012 through June 30, 2013, we sold an aggregate of 14,383 shares of common stock at a price per share of $0.01 for an aggregate purchase price of $143.83 to various holders of our Series F warrants upon the exercise of such warrants.

In August 2013, we issued options to purchase 122,271 shares of our common stock at an exercise price of $10.59 per share to Bryant Keil and options to purchase 227,187 shares of our common stock at an exercise price of $10.59 per share to Aylwin Lewis.

During the period beginning December 30, 2012 through August 20, 2012, we issued certain options to Bryant Keil following his exercise of a contractual right to replacement certain existing options at his election. We issued to Bryant (i) options expiring on February 6, 2023 to purchase 59,864 shares at an exercise price of $9.47 in replacement of options to purchase 50,000 shares with an exercise price of $6.00 per share that expired on February 6, 2013 and (ii) options expiring on January 1, 2024 to purchase 81,064 shares at an exercise price of $10.59 in replacement of options to purchase 75,000 shares with an exercise price of $9.00 per share that expire on January 1, 2014.

The issuances of options, shares upon the exercise of options, warrants, Series F preferred stock and common stock described above were deemed exempt from registration under Section 4(2) or Regulation D of the Securities Act, and in certain circumstances, in reliance on Rule 701 promulgated thereunder as transactions pursuant to compensatory benefit plans and contracts relating to compensation. All of the foregoing securities are deemed restricted securities for purposes of the Securities Act. The recipients of securities in the transactions exempt under Section 4(2) or Regulation D of the Securities Act represented their intention to acquire the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the stock certificates and instruments issued in such transactions.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

Exhibit Number	Description of Exhibits
1.1	Form of Underwriting Agreement*
3.1	Form of Seventh Amended and Restated Certificate of Incorporation of Potbelly Corporation (to be in effect prior to the completion of the offering made under this Registration Statement)
3.2	Form of Second Amended and Restated By-laws of Potbelly Corporation (to be in effect prior to the completion of the offering being made under this Registration Statement)
4.1	Fifth Amended and Restated Registration Rights Agreement
4.2	Instruments which define the rights of holders of long-term debt represent debt of less than 10% of total assets. In accordance with Item 601(b)(4)(iii) of Regulation S-K, the Registrant agrees to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
5.1	Opinion of Mayer Brown LLP*
10.1	Potbelly Corporation 2004 Equity Incentive Plan, as amended^
10.2	Potbelly Corporation 2013 Long-Term Incentive Plan^
10.3	Credit Agreement dated September 21, 2012, among Potbelly Sandwich Works, LLC, Potbelly Corporation, Potbelly Illinois, Inc., the lenders from time to time party thereto and JPMorgan Chase Bank, N.A.
10.4	Amendment No. 1 to Credit Agreement dated April 26, 2013, among Potbelly Sandwich Works, LLC, Potbelly Corporation, Potbelly Illinois, Inc., the lenders from time to time party thereto and JPMorgan Chase Bank, N.A.
10.5	Amendment No. 2 to Credit Agreement dated August 20, 2013, among Potbelly Sandwich Works, LLC, Potbelly Corporation, Potbelly Illinois, Inc., the lenders from time to time party thereto and JPMorgan Chase Bank, N.A.
10.6	Executive Employment Contract between Potbelly Corporation and Aylwin Lewis dated August 8, 2013^
10.7	Executive Employment Contract between Potbelly Corporation and John Morlock dated July 25, 2013^
10.8	Executive Employment Contract between Potbelly Corporation and Charles Talbot dated July 25, 2013^
10.9	Form of stock option agreement for grants prior to January 1, 2011 for named executive officers other than Aylwin Lewis pursuant to 2004 Long-Term Incentive Plan (including any replacement options granted after such date for expired grants)^
10.10	Form of stock option agreement for grants prior to January 1, 2011 for Aylwin Lewis pursuant to 2004 Long-Term Incentive Plan^
10.11	Form of stock option agreement for grants during year 2011 for named executive officers other than Aylwin Lewis pursuant to 2004 Long-Term Incentive Plan^
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10.14	Form of stock option agreement (other than for Aylwin Lewis) pursuant to 2013 Long-Term Incentive Plan^
10.15	Form of stock option agreement for Aylwin Lewis pursuant to 2013 Long-Term Incentive Plan^

Exhibit Number	Description of Exhibits
10.16	Form of Restricted Stock Unit Award Agreement pursuant to 2013 Long-Term Incentive Plan^
10.17	Form of Indemnification Agreement between Potbelly Corporation and each of its directors and executive officers
21.1	Subsidiaries of the Registrant
23.1	Consent of Deloitte & Touche LLP
23.3	Consent of Mayer Brown LLP (included in the opinion to be filed as Exhibit 5.1 hereto)*
24.1	Power of Attorney†

* To be filed by amendment
† Previously Filed
^ Management contract or compensatory plan

(b) Financial Statement Schedules

No financial statement schedules are provided because the information called for is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Chicago, State of Illinois, on August 29, 2013.

POTBELLY CORPORATION

By: /s/ Aylwin Lewis
Name: Aylwin Lewis
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities held on August 29, 2013.

Name	Position
/s/ Aylwin Lewis Aylwin Lewis	Director, Chief Executive Officer and President (Principal Executive Officer)
/s/ Charles Talbot Charles Talbot	Senior Vice President and Chief Financial Officer (Principal Financial and Principal Accounting Officer)
* Bryant Keil	Director
* Vann Avedisian	Director
* Peter Bassi	Director
* Gerald Gallagher	Director
* Marla Gottschalk	Director
* Matthew Levine	Director
* Dan Levitan	Director

*By: /s/ Matthew Revord
Matthew Revord
Attorney-in-Fact

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24.1	Power of Attorney†

* To be filed by amendment
† Previously Filed
^ Management contract or compensatory plan

SEVENTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF POTBELLY CORPORATION

POTBELLY CORPORATION (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware ("DGCL"), hereby certifies as follows:

FIRST: The Corporation was incorporated on June 5, 2001 under the name "Potbelly Sandwich Works, Inc.", pursuant to the DGCL.

SECOND: The Corporation filed a Restated Certificate of Incorporation with the Secretary of State of the State of Delaware on September 18, 2002, to effect the change of the name of the Corporation from "Potbelly Sandwich Works, Inc." to "Potbelly Corporation".

THIRD: Pursuant to Section 245 of the DGCL, this Seventh Amended and Restated Certificate of Incorporation amends and restates the provisions of the Sixth Amended and Restated Certificate of Incorporation in their entirety. This Seventh Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") was duly approved by the board of directors of the Corporation and was duly approved by the holders of the requisite number of shares of the Corporation in accordance with Sections 242 and 245 of the DGCL and was consented to in writing by the written consent of the stockholders of the Corporation in accordance with Section 228 of the DGCL. The number of shares voting in favor of such amendment and restatement equaled or exceeded the vote required.

FOURTH: The Certificate of Incorporation is hereby amended and restated in its entirety to read as follows:

ARTICLE I

NAME

The name of the corporation (the "Corporation") is

POTBELLY CORPORATION

ARTICLE II

ADDRESS OF REGISTERED OFFICE; NAME OF REGISTERED AGENT

The address of the registered office of the Corporation in the State of Delaware is c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of the registered agent at such address is The Corporation Trust Company.

ARTICLE III

PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware ("DGCL").

ARTICLE IV

CAPITAL STOCK

Section 1. Capital Stock. The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is two hundred ten million (210,000,000), of which two hundred million (200,000,000) shares shall be Common Stock, par value $0.01 per share (the "Common Stock") and ten million (10,000,000) shares shall be Preferred Stock, par value $0.01 per share (the "Preferred Stock"). The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the then outstanding shares of Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such Preferred Stock holders is required pursuant to the provisions established by the board of directors of the Corporation (the "Board of Directors") in the resolution or resolutions providing for the issue of such Preferred Stock, and if such holders of such Preferred Stock are so entitled to vote thereon, then, except as may otherwise be set forth in this certificate of incorporation (the "Certificate of Incorporation"), the only stockholder approval required shall be the affirmative vote of a majority of the voting power of the Common Stock and the Preferred Stock so entitled to vote, voting together as a single class.

Section 2. Common Stock. All preferences, voting powers, relative, participating, optional or other special rights and privileges, and qualifications, limitations, or restrictions of the Common Stock are expressly made subject and subordinate to those that may be fixed with respect to any shares of the Preferred Stock. Except as otherwise required by law or this Certificate of Incorporation, each holder of Common Stock shall have one vote in respect of each share of stock held by such holder of record on the books of the Corporation for the election of directors and on all matters submitted to a vote of the stockholders of the Corporation. Subject to the preferential rights of the Preferred Stock, the holders of shares of Common Stock shall be entitled to receive, when and if declared by the Board of Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in property or in shares of capital stock. In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of shares of the Preferred Stock, holders of Common Stock shall be entitled, unless otherwise provided by law or this Certificate of Incorporation, to receive all remaining assets of the Corporation of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them respectively.

Section 3. Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate pursuant to the DGCL, to fix or alter from time to time the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

Section 4. No Preemptive Rights. No holder of any class of shares of the Corporation shall, as such holder, have any preemptive or preferential right to purchase or subscribe to any shares of any class of stock of the Corporation, whether now or hereafter authorized, whether unissued or in treasury; or to purchase any obligations convertible into shares of any class of stock of the Corporation, which at any time may be proposed to be issued by the Corporation or subjected to rights or options to purchase granted by the Corporation.

Section 5. No Cumulative Voting. No holder of any class of shares of the Corporation shall, as such holder, have the right to cumulate his voting power in the election of the Board of Directors and such right is hereby specifically denied to the holders of shares of any class of the Corporation.

ARTICLE V

BOARD OF DIRECTORS

Section 1. Board of Directors. In addition to the powers and authorities herein before or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this Certificate of Incorporation, the by-laws of the Corporation and to any by-laws from time to time made by the stockholders; provided, however, that no by-laws shall invalidate any prior act of the directors which would have been valid if such by-law had not been made.

Section 2. Number of Directors. The Board of Directors shall consist of not more than twelve (12) directors. Subject to the rights of the holders of any series of Preferred Stock then outstanding, the exact number of directors shall be determined from time to time solely by resolution adopted by the Board of Directors.

Section 3. Term of Office. The directors of the Corporation shall be divided into three classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. For the purposes hereof, the initial Class I, Class II and Class III directors shall be those directors holding such office upon the filing of this Certificate of Incorporation. The Board of Directors is authorized to assign members of the Board already in office to Class I, Class II or Class III. Elections for at least one class of directors shall be held at each annual meeting of stockholders following the filing of this Certificate of Incorporation. The term of office of the initial Class I directors shall expire at the first annual meeting of stockholders following the

filing of this Certificate of Incorporation. At such first annual meeting of stockholders following the filing of this Certificate of Incorporation, the successors of the Class I directors shall be elected for a term expiring at the fourth annual meeting of stockholders following the filing of this Certificate of Incorporation. At the fourth annual meeting of stockholders following the filing of this Certificate of Incorporation, the successors of the Class I directors shall be elected for a term expiring at the fifth annual meeting of stockholders following the filing of this Certificate of Incorporation. The term of office of the initial Class II directors shall expire at the second annual meeting of stockholders following the filing of this Certificate of Incorporation. At such second annual meeting of stockholders following the filing of this Certificate of Incorporation, the successors of the Class II directors shall be elected for a term expiring at the fifth annual meeting of stockholders following the filing of this Certificate of Incorporation. The term of office of the initial Class III directors shall expire at the third annual meeting of stockholders following the filing of this Certificate of Incorporation. At such third annual meeting of stockholders following the filing of this Certificate of Incorporation, the successors of the Class III directors shall be elected for a term expiring at the fifth annual meeting of stockholders following the filing of this Certificate of Incorporation. Each director in each such class shall hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. Commencing with the fifth annual meeting of stockholders following the filing of this Certificate of Incorporation, the Board of Directors shall cease to be classified and the directors elected at such annual meeting (and each annual meeting thereafter) shall be elected for a term expiring at the next annual meeting of stockholders, with each director to hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. Elections of directors need not be by written ballot unless the by-laws of the Corporation so provide.

Section 4. Vacancies. If the number of directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned by the Board of Directors among the classes as to make all classes as nearly equal in number as practicable. Any newly created directorship resulting from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy on the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director.

ARTICLE VI

LIMITATION ON LIABILITY OF DIRECTORS; INDEMNIFICATION

Section 1. Limitation on Liability. A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. If the DGCL is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Section 2. Indemnification. Each person who is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise (including the heirs, executors, administrators or estate of such person), shall be indemnified and advanced expenses by the Corporation, in accordance with the by-laws of the Corporation, to the fullest extent authorized by law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), or any other applicable laws as presently or hereinafter in effect. The right to indemnification and advancement of expenses hereunder shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation or the by-laws of the Corporation, agreement, vote of stockholders or disinterested directors or otherwise. The Corporation may, by action of the Board of Directors, provide indemnification to employees and agents of the Corporation with the same or lesser scope and effect as the foregoing indemnification of directors and officers.

Section 3. Insurance. The Corporation may, to the fullest extent permitted by law, purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise against any liability incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under applicable law.

Any repeal or modification of this Article shall be prospective only and shall not affect the rights of any person under this Article in effect at the time of the alleged occurrence of any act or omission to act giving rise to any alleged liability or indemnification.

ARTICLE VII

MEETINGS OF STOCKHOLDERS

Section 1. Stockholder Action. No action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting. The power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

Section 2. Special Meetings of Stockholders. Special meetings of stockholders of the Corporation may be called at any time by the Chairman of the Board of Directors or the Chief Executive Officer of the Corporation or by a resolution adopted by the affirmative vote of a majority of the Board of Directors. Special meetings of stockholders of the Corporation may not be called by any other person or persons.

Section 3. Advance Notice. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner and to the extent provided in the by-laws of the Corporation.

ARTICLE VIII

EXCLUSIVE FORUM

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or this Certificate of Incorporation or the by-laws of the Corporation, (iv) any action to interpret, apply, enforce or determine the validity of this Certificate of Incorporation or the by-laws of the Corporation or (v) any action asserting a claim governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having personal jurisdiction over the indispensible parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article.

ARTICLE IX

AMENDMENT OF CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon the stockholders herein are granted subject to this reservation; *provided, however*, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of applicable law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the capital stock of this corporation required by applicable law or by this Certificate of Incorporation, any amendment to or repeal of this ARTICLE IX or ARTICLE V, ARTICLE VI, ARTICLE VII, ARTICLE VIII or ARTICLE X of this Certificate of Incorporation (or the adoption of any provision inconsistent therewith) shall require the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE X

AMENDMENT OF BY-LAWS

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, alter, amend or repeal the by-laws of the Corporation, without any action on the part of the stockholders, by the vote of at least a majority of the directors of the Corporation then in office. In addition, the by-laws of the Corporation may also be adopted, altered, amended or repealed by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

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IN WITNESS WHEREOF, the Corporation has caused this Amended and Restated Certificate of Incorporation to be executed by its duly authorized officer this day of , 2013.

POTBELLY CORPORATION

Name:
Title:

AMENDED AND RESTATED BY-LAWS
OF
POTBELLY CORPORATION
Effective as of , 2013

ARTICLE I

OFFICES

Section 1. Registered Office. Potbelly Corporation (the "Corporation") shall continuously maintain in the State of Delaware a registered office which may, but need not be, the same as its place of business, and a registered agent whose business office is identical with such registered office. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the board of directors of the Corporation (the "Board of Directors").

Section 2. Other Offices. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

STOCK

Section 1. Form of Stock Certificates. The shares of stock in the Corporation shall be represented by uncertificated stock.

Section 2. Identification of Stockholders. The name and address of each stockholder, the number and class of stock held and the date on which the stock was issued shall be entered on the books of the Corporation. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

Section 3. Transfers of Stock. Upon receipt of proper transfer instructions and proper evidence of compliance of other conditions to rightful transfer from the registered owner of uncertificated shares, such uncertificated shares shall be cancelled and issuance of new equivalent uncertificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation.

Section 4. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of

stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 days nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE III

MEETINGS OF STOCKHOLDERS

Section 1. Annual Meeting. Annual meetings of stockholders shall be held each year at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. At each such annual meeting, the stockholders shall elect the directors and transact such other business as may properly be brought before the meeting.

Section 2. Advance Notice of Stockholder Business.

(a) To be properly brought before the annual meeting, business (other than the nomination of directors) must be:

(1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors;

(2) otherwise properly brought before the meeting by or at the direction of the Board of Directors; or

(3) otherwise properly brought before the meeting by a stockholder of the Corporation who (A) is a stockholder of record at the time of giving of notice provided for in these by-laws (the "By-Laws"), on the record date for the meeting and at the time of the meeting, (B) is entitled to vote at the meeting and (C) complies with the notice procedures set forth in these By-Laws as to such business.

(b) For business to be properly brought before an annual meeting by a stockholder pursuant to clause (C) of paragraph (a)(3) of this Section 2, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such proposed business must constitute a proper matter for stockholder action. To be timely, the stockholder's notice must be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received at the principal executive offices of the Corporation addressed to the attention of the Secretary of the Corporation not earlier than the close of business on the 120th day nor later than the close of business on the 90th day prior to the anniversary of the date of the previous year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is more than 30 days before or after the anniversary date of the previous year's annual meeting, notice by the stockholder must be received by the Secretary of the Corporation not later than the close of business on the later of (x) the 90th day prior to such annual meeting and (y) the 10th day following the day on which public announcement of the date of such meeting is first made. For the purposes of these By-

Laws, “public announcement” shall mean disclosure in a press release reported by the Dow Jones News Service, PR Newswire, Associated Press, Business Wire or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission. In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder’s notice as described above.

(c) A stockholder’s notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting:

(1) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend these By-Laws, the language of the proposed amendment), and the reasons for conducting such business at the annual meeting;

(2) the name and record address of the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made;

(3) the class, series and number of shares of the Corporation that are owned beneficially and of record by the stockholder and such beneficial owner and a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or represented by proxy at the meeting;

(4) any material interest of the stockholder of record or beneficial owner in such business;

(5) any other information that is required to be provided by the stockholder pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the “Exchange Act”) in such stockholder’s capacity as a proponent of a stockholder proposal; and

(6) a representation as to whether either such stockholder of record or beneficial owner intends, or is part of a group that intends, to deliver a proxy statement and form of proxy to holders of at least the percentage of the Corporation’s voting shares required under applicable law to approve the proposal and/or otherwise to solicit proxies from stockholders in support of such proposal.

(d) Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section; *provided*, *however*, that nothing in this Section shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting. The Chairman of the Board (or such other person presiding at the meeting in accordance with these By-Laws) shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section, and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Section 3. Special Meetings. Special meetings of the stockholders may be called for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation of the Corporation (the "Certificate of Incorporation"), by the Secretary only at the request of the Chairman of the Board of Directors, the Chief Executive Officer or by a resolution duly adopted by the affirmative vote of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

Section 4. Place of Meeting. The Board of Directors may designate the place of meeting, either within or without of the State of Delaware, for any annual or special meeting of stockholders. In the absence of any such designation, the place of meeting shall be the principal place of business of the Corporation.

Section 5. Notice of Meetings. For all meetings of stockholders, a written or printed notice of the meeting shall be delivered personally, by mail or by electronic transmission (if receipt thereof has been consented to by the stockholder to whom the notice is given), to each stockholder of record entitled to vote at such meeting, which notice shall state the place, if any, date and time of the meeting and the means of remote communications, if any, for such meeting. For all special meetings and when and as otherwise required by law, the notice shall state the purpose or purposes of the meeting and the business to be transacted at such meeting. At any special meeting, the business to be transacted at such meeting shall be limited to the matters so stated in the notice of such special meeting and any matters reasonably related thereto. The notice of the meeting shall be given not less than 10 nor more than 60 days before the date of the meeting. If mailed, such notice shall be deemed to have been delivered when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears in the records of the Corporation. If given by facsimile transmission, such notice shall be deemed to have been delivered when directed to a number at which the stockholder has consented to receive notice by facsimile. If given by electronic transmission, such notice shall be deemed to have been delivered (a) by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (b) if by posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (x) such posting and (y) the giving of such separate notice by United States mail or facsimile transmission; and (c) if by any other form of electronic transmission, when directed to the stockholder. When a meeting is adjourned to another place, date or time, notice need not be given of the adjourned meeting if the place, if any, date, time and means of remote communications, if any, thereof are announced at the meeting at which the adjournment is taken, unless otherwise required by law.

Section 6. Quorum of Stockholders. Except where otherwise provided by law. the Certificate of Incorporation or these By-Laws, the holders of a majority of the voting power of the capital stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders.

Section 7. Adjournments. If a quorum is not present or represented at any meeting of stockholders, a majority of the stockholders present in person or represented by proxy at the meeting and entitled to vote, though less than a quorum, or by any officer entitled to preside at such meeting, shall be entitled to adjourn such meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. When a meeting is adjourned to another place, if any, date, time and means of remote communications, if any, notice need not be given of the adjourned meeting if the place, if any, date, time and means of remote communications, if any, thereof are announced at the meeting at which the adjournment is taken, unless otherwise required by law; *provided, however*, that if the date of any adjourned meeting is more than 30 days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, if any, date, time and means of remote communications, if any, of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted that might have been transacted at the original meeting.

Section 8. Vote Required. Unless otherwise required by law, the Certificate of Incorporation or these By-Laws, (i) at all meetings of stockholders for the election of directors, a plurality of votes cast shall be sufficient to elect, and (ii) any other question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority in voting power of the stock represented and entitled to vote thereon. The Board of Directors, in its discretion, or any officer entitled to preside at a meeting of stockholders, in his or her discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 9. Organization and Conduct of Business. The Chairman of the Board or, in his or her absence, the Chief Executive Officer or President or, in their absence, such person as the Board of Directors may have designated or, in the absence of such a person, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or represented by proxy, shall call to order any meeting of stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman of the meeting appoints. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seems to him or her in order.

Section 10. Voting Lists. The officer or agent having charge of the transfer book for stock of the Corporation shall make, at least 10 days before such meeting, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order, with the address of and the number of shares of stock held by each. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The original stock transfer books (or any duplicates thereof maintained by the Corporation) shall be the only evidence of the identity of the stockholders entitled to examine such list or transfer books or to vote at any meeting of stockholders.

Section 11. Proxies. A stockholder may appoint a proxy to vote or otherwise act for him or her by signing an appointment form and delivering it to the person so appointed. No proxy shall be valid after the expiration of three years from the date thereof unless otherwise provided in the proxy. An appointment of a proxy is revocable by the stockholder unless the appointment form states that it is irrevocable and if, and only so long as, it is coupled with an interest sufficient in law to support an irrevocable power.

Section 12. Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President shall appoint one or more inspectors of election to act at the meeting and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. The inspectors shall have the duties prescribed by applicable law. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares of stock represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 13. Consent of Stockholders in Lieu of a Meeting. Stockholders may not act by written consent.

ARTICLE IV

DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders. Directors need not be stockholders of the Corporation to be qualified for election or service as a director of the Corporation.

Section 2. Number, Election and Tenure. Subject to the rights of the holders of any series of Preferred Stock then outstanding, the exact number of directors shall be determined from time to time solely by resolution adopted by the Board of Directors. No decrease in the number of authorized directors shall have the effect of removing any director before that director's term of office expires. The directors shall be elected and shall hold office only in the manner provided in the Certificate of Incorporation.

Section 3. Advance Notice of Director Nominations.

(a) Subject to the rights of the holders of any series of Preferred Stock then outstanding, nominations of persons for election to the Board of Directors must be:

(1) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors;

(2) otherwise made by or at the direction of the Board of Directors; or

(3) otherwise properly made by a stockholder of the Corporation who (A) is a stockholder of record at the time of giving of notice provided for in these By-Laws, on the record date for the meeting and at the time of the meeting, (B) is entitled to vote at the meeting and (C) complies with the notice procedures set forth in these By-Laws as to such nomination.

(b) For nominations to be properly brought before a meeting by a stockholder pursuant to clause (C) of paragraph (a)(3) of this Section 3, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, the stockholder's notice must be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received at the principal executive offices of the Corporation addressed to the attention of the Secretary of the Corporation:

(1) in the case of an annual meeting of stockholders, not earlier than the close of business on the 120th day nor later than the close of business on the 90th day prior to the anniversary of the date of the previous year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the annual meeting is called for a date that is more than 30 days before or after the anniversary date of the previous year's annual meeting, notice by the stockholder must be received by the Secretary of the Corporation not later than the close of business on the later of (A) the 90th day prior to such annual meeting and (B) the 10th day following the day on which public announcement of the date of such meeting is first made, and

(2) in the case of a special meeting of stockholders called for the purpose of electing directors, not earlier than the close of business on the 120th day prior to the date of such special meeting and not later than the close of business on the later of (A) the 90th day prior to such special meeting and (B) the 10th day following the day on which notice of the date of the special meeting was delivered or public announcement of the date of the special meeting is first made.

In no event shall the public announcement of an adjournment or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

(c) A stockholder's notice to the Secretary shall set forth;

(1) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class, series and number of shares of capital stock of the Corporation that are owned beneficially by the person, (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the Exchange Act and (v) the nominee's written consent to serve, if elected, and

(2) as to the stockholder giving the notice, (i) a description of all arrangements or understandings between such stockholder and each person the stockholder proposes for election or re-election as a director pursuant to which such proposed nomination is being made and (ii) the information called for by Section 2(c)(2) through (6) of Article III.

(d) The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

(e) In connection with any annual meeting of stockholders (or, if and as applicable, any special meeting of stockholders), the Chairman of the Board (or such other person presiding at such meeting in accordance with these By-Laws) shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the provisions of this Section, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Section 4. Vacancies. Any newly created directorship resulting from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy on the Board of Directors may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, may exercise the powers of the full board until the vacancy is filled. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, and a director elected to fill a position resulting from any increase in the authorized number of directors shall hold office until the next election of the class for which such director shall have been chosen (or, if directors are not at that time divided into classes, until the next annual meeting of stockholders to be held in the first year following the year of his or her election), subject in each case to the election and qualification of his or her successor or his or her earlier death, resignation or removal. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

Section 5. Resignation and Removal. Any director may resign at any time upon written notice to the Corporation at its principal place of business addressed to the attention of the Chief Executive Officer or the Secretary. Such resignation shall be effective upon receipt of such notice unless the notice specifies such resignation to be effective at some other time or upon the happening of some other event. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director may be removed from office by the stockholders only for cause and only in the manner provided in this Section. At any annual meeting or special meeting of stockholders, the notice of which identifies the director or directors proposed to be removed and states that the removal of a director or directors is among the purposes of the meeting, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of the shares of capital stock of the Corporation entitled to vote in the election of directors, voting as one class, may remove such director or directors for cause. Any director serving on a committee of the Board of Directors may be removed from such committee at any time by the Board of Directors.

Section 6. Quorum of Directors. A majority of the number of directors holding office on the date of any regular or special meeting shall constitute a quorum for the transaction of business at such meeting of the Board of Directors; *provided, however*, that if less than a majority of the number of directors holding office on the date of such meeting is present at that meeting, a majority of the directors present may adjourn the meeting at any time without further notice, unless otherwise required by law, until a quorum shall be present or represented.

Section 7. Organization and Manner of Acting. The Chairman of the Board shall preside over each meeting of the Board of Directors. If the Chairman of the Board is absent from a meeting of the Board of Directors, a chairman chosen at such meeting shall preside over such meeting. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, the Certificate of Incorporation or these By-Laws.

Section 8. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this By-Law, immediately after, and, at the same place as, the annual meeting of stockholders. The Board of Directors may provide, by resolution, the place, either within or without of the State of Delaware, date and time for the holding of additional regular meetings of the Board of Directors, without other notice than such resolution.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, the Chief Executive Officer, the President or a majority of the Board of Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the place, either within or without of the State of Delaware, for holding any special meeting of the Board of Directors called by them.

Section 10. Notice. Notice of each special meeting of the Board of Directors shall be given, either personally or as hereinafter provided, to each director at least 24 hours before the meeting. Notice may be delivered personally or by means of e-mail, telephone, telegram, telex, facsimile transmission, recognized express delivery service and United States mail. Any and all business may be transacted at a special meeting which may be transacted as a regular meeting of the Board of Directors. Except as may be otherwise expressly provided by law, the Certificate of Incorporation or these By-Laws, neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 11. Chairman of the Board. The Board of Directors shall annually elect one of its members to be the chairman of the board and shall fill any vacancy in the position of Chairman of the Board at such time and in such manner as the Board of Directors shall determine. The Chairman of the Board shall preside at all meetings of the Board of Directors and of stockholders. The Chairman of the Board shall exercise such powers and perform such duties as shall be assigned to or required of him from time to time by the Board of Directors or these By-Laws.

Section 12. Lead Director. By resolution, the Board of Directors shall appoint the chairperson of the Nominating and Corporate Governance Committee of the Board of Directors, or such other independent director as the resolution may provide, as the lead independent director (the "Lead Director"). The Lead Director shall have the responsibilities set forth in the Corporate Governance Guidelines of the Corporation, as such guidelines may be revised from time to time, together with such other responsibilities as the Board of Directors may from time to time specify.

Section 13. Committees. The Board of Directors may, by written resolution, create one or more committees of the Board of Directors and may appoint one or more directors to serve on any such committee or committees. Each committee shall have one or more members, who serve at the pleasure of the Board of Directors. Each committee may appoint a chairperson of such committee and, if so appointed, each committee shall appoint a new chairperson at least once every three years. A majority of any committee shall constitute a quorum and a majority of a quorum is necessary for committee action. A committee may act by unanimous consent in writing without a meeting and, subject to the provisions of these By-Laws or any action by the Board of Directors, the committee by majority vote of its numbers shall fix the time and place of meetings and the notice required therefor and may fix its own rules of procedure. Any committee established pursuant to this Section shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, but only to the extent provided in the resolution of the Board of Directors establishing such committee or otherwise delegating specific power and authority to such committee and except as limited by law, the Certificate of Incorporation or these By-Laws. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 14. Action by Written Consent. Any action required by the General Corporation Law of the State of Delaware to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent in writing or by electronic transmission, provided that any such electronic transmission complies with Section 141 of the General Corporation Law of the State of Delaware. All approvals evidencing any such consent shall be delivered to the Secretary of the Corporation to be filed in the corporate records. Any action taken by such consent shall be effective as of the date on which the Corporation receives approvals evidencing that all of the directors have approved the consent, unless the consent specifies a different effective date.

Section 15. Meeting by Communications Equipment. Members of the Board of Directors or of any committee of the Board of Directors may participate in and act at any meeting of the board or committee by means of conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute attendance and presence in person at such meeting.

Section 16. Compensation. The Board of Directors, by the affirmative vote of a majority of the directors then in office, and irrespective of any personal interest of any of its members, shall have authority to establish reasonable compensation of all directors for services to the Corporation as directors, officers or otherwise. By resolution of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors. The directors may also be entitled to participate in any benefit plan as they determine. No such payment previously mentioned in this Section will preclude any director from serving the Corporation in any other capacity and receiving compensation for that service.

ARTICLE V

OFFICERS

Section 1. Number. The officers of the Corporation shall be a Chief Executive Officer, a President, a Chief Financial Officer and a Secretary. The Board of Directors, in its sole discretion, may also choose one or more vice presidents, a treasurer, one or more assistant treasurers, one or more assistant secretaries and such other officers as it shall deem necessary. Any two or more offices may be held by the same person, except for the offices of President and Secretary. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable, except that the offices of President and Secretary shall be filled as expeditiously as possible.

Section 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as reasonably practicable. Each officer shall hold office until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. Election of an officer shall not of itself create contract rights.

Section 3. Resignation. Any officer may resign at any time upon written notice to the Corporation directed to the Board of Directors or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein and no acceptance of such resignation shall be necessary to make it effective.

Section 4. Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5. Vacancies; New Offices. A vacancy occurring in any office may be filled and new offices may be created and filled, at any time, by the Board of Directors.

Section 6. Chief Executive Officer. The Chief Executive Officer of the Corporation shall be in charge of the management of the day-to-day business and affairs of the Corporation subject to the policies and directions of the Board of Directors. He or she may sign deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except where required or permitted by law to be otherwise signed and except where the signing thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. He or she shall have the power to appoint such agents and employees as in his or her judgment may be necessary or proper for the transaction of the business of the Corporation and in general shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed by the Board of Directors or these By-Laws.

Section 7. President. The President may be the chief operating officer who shall be in charge of the day-to-day operations and affairs of the Corporation subject to the policies and the directions of the Board of Directors and of the Chief Executive Officer. In the absence of the Chief Executive Officer, the President shall discharge the functions of the Chief Executive Officer. The President may sign deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except where required or permitted by law to be otherwise signed and except where the signing thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. The President shall also have the power to appoint such agents and employees as in his or her judgment may be necessary or proper for the transaction of the business of the Corporation and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors, the Chief Executive Officer or these By-Laws.

Section 8. Chief Financial Officer. The Chief Financial Officer shall have general charge and supervision of the financial affairs of the Corporation, subject to the direction and control of the Board of Directors and the Chief Executive Officer, including budgetary, accounting and statistical methods and approve payment, or designate others serving under him to approve for payment, of all vouchers and warrants for disbursements of funds. The Chief Financial Officer may sign deeds, mortgages, bonds, or other instruments which the Board of Directors has authorized to be executed, except where required or permitted by law to be otherwise signed and except where the signing thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. The Chief Financial Officer in general shall perform all duties incident to the office of Chief Financial Officer and such other duties as may be prescribed by the Board of Directors, the Chief Executive Officer, the President or these By-Laws.

Section 9. Secretary. The secretary shall (a) keep the minutes of the stockholders' and the Board of Directors' meetings; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) have general charge of the corporate records and for the seal of the Corporation; (d) have general charge of the stock transfer books of the Corporation; (e) keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder; (f) sign with the President, or any other officer duly authorized by the Board of Directors, any deeds, mortgages, bonds or other instruments which the Board of Directors has authorized to be executed, according to the requirements of the form of the instrument; and (g) in general perform all duties incident to the office of Secretary and such other duties as may be prescribed by the Board of Directors, the Chief Executive Officer, the President or these By-Laws.

Section 10. Vice President(s). The vice president (or in the event more than one vice president is elected, each of the vice presidents) shall assist the President in the discharge of his or her duties as the President may direct, and shall perform such other duties as from time to time may be assigned to him or her (them) by the Chief Executive Officer, the President or the Board of Directors. In the absence of the President, the vice president, if one is elected (or vice presidents, in the order designated by the Board, or in the absence of any designation, then in the order of their election), shall perform the duties and exercise the authority of the President.

Section 11. Treasurer. The treasurer shall (a) have charge and custody of and be responsible for all funds and securities of the Corporation; (b) receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation; (c) have charge of and be responsible for the maintenance of adequate books of account for the Corporation; and (d) in general perform all duties incident to the office of treasurer and such other duties as may be prescribed by the Board of Directors, the Chief Executive Officer, the President or these By-Laws.

Section 12. Assistant Treasurers and Assistant Secretaries; Other Officers. The Board of Directors may elect one or more assistant treasurers and assistant secretaries. In the absence of the Treasurer, or in the event of his or her inability or refusal to act, the assistant treasurer(s), in the order of their election, shall perform the duties and exercise the authority of the treasurer. In the absence of the Secretary, or in the event of his or her inability or refusal to act, the assistant secretary(ies), in the order of their election, shall perform the duties and exercise the authority of the secretary. The assistant treasurer(s) and assistant secretary(ies), in general, shall perform such other duties as may be prescribed by the Treasurer or the Secretary, respectively, or by the Board of Directors, the Chief Executive Officer, the President or these By-Laws. Such other officers or assistant officers as the Board of Directors may choose shall perform such duties and have such powers as may be prescribed by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

Section 13. Compensation. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the Board of Directors.

ARTICLE VI

INDEMNIFICATION

Section 1. General. The Corporation shall, to the fullest extent permitted by law, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that he or she is or was a director or officer of the Corporation, or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit

or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, have reasonable cause to believe that the person's conduct was unlawful.

Section 2. Actions by or in the Right of the Corporation. The Corporation shall, to the fullest extent permitted by law, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery of the State Delaware or such other court shall deem proper.

Section 3. Indemnification Against Expenses. To the extent that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 1 and 2 hereof, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 4. Board Determinations. Any indemnification under Sections 1 and 2 hereof (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in Sections 1 and 2 hereof. Such determination shall be made with respect to a person who is a director or officer at the time of such determination: (a) by a majority vote of the directors who were not parties to such action, suit or proceeding, even though less than a quorum; (b) by a committee of such directors designated by majority vote of such directors, even though less than a quorum; or (c) if there are no such disinterested directors, by the stockholders.

Section 5. Advancement of Expenses. Expenses (including attorneys' fees) incurred by an officer or director of the Corporation in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized by law or in this Section. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents of the Corporation or persons serving at the request of the Corporation as directors, officers, employees or agents of another corporation, partnership, limited liability company, joint venture, trust or other enterprise may be so paid upon such terms and conditions, if any, as the Corporation deems appropriate.

Section 6. Nonexclusive. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any other by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding office, and shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of the General Corporation Law of the State of Delaware, the Certificate of Incorporation or this Article VI.

Section 8. Other Indemnification. The Corporation may, by action of the Board of Directors, provide indemnification to employees and agents of the Corporation with the same or lesser scope and effect as the foregoing indemnification of directors and officers.

Section 9. Certain Definitions. For purposes of this Article VI, (a) references to "the Corporation" shall include, in addition to the Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued; (b) references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; (c) references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to any employee benefit plan, its participants, or beneficiaries; and (d) a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation."

Section 10. Change in Governing Law. In the event of any amendment or addition to Section 145 of the General Corporation Law of the State of Delaware or the addition of any other section to such law which shall limit indemnification rights thereunder, the Corporation shall, to the fullest extent permitted by the General Corporation Law of the State of Delaware, indemnify to the fullest extent authorized or permitted hereunder, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Corporation), by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding.

Section 11. Repeal or Modification of Indemnification. Any repeal or modification of this Article VI by the stockholders of the Corporation shall not conflict with or adversely affect any right or protection of a director, officer, employee or agent of the Corporation existing at the time of such repeal or modification.

ARTICLE VII

GENERAL

Section 1. Amendment of By-Laws. These By-Laws may be altered, amended or repealed, and new By-Laws may be adopted, by the Board of Directors or by the affirmative vote of the holders at least sixty-six and two-thirds percent (66-2/3%) of the stock then outstanding and entitled to vote.

Section 2. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 3. Dividends and Distributions. The Board of Directors may from time to time declare or otherwise authorize, and the Corporation may pay, dividends or other distributions on its outstanding stock in the manner and upon the terms, conditions and limitations provided by law or the Certificate of Incorporation.

Section 4. Corporate Seal. The Corporation may, at the option of the Board of Directors, provide a corporate seal which shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Section 5. Waiver of Notice. Whenever any notice is required to be given by law, the Certificate of Incorporation or under the provisions of these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, or a waiver thereof by electronic transmission by such person or persons, whether before or after the time stated therein, shall be

deemed equivalent to the giving of such notice. Attendance at a meeting shall constitute a waiver of notice of such meeting, except where a person attends for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the grounds that the meeting is not lawfully called or convened. Any person so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 6. Headings. Section or paragraph headings are inserted herein only for convenience of reference and shall not be considered in the construction of any provision hereof.

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CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

(a) That I am the duly elected and acting Secretary of Potbelly Corporation, a Delaware corporation; and

(b) That the foregoing by-laws constitute the by-laws of said corporation as duly adopted by the board of directors of said corporation as of , 2013 and by written consent of of all issued and outstanding shares of capital stock of said corporation as of , 2013.

IN WITNESS WHEREOF, I have hereunto subscribed my name this day of , 2013.

Potbelly Corporation

FIFTH AMENDED AND RESTATED
REGISTRATION RIGHTS AGREEMENT

This **FIFTH AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT** (this "**Agreement**") is made as of December 24, 2008, by and among POTBELLY CORPORATION, a Delaware corporation (the "**Company**"), and the holders of Registrable Securities listed on Exhibit A hereto.

RECITALS

WHEREAS, the Series A Preferred Stockholders are the holders of an aggregate of 4,197,377 shares of Series A Convertible Preferred Stock, $0.01 par value per share, of the Company (the "**Series A Preferred Stock**");

WHEREAS, the Series B Preferred Stockholders are the holders of an aggregate of 3,290,294 shares of Series B Convertible Preferred Stock, $0.01 par value per share, of the Company (the "**Series B Preferred Stock**");

WHEREAS, the Series C Preferred Stockholders are the holders of an aggregate of 1,646,595 shares of Series C Convertible Preferred Stock, $0.01 par value per share, of the Company (the "**Series C Preferred Stock**");

WHEREAS, the Series D Preferred Stockholders are the holders of an aggregate of 1,250,000 shares of Series D Convertible Preferred Stock, $0.01 par value per share, of the Company (the "**Series D Preferred Stock**");

WHEREAS, the Series E Preferred Stockholders are the holders of an aggregate of 4,194,366 shares of Series E Convertible Preferred Stock, $0.01 par value per share, of the Company (the "**Series E Preferred Stock**");

WHEREAS, pursuant to the terms of that certain Series F Preferred Stock and Warrant Purchase Agreement (the "**Series F Purchase Agreement**") dated as of the date hereof, the Series F Preferred Stockholders are acquiring an aggregate of up to 2,500,000 shares of Series F Convertible Preferred Stock, $0.01 par value per share, of the Company (the "**Series F Preferred Stock**") and warrants to purchase an aggregate of up to 750,000 shares of Common Stock, at an exercise price of $0.01 per share (the "**Series F Warrants**");

WHEREAS, the Company, the Series A Preferred Stockholders, the Series B Preferred Stockholders, the Series C Preferred Stockholders, the Series D Preferred Stockholders and the Series E Preferred Stockholders are parties to an existing Registration Rights Agreement dated as of February 13, 2006, as amended by that certain Amendment to Fourth Amended and Restated Registration Rights Agreement of the Company, dated September 28, 2007 (the "**Existing Rights Agreement**");

WHEREAS, the Series F Purchase Agreement is conditioned upon this Agreement being executed by the parties hereto, and is intended to supersede in its entirety the Existing Rights Agreement; and

WHEREAS, as evidenced by their signatures to this Agreement, the Company, the Series A Preferred Stockholders, the Series B Preferred Stockholders, the Series C Preferred Stockholders, the Series D Preferred Stockholders, and the Series E Preferred Stockholders desire to amend and restate the Existing Rights Agreement and to accept the rights and restrictions hereof in lieu of the rights and restrictions provided under the Existing Rights Agreement.

NOW, **THEREFORE**, in consideration of the foregoing and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions.

1.1 Unless otherwise provided in this Agreement, capitalized terms used herein shall have the following meanings:

"**Agreement**" has the meaning set forth in the first paragraph above.

"**Common Stock**" means the Company's common stock, $0.01 par value per share.

"**Company**" has the meaning set forth in the first paragraph above.

"**Company's IPO**" has the meaning set forth in Section 2.1.

"**Demand Registrations**" has the meaning set forth in Section 2.1.

"**Exchange Act**" has the meaning set forth in Section 2.3.

"**Existing Rights Agreement**" has the meaning set forth in the Recitals.

"**Founder Securities**" means any Common Stock or Non-Voting Common Stock held by Bryant L. Kiel, Sheila K. Kiel and/or a Kiel Affiliate (excluding any Common Stock described in clauses (a), (b) or (d) (to the extent applicable) of the definition of "Registrable Securities")

"**Keil Affiliate**" means, with respect to Bryant L. Keil and Sheila K. Keil (i) such Person's, spouse, siblings and descendants (whether natural or adopted) and any of such descendants' spouses; (ii) any trust which is and at all times remains solely for the benefit of such Person and/or the Persons described in clause (i) and/or the Persons described in clause (iii); and (iii) any family limited partnership, limited liability company, Subchapter S corporation, or other tax flow-through entity, the partners, members or other equity owners of which are and at all times remain solely such Person and/or the Persons described in clause (i) and/or the trusts described in clause (ii) and/or any other Person described in this clause (iii).

"**Long-Form Registrations**" has the meaning set forth in Section 2.1.

"**Non-Voting Common Stock**" means the Company's non-voting common stock, $0.01 par value per share.

"**Piggyback Registration**" has the meaning set forth in Section 3.1.

"**Preferred Stock**" means collectively the Series A Preferred Stock, the Series B Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stockholders, the Series E Preferred Stock and the Series F Preferred Stock.

"**Preferred Stockholders**" means the holders of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Series E Preferred Stock and/or Series F Preferred Stock listed on Exhibit A hereto.

"**Qualified Holders**" means the holders of a majority of the Registrable Securities (excluding any Founder Securities) then outstanding.

"**Registrable Securities**" means (a) any Common Stock held by a Preferred Stockholder, (b) any Common Stock issued upon the conversion of any Preferred Stock, (c) any Founder Securities, (d) any Common Stock issued or issuable upon exercise of the Series F Warrants, and (e) any Common Stock issued or issuable with respect to any of the securities referred to in clauses (a), (b) or (c) by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (i) they have been distributed to the public pursuant to an offering registered under the Securities Act, (ii) they have been sold to the public through a broker, dealer or market maker in compliance with Rule 144 under the Securities Act (or any similar rule then in force) or (iii) at the time of any Demand Registration or Piggyback Registration they constitute, together with all other Registrable Securities held by the holder thereof, less than any of the thresholds described in Rule 144(e)(1)(i), (ii) or (iii) (irrespective of whether the holder thereof is an "affiliate" as defined in Rule 144). For purposes of this Agreement, a Person shall be deemed to be the holder of Registrable Securities, and the Registrable Securities shall be deemed to be outstanding and in existence, whenever such Person has the right to acquire such Registrable Securities upon conversion of Preferred Stock or conversion or exercise of any other securities held by such Person, whether or not such acquisition has actually been effected, and such Person shall be entitled to exercise the rights of a holder of such Registrable Securities hereunder.

"**Registration Expenses**" has the meaning set forth in Section 6.1.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Series A Preferred Stock**" has the meaning set forth in the Recitals.

"**Series A Preferred Stockholders**" means the holders of Series A Preferred Stock.

"**Series B Preferred Stock**" has the meaning set forth in the Recitals.

"**Series B Preferred Stockholders**" means the holders of Series B Preferred Stock.

"**Series C Preferred Stock**" has the meaning set forth in the Recitals.

"**Series C Preferred Stockholders**" means the holders of Series C Preferred Stock.

"**Series D Preferred Stock**" has the meaning set forth in the Recitals.

"**Series D Preferred Stockholders**" means the holders of Series D Preferred Stock.

"**Series E Preferred Stock**" has the meaning set forth in the Recitals.

"**Series E Preferred Stockholders**" means the holders of Series E Preferred Stock.

"**Series F Preferred Stock**" has the meaning set forth in the Recitals.

"**Series F Preferred Stockholders**" means the holders of Series F Preferred Stock.

"**Series F Purchase Agreement**" has the meaning set forth in the Recitals.

"**Series F Warrants**" has the meaning set forth in the Recitals.

"**Shelf Registration**" has the meaning set forth in Section 2.3.

"**Short-Form Registrations**" has the meaning set forth in Section 2.1.

"**Suspension Period**" has the meaning set forth in Section 5.2.

"**Violation**" has the meaning set forth in Section 7.1.

1.2 Unless otherwise stated, other capitalized terms used but not defined herein shall have the meanings set forth in the Series F Purchase Agreement.

2. Demand Registrations.

2.1 Requests for Registration. At any time following the earlier of: (a) the five-year anniversary of the date of this Agreement, and (h) the six-month anniversary of the consummation of the Company's initial public offering of Common Stock pursuant to a registration statement declared effective under the Securities Act (the "**Company's IPO**"), the Qualified Holders may, subject to Section 2.2, request registration under the Securities Act of all or any portion of their Registrable Securities on Form S-1 or any similar long-form registration (the "**Long-Form Registrations**"). At any time the Company is then eligible to do so, any Preferred Stockholder may, subject to Section 2.3, request registration under the Securities Act of all or any portion of its Registrable Securities on Form S-3 or any similar short-form registration statement (the "**Short-Form Registrations**") if available. All registrations requested pursuant to this Section 2.1 (whether Long-Form Registrations or Short-Form Registrations) are referred to herein as "**Demand Registrations**." Each request for a Demand Registration shall specify the approximate number of Registrable Securities requested to be registered. Within ten days after receipt of any such request, the Company shall give written notice of such requested registration to all other holders of Registrable Securities and shall include as part of such Demand Registration all Registrable Securities with respect to which the Company has received written requests For inclusion therein within 21 days after the receipt of the Company's notice by such holders.

2.2 Long-Form Registrations. The Qualified Holders shall be entitled to request two Long-Form Registrations with respect to Registrable Securities, all of which shall be underwritten offerings.

2.3 Short-Form Registrations. In addition to the Long-Form Registrations provided pursuant to Section 2.2, any Preferred Stockholder shall be entitled to request an unlimited number of Short-Form Registrations with respect to Registrable Securities; *provided*, that, (i) the aggregate offering price of such Registrable Securities to be registered is at least $1,000,000 and (ii) the Company shall not be required to cause more than two Short-Form Registrations to be filed in any twelve-month period. Demand Registrations shall be Short-Form Registrations whenever the Company is permitted to use Form S-3 or any similar short form. After the Company has become subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), the Company shall use its commercially reasonable efforts to make Short-Form Registrations available for the sale of Registrable Securities. In connection with any Short-Form Registration, the holders of a majority of the Registrable Securities which are included in such Short-Form Registration may require the Company to file such Short-Form Registration with the Securities and Exchange Commission in accordance with and pursuant to Rule 415 promulgated under the Securities Act (or any successor rule then in effect) (a "**Shelf Registration**").

2.4 Priority on Demand Registrations. If a Demand Registration is an underwritten offering and the managing underwriters advise the Company in writing that, in their opinion, the number of Registrable Securities requested to be included in such offering exceeds the number of securities which can be sold therein without adversely affecting the marketability of the offering and within a price range acceptable to the holders of a majority of the Registrable Securities requesting registration, the Company shall first include in such registration, prior to the inclusion of any securities which are not Registrable Securities, the Registrable Securities requested to be included which in the opinion of such underwriters can be sold without adversely affecting the marketability of the offering, *pro rata* among the respective holders thereof on the basis of the amount of Registrable Securities owned by each such Preferred Stockholder.

2.5 Restrictions on Registration. The Company may postpone for up to 90 days the filing or the effectiveness of a registration statement for a Demand Registration if the Company reasonably believes that such Demand Registration will have a material adverse effect on any proposal or plan by the Company to engage in any financing, acquisition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or other significant transaction; *provided*, that the Company shall have the right to so postpone such filing or effectiveness only one time during any period of twelve consecutive months.

2.6 Selection of Underwriters. The Company shall have the right to select the investment banker(s) and manager(s) to administer the offering in connection with any Demand Registration, subject to the approval of the holders of a majority of the Registrable Securities included in such Demand Registration (which approval shall not be unreasonably withheld or delayed).

3. Piggyback Registrations.

3.1 Right to Piggyback. Whenever the Company proposes to register any of its securities under the Securities Act (other than pursuant to a Demand Registration which shall be governed by Section 2, and registrations related solely to employee benefit plans or a Rule 145 transaction) and the registration form to be used may be used for the registration of Registrable Securities (a "**Piggyback Registration**"), the Company shall give prompt written notice to all

holders of Registrable Securities of its intention to effect such a registration and, subject to the terms hereof, shall include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 21 days after such holders receive the Company's notice.

3.2 Priority on Primary Registrations. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold therein without adversely affecting the marketability of the offering, the Company shall include in such registration (a) first, the securities the Company proposes to sell, (b) second, the Registrable Securities requested to be included in such registration, *pro rata* among the respective holders thereof on the basis of the amount of Registrable Securities owned by each such Preferred Stockholder and (c) third, other securities requested to be included in such registration; *provided*, that, at least 15% of all securities proposed to be sold in any such Piggyback Registration shall constitute Registrable Securities requested to be included therein; *provided*, *further*, that the holders of Registrable Securities may not require registration of their securities in the Company's IPO unless other stockholders' securities are included in such registration, in which case requesting holders shall participate with other participating stockholders *pro rata* according to such holders' and stockholders' proportionate ownership of Company stock (assuming conversion into Common Stock of all securities owned by such holders and stockholders then convertible into Common Stock).

3.3 Priority on Secondary Registrations. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without adversely affecting the marketability of the offering, the Company shall include in such registration (a) first, the securities requested to be included therein by the holders requesting such registration, (b) second, the Registrable Securities requested to be included in such registration, *pro rata* among the holders of such securities on the basis of the number of Registrable Securities owned by each such holder and (c) third, other securities requested to be included in such registration; *provided*, that, at least 15% of all securities proposed to be sold in any such Piggyback Registration shall constitute Registrable Securities requested to be included therein.

3.4 Selection of Underwriters. The Company shall have the right to select the investment banker(s) and manager(s) to administer the offering in connection with any Piggyback Registration.

4. Holdback Agreements. Each holder of Registrable Securities shall not effect any public sale or distribution (including sales pursuant to Rule 144) of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, or engage in any hedging transactions relating to the same, during (i) with respect to the Company's IPO, the 180-day period beginning on the effective date of the registration statement relating thereto (or such shorter time period imposed on any of the Company's directors, officers or holders of 2% or greater of the Company's capital stock) or (ii) with respect to (x) any underwritten Demand Registration or (y) any underwritten Piggyback Registration, in each case pursuant to

which such holder's Registrable Securities are included, the 90-day period beginning on the effective date of the registration statement relating thereto; *provided*, *however*, that in the periods described above, the holders of Registrable Securities shall be so restricted from effecting transactions in the Company's securities only if all of the Company's executive officers, directors and holders of 2% or greater of the Company's capital stock (except with respect to clause (ii) any such holders who acquired such securities in the public markets) are also so restricted; and *provided*, *further*, that no restriction under clause (i) or (ii) above shall apply to any Registrable Securities registered by the Company pursuant to the Company's IPO or pursuant to any underwritten Demand Registration or Piggyback Registration.

5. Registration Procedures. Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement, the Company shall use commercially reasonable efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company shall as expeditiously as possible:

5.1 prepare and file with the Securities and Exchange Commission a registration statement with respect to such Registrable Securities and use its commercially reasonable efforts to cause such registration statement to become effective;

5.2 notify each holder of Registrable Securities of the effectiveness of each registration statement filed hereunder and prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than 120 days (or, if sooner, until all Registrable Securities have been sold under such registration statement) (or, in the case of a Shelf Registration, a period ending on the earlier of (i) the date on which all Registrable Securities have been sold pursuant to the Shelf Registration or have otherwise ceased to be Registrable Securities, and (ii) the 6-month anniversary of the effective date of such Shelf Registration) and comply with the provisions of the Securities Act with respect to the disposition of securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement; *provided*, *however*, that at any time, upon written notice to the participating holders of Registrable Securities and for a period not to exceed forty-five (45) days thereafter (the "**Suspension Period**"), the Company may suspend the use or effectiveness of any registration statement (and the holder of Registrable Securities participating in such offering hereby agrees not to offer or sell any Registrable Securities pursuant to such registration statement during the Suspension Period) if the Company reasonably believes that the Company may, in the absence of such suspension hereunder, be required under state or federal securities laws to disclose any corporate development the disclosure of which could reasonably be expected to have an adverse effect upon the Company, its stockholders, a potentially significant transaction or event involving the Company, or any negotiations, discussions, or proposals directly relating thereto. No more than two (2) such Suspension Periods shall occur in any twelve (12) month period. In the event that the Company shall exercise its rights hereunder, the applicable time period during which the registration statement is to remain effective shall be extended by a period of time equal to the duration of the Suspension Period. The Company may extend the Suspension Period for an additional consecutive thirty (30) days with the consent of the holders of at least a majority of the Registrable Securities proposed to be sold by the holders participating in such offering. If so

directed by the Company, the holders of Registrable Securities shall use their commercially reasonable efforts to deliver to the Company (at the Company's expense) all copies, other than permanent file copies then in such holders' possession, of the prospectus relating to such Registrable Securities current at the time of receipt of such notice.

5.3 furnish to each seller of Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

5.4 use commercially reasonable efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (*provided*, *however*, that the Company shall not be required to (a) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subsection, (b) subject itself to taxation in any such jurisdiction or (c) consent to general service of process in any such jurisdiction);

5.5 notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of any such seller, the Company shall prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the sellers of such Registrable Securities, such prospectus shall not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

5.6 cause all such Registrable Securities to be listed on each securities exchange and/or quotation system on which similar securities issued by the Company are then listed and/or quoted;

5.7 provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

5.8 enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including effecting a stock split or a combination of shares);

5.9 make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement;

5.10 otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the Securities and Exchange Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first day of the Company's first full calendar quarter after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder;

5.11 in the event of the issuance of any stop order suspending the effectiveness of a registration statement, or of any order suspending or preventing the use of any related prospectus or suspending the qualification of any common stock included in such registration statement for sale in any jurisdiction, the Company shall use its commercially reasonable efforts promptly to obtain the withdrawal of such order; and

5.12 use its commercially reasonable efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the sellers thereof to consummate the disposition of such Registrable Securities.

6. Registration Expenses.

6.1 All expenses incident to the Company's performance of or compliance with this Agreement (whether with respect to a Demand Registration or Piggyback Registration), including, without limitation, all registration and filing fees, fees of any transfer agent and registrar, fees and expenses of compliance with securities or blue sky laws, printing expenses, fees and disbursements of counsel for the Company and its independent certified public accountants, fees and expenses of underwriters (excluding discounts and commissions attributable to the Registrable Securities included in such registration), the Company's internal expenses and the expenses and fees for listing the securities to be registered on each securities exchange or quotation system on which similar securities issued by the Company are then listed or quoted (all such expenses being herein called "**Registration Expenses**"), shall be borne by the Company.

6.2 In connection with each Demand Registration and each Piggyback Registration, the Company shall reimburse the holders of Registrable Securities included in such registration for the reasonable fees and disbursements of one counsel (not to exceed $20,000 for each such registration) chosen by the holders of a majority of the Registrable Securities included in such registration.

7. Indemnification.

7.1 In connection with any Demand Registration or Piggyback Registration, the Company agrees to indemnify, to the extent permitted by law, each holder of Registrable Securities, the partners or officers, directors, and equity holders of such holder, and each Person who controls such holder (within the meaning of the Securities Act) against all losses, claims, damages, liabilities (joint or several) and expenses arising out of, based upon or caused by any of the following statements, omissions or violations (each, a "**Violation**"): (i) any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto, (ii) any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not

misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities laws or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities laws; and the Company will reimburse each such holder or controlling person for any legal or other expenses reasonably incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however*, that the Company shall not be liable in any such case for any such loss, claim, damage, liability or action to the extent that it is caused by a Violation that occurs in reliance upon and in conformity with any information furnished in writing to the Company by such holder or as a result of such holder's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto to a purchaser of such holder's securities after the Company has furnished such holder with a sufficient number of copies of the same.

7.2 In connection with any Demand Registration or Piggyback Registration in which a holder of Registrable Securities is participating, each such holder agrees to indemnify, to the extent permitted by law, the Company, its directors, officers, any other holder selling securities in such Demand Registration or Piggyback Registration, and each Person who controls the Company (within the meaning of the Securities Act) against all losses, claims, damages, liabilities (joint or several) and expenses arising out of, based upon or caused by any Violation, and such holder will reimburse the Company and each such Person for any legal or other expenses reasonably incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or expense, *but only* to the extent that such Violation is caused by any information furnished in writing by such holder or as a result of such holder's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such holder with a sufficient number of copies of the same; *provided*, that, the obligation to indemnify shall be individual, not joint and several, for each holder and shall be limited to the net amount of proceeds received by such holder from the sale of Registrable Securities pursuant to such registration statement.

7.3 Any Person entitled to indemnification hereunder shall (a) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification (provided that the failure to give prompt notice shall not impair any Person's right to indemnification hereunder to the extent such failure has not prejudiced the indemnifying party's ability to defend such claim), and (b) unless in the written opinion of legal counsel to such indemnified or indemnifying parties a conflict of interest between such indemnified and indemnifying parties exists with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party shall not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent shall not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim shall be obligated to pay the fees and expenses of one counsel (but not more than one) for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment (with written advice of counsel) of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

7.4 The indemnification provided for under this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any partner, officer, director or controlling Person of such indemnified party and shall survive the transfer of securities. The Company also agrees to make such provisions, as are reasonably requested by any indemnified party, for contribution to such party in the event the Company's indemnification is unavailable for any reason.

8. Participation in Underwritten Registrations. No Person may participate in any registration hereunder which is underwritten unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Company and (b) completes and executes all questionnaires, powers of attorney and other documents required under the terms of such underwriting arrangements; *provided*, that, no holder of Registrable Securities included in any underwritten registration shall be required to make any representations or warranties to the Company or the underwriters (other than representations and warranties regarding such holder and such holder's intended method of distribution) or to undertake any indemnification obligations to the Company or the underwriters with respect thereto, except to the extent of the indemnification provided in Section 7.

9. Miscellaneous.

9.1 Future Registration Rights. The Company shall not grant to any Person any additional registration rights with respect to securities of the Company if such additional registration rights are not *pari passu* with or subordinate to the registration rights granted to the Preferred Stockholders pursuant to this Agreement, unless the holders of a majority of the Registrable Securities then outstanding consent in writing.

9.2 Remedies. Any Person having rights under any provision of this Agreement shall be entitled to enforce such rights specifically to recover damages caused by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. The parties hereto agree and acknowledge that money damages are not an adequate remedy for any breach of the provisions of this Agreement and that any party may apply for specific performance and for other injunctive relief in order to enforce or prevent violation of the provisions of this Agreement.

9.3 Amendments and Waivers. Except as otherwise provided herein, the provisions of this Agreement may be amended or waived only upon the prior written consent of (a) the Company and (b) the holders of a majority of the Registrable Securities then outstanding. Notwithstanding anything in this Agreement to the contrary, after the Offering Termination Date, the Company may amend Exhibit A to reflect all issuances of Series F Preferred Stock and Series F Preferred Warrants without the consent of any other party.

9.4 Successors, Assigns and Subsequent Holders.

(a) All covenants and agreements in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and the permitted assigns of the parties hereto.

(b) The rights to cause the Company to register Registrable Securities pursuant to this Agreement may be assigned (but only with all related obligations) by a holder of Registrable Securities to a transferee of such securities if (x) such transfer involves at least 33% of the Registrable Securities held by the holder on the date hereof, (y) such transfer involves the transfer

of at least 250,000 shares of Registrable Securities, or (z) the transfer is to (i) a subsidiary, parent, partner, limited partner, member, retired member, retired partner or stockholder of such holder or (ii) such holder's family member or trust for the benefit of such holder *(provided*, that all such transferees who would not qualify individually for assignment of registration rights under clause (x) or (y) of this Section 9.4 have a single attorney-in-fact for the purpose of exercising any rights, receiving notices or taking any action under this Agreement).

(c) No assignment or transfer pursuant to this Section 9.4 shall be effective unless (i) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned; and (ii) such transferee or assignee agrees in writing to be bound by and subject to the terms and conditions of this Agreement.

9.5 Aggregation of Stock. All shares of Registrable Securities held or acquired by affiliated entities or persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

9.6 Entire Agreement; Supersedes Existing Rights Agreement. This Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements, negotiations, discussions and understandings among the parties hereto with respect to such subject matter, including without limitation the Existing Rights Agreement which is hereby amended and restated in its entirety and hereafter of no further force or effect.

9.7 Severability. Wherever possible, each provision of this Agreement will be interpreted in such manner as to, be effective and valid under applicable law and in such a way as to, as closely as possible, achieve the intended economic effect of such provision and this Agreement as a whole, but if any provision contained herein is, for any reason, held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such provision or any other provisions hereof, unless such a construction would be unreasonable.

9.8 Termination. Except for the provisions of Section 7, this Agreement shall terminate and be of no further force and effect on the fourth anniversary of the Company's IPO.

9.9 Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given upon delivery (a) when delivered personally, (b) if transmitted by facsimile when confirmation of transmission is received, (c) if sent by registered or certified mail, postage prepaid, return receipt requested or (d) if sent by reputable overnight courier service; and shall be addressed as follows:

To the Company:

Potbelly Corporation
Attention: Aylwin Lewis, Chief Executive Officer
222 Merchandise Mart Plaza
Suite 2300
Chicago, Illinois 60654
Facsimile: (312) 577-0451

with a copy to:

Potbelly Corporation
222 Merchandise Mart Plaza
Suite 2300
Chicago, Illinois 60654
Attention: Matt Revord,
General Counsel
Facsimile: (312) 896-9255

and

Bell, Boyd & Lloyd LLC
70 West Madison
Chicago, Illinois 60602
Attention: Lawrence C. Eppley
Facsimile: (312) 827-8035

To the holders of Registrable Securities:

At their respective addresses set forth on
Exhibit A attached hereto

9.10 Governing Law. This Agreement and the exhibits and schedules hereto shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. In furtherance of the foregoing, the internal law of the State of Delaware shall control the interpretation and construction of this Agreement (and all schedules and exhibits hereto), even though under that jurisdiction's choice of law or conflict of law analysis, the substantive law of some other jurisdiction would ordinarily apply.

9.11 Submission to Jurisdiction; Waiver of Jury Trial.

(a) Each of the parties hereby irrevocably submits in any suit, action or proceeding arising out of or related to this Agreement, or any of the transactions contemplated hereby or thereby, to the exclusive jurisdiction of any state or federal court located in the State of Delaware, and, to the extent permissible by law, waives any and all claims and objections that any such court is an inconvenient forum.

(b) EACH OF THE PARTIES HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL. BY JURY IN ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, BETWEEN OR AMONG ANY OF THE PARTIES ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY OF THE TRANSACTION DOCUMENTS, OR ANY OTHER INSTRUMENT OR DOCUMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH OR THEREWITH. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

9.12 Attorneys' Fees. In the event of any action or suit based upon or arising out of any actual or alleged breach by any party of any provision of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and expenses of such action or suit from the losing party, in addition to any other relief ordered by the court.

9.13 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which will be considered an original instrument, but all of which together will be considered one and the same agreement, and will become binding when one or more counterparts have been signed by and delivered to each of the parties.

[SIGNATURE PAGES FOLLOW]

Signature Pages Follow This Page

Blank signature blocks represent stockholders who did not participate in the Series F Preferred Financing and whose signature was not required.

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Amended and Restated Registration Rights Agreement to be executed the day and year first above written.

POTBELLY CORPORATION

By: /s/ Aylwin Lewis
Aylwin Lewis,
Chief Executive Officer

PREFERRED STOCKHOLDERS:

BENCHMARK CAPITAL PARTNERS IV, L.P.
as nominee for
Benchmark Capital Partners IV, L.P.
Benchmark Founders' Fund IV, L.P.
Benchmark Founders' Fund IV-A, L.P.
Benchmark Founders' Fund IV-B, L.P.
and related individuals

By: Benchmark Capital Management Co. IV, L.L.C.
its general partner

By: /s/ Steven M. Spurlock
Managing Member

OAK INVESTMENT PARTNERS IX, LIMITED PARTNERSHIP

By: Oak Associates IX, LLC, Its General Partner

By: /s/ Gerald R. Gallagher
Gerald R. Gallagher, Its Managing Member

OAK IX AFFILIATES FUND, LIMITED PARTNERSHIP

By: Oak Associates IX, LLC, Its General Partner

By: /s/ Gerald R. Gallagher
Gerald R. Gallagher, Its Managing Member

OAK IX AFFILIATES FUND-A, LIMITED PARTNERSHIP

By: Oak Associates IX, LLC, Its General Partner

By: /s/ Gerald R. Gallagher
Gerald R. Gallagher, Its Managing Member

MAVERON EQUITY PARTNERS 2000, L.P.

By: MAVERON GENERAL PARTNER 2000 LLC

/s/ Dan Levitan
By: Dan Levitan
Its: Manager

MAVERON EQUITY PARTNERS 2000-B, L.P.

By: MAVERON GENERAL PARTNER 2000 LLC

/s/ Dan Levitan
By: Dan Levitan
Its: Manager

MEP 2000 ASSOCIATES LLC

/s/ Dan Levitan
By: Dan Levitan
Its: Manager

MAVERON EQUITY PARTNERS III, a Delaware limited partnership
By: MAVERON GENERAL PARTNER III LLC, a Delaware limited liability company

By: /s/ Dan Levitan
Its: Managing Manager

MAVERON III ENTREPRENEURS' FUND, L.P., a Delaware limited partnership
By: MAVERON GENERAL PARTNER III LLC, a Delaware limited partnership

By: /s/ Dan Levitan
Its: Managing Manager

MEP III ASSOCIATES FUND, L.P., a Delaware limited partnership
By: MAVERON GENERAL PARTNER III LLC, a Delaware limited liability company

By: /s/ Dan Levitan
Its: Managing Manager

OXFORD BLACKPOINT VENTURE PARTNERS VII, LLC

By: Oxford Capital Partners, Inc
Its: Manager

By: /s/ Vann Avedisian
Name: Vann Avedisian
Title: Managing Director

JANNOTTA FAMILY TRUST

/s/ illegible
By:
Its: Trustee

EDGAR D. JANNOTTA, Sr.

/s/ Edgar D. Jannotta, Sr.

BRYANT L. KEIL

/s/ Bryant L. Keil

SHEILA K. KEIL

MERUG LIMITED LIABILITY COMPANY

By: /s/ Giancarlo Turano
Name:
Title:

PLACIDO ARANGO

/s/ Placido Arango

MIKE AND BETH HUFFSTETLER, as Joint Tenants

/s/ Michael R. Huffstetler

/s/ Beth Huffstetler

Signature page to the
Fifth Amended and Restated Registration Rights Agreement

ABBOTT SMITH

/s/ Abbott Smith

ASP PBSW, LLC

By: /s/ illegible
Name:
Title:

AYLWIN LEWIS

/s/ Aylwin Lewis

MATTHEW REVORD

/s/ Matthew Revord

CHARLES TALBOT

/s/ Charles Talbot

SHK CAPITAL PARTNERS,

/s/ Carl Segal

By:

Its:

Signature page to the
Fifth Amended and Restated Registration Rights Agreement

RICHARD TREBILCOCK

/s/ Richard Trebilcock

GORDON COHEN

/s/ Gordon Cohen

WILBLAIRCO ASSOCIATES, LLC

By: _____
Its: _____

WILBLAIRCO II, LLC

By: /s/ illegible
Its: Manager

PBI OF ILLINOIS, LLC

By: _____
Its: _____

ROBBINS & ASSOCIATES CAPITAL ADVISORS FUND II, LLC

By: /s/ Terry Robbins
Its: Manager

STAR H_2O PARTNERS, LLC

By: /s/ illegible
Its: _____

NED JANNOTTA, JR.

By: _____

WI — POTBELLY, LLC

By: /s/ Dennis Zaslavsky
Name: Dennis Zaslavsky
Title: Managing Member

WI — POTBELLY II, LLC

By: /s/ Dennis Zaslavsky
Name: Dennis Zaslavsky
Title: Managing Member

EXHIBIT A — HOLDERS OF REGISTRABLE SECURITIES

Name	Address	Number of Company Shares as of the date hereof
OAK INVESTMENT PARTNERS IX, LIMITED PARTNERSHIP	90 So. Seventh Street Suite 4550 Minneapolis, MN 55402	99,881 Common Stock 966,500 Series B Preferred 388,031 Series C Preferred 176,478 Series D Preferred 357,200 Series E Preferred 346,154 Series F Preferred 78,409 Series F Warrants
OAK IX AFFILIATES FUND, LIMITED PARTNERSHIP	90 So. Seventh Street Suite 4550 Minneapolis, MN 55402	1,065 Common Stock 10,301 Series B Preferred 4,136 Series C Preferred 1,881 Series D Preferred 3,800 Series E Preferred 3,689 Series F Preferred 836 Series F Warrants
OAK IX AFFILIATES FUND-A, LIMITED PARTNERSHIP	90 So. Seventh Street Suite 4550 Minneapolis, MN 55402	2,397 Common Stock 23,199 Series B Preferred 9,314 Series C Preferred 4,236 Series D Preferred 8,575 Series E Preferred 8,309 Series F Preferred 1,882 Series F Warrants
BENCHMARK CAPITAL PARTNERS IV, L.P.	2480 Sand Hill Road Suite 200 Menlo Park, CA 94025	1,000,000 Series B Preferred 401,481 Series C Preferred 145,833 Series D Preferred 17,857 Series E Preferred 25,000 Series F Preferred

DAVID BRADLEY	President Huizenga Capital Management 2215 York Road Suite 500 Oak Brook, IL 60523	11,111 Common Stock 20,000 Series B Preferred 2,677 Series C Preferred 4,946 Series D Preferred 28,571 Series E Preferred
PETER H. HUIZENGA, JR. TRUST U/T/A 12/24/3996	c/o David Bradley President Iluizenga Capital Management 2215 York Road Suite 500 Oak Brook, IL 60523	11,111 Common Stock 1,626 Series D Preferred 14,671 Series E Preferred
HUIZENGA INVESTMENT PARTNERSHIP	c/o David Bradley President Huizenga Capital Management 2215 York Road Suite 500 Oak Brook, IL 60523	88,889 Common Stock 13,012 Series D Preferred 117,240 Series E Preferred
CRAIG J. FOLEY	7 Locust Lane Bronxville, NY 10708	8,333 Common Stock 20,000 Series B Preferred 2,677 Series C Preferred 6,800 Series E Preferred
MAVERON EQUITY PARTNERS III, L.P.	505 Fin Avenue South Suite 600 Seattle, WA 98104	605,562 Series E Preferred 606,161 Series F Preferred 128,693 Series F Warrants
MAVERON III ENTREPRENEURS' FUND, L.P.	505 Fifth Avenue South Suite 600 Seattle, WA 98104	25,693 Series E Preferred 25,718 Series F Preferred 5,460 Series F Warrants
MEP III ASSOCIATES FUND, L.P.	505 Fifth Avenue South Suite 600 Seattle, WA 98104	83,031 Series E Preferred 83,113 Series F Preferred 17,646 Series F Warrants
MAVERON EQUITY PARTNERS 2000, L.P.	505 Fifth Avenue South Suite 600 Seattle, WA 98104	187,218 Common Stock 1,944,917 Series A Preferred 553,900 Series B Preferred 442,237 Series C Preferred 379,583 Series D Preferred 60,177 Series E Preferred

MAVERON EQUITY PARTNERS 2000-B, L.P.	505 Fifth Avenue South Suite 600 Seattle, WA 98104	7,297 Common Stock 60,430 Series A Preferred 19,200 Series B Preferred 17,237 Series C Preferred 12,640 Series D Preferred 2,346 Series E Preferred
MEP 2000 ASSOCIATES LLC	505 Fifth Avenue South Suite 600 Seattle, WA 98104	27,707 Common Stock 267,380 Series A Preferred 76,412 Series B Preferred 65,447 Series C Preferred 53,019 Series D Preferred 8,906 Series E Preferred
OXFORD BLACKPOINT VENTURE PARTNERS VII, LLC	350 West Hubbard Suite 450 Chicago, Illinois 60610	155,233 Common Stock 500,000 Series A Preferred 142,892 Series B Preferred 108,336 Series C Preferred 132,687 Series D Preferred 257,143 Series E Preferred 82,927 Series F Preferred 8,292 Series F Warrants
WI — POTBELLY, LLC	Dennis M. Zaslavsky Waveland Investments, LLC 1850 Second Street, Suite 201 Highland Park, Illinois 60035	55,556 Common Stock 599,650 Series A Preferred 171,371 Series B Preferred 97,446 Series C Preferred 64,364 Series D Preferred
WI — POTBELLY II, LLC	Dennis M. Zaslavsky Waveland Investments, LLC 1850 Second Street, Suite 201 Highland Park, Illinois 60035	135,714 Series E Preferred 104,375 Series F Preferred 16,929 Series F Warrants
WILBLAIRCO ASSOCIATES, LLC	c/o William Blair & Company 222 West Adams Street Chicago, Illinois 60606 Attn: E. David Coolidge	215,073 Series B Preferred 20,075 Series C Preferred 41,274 Series D Preferred

WILBLAIRCO II, LLC	c/o William Blair & Company 222 West Adams Street Chicago, Illinois 60606 Attn: E. David Coolidge	324,931 Common Stock 59,945 Series D Preferred 162,280 Series E Preferred 42,049 Series F Preferred 5,613 Series F Warrants
PBI OF ILLINOIS, LLC	c/a Thrall Enterprises 180 N. Stetson Suite 3020 Chicago, Illinois 60601 Attn: Randy Thrall	31,667 Common Stock 3,842 Series D Preferred 6,175 Series E Preferred
ROBBINS & ASSOCIATES CAPITAL ADVISORS FUND II, LLC	c/o William Blair & Company 222 West Adams Street Chicago, Illinois 60606 Attn: Terry Robbins	41,908 Common Stock 5,085 Series D Preferred 10,300 Series E Preferred 3,665 Series F Preferred 366 Series F Warrants
STAR H2O PARTNERS, LLC	c/o William Blair & Company 222 West Adams Street Chicago, Illinois 60606 Attn: William O. Kasten	64,130 Common Stock 7,782 Series D Preferred 15,750 Series F Preferred 23,917 Series F Preferred 6,052 Series F Warrants
NED JANOTTA, JR,	William Blair & Company 222 West Adams Street Chicago, Illinois 60606	16,678 Common Stock 2,024 Series D Preferred 4,100 Series E Preferred
JANNOTTA FAMILY TRUST	Edgar D. Jannotta, Sr. William Blair & Company 222 West Adams Street Chicago, Illinois 60606	125,000 Series A Preferred 35,723 Series B Preferred 27,084 Series C Preferred 12,193 Series D Preferred 13,784 Series F Preferred 1,575 Series F Warrants
BRYANT L. KEIL	222 Merchandise Mart Plaza Suite 2300 Chicago, Illinois 60654	4,360,000 Common Stock 665,000 Series A Preferred 25,000 Series F Preferred

SHEILA K. KEIL*	222 Merchandise Mart Plaza Suite 2300 Chicago, Illinois 60654	315,000 Common Stock 35,000 Series A Preferred
EDGAR D. JANNOTTA, Sr.	Edgar D. Jannotta, Sr. William Blair & Company 222 West Adams Street Chicago, Illinois 60606	137,193 Common Stock 35,723 Series B Preferred 27,084 Series C Preferred 34,864 Series D Preferred 16,216 Series F Preferred 1,859 Series F Warrants
MERUG LIMITED LIABILITY COMPANY	6501 West Roosevelt Road Berwyn, Illinois 60402	4,916 Common Stock 33,333 Series C Preferred 5,600 Series D Preferred 9,600 Series E Preferred 3,419 Series F Preferred 341 Series F Warrants
PLACIDO ARANGO, JR..	Grupo VIPS Tres Estrella Unidas, S.L. Planta Baja C/Edison 4 28006 Madrid Spain	55,556 Common Stock 8,132 Series D Preferred 13,950 Series E Preferred 4,967 Series F Preferred 496 Series F Warrants
CONCORDE HOLDINGS IX, LLC	12500 Fair Lakes Circle Fairfax, VA 22033 Attn: Jon Peterson	166,667 Common Stock 24,396 Series D Preferred 14,286 Series E Preferred
COS HOLDINGS, LLC	812 Skokie Boulevard Northbrook, II, 60062 Attn: Michael Krasny	55,556 Common Stock 3,371 Series D Preferred 12,900 Series E Preferred
MIKE AND BETH HUFFSTETLER, AS JOINT TENANTS	Ivins, Phillips & Barker 1700 Pennsylvania Avenue, N.W. Washington, D.C. 20006	70,000 Common Stock 10,247 Series D Preferred 29,753 Series E Preferred 25,000 Series F Preferred 6,091 Series F Warrants

* Bryant L. Keil or Sheila K. Keil shall be deemed to be “Series A Preferred Stockholders” for purposes of this Agreement solely with respect to the 700,000 shares of Series A Preferred Stock owned by them as of the date hereof, and any Common Stock issued upon conversion thereof (as adjusted for stock splits, stock dividends, recapitalizations, reorganizations and like occurrences).

ABBOTT SMITH	704 Maclean Kenilworth, Illinois, 60043	20,106 Series D Preferred 7,142 Series E Preferred 10,000 Series F Preferred 2,651 Series F Warrants
WALTER E. ROBB III	P.O. Box 126 Sherborn, MA 01770	2,084 Series D Preferred 1,800 Series E Preferred
WALTER E. ROBB IV	Whole Foods Market 5980 Horton Street, Suite 20 Emeryville, CA 94608	18,750 Series D Preferred 21,243 Series E Preferred
ASP PBSW, LLC	ASP PBSW, LLC c/o American Securities Capital Partners, LLC Attn: General Counsel Chrysler Center 666 Third Avenue, 29th Floor New York, NY 10017	2,142,858 Series E Preferred 368,928 Series F Preferred 83,261 Series F Warrants
GENE AND PAT EGAN	340 Old Mill Rd., No. 69 Santa Barbara, CA 93110	1,800 Series E Preferred
GORDON COHEN	8817 SE 63rd Street Mercer Island, WA 98040	7,143 Series E Preferred 457 Series F Preferred 45 Series F Warrants
AYLWIN LEWIS	930 South Ridge Road Lake Forest, IL 60045	80,000 Series F Preferred 8,000 Series F Warrants
MATTHEW REVORD	823 Greenwood Avenue Wilmette, IL 60091	9,375 Series F Preferred 937 Series F Warrants
CHARLES TALBOT	611 Oak Knoll Drive Lake Forest, IL 60045	9,375 Series F Preferred 937 Series F Warrants
SHK CAPITAL PARTNERS	c/o Carl Segal 1459 Green Bay Road Highland Park, IL 60035	13,750 Series F Preferred 1,375 Series F Warrants
RICHARD TREBILCOCK	5829 Brittany Woods Circle Louisville, KY 40222	12,500 Series F Preferred 1,250 Series F Warrants

Exhibit 10.1

POTBELLY CORPORATION
2004 EQUITY INCENTIVE PLAN

I. INTRODUCTION

1.1 Purposes. The purposes of the 2004 Equity Incentive Plan (the "Plan") of Potbelly Corporation (the "Company") are (i) to 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, (ii) to advance the interests of the Company by attracting and retaining officers, other employees, consultants, agents and independent contractors and (iii) to motivate such persons to act in the long-term best interests of the Company's stockholders.

1.2 Certain Definitions.

"Agreement" shall mean the written agreement evidencing an award hereunder between the Company and the recipient of such award.

"Board" shall mean the Board of Directors of the Company.

"Bonus Stock" shall mean shares of Common Stock which are not subject to a Restriction Period or Performance Measures.

"Bonus Stock Award" shall mean an award of Bonus Stock under this Plan.

"Cause" shall have the meaning set forth in an employment agreement between the Company and the holder of an award or, if no such agreement exists, Cause shall mean the willful failure to substantially perform the duties assigned by the Company (other than a failure resulting from the holder's Disability), the willful engaging in conduct which is injurious to the Company or any of its Subsidiaries or shareholders, monetarily or otherwise, including conduct that, in the reasonable judgment of the Company, no longer conforms to the standard of the Company's executives or employees, any act of dishonesty, commission of a felony, or a violation of any statutory or common law duty of loyalty to the Company.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Committee" shall mean the committee designated by the Board, consisting of two or more members of the Board to administer the Plan, at least one of whom shall be the Chief Executive Officer of the Company. If no committee is so designated by the Board, the full Board shall serve as the Committee hereunder.

"Common Stock" shall mean the Common Stock, $.01 par value, of the Company.

"Company" shall have the meaning set forth in Section 1.1.

"Corporate Transaction" shall mean (i) the acquisition by any person, entity or "group" (within the meaning of section 13(d)(3) or 14(d)(2) of the Exchange Act), other than the stockholders of the Company as of the original issuance date of the first award granted under this

Plan, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either the then outstanding shares of Common Stock or the combined voting power of the Company's then outstanding voting securities or (ii) the consummation of a reorganization, merger or consolidation of the Company or the sale of all or substantially all of the assets of the Company, in each case, with respect to which persons who were the shareholders of the Company immediately prior to such reorganization, merger, consolidation or sale do not immediately thereafter own, directly or indirectly, 50% or more of the combined voting power of the then outstanding securities of the surviving or resulting corporation or other entity.

"Disability" shall mean a physical or mental incapacity or disability which prevents an individual in any material respect from performing the services required of him by the Company for a continuous period of 150 days or any 180 days out of any 12-month period. In the event of any dispute regarding the existence of a Disability hereunder, the matter shall be resolved by the good faith determination of a majority of the Board upon consultation with a physician qualified to practice medicine in the State of Illinois to be selected by the Board in its reasonable and good faith discretion. For this purpose, the individual shall submit to appropriate medical examinations.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" shall mean, as of any date, (i) if shares of Common Stock are traded at such time on a national or regional securities exchange or are traded at such time on a bona fide over-the-counter market, the mean between the high and low prices at which shares of Common Stock are traded or the closing transaction price on such date, as appropriate, or (ii) if shares of Common Stock are not traded at such time on an exchange or a bona fide over-the-counter market, a value determined by the Committee by whatever means or methods as the Committee, in the good faith exercise of its discretion, deems appropriate. In the event that the date on which the fair market value of a share of Common Stock is to be determined is a date on which there is no trading of such shares on a national or regional securities exchange or on the over-the-counter market, such fair market value shall be determined by referring to the next preceding business day on which trading occurs.

"Free-Standing SAR" shall mean an SAR which is not issued in tandem with, or by reference to, an option, which entitles the holder thereof to receive, upon exercise, shares of Common Stock (which may be Restricted Stock), cash or a combination thereof with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock on the date of exercise over the base price of such SAR, multiplied by the number of such SARs which are exercised.

"Incentive Stock Option" shall mean an option to purchase shares of Common Stock that meets the requirements of Section 422 of the Code, or any successor provision, and which is intended by the Committee to constitute an Incentive Stock Option.

"Mature Shares" shall mean previously-acquired shares of Common Stock for which the holder thereof has good title, free and clear of all liens and encumbrances and which such holder either (i) has held for at least six months or (ii) has purchased on the open market.

"Non-Statutory Stock Option" shall mean a stock option which is not an Incentive Stock Option.

"Performance Measures" shall mean the criteria and objectives, established by the Committee, which shall be satisfied or met (i) as a condition to the exercisability of all or a portion of an option or SAR, (ii) as a condition to the grant of a Stock Award or (iii) during the applicable Restriction Period or Performance Period as a condition to the holder's receipt, in the case of a Restricted Stock Award, of the shares of Common Stock subject to such award, or, in the case of a Performance Share Award, of the shares of Common Stock subject to such award and/or of payment with respect to such award.

"Performance Period" shall mean any period designated by the Committee during which the Performance Measures applicable to a Performance Share Award shall be measured.

"Performance Share" shall mean a right, contingent upon the attainment of specified Performance Measures within a specified Performance Period, to receive one share of Common Stock, which may be Restricted Stock, or in lieu of all or a portion thereof, the Fair Market Value of such Performance Share in cash.

"Performance Share Award" shall mean an award of Performance Shares under this Plan.

"Plan" shall have the meaning set forth in Section 1.1.

"Restricted Stock" shall mean shares of Common Stock which are subject to a Restriction Period.

"Restricted Stock Award" shall mean an award of Restricted Stock under this Plan.

"Restriction Period" shall mean any period designated by the Committee during which the Common Stock subject to a Restricted Stock Award may not be sold, transferred, assigned, pledged, hypothecated or otherwise encumbered or disposed of, except as provided in this Plan or the Agreement relating to such award.

"SAR" shall mean a stock appreciation right which may be a Free-Standing SAR or a Tandem SAR.

"Subsidiary" shall mean any corporation or other entity, in which the Company has a beneficial ownership interest, whether direct or indirect, of 50% or more of either such entity's then outstanding securities or the combined voting power of such entity's voting securities.

"Stock Award" shall mean a Restricted Stock Award or a Bonus Stock Award.

"Tandem SAR" shall mean an SAR which is granted in tandem with, or by reference to, an option (including a Non-Statutory Stock Option granted prior to the date of grant of the SAR), which entitles the holder thereof to receive, upon exercise of such SAR and surrender for cancellation of all or a portion of such option, shares of Common Stock (which may be Restricted Stock), cash or a combination thereof with an aggregate value equal to the excess of the Fair Market Value of one share of Common Stock on the date of exercise over the base price of such SAR, multiplied by the number of shares of Common Stock subject to such option, or portion thereof, which is surrendered.

"Tax Date" shall have the meaning set forth in Section 5.5.

"Ten Percent Holder" shall have the meaning set forth in Section 2.1(a).

1.3 Administration. This Plan shall be administered by the Committee. Any one or a combination of the following awards may be made under this Plan to eligible persons: (i) options to purchase shares of Common Stock in the form of Incentive Stock Options or Non-Statutory Stock Options, (ii) SARs in the form of Tandem SARs or Free-Standing SARs, (iii) Stock Awards in the form of Restricted Stock or Bonus Stock and (iv) Performance Shares. The Committee shall, subject to the terms of this Plan, select which officers, other employees, consultants, agents and independent contractors are eligible to participate in this Plan and determine the form, amount and timing of each award to such persons and, if applicable, the number of shares of Common Stock, the number of SARs and the number of Performance Shares subject to such an award, the exercise price or base price associated with the award, the time and conditions of exercise or settlement of the award and all other terms and conditions of the award, including, without limitation, the form of the Agreement evidencing the award. The Committee may, in its sole discretion and for any reason at any time, subject to the requirements imposed under Section 162(m) of the Code and regulations promulgated thereunder in the case of an award intended to be qualified performance-based compensation, take action such that (i) any or all outstanding options and SARs shall become exercisable in part or in full, (ii) all or a portion of the Restriction Period applicable to any outstanding Restricted Stock Award shall lapse, (iii) all or a portion of the Performance Period applicable to any outstanding Performance Share Award shall lapse, (iv) the Performance Measures applicable to any outstanding Restricted Stock Award (if any) and to any outstanding Performance Share Award shall be deemed to be satisfied at the maximum or any other level. The Committee shall, subject to the terms of this Plan, interpret this Plan and the application thereof, establish rules and regulations it deems necessary or desirable for the administration of this Plan and may impose, incidental to the grant of an award, conditions with respect to the award, such as limiting competitive employment or other activities. All such interpretations, rules, regulations and conditions shall be final, binding and conclusive.

The Committee may delegate some or all of its power and authority hereunder to the Chief Executive Officer or other executive officer of the Company as the Committee deems appropriate; provided, however, that the Committee may not delegate its power and authority with regard to (i) the grant of an award to any person who is a "covered employee" within the meaning of Section 162(m) of the Code or who, in the Committee's judgment, is likely to be a covered employee at any time during the period an award hereunder to such employee would be outstanding or (ii) the selection for participation in this Plan of an officer or other person subject to Section 16 of the Exchange Act or decisions concerning the timing, pricing or amount of an award to such an officer or other person.

No member of the Board or Committee, and neither the Chief Executive Officer nor any other executive officer to whom the Committee delegates any of its power and authority hereunder, shall be liable for any act, omission, interpretation, construction or determination

made in connection with this Plan in good faith, and the members of the Board and the Committee and the Chief Executive Officer or other executive officer shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including attorneys' fees) arising therefrom to the full extent permitted by law, except as otherwise may be provided in the Company's Certificate of Incorporation or By-laws, and under any directors' and officers' liability insurance that may be in effect from time to time.

A majority of the Committee shall constitute a quorum. The acts of the Committee shall be either (i) acts of a majority of the members of the Committee present at any meeting at which a quorum is present or (ii) acts approved in writing by all of the members of the Committee without a meeting.

1.4 Eligibility. Participants in this Plan shall consist of such officers and other employees, persons expected to become officers and other employees, directors, consultants, independent contractors and agents of the Company and its Subsidiaries as the Committee in its sole discretion may select from time to time. For purposes of this Plan, references to employment shall also mean an agency or independent contractor relationship and references to employment by the Company shall also mean employment by a Subsidiary. The Committee's selection of a person to participate in this Plan at any time shall not require the Committee to select such person to participate in this Plan at any other time.

1.5 Shares Available. Subject to adjustment as provided in Section 5.7(a), 1,075,499 shares of Common Stock shall be available under this Plan, reduced by the sum of the aggregate number of shares of Common Stock (i) that are issued upon the grant of a Stock Award and (ii) which become subject to outstanding options, outstanding Free-Standing SARs and outstanding Performance Shares. To the extent that shares of Common Stock subject to an outstanding option (except to the extent shares of Common Stock are issued or delivered by the Company in connection with the exercise of a Tandem SAR), Free-Standing SAR, Stock Award or Performance Share are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award or by reason of the delivery or withholding of shares of Common Stock to pay all or a portion of the exercise price of an award, if any, or to satisfy all or a portion of the tax withholding obligations relating to an award, then such shares of Common Stock shall again be available under this Plan.

Shares of Common Stock shall be made available from authorized and unissued shares of Common Stock, or authorized and issued shares of Common Stock reacquired and held as treasury shares or otherwise or a combination thereof.

II. STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

2.1 Stock Options. The Committee may, in its discretion, grant options to purchase shares of Common Stock to such eligible persons as may be selected by the Committee. Each option, or portion thereof, shall be a Non-Statutory Stock Option.

Options shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable:

(a) Number of Shares and Purchase Price. The number of shares of Common Stock subject to an option and the purchase price per share of Common Stock purchasable upon exercise of the option shall be determined by the Committee.

(b) Option Period and Exercisability. The period during which an option may be exercised shall be determined by the Committee and set forth in the applicable Agreement. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of an option or to the exercisability of all or a portion of an option. The Committee shall determine whether an option shall become exercisable in cumulative or non-cumulative installments and in part or in full at any time. An exercisable option, or portion thereof, may be exercised only with respect to whole shares of Common Stock.

(c) Method of Exercise. An option may be exercised (i) by giving written notice to the Company specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefor in full (or arrangement made for such payment to the Company's satisfaction) either (A) in cash, (B) by delivery (either actual delivery or by attestation procedures established by the Company) of Mature Shares having an aggregate Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, (C) in cash by a broker-dealer acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise or (D) a combination of (A), (B) and (C), in each case to the extent set forth in the Agreement relating to the option, (ii) if applicable, by surrendering to the Company any Tandem SARs which are canceled by reason of the exercise of the option and (iii) by executing such documents as the Company may reasonably request. The Company shall have sole discretion to disapprove of an election pursuant to any of clauses (B)-(D). Any fraction of a share of Common Stock which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by the optionee. No certificate representing Common Stock shall be delivered until the full purchase price therefor has been paid (or arrangement made for such payment to the Company's satisfaction).

2.2 Stock Appreciation Rights. The Committee may, in its discretion, grant SARs to such eligible persons as may be selected by the Committee. The Agreement relating to an SAR shall specify whether the SAR is a Tandem SAR or a Free-Standing SAR.

SARs shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable:

(a) Number of SARs and Base Price. The number of SARs subject to an award shall be determined by the Committee. The base price of a Tandem SAR shall be the purchase price per share of Common Stock of the related option. The base price of a Free-Standing SAR shall be determined by the Committee.

(b) Exercise Period and Exercisability. The Agreement relating to an award of SARs shall specify whether such award may be settled in shares of Common Stock (including shares of Restricted Stock) or cash or a combination thereof. The period for the exercise of an SAR shall be determined by the Committee; provided, however, that no Tandem SAR shall be exercised

later than the expiration, cancellation, forfeiture or other termination of the related option. The Committee may, in its discretion, establish Performance Measures which shall be satisfied or met as a condition to the grant of an SAR or to the exercisability of all or a portion of an SAR. The Committee shall determine whether an SAR may be exercised in cumulative or non-cumulative installments and in part or in full at any time. An exercisable SAR, or portion thereof, may be exercised, in the case of a Tandem SAR, only with respect to whole shares of Common Stock and, in the case of a Free-Standing SAR, only with respect to a whole number of SARs. If an SAR is exercised for shares of Restricted Stock, a certificate or certificates representing such Restricted Stock shall be issued in accordance with Section 3.2(c) and the holder of such Restricted Stock shall have such rights of a stockholder of the Company as determined pursuant to Section 3.2(d). Prior to the exercise of an SAR for shares of Common Stock, including Restricted Stock, the holder of such SAR shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject to such SAR and shall have rights as a stockholder of the Company in accordance with Section 5.10.

(c) Method of Exercise. A Tandem SAR may be exercised (i) by giving written notice to the Company specifying the number of whole SARs which are being exercised, (ii) by surrendering to the Company any options which are canceled by reason of the exercise of the Tandem SAR and (iii) by executing such documents as the Company may reasonably request. A Free-Standing SAR may be exercised (i) by giving written notice to the Company specifying the whole number of SARs which are being exercised and (ii) by executing such documents as the Company may reasonably request.

2.3 Termination of Employment. Subject to the requirements of the Code, all of the terms relating to the exercise, cancellation or other disposition of an option or SAR upon a termination of employment with or service to the Company of the holder of such option or SAR, as the case may be, whether by reason of Disability, Cause, retirement, death or other termination, shall be determined by the Committee. Such determination shall be made at the time of the grant of such option or SAR, as the case may be, and shall be specified in the Agreement relating to such option or SAR.

III. STOCK AWARDS

3.1 Stock Awards. The Committee may, in its discretion, grant Stock Awards to such eligible persons as may be selected by the Committee. The Agreement relating to a Stock Award shall specify whether the Stock Award is a Restricted Stock Award or Bonus Stock Award.

3.2 Terms of Stock Awards. Stock Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable.

(a) Number of Shares and Other Terms. The number of shares of Common Stock subject to a Restricted Stock Award or Bonus Stock Award and the Performance Measures (if any) and Restriction Period applicable to a Restricted Stock Award shall be determined by the Committee.

(b) Vesting and Forfeiture. The Agreement relating to a Restricted Stock Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of this Plan, for the vesting of the shares of Common Stock subject to such award (i) if specified Performance Measures are satisfied or met during the specified Restriction Period or (ii) if the holder of such award remains continuously in the employment of or service to the Company during the specified Restriction Period, and for the forfeiture of the shares of Common Stock subject to such award (x) if specified Performance Measures are not satisfied or met during the specified Restriction Period or (y) if the holder of such award does not remain continuously in the employment of or service to the Company during the specified Restriction Period.

Bonus Stock Awards shall not be subject to any Performance Measures or Restriction Periods.

(c) Share Certificates. During the Restriction Period, a certificate or certificates representing a Restricted Stock Award may be registered in the holder's name and may bear a legend, in addition to any legend which may be required pursuant to Section 5.6, indicating that the ownership of the shares of Common Stock represented by such certificate is subject to the restrictions, terms and conditions of this Plan and the Agreement relating to the Restricted Stock Award. All such certificates shall be deposited with the Company, together with stock powers or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Company, which would permit transfer to the Company of all or a portion of the shares of Common Stock subject to the Restricted Stock Award in the event such award is forfeited in whole or in part. Upon termination of any applicable Restriction Period (and the satisfaction or attainment of applicable Performance Measures), or upon the grant of a Bonus Stock Award, in each case subject to the Company's right to require payment of any taxes in accordance with Section 5.5, a certificate or certificates evidencing ownership of the requisite number of shares of Common Stock shall be delivered to the holder of such award.

(d) Rights with Respect to Restricted Stock Awards. Unless otherwise set forth in the Agreement relating to a Restricted Stock Award, and subject to the terms and conditions of a Restricted Stock Award, the holder of such award shall have all rights as a stockholder of the Company, including, but not limited to, voting rights, the right to receive dividends and the right to participate in any capital adjustment applicable to all holders of Common Stock; provided, however, that a distribution with respect to shares of Common Stock, other than a regular cash dividend, shall be deposited with the Company and shall be subject to the same restrictions as the shares of Common Stock with respect to which such distribution was made.

3.3 Termination of Employment or Service. All of the terms relating to the satisfaction of Performance Measures and the termination of the Restriction Period relating to a Restricted Stock Award, or any cancellation or forfeiture of such Restricted Stock Award upon a termination of employment with or service to the Company of the holder of such Restricted Stock Award, whether by reason of Disability, Cause, retirement, death or other termination, shall be set forth in the Agreement relating to such Restricted Stock Award.

IV. PERFORMANCE SHARE AWARDS

4.1 Performance Share Awards. The Committee may, in its discretion, grant Performance Share Awards to such eligible persons as may be selected by the Committee.

4.2 Terms of Performance Share Awards. Performance Share Awards shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of this Plan, as the Committee shall deem advisable.

(a) Number of Performance Shares and Performance Measures. The number of Performance Shares subject to any award and the Performance Measures and Performance Period applicable to such award shall be determined by the Committee.

(b) Vesting and Forfeiture. The Agreement relating to a Performance Share Award shall provide, in the manner determined by the Committee, in its discretion, and subject to the provisions of this Plan, for the vesting of such award, if specified Performance Measures are satisfied or met during the specified Performance Period, and for the forfeiture of such award, if specified Performance Measures are not satisfied or met during the specified Performance Period.

(c) Settlement of Vested Performance Share Awards. The Agreement relating to a Performance Share Award (i) shall specify whether such award may be settled in shares of Common Stock (including shares of Restricted Stock) or cash or a combination thereof and (ii) may specify whether the holder thereof shall be entitled to receive, on a current or deferred basis, dividend equivalents, and, if determined by the Committee, interest on or the deemed reinvestment of any deferred dividend equivalents, with respect to the number of shares of Common Stock subject to such award. If a Performance Share Award is settled in shares of Restricted Stock, a certificate or certificates representing such Restricted Stock shall be issued in accordance with Section 3.2(c) and the holder of such Restricted Stock shall have such rights of a stockholder of the Company as determined pursuant to Section 3.2(d). Prior to the settlement of a Performance Share Award in shares of Common Stock, including Restricted Stock, the holder of such award shall have no rights as a stockholder of the Company with respect to the shares of Common Stock subject to such award and shall have rights as a stockholder of the Company in accordance with Section 5.10.

4.3 Termination of Employment. All of the terms relating to the satisfaction of Performance Measures and the termination of the Performance Period relating to a Performance Share Award, or any cancellation or forfeiture of such Performance Share Award upon a termination of employment with the Company of the holder of such Performance Share Award, whether by reason of Disability, Cause, retirement, death or other termination, shall be set forth in the Agreement relating to such Performance Share Award.

V. GENERAL

5.1 Effective Date and Term of Plan. This Plan shall be effective as of February , 2004. This Plan may be submitted to the stockholders of the Company for approval in accordance with Section 162(m). This Plan shall terminate ten years after its effective date, unless terminated earlier by the Board. Termination of this Plan shall not affect the terms or conditions of any award granted prior to termination.

5.2 Amendments. The Board may amend this Plan as it shall deem advisable, subject to any requirement of stockholder approval required by applicable law, rule or regulation. No amendment may impair the rights of a holder of an outstanding award without the consent of such holder.

5.3 Agreement. Each award under this Plan shall be evidenced by an Agreement setting forth the terms and conditions applicable to such award. No award shall be valid until an Agreement is executed by the Company and the recipient of such award and, upon execution by each party and delivery of the Agreement to the Company, such award shall be effective as of the effective date set forth in the Agreement. The Agreement evidencing an award hereunder, or any other agreement between the Company and the holder of such award, may authorize the Company to repurchase any shares of Common Stock issued under the Plan to the holder of such award (or to any other person) pursuant to the terms and conditions set forth in such agreement.

5.4 Non-Transferability of Awards. Unless otherwise specified in the Agreement relating to an award, no award shall be transferable other than by will, the laws of descent and distribution or pursuant to beneficiary designation procedures stated in Section 5.11 or otherwise approved by the Company. Except to the extent permitted by the foregoing sentence or the Agreement relating to an award, each award may be exercised or settled during the holder's lifetime only by the holder or the holder's legal representative or similar person. Except to the extent permitted by the second preceding sentence or the Agreement relating to an award, no award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any such award, such award and all rights thereunder shall immediately become null and void.

5.5 Tax Withholding. The Company shall have the right to require, prior to the issuance or delivery of any shares of Common Stock or the payment of any cash pursuant to an award made hereunder, payment by the holder of such award of any Federal, state, local or other taxes which may be required to be withheld or paid in connection with such award. An Agreement may provide that (i) the Company shall withhold whole shares of Common Stock which would otherwise be delivered to a holder, having an aggregate Fair Market Value determined as of the date the obligation to withhold or pay taxes arises in connection with an award (the "Tax Date"), or withhold an amount of cash which would otherwise be payable to a holder, in the amount necessary to satisfy any such obligation or (ii) the holder may satisfy any such obligation by any of the following means: (A) a cash payment to the Company, (B) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of Mature Shares having an aggregate Fair Market Value, determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (C) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash which would otherwise be payable to a holder, equal to the amount necessary to satisfy any such obligation, (D) in the case of the exercise of an option, a cash payment by a broker-dealer

acceptable to the Company to whom the optionee has submitted an irrevocable notice of exercise or (E) any combination of (B) through (D), in each case to the extent set forth in the Agreement relating to the award; provided, however, that the Company shall have sole discretion to disapprove of an election pursuant to any of clauses (B)-(E). Shares of Common Stock to be delivered or withheld may not have an aggregate Fair Market Value in excess of the amount determined by applying the minimum statutory withholding rate. Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the holder.

5.6 Restrictions on Shares. Each award made hereunder shall be subject to the requirement that if at any time the Company determines that the listing, registration or qualification of the shares of Common Stock subject to such award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the exercise or settlement of such award or the delivery of shares thereunder, such award shall not be exercised or settled and such shares shall not be delivered unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Committee may provide for such restrictions upon the transferability of shares of Common Stock delivered pursuant to any award made hereunder as it deems appropriate and such restrictions shall be specified in the Agreement relating to such award. The Company may require that certificates evidencing shares of Common Stock delivered pursuant to any award made hereunder bear a legend indicating that the sale, transfer or other disposition thereof by the holder is prohibited except in compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder.

5.7 Adjustment and Substitution. (a) Adjustment. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a regular cash dividend, the number and class of securities available under this Plan, the number and class of securities subject to each outstanding option and the purchase price per security, the terms of each outstanding SAR, the number and class of securities subject to each outstanding Stock Award, and the terms of each outstanding Performance Share shall be appropriately adjusted by the Committee, such adjustments to be made in the case of outstanding options and SARs without an increase in the aggregate purchase price or base price. The decision of the Committee regarding any such adjustment shall be final, binding and conclusive. If any such adjustment would result in a fractional security being (a) available under this Plan, such fractional security shall be disregarded, or (b) subject to an award under this Plan, the Company shall pay the holder of such award, in connection with the first the vesting, exercise or settlement of such award in whole or in part occurring after such adjustment, an amount in cash determined by multiplying (i) the fraction of such security (rounded to the nearest hundredth) by (ii) the excess, if any, of (A) the Fair Market Value on the vesting, exercise or settlement date over (B) the exercise or base price, if any, of such award.

(b) Substitution. In the event of a merger or consolidation of the Company with or into another corporation or other entity, whether or not a Corporate Transaction, the Board may, in its discretion, require the substitution for each share of Common Stock subject to an outstanding option, SAR, Stock Award and Performance Share the number and class of securities, if any, into which each share of Common Stock shall be converted pursuant to such merger or consolidation. In the event of any such substitution, the purchase price per share of Common Stock subject to an outstanding award shall be appropriately adjusted by the Committee, such adjustment to be made without an increase in the aggregate purchase price.

5.8 Corporate Transaction. In the event of a Corporate Transaction, the Board (as constituted immediately prior to such Corporate Transaction) may, in its discretion take any one or more of the following actions, as to outstanding options: (i) provide that such options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation or entity (of an affiliate thereof), (ii) upon written notice to the optionees, provide that (A) all exercisable but unexercised options will terminate immediately prior to the consummation of such transaction unless exercised by the optionee within a specified period following the date of such notice and prior to the consummation of such event or transaction and (B) all unexercisable options will terminate upon consummation of such event or transaction, (iii) in the event of a merger or consolidation under the terms of which holders of the Common Stock of the Company will receive upon consummation thereof a cash payment for each share surrendered in the merger or consolidation (the "Merger Price"), make or provide for a cash payment to the optionees equal to the difference between (A) the Merger Price times the number of shares of Common Stock subject to such outstanding options (to the extent then exercisable at prices not in excess of the Merger Price) and (B) the aggregate exercise price of all such outstanding options, in exchange for the termination of such options, or (iv) provide that all or any outstanding options shall become exercisable in full immediately prior to such event or transaction and shall cease to be exercisable at any time after such event or transaction.

5.9 No Right of Participation or Employment. No person shall have any right to participate in this Plan. Neither this Plan nor any award made hereunder shall confer upon any person any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time without liability hereunder.

5.10 Rights as Stockholder. No person shall have any right as a stockholder of the Company with respect to any shares of Common Stock or other equity security of the Company which is subject to an award hereunder unless and until such person becomes a stockholder of record with respect to such shares of Common Stock or equity security.

5.11 Designation of Beneficiary. If permitted by the Company, a holder of an award granted hereunder may file with the Committee a written designation of one or more persons as such holder's beneficiary or beneficiaries (both primary and contingent) in the event of the holder's death. To the extent an outstanding award granted hereunder is exercisable, such beneficiary or beneficiaries shall be entitled to exercise such option. Each beneficiary designation shall become effective only when filed in writing with the Committee during the holder's lifetime on a form prescribed by the Committee. The spouse of a married holder domiciled in a community property jurisdiction shall join in any designation of a beneficiary other than such spouse. The filing with the Committee of a new beneficiary designation shall cancel all previously filed beneficiary designations. If a holder fails to designate a beneficiary, or if all designated beneficiaries of a holder predecease the holder, then each outstanding option hereunder held by such holder, to the extent exercisable, may be exercised by such holder's executor, administrator, legal representative or similar person.

5.12 Governing Law. This Plan, each award hereunder and the related Agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

5.13 Foreign Employees. Without amending this Plan, the Committee may grant awards to eligible persons who are foreign nationals on such terms and conditions different from those specified in this Plan as may in the judgment of the Committee be necessary or desirable to foster and promote achievement of the purposes of this Plan and, in furtherance of such purposes the Committee may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its Subsidiaries operates or has employees.

ADDENDUM NO. 1 TO
POTBELLY CORPORATION 2004 EQUITY INCENTIVE PLAN

THIS ADDENDUM NO. 1 TO POTBELLY CORPORATION 2004 EQUITY INCENTIVE PLAN sets forth an amendment to the Potbelly Corporation 2004 Equity Incentive Plan adopted by the Board of Directors of Potbelly Corporation by a resolution dated January 27, 2011 (the "**Resolution**").

Pursuant to the Resolution, the definition of "Committee" was amended and restated as follows:

"Committee" shall mean the Organization and Compensation Committee of the Board, or in the event the Organization and Compensation Committee shall be discontinued or otherwise terminated, or otherwise at the discretion of the Board, such other committee designated by the Board to administer the Plan, consisting of one or more members of the Board. If no committee is so designated by the Board, the full Board shall serve as the Committee hereunder.

Exhibit 10.2

POTBELLY CORPORATION
2013 LONG-TERM INCENTIVE PLAN

1. GENERAL

1.1 Purposes. Potbelly Corporation (the "Company") has established the Potbelly Corporation 2013 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.

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.

(b) "Approval Date" means the date on which the Common Stock becomes publicly traded pursuant to an initial public offering.

(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) "Cash Incentive Award" has the meaning set forth in subsection 4.1(b) of the Plan.

(f) "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.

(g) "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) 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

(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).

(h) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(i) "Committee" shall have the meaning set forth in subsection 5.1 of the Plan.

(j) "Common Stock" shall mean a share of common stock, $.01 par value, of the Company.

(k) "Company" shall have the meaning set forth in subsection 1.1.

(l) "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.

(m) "Effective Date" shall have the meaning set forth in subsection 6.1 of the Plan.

(n) "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.

(o) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(p) “Exercise Price” shall have the meaning set forth in subsection 3.2 of the Plan.

(q) “Expiration Date” shall have the meaning set forth in subsection 3.9 of the Plan.

(r) “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.

(s) “Full Value Award” shall have the meaning set forth in subsection 4.1(a) of the Plan.

(t) “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.

(u) “Non-Qualified Stock Option” means an Option that is not intended to be an Incentive Stock Option.

(v) “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.

(w) “Outside Director” means a director of the Company who is not an officer or employee of the Company or any Related Company.

(x) “Participant” shall have the meaning set forth in subsection 1.3 of the Plan.

(y) “Performance-Based Compensation” shall have the meaning set forth in subsection 4.3 of the Plan.

(z) “Performance Criteria” means performance targets based on one or more of the following criteria:

(i) earnings including operating income, net operating income, same store net operating income, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items or book value per share (which may exclude nonrecurring items) or net earnings; (ii) pre-tax income or after-tax income; (iii) earnings per share (basic or diluted); (iv) operating profit; (v) revenue, revenue growth or rate of revenue growth; (vi) return on assets (gross or net), return on investment (including cash flow return on investment), return on capital (including return on total capital or return on invested capital), or return on equity; (vii) returns on sales or revenues; (viii) operating expenses; (ix) stock price appreciation; (x) cash flow (before or after dividends), free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, cash flow in excess of cost of capital or cash flow per share (before or after dividends); (xi) implementation or completion of critical projects or processes; (xii) economic value created; (xiii) cumulative earnings per share growth; (xiv) operating margin or profit margin; (xv) stock price or total stockholder return; (xvi) cost targets, reductions and savings, productivity and efficiencies; (xvii) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion, customer satisfaction, employee satisfaction, human resources management, supervision of litigation and other legal matters, information technology, and goals relating to contributions, dispositions, acquisitions, development and development related activity, capital markets activity and credit ratings, joint ventures and other private capital activity including generating incentive and other fees and raising equity commitments, and other transactions, and budget comparisons; (xviii) personal professional objectives, including any of the foregoing performance targets, the implementation of policies and plans, the negotiation of transactions, the development of long term business goals, formation and reorganization of joint ventures and other private capital activity

including generating incentive and other fees and raising equity commitments, research or development collaborations, and the completion of other corporate transactions; (xix) funds from operations (FFO) or funds available for distribution (FAD); (xx) economic value added (or an equivalent metric); (xxi) stock price performance; (xxii) improvement in or attainment of expense levels or working capital levels; (xxiii) operating portfolio metrics including leasing and tenant retention, (xxiv) new store results, or (xxv) any combination of, or a specified increase in, any of the foregoing. Where applicable, the performance targets may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company, a Related Company, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Committee. The performance targets may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). Each of the foregoing performance targets shall be determined in accordance with generally accepted accounting principles, if applicable, and shall be subject to certification by the Committee; provided that the Committee shall have the authority to exclude, impact of charges for restructurings, discontinued operations, extraordinary items and other unusual or non-recurring events, the cumulative effects of tax or accounting principles and identified in financial statements, notes to financial statements, management's discussion and analysis or other SEC filings and items that many not be infrequent or unusual but which may have inconsistent effects on performance and which are in accordance with Regulation G issued under the Sarbanes-Oxley Act of 2002.

(aa) "Plan" shall have the meaning set forth in subsection 1.1.

(bb) "Prior Plan" shall mean the Potbelly Corporation 2004 Equity Incentive Plan.

(cc) "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.

(dd) "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.

(ee) “Subsidiary” shall mean a corporation that is a subsidiary of the Company within the meaning of section 424(f) of the Code.

(ff) “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 Section 3.7.

(gg) “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 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 which may be issued with respect to Awards under the Plan shall be equal to 1,500,000. Except as otherwise provided herein, any shares of Common Stock subject to an outstanding Award under the Plan which, for any reason is forfeited, expires or is terminated without issuance of shares of Common Stock (including Awards that are settled in cash) or is tendered or withheld as to any shares in payment of the Exercise Price of the grant or the taxes payable with respect to the exercise or vesting of the Award, then such unpurchased, forfeited, tendered or withheld shares shall thereafter be available for further grants under the Plan.

(c) 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.

(d) To the extent provided by the Committee, any Award may be settled in cash rather than in Common Stock.

(e) Substitute Awards shall not reduce the number of shares of Common Stock that may be issued under the Plan or that may be covered by Awards granted to any one Participant during any period pursuant to subsections 2.1(g) and 2.1(h).

(f) 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 shall be 1,500,000; 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.

(g) The maximum number of shares of Common Stock that may be covered by Awards granted to any one Participant during any one calendar-year period pursuant to Section 3 (relating to Options and SARs) shall be 400,000 shares. For purposes of this subsection 2.1(g), if an Option is in tandem with an SAR, such that the exercise of the Option or SAR with respect to a share of Common Stock cancels the tandem SAR or Option right, respectively, with respect to such share, the tandem Option and SAR rights with respect to each share of Common Stock shall be counted as covering only one share of Common Stock for purposes of applying the limitations of this subsection 2.1(g).

(h) For Full Value Awards that are intended to be Performance-Based Compensation, no more than 400,000 shares of Common Stock may be delivered pursuant to such Awards granted to any one Participant during any one calendar-year period (regardless of whether settlement of the Award is to occur prior to, at the time of, or after the time of vesting); provided that Awards described in this 2.1(h) shall be subject to the following:

(i) If the Awards are denominated in Common Stock but an equivalent amount of cash is delivered in lieu of delivery of shares of Common Stock, the foregoing limit shall be applied based on the methodology used by the Committee to convert the number of shares of Common Stock into cash.

(ii) If delivery of Common Stock or cash is deferred until after the Common Stock has been earned, any adjustment in the amount delivered to reflect actual or deemed investment experience after the date the Common Stock is earned shall be disregarded.

(i) For Cash Incentive Awards that are intended to be Performance-Based Compensation, the maximum amount payable to any Participant with respect to any twelve month performance period shall equal $4,500,000 (pro rated for performance periods that are greater or lesser than twelve months); provided that Awards described in this subsection 2.1(i), shall be subject to the following:

(i) If the Awards are denominated in cash but an equivalent amount of Common Stock is delivered in lieu of delivery of cash, the foregoing limit shall be applied to the cash based on the methodology used by the Committee to convert the cash into Common Stock.

(ii) If delivery of Common Stock or cash is deferred until after cash has been earned, any adjustment in the amount delivered to reflect actual or deemed investment experience after the date the cash is earned shall be disregarded.

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 continuation 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. 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.

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, 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.

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 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. 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 AND CASH INCENTIVE AWARDS

4.1 Definitions.

(a) 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, deferred stock units, performance stock and performance stock units). Such grants may be subject to one or more of the following, as determined by the Committee:

(i) The grant may be in consideration of a Participant's previously performed services or surrender of other compensation that may be due.

(ii) The grant may be contingent on the achievement of performance or other objectives (including completion of service) during a specified period.

(iii) The grant may be subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant or achievement of performance or other objectives.

The grant of 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 performance-based awards that have not been earned based on the performance criteria established.

(b) A "Cash Incentive Award" is the grant of a right to receive a payment of cash (or in the discretion of the Committee, shares of Common Stock having value equivalent to the cash otherwise payable) that is contingent on achievement of performance objectives over a specified period established by the Committee. The grant of Cash Incentive Awards may also be subject to such other conditions, restrictions and contingencies, as determined by the Committee, including provisions relating to deferred payment.

4.2 Special Vesting Rules. Except for (a) awards granted in lieu of other compensation and (b) grants that are a form of payment of earned performance awards or other incentive compensation, if (I) an employee's right to become vested in a Full Value Award is conditioned on the completion of a specified period of service with the Company or the Related Companies, without achievement of performance targets or other performance objectives (whether or not related to performance measures) being required as a condition of vesting, then the required period of service for full vesting shall be not less than three years and (II) if an employee's right to become vested in a Full Value Award is conditioned upon the achievement of performance targets or other performance objectives (whether or not related to performance measures) being required as a condition of vesting, then the required vesting period shall be at least one year, subject, to the extent provided by the Committee, to pro rated vesting over the course of such three or one year period, as applicable, and to acceleration of vesting in the event of the Participant's death, Disability, involuntary termination, retirement or in connection with a Change in Control.

4.3 Performance-Based Compensation. The Committee may designate a Full Value Award or Cash Incentive Award granted to any Participant as "Performance-Based Compensation" within the meaning of section 162(m) of the Code and regulations thereunder. To the extent required by section 162(m) of the Code, any Full Value Award or Cash Incentive Award so designated shall be conditioned on the achievement of one or more performance targets as determined by the Committee and the following additional requirements shall apply:

(a) The performance targets established for the performance period established by the Committee shall be objective (as that term is described in regulations under section 162(m) of the Code), and shall be established in writing by the Committee not later than 90 days after the beginning of the performance period (but in no event after 25% of the performance period has elapsed), and while the outcome as to the performance targets is substantially uncertain. The performance targets established by the Committee may be with respect to corporate performance, operating group or sub-group performance, individual company performance, other group or individual performance, or division performance, and shall be based on one or more of the Performance Criteria.

(b) A Participant otherwise entitled to receive a Full Value Award or Cash Incentive Award for any performance period shall not receive a settlement or payment of the Award until the Committee has determined that the applicable performance target(s) have been attained. To the extent that the Committee exercises discretion in making the determination required by this subsection 4.3(b), such exercise of discretion may not result in an increase in the amount of the payment.

(c) If a Participant's employment terminates because of death or Disability, or if a Change in Control occurs prior to the Participant's Termination Date, the Participant's Cash Incentive Award may, to the extent provided by the Committee, become vested without regard to whether the Cash Incentive Award would be Performance-Based Compensation.

(d) A Full Value Award designated as Performance-Based Compensation shall not vest prior to the first anniversary of the date on which it is granted (subject to acceleration of vesting, to the extent provided by the Committee, in the event of the Participant's death, Disability or Change in Control).

Nothing in this Section 4 shall preclude the Committee from granting Full Value Awards or Cash Incentive Awards under the Plan or the Committee, the Company or any Related Company from granting any Cash Incentive Awards outside of the Plan that are not intended to be Performance-Based Compensation; provided, however, that, at the time of grant of Full Value Awards or Cash Incentive Awards by the Committee, the Committee shall designate whether such Awards are intended to constitute Performance-Based Compensation. To the extent that the provisions of this Section 4 reflect the requirements applicable to Performance-Based Compensation, such provisions shall not apply to the portion of the Award, if any, that is not intended to constitute Performance-Based Compensation.

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. Any Award granted under the Plan which is intended to constitute Performance-Based Compensation (including Options and SARs) shall be granted by a Committee consisting solely of two or more "outside directors" within the meaning of section 162(m) of the Code and applicable regulations. 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 determine the extent to which Awards under the Plan will be structured to conform to the requirements applicable to Performance-Based Compensation, and to take such action, establish such procedures, and impose such restrictions at the time such Awards are granted as the Committee determines to be necessary or appropriate to conform to such requirements.

(c) 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.

(d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(e) 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 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.

6. MISCELLANEOUS

6.1 Effective Date, Term and Prior Plans. This Plan shall be effective as of the date that it is approved by the Board (the "Effective Date"); provided, however, that no Awards shall be granted under the Plan prior to the Approval 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. Following the Approval Date, no further Awards will be made under the Prior Plan. Any awards made under the Prior Plan prior to the Approval Date shall continue to be subject to the terms and conditions of the Prior Plan. If the Approval Date does not occur, awards may continue to be made under the Prior Plan subject to the terms and conditions thereof.

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 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 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.

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 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 4.2 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.

Exhibit 10.3

Execution Version

CREDIT AGREEMENT

dated as of

September 21, 2012

among

POTBELLY SANDWICH WORKS, LLC,

The Loan Parties Party Hereto,

The Lenders Party Hereto,

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

J.P. MORGAN SECURITIES LLC,
as Sole Bookrunner and Sole Lead Arranger

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CREDIT AGREEMENT dated as of September 21, 2012 (as it may be amended or modified from time to time, this "Agreement"), among POTBELLY SANDWICH WORKS, LLC, an Illinois limited liability company, the other Loan Parties party hereto, the Lenders party hereto, and JPMORGAN CHASE BANK, N.A., as Administrative Agent.

The parties hereto agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period or for any CBFR Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period, multiplied by (b) the Statutory Reserve Rate.

"Adjusted One Month LIBOR Rate" means, for any day, an interest rate per annum equal to the sum of (i) 1.00% plus (ii) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day); provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate appearing on the Reuters Screen LIBOR01 Page (or on any successor or substitute page) at approximately 11:00 a.m. London time on such day (without any rounding).

"Administrative Agent" means Chase, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Revolving Exposure" means, at any time, the aggregate Revolving Exposure of all the Lenders.

"Applicable Percentage" means, with respect to any Lender, with respect to Revolving Loans, LC Exposure or Swingline Loans, a percentage equal to a fraction the numerator of which is such Lender's Revolving Commitment and the denominator of which is the aggregate Revolving Commitments or, if the Revolving Commitments have terminated or expired, the Applicable Percentages shall be determined based upon such Lender's share of the Aggregate Revolving Exposures at that time; with respect to the Aggregate Revolving Exposure, a percentage based upon its share of the Aggregate Revolving Exposure and the unused Commitments; provided that, in accordance with Section 2.20, so long as any Lender shall be a Defaulting Lender, such Defaulting Lender's Commitment shall be disregarded in the preceding calculation.

"Applicable Rate" means, for any day, with respect to any CBFR Loan or Eurodollar Loan, or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "CBFR Spread", "Eurodollar Spread" or "Commitment Fee Rate", respectively, as the case may be, based upon the Leverage Ratio as of the last day of the most recent Computation Period, provided that until the delivery to the Administrative Agent, pursuant to Section 5.01(b), of the Borrower's financial information for the Borrower's Fiscal Quarter ending on or about September 30, 2012, the "Applicable Rate" shall be the applicable rate per annum set forth below in Category 1:

Leverage Ratio	CBFR Spread	Eurodollar Spread	Commitment Fee Rate
Category 1			
Less than 1.25 to 1.0	0.00%	1.10%	0.25%
Category 2			
Greater than or equal to 1.25 to 1.00, but less than 1.75 to 1.00	0.25%	1.50%	0.30%
Category 3			
Greater than or equal to 1.75 to 1.00	0.50%	1.75%	0.35%

For purposes of the foregoing, (a) the Applicable Rate shall be determined as of the end of each Fiscal Quarter of the Loan Parties' based upon the Loan Parties' consolidated financial statements delivered pursuant to Section 5.01(a) or (b), as applicable, and (b) each change in the Applicable Rate resulting from a change in the Leverage Ratio shall be effective during the period commencing on and including the date of delivery to the Administrative Agent of such consolidated financial statements indicating such change and ending on the date immediately preceding the effective date of the next such change, provided that the Leverage Ratio shall be deemed to be in Category 3 at the option of the Administrative Agent or at the request of the Required Lenders if the Borrower fails to deliver the annual or quarterly consolidated financial statements required to be delivered by it pursuant to Section 5.01(a) or (b), as applicable, during the period from the expiration of the time for delivery thereof until such consolidated financial statements are delivered.

"Approved Fund" has the meaning assigned to such term in Section 9.04.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Authorized Representative" means the chief executive officer, treasurer, controller or chief financial officer of Borrower.

"Availability" means, at any time, an amount equal to (a) the aggregate Revolving Commitment of all Revolving Lenders at such time then in effect, *minus* (b) the Aggregate Revolving Exposure of all Revolving Lenders at such time.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination, or reduction to zero, of the Revolving Commitments.

"Available Revolving Commitment" means, at any time, the aggregate Revolving Commitments *minus* the Aggregate Revolving Exposure (calculated, with respect to any Defaulting Lender, as if such Defaulting Lender had funded its Applicable Percentage of all outstanding Borrowings)

"Banking Services" means each and any of the following bank services provided to any Loan Party by Chase or any of its Affiliates: (a) credit cards for commercial customers (including, without limitation, "commercial credit cards" and purchasing cards), (b) stored value cards and (c) treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services).

"Banking Services Obligations" of the Loan Parties means any and all obligations of the Loan Parties, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with Banking Services.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means Potbelly Sandwich Works, LLC, an Illinois limited liability company.

"Borrowing" means (a) a borrowing of Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, and (b) a borrowing of Swingline Loans.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Expenditures" means, without duplication, any expenditure or commitment to expend money for any purchase or other acquisition of any asset which would be classified as a fixed or capital asset on a consolidated balance sheet of the Loan Parties and their Subsidiaries prepared in accordance with GAAP.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP; provided that the adoption or issuance of any accounting standards after the Effective Date will not cause any lease that would not have been treated as a capital lease prior to such adoption or issuance to be deemed a capital lease regardless of whether such lease was entered into before or after such adoption or issuance.

"CB Floating Rate" means the Prime Rate; provided that the CB Floating Rate shall never be less than the Adjusted One Month LIBOR Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day). Any change in the CB Floating Rate due to a change in the Prime Rate or the Adjusted One Month LIBOR Rate shall be effective from and including the effective date of such change in the Prime Rate or the Adjusted One Month LIBOR Rate, respectively.

"CBFR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the CB Floating Rate.

"Change in Control" means an event or series of events by which: (a) at any time prior to the creation of a Public Market, any combination of the Specified Existing Equity Holders shall cease to own and control legally and beneficially (free and clear of all Liens), either directly or indirectly, Equity Interests in Holdings representing more than 50% of the combined voting power of all of Equity Interests entitled to vote for members of the board of directors or equivalent governing body of Holdings on a fully-diluted basis (and taking into account all such Equity Interests that the Specified Existing Equity Holders have the right to acquire pursuant to any option right (as defined in clause (b) below)); (b) at any time after the creation of a Public Market, any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) other than the Specified Existing Equity Holders becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all Equity Interests that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of 35% or more of the Equity Interests of Holdings entitled to vote for members of the board of directors or equivalent governing body of Holdings on a fully-diluted basis (and taking into account all such securities that such "person" or "group" has the right to acquire pursuant to any option right); (c) during any period of 12 consecutive months at any time prior to the creation of a Public Market, a majority of the members of the board of directors or other equivalent governing body of Holdings cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body, or (iii) whose election or nomination to that

board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body (excluding, in the case of both clause (ii) and clause (iii), any individual whose initial nomination for, or assumption of office as, a member of that board or equivalent governing body occurs as a result of an actual or threatened solicitation of proxies or consents for the election or removal of one or more directors by any person or group other than a solicitation for the election of one or more directors by or on behalf of the board of directors), provided, however, that notwithstanding the foregoing provisions of this clause (c), if a majority of the members of the board of directors of Holdings cease to be composed of such individuals because of the election of other directors in the reasonable contemplation by the Loan Parties of the creation of a Public Market within the succeeding 60 day period after such election, then a "Change of Control" shall not occur under this clause (c) so long as (x) the Administrative Agent receives prior notice of such election and the application of the proviso to this clause (c), and (y) the members of the board of directors or other equivalent governing body of Holdings continue to be composed of not less than four (4) members meeting the qualifications set forth in the foregoing clauses (i), (ii) and (iii), including in any event the Chief Executive Officer of Holdings (for the avoidance of doubt, it is understood that such Chief Executive Officer of Holdings may constitute one of the four (4) members meeting the qualifications set forth in the foregoing clauses (i), (ii) and (iii)) before giving effect to changes in contemplation of the creation of a Public Market; (d) Holdings shall cease to directly or indirectly own and control legally and beneficially (free and clear of all Liens (other than Liens permitted by Section 6.02(a) and (b)) all of the Equity Interests of Borrower; (e) Borrower shall cease to be solely managed by either (i) Holdings or, at a time when Borrower is a wholly-owned Subsidiary of Manager and the Manager is a wholly-owned Subsidiary of Holdings, the Manager or (ii) its board of directors or board of managers, as applicable, (f) except to the extent expressly permitted by Section 6.03 or except in connection with a disposition of assets permitted by Section 6.05, Holdings shall cease to directly or indirectly own and control legally and beneficially (free and clear of all Liens (other than Liens permitted by Section 6.02(a) and (b)) each of the Manager (unless and until the Manager is dissolved or liquidated in accordance with the provisions of this Agreement) and Potbelly Franchising; (g) except to the extent expressly permitted by Section 6.03 or except in connection with a disposition of assets permitted by Section 6.05, the Borrower shall cease to directly own and control legally and beneficially all of the Equity Interests of each of the Subsidiaries (other than Borrower, the Manager and Potbelly Franchising and other than the Equity Interests of any Permitted J/Vs not owned by any other Loan Party or Subsidiary); or (h) except to the extent expressly permitted by Section 6.03, or except in connection with a disposition of assets permitted by Section 6.05, the Borrower shall cease to directly or indirectly own and control legally and beneficially at least 51% of the Equity Interests of each of the Permitted J/Vs. For the avoidance of doubt, the creation of a Public Market shall not constitute a "Change in Control" hereunder.

"Change in Law" means (a) the adoption of any law, rule, regulation or treaty (including any rules or regulations issued under or implementing any existing law) after the date of this Agreement, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or the Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any

Governmental Authority made or issued after the date of this Agreement; provided that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

"Chase" means JPMorgan Chase Bank, N.A., a national banking association, in its individual capacity, and its successors.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means any and all property owned, leased or operated by a Person covered by the Collateral Documents and any and all other property of any Loan Party, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of the Administrative Agent, on behalf of itself and the Lenders and other holders of the Secured Obligations, to secure the Secured Obligations.

"Collateral Documents" means, collectively, the Security Agreement and any other documents pursuant to which a Person grants a Lien upon any real or personal property as security for payment of the Secured Obligations.

"Commitment" means, with respect to each Lender, such Lender's Revolving Commitment. The initial amount of each Lender's Commitment is set forth on the Commitment Schedule, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable.

"Commitment Schedule" means the Schedule attached hereto identified as such.

"Compliance Certificate" has the meaning assigned to such term in Section 5.01(c).

"Computation Period" means each period of four consecutive Fiscal Quarters ending on the last day of each Fiscal Quarter (commencing with the Computation Period ending on or about September 30, 2012).

"Consolidated Restaurant Pre-Opening Costs" means "start-up costs" (such term used herein as defined in SOP 98-5 published by the American Institute of Certified Public Accountants) incurred by the Borrower and/or its Subsidiaries on a consolidated basis related to the opening and organizing of Restaurants, such costs to include the cost of feasibility studies, staff-training, and recruiting and travel costs for employees engaged in such start-up activities.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Party" means the Administrative Agent, the Issuing Bank, the Swingline Lender or any other Lender.

"Debt Service" means, with reference to any period, without duplication, cash Interest Expense, *plus* scheduled principal payments on Indebtedness made during such period, *plus* Capital Lease Obligation payments, *plus* scheduled cash rent paid, calculated on a consolidated basis for the Loan Parties and their Subsidiaries for such period in accordance with GAAP.

"Debt Service Coverage Ratio" means, for any period, the ratio of (a) the sum of: (i) EBITDA, *plus* (ii) rent expense, *minus* (iii) maintenance Capital Expenditures (as such term is currently used in the most recent quarterly financial statements of Borrower referenced in Section 3.04), *minus* (iv) refresh Capital Expenditures (as such term is currently used in the most recent quarterly financial statements of Borrower referenced in Section 3.04), *minus* (v) expense for taxes paid in cash, to (b) Debt Service, calculated on a consolidated basis for the Loan Parties and their Subsidiaries for such period in accordance with GAAP.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Defaulting Lender" means any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) pay over to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular Default, if any) has not been satisfied; (b) has notified the Borrower or any Credit Party in writing, or has made a public statement, to the effect that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent to funding a Loan under this Agreement (specifically identified and including the particular Default, if any) cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by a Credit Party, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such Credit Party's receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has become the subject of a Bankruptcy Event.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"Distribution Conditions" means, with respect to any Restricted Payment, (a) no Default or Event of Default has occurred and is continuing or would occur as a result of the making of such Restricted Payment, as applicable, (b) the Borrower is in compliance with the financial covenants set forth in Section 6.13 for the Computation Period ending on the last day of the last period in respect of which financial statements have been delivered pursuant to Section 5.01(a) or 5.01(b), as applicable, determined on a pro forma basis (so that there shall be included as additional Total Funded Indebtedness an amount equal to the sum of the aggregate amount of such Restricted Payment to the extent that the same results in an increase in the outstanding Secured Obligations), and (c) the Administrative Agent shall have received a certificate from an Authorized Representative of the Borrower not less than five (5) Business Days prior to the date of such Restricted Payment, as applicable, certifying that the foregoing conditions have been satisfied and providing calculations supporting such certification, all in form and substance satisfactory to the Administrative Agent.

"Document" has the meaning assigned to such term in the Security Agreement.

"Dollars", "dollars" and "$" each refers to lawful money of the United States of America.

"Domestic Subsidiary" means each Subsidiary that is organized under the laws of the United States, any State of the United States or the District of Columbia.

"EBITDA" means, for any period, the sum of (a) the net income (or loss) of the Loan Parties and their Subsidiaries on a consolidated basis for such period, *plus* (b) without duplication and to the extent deducted in determining the net income (or loss) of the Loan Parties and their Subsidiaries on a consolidated basis for such period, the sum of (i) Interest Expense for such period, (ii) income tax expense for such period net of tax refunds, (iii) all amounts attributable to depreciation and amortization expense for such period, (iv) non-cash stock compensation expense, (v) non-cash impairment expense, (vi) 50% of Consolidated Restaurant Pre-Opening Costs for such period, and (vii) the aggregate amount of all costs, fees and expenses incurred in connection with the negotiation, documentation, closing, implementation and creation of a Public Market and/or a Public Offering, calculated on a consolidated basis for the Loan Parties and their Subsidiaries for such period in accordance with GAAP.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) any violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) any exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code and, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is also treated as a single employer under Section 414(m) or (o) of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder, with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the failure by the Borrower or any of its ERISA Affiliates to meet the minimum funding standard of Section 412 of the Code with respect to any Plan; (c) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (d) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or to appoint a trustee to administer any Plan; (e) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan during a plan year in which it was a "substantial employer" under section 4001(a)(2) of ERISA; or (f) the receipt by the Borrower or any ERISA Affiliate of any notice imposing Withdrawal Liability on the Borrower or any ERISA Affiliate or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing (other than a CBFR Loan or Borrowing), refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Article VII.

"Excluded Taxes" means, with respect to any payment made by any Loan Party under any Loan Document, any of the following Taxes imposed on or with respect to a Recipient: (a) (i) income or franchise Taxes imposed on (or measured by) net income by the United States of America, or by the jurisdiction under the laws of which such Recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located and (ii) Other Connection Taxes, (b) any branch profits Taxes imposed by the United States of America or any similar Taxes imposed by any other jurisdiction in which the Borrower is located, (c) in the case of a Non U.S. Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any U.S. Federal withholding Taxes resulting from any law

in effect on the date such Non U.S. Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Non U.S. Lender's failure to comply with Section 2.17(f), except to the extent that such Non U.S. Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Taxes pursuant to Section 2.17(a) and (d) any U.S. Federal withholding Taxes imposed under FACTA.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantially comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, controller, principal accounting officer, treasurer or controller of the Borrower.

"Fiscal Quarter" means a fiscal quarter of a Fiscal Year.

"Fiscal Year" means the fiscal year of the Borrower.

"Foreign Subsidiary" means each Subsidiary that is not a Domestic Subsidiary.

"Funding Account" has the meaning assigned to such term in Section 4.01(h).

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment

thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Guaranteed Obligations" has the meaning assigned to such term in Section 10.01.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Holdings" means Potbelly Corporation, a Delaware corporation.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances, (k) all obligations of such Person under any liquidated earn-out and (l) any other Off-Balance Sheet Liability of such Person. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by any Loan Party under any Loan Document and (b) Other Taxes.

"Intercompany Subordination Agreement" means that certain Subordination Agreement dated as of September 21, 2012 among the Loan Parties and the Administrative Agent.

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.07.

"Interest Expense" means, for any period, total interest expense (including that attributable to Capital Lease Obligations) of the Loan Parties and their Subsidiaries for such period with respect to all outstanding Indebtedness of the Loan Parties and their Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptances and net costs under Swap Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP), calculated on a consolidated basis for the Loan Parties and their Subsidiaries for such period in accordance with GAAP.

"Interest Payment Date" means (a) with respect to any CBFR Loan (other than a Swingline Loan), the last day of each calendar quarter and the Maturity Date (or, if such day is not a Business Day, the next succeeding Business Day), (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and the Maturity Date, and (c) with respect to any Swingline Loan, the day that such Swingline Loan is required to be repaid and the Maturity Date.

"Interest Period" means with respect to any Eurodollar Borrowing, the period commencing on the date of such Eurodollar Borrowing and ending on the numerically corresponding day in the calendar month that is one, two or three (or, with the consent of each Lender, six or twelve) months thereafter, as the Borrower may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Bank" means Chase, in its capacity as the issuer of Letters of Credit, and its successors in such capacity as provided in Section 2.06(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"Joinder Agreement" has the meaning assigned to such term in Section 5.12.

"LC Collateral Account" has the meaning assigned to such term in Section 2.06(j).

"LC Disbursement" means a payment made by the Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time, plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the aggregate LC Exposure at such time.

"Lead Arranger" means J.P. Morgan Securities LLC.

"Lenders" means the Persons listed on the Commitment Schedule and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"Leverage Ratio" means, as of the last day of any Computation Period, the ratio of (a) Total Funded Indebtedness on such date to (b) EBITDA for the Computation Period ended on such date.

"LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement, any promissory notes issued pursuant to this Agreement, any Letter of Credit applications, the Collateral Documents, all Joinder Agreements, the Intercompany Subordination Agreement and all other agreements, instruments, documents and certificates identified or referenced in Section 4.01 or in Exhibit E executed and delivered to, or in favor of, the Administrative Agent or any Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, letter of credit agreements and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Loan Party, or any employee of any Loan Party, and delivered to the Administrative Agent or any Lender in connection with this Agreement or the transactions contemplated hereby. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to this Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

"Loan Guarantor" means each Loan Party (other than the Borrower).

"Loan Guaranty" means Article X of this Agreement.

"Loan Parties" means Holdings, the Manager, the Borrower, the Subsidiaries party hereto on the date hereof, and any other Subsidiary or other Person who becomes a party to this Agreement pursuant to a Joinder Agreement, together with their respective successors and permitted assigns.

"Loans" means the loans and advances made by the Lenders pursuant to this Agreement, including Swingline Loans.

"Manager" means Potbelly Illinois, Inc., an Illinois corporation.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations or condition, financial or otherwise, of the Borrower or of the Loan Parties and their Subsidiaries taken as a whole, (b) the ability of any Loan Party to perform any of its obligations under the Loan Documents to which it is a party, (c) the Collateral, or the Administrative Agent's Liens (on behalf of itself and the Lenders and other holders of the Secured Obligations) on the Collateral or the priority of such Liens, or (d) the rights of or benefits available to the Administrative Agent, the Issuing Bank or the Lenders under any Loan Document.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the Loan Parties and their Subsidiaries in an aggregate principal amount exceeding the Threshold Amount. For purposes of determining Material Indebtedness, the "obligations" of any Loan Party or Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Loan Party or Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

"Maturity Date" means September 21, 2017 or any earlier date on which the Commitments are reduced to zero or otherwise terminated pursuant to the terms hereof.

"Moody's" means Moody's Investors Service, Inc.

"Mortgages" means any mortgage, deed of trust or other agreement which conveys or evidences a Lien in favor of the Administrative Agent, for the benefit of the Administrative Agent and the Lenders and other holders of the Secured Obligations, on real property of any Loan Party, including any amendment, modification or supplement thereto.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Non-Consenting Lender" has the meaning assigned to such term in Section 9.02(d).

"Non-U.S. Lender" means a Lender that is not a U.S. Person.

"Non-Paying Guarantor" has the meaning assigned to such term in Section 10.10.

"Obligated Party" has the meaning assigned to such term in Section 10.02.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all LC Exposure, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Loan Parties to the Lenders or to any Lender, the Administrative Agent, the Issuing Bank or any indemnified party arising under the Loan Documents.

"Off-Balance Sheet Liability" of a Person means (a) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (b) any indebtedness, liability or obligation under any so-called "synthetic lease" transaction entered into by such Person, or (c) any indebtedness, liability or obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person (other than operating leases).

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than a connection arising from such Recipient having executed, delivered, enforced, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to, or enforced, any Loan Document, or sold or assigned an interest in any Loan Document).

"Other Taxes" means any present or future stamp, court, documentary, intangible, recording, filing or similar excise or property Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, or from the registration, receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment under Section 2.19(b)).

"Parent" means, with respect to any Lender, the Person as to which such Lender is, directly or indirectly, a subsidiary.

"Parent Note" means that certain Subordinated Intercompany Note dated as of January 15, 2008 in the original principal amount of $105,182,577.91 made by the Borrower in favor of Holdings.

"Participant" has the meaning assigned to such term in Section 9.04(c).

"Participant Register" has the meaning assigned to such term in Section 9.04(c).

"Participant" has the meaning set forth in Section 9.04.

"Paying Guarantor" has the meaning assigned to such term in Section 10.10.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Acquisition" means the acquisition by the Borrower, or a direct or indirect wholly-owned Subsidiary of the Borrower, of all or substantially all of the assets, or all (but not less than all) of the capital stock, of any Person (the "Target") without the prior written approval of the Administrative Agent or any Lender, subject to the satisfaction of each of the following conditions:

(a) the Administrative Agent shall have received not less than ten (10) days' prior written notice of any proposed Permitted Acquisition, which notice shall be in form and substance acceptable to the Administrative Agent (an "Acquisition Notice"), provided that if the aggregate Purchase Price (as hereinafter defined) of any proposed Permitted Acquisition shall be $5,000,000 or less such notice may be given promptly (and in any event within 30 days) after completion thereof, and shall include a due diligence package including the following materials:

(i) a general description of the business to be acquired;

(ii) a general description of the method of financing such Acquisition and the sources and uses of funds therefor;

(iii) all material agreements relating to any Indebtedness to be assumed;

(iv) any other information, materials or reports reasonably requested by the Administrative Agent to the extent such information, materials or reports are readily available to any Loan Party; and

(v) to the extent available, a fully executed copy (or to the extent not complete, substantially final drafts) of the material acquisition agreements and all other material transaction documents for such acquisition, together with all schedules thereto (or in the event such documents have yet to be executed, the most recently available drafts thereof, with executed copies to follow promptly upon the same becoming available);

(b) concurrently with the giving of any Acquisition Notice relating to a Permitted Acquisition with an aggregate Purchase Price of more than $5,000,000, Borrower shall have delivered to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent with respect to the proposed Permitted Acquisition:

(i) a draft certificate (with a final executed certificate to be delivered upon the consummation of such Permitted Acquisition) of a Financial Officer of Borrower to the effect that at the time of such Permitted Acquisition and after giving effect thereto, (A) no Default or Event of Default has occurred and is continuing; (B) the representations and warranties set forth herein are and will be true and correct in all material respects (except to the extent they relate to an earlier date, in which case as of such earlier date); (C) Holdings and its Subsidiaries, taken as a whole, will be Solvent upon the consummation of the Permitted Acquisition; and (D) Holding and its Subsidiaries are and will be in pro forma compliance with all financial covenants set forth in Section 6.13 as of the end of the most recently ended fiscal quarter (as determined on a pro forma basis after giving effect to incurred indebtedness); and

(ii) a fully executed copy (or to the extent not complete, the most recent available drafts, with executed copies to follow promptly upon the same becoming available) of the material acquisition agreements and all other material transaction documents for such acquisition, together with all schedules thereto (or in the event such documents have yet to be executed the most recent available drafts thereof, with executed copies to follow promptly upon the same becoming available);

(c) such Permitted Acquisition shall only involve assets substantially all of which are located in the United States and comprising a business, of substantially the same type engaged in by Borrower as of the Effective Date, and which business would not subject the Lenders or the Administrative Agent to material regulatory approvals in connection with the exercise of their rights and remedies under this Agreement or any other Loan Documents other than approvals applicable to the exercise of such rights and remedies with respect to Borrower prior to such Permitted Acquisition;

(d) the Borrower shall have delivered to the Administrative Agent as soon as reasonably possible prior to or after the consummation of such Permitted Acquisition (but in no event more than five (5) Business Days (or 30 days in the case of a Permitted Acquisition with a Purchase Price of less than $5,000,000) after such consummation) evidence reasonably satisfactory to the Administrative Agent that all Liens with respect to the acquired assets, other than Liens permitted pursuant to Section 6.02, have been, or will be concurrently with the consummation of such Permitted Acquisition, discharged in full;

(e) unless otherwise consented to by the Administrative Agent, such Permitted Acquisition shall be consensual, shall have been approved by the Target's board of directors (or comparable governing board) and shall be consummated in accordance with the terms of the agreements and documents related thereto, and in compliance with all applicable laws, ordinances, rules, regulations and requests of Governmental Authorities;

(f) no assets or liabilities (including, without limitation, Investments, Indebtedness and Guarantees) shall be acquired, incurred, assumed or otherwise be reflected on a consolidated balance sheet of Holdings and its Subsidiaries after giving effect to such Permitted Acquisition, except (i) Loans made hereunder and (ii) those assets and liabilities which may be acquired, incurred or assumed in accordance with the provisions of this Agreement (including, without limitation, the provisions of Sections 6.01, 6.02 and 6.04);

(g) the business and assets acquired in such Permitted Acquisition shall be free and clear of all Liens (other than Liens permitted by Section 6.02);

(h) within 30 days following the closing of any Permitted Acquisition, the Administrative Agent will be granted a first priority perfected Lien (subject to Liens permitted by Section 6.02 hereof) in all assets (other than Excluded Property (as defined in the Security Agreement)) acquired pursuant thereto and in the assets and capital stock of the Target, and Holdings, its Subsidiaries and the Target shall have executed such documents and taken such

actions (including without limitation, the delivery of (i) certified copies of the resolutions of the board of directors (or comparable governing board) of Holdings, its Subsidiaries and the Target authorizing such Permitted Acquisition and the granting of Liens described herein, (ii) legal opinions reasonably requested by the Administrative Agent, each in form and content reasonably acceptable to the Administrative Agent, with respect to the transactions described herein and (iii) evidence of insurance of the business to be acquired consistent with the requirements of Section 5.09 as may be required by the Administrative Agent in connection therewith);

(i) the sum of the aggregate investment, purchase price and all other amounts payable (collectively, the "Purchase Price") in connection with all Permitted Acquisitions (including all Indebtedness, liabilities and Guarantees incurred or assumed and deferred purchase price or comparable payment obligation in connection therewith, whether or not reflected on a consolidated balance sheet of any Loan Party, Subsidiary or Target) shall not exceed (i)$20,000,000 in the aggregate for the trailing twelve month period ending on the date that such Permitted Acquisition is effective, or (i) $40,000,000 in the aggregate after the date of this Agreement; and

(j) at the time of any Permitted Acquisition and after giving effect thereto, (i) no Default or Event of Default has occurred and is continuing, no Default or Event of Default has occurred and is continuing; (ii) the representations and warranties set forth herein are true and correct in all material respects (except as to any representation or warranty qualified as to materiality or Material Adverse Effect, in which case such representation or warranty shall be true and correct in all respects) as of such date and before and after giving effect to such Permitted Acquisition and shall be deemed to be repeated and restated as of the date thereof; (iii) Holdings and its Subsidiaries, taken as a whole, are Solvent; and (iv) Holdings and its Subsidiaries are in pro forma compliance with all financial covenants set forth in Section 6.13 as of end of the most recently ended fiscal quarter (as determined on a pro forma basis after giving effect to Indebtedness incurred in connection with such Permitted Acquisition).

"Permitted Encumbrances" means:

(a) Liens imposed by law for Taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not (i) secure any monetary obligations and (ii) individually or in the aggregate, materially detract from the value of the property of, or interfere with the ordinary conduct of business of, more than 10% of the Restaurants;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness, except with respect to clause (e) above.

"Permitted Investments" means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody's;

(c) investments in certificates of deposit, banker's acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than $500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least $5,000,000,000.

"Permitted J/V" means any Subsidiary as to which all of the Equity Interests are owned by Borrower other than up to 49% thereof owned by joint venture partners of Borrower for the purpose of opening Restaurants in specific locations where use of a joint venture is advisable.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code that is, or has at any time within the preceding six years been, maintained by the Borrower or any ERISA Affiliate.

"Potbelly Franchising" means Potbelly Franchising, LLC, an Illinois limited liability company and, as of the date hereof, a wholly-owned direct subsidiary of the Manager.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate at its offices at 270 Park Avenue in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Projections" has the meaning assigned to such term in Section 5.01(e).

"Public Market" shall exist if (a) a Public Offering has been consummated and (b) any Equity Interests of the Borrower, any holding company thereof, Holdings or any holding company thereof have been distributed by means of an effective registration statement under the Securities Act of 1933.

"Public Offering" means a public offering of the Equity Interests of the Borrower, any holding company thereof, Holdings or any holding company thereof pursuant to an effective registration statement under the Securities Act of 1933.

"Recipient" means, as applicable, (a) the Administrative Agent, (b) any Lender and (c) the Issuing Bank.

"Register" has the meaning assigned to such term in Section 9.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Report" means reports prepared by the Administrative Agent or another Person showing the results of appraisals, field examinations or audits pertaining to the assets of any Loan Party or Subsidiary from information furnished by or on behalf of the Borrower, after the Administrative Agent has exercised its rights of inspection pursuant to this Agreement, which Reports may be distributed to the Lenders by the Administrative Agent.

"Required Lenders" means, at any time, Lenders (other than Defaulting Lenders) having Revolving Exposure and unused Commitments representing at least 51% of the sum of the Aggregate Revolving Exposure and unused Commitments at such time; provided that, as long as there are only two Lenders, Required Lenders shall mean both Lenders.

"Requirement of Law" means, as to any Person, the articles or certificate of incorporation, certificate of formation and operating or limited liability company agreement or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Restaurant" means a particular restaurant at a particular location that is owned (regardless of whether the real property is owned or leased) and operated by a Loan Party or a Permitted J/V, as applicable.

"Restricted Payment" means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in any Loan Party or Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests or any option, warrant or other right to acquire any such Equity Interests.

"Revolving Commitment" means, with respect to each Lender, the commitment, if any, of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum possible aggregate amount of such Lender's Revolving Exposure hereunder, as such commitment may be reduced or increased from time to time pursuant to (a) Section 2.09 and (b) assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Revolving Commitment is set forth on the Commitment Schedule, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Revolving Commitment, as applicable. The initial aggregate amount of the Lenders' Revolving Commitments is $35,000,000.

"Revolving Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans, LC Exposure and Swingline Exposure.

"Revolving Lender" means, as of any date of determination, a Lender with a Revolving Commitment or, if the Revolving Commitments have terminated or expired, a Lender with Revolving Exposure.

"Revolving Loan" means a Loan made pursuant to Section 2.01.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services business.

"Secured Obligations" means all Obligations, together with all (i) Banking Services Obligations and (ii) Swap Obligations owing to one or more Lenders or their respective Affiliates; provided that at or prior to the time that any transaction relating to such Swap Obligation is executed, the Credit Party that is party thereto (other than Chase) shall have delivered written notice to the Administrative Agent that such a transaction has been entered into and that it constitutes a Secured Obligation entitled to the benefits of the Collateral Documents.

"Security Agreement" means that certain Pledge and Security Agreement, dated as of September 21, 2012, among the Borrower, certain of the other Loan Parties and the Administrative Agent, for the benefit of the Administrative Agent and the Lenders and the other holders of the Secured Obligations, and any other pledge or security agreement entered into heretofore, now or hereafter (including as required by this Agreement or any other Loan Document), or any other Person, as the same may be amended, restated or otherwise modified from time to time.

"Solvent" and "Solvency" means, with respect to any Person on any date of determination, that on such date (i) the fair value of the assets of such Person, at a fair valuation, will exceed its debts and liabilities, subordinated, contingent or otherwise (other than, in the case of the Borrower, its debts and liabilities in respect of the Parent Note); (ii) the present fair saleable value of the property of such Person will be greater than the amount that will be required to pay the probable liability of its debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured (other than, in the case of the Borrower, its debts and liabilities in respect of the Parent Note); (iii) such Person is able to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (iv) such Person does not have unreasonably small capital with which to conduct the business in which it is engaged as such business is now conducted and is proposed to be conducted after the Effective Date.

"Specified Existing Equity Holders" means those certain holders of Equity Interests of Holdings as of the Closing Date as identified on Schedule 1.01 and their Affiliates.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Reference herein to the term "Subsidiary" means any direct or indirect subsidiary of the Borrower or a Loan Party, as applicable, unless the context indicates otherwise. For the purposes of this Agreement and each other Loan Document, Potbelly Franchising shall be deemed to be, and treated as, a Subsidiary of the Borrower, notwithstanding the fact that it is actually directly and wholly-owned by the Manager.

"Swap Agreement" means any agreement with respect to any swap, forward, spot, future, credit default, cap, collar or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of a Loan Party or Subsidiary shall be a Swap Agreement.

"Swap Obligations" of a Loan Party means any and all obligations of such Loan Party, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Swap Agreements, and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Swap Agreement transaction.

"Swingline Exposure" means, at any time, the sum of the aggregate principal amount of all outstanding Swingline Loans at such time. The Swingline Exposure of any Revolving Lender at any time shall be its Applicable Percentage of the aggregate Swingline Exposure at such time.

"Swingline Lender" means Chase, in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.05.

"Target" has the meaning assigned to such term in the definition of "Permitted Acquisition".

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Threshold Amount" shall mean $3,750,000.

"Total Funded Indebtedness" means, as of any date, the sum of (a) all obligations for borrowed money or with respect to deposits or advances of any kind, (b) all obligations evidenced by bonds, debentures, notes or similar instruments, (c) all obligations upon which interest charges are customarily paid, (d) all obligations under conditional sale or other title retention agreements relating to property acquired by any Loan Party or Subsidiary, (e) all obligations in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all obligations, contingent or otherwise, as an account party in respect of letters of credit and letters of guaranty, (g) all obligations, contingent or otherwise, in respect of bankers' acceptances, (h) all Capital Lease Obligations, (i) all obligations under any liquidated earn-out, (j) any other Off-Balance Sheet Liability, and (k) all Guarantees by any Loan Party or Subsidiary of obligations of the types specified in clauses (a) through (j) of others, calculated on a consolidated basis for the Loan Parties and their Subsidiaries as of such date in accordance with GAAP; *provided* that (i)

obligations of the type described in foregoing clauses (f), (g) and (i) shall only be treated as Total Funded Indebtedness to the extent such obligations are not contingent and shall have become due and payable, and (ii) obligations of the type described in the foregoing clause (k) shall not include Guarantees of obligations of the type described in the foregoing clauses (f), (g) and (i) that are contingent and shall not have become due and payable.

"Transactions" means the execution, delivery and performance by the Borrower of this Agreement, the borrowing of Loans and other credit extensions, the use of the proceeds thereof and the requests for issuances of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the CB Floating Rate.

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of Illinois or any other state the laws of which are required to be applied in connection with the issue of perfection of security interests.

"Unliquidated Obligations" means, at any time, any Secured Obligations (or portion thereof) that are contingent in nature or unliquidated at such time, including any Secured Obligation that is: (i) an obligation to reimburse a bank for drawings not yet made under a letter of credit issued by it; (ii) any other obligation (including any guarantee) that is contingent in nature at such time; or (iii) an obligation to provide collateral to secure any of the foregoing types of obligations.

"U.S. Person" means a "United States person" within the meaning of Section 7701(a)(30) of the Code.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Withholding Agent" means the Borrower and the Administrative Agent.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Type and Class (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "CBFR Borrowing" or a "Eurodollar Borrowing") or by Type and Class (e.g., a "CBFR Revolving Borrowing" or a "Eurodollar Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such

agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) any reference in any definition to the phrase "at any time" or "for any Period" shall refer to the same time or period for all calculations or determinations within such definition, and (f) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if after the date hereof there occurs any change in GAAP or in the application thereof on the operation of any provision hereof and the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of such change in GAAP or in the application thereof (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Statement of Financial Accounting Standards 159 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of any Loan Party or Subsidiary at "fair value", as defined therein.

ARTICLE II

THE CREDITS

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Exposure exceeding such Lender's Revolving Commitment or (b) the Aggregate Revolving Exposures exceeding the sum of the total Revolving Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. Any Swingline Loan shall be made in accordance with the procedures set forth in Section 2.05.

(b) Subject to Section 2.14, each Borrowing shall be comprised entirely of CBFR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Swingline Loan shall be a CBFR Loan. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000. At the time that each CBFR Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000; provided that a CBFR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the aggregate Revolving Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Swingline Loan shall be in an amount that is an integral multiple of $100,000. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of twelve (12) Eurodollar Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Borrowings. To request a Borrowing, the Borrower shall notify the Administrative Agent of such request either in writing (delivered by hand, facsimile or email) in a form approved by the Administrative Agent and signed by the Borrower or by telephone not later than (a) in the case of a Eurodollar Borrowing, 10:00 a.m., Chicago time, two Business Days before the date of the proposed Borrowing or (b) in the case of a CBFR Borrowing, noon, Chicago time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or facsimile to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.01:

(i) the aggregate amount of the requested Borrowing and a breakdown of the separate wires comprising such Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be a CBFR Borrowing or a Eurodollar Borrowing; and

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period."

If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be a CBFR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. [Intentionally Omitted.]

SECTION 2.05. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding $5,000,000 (provided that such amount shall be zero at any time that there is only one Lender) or (ii) the sum of the Aggregate Revolving Exposures exceeding the lesser of the aggregate Revolving Commitments and Availability; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans. To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by facsimile), not later than 2:30 p.m., Chicago time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the Funding Account (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank, and in the case of repayment of another Loan or fees or expenses as provided by Section 2.18(c), by remittance to the Administrative Agent to be distributed to the Lenders) by 4:00 p.m., Chicago time, on the requested date of such Swingline Loan.

(b) The Swingline Lender may by written notice given to the Administrative Agent not later than 4:00 p.m., Chicago time, on any Business Day require the Revolving Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Revolving Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Revolving Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Revolving Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Revolving Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in

Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Revolving Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Revolving Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.06. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account or for the account of any Loan Party or any Subsidiary thereof in a form reasonably acceptable to the Administrative Agent and the Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall deliver by hand or facsimile (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Bank) to the Issuing Bank and the Administrative Agent (prior to 10:00 a.m., Chicago time, at least two Business Days prior to the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Bank, the Borrower also shall submit a letter of credit application on the Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed $3,000,000, and (ii) the total Revolving Exposures shall not exceed the total Revolving Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension).

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Bank or the Revolving Lenders, the Issuing Bank hereby grants to each Revolving Lender, and each Revolving Lender hereby acquires from the Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Revolving Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Revolving Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If the Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement (i) not later than 11:00 a.m., Chicago time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 9:00 a.m., Chicago time, on such date, or (ii) if such notice has not been received by the Borrower prior to such time on such date, then not later than 11:00 a.m., Chicago time, on the Business Day immediately following the day that the Borrower receives such notice; provided that, the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with a CBFR Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting CBFR Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Revolving Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Revolving Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Revolving Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Revolving Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Revolving Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as their interests may appear. Any payment made by a Revolving Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of CBFR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein or herein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Revolving Lenders nor the Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Bank; provided that the foregoing shall not be construed to excuse the Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of the Issuing Bank (as finally determined by a court of competent jurisdiction), the Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by facsimile) of such demand for payment and whether the Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Bank and the Revolving Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to CBFR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Revolving Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Bank. The Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Revolving Lenders of any such replacement of the Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If (i) any Event of Default shall occur and be continuing or (ii) if any Letter of Credit is outstanding after the Maturity Date, then on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Revolving Lenders with LC Exposure representing greater than 50% of the aggregate LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Revolving Lenders (the "LC Collateral Account"), an amount in cash equal to 105% of the aggregate undrawn amount of all outstanding Letters of Credit at such time; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the Secured Obligations. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over the LC Collateral Account and the Borrower hereby grants the Administrative Agent a security interest in the LC Collateral Account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in the LC Collateral Account. Moneys in the LC

Collateral Account shall be applied by the Administrative Agent to reimburse the Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Revolving Lenders with LC Exposure representing greater than 50% of the aggregate LC Exposure), be applied to satisfy other Secured Obligations. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all such Events of Default have been cured or waived as confirmed in writing by the Administrative Agent.

(k) If the Borrower so requests in any applicable Letter of Credit application, the Issuing Bank will agree to issue a Letter of Credit that has automatic extension provisions (each, an "Auto-Extension Letter of Credit"); provided that any such Auto-Extension Letter of Credit must permit the Issuing Bank to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day (the "Non-Extension Notice Date") in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued. Unless otherwise directed by the Issuing Bank, the Borrower shall not be required to make a specific request to the Issuing Bank for any such extension. Once an Auto-Extension Letter of Credit has been issued, the Lenders shall be deemed to have authorized the Issuing Bank to permit the extension of such Letter of Credit at any time to an expiry date not later than the date set forth in Section 2.06(c).

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by such Lender hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., Chicago time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders in an amount equal to such Lender's Applicable Percentage; provided that_Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to the Funding Account; provided that CBFR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing (or in the case of any CBFR Borrowing, prior to the deadline for requesting a CBFR Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to CBFR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or facsimile to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be a CBFR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period”.

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month’s duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to a CBFR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to a CBFR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. Termination and Reduction of Commitments; Increase in Revolving Commitments. (a) Unless previously terminated, all Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate the Commitments upon (i) the payment in full of all outstanding Loans, together with accrued and unpaid interest thereon and on any Letters of Credit, (ii) the cancellation and return of all outstanding Letters of Credit (or alternatively, with respect to each such Letter of Credit, the furnishing to the Administrative Agent of a cash deposit (or at the discretion of the Administrative Agent a back up standby letter of credit satisfactory to the Administrative Agent) equal to 105% of the aggregate undrawn amount of all outstanding Letters of Credit as of such date), (iii) the payment in full of the accrued and unpaid fees, and (iv) the payment in full of all reimbursable expenses and other Obligations (other than Unliquidated Obligations) together with accrued and unpaid interest thereon.

(c) The Borrower may from time to time reduce the Revolving Commitments; *provided* that (i) each reduction of the Revolving Commitments shall be in an amount that is an integral multiple of $5,000,000, and (ii) the Borrower shall not reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of the Revolving Loans in accordance with Section 2.10, the sum of the Revolving Exposures would exceed the aggregate Revolving Commitments.

(d) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) or (c) of this Section at least two Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities or other refinancing, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(e) The Borrower shall have the right to increase the Revolving Commitment by obtaining additional Revolving Commitments, either from one or more of the Lenders or another lending institution provided that (i) any such request for an increase shall be in a minimum amount of $5,000,000 or a greater integral multiple of $1,000,000, (ii) the Borrower may make a maximum of five (5) such requests, (iii) the Administrative Agent has approved the identity of any such new Lender, such approval not to be unreasonably withheld, (iv) any such new Lender assumes all of the rights and obligations of a "Lender" hereunder, and (v) the procedure described in Section 2.09(f) have been satisfied.

(f) Any amendment hereto for such an increase or addition shall be in form and substance satisfactory to the Administrative Agent and shall only require the written signatures of the Administrative Agent, the Borrower and each Lender being added or increasing its Commitment, subject only to (i) the approval of all Lenders if any such increase would cause the aggregate amount of increases in Revolving Commitments pursuant to this Section 2.09 to exceed $25,000,000, and (ii) pro forma compliance with the financial covenants set forth in Section 6.13 as of the end of the most recent Fiscal Quarter (assuming that the Revolving Commitments as increased were fully drawn). As a condition precedent to such an increase, Borrower shall deliver to the Administrative Agent a certificate of each Loan Party (in sufficient copies for each Lender) signed by an authorized officer of such Loan Party (i) certifying and attaching the resolutions adopted by such Loan Party approving or consenting to such increase, and (ii) in the case of the Borrower, certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in Article III and the other Loan Documents are true and correct, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, (B) pro forma compliance with the financial covenants set forth in Section 6.13 as of the end of the most recent Fiscal Quarter (assuming that the Revolving Commitments as increased were fully drawn) accompanied by calculations supporting the same, and (C) no Default exists.

(g) Within a reasonable time after the effective date of any increase, the Administrative Agent shall, and is hereby authorized and directed to, revise the Commitment Schedule to reflect such increase and shall distribute such revised Commitment Schedule to each of the Lenders and the Borrower, whereupon such revised Commitment Schedule shall replace the old Commitment Schedule and become part of this Agreement. On the Business Day following any such increase, all outstanding CBFR Advances shall be reallocated among the Lenders (including any newly added Lenders) in accordance with the Lenders' respective revised Applicable Percentages and the Lenders shall make adjustments among themselves with respect to the Advances then outstanding and amounts of principal, interest, commitment fees and other amounts paid or payable with respect thereto as shall be necessary, in the opinion of the Administrative Agent, in order to effect such reallocation. Eurodollar Advances shall not be reallocated among the Lenders until the expiration of the applicable Interest Period in effect at the time of any such increase, at which time any such Eurodollar Advances being continued shall be reallocated, and any such Eurodollar Advances being converted to CBFR Advances shall be converted and allocated, among the Lenders (including the newly added Lenders) at such time.

SECTION 2.10. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Revolving Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date, and (ii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a Revolving Loan is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (c) or (d) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part without premium or penalty (other than pursuant to Section 2.16), subject to prior notice in accordance with paragraph (e) of this Section.

(b) In the event and on such occasion that the Aggregate Revolving Exposure exceeds the aggregate Revolving Commitments, the Borrower shall prepay the Revolving Loans, LC Exposure and/or Swingline Loans, in an aggregate amount equal to such excess.

(c) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by facsimile) of any prepayment hereunder not later than 10:00 a.m., Chicago time, (i) in the case of prepayment of a Eurodollar Borrowing, two Business Days before the date of prepayment, (ii) in the case of prepayment of a CBFR Borrowing, one Business Day before the date of prepayment, or (iii) in the case of prepayment of a Swingline Loan, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Revolving Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Rate on the average daily amount of the Available Revolving Commitment of such Lender during the period from and including the Effective Date to but excluding the date on which the Lenders' Revolving Commitments terminate. Accrued commitment fees shall be payable in arrears on the last day of each March, June, September and December and on the date on which the Revolving Commitments terminate, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed.

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Revolving Lender a participation fee with respect to its participations in Letters of Credit, at a per annum rate equal to 1.10% on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) at any time there are Lenders other than Chase, to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of each March, June, September and December shall be payable on the first Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Revolving Commitments terminate and any such fees accruing after the date on which the Revolving Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed.

(c) The Borrower shall pay to the Lender on the Closing Date a non-refundable closing fee of $87,500.

(d) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each CBFR Borrowing (including each Swingline Loan) shall bear interest at the CB Floating Rate plus the Applicable Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, during the occurrence and continuance of an Event of Default, the Administrative Agent or the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 9.02 requiring the consent of "each Lender affected thereby" for reductions in interest rates), declare that (i) all Loans shall bear interest at 2.00% plus the rate otherwise applicable to such Loans as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount outstanding hereunder, such amount shall accrue at 2.00% plus the rate applicable to such fee or other obligation as provided hereunder.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of a CBFR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days (except that interest computed by reference to the CB Floating Rate shall be computed on the basis of a year of 365/366 days) and shall be payable for the actual number of days elapsed. The applicable CB Floating Rate, Adjusted LIBO Rate and LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or facsimile as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as a CBFR Borrowing.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Bank;

(ii) impose on any Lender or the Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein; or

(iii) subject any Recipient to any Taxes on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto (other than (A) Indemnified Taxes, and (B) Taxes described in clauses (a)(i), (b), (c) and (d) of the definition of Excluded Taxes);

and the result of any of the foregoing shall be to increase the cost to such Lender or such other Recipient of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Eurodollar Loan) or to increase the cost to such Lender, the Issuing Bank or such other Recipient of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender, the Issuing Bank or such other Recipient hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender, the Issuing Bank or such other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, the Issuing Bank or such other Recipient, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or the Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(c) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event (excluding any loss of anticipated profits). In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Eurodollar Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Eurodollar Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period

from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes. (a) Withholding of Taxes; Gross-Up. Each payment by any Loan Party under any Loan Document shall be made without withholding for any Taxes, unless such withholding is required by any law. If any Withholding Agent determines, in its sole discretion exercised in good faith, that it is so required to withhold Taxes, then such Withholding Agent may so withhold and shall timely pay the full amount of withheld Taxes to the relevant Governmental Authority in accordance with applicable law. If such Taxes are Indemnified Taxes, then the amount payable by such Loan Party shall be increased as necessary so that, net of such withholding (including such withholding applicable to additional amounts payable under this Section), the applicable Recipient receives the amount it would have received had no such withholding been made.

(b) Payment of Other Taxes by the Borrower. The Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes by any Loan Party to a Governmental Authority, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by the Borrower. The Loan Parties shall jointly and severally indemnify each Recipient for any Indemnified Taxes that are paid or payable by such Recipient in connection with any Loan Document (including amounts paid or payable under this Section 2.17(d)) and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 2.17(d) shall be paid within 10 days after the Recipient delivers to any Loan Party a certificate stating the amount of any Indemnified Taxes so paid or payable by such Recipient and describing the basis for the indemnification claim; provided, that the Borrower shall not be obligated to make a payment pursuant to this Section 2.17 in respect of penalties, interest and additions to tax attributable to or included in any Indemnified Taxes or Other Taxes (and, for the avoidance of doubt, reasonable expenses arising therefrom or with respect thereto), if such penalties, interest, additions to tax or expenses are attributable to the gross negligence or willful misconduct of the Administrative Agent or any Lender. Such certificate shall be conclusive of the amount so paid or payable absent manifest error. Such Recipient shall deliver a copy of such certificate to the Administrative Agent.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent for any Taxes (but, in the case of any Indemnified Taxes, only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so) attributable to such Lender that are paid or payable by the Administrative Agent in connection with any Loan Document and any reasonable expenses arising therefrom or with respect thereto, whether or not

such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. The indemnity under this Section 2.17(e) shall be paid within 10 days after the Administrative Agent delivers to the applicable Lender a certificate stating the amount of Taxes so paid or payable by the Administrative Agent. Such certificate shall be conclusive of the amount so paid or payable absent manifest error.

(f) Status of Lenders. (i) Any Lender that is entitled to an exemption from, or reduction of, any applicable withholding Tax with respect to any payments under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without, or at a reduced rate of, withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to any withholding (including backup withholding) or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17(f)(ii)(A) through (E) below) shall not be required if in the Lender's judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender. Upon the reasonable request of the Borrower or the Administrative Agent, any Lender shall update any form or certification previously delivered pursuant to this Section 2.17(f). If any form or certification previously delivered pursuant to this Section expires or becomes obsolete or inaccurate in any respect with respect to a Lender, such Lender shall promptly (and in any event within 10 days after such expiration, obsolescence or inaccuracy) notify the Borrower and the Administrative Agent in writing of such expiration, obsolescence or inaccuracy and update the form or certification if it is legally eligible to do so.

(ii) Without limiting the generality of the foregoing, if the Borrower is a U.S. Person, any Lender with respect to the Borrower shall, if it is legally eligible to do so, deliver to the Borrower and the Administrative Agent (in such number of copies reasonably requested by the Borrower and the Administrative Agent) on or prior to the date on which such Lender becomes a party hereto, duly completed and executed copies of whichever of the following is applicable:

(A) in the case of a Lender that is a U.S. Person, IRS Form W-9 certifying that such Lender is exempt from U.S. Federal backup withholding tax;

(B) in the case of a Non-U.S. Lender claiming the benefits of an income tax treaty to which the United States is a party (1) with respect to payments of interest under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "interest" article of such tax treaty and (2) with respect to any other applicable payments under this Agreement, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(C) in the case of a Non-U.S. Lender for whom payments under this Agreement constitute income that is effectively connected with such Lender's conduct of a trade or business in the United States, IRS Form W-8ECI;

(D) in the case of a Non-U.S. Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code both (1) IRS Form W-8BEN and (2) a tax certificate substantially in the form of Exhibit F-1 to the effect that such Lender is not (a) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (b) a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code (c) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and (d) conducting a trade or business in the United States with which the relevant interest payments are effectively connected;

(E) in the case of a Non-U.S. Lender that is not the beneficial owner of payments made under this Agreement (including a partnership or a participating Lender) (1) an IRS Form W-8IMY on behalf of itself and (2) the relevant forms prescribed in clauses (A), (B), (C), (D) and (F) of this paragraph (f)(ii) that would be required of each such beneficial owner or partner of such partnership if such beneficial owner or partner were a Lender; provided, however, that if the Lender is a partnership and one or more of its partners are claiming the exemption for portfolio interest under Section 881(c) of the Code, such Lender may provide a tax certificate substantially in the form of Exhibit F-2 on behalf of such partners; or

(F) any other form prescribed by law as a basis for claiming exemption from, or a reduction of, U.S. Federal withholding Tax together with such supplementary documentation necessary to enable the Borrower or the Administrative Agent to determine the amount of Tax (if any) required by law to be withheld.

(iii) If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Withholding Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA, to determine that such Lender has or has not complied with such Lender's obligations under FATCA and, as necessary, to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 2.17(f)(iii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.17 (including additional amounts paid pursuant to this Section 2.17), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise

to such refund), net of all out-of-pocket expenses (including any Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid to such indemnified party pursuant to the previous sentence (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 2.17(g), in no event will any indemnified party be required to pay any amount to any indemnifying party pursuant to this Section 2.17(g) if such payment would place such indemnified party in a less favorable position (on a net after-Tax basis) than such indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This Section 2.17(g) shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes which it deems confidential) to the indemnifying party or any other Person.

(h) Issuing Bank. For purposes of Section 2.17(e) and (f), the term "Lender" includes any Issuing Bank.

SECTION 2.18. Payments Generally; Allocation of Proceeds; Sharing of Set-offs. (a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 2:00 p.m., Chicago time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 10 South Dearborn Street, 35th Floor, Chicago, Illinois, except payments to be made directly to the Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) Any proceeds of Collateral received by the Administrative Agent (i) not constituting a specific payment of principal, interest, fees or other sum payable under the Loan Documents (which shall be applied as specified by the Borrower), or (ii) after an Event of Default has occurred and is continuing and the Administrative Agent so elects or the Required Lenders so direct, such funds shall be applied ratably first, to pay any fees, indemnities, or expense reimbursements including amounts then due to the Administrative Agent and the Issuing Bank from the Borrower (other than in connection with Banking Services or Swap Obligations), second, to pay any fees or expense reimbursements then due to the Lenders from the Borrower (other than in connection with Banking Services or Swap Obligations), third, to pay interest then due and payable on the Loans ratably, fourth, to prepay or pay principal on the Loans, unreimbursed LC Disbursements and any amounts owing with respect to Banking Services and

Swap Obligations constituting Secured Obligations ratably, fifth, to pay an amount to the Administrative Agent equal to one hundred five percent (105%) of the aggregate undrawn amount of all outstanding Letters of Credit, to be held as cash collateral for such Obligations, sixth, to the payment of any other Secured Obligation due to the Administrative Agent or any Lender by the Borrower and, seventh, to the Borrower. Notwithstanding anything to the contrary contained in this Agreement, unless so directed by the Borrower, or unless a Default is in existence, neither the Administrative Agent nor any Lender shall apply any payment which it receives to any Eurodollar Loan of a Class, except (a) on the expiration date of the Interest Period applicable thereto or (b) in the event, and only to the extent, that there are no outstanding CBFR Loans of the same Class and, in any such event, the Borrower shall pay the break funding payment required in accordance with Section 2.16. The Administrative Agent and the Lenders shall have the continuing and exclusive right to apply and reverse and reapply any and all such proceeds and payments to any portion of the Secured Obligations in accordance with the first sentence of this Section 2.18(b).

(c) At the election of the Administrative Agent, all payments of principal, interest, LC Disbursements, fees, premiums, reimbursable expenses (including, without limitation, all reimbursement for fees and expenses pursuant to Section 9.03), and other sums payable under the Loan Documents, may be paid from the proceeds of Borrowings made hereunder whether made following a request by the Borrower pursuant to Section 2.03 or a deemed request as provided in this Section or may be deducted from any deposit account of the Borrower maintained with the Administrative Agent. The Borrower hereby irrevocably authorizes (i) the Administrative Agent to make a Borrowing for the purpose of paying each payment of principal, interest and fees as it becomes due hereunder or any other amount due under the Loan Documents and agrees that all such amounts charged shall constitute Loans (including Swingline Loans), and that all such Borrowings shall be deemed to have been requested pursuant to Sections 2.03 or 2.05, as applicable and (ii) the Administrative Agent to charge any deposit account of the Borrower maintained with the Administrative Agent for each payment of principal, interest and fees as it becomes due hereunder or any other amount due under the Loan Documents.

(d) If, except as otherwise expressly provided herein, any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other similarly situated Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by all such Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements

to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Bank hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Bank, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(f) If any Lender shall fail to make any payment required to be made by it hereunder, then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations hereunder until all such unsatisfied obligations are fully paid and/or (ii) hold any such amounts in a segregated account as cash collateral for, and apply any such amounts to, any future funding obligations of such Lender hereunder; application of amounts pursuant to (i) and (ii) above shall be made in such order as may be determined by the Administrative Agent in its discretion.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders.

(a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the good faith judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender becomes a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse

(in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and if a Revolving Commitment is being assigned, the Issuing Bank), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) fees shall cease to accrue on the unfunded portion of the Revolving Commitment of such Defaulting Lender pursuant to Section 2.12(a);

(b) such Defaulting Lender shall not have the right to vote on any issue on which voting is required (other than to the extent expressly provided in Section 9.02(b)) and the Commitment and Revolving Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders have taken or may take any action hereunder;

(c) if any Swingline Exposure or LC Exposure exists at the time a Lender becomes a Defaulting Lender then:

(i) all or any part of the Swingline Exposure and LC Exposure of such Defaulting Lender shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent the sum of all non-Defaulting Lenders' Revolving Exposures plus such Defaulting Lender's Swingline Exposure and LC Exposure does not exceed the total of all non-Defaulting Lenders' Revolving Commitments;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one Business Day following notice by the Administrative Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize, for the benefit of the Issuing Bank, the Borrower's obligations corresponding to such Defaulting Lender's LC Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 2.06(j) for so long as such LC Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 2.12(b) with respect to such Defaulting Lender's LC Exposure during the period such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if the LC Exposure of the non-Defaulting Lenders is reallocated pursuant to clause (i) above, then the fees payable to the Lenders pursuant to Sections 2.12(a) and (b) shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; and

(v) if all or any portion of such Defaulting Lender's LC Exposure is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the Issuing Bank or any Lender hereunder, all letter of credit fees payable under Section 2.12(b) with respect to such Defaulting Lender's LC Exposure shall be payable to the Issuing Bank until such LC Exposure is reallocated and/or cash collateralized; and

(d) so long as such Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure will be 100% covered by the Commitments of the non-Defaulting Lenders and/or cash collateral will be provided by the Borrower in accordance with Section 2.20(c), and participating interests in any such newly made Swingline Loan newly issued or increased Letter of Credit shall be allocated among non-Defaulting Lenders in a manner consistent with Section 2.20(c)(i) (and such Defaulting Lenders shall not participate therein); if (i) a Bankruptcy Event with respect to the Parent of any Lender shall occur following the date hereof and for so long as such event shall continue or (ii) the Issuing Bank or the Swingline Lender has a good faith belief that any Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, the Issuing Bank shall not be required to issue, amend or increase any Letter of Credit and the Swingline Lender shall not be required to fund any Swingline Loan, unless the Issuing Bank or the Swingline Lender, as the case may be, shall have entered into arrangements with the Borrower or such Lender, satisfactory to the Issuing Bank or the Swingline Lender, as the case may be, to defease any risk in respect of such Lender hereunder.

(e) in the event that each of the Administrative Agent, the Borrower, the Issuing Bank and the Swingline Lender agrees that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and LC Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Revolving Commitment and on the date of such readjustment such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

SECTION 2.21. Returned Payments. If after receipt of any payment which is applied to the payment of all or any part of the Obligations, the Administrative Agent or any Lender is for any reason compelled to surrender such payment or proceeds to any Person because such payment or application of proceeds is invalidated, declared fraudulent, set aside, determined to be void or voidable as a preference, impermissible setoff, or a diversion of trust funds, or for any other reason, then the Obligations or part thereof intended to be satisfied shall be revived and continued and this Agreement shall continue in full force as if such payment or proceeds had not been received by the Administrative Agent or such Lender. The provisions of this Section 2.21 shall be and remain effective notwithstanding any contrary action which may have been taken by the Administrative Agent or any Lender in reliance upon such payment or application of proceeds. The provisions of this Section 2.21 shall survive the termination of this Agreement.

SECTION 2.22. Banking Services and Swap Agreements. Each Lender or Affiliate thereof providing Banking Services for, or having Swap Agreements with, any Loan Party shall deliver to the Administrative Agent, promptly after entering into such Banking Services or Swap Agreements, written notice setting forth the aggregate amount of all Banking Services Obligations and Swap Obligations of such Loan Party to such Lender or Affiliate (whether matured or unmatured, absolute or contingent). In furtherance of that requirement, each such Lender or Affiliate thereof shall furnish the Administrative Agent, from time to time after a significant change therein or upon a request therefor, a summary of the amounts due or to become due in respect of such Banking Services Obligations and Swap Obligations. The most recent information provided to the Administrative Agent shall be used in determining which tier of the waterfall, contained in Section 2.18(b), such Banking Services Obligations and/or Swap Obligations will be placed.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Each Loan Party represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Loan Parties and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions are within each Loan Party's organizational powers and have been duly authorized by all necessary organizational actions and, if required, actions by equity holders. The Loan Documents to which each Loan Party is a party have been duly executed and delivered by such Loan Party and constitute a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except (i) such as have been obtained or made and are in full force and effect, (ii) for filings necessary to perfect Liens created pursuant to the Loan Documents or (iii) those that individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (b) will not violate any Requirement of Law applicable to any Loan Party or any of its Subsidiaries, which individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon any Loan Party or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by any Loan Party or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of any Loan Party or any of its Subsidiaries, except Liens created pursuant to the Loan Documents.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Borrower has heretofore furnished to the Lenders consolidated balance sheets and statements of income, stockholders equity and cash flows of the Loan Parties and their Subsidiaries (i) as of and for the Fiscal Years ended on or about December 31, 2010 and 2011, reported on by Deloitte & Touche, LLP, independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the Fiscal Year ended on or about March 31, 2012, certified by an Authorized Representative. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Loan Parties and their Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) No event, change or condition has occurred that has had, or could reasonably be expected to have, a Material Adverse Effect, since December 25, 2011.

SECTION 3.05. Properties. (a) As of the date of this Agreement, Schedule 3.05 sets forth the address of each parcel of real property that is owned or leased by each Loan Party. Each material lease and each material sublease is valid and enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law, and is in full force and effect, and no default by any party to any material lease or sublease exists, except for defaults that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Each of the Loan Parties and its Subsidiaries has good title to, or valid leasehold interests in, all of its real and personal property material to the business of the Loan Parties, and each of their Subsidiaries taken as a whole, free of all Liens other than (i) those permitted by Section 6.02 and (ii) minor defects in title that do not interfere with each of its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each Loan Party and its Subsidiaries owns, or is licensed to use, all trademarks, trade names, copyrights, patents and other intellectual property material to its business as currently conducted, a correct and complete list of which, as of the date of this Agreement, is set forth on Schedule 3.05, and the use thereof by the Loan Parties and their Subsidiaries does not, to the knowledge of any Loan Party, infringe upon the rights of any other Person, and the Loan Parties' rights thereto are not subject to any licensing agreement or similar arrangement, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of any Loan Party, threatened in writing against or affecting the Loan Parties or any of their Subsidiaries (i) that would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, no Loan Party nor any of its Subsidiaries (i) has received notice of any claim with respect to any Environmental Liability or knows of any basis for any Environmental Liability, (ii) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law or (iii) has become subject to any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each Loan Party and its Subsidiaries is in compliance with all Requirements of Law applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment Company Status. No Loan Party nor any of its Subsidiaries is required to be registered as an "investment company" as defined in the Investment Company Act of 1940.

SECTION 3.09. Taxes. Each Loan Party and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Loan Party or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all benefit liabilities (as defined in Section 4001(a)(16) of ERISA) under each Plan (based on the assumptions used to fund such Plans) did not, as of the date of the most recent financial statements reflecting such amounts, if any, exceed the fair market value of the assets of such Plan by an amount that could reasonably be expected to result in a Material Adverse Effect. All required contributions have been and will be made in accordance with the

provisions of each Multiemployer Plan, except to the extent the same could not individually, or in the aggregate, reasonably be expected to result in a Material Adverse Effect, and with respect to the Borrower and any of its ERISA Affiliates, there have been no, and there is not expected to be any, material Withdrawal Liabilities, except to the extent the same could not individually, or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

SECTION 3.11. Disclosure. Each of Borrower and Holdings has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any Subsidiary is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the other reports, financial statements, certificates or other information furnished by or on behalf of any Loan Party to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or any other Loan Document (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, each of the Borrower and Holdings represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time delivered and, if such projected financial information was delivered prior to the Effective Date, as of the Effective Date.

SECTION 3.12. [Intentionally Omitted].

SECTION 3.13. Solvency. (a) Immediately after the consummation of the Transactions to occur on the Effective Date, each of (i) the Borrower and (ii) the Loan Parties taken as a whole, will be Solvent.

(b) The Borrower does not intend to, the Loan Parties taken as a whole do not intend to, and no Loan Party believes that it will, incur debts beyond its or their ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it or them, the timing of the amounts of cash to be payable on or in respect of its or their indebtedness and any right of contribution under Section 10.10 hereof.

SECTION 3.14. Insurance. Schedule 3.14 sets forth a description of all insurance maintained by or on behalf of the Loan Parties and their Subsidiaries as of the Effective Date. As of the Effective Date, all premiums in respect of such insurance have been paid. Each of the Borrower and Holdings believes that the insurance maintained by or on behalf of the Loan Parties and their Subsidiaries is adequate.

SECTION 3.15. Capitalization and Subsidiaries. Schedule 3.15 sets forth, as of the Effective Date, (a) a correct and complete list of the name and relationship to the Borrower of each Loan Party and their Subsidiaries, (b) a true and complete listing of each class of authorized Equity Interests of each Loan Party Subsidiary, including which issued Equity Interests are validly issued, outstanding, fully paid and non-assessable, and the ownership beneficially and of record of all of such Equity Interests, and (c) the type of entity of each Loan Party and each of their Subsidiaries. All of the issued and outstanding Equity Interests owned by any Loan Party has been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and is fully paid and non-assessable.

SECTION 3.16. Security Interest in Collateral. The provisions of the Loan Documents create legal and valid Liens on all the Collateral in favor of the Administrative Agent, for the benefit of the Administrative Agent and the Lenders, and, upon the filing of UCC financing statements with the appropriate filing office in the jurisdiction of incorporation or formation of the applicable Loan Party, such Liens constitute perfected and continuing Liens on the Collateral, securing the Secured Obligations, enforceable against the applicable Loan Party and all third parties, and having priority over all other Liens on the Collateral except Liens permitted by Section 6.02.

SECTION 3.17. Labor Disputes. Except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect, as of the date hereof, there are no strikes, lockouts or slowdowns against any Loan Party or any Subsidiary pending or, to the knowledge of the Borrower, threatened. The hours worked by and payments made to employees of the Loan Parties and the Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Federal, state, local or foreign law dealing with such matters, except for any such violations that could not be reasonably expected to have a Material Adverse Effect. All material payments due from any Loan Party or any Subsidiary, or for which any claim may be made against any Loan Party or any Subsidiary, on account of wages and employee health and welfare insurance and other benefits, have been paid or accrued as a liability on the books of the Loan Party or such Subsidiary, except for any such failures that could not be reasonably expected to have a Material Adverse Effect.

SECTION 3.18. Affiliate Transactions. Except as set forth on Schedule 3.18, as of the date of this Agreement, there are no existing or proposed agreements, arrangements, understandings, or transactions between any Loan Party and any of the officers, members, managers, directors, stockholders, parents, other interest holders, employees, or Affiliates (other than Subsidiaries) of any Loan Party or any members of their respective immediate families, and none of the foregoing Persons are directly or indirectly indebted to or have any direct or indirect ownership, partnership, or voting interest in any Affiliate of any Loan Party or any Person with which any Loan Party has a business relationship or which competes with any Loan Party.

SECTION 3.19. Common Enterprise. The successful operation and condition of each of the Loan Parties is dependent on the continued successful performance of the functions of the group of the Loan Parties as a whole and the successful operation of each of the Loan Parties is dependent on the successful performance and operation of each other Loan Party. Each Loan Party expects to derive benefit (and its board of directors or other governing body has determined that it may reasonably be expected to derive benefit), directly and indirectly, from (i) successful operations of each of the other Loan Parties and (ii) the credit extended by the Lenders to the Borrower hereunder, both in their separate capacities and as members of the group of companies. Each Loan Party has determined that execution, delivery, and performance of this Agreement and any other Loan Documents to be executed by such Loan Party is within its purpose, in furtherance of its direct and/or indirect business interests, will be of direct and/or indirect benefit to such Loan Party, and is in its best interest.

SECTION 3.20. Brokers' Fees; Transaction Fees. Except as contemplated by Section 2.12(c), the Borrower has no obligation to any Person in respect of any finder's, broker's or investment banker's fee or other fee in connection with the transactions contemplated by this Agreement.

SECTION 3.21. Margin Rules. No part of the proceeds of the Loans made to any Loan Party will be used to purchase or carry any Margin Stock, as defined in Regulation U of the Board of Governors of the United States Federal Reserve System, or any successor thereto, as in effect from time to time or to extend credit to others for the purpose of purchasing or carrying any such margin stock or for any purpose that violates, or is inconsistent with, the provisions of Regulation T, U or X of such Board of Governors.

ARTICLE IV

CONDITIONS

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Bank to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) Credit Agreement and Loan Documents. The Administrative Agent (or its counsel) shall have received (i) from each party hereto either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence satisfactory to the Administrative Agent (which may include facsimile or other electronic transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement, (ii) duly executed copies of the Loan Documents and such other certificates, documents, instruments and agreements as the Administrative Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including any promissory notes requested by a Lender pursuant to Section 2.10 payable to the order of each such requesting Lender, and (iii) written opinions of the counsel to the Loan Parties, addressed to the Administrative Agent, the Issuing Bank and the Lenders and including the opinions set forth in Exhibit B.

(b) Financial Statements. The Lenders shall have received (i) audited consolidated financial statements of the Loan Parties and their Subsidiaries for the 2010 and 2011 Fiscal Years, and (ii) unaudited interim consolidated financial statements of the Loan Parties and their Subsidiaries for each Fiscal Quarter ended after the date of the latest applicable financial statements delivered pursuant to clause (i) of this paragraph as to which such financial statements are available (including for the Fiscal Quarter ended on or about March 31, 2012), and such financial statements shall not, in the reasonable judgment of the Administrative Agent, reflect any material adverse change in the consolidated financial condition of the Loan Parties and their Subsidiaries, as reflected in the audited consolidated financial statements described in clause (i) of this paragraph.

(c) Closing Certificates and Good Standing Certificates. The Administrative Agent shall have received (i) a certificate of each Loan Party, dated the Effective Date and executed by its respective Secretary or Assistant Secretary, which shall (A) certify the resolutions of its respective Board of Directors, members or other body authorizing

the execution, delivery and performance of the Loan Documents to which it is a party, (B) identify by name and title and bear the signatures of the Financial Officers and such Loan Party authorized to sign the Loan Documents to which it is a party, and (C) contain appropriate attachments, including the certificate of formation of each Loan Party certified by the Secretary of State of or other appropriate official of the jurisdiction of its organization and a true and correct copy of its respective by-laws, limited liability company or partnership agreement, and (ii) a long form good standing certificate for each Loan Party from the Secretary of State (or other appropriate official of the jurisdiction of its organization) of the jurisdiction of its organization and from each other jurisdiction in which such Loan Party is qualified to do business.

(d) No Default Certificate. The Administrative Agent shall have received a certificate, signed by an Authorized Representative, on the initial Borrowing date (i) stating that no Default has occurred and is continuing, (ii) stating that the representations and warranties contained in Article III are true and correct in all material respects (except as to any representation or warranty qualified as to materiality or Material Adverse Effect, in which case such representation or warranty shall be true and correct in all respects) as of such date (or, to the extent such representations and warranties expressly relate to an earlier date, as of such earlier date) and (iii) certifying any other factual matters as may be reasonably requested by the Administrative Agent.

(e) Fees. The Lenders and the Administrative Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented (including the reasonable fees and expenses of legal counsel), on or before the Effective Date.

(f) Lien Searches. As to each Loan Party and its assets the Administrative Agent shall have received the results of a recent lien search in each of the jurisdictions where such Loan Party is organized, and such search shall reveal no liens on any of the assets or property of the Loan Parties except for liens permitted by Section 6.02 or discharged on or prior to the Effective Date pursuant to a pay-off letter or other documentation satisfactory to the Administrative Agent.

(g) Pay-Off Letter. The Administrative Agent shall have received satisfactory pay-off letters for all existing Indebtedness to be repaid from the proceeds of the initial Borrowing, confirming that all Liens upon any of the assets or property of any Loan Party constituting Collateral will be terminated concurrently with such payment and all letters of credit issued or guaranteed as part of such Indebtedness shall have been cash collateralized or supported by a Letter of Credit.

(h) Funding Account. The Administrative Agent shall have received a notice setting forth the deposit account of the Borrower (the "Funding Account") to which the Lender is authorized by the Borrower to transfer the proceeds of any Borrowings requested or authorized pursuant to this Agreement.

(i) Solvency. The Administrative Agent shall have received a solvency certificate from an Authorized Representative of the Borrower.

(j) Pledged Stock; Stock Powers; Pledged Notes. The Administrative Agent shall have received (i) the certificates representing the shares of certificated Equity Interests pledged pursuant to the Security Agreement, together with an undated power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof and (ii) each promissory note (if any) pledged to the Administrative Agent pursuant to the Security Agreement that is required to be delivered pursuant to the Security Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof.

(k) Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code financing statement) required by the Collateral Documents or under law or reasonably requested by the Administrative Agent to be filed (or will be filed concurrently with the satisfaction of the other conditions herein), registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 6.02), shall be in proper form for filing, registration or recordation.

(l) Approvals. All governmental and third party approvals necessary in connection with the financing contemplated by this Agreement and the continuing operations of the Loan Parties (including shareholder approvals, if any) shall have been obtained on satisfactory terms and shall be in full force and effect.

(m) Insurance. The Administrative Agent shall have received evidence of insurance coverage in form, scope, and substance reasonably satisfactory to the Administrative Agent and otherwise in compliance with the terms of Section 5.09 and Section 4.12 of the Security Agreement.

(n) Tax Withholding. The Administrative Agent shall have received a properly completed and signed IRS Form W-8 or W-9, as applicable, for each Loan Party.

(o) Other Documents. The Administrative Agent shall have received such other documents as the Administrative Agent, the Issuing Bank, any Lender or their respective counsel may have reasonably requested, including the documents listed on the checklist attached hereto as Exhibit E.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement and the other Loan Documents shall be true and correct in all material respects (except as to any representation or warranty qualified as to materiality or Material Adverse Effect, in which case such representation or warranty shall be true and

correct in all respects) on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable (except, to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date), and if they are not true and correct the Administrative Agent or the Required Lenders shall have determined not to make any Loan or instructed the Issuing Bank not to issue Letters of Credit as a result of the fact that such representation or warranty is untrue or incorrect.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing and the Administrative Agent or the Required Lenders shall have determined not to make such Borrowing or instructed the Issuing Bank not to issue such Letter of Credit as a result of such Default.

(c) After giving effect to any Borrowing or the issuance, amendment, renewal or extension of any Letter of Credit, Availability is not less than zero.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a), (b) and (c) of this Section.

Notwithstanding the failure to satisfy the conditions precedent set forth in paragraphs (a) or (b) of this Section, unless otherwise directed by the Required Lenders, the Administrative Agent may, but shall have no obligation to, continue to make Loans and an Issuing Bank may, but shall have no obligation to, issue or cause to be issued any Letter of Credit for the ratable account and risk of Lenders from time to time if the Administrative Agent believes that making such Loans or issuing or causing to be issued any such Letter of Credit is in the best interests of the Lenders.

ARTICLE V

AFFIRMATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees, expenses and other amounts (other than Unliquidated Obligations) payable under any Loan Document have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements have been reimbursed, each Loan Party executing this Agreement covenants and agrees, jointly and severally with all of the other Loan Parties, with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 120 days after the end of each Fiscal Year of the Borrower, an audited consolidated balance sheet of Holdings and its Subsidiaries and related statements of operations, stockholders' and members' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by Deloitte & Touche, LLP or other independent public accountants acceptable to the Required Lenders (without a "going concern" or like

qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such financial statements present fairly in all material respects the financial condition and results of operations of the Loan Parties and their Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, accompanied by any management letter prepared by said accountants; provided, that if Holdings and its Subsidiaries switch from one independent certified public accounting firm to another, the audit report of any such new accounting firm may contain a qualification or exception as to the scope of such consolidated or financial statements that relates to any fiscal year prior to its retention which, for the avoidance of doubt, shall have been the subject of an audit report of the previous accounting firm meeting the criteria set forth above;

(b) within 45 days after the end of each Fiscal Quarter (excluding the last Fiscal Quarter of any Fiscal Year), a consolidated balance sheet of Holdings and its Subsidiaries and related statements of operations, stockholders' and members' equity and cash flows as of the end of and for such Fiscal Quarter and the then elapsed portion of the Fiscal Year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous Fiscal Year and setting forth specific detail on Consolidated Restaurant Pre-Opening Expenses, refresh Capital Expenditures, and maintenance Capital Expenditures (in each case on a consolidated basis and consistent with the use of such terms in the financial statements as of March 31, 2012 and for the three-month period then ending referenced in Section 3.04), all certified by an Authorized Representative as presenting fairly in all material respects the consolidated financial condition and results of operations of Holdings and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Borrower in substantially the form of Exhibit C (the "Compliance Certificate") (i) certifying, in the case of the financial statements delivered under clause (b), as presenting fairly in all material respects the financial condition and results of operations of the Loan Parties and their Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes, (ii) the aggregate investment of the Loan Parties in Permitted J/Vs, (iii) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, and (iv) setting forth reasonably detailed calculations demonstrating compliance with Section 6.13;

(d) upon the request of the Administrative Agent with respect to any of Holdings and its Subsidiaries (other than the Borrower and its Subsidiaries that are Loan Parties): (i) a copy of the most recently filed federal and state income tax returns of such Person, if any, and (ii) a copy of the most recent balance sheet and related statements of operations, stockholders' and members' equity and cash flows of such Person if reasonably available;

(e) as soon as available, but in any event on or prior to the 45th day of each Fiscal Year of the Borrower, a copy of the plan and forecast (including a projected consolidated balance sheet, income statement and funds flow statement) of the Loan Parties and their Subsidiaries for each month of such Fiscal Year (the "Projections");

(f) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by any Loan Party to its shareholders generally, as the case may be;

(g) concurrently with any delivery of financial statements under clause (b) above, updated Exhibits A, C and F to the Security Agreement in form reasonably satisfactory to the Administrative Agent; and

(h) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Loan Party or Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

Documents required to be delivered pursuant to clauses (a) and (b) of this Section 5.01 may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which such documents are filed for public availability on the Securities and Exchange Commission's Electronic Data Gathering and Retrieval System (if applicable); provided that the Borrower shall notify (which may be by facsimile or electronic mail) the Administrative Agent of the filing of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper copies of the compliance certificates required by clause (c) of this Section 5.01 to the Administrative Agent.

SECTION 5.02. Notices of Material Events. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) upon an Authorized Officer's knowledge thereof, the occurrence of any Event of Default;

(b) receipt of any notice of any governmental investigation or any litigation or proceeding commenced or threatened in writing against a Loan Party or Subsidiary that (i) seeks damages in excess of the Threshold Amount, (ii) seeks injunctive relief, individually or in the aggregate, with respect to more than 25 Restaurants, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets, (iv) is asserted by a Governmental Authority and alleges material criminal misconduct by a Loan Party or Subsidiary, (v) alleges the violation of any law regarding, or seeks remedies in connection with, any Environmental Laws that could individually or in the aggregate exceed the Threshold Amount, or (vi) contests any tax, fee, assessment, or other governmental charge in excess of the Threshold Amount;

(c) (i) any Lien (other than Liens permitted by Section 6.02) and (ii) any claims made or asserted against any of the Collateral if such claim or claims, individually or in the aggregate, could reasonably be expected to exceed the Threshold Amount;

(d) any loss, damage, or destruction to the Collateral in an amount in excess of the Threshold Amount, whether or not covered by insurance;

(e) any and all default notices received under or with respect to any leased location (other than individual Restaurants) or public warehouse where material Collateral is located (which shall be delivered within two Business Days after receipt thereof);

(f) if at the time thereof there if more than one Lender under this Agreement, the fact that a Loan Party or Subsidiary has entered into a Swap Agreement or an amendment to a Swap Agreement with a Lender or any Affiliate thereof, together with copies of all agreements evidencing such Swap Agreement or amendments thereto (which shall be delivered within five (5) Business Days);

(g) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower or any ERISA Affiliate in an aggregate amount exceeding the Threshold Amount; and

(h) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. Each Loan Party will, and will cause each Subsidiary to, (a) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, qualifications, licenses, permits, franchises, governmental authorizations, intellectual property rights, licenses and permits material to the conduct of its business, and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03; provided, further, that no Loan Party or any of its Subsidiaries shall be required to preserve, renew or keep in full force and effect any rights, qualifications, licenses, permits, franchises, governmental authorizations, intellectual property rights, licenses if such Loan Party or any such Subsidiary shall in its good faith judgment, determine that the preservation thereof is no longer in the best interests of such Loan Party or such Subsidiary, as the case may be, and (b) carry on and conduct its business in substantially the same manner and in substantially the same fields of enterprise as it is presently conducted.

SECTION 5.04. Payment of Obligations. Each Loan Party will, and will cause each Subsidiary to, pay or discharge all Material Indebtedness and all other material liabilities and obligations, including Taxes, before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, and (b) such Loan Party or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP.

SECTION 5.05. Maintenance of Properties. Each Loan Party will, and will cause each Subsidiary to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted.

SECTION 5.06. Books and Records; Inspection Rights. Each Loan Party will, and will cause each Subsidiary to, (a) keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities and (b) permit any representatives designated by the Administrative Agent or any Lender (including employees of the Administrative Agent, any Lender or any consultants, accountants, lawyers and appraisers retained by the Administrative Agent), upon reasonable prior notice and during regular business hours, to visit and inspect its properties, conduct at the Loan Party's premises, field examinations of the Loan Party's assets, liabilities, books and records, including examining and making extracts from its books and records, environmental assessment reports and Phase I or Phase II studies, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested. The Loan Parties acknowledge that the Administrative Agent, after exercising its rights of inspection, may prepare and distribute to the Lenders certain Reports pertaining to the Loan Parties' assets for internal use by the Administrative Agent and the Lenders.

SECTION 5.07. Compliance with Laws. Each Loan Party will, and will cause each Subsidiary to, comply with all Requirements of Law applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds. The Borrower will use the proceeds of the Loans only for general limited liability company and working capital purposes (not otherwise prohibited by this Agreement). No part of the proceeds of any Loan and no Letter of Credit will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

SECTION 5.09. Insurance. Each Loan Party will, and will cause each Subsidiary to, maintain with financially sound and reputable carriers having a financial strength rating of at least A- by A.M. Best Company (a) insurance in such amounts (with no greater risk retention) and against such risks (including loss or damage by fire and loss in transit; theft, burglary, pilferage, larceny, embezzlement, and other criminal activities; business interruption; and general liability) and such other hazards, as is customarily maintained by companies of established repute engaged in the same or similar businesses operating in the same or similar locations and (b) all insurance required pursuant to the Collateral Documents. The Borrower will furnish to the Lenders, upon request of the Administrative Agent, information in reasonable detail as to the insurance so maintained.

SECTION 5.10. Casualty and Condemnation. The Borrower will furnish to the Administrative Agent and the Lenders prompt written notice of (a) any casualty or other insured damage to any Collateral with a book or fair market value of in excess of the Threshold Amount or (b) the commencement of any action or proceeding for the taking of any Collateral with a book or fair market value of in excess of the Threshold Amount, or any interest therein, under power of eminent domain or by condemnation or similar proceeding.

SECTION 5.11. Depository Banks. Each Loan Party will, and each Loan Party will cause each Subsidiary to, maintain Chase as its principal depository bank, including for the maintenance of all material operating, administrative, cash management, collection activity, and other deposit accounts for the conduct of its business, except in any geographic locations where it is reasonably determined by a Loan Party or such Subsidiary that the use of local banks may be necessary due to non-availability of reasonably accessible Chase branch locations.

SECTION 5.12. Additional Collateral; Further Assurances. (a) Subject to applicable law, each Loan Party and each Subsidiary that is a Loan Party shall cause each of its Domestic Subsidiaries formed or acquired after the Effective Date (except for Permitted J/Vs) in accordance with the terms of this Agreement to become a Loan Party by executing the Joinder Agreement set forth as
Exhibit D hereto (the "Joinder Agreement"). Upon execution and delivery thereof, each such Person (i) shall automatically become a Loan Guarantor hereunder and thereupon shall have all of the rights, benefits, duties, and obligations in such capacity under the Loan Documents and (ii) will grant Liens to the Administrative Agent, for the benefit of the Administrative Agent and the Lenders, in any property of such Loan Party which constitutes Collateral, including any parcel of owned real property located in the U.S. owned by any Loan Party.

(b) Each Loan Party will cause 100% of the issued and outstanding Equity Interests of each of its domestic Subsidiaries (other than the Equity Interest of any Permitted J/Vs not owned by any other Loan Party or Subsidiary) to be subject at all times to a first priority, perfected Lien in favor of the Administrative Agent pursuant to the terms and conditions of the Loan Documents or other security documents as the Administrative Agent shall reasonably request. Each Loan Party will cause 65% of the issued and outstanding Equity Interests of each of its Foreign Subsidiaries (other than the Equity Interest of any Permitted J/Vs not owned by any other Loan Party or Subsidiary) to be subject at all times to a first priority, perfected Lien in favor of the Administrative Agent pursuant to the terms and conditions of the Loan Documents or other security documents as the Administrative Agent shall reasonably request.

(c) Without limiting the foregoing, each Loan Party will, and will cause each Subsidiary to, execute and deliver, or cause to be executed and delivered, to the Administrative Agent such documents, agreements and instruments, and will take or cause to be taken such further actions (including the filing and recording of financing statements, fixture filings, fee property mortgages, deeds of trust and other documents and such other actions or deliveries of the type required by Section 4.01, as applicable), which may be required by law or which the Administrative Agent may, from time to time, reasonably request to carry out the terms and conditions of this Agreement and the other Loan Documents and to ensure perfection and priority of the Liens created or intended to be created by the Collateral Documents, all at the expense of the Loan Parties. For the avoidance of doubt, no Loan Party shall have any obligation to deliver any mortgages in respect of any leasehold interests in real property.

(d) Subject to the second sentence of clause (b) above and the final sentence of clause (c) above, if any material assets (including any fee real property or improvements thereto or any interest therein) are acquired by any Loan Party after the Effective Date (other than assets constituting Collateral under the Security Agreement that become subject to the Lien in favor of the Security Agreement upon acquisition thereof), the Borrower will (i) notify the Administrative Agent and the Lenders thereof, and, if requested by the Administrative Agent or the Required Lenders, cause such assets to be subjected to a Lien securing the Secured Obligations and (ii) will take, and cause each Subsidiary that is a Loan Party to take, such actions as shall be necessary or reasonably requested by the Administrative Agent to grant and perfect such Liens, including actions described in paragraph (c) of this Section, all at the expense of the Loan Parties.

SECTION 5.13. Permitted Acquisitions. The Borrower will provide the following to the Administrative Agent and each Lender within 30 days after the completion of each Permitted Acquisition:

(a) copies of the most recent annual income statement and balance sheet of the Target of such Permitted Acquisition, together with the audit opinions thereon, if any, of such Target's independent accountants, together with available interim financial statements;

(b) if requested by the Administrative Agent, a summary of material pending and threatened litigation adversely affecting the business or assets acquired in such Permitted Acquisition;

(c) if requested by the Administrative Agent, a description of the method of financing such Permitted Acquisition, including sources and uses (including, without limitation, a description of the material terms of any Indebtedness to be assumed in such Permitted Acquisition);

(d) a listing of locations of all material personal and real property acquired in such Permitted Acquisition;

(e) if requested by the Administrative Agent, all material agreements assumed or acquired in such Permitted Acquisition; and

(f) if the Target of such Permitted Acquisition owns, or if the assets to be acquired include, any real property, or if otherwise reasonably requested by the Administrative Agent, environmental reports and related information regarding any such property owned, leased or otherwise used (other than leased property used solely as office space).

ARTICLE VI

NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees, expenses and other amounts (other than Unliquidated Obligations) payable under any Loan Document have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements have been reimbursed, each Loan Party executing this Agreement covenants and agrees, jointly and severally with all of the other Loan Parties, with the Lenders that:

SECTION 6.01. Indebtedness. No Loan Party will, nor will it permit any Subsidiary to, create, incur or suffer to exist any Indebtedness, except:

(a) the Secured Obligations;

(b) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Indebtedness in accordance with clause (f) hereof;

(c) Indebtedness of the Borrower to any Subsidiary and of any Subsidiary to the Borrower or any other Subsidiary, provided that (i) Indebtedness of any Subsidiary that is not a Loan Party to a Loan Party shall be subject to Section 6.04 and (ii) Indebtedness of the Borrower to any Subsidiary and Indebtedness of any Subsidiary that is a Loan Party to any Subsidiary that is not a Loan Party shall be subordinated to the Secured Obligations on terms reasonably satisfactory to the Administrative Agent;

(d) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary, provided that (i) the Indebtedness so Guaranteed is permitted by this Section 6.01, (ii) Guarantees by the Borrower or any Subsidiary that is a Loan Party of Indebtedness of any Subsidiary that is not a Loan Party shall be subject to Section 6.04 and (iii) Guarantees permitted under this clause (d) shall be subordinated to the Secured Obligations of the applicable Subsidiary on the same terms as the Indebtedness so Guaranteed is subordinated to the Secured Obligations;

(e) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets (whether or not constituting purchase money Indebtedness), including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof (including any Indebtedness of a Person that is acquired or merged with or into or consolidated with the Borrower or any Subsidiary of the Borrower or that becomes a Subsidiary of the Borrower that is existing at the time of such acquisition, merger or consolidation, provided that such Indebtedness is not incurred in contemplation thereof), and extensions, renewals and replacements of any such Indebtedness in accordance with clause (f) hereof; provided that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (ii) any such Indebtedness does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital asset, (iii) such Indebtedness is secured by Liens permitted by Section 6.02(d) and otherwise unsecured; and (iv) the aggregate principal amount of Indebtedness permitted by this clause (e) shall not exceed the Threshold Amount at any time outstanding;

(f) Indebtedness which represents an extension, refinancing or renewal (such Indebtedness being referred to herein as the "Refinancing Indebtedness") of any of the Indebtedness described in clauses (b) and (e) hereof (such Indebtedness being so extended, refinanced or renewed being referred to herein as the "Refinanced Indebtedness"); provided that, (i) such Refinancing Indebtedness does not increase the principal amount of the Refinanced Indebtedness (other than by an amount equal to a reasonable premium, or other fees and expenses reasonably incurred, in connection with such extension, refinancing or renewal as a result of, or in connection with, such extension, refinancing or renewal), (ii) any Liens securing such Refinanced Indebtedness are not extended to any additional property of any Loan Party, (iii) such Refinancing Indebtedness does not result in a shortening of the average weighted maturity of such Refinanced Indebtedness, (iv) the interest rate in respect of such Refinancing Indebtedness does not exceed the then prevailing market interest rates in respect of indebtedness similar to such Refinancing Indebtedness at the time of the incurrence thereof, and (v) if such Refinanced Indebtedness was subordinated in right of payment to the Secured Obligations, then the terms and conditions of the subordination provisions in respect of such Refinancing Indebtedness must include subordination terms and conditions that are, taken as a whole, at least as favorable to the Administrative Agent and the Lenders as those that were applicable to such Refinanced Indebtedness;

(g) Indebtedness owed to any person providing workers' compensation, health, disability or other employee benefits or property, casualty or liability insurance, pursuant to reimbursement or indemnification obligations to such person, in each case incurred in the ordinary course of business;

(h) Indebtedness of the Borrower or any of its Subsidiaries in respect of performance bonds, bid bonds, appeal bonds, surety bonds and similar obligations, in each case provided in the ordinary course of business;

(i) Indebtedness arising in respect of netting services, overdraft protection and otherwise arising in respect of deposit account services, in an aggregate amount not to exceed $2,000,000 at any time outstanding;

(j) Indebtedness arising under Swap Agreements entered into for the purpose of mitigation of risks associated with fluctuations in interest rates, commodity prices or foreign exchange rates and not for speculative purposes;

(k) indemnification obligations or obligations in respect of purchase price or other similar adjustments incurred by the Borrower and its Subsidiaries in connection with a Permitted Acquisition or any other transaction expressly permitted by Section 6.04 or Section 6.05;

(l) Guarantees of obligations of Persons that are not Loan Parties to the extent permitted by Section 6.04 (other than clause (e) thereof);

(m) Indebtedness of the Borrower to Holdings evidenced by the Parent Note, in an aggregate amount not to exceed at any time outstanding $115,435,607 plus the aggregate amount of interest paid thereon after the date hereof that is reinvested by Holdings in the Borrower and is evidenced by the Parent Note, provided that such Indebtedness is subordinated to the Secured Obligations pursuant to the Intercompany Subordination Agreement;

(n) Indebtedness in an aggregate amount not to exceed $700,000 comprised of reimbursement obligations in respect of the letters of credit referenced in Section 6.02(h); and

(o) other unsecured Indebtedness in an aggregate principal amount not exceeding the Threshold Amount at any time outstanding.

SECTION 6.02. Liens. No Loan Party will, nor will it permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Liens created pursuant to any Loan Document;

(b) Permitted Encumbrances;

(c) any Lien on any property or asset of the Borrower or any of its Subsidiaries existing on the date hereof and set forth in Schedule 6.02 and any renewals, replacements or extensions thereof; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any of its Subsidiaries and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any of its Subsidiaries; provided that (i) such security interests secure Indebtedness permitted by clause (e) of Section 6.01, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Borrower, any Loan Party or Subsidiary;

(e) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any of its Subsidiaries (including any Lien existing on any property of a Person that is acquired or merged with or into or consolidated with the Borrower or any Subsidiary of the Borrower or that becomes a Subsidiary of the Borrower that is existing at the time of such acquisition, merger or consolidation, provided that such Lien is not created in contemplation thereof); provided that (i) such Lien is not created in contemplation of or in connection with such acquisition, (ii) such Lien shall not apply to any other property or assets of any Loan Party or Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(f) Liens arising by virtue of any statutory or common law provision relating to banker's liens or similar rights;

(g) Liens arising out of sale and leaseback transactions permitted by Section 6.06; and

(h) Liens on cash and cash equivalents in an amount not to exceed $700,000 posted in connection with letters of credit issued in connection with the Borrower's revolving credit facility that is being terminated on or about the date hereof.

Notwithstanding the foregoing, none of the Liens permitted pursuant to this Section 6.02 may at any time attach to any Loan Party's Inventory other than those permitted under clauses (a), (b) and (e) of the definition of Permitted Encumbrance and clauses (a), (b) (subject to the foregoing limitations), (c) and (e) above.

SECTION 6.03. Fundamental Changes. (a) No Loan Party will, nor will it permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing (i) Holdings or any Subsidiary of Holdings may merge with the Borrower in a transaction in which the surviving entity is the Borrower, (ii) any Loan Party (other than the Borrower) may merge into any other Loan Party in a transaction in which the surviving entity is a Loan Party, (iii) any Subsidiary that is not a Loan Party may merge into any other Subsidiary that is not a Loan Party, (iv) any Subsidiary that is not a Loan Party may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders, and (v) any Person (other than the Borrower, Holdings or the Manager) may merge into or consolidate with any Subsidiary in order to effect a Permitted Acquisition that is permitted by Section 6.04 (provided that the surviving entity is a Subsidiary that becomes a Loan Party and of which at least 100% of the Equity Interests are owned, directly or indirectly, by the Borrower immediately after giving effect to such Permitted Acquisition); provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.

(b) No Loan Party will, nor will it permit any of its Subsidiaries to, (i) engage to any material extent in any business other than businesses of the type conducted by the Borrower and its Subsidiaries on the date hereof and businesses substantially related or incidental thereto (it being agreed that no material change shall be deemed to result from selling through retail or other additional channels), or (ii) own, operate or franchise any restaurant concept other than a "Potbelly Sandwich Works" restaurant concept and other restaurant concepts.

(c) Neither Holdings nor the Manager will engage in any business or activity other than (i) the ownership of all the outstanding Equity Interests of the Borrower and activities incidental thereto, (ii) in the case of Holdings, holding the Parent Note, and (iii) in the case of the Manager, being the Manager of the Borrower and activities incidental thereto and holding all of the issued and outstanding Equity Interests of Potbelly Franchising; provided, that, Holdings shall be permitted to issue Equity Interests (other than to the extent such Equity Interests require

dividends, redemptions or the making of any Restricted Payments of a type subject to Section 6.08) to the extent such interest would not result in an Event of Default. Neither Holdings nor the Manager shall own or acquire any assets (other than Equity Interests of the Borrower, in the case of Holdings, the Parent Note and payments in respect thereof, and, in the case of the Manager, Potbelly Franchising) and the cash proceeds of any Restricted Payments permitted by Section 6.08) or incur any liabilities (other than liabilities under the Loan Documents, liabilities imposed by law, including tax liabilities and other liabilities reasonably incurred in connection with its maintenance of its existence).

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. No Loan Party will, nor will it permit any Subsidiary to, form any subsidiary after the Effective Date, or purchase, hold or acquire (including pursuant to any merger with any Person that was not a Loan Party and a wholly-owned Subsidiary prior to such merger) any Equity Interests in or of, or evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, Guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit (whether through purchase of assets, merger or otherwise), except:

(a) Permitted Investments;

(b) investments in existence on the date hereof and described in Schedule 6.04;

(c) investments by Holdings and Manager in the Borrower, by the Manager in Potbelly Franchising, and by the Borrower in Equity Interests of its Subsidiaries, provided that (i) any such Equity Interests held by a Loan Party shall be pledged pursuant to the Security Agreement and (ii) the aggregate amount of investments made or incurred after the Effective Date (including any outstanding intercompany loans and outstanding Guarantees) by Loan Parties in Subsidiaries (including any Permitted J/V's) that are not wholly-owned directly or indirectly by Borrower shall not exceed $10,000,000 at any time outstanding (in each case determined without regard to any write-downs or write-offs);

(d) loans or advances made by the Borrower to any wholly-owned Subsidiary that is a Loan Party and made by any Subsidiary to the Borrower or any other wholly-owned Subsidiary that is a Loan Party; provided that any such loans and advances made by a Loan Party shall be evidenced by a promissory note pledged pursuant to the Security Agreement;

(e) Indebtedness permitted by Section 6.01;

(f) loans or advances made by a Loan Party to its employees on an arms-length basis in the ordinary course of business consistent with past practices for travel and entertainment expenses, relocation costs and similar purposes up to a maximum of $100,000 in the aggregate at any one time outstanding;

(g) subject to Sections 4.2(a) and 4.4 of the Security Agreement, notes payable, or stock or other securities issued by any Person obligated on an account receivable to the Borrower pursuant to negotiated agreements with respect to settlement of such account receivable in the ordinary course of business, consistent with past practices;

(h) investments in newly formed Subsidiaries that become Loan Guarantors;

(i) investments in the form of Swap Agreements permitted by Section 6.07;

(j) investments of any Person existing at the time such Person becomes a Subsidiary of the Borrower or consolidates or merges with the Borrower or any of its Subsidiaries (including in connection with a Permitted Acquisition) so long as such investments were not made in contemplation of such Person becoming a Subsidiary or of such merger;

(k) investments received in connection with the dispositions of assets permitted by Section 6.05;

(l) investments received in connection with the bankruptcy or reorganization of, or settlement of delinquent accounts and disputes with, account debtors, customers and suppliers, in each case in the ordinary course of business;

(m) other investments, loans, advances or Guarantees by the Borrower or any of its Subsidiaries in an aggregate amount not to exceed the Threshold Amount at any time outstanding;

(n) investments constituting deposits described in clauses (c) and (d) of the definition of the term "Permitted Encumbrances"; and

(o) Permitted Acquisitions.

SECTION 6.05. Asset Sales. No Loan Party will, nor will it permit any Subsidiary to, sell, transfer, lease or otherwise dispose of any asset, including any Equity Interest owned by it, nor will the Borrower permit any Subsidiary to issue any additional Equity Interest in such Subsidiary (other than to the Borrower in compliance with Section 6.04), except:

(a) sales, transfers and dispositions of (i) inventory in the ordinary course of business and (ii) used, obsolete, worn out or surplus property in the ordinary course of business;

(b) sales, transfers and dispositions of assets to the Borrower or any Subsidiary that a Loan Party;

(c) sales, transfers and dispositions of accounts receivable in connection with the compromise, settlement or collection thereof;

(d) (i) non-exclusive licenses of intellectual property rights in the ordinary course of business and substantially consistent with past practice for terms not exceeding five years and (ii) non-exclusive licenses of intellectual property rights to any present or future franchisee of a "Potbelly Sandwich Works" restaurant concept in connection with a franchise agreement entered into on an arm's length basis and in the ordinary course of business between Potbelly Franchising and such franchisee;

(e) sale and leaseback transactions permitted by Section 6.06;

(f) sales, transfers and dispositions in connection with mergers and consolidations permitted by Section 6.03;

(g) dispositions resulting from any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of the Borrower or any Subsidiary;

(h) Liens permitted by Section 6.02;

(i) dispositions of no more than 10% of the Restaurants in existence as of the beginning of the applicable Fiscal Year in which such dispositions occur; provided that (i) at the time of such disposition, no Event of Default shall exist or would result from such disposition, (ii) any disposition which is a sale, transfer or other similar transaction shall be an arm's length transaction with a Person other than an Affiliate, and (iii) in connection with any disposition which is a sale, transfer or other similar transaction, the aggregate amount of any proceeds consisting of non-cash consideration received in connection with all such Dispositions permitted under this clause (i) in any Fiscal Year shall not exceed $500,000;

(j) so long as no Event of Default or Default has occurred and is continuing or would occur as a result thereof, sales, transfers and other dispositions by the Borrower of its property at prices and on terms and conditions not less favorable to the Borrower than could be obtained on an arm's-length basis from unrelated third parties, provided that the aggregate fair market value (as determined in good faith by the Borrower) of all property sold, transferred or otherwise disposed of in reliance upon this paragraph (j) in any twelve month period shall not exceed $5,000,000;

provided that all sales, transfers, leases and other dispositions permitted hereby (other than those permitted by paragraphs (a)(ii), (b) and (f) above) shall be made for fair value and for cash consideration.

SECTION 6.06. Sale and Leaseback Transactions. No Loan Party will, nor will it permit any Subsidiary to, enter into any arrangement, directly or indirectly, whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property that it intends to use for substantially the same purpose or purposes as the property sold or transferred, except for (a) any such sale of any fixed or capital assets by the Borrower or any of its Subsidiaries that is made for cash consideration in an amount not less than the fair value of such fixed or capital asset and is consummated within 90 days after the Borrower or any of its Subsidiaries acquires or completes the construction of such fixed or capital asset, and (b) any other such sale of fixed or capital assets to the extent greater of (i) the aggregate fair value of such assets, or (ii) the aggregate net book value of such assets, sold in any twelve month period does not exceed $2,500,000.

SECTION 6.07. Swap Agreements. No Loan Party will, nor will it permit any Subsidiary to, enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Subsidiary has actual exposure (other than those in respect of Equity Interests of the Borrower or any of its Subsidiaries), and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower.

SECTION 6.08. Restricted Payments; Certain Payments of Indebtedness. (a) No Loan Party will, nor will it permit any Subsidiary to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except (i) Holdings may declare and pay dividends with respect to its common stock payable solely in additional shares of its common stock, and, with respect to its preferred stock, payable solely in additional shares of such preferred stock or in shares of its common stock, (ii) any Subsidiary may make Restricted Payments to the Borrower, any Subsidiary that is a Loan Party may make Restricted Payments to any other Subsidiary that is a Loan Party, and any Subsidiary that is not a Loan Party may make Restricted Payments to any other Subsidiary, (iii) the Borrower may make distributions to Holdings for payment of reasonable out-of-pocket operating and administrative costs and expenses payable by Holdings, the Manager or the Borrower, as the case may be, and incurred primarily in connection with the business of the Borrower, so long as no Default shall have occurred and is continuing or would occur as a result thereof, (iv) the Borrower may make distributions to Holdings in an amount necessary to enable Holdings to pay when due, its actual federal, state and local income Taxes directly attributable to (or arising as a result of) the operations of the Borrower, the Manager and their Subsidiaries that are due and payable by Holdings as the parent of a consolidated group, (v) so long as the Distribution Conditions have been satisfied (as determined by the Administrative Agent in its reasonable discretion) at the time of, and with respect to, any Restricted Payment not otherwise permitted by the foregoing clauses (i) through (iv), the Borrower may make such Restricted Payment to Holdings and Holdings may make such Restricted Payment to holders of Equity Interests in Holdings in an aggregate amount not to exceed (x) $20,000,000 in any trailing twelve month period ending on the date such Restricted Payment is made, or (y) $40,000,000 after the date hereof, (vi) Potbelly Franchising may declare and pay cash dividends to Holdings to permit Holdings to invest such cash dividends in the Borrower; provided that, in each such case, Holdings actually and promptly uses such dividends for such investments, (vii) each Loan Party may purchase, redeem or otherwise acquire its common Equity Interests with the proceeds received from the substantially concurrent issuance of new common Equity Interests or where the consideration is the cancellation of Indebtedness owed to any Loan Party; and (viii) Permitted J/Vs may make Restricted Payments to the holders of their Equity Interests so long as such Restricted Payments are made on a pro rata basis to all such holders in accordance with their respective Equity Interests in such Permitted J/V.

(b) No Loan Party will, nor will it permit any Subsidiary to, make or agree to pay or make, directly or indirectly, any payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any Indebtedness, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Indebtedness, except:

(i) payment of Indebtedness created under the Loan Documents;

(ii) payment of regularly scheduled interest and principal payments as and when due in respect of any Indebtedness;

(iii) refinancings of Indebtedness to the extent permitted by Section 6.01;

(iv) payment of secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness; and

(v) repayments on, reductions of, forgiveness of or the termination of the Parent Note so long as, in any case, after giving effect to any such repayment, reduction, forgiveness or termination any other transactions to be consummated simultaneously therewith, there is no net cash outflow to Holdings from the Borrower or any other Loan Party.

SECTION 6.09. Transactions with Affiliates. No Loan Party will, nor will it permit any Subsidiary to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) transactions that (i) are in the ordinary course of business and (ii) are at prices and on terms and conditions not less favorable to such Loan Party or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and any Subsidiary that is a Loan Party not involving any other Affiliate, (c) any investment permitted by Sections 6.04(c) or 6.04(d), (d) any Indebtedness permitted under Section 6.01(c), (e) any Restricted Payment permitted by Section 6.08, (f) loans or advances to employees permitted under Section 6.04, (g) the payment of reasonable fees to directors of the Borrower or any Subsidiary who are not employees of the Borrower or any Subsidiary, and compensation and employee benefit arrangements paid to, and indemnities provided for the benefit of, directors, officers or employees of the Borrower or its Subsidiaries in the ordinary course of business, (h) any issuances of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment agreements, stock options and stock ownership plans approved by the Borrower's board of directors, and (i) any contribution to the capital of Holdings by any Person or any purchase of Equity Interests of Holdings by any Person so long as no Change in Control occurs.

SECTION 6.10. Restrictive Agreements. No Loan Party will, nor will it permit any Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of such Loan Party or any of its Subsidiaries to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any of its Equity Interests or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by

any Loan Document, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.10 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition) or any restrictions or conditions in respect of a Person who becomes a Subsidiary after the date of this Agreement, so long as such restrictions or conditions were not entered into solely in contemplation of such Person becoming a Subsidiary, (iii) restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, and (iv) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 6.11. Amendment of Organizational Documents. No Loan Party will, nor will it permit any Subsidiary to, amend, modify or waive any of its rights under its articles or certificate of incorporation, by-laws, operating, management or partnership agreement or other organizational documents, to the extent any such amendment, modification or waiver would be adverse to the Lenders in any material respect.

SECTION 6.12. [Intentionally Omitted].

SECTION 6.13. Financial Covenants.

(a) Debt Service Coverage Ratio. The Loan Parties shall not permit the Debt Service Coverage Ratio for any Computation Period to be less than 1.50 to 1.0.

(b) Leverage Ratio. The Loan Parties shall not permit the Leverage Ratio as of the last day of any Computation Period to exceed 2.25 to 1.0.

ARTICLE VII

EVENTS OF DEFAULT

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay (i) any interest on any Loan or any fee payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of three Business Days or (ii) any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of any Loan Party or any Subsidiary in, or in connection with, this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder, shall prove to have been incorrect (or, in the case of any such representation or warranty that is not qualified as to materiality or Material Adverse Effect, incorrect in any material respect) when made or deemed made;

(d) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02(a), 5.03 (with respect to a Loan Party's existence), 5.06(b) or 5.08 or in Article VI;

(e) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those which constitute a default under another Section of this Article) or in any other Loan Document, and such failure shall continue unremedied for a period of 30 days (or, in the case of Section 5.01 (other than Sections 5.01(d) or (h)), 5.02 (other than Section 5.02(a)), 5.09, 5.10 or 5.11 of this Agreement, for a period of 5 days) after the earlier of (i) the date on which such failure shall first become known to any Authorized Representative of any Loan Party or (ii) written notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) any Loan Party or Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of a Loan Party or any Subsidiary of any Loan Party or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Loan Party or any Subsidiary of any Loan Party or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) any Loan Party or any Subsidiary of any Loan Party shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for such Loan Party or Subsidiary of any Loan Party or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) any Loan Party or any Subsidiary of any Loan Party shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) (i) one or more judgments for the payment of money in an aggregate amount in excess of the Threshold Amount (to the extent not covered by an independent third-party insurer that has not denied coverage) shall be rendered against any Loan Party, any Subsidiary of any Loan Party or any combination thereof and the same shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Loan Party or any Subsidiary of any Loan Party to enforce any such judgment; or (ii) any Loan Party or any Subsidiary of any Loan Party shall fail within 45 days to discharge one or more non-monetary judgments or orders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, which judgments or orders, in any such case, are not stayed on appeal or otherwise being appropriately contested in good faith by proper proceedings diligently pursued;

(l) an ERISA Event shall have occurred that when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) a Change in Control shall occur;

(n) the occurrence of any "event of default" or "Event of Default", as defined in any Loan Document (other than this Agreement), which "event of default" or "Event of Default" continues beyond any period of grace therein provided;

(o) the Loan Guaranty shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of the Loan Guaranty or any Loan Guarantor shall deny that it has any further liability under the Loan Guaranty, or shall give notice to such effect;

(p) except as expressly permitted by the terms of any Collateral Document, (i) any Collateral Document shall for any reason fail to create a valid security interest in any Collateral purported to be covered thereby, or (ii) any Lien securing any Secured Obligation shall cease to be a perfected, first priority Lien (subject to Liens expressly permitted by Section 6.02);

(q) any Collateral Document shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Collateral Document; or

(r) any material provision of any Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Loan Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms);

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower. Upon the occurrence and the continuance of an Event of Default, the Administrative Agent may, and at the request of the Required Lenders shall, exercise any rights and remedies provided to the Administrative Agent under the Loan Documents or at law or equity, including all remedies provided under the UCC.

ARTICLE VIII

THE ADMINISTRATIVE AGENT

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf, including execution of the other Loan Documents, and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Loan Parties or any Subsidiary of a Loan Party or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, the

Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Loan Party or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or in connection with any Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, (v) the creation, perfection or priority of Liens on the Collateral or the existence of the Collateral, or (vi) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a commercial bank or an Affiliate of any such

commercial bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article, Section 2.17(d) and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or related agreement or any document furnished hereunder or thereunder.

Each Lender hereby agrees that (a) it has requested a copy of each Report prepared by or on behalf of the Administrative Agent; (b) the Administrative Agent (i) makes no representation or warranty, express or implied, as to the completeness or accuracy of any Report or any of the information contained therein or any inaccuracy or omission contained in or relating to a Report and (ii) shall not be liable for any information contained in any Report; (c) the Reports are not comprehensive audits or examinations, and that any Person performing any field examination will inspect only specific information regarding the Loan Parties and will rely significantly upon the Loan Parties' books and records, as well as on representations of the Loan Parties' personnel and that the Administrative Agent undertakes no obligation to update, correct or supplement the Reports; (d) it will keep all Reports confidential and strictly for its internal use, not share the Report with any Loan Party or any other Person except as otherwise permitted pursuant to this Agreement; and (e) without limiting the generality of any other indemnification provision contained in this Agreement, it will pay and protect, and indemnify, defend, and hold the Administrative Agent and any such other Person preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses, and other amounts (including reasonable attorney fees) incurred by the Administrative Agent or such other Person as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(i) if to any Loan Party at:

c/o Potbelly Sandwich Works, LLC
222 Merchandise Mart Plaza, 23rd Floor
Attention: Charlie Talbot, CFO
Facsimile No: 312 896 9255
E-Mail: Charlie.Talbot@Potbelly.com

With a copy to:

c/o Potbelly Sandwich Works, LLC
222 Merchandise Mart Plaza, 23rd Floor
Attention: Matt Revord, SVP General Counsel
Facsimile No: 312 896 9255
E-Mail: matt.revord@potbelly.com

(ii) if to the Administrative Agent, the Issuing Bank or the Swingline Lender, to JPMorgan Chase Bank, N.A. at:

10 S. Dearborn, 35th Floor
Chicago, Illinois 60603
Attention: Benjamin Livermore
Facsimile No: (312) 212-5897
E-Mail: benjamin.p.livermore@chase.com

(iii) if to any other Lender, to it at its address or facsimile number set forth in its Administrative Questionnaire.

All such notices and other communications (i) sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received or (ii) sent by facsimile shall be deemed to have been given when sent, provided that if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II or to compliance and no Default certificates delivered pursuant to Section 5.01(c) unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower (on behalf of the Loan Parties) may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications. All such notices and other communications (i) sent to an e-mail address shall be deemed received upon the sender’s receipt

of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Business Day for the recipient, and (ii) posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (b)(i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Any party hereto may change its address, e-mail address or facsimile number for notices and other communications hereunder by notice to the other parties hereto.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, the Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Bank and the Lenders hereunder and under any other Loan Document are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except (i) in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or (ii) in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Administrative Agent and the Loan Party or Loan Parties that are parties thereto, with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender (including any such Lender that is a Defaulting Lender), (ii) reduce or forgive the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce or forgive any interest or fees payable hereunder, without the written consent of each Lender (including any such Lender that is a Defaulting Lender) directly affected thereby, (iii) postpone any scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any date for the payment of any interest, fees or other Obligations payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender (including any such Lender that is a Defaulting Lender) directly affected thereby, (iv) change Section 2.18(b) or (d) in a manner that would alter the manner in which payments are shared, without the written consent of each Lender, (including any such Lender that is a Defaulting Lender), (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of any

Loan Document specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each Lender, (including any such Lender that is a Defaulting Lender) directly affected thereby, (vii) release any Loan Guarantor from its obligation under its Loan Guaranty (except as otherwise permitted herein or in the other Loan Documents), without the written the consent of each Lender (other than any Defaulting Lender), (viii) change Section 2.20, without the consent of each Lender (other than any Defaulting Lender) or (viii) except as provided in clauses (d) and (e) of this Section or in any Collateral Document, release all or substantially all of the Collateral, without the written consent of each Lender (other than any Defaulting Lender); provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be (it being understood that any change to Section 2.20 shall require the consent of the Administrative Agent, the Swingline Lender and the Issuing Bank). The Administrative Agent may also amend the Commitment Schedule without the consent of the Lenders or any Loan Party to reflect assignments and entered into pursuant to Section 9.04 and reductions or increases pursuant to Section 2.09.

(c) The Lenders hereby irrevocably authorize the Administrative Agent, at its option and in its sole discretion, to release any Liens granted to the Administrative Agent by the Loan Parties on any Collateral (i) upon the termination of the all Commitments, payment and satisfaction in full in cash of all Secured Obligations (other than Unliquidated Obligations), and the cash collateralization of all Unliquidated Obligations in a manner satisfactory to each affected Lender, (ii) constituting property being sold or disposed of if the Loan Party disposing of such property certifies to the Administrative Agent that the sale or disposition is made in compliance with the terms of this Agreement (and the Administrative Agent may rely conclusively on any such certificate, without further inquiry), and to the extent that the property being sold or disposed of constitutes 100% of the Equity Interest of a Subsidiary, the Administrative Agent is authorized to release any Loan Guaranty provided by such Subsidiary, (iii) constituting property leased to a Loan Party under a lease which has expired or been terminated in a transaction permitted under this Agreement, or (iv) as required to effect any sale or other disposition of such Collateral in connection with any exercise of remedies of the Administrative Agent and the Lenders pursuant to Article VII. Except as provided in the preceding sentence, the Administrative Agent will not release any Liens on Collateral without the prior written authorization of the Required Lenders; provided that, the Administrative Agent may in its discretion release its Liens on additional Collateral valued in the aggregate not in excess of $1,000,000 during any calendar year without the prior written authorization of the Required Lenders. Any such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of the Loan Parties in respect of) all interests retained by the Loan Parties, including the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(d) If, in connection with any proposed amendment, waiver or consent requiring the consent of "each Lender" or "each Lender affected thereby," the consent of the Required Lenders is obtained, but the consent of other necessary Lenders is not obtained (any such Lender whose consent is necessary but not obtained being referred to herein as a "Non-Consenting Lender"), then the Borrower may elect to replace a Non-Consenting Lender as a Lender party to

this Agreement, provided that, concurrently with such replacement, (i) another bank or other entity which is reasonably satisfactory to the Borrower and the Administrative Agent shall agree, as of such date, to purchase for cash the Loans and other Obligations due to the Non-Consenting Lender pursuant to an Assignment and Assumption and to become a Lender for all purposes under this Agreement and to assume all obligations of the Non-Consenting Lender to be terminated as of such date and to comply with the requirements of clause (b) of Section 9.04, and (ii) the Borrower shall pay to such Non-Consenting Lender in same day funds on the day of such replacement (1) all interest, fees and other amounts then accrued but unpaid to such Non-Consenting Lender by the Borrower hereunder to and including the date of termination, including without limitation payments due to such Non-Consenting Lender under Sections 2.15 and 2.17, and (2) an amount, if any, equal to the payment which would have been due to such Lender on the day of such replacement under Section 2.16 had the Loans of such Non-Consenting Lender been prepaid on such date rather than sold to the replacement Lender.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication and distribution (including, without limitation, via the internet or through a service such as Intralinks) of the credit facilities provided for herein, the preparation and administration of the Loan Documents or any amendments, modifications or waivers of the provisions of the Loan Documents (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Bank or any Lender, in connection with the enforcement, collection or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit. Expenses being reimbursed by the Borrower under this Section include, without limiting the generality of the foregoing, costs and expenses incurred in connection with: (i) appraisals and insurance reviews; (ii) field examinations and the preparation of Reports based on the fees charged by a third party retained by the Administrative Agent or the internally allocated fees for each Person employed by the Administrative Agent with respect to each field examination; *provided* that, so long as no Event of Default has occurred and is continuing, (x) the Borrower shall only be required to reimburse such costs and expenses for one of such field examinations in any calendar year and (y) the aggregate amount of such costs and expenses so reimbursed shall not exceed $50,000 in any calendar year; (iii) taxes, fees and other charges for (A) lien and title searches and title insurance and (B) recording mortgages, filing financing statements and continuations, and other actions to perfect, protect, and continue the Administrative Agent’s Liens; (iv) sums paid or incurred to take any action required of any Loan Party under the Loan Documents that such Loan Party fails to pay or take; and (v) forwarding loan proceeds, collecting checks and other items of payment, and establishing and maintaining the accounts and lock boxes, and costs and expenses of preserving and protecting the Collateral.

All of the foregoing costs and expenses may be charged to the Borrower as Revolving Loans or to another deposit account, all as described in Section 2.18(c).

(b) The Borrower shall indemnify the Administrative Agent, the Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, penalties, incremental taxes, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of the Loan Documents or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations thereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, (iv) the failure of the Borrower to deliver to the Administrative Agent the required receipts or other required documentary evidence with respect to a payment made by the Borrower for Taxes pursuant to Section 2.17, or (v) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, penalties, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnitee. This Section 9.03(b) shall not apply with respect to Taxes other than any Taxes that represent losses or damages arising from any non-Tax claim.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Issuing Bank or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, penalty, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, no Loan Party shall assert, and each hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than ten (10) Business Days after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of the Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Bank and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within seven (7) Business Days after having received notice thereof, and provided further that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent; and

(C) the Issuing Bank.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of $3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

For the purposes of this Section 9.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Bank and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the

Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.05, 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged; (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations; and (C) the Borrower, the Administrative Agent, the Issuing Bank and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 (subject to the requirements and limitations therein, including the requirements under Section 2.17(f) (it being understood that the documentation required under Section 2.17(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Sections 2.18 and 2.19 as if it were an assignee under paragraph (b) of this Section; and (B) shall not be entitled to receive any greater payment under Section 2.15 or 2.17, with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under this Agreement (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat

each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Lender that is not a U.S. Person if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(f) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Bank or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower or such Loan Guarantor against any of and all the Secured Obligations held by such Lender, irrespective of whether or not such Lender shall have made any demand under the Loan Documents and although such obligations may be unmatured. The applicable Lender shall notify the Borrower and the Administrative Agent of such set-off or application, provided that any failure to give or any delay in giving such notice shall not affect the validity of any such set-off or application under this Section. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) The Loan Documents (other than those containing a contrary express choice of law provision) shall be governed by and construed in accordance with the internal laws (and not the law of conflicts) of the State of Illinois (including, without limitation, 735 ILCS Section 105/5-1 et seq, but giving effect to federal laws applicable to national banks.

(b) Each Loan Party hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any U.S. Federal or Illinois State court sitting in Chicago, Illinois in any action or proceeding arising out of or relating to any Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such Illinois State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Loan Party or its properties in the courts of any jurisdiction.

(c) Each Loan Party hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Bank and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by Requirement of Law or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Loan Parties and their obligations, (g) with the consent of the Borrower, (h) to holders of Equity Interests in any Loan Party, or (i) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Issuing Bank or any Lender on a non-confidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent, the Issuing Bank or any Lender on a non-confidential basis prior to disclosure by the Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Several Obligations; Nonreliance; Violation of Law. The respective obligations of the Lenders hereunder are several and not joint and the failure of any Lender to make any Loan or perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. Each Lender hereby represents that it is not relying on or looking to any margin stock for the repayment of the Borrowings provided for herein. Anything contained in this Agreement to the contrary notwithstanding, neither the Issuing Bank nor any Lender shall be obligated to extend credit to the Borrower in violation of any Requirement of Law.

SECTION 9.14. USA PATRIOT Act. Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") hereby notifies the Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

SECTION 9.15. Disclosure. Each Loan Party and each Lender hereby acknowledges and agrees that the Administrative Agent and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with any of the Loan Parties and their respective Affiliates.

SECTION 9.16. Appointment for Perfection. Each Lender hereby appoints each other Lender as its agent for the purpose of perfecting Liens, for the benefit of the Administrative Agent and the Lenders, in assets which, in accordance with Article 9 of the UCC or any other applicable law can be perfected only by possession. Should any Lender (other than the Administrative Agent) obtain possession of any such Collateral, such Lender shall notify the Administrative Agent thereof, and, promptly upon the Administrative Agent's request therefor shall deliver such Collateral to the Administrative Agent or otherwise deal with such Collateral in accordance with the Administrative Agent's instructions.

SECTION 9.17. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

ARTICLE X

LOAN GUARANTY

SECTION 10.01. Guaranty. Each Loan Guarantor (other than those that have delivered a separate Guaranty) hereby agrees that it is jointly and severally liable for, and absolutely and unconditionally guarantees to the Lenders the prompt payment when due, whether at stated maturity, upon acceleration or otherwise, and at all times thereafter, of the Secured Obligations and all costs and expenses, including, without limitation, all court costs and attorneys' and paralegals' fees (including allocated costs of in-house counsel and paralegals) and expenses paid or incurred by the Administrative Agent, the Issuing Bank and the Lenders in endeavoring to collect all or any part of the Secured Obligations from, or in prosecuting any action against, the Borrower, any Loan Guarantor or any other guarantor of all or any part of the Secured Obligations (such costs and expenses, together with the Secured Obligations, collectively the "Guaranteed Obligations"). Each Loan Guarantor further agrees that the Guaranteed Obligations may be extended or renewed in whole or in part without notice to or further assent from it, and that it remains bound upon its guarantee notwithstanding any such extension or renewal. All terms of this Loan Guaranty apply to and may be enforced by or on behalf of any domestic or foreign branch or Affiliate of any Lender that extended any portion of the Guaranteed Obligations.

SECTION 10.02. Guaranty of Payment. This Loan Guaranty is a guaranty of payment and not of collection. Each Loan Guarantor waives any right to require the Administrative Agent, the Issuing Bank or any Lender to sue the Borrower, any Loan Guarantor, any other guarantor, or any other Person obligated for all or any part of the Guaranteed Obligations (each, an "Obligated Party"), or otherwise to enforce its payment against any collateral securing all or any part of the Guaranteed Obligations.

SECTION 10.03. No Discharge or Diminishment of Loan Guaranty. (a) Except as otherwise provided for herein, the obligations of each Loan Guarantor hereunder are unconditional and absolute and not subject to any reduction, limitation, impairment or termination for any reason (other than the payment in full in cash of the Guaranteed Obligations), including: (i) any claim of waiver, release, extension, renewal, settlement, surrender, alteration, or compromise of any of the Guaranteed Obligations, by operation of law or otherwise; (ii) any change in the corporate existence, structure or ownership of the Borrower or any other guarantor of or other Person liable for any of the Guaranteed Obligations; (iii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Obligated Party or their assets or any resulting release or discharge of any obligation of any Obligated Party; or (iv) the existence of any claim, setoff or other rights which any Loan Guarantor may have at any time against any Obligated Party, the Administrative Agent, the Issuing Bank, any Lender or any other person, whether in connection herewith or in any unrelated transactions.

(b) The obligations of each Loan Guarantor hereunder are not subject to any defense (other than the payment in full in cash of the Guaranteed Obligations) or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any of the Guaranteed Obligations or otherwise, or any provision of applicable law or regulation purporting to prohibit payment by any Obligated Party, of the Guaranteed Obligations or any part thereof.

(c) Further, the obligations of any Loan Guarantor hereunder are not discharged or impaired or otherwise affected by: (i) the failure of the Administrative Agent, the Issuing Bank or any Lender to assert any claim or demand or to enforce any remedy with respect to all or any part of the Guaranteed Obligations; (ii) any waiver or modification of or supplement to any provision of any agreement relating to the Guaranteed Obligations; (iii) any release, non-perfection, or invalidity of any indirect or direct security for the obligations of the Borrower for all or any part of the Guaranteed Obligations or any obligations of any other guarantor of or other Person liable for any of the Guaranteed Obligations; (iv) any action or failure to act by the Administrative Agent, the Issuing Bank or any Lender with respect to any collateral securing any part of the Guaranteed Obligations; or (v) any default, failure or delay, willful or otherwise, in the payment or performance of any of the Guaranteed Obligations, or any other circumstance, act, omission or delay that might in any manner or to any extent vary the risk of such Loan Guarantor or that would otherwise operate as a discharge of any Loan Guarantor as a matter of law or equity (other than the payment in full in cash of the Guaranteed Obligations).

SECTION 10.04. Defenses Waived. To the fullest extent permitted by applicable law, each Loan Guarantor hereby waives any defense based on or arising out of any defense of the Borrower or any Loan Guarantor or the unenforceability of all or any part of the Guaranteed Obligations from any cause, or the cessation from any cause of the liability of the Borrower or any Loan Guarantor, other than the payment in full in cash of the Guaranteed Obligations. Without limiting the generality of the foregoing, each Loan Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Obligated Party, or any other Person. Each Loan Guarantor confirms that it is not a surety under any state law and shall not raise any such law as a defense to its obligations hereunder. The Administrative Agent may, at its election, foreclose on any Collateral held by it by one or more judicial or nonjudicial sales, accept an assignment of any such Collateral in lieu of foreclosure or otherwise act or fail to act with respect to any collateral securing all or a part of the Guaranteed Obligations, compromise or adjust any part of the Guaranteed Obligations, make any other accommodation with any Obligated Party or exercise any other right or remedy available to it against any Obligated Party, without affecting or impairing in any way the liability of such Loan Guarantor under this Loan Guaranty except to the extent the Guaranteed Obligations have been fully paid in cash. To the fullest extent permitted by applicable law, each Loan Guarantor waives any defense arising out of any such election even though that election may operate, pursuant to applicable law, to impair or extinguish any right of reimbursement or subrogation or other right or remedy of any Loan Guarantor against any Obligated Party or any security.

SECTION 10.05. Rights of Subrogation. No Loan Guarantor will assert any right, claim or cause of action, including, without limitation, a claim of subrogation, contribution or indemnification that it has against any Obligated Party, or any collateral, until the Loan Parties have fully performed all their obligations to the Administrative Agent, the Issuing Bank and the Lenders.

SECTION 10.06. Reinstatement; Stay of Acceleration. If at any time any payment of any portion of the Guaranteed Obligations is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, or reorganization of the Borrower or otherwise, each Loan Guarantor's obligations under this Loan Guaranty with respect to that payment shall be reinstated at such time as though the payment had not been made and whether or not the Administrative Agent, the Issuing Bank and the Lenders are in possession of this Loan Guaranty. If acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Borrower, all such amounts otherwise subject to acceleration under the terms of any agreement relating to the Guaranteed Obligations shall nonetheless be payable by the Loan Guarantors forthwith on demand by the Administrative Agent.

SECTION 10.07. Information. Each Loan Guarantor assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks that each Loan Guarantor assumes and incurs under this Loan Guaranty, and agrees that neither the Administrative Agent, the Issuing Bank nor any Lender shall have any duty to advise any Loan Guarantor of information known to it regarding those circumstances or risks.

SECTION 10.08. Termination. Each of the Lenders and the Issuing Bank may continue to make loans or extend credit to the Borrower based on this Loan Guaranty until five days after it receives written notice of termination from any Loan Guarantor. Notwithstanding receipt of any such notice, each Loan Guarantor will continue to be liable to the Lenders for any Guaranteed Obligations created, assumed or committed to prior to the fifth day after receipt of the notice, and all subsequent renewals, extensions, modifications and amendments with respect to, or substitutions for, all or any part of that Guaranteed Obligations.

SECTION 10.09. Taxes. Section 2.17 of this Agreement shall be applicable, *mutatis mutandis*, to all payments required to be made by any Loan Guarantor under this Loan Guaranty.

SECTION 10.10. Contribution. In the event any Loan Guarantor (a "Paying Guarantor") shall make any payment or payments under this Loan Guaranty or shall suffer any loss as a result of any realization upon any collateral granted by it to secure its obligations under this Loan Guaranty, each other Loan Guarantor (each a "Non-Paying Guarantor") shall contribute to such Paying Guarantor an amount equal to such Non-Paying Guarantor's "Applicable Percentage" of such payment or payments made, or losses suffered, by such Paying Guarantor. For purposes of this Article X, each Non-Paying Guarantor's "Applicable Percentage" with respect to any such payment or loss by a Paying Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (i) such Non-Paying Guarantor's Maximum Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) or, if such Non-Paying Guarantor's Maximum Liability has not been determined, the aggregate amount of all monies received by such Non-Paying Guarantor from the Borrower after the date hereof (whether by loan, capital infusion or by other means) to (ii) the aggregate Maximum Liability of all Loan Guarantors hereunder (including such Paying Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder), or to the extent that a Maximum Liability has not been determined for any Loan Guarantor, the aggregate amount of all monies

received by such Loan Guarantors from the Borrower after the date hereof (whether by loan, capital infusion or by other means). Nothing in this provision shall affect any Loan Guarantor's several liability for the entire amount of the Guaranteed Obligations (up to such Loan Guarantor's Maximum Liability). Each of the Loan Guarantors covenants and agrees that its right to receive any contribution under this Loan Guaranty from a Non-Paying Guarantor shall be subordinate and junior in right of payment to the payment in full in cash of the Guaranteed Obligations. This provision is for the benefit of all of the Administrative Agent, the Issuing Bank, the Lenders and the Loan Guarantors and may be enforced by any one, or more, or all of them in accordance with the terms hereof.

SECTION 10.11. Liability Cumulative. The liability of each Loan Party as a Loan Guarantor under this Article X is in addition to and shall be cumulative with all liabilities of each Loan Party to the Administrative Agent, the Issuing Bank and the Lenders under this Agreement and the other Loan Documents to which such Loan Party is a party or in respect of any obligations or liabilities of the other Loan Parties, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

POTBELLY SANDWICH WORKS, LLC

By: /s/ Aylwin Lewis
Name: Aylwin Lewis
Title: CEO

POTBELLY CORPORATION

By: /s/ Aylwin Lewis
Name: Aylwin Lewis
Title: CEO

POTBELLY ILLINOIS, INC.

By: /s/ Aylwin Lewis
Name: Aylwin Lewis
Title: CEO

POTBELLY FRANCHISING, LLC
PSW NORTH BRIDGE, LLC
PSW NAPERVILLE, LLC
POTBELLY SANDWICH WORKS DC-1, LLC
PSW 55 WEST MONROE, LLC
PSW WEST JACKSON, LLC
PSW 555 TWELFTH STREET, LLC
PSW WEST JACKSON, LLC
PSW OLD ORCHARD, LLC
PSW ROCKVILLE CENTER, LLC
PSW GENEVA IL, LLC
PSW LINCOLNSHIRE, LLC
PSW IC, LLC
PSW CLARK, LLC
PSW NYAVE, LLC
PSW DC ACQUISITION LLC
PSW PBD ACQUISITION LLC

By: Potbelly Illinois, Inc., as Manager

By: /s/ Aylwin Lewis
Name: Aylwin Lewis
Title: CEO

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent, Issuing Bank and Swingline Lender

By: /s/ Benjamin Livermore
Name: Benjamin Livermore
Title: Vice President

COMMITMENT SCHEDULE

Lender	Revolving Commitment on the Effective Date
JPMorgan Chase Bank, N.A.	$ 35,000,000
Total	**$ 35,000,000**

Exhibit 10.4

AMENDMENT NO. 1
TO
CREDIT AGREEMENT

THIS AMENDMENT NO. 1 TO CREDIT AGREEMENT (this "Amendment") is entered into as of April 26, 2013 among **POTBELLY SANDWICH WORKS, LLC**, an Illinois limited liability company ("Borrower"), the other Loan Parties (as such term is defined in the Credit Agreement), the financial institutions listed on the signature pages hereto as lenders (the "Lenders"), and **JPMORGAN CHASE BANK, N.A**., as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Loan Parties, the Lenders and the Administrative Agent have entered into that certain Credit Agreement dated as of September 21, 2012 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Loan Parties desire to amend the Credit Agreement as set forth herein, and the Administrative Agent and the Lenders are willing to do so on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**. Terms defined in the Credit Agreement that are used herein shall have the same meanings as are set forth in the Credit Agreement for such terms unless otherwise defined herein.

2. **Amendment to Credit Agreement**. Upon the occurrence of the Effective Time (as hereinafter defined), the Credit Agreement is hereby amended as follows:

(a) Section 5.01 of the Credit Agreement is hereby amended by inserting after the phrase "within 120 days after the end of each Fiscal Year of the Borrower" and before the comma appearing thereafter the following:

(provided that such period shall be 151 days in the case of the Fiscal Year ending December 30, 2012)

3. **Conditions**. When each of the following conditions has been completely satisfied as determined by the Administrative Agent in its reasonable discretion, the amendments set forth in Section 2 of this Amendment shall become effective (the time of such satisfaction being hereinafter referred to as the "Effective Time;" the Effective Time shall be deemed to occur on the date of this Amendment (the "Effective Date") unless the Administrative Agent provides written notice to the contrary to the Loan Parties):

(a) **Documents**. The Administrative Agent shall have received each of the following agreements, instruments and other documents, in each case in form and substance reasonably satisfactory to the Administrative Agent:

(i) this Amendment duly executed and delivered by the Loan Parties, the Lenders and the Administrative Agent;

(ii) the documents, instruments, agreements, opinions, certificates and other items listed on the Document Checklist attached hereto as Exhibit A; and

(iii) such other documents, agreements, instruments, certificates, opinions and other items as the Administrative Agent may reasonably request in connection with this Amendment.

(b) **Representations and Warranties; No Default**. As of the date hereof (and, if different, also as of the Effective Date): (a) the representations and warranties contained herein, in the Credit Agreement and in each other Loan Document shall be true and correct in all material respects (both immediately before and after giving effect to consummation of the transactions contemplated hereby), except to the extent any such representation and warranty expressly refers to an earlier date, in which case such representation and warranty shall be true and correct in all material respects as of such earlier date; and (b) no Default or Event of Default shall exist.

(c) **Proceedings**. All resolutions, consents and other corporate or limited liability company proceedings taken or to be taken in connection with the transactions contemplated hereby, and all agreements, instruments, certificates and other documents relating thereto, shall be in form and substance satisfactory to the Administrative Agent, as determined in its sole and absolute discretion, and shall be in full force and effect.

(d) **Fees**. All out-of-pocket expenses required to be paid to the Administrative Agent's special counsel on or prior to the Effective Date shall have been paid in full.

4. **Representations and Warranties of the Loan Parties**. Each Loan Party represents and warrants that: (a) the execution and delivery by such Loan Party of this Amendment, each other document, instrument and agreement to be executed and delivered by such Loan Party in connection herewith (this Amendment and such other documents, instruments and agreements are referred to herein, collectively, as the "Amendment Documents") and the Credit Agreement (as amended hereby) and the performance of such Loan Party's obligations hereunder and thereunder: (i) are within the corporate or limited liability company powers of such Loan Party, (ii) are duly authorized by the board of directors or managers of such Loan Party, and, if necessary, the shareholders or members of such Loan Party, (iii) are not in contravention of the terms of such Loan Party's articles or certificate of incorporation or formation, by-laws, operating, management or partnership agreement or other organizational documents, (iv) are not in contravention of the terms of the provisions of any indenture, instrument or agreement to which such Loan Party is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the property of such Loan Party pursuant to the

terms of any such indenture, instrument or agreement (other than Liens in favor of the Administrative Agent, for the benefit of itself and the Lenders, under the Security Agreement and any other Permitted Encumbrances), (v) do not contravene any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on such Loan Party; and (vi) do not require any order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof; (b) each of this Amendment and the other Amendment Documents has been duly executed and delivered by such Loan Party and constitutes the legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, except as limited by applicable bankruptcy, reorganization, insolvency or similar laws affecting the enforcement of creditors' rights generally and except as limited by general principles of equity; (c) the Credit Agreement, and each other Loan Document, after giving effect hereto, constitutes the legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally or by general equitable principles; (d) as of the date hereof, and (after giving effect hereto and consummation of the transactions contemplated hereby) as of the Effective Date, there exists no Default or Event of Default; and (e) all conditions set forth in Section 3 of this Amendment have been satisfied in full (provided that no representation or warranty is made as to the Administrative Agent's or any Lender's acceptance or satisfaction with any matter). All representations and warranties contained in this Amendment shall survive the execution and delivery of this Amendment.

5. **Consent of Loan Guarantor**. Each Loan Party (other than Borrower), in its capacity as a Loan Guarantor under Article X of the Credit Agreement, hereby consents to this Amendment and the amendments contained herein and confirms and agrees that, notwithstanding this Amendment and the effectiveness of the amendments contained herein, the Loan Guaranty is, and shall continue to be, in full force and effect and is hereby confirmed and ratified in all respects notwithstanding the terms of this Amendment or any other amendment to the Credit Agreement. Nothing herein is intended or shall be deemed to limit the Administrative Agent's or any Lender's rights under the Loan Guaranty to take actions without the consent of any Loan Guarantor.

6. **Reference to/Effect on the Credit Agreement, Etc**.

(a) On and after the Effective Date: (i) each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import shall mean and be a reference to the Credit Agreement, as amended hereby, and (ii) each reference to the Credit Agreement in all other Loan Documents shall mean and be a reference to the Credit Agreement, as amended hereby.

(b) Except as otherwise provided herein, the Credit Agreement, all other Loan Document, all covenants, representations and warranties made therein, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby reaffirmed, ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment and the other Amendment Documents shall not (i) except as specifically stated herein, amend the Credit Agreement or any other Loan Document, (ii) operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender, or (iii) constitute a waiver of, or consent to any departure from, any provision of the Credit Agreement or any other Loan Document or any other documents, instruments and agreements executed or delivered in connection therewith.

(d) Each Loan Party acknowledges and agrees that: (i) as of the date hereof (and, if different, also as of the Effective Date), such Loan Party has no defenses, claims or set-offs to the payment of the Secured Obligations or to the enforcement of the Secured Obligations, the Credit Agreement or any of the other Loan Documents; and (ii) the Liens granted to the Administrative Agent, for the benefit of itself and the Lenders, by such Loan Party are and remain valid perfected Liens in the assets of such Loan Party securing the payment and performance of the Secured Obligations.

(e) Borrower agrees to deliver to the Administrative Agent and each Lender a draft of its audited financial statements and a draft Compliance Certificate by April 30, 2013 in compliance with Sections 5.1(a) and 5.1(b) before giving effect to this Amendment, respectively, except for their status as drafts, pending final audit review.

(f) This Amendment and the other Amendment Documents shall each be deemed a Loan Document for the purposes of the Credit Agreement.

7. **Miscellaneous**.

(a) **Choice of Law**. This Amendment shall be governed by and construed in accordance with the internal laws (including, without limitation, 735 ILCS Section 105/5-1 et seq., but otherwise without regard to the conflict of laws provisions) of the State of Illinois, but giving effect to federal laws applicable to national banks.

(b) **Severability**. Any provision of any Amendment Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

(c) **WAIVER OF JURY TRIAL**. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT, ANY OTHER AMENDMENT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

(d) **Headings**. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

(e) **Counterparts**. This Amendment may be executed and accepted in any number of counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

[signature page(s) follow]

IN WITNESS WHEREOF, this Amendment No. 1 to Credit Agreement has been duly executed as of the day and year first above written.

LOAN PARTIES:

POTBELLY SANDWICH WORKS, LLC

By: /s/ Matthew J. Revord
Name: Matthew J. Revord
Title: SVP, General Counsel

POTBELLY CORPORATION

By: /s/ Matthew J. Revord
Name: Matthew J. Revord
Title: SVP, General Counsel

POTBELLY ILLINOIS, INC.

By: /s/ Matthew J. Revord
Name: Matthew J. Revord
Title: GC

POTBELLY FRANCHISING, LLC
PSW NORTH BRIDGE, LLC
PSW NAPERVILLE, LLC
POTBELLY SANDWICH WORKS DC-1, LLC
PSW 55 WEST MONROE, LLC
PSW WEST JACKSON, LLC
PSW 555 TWELFTH STREET, LLC
PSW WEST JACKSON, LLC
PSW OLD ORCHARD, LLC
PSW ROCKVILLE CENTER, LLC
PSW GENEVA IL, LLC
PSW LINCOLNSHIRE, LLC
PSW IC, LLC
PSW CLARK, LLC
PSW NYAVE, LLC
PSW DC ACQUISITION LLC
PSW PBD ACQUISITION LLC

By: Potbelly Illinois, Inc., as Manager

By: /s/ Matthew J. Revord
Name: Matthew J. Revord
Title: General Counsel

JPMORGAN CHASE BANK, N.A., individually as a Lender, and as Administrative Agent, Issuing Bank and Swingline Lender

By: /s/ Barbara Rajchel
Name: Barbara Rajchel
Title: Vice President

EXHIBIT A

Document Checklist

See Attached

AMENDMENT NO. 1
TO **CREDIT AGREEMENT**

among

POTBELLY SANDWICH WORKS, LLC,
as Borrower and as a Loan Party

THE OTHER LOAN PARTIES PARTY THERETO,

THE LENDERS PARTY THERETO

and

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent

April 26, 2013

DOCUMENT CHECKLIST

Definitions

Borrower	Potbelly Sandwich Works, LLC, an Illinois limited liability company
Loan Parties	Borrower Potbelly Corporation, a Delaware corporation ("Potbelly Corp") Potbelly Illinois, Inc., an Illinois corporation Potbelly Franchising, LLC, an Illinois limited liability company ("Franchising") PSW North Bridge, LLC, an Illinois limited liability company PSW Naperville, LLC, an Illinois limited liability company PSW 55 West Monroe, LLC, an Illinois limited liability company Potbelly Sandwich Works DC-1, LLC, an Illinois limited liability company PSW West Jackson, LLC, an Illinois limited liability company PSW 555 Twelfth Street, LLC, an Illinois limited liability company PSW Old Orchard, LLC, an Illinois limited liability company

PSW Rockville Center, LLC, an Illinois limited liability company
PSW Geneva IL, LLC, an Illinois limited liability company
PSW IC, LLC, an Illinois limited liability company
PSW Lincolnshire, LLC, an Illinois limited liability company
PSW Clark, LLC, an Illinois limited liability company

PSW Nyave, LLC, an Illinois limited liability company
PSW DC Acquisition LLC, an Illinois limited liability company
PSW PBD Acquisition LLC, an Illinois limited liability company

Administrative Agent JPMorgan Chase Bank, N.A.

Lender JPMorgan Chase Bank, N.A. ("Chase")

1. Amendment No. 1 to Credit Agreement among the Loan Parties, the Administrative Agent and the Lenders

2. Certificate of good standing of each Loan Party from the applicable offices set forth below for such Loan Party

Loan Party	Office(s)
Potbelly Sandwich Works, LLC	Secretary of State of Illinois
Potbelly Corporation	Secretary of State of Delaware
Potbelly Illinois, Inc.	Secretary of State of Illinois
Potbelly Franchising, LLC	Secretary of State of Illinois
PSW North Bridge, LLC	Secretary of State of Illinois
PSW Naperville, LLC	Secretary of State of Illinois
PSW 55 West Monroe, LLC	Secretary of State of Illinois
Potbelly Sandwich Works DC-1, LLC	Secretary of State of Illinois
PSW West Jackson, LLC	Secretary of State of Illinois
PSW 555 Twelfth Street, LLC	Secretary of State of Illinois
PSW Old Orchard, LLC	Secretary of State of Illinois
PSW Rockville Center, LLC	Secretary of State of Illinois
PSW Geneva IL, LLC	Secretary of State of Illinois
PSW IC, LLC	Secretary of State of Illinois
PSW Lincolnshire, LLC	Secretary of State of Illinois
PSW Clark, LLC	Secretary of State of Illinois
PSW Nyave, LLC	Secretary of State of Illinois
PSW DC Acquisition LLC	Secretary of State of Illinois
PSW PBD Acquisition LLC	Secretary of State of Illinois

Exhibit 10.5

AMENDMENT NO. 2
TO
CREDIT AGREEMENT

THIS AMENDMENT NO. 2 TO CREDIT AGREEMENT (this "Amendment") is entered into as of August 20, 2013 among **POTBELLY SANDWICH WORKS, LLC**, an Illinois limited liability company ("Borrower"), the other Loan Parties (as such term is defined in the Credit Agreement), the financial institutions listed on the signature pages hereto as lenders (the "Lenders"), and **JPMORGAN CHASE BANK, N.A**., **as administrative agent for the Lenders (in such capacity, the "Administrative Agent").**

W I T N E S S E T H:

WHEREAS, the Loan Parties, the Lenders and the Administrative Agent have entered into that certain Credit Agreement dated as of September 21, 2012 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"); and

WHEREAS, the Loan Parties desire to amend the Credit Agreement as set forth herein, and the Administrative Agent and the Lenders are willing to do so on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**. Terms defined in the Credit Agreement that are used herein shall have the same meanings as are set forth in the Credit Agreement for such terms unless otherwise defined herein.

2. **Amendment to Credit Agreement**. Upon the occurrence of the Effective Time (as hereinafter defined), the Credit Agreement is hereby amended as follows:

(a) Clause (v) of Section 6.08(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

> (v) so long as the Distribution Conditions have been satisfied (as determined by the Administrative Agent in its reasonable discretion) at the time of, and with respect to, any Restricted Payment not otherwise permitted by the foregoing clauses (i) through (iv), the Borrower may make such Restricted Payment to Holdings and Holdings may make (x) a one-time special dividend in the amount of up to $55,000,000 out of the net proceeds of the initial Public Offering of Holdings, provided that such dividend shall be permitted only if the net cash proceeds received by Holdings from the initial Public Offering of Holdings are at least $65,000,000, and (y) such Restricted Payment to holders of Equity

Interests in Holdings in an aggregate amount (but excluding from such amount the amount of the special dividend referred to in the preceding clause (x)) not to exceed (I) $20,000,000 in any trailing twelve month period ending on the date such Restricted Payment is made, or (II) $40,000,000 after the date hereof,

3. **Conditions**. When each of the following conditions has been completely satisfied as determined by the Administrative Agent in its reasonable discretion, the amendments set forth in Section 2 of this Amendment shall become effective (the time of such satisfaction being hereinafter referred to as the "Effective Time;" the Effective Time shall be deemed to occur on the date of this Amendment (the "Effective Date") unless the Administrative Agent provides written notice to the contrary to the Loan Parties):

(a) **Documents**. The Administrative Agent shall have received each of the following agreements, instruments and other documents, in each case in form and substance reasonably satisfactory to the Administrative Agent:

(i) this Amendment duly executed and delivered by the Loan Parties, the Lenders and the Administrative Agent; and

(ii) such other documents, agreements, instruments, certificates, opinions and other items as the Administrative Agent may reasonably request in connection with this Amendment.

(b) **Representations and Warranties; No Default**. As of the date hereof (and, if different, also as of the Effective Date): (a) the representations and warranties contained herein, in the Credit Agreement and in each other Loan Document shall be true and correct in all material respects (both immediately before and after giving effect to consummation of the transactions contemplated hereby), except to the extent any such representation and warranty expressly refers to an earlier date, in which case such representation and warranty shall be true and correct in all material respects as of such earlier date; and (b) no Default or Event of Default shall exist.

(c) **Proceedings**. All resolutions, consents and other corporate or limited liability company proceedings taken or to be taken in connection with the transactions contemplated hereby, and all agreements, instruments, certificates and other documents relating thereto, shall be in form and substance satisfactory to the Administrative Agent, as determined in its sole and absolute discretion, and shall be in full force and effect.

(d) **Fees**. All out-of-pocket expenses required to be paid to the Administrative Agent's special counsel on or prior to the Effective Date shall have been paid in full.

4. **Representations and Warranties of the Loan Parties**. Each Loan Party represents and warrants that: (a) the execution and delivery by such Loan Party of this Amendment, each other document, instrument and agreement to be executed and delivered by such Loan Party in connection herewith (this Amendment and such other documents, instruments and agreements are referred to herein, collectively, as the "Amendment Documents") and the Credit Agreement (as amended hereby) and the performance of such Loan Party's obligations

hereunder and thereunder: (i) are within the corporate or limited liability company powers of such Loan Party, (ii) are duly authorized by the board of directors or managers of such Loan Party, and, if necessary, the shareholders or members of such Loan Party, (iii) are not in contravention of the terms of such Loan Party's articles or certificate of incorporation or formation, by-laws, operating, management or partnership agreement or other organizational documents, (iv) are not in contravention of the terms of the provisions of any indenture, instrument or agreement to which such Loan Party is a party or is subject, or by which it, or its property, is bound, or conflict with or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the property of such Loan Party pursuant to the terms of any such indenture, instrument or agreement (other than Liens in favor of the Administrative Agent, for the benefit of itself and the Lenders, under the Security Agreement and any other Permitted Encumbrances), (v) do not contravene any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on such Loan Party; and (vi) do not require any order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof; (b) each of this Amendment and the other Amendment Documents has been duly executed and delivered by such Loan Party and constitutes the legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, except as limited by applicable bankruptcy, reorganization, insolvency or similar laws affecting the enforcement of creditors' rights generally and except as limited by general principles of equity; (c) the Credit Agreement, and each other Loan Document, after giving effect hereto, constitutes the legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally or by general equitable principles; (d) as of the date hereof, and (after giving effect hereto and consummation of the transactions contemplated hereby) as of the Effective Date, there exists no Default or Event of Default; (e) no Domestic Subsidiaries have been formed or acquired after September 21, 2012 (except for Permitted J/Vs, if any), and (f) all conditions set forth in Section 3 of this Amendment have been satisfied in full (provided that no representation or warranty is made as to the Administrative Agent's or any Lender's acceptance or satisfaction with any matter). All representations and warranties contained in this Amendment shall survive the execution and delivery of this Amendment.

5. **Consent of Loan Guarantor**. Each Loan Party (other than Borrower), in its capacity as a Loan Guarantor under Article X of the Credit Agreement, hereby consents to this Amendment and the amendments contained herein and confirms and agrees that, notwithstanding this Amendment and the effectiveness of the amendments contained herein, the Loan Guaranty is, and shall continue to be, in full force and effect and is hereby confirmed and ratified in all respects notwithstanding the terms of this Amendment or any other amendment to the Credit Agreement. Nothing herein is intended or shall be deemed to limit the Administrative Agent's or any Lender's rights under the Loan Guaranty to take actions without the consent of any Loan Guarantor.

6. **Reference to/Effect on the Credit Agreement, Etc**.

(a) On and after the Effective Date: (i) each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import shall mean and be a reference to the Credit Agreement, as amended hereby, and (ii) each reference to the Credit Agreement in all other Loan Documents shall mean and be a reference to the Credit Agreement, as amended hereby.

(b) Except as otherwise provided herein, the Credit Agreement, all other Loan Documents, all covenants, representations and warranties made therein, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby reaffirmed, ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment and the other Amendment Documents shall not (i) except as specifically stated herein, amend the Credit Agreement or any other Loan Document, (ii) operate as a waiver of any right, power or remedy of the Administrative Agent or any Lender, or (iii) constitute a waiver of, or consent to any departure from, any provision of the Credit Agreement or any other Loan Document or any other documents, instruments and agreements executed or delivered in connection therewith.

(d) Each Loan Party acknowledges and agrees that: (i) as of the date hereof (and, if different, also as of the Effective Date), such Loan Party has no defenses, claims or set-offs to the payment of the Secured Obligations or to the enforcement of the Secured Obligations, the Credit Agreement or any of the other Loan Documents; and (ii) the Liens granted to the Administrative Agent, for the benefit of itself and the Lenders, by such Loan Party are and remain valid perfected Liens in the assets of such Loan Party securing the payment and performance of the Secured Obligations.

(e) This Amendment and the other Amendment Documents shall each be deemed a Loan Document for the purposes of the Credit Agreement.

7. **Miscellaneous**.

(a) **Choice of Law**. This Amendment shall be governed by and construed in accordance with the internal laws (including, without limitation, 735 ILCS Section 105/5-1 et seq., but otherwise without regard to the conflict of laws provisions) of the State of Illinois, but giving effect to federal laws applicable to national banks.

(b) **Severability**. Any provision of any Amendment Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

(c) **WAIVER OF JURY TRIAL**. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT, ANY OTHER AMENDMENT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY

HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

(d) **Headings**. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

(e) **Counterparts**. This Amendment may be executed and accepted in any number of counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

[signature page(s) follow]

IN WITNESS WHEREOF, this Amendment No. 2 to Credit Agreement has been duly executed as of the day and year first above written.

LOAN PARTIES:

POTBELLY SANDWICH WORKS, LLC

By: /s/ Aylwin Lewis
Name:
Title:

POTBELLY CORPORATION

By: /s/ Aylwin Lewis
Name:
Title:

POTBELLY ILLINOIS, INC.

By: /s/ Aylwin Lewis
Name:
Title:

POTBELLY FRANCHISING, LLC
PSW NORTH BRIDGE, LLC
PSW NAPERVILLE, LLC
POTBELLY SANDWICH WORKS DC-1, LLC
PSW 55 WEST MONROE, LLC
PSW WEST JACKSON, LLC
PSW 555 TWELFTH STREET, LLC
PSW WEST JACKSON, LLC
PSW OLD ORCHARD, LLC
PSW ROCKVILLE CENTER, LLC
PSW GENEVA IL, LLC
PSW LINCOLNSHIRE, LLC
PSW IC, LLC
PSW CLARK, LLC
PSW NYAVE, LLC
PSW DC ACQUISITION LLC
PSW PBD ACQUISITION LLC

By: Potbelly Illinois, Inc., as Manager

By: /s/ Aylwin Lewis
Name:
Title:

JPMORGAN CHASE BANK, N.A., individually as a Lender, and as Administrative Agent, Issuing Bank and Swingline Lender

By: /s/ Barbara Rajchel
Name: Barbara Rajchel
Title: Vice President

Exhibit 10.6

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of August 8, 2013 (the "Effective Date") by and between Potbelly Corporation, a Delaware corporation (hereinafter referred to as "Company"), and Aylwin B. Lewis, an individual (hereinafter referred to as "Executive").

Statement of Purpose

WHEREAS, Executive is currently employed by Company and is party to an Executive Employment Contract and Equity Incentive Plan dated as of June 13, 2008, as amended (the "Prior Agreement"); and

WHEREAS, Company desires to continue to employ Executive as its President and Chief Executive Officer from and after the Effective Date and Executive desires to continue in employment with Company from and after the Effective Date, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, it is hereby mutually covenanted and agreed by Company and Executive as follows:

1. Term, Employment and Duties.

(a) *Term.* The initial term of employment of Executive pursuant to this Agreement shall commence on the Effective Date and shall continue through the fourth anniversary of the Effective Date (the "Term"). Notwithstanding the foregoing, this Agreement and Executive's employment may be terminated at any time during the Term pursuant to Paragraph 4 hereof.

(b) *Title and Duties*. Effective as of the Effective Date, Company hereby agrees to continue to employ Executive, and Executive agrees to continue in the employ of Company, as Company's President and Chief Executive Officer. Executive shall also have the commensurate titles and positions with such subsidiaries of affiliates of Company as determined by Company and shall serve in such positions without additional compensation. Executive shall have the duties, responsibilities and authority customary for his positions and shall perform such other duties consistent with such positions as may be assigned to Executive, from time to time, by the Board of Directors of Company (the "Board"). Executive shall report directly to the Board.

(c) *Directorship*. During the Term, while Executive is employed as the President and Chief Executive Officer of Company, Company shall nominate Executive for re-election to the Board. Effective upon the successful consummation of an initial public offering of Company's common stock (an "IPO") during the Term, Executive shall be appointed Chairman of the Board. At the time of his termination of employment with Company and its affiliates for any reason (the "Termination Date"), Executive shall resign from the Board if requested to do so by Company. Executive shall not receive any additional compensation for serving as a director of Company or as Chairman of the Board.

(d) *Performance of Duties*. Executive shall devote Executive's full business time, energy, loyalty, and ability exclusively to the business, affairs, and interests of Company and its affiliates, and shall use Executive's best efforts and abilities to promote the interests of Company and its affiliates and to perform the services contemplated by this Agreement and agrees that he will perform his duties faithfully and efficiently subject to the directions of the Board. Without the prior approval of the Board, Executive shall not, during the Term, directly or indirectly, render any other employment or consulting activities or services, including as a director, to any other person, firm, corporation, or other entity; provided, however, that, to the extent that the following activities do not conflict with or detract from the performance by Executive of Executive's duties or violate the provisions of the Executive Confidentiality and Non-Compete Agreement referred to in Paragraph 1(e), Executive may (i) act as a director of, and may also engage in activities involving, charitable, educational, religious, and similar types of organizations, and similar types of activities, provided Executive has notified the Board in writing of such activities, (ii) serve on the board of directors (and any board committee) of not more than two for profit companies which do not compete with Company, and (ii) if as of the date which is six (6) months prior to the expiration of the Term, Executive and Company have not entered into a new employment agreement or extension of this Agreement, serve on one additional board of directors of a for profit company. It is acknowledged that as of the Effective Date Executive serves on the boards of the companies listed in Appendix A.

(e) *Confidentiality, Non-Competition, Non-Interference and Intellectual Property*. Executive hereby acknowledges and confirms that Executive Confidentiality and Non-Compete Agreement previously signed by Executive and in effect on the Effective Date shall remain in full force and effect following the Effective Date and is hereby incorporated into and forms part of this Agreement.

2. Termination of Employment.

(a) *Termination Date*. Executive's Termination Date shall occur upon termination by Company for any reason or no reason or by Executive for any reason or no reason, including any of the following: (i) Executive's death; (ii) Executive being disabled by reason of physical and mental infirmity or both, thereby rendering Executive unable to satisfactorily perform Executive's duties under this Agreement (a "Disability"), said Disability to be determined in good faith by the Board in consultation with no fewer than two (2) accredited physicians selected by the Board and reasonably approved by Executive in the event that Disability is disputed; (iii) termination of Executive's employment by Company with or without Cause (as defined below) or (iv) Executive's resignation with or without Good Reason (as defined below). Executive's Termination Date shall be considered to be on account of a "Qualifying Termination" if the Termination Date occurs due to (1) termination by Company without Cause, or (2) termination by Executive with Good Reason. If, at least thirty (30) days prior to the expiration of the Term, (I) Company does not offer to extend Executive's employment past the last day of the Term on terms reasonably consistent with the terms of this Agreement or (II) Company offers to extend Executive's employment past the last day of the Term but the parties are unable to reach agreement on the terms of such continuing employment by the last day of the Term, then, for purposes of this Agreement, Executive's termination of employment upon the expiration of the Term shall be treated as a termination of Executive's employment by the Company without Cause; provided, however, that the provisions of this clause (II) shall apply only if Executive's requests in the course of negotiations are reasonable and consistent with the terms of this Agreement.

(b) *Cause*. The term "Cause" as used in this Agreement shall mean [an act, action, or series of acts or actions, or omission or series of omissions, by Executive which constitute or result in: (i) intentional misrepresentation of material information by Executive in Executive's relations with Company; (ii) Executive's indictment (or its equivalent) for the commission of a crime by Executive that constitutes a felony; (iii) commission of an act involving moral turpitude; (iv) the material breach or material default by Executive of any of Executive's written agreements with Company or obligations under any material provision of this Agreement or any written policy of Company (that remains unremedied within thirty (30) days after notice to Executive); (v) the commission of fraud or embezzlement on the part of Executive; (vi) failure to comply with any lawful written direction of the Board (that, if capable of cure without damage to Company, remains unremedied within thirty (30) days after notice to Executive); or (vii) willful action taken for the purpose of harming Company or any of its affiliates. For purposes of clause (vii) of this Paragraph 2(b), no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done or omitted to be done, by Executive in bad faith and without reasonable belief that Executive's action or omission was in the best interest of Company. An act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interest of Company.

(c) *Good Reason*. The term "Good Reason" as used in this Agreement means the occurrence, without Executive's consent, of (i) a material reduction in either Executive's rate of Base Salary (as defined in Paragraph 3(a)) or Executive's target or maximum bonus percentage (other than a reduction which does not exceed the percentage reduction of an across the board salary or bonus reductions (target, actual or maximum) for management employees); (ii) any material reduction in the position, authority, or office of Executive with respect to Company, or in Executive's responsibilities or duties for Company; (iii) any action or inaction by Company that constitutes a material breach of the terms of this Agreement; (iv) following initial election to the Board, the then current Board shall fail to nominate Executive for another term, or (following an IPO) as Chairman of the Board, while employed as the President and Chief Executive Officer of Company; or (v) any relocation of Executive's principal place of work with Company to a place more than fifty (50) miles from Company's headquarters at the Effective Date; provided, however, that any such occurrence under clauses (i) – (v) above shall constitute Good Reason only if (1) Executive provides notice to Company within sixty (60) days after Executive first has, or should have, knowledge of the occurrence, (2) Company fails to cure such occurrence within thirty (30) days after receipt of notice from Executive, and (3) Executive terminates employment within sixty (60) days following expiration of the cure period.

3. Compensation and Benefits During Employment.

(a) *Base Salary*. During the term of Executive's employment hereunder, Company shall pay to Executive a base salary at an annual rate of Seven Hundred Twenty Five Dollars Thousand Dollars ($725,000.00) (the "Base Salary"). The Base Salary shall not be increased during the Term.

(b) *Annual Bonus*. With respect bonus years beginning prior to an IPO, Executive shall be eligible for an "Annual Bonus" in accordance with Company's annual incentive plan for Senior Team Leaders (the "SLT Bonus Plan") as in effect on the Effective Date (including in accordance with established EBITDA targets) and the Annual Bonus targets shall be equal to 100% of Base Salary and a maximum (stretch) target of 200% of Base Salary. For bonus years beginning on or after an IPO, the Annual Bonus amount and terms and conditions shall be determined in accordance with incentive plan metrics approved by the Compensation Committee of the Board (the "Compensation Committee") in consultation with Executive (but with the target percentages set forth above). Executive understands that the actual amount of the Annual Bonus shall be determined in the sole discretion of the Compensation Committee. Executive's bonus shall be paid in a single lump sum cash payment not later than March 15 following the conclusion of the calendar year in which such bonus is earned, provided, however, that if the annual audit for such calendar year has not been issued by Company's outside auditors by said March 15, then payment shall be made within thirty (30) days following the issuance of such audit, but in no event shall payment be made later than the end of the calendar year following the calendar year in which such bonus is earned.

(c) *Time Off*. During the Term, Executive shall be entitled to vacation consistent with Company practice and policy for executive-level employees, but not less than five (5) weeks per year. In addition, Executive shall be entitled to those paid holidays granted to Company employees while Executive is employed.

(d) *Executive Benefits/Perquisites*. Executive shall be entitled to such other benefits, including health insurance, dental, 401(k), and other benefits and perquisites in such form and in such manner and at such times as Company shall from time to time adopt and establish for its executive-level employees generally. Executive shall be subject to eligibility and other requirements of applicable benefit plans.

(e) *Expenses*. Company shall pay or reimburse Executive for all reasonable business expenses actually incurred or paid by Executive during the Term in the performance of Executive's duties and responsibilities under this Agreement, subject to and in accordance with applicable expense reimbursement policies as in effect from time to time. Company shall pay on behalf of Executive the reasonable attorneys' fees and costs incurred by Executive in the review and preparation of this Agreement and related agreements, subject to a maximum amount of $20,000 upon presentation of documentation of such fees and costs reasonably satisfactory to Company.

(f) *Equity Awards*.

(i) On the Effective Date, Executive shall be granted stock options (the "Effective Date Grant") with a value of One Million Two Hundred Thousand Dollars ($1,200,000) under the Potbelly Corporation 2004 Equity Incentive Plan, as amended (the "2004 Equity Plan"). Executive shall be entitled to annual equity grants, if any, as determined by the Compensation Committee with a target value of Six Hundred Thousand Dollars ($600,000) subject to increase or decrease as determined by the Board or the Compensation Committee based on performance; provided, however, that Executive shall not be entitled to any equity grants prior to the second anniversary of the Effective Date. The value of any equity awards that are made in the form of stock options on or after the Effective Date, including the Effective Date Grant, shall be determined based on the Black-Scholes method.

(ii) All stock options that are outstanding on the Effective Date (other than the Effective Date Grant) shall become fully vested on the Effective Date. All stock options granted on or after the Effective Date (including the Effective Date Grant) shall vest annually over four (4) years beginning on the first anniversary of the grant date.

(iii) If Executive's Termination Date occurs due to termination by Company without Cause or if Executive resigns his employment on account of retirement (which, solely for purposes of this Paragraph 3(f)(iii), shall mean a resignation by Executive with or without good reason after Executive has attained at least age 57 and completed at least ten (10) years of service with Company and if such termination is not for any other reason), all vested stock options that are outstanding on the Effective Date (other than the Effective Date Grant) and which continue to be outstanding on the Termination Date shall remain exercisable for four (4) years after the Termination Date (or, if less, the expiration date of such stock option). All other stock options outstanding on Executive's Termination Date shall remain exercisable for ninety (90) days following the Termination Date or for such longer or shorter period specified under the stock option agreement evidencing such stock option but in no event after the expiration of the stock option term.

4. Payments and Benefits on Termination of Employment.

(a) *Termination for any Reason*. If Executive's Termination Date occurs for any reason, Company shall pay or provide to Executive (i) Executive's Base Salary for the period ending on the Termination Date; (ii) Executive's earned but unpaid Annual Bonus for any bonus year ending prior to the bonus year during which the Termination Date occurs; (iii) reimbursement of Executive's incurred but unreimbursed business expenses for periods prior to Executive's Termination Date; and (iv) any other payments or benefits to be provided to Executive by Company pursuant to any employee benefit plans or arrangements of Company or required by applicable law, to the extent such amounts are due from Company. Executive will be entitled to any other benefits in accordance with the terms of the applicable benefit plan or program. Except as otherwise provided in Paragraph 3(f)(iii), all stock options outstanding on Executive's Termination Date shall remain exercisable for ninety (90) days following the Termination Date or for such longer or shorter period specified under the stock option agreement evidencing such stock option but in no event after the expiration of the stock option term.

(b) *Qualifying Termination—Non-Change in Control*. If Executive's Termination Date occurs by reason of a Qualifying Termination and if the Release Requirements (as defined Paragraph 4(f)) are satisfied as of the sixtieth (60^{th}) day following the Termination Date (which sixtieth (60^{th}) day shall be referred to as the "Payment Date"), then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a), Executive will be entitled to the following payments and benefits:

(i) Company shall pay Executive a cash severance payment in a gross amount equal to twelve (12) months of Executive's Base Salary (determined as of the Termination Date without regard to any reduction thereof under circumstances which constitute Good Reason) (the "Severance Payment"). Any Severance Payment to which Executive is entitled under this Paragraph 4(b)(i) will commence on the first regular payroll date after the Payment Date and shall continue to be paid in substantially equal payroll by payroll period installments for a period of twelve (12) months thereafter.

(ii) All outstanding unvested stock options shall fully vest on the Termination Date; provided, however, that if termination occurs at the end of the Term due to a Qualifying Termination pursuant to the last sentence of paragraph 2(a), only those unvested stock options granted in 2015 and 2016 will fully vest upon the Termination Date.

(iii) If Executive is entitled to and elects continuation coverage under Company's group health plans pursuant to "COBRA" ("COBRA Coverage"), Company shall continue to pay on behalf of Executive and his eligible dependents the same level of employer contribution that is provided by Company for corresponding coverage for similarly-situated active employees for the lesser of (1) twelve (12) months following Executive's Termination Date or (2) the date on which COBRA Coverage terminates by its terms (the "Post-Termination Coverage Benefit"). If the Post-Termination Coverage Benefit would subject Company or any of its affiliates to tax penalties or materially increase the cost to Company and its affiliates of providing group medical coverage to employees generally, (A) Company may pay to Executive as additional severance an amount equal to such employer contributions, which payment shall be grossed-up for all applicable federal and state income taxes in the event that the employer contribution provided above would be non-taxable to Executive, or (B) if the payment under clause (A) would also subject Company or any of its affiliates to tax penalties or materially increase the cost to Company and its affiliates of providing group medical coverage to employees generally, Company shall have no obligation under this Paragraph 4(b)(iii). For the period commencing on Executive's Termination Date and ending on the Payment Date, the COBRA Coverage shall be provided at Executive's expense and, if the Release Requirements are satisfied on the Payment Date, Executive shall be entitled to a lump sum payment in an amount equal to the Post-Termination Coverage Benefit that would have been provided to Executive for the period beginning on the Termination Date and ending on the Payment Date, which lump sum payment shall be made on the Payment Date or the next scheduled payroll date.

If the Release Requirements are not satisfied on the Payment Date, Executive shall not be entitled to any payments or benefits under this Paragraph 4(b).

(c) *Qualifying Termination—Change in Control*. If Executive's Termination Date occurs by reason of a Qualifying Termination (1) on or within six (6) months prior to a Change in Control (as defined below) and at a time when Company is a party to a letter of intent relating to transactions, which, if consummated, would constitute a Change in Control or Company is in negotiations regarding a transaction which, if consummated, would constitute a Change in Control, (2) within three (3) months prior to a Change in Control, or (3) on or within two (2) years following a Change in Control then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a), Executive will be entitled to the following payments and benefits (which shall not be subject to satisfaction of the Release Requirements):

(i) Company shall pay Executive a cash severance payment in a gross amount equal to the sum of (1) Executive's Base Salary (determined as of the Termination Date without regard to any reduction thereof under circumstances that constitute Good Reason) and (2) Executive's target Annual Bonus (the "CIC Severance Payment"). Any CIC Severance Payment will commence on the first regular payroll date after the Payment Date and shall continue to be paid in substantially equal payroll by payroll installments for a period of twelve (12) months thereafter.

(ii) If Executive is entitled to and elects COBRA Coverage, Company shall provide Executive with the Post-Termination Coverage Benefit in accordance with the provisions of Paragraph 4(b)(iii).

(iii) All outstanding unvested stock options will be fully vested on the Termination Date.

For purposes of this Agreement, the term "Change in Control" shall mean, (1) for periods prior to an IPO, a "Corporate Transaction" as defined in the 2004 Equity Plan and (2) for periods after an IPO, a "Change in Control" as defined in the Potbelly Corporation 2012 Long-Term Incentive Plan. In no event shall an IPO be considered a Change in Control for purposes of this Agreement. For purposes of this Paragraph 4(c), in the case of a termination prior to a Change in Control for which payments and benefits are to be provided pursuant to this Paragraph 4(c), the date of the Change in Control shall be treated as the Termination Date.

(d) *Qualifying Termination—Prior to First Anniversary of Effective Date*. If prior to the first anniversary of the Effective Date, Company has not been able to consummate an IPO due to the Qualified IPO restrictions set forth in Company's Charter and Stockholders' Agreement and if Executive's resigns employment or is terminated by Company without Cause after the first anniversary of the Effective Date and prior to the second annual anniversary of the Effective Date, then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a), Executive will be entitled to the following payments and benefits (which shall be subject to satisfaction of the Release Requirements):

(i) Company shall pay Executive a cash severance payment in a gross amount equal to two times the sum of (1) Executive's Base Salary (determined as of the Termination Date without regard to any reduction thereof under circumstances that constitute Good Reason) and (2) Executive's target Annual Bonus (the "Special Severance Payment"). Any Special Severance Payment will commence on the first regular payroll date after the Payment Date and shall continue to be paid in substantially equal payroll by payroll installments for a period of twenty-four (24) months thereafter.

(ii) If Executive is entitled to and elects COBRA Coverage, Company shall provide Executive with the Post-Termination Coverage Benefit in accordance with the provisions of Paragraph 4(b)(iii).

(iii) All outstanding unvested stock options will become fully vested on the Termination Date.

If an adjustment to the Qualified IPO restrictions is executed by all relevant parties prior to the first anniversary of the Effective Date, Executive shall not be entitled to any benefits pursuant to this Paragraph 4(d).

(e) *Company Property*. Upon Executive's Termination Date, Executive will promptly return to Company all the documents and/or property of or relating to Company or any of its affiliates within Executive's possession or control.

(f) *Release Requirements*. For purposes of this Agreement, the "Release Requirements" shall be satisfied as of any date if, as of such date, Executive (or, for purposes of Paragraph 4(g), the legal representative of Executive's estate) has signed a form of general release and waiver satisfactory to Company and Executive if prior to death (the "Release") and the Release has become effective in accordance with applicable law (including that the Release has not revoked and the revocation period applicable under applicable law has expired).

(g) *Termination by Reason of Death or Disability*. If Executive's Termination Date occurs by reason of death or Disability and the Release Requirements are satisfied (which, in the case of death shall be satisfied by the legal representative of Executive's estate), then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a):

(i) Company shall pay to Executive or the legal representative of his estate, as applicable, a cash payment equal to the amount of the Annual Bonus that Executive would have received for the bonus year in which the Termination Date occurs had his/her Termination Date not occurred, based on actual Company performance and pro rated for the portion of the bonus year completed prior to the Termination Date, payable at the same time as the annual bonus is paid to similarly-situated active executive employees in accordance with the terms of the applicable bonus plan of Company.

(ii) Any stock options that would have vested within one (1) year following the Termination Date shall be vested on the Termination Date.

5. Mitigation and Set-Off. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. Company shall not be entitled to set off against the amounts payable to Executive under this Agreement any amounts earned by Executive in other employment after termination of his employment with Company or any amounts which might have been earned by Executive in other employment had he sought such other employment; provided, however that Company shall be entitled to set off against the amounts payable to Executive under this Agreement any amounts owed to Company by Executive.

6. Reimbursements. To the extent that any reimbursements under this Agreement are taxable to Executive, such reimbursements shall be paid to Executive only if (a) to the extent not specified herein, the expenses are incurred and reimbursable pursuant to a reimbursement plan that provides an objectively determinable nondiscretionary definition of the expenses that are eligible for reimbursement and (b) the expenses are incurred during the Term. With respect

to any expenses that are reimbursable pursuant to the preceding sentence, the amount of the expenses that are eligible for reimbursement during one calendar year may not affect the amount of reimbursements to be provided in any subsequent calendar year, the reimbursement of an eligible expense shall be made no later than the last day of the calendar year following the calendar year in which the expense was incurred, and the right to reimbursement of the expenses shall not be subject to liquidation or exchange for any other benefit.

7. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or sent by facsimile or prepaid overnight courier to the parties at the addresses set forth below (or such other addresses as shall be specified by the parties by like notice). Communications that are to be delivered by the U.S. mail or by overnight service are to be delivered to the addresses set forth below:

to Company:

Potbelly Corporation
222 Merchandise Mart Plaza
Suite 2300
Chicago, Illinois 60654

Attention: General Counsel

or to Executive, to Executive's home address as reflected in Company's records.

Each party, by notice furnished to the other party, may modify the applicable delivery address, except that notice of change of address shall be effective only upon receipt.

8. Non-Waiver. No waiver by either party or any breach by the other party of any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any such or other provision of this Agreement.

9. Governing Law and Choice of Forum. The construction, validity, and enforceability of this Agreement shall be governed by the laws of the State of Illinois, as that law applies to contracts made, and to be wholly performed, in the State of Illinois.

10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Company, Executive, and Executive's personal representatives, beneficiaries, heirs, and successors. Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Company would be required to perform it if no such succession has taken place.

11. Severability. If any provision of this Agreement or any part thereof be held invalid or unenforceable, the same shall not affect or impair any other provision of this Agreement or any part thereof, and the invalidity or unenforceability of any provision of this Agreement shall not have any effect on or otherwise impair or limit the other obligations of Company or Executive.

12. Counterparts. This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original hereof.

13. Disputes. Except as set forth in this Paragraph 13, any dispute, claim or difference arising between Company and Executive (each a "Party," and jointly, the "Parties"), including any dispute, claim or difference arising out of this Agreement, will be settled exclusively by binding arbitration in accordance with the rules of the Judicial Arbitration and Mediation Services, Inc. ("JAMS"). The arbitration will be held Chicago, Illinois unless the Parties mutually agree otherwise. Nothing contained in this Paragraph 13 will be construed to limit or preclude a Party from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief to compel another party to comply with its obligations under this Agreement or any other agreement between or among the Parties during the pendency of the arbitration proceedings. Each Party shall bear its own costs and fees of the arbitration, and the fees and expenses of the arbitrator will be borne equally by the Parties, provided, however, if the arbitrator determines that any Party has acted in bad faith, the arbitrator shall have the discretion to require any one or more of the Parties to bear all or any portion of fees and expenses of the Parties and/or the fees and expenses of the arbitrator; provided, further that, with respect to claims that, but for this mandatory arbitration clause, could be brought against Company under any applicable federal or state labor or employment law ("Employment Law"), the arbitrator shall be granted and shall be required to exercise all discretion belonging to a court of competent jurisdiction under such Employment Law to decide the dispute, whether such discretion relates to the provision of discovery, the award of any remedies or penalties, or otherwise and provided further that Company may be required to pay filing or administrative fees in the event that requiring Executive to pay such fees would render this Paragraph 13 unenforceable under applicable law. As to claims not relating to Employment Laws, the arbitrator shall have the authority to award any remedy or relief that a Court of the State of Illinois could order or grant. The decision and award of the arbitrator shall be in writing and copies thereof shall be delivered to each Party. The decision and award of the arbitrator shall be binding on all Parties. In rendering such decision and award, the arbitrator shall not add to, subtract from or otherwise modify the provisions of this Agreement. Either Party to the arbitration may seek to have the award of the arbitrator entered in any court having jurisdiction thereof. All aspects of the arbitration shall be considered confidential and shall not be disseminated by any Party with the exception of the ability and opportunity to prosecute its claim or assert its defense to any such claim. The arbitrator shall, upon request of either Party, issue all prescriptive orders as may be required to enforce and maintain this covenant of confidentiality during the course of the arbitration and after the conclusion of same so that the result and underlying data, information, materials and other evidence are forever withheld from public dissemination with the exception of its subpoena by a court of competent jurisdiction in an unrelated proceeding brought by a third party.

14. Assignment and Survival. This Agreement is personal to Executive and shall not be assignable by Executive. This Agreement may be assigned by Company only to a successor-in interest to all or substantially all of the business operations of Company or any of its affiliates. The rights and obligations of the parties to this Agreement shall survive its termination or expiration of this Agreement to the extent that any performance is required under this Agreement after the termination or expiration of the Agreement.

15. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be used against any person.

16. Indemnification. If Executive (or his heirs, executors or administrators) is made a party or is threatened to be made a party to, or is involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Executive is or was a director or officer of Company or is or was serving at the request of Company as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, Executive (and his heirs, executors or administrators) shall be indemnified and held harmless by Company to the fullest extent permitted by Delaware Law. To the fullest extent authorized by Delaware Law, the right to indemnification conferred in this Paragraph 16 shall also include the right to be paid by Company the expenses incurred in connection with any such proceeding in advance of its final disposition upon delivery to Company of an undertaking by or on behalf of Executive to repay such amount if it shall ultimately be determined that Executive is not entitled to be indemnified. Company's obligations under this Paragraph 16 shall survive the termination or expiration of this Agreement for any reason.

17. Withholding. All payments and benefits under this Agreement are subject to withholding of all applicable taxes.

18. Special Section 409A Rules. It is intended that this Agreement will comply with section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), to the extent applicable, and this Agreement shall be interpreted and construed on a basis consistent with such intent. Notwithstanding any other provision of this Agreement to the contrary, if any payment or benefit hereunder is subject to section 409A of the Code, and if such payment or benefit is to be paid or provided on account of Executive's Termination Date (or other separation from service or termination of employment):

(a) and if Executive is a specified employee (within the meaning of section 409A(a)(2)(B) of the Code) and if any such payment or benefit is required to be made or provided prior to the earlier of (i) the first (1st) day of the seventh (7th) month following Executive's separation from service or (ii) the date of Executive's death (the "Section 409A Payment Date"), such payment or benefit shall be delayed until the Section 409A Payment Date; and

(b) the determination as to whether Executive has had a termination of employment (or separation from service) shall be made in accordance with the provisions of section 409A of the Code and the guidance issued thereunder without application of any alternative levels of reductions of bona fide services permitted thereunder.

For purposes of section 409A of the Code, any installment payment or benefit under this Agreement shall be treated as a separate payment. If this Paragraph 18 applies to any payment or benefit hereunder, any such payments or benefits that would otherwise have been paid or provided to Executive between Executive's Termination Date and the Section 409A Payment Date, shall be paid in a lump sum on the Section 409A Payment Date.

19. Entire Agreement. This Agreement, together with Executive Confidentiality and Non-Compete Agreement in effect on the Effective Date, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes and cancels all prior or contemporaneous oral or written agreements and understandings between them with respect to the subject matter hereof, except as otherwise specifically stated in this Agreement, including the Prior Agreement; provided, however, that nothing in this Agreement shall supersede the provisions of the Stock Terms Agreement which was included as Exhibit C to the Prior Agreement. This Agreement may not be changed or modified orally but only by an instrument in writing signed by the parties hereto, which instrument states that it is an amendment to this Agreement.

20. Nondisparagement. During the Term and at all times thereafter, regardless of the reason for the termination, Executive will not make any negative or disparaging statements or comments, either as fact or as opinion, about Company, its subsidiaries, or their products or services, and Company (including its subsidiaries) will not make, and will take all reasonable actions to not permit the members of the Board or senior management to make, any negative or disparaging statements or comments, either as fact or as opinion, about Executive (or authorizing any statements or comments to be reported as being attributed to Company). Nothing in this Paragraph 20 shall prohibit Executive or Company from providing truthful information in response to a subpoena or other legal process.

IN WITNESS WHEREOF, intending to be legally bound, Company and Executive have executed this agreement as of the date set forth below.

Dated as of August 12, 2013

POTBELLY CORPORATION

By: /s/ Gerald R. Gallagher
Its: Lead Director

EXECUTIVE

/s/ Aylwin B. Lewis
Aylwin B. Lewis

Appendix A

List of Board Memberships as of Effective Date

The Walt Disney Company
Starwood Hotels & Resorts Worldwide, Inc.

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of July 25, 2013 (the "Effective Date"), by and between Potbelly Corporation, a Delaware corporation (hereinafter referred to as "Company"), and John Morlock, an individual (hereinafter referred to as "Executive").

Statement of Purpose

WHEREAS, Executive is currently employed by Company and is party to an Executive Employment Contract dated as of September 8, 2009 (the "Prior Agreement"); and

WHEREAS, Company desires to continue to employ Executive as its Senior Vice President of Operations from and after the Effective Date and Executive desires to continue in employment with Company from and after the Effective Date, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, it is hereby mutually covenanted and agreed by Company and Executive as follows:

1. Term, Employment and Duties.

(a) *Term*. The "Term" of this Agreement shall commence on the Effective Date and shall terminate on the date that Executive's employment with Company and its affiliates terminates for any reason (the "Termination Date"). Executive shall at all times be an at-will employee and nothing in this Agreement shall constitute or be evidence of any agreement or understanding, express or implied, that Executive has a right to continue to be employed by Company for any period of time or at any specific rate of compensation.

(b) *Title and Duties*. Effective as of the Effective Date, Company hereby agrees to continue to employ Executive, and Executive agrees to continue in the employ of Company, as Company's Senior Vice President of Operations. Executive shall also have the commensurate titles and positions with such subsidiaries of affiliates of Company as determined by Company and shall serve in such positions without additional compensation. Executive shall have the duties, responsibilities and authority customary for his/her position and shall perform such other duties consistent with such position as may be assigned to Executive, from time to time, by Company.

(c) *Performance of Duties.* Executive shall devote Executive's full business time, energy, loyalty, and ability exclusively to the business, affairs, and interests of Company and its affiliates, and shall use Executive's best efforts and abilities to promote the interests of Company and its affiliates and to perform the services contemplated by this Agreement and agrees that he/she will perform his/her duties faithfully and efficiently subject to the directions of the CEO. Without the prior approval of Company's CEO or the executive to whom he/she reports, Executive shall not, during the Term, directly or indirectly, render any other employment or consulting activities or services, including as a director, to any other person, firm, corporation, or other entity; provided, however, that, to the extent that the following activities do not conflict with or detract from the performance by Executive of Executive's duties, Executive may act as a director of, and may also engage in activities involving, charitable, educational, religious, and similar types of organizations, and similar types of activities.

(d) *Confidentiality, Non-Competition, Non-Interference and Intellectual Property*. Executive hereby acknowledges and confirms that Executive Confidentiality and Non-Compete Agreement previously signed by Executive and in effect on the Effective Date shall remain in full force and effect following the Effective Date and is hereby incorporated into and forms part of this Agreement.

2. Termination of Employment.

(a) *Termination Date*. Executive's Termination Date shall occur upon termination by Company for any reason or no reason or by Executive for any reason or no reason, including any of the following: (i) Executive's death; (ii) Executive being disabled by reason of physical and mental infirmity or both, thereby rendering Executive unable to satisfactorily perform Executive's duties under this Agreement (a "Disability"), said Disability to be determined in good faith by the CEO in consultation with no fewer than two (2) accredited physicians selected by the CEO and reasonably approved by Executive in the event that Disability is disputed; (iii) termination of Executive's employment by Company with or without Cause (as defined below) or (iv) Executive's resignation with or without Good Reason (as defined below). Executive's Termination Date shall be considered to be on account of a "Qualifying Termination" if the Termination Date occurs due to (1) termination by Company without Cause or (2) termination by Executive with Good Reason.

(b) *Cause*. The term "Cause" as used in this Agreement shall mean **[**an act, action, or series of acts or actions, or omission or series of omissions, by Executive which constitute or result in: (i) intentional misrepresentation of material information by Executive in Executive's relations with Company; (ii) Executive's indictment (or its equivalent) for the commission of a crime by Executive that constitutes a felony; (iii) commission of an act involving moral turpitude; (iv) the material breach or material default by Executive of any of Executive's written agreements with Company or obligations under any material provision of this Agreement or any written policy of Company (that remains unremedied within thirty (30) days after notice to Executive); (v) the commission of fraud or embezzlement on the part of Executive; (vi) failure to comply with any lawful written direction of Company's Board of Directors (the "Board") (that, if capable of cure without damage to Company, remains unremedied within thirty (30) days after notice to Executive); or (vii) willful action taken for the purpose of harming Company or any of its affiliates. For purposes of clause (vii) of this Paragraph 2(b), no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done or omitted to be done, by Executive in bad faith and without reasonable belief that Executive's action or omission was in the best interest of Company. An act, or failure to act, based upon written authority given by Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interest of Company.

(c) *Good Reason*. The term "Good Reason" as used in this Agreement means the occurrence, without Executive's consent, of (i) a material reduction in either Executive's rate of Base Salary (as defined in Paragraph 3(a)) or Executive's target bonus percentage (other than across the board salary or bonus reductions (target, actual or maximum) for management

employees); (ii) any material reduction in the position, authority, or office of Executive with respect to Company, or in Executive's responsibilities or duties for Company; (iii) any action or inaction by Company that constitutes a material breach of the terms of this Agreement; or (iv) any relocation of Executive's principal place of work with Company to a place more than fifty (50) miles from Company's headquarters at the Effective Date; provided, however, that any such occurrence under clauses (i) – (iv) above shall constitute Good Reason only if (1) Executive provides notice to Company within thirty (30) days after the occurrence, (2) Company fails to cure such occurrence within thirty (30) days after receipt of notice from Executive, and (3) Executive terminates employment within thirty (30) days following expiration of the cure period.

3. Compensation and Benefits During Employment.

(a) *Base Salary*. During the term of Executive's employment hereunder, Company shall pay to Executive a base salary at an annual rate of $405,000 (the "Base Salary"). The Base Salary may be increased from time to time at the recommendation of the CEO and approved by the Compensation Committee of the Board (the "Compensation Committee").

(b) *Annual Bonus*. With respect to bonus years beginning prior to an initial public offering of Company's common stock (an "IPO"), Executive shall be eligible for a discretionary "Annual Bonus" in accordance with Company's annual incentive plan for Senior Team Leaders (the "SLT Bonus Plan") as in effect on the Effective Date (including in accordance with established EBITDA targets) at a target rate of 40% of his/her Base Salary. Executive's Annual Bonus for bonus years beginning prior to an IPO shall be paid in a single lump sum cash payment after the end of the calendar year to which it relates and not later than June 15 following the conclusion of the calendar year to which the Annual Bonus relates, provided, however, that if the annual audit for such calendar year has not been issued by the Company's outside auditors by said June 15, then payment shall be made within thirty (30) days following the issuance of such audit, but in no event shall payment be made later than the end of the calendar year following the calendar year to which Annual Bonus relates. The Executive understands that the Annual Bonus is purely discretionary, not accrued, or earned until the payout, if any, has been approved by the Board or Compensation Committee, and the target is not a guarantee of any particular bonus payout or amount. For bonus years beginning on or after an IPO, the Annual Bonus amount and terms and conditions shall be determined in accordance with incentive plan metrics to be recommended by the CEO and approved by the Compensation Committee and shall be paid in accordance with the terms and conditions of the bonus plan in effect for such periods. Executive understands that the Annual Bonus is purely discretionary, not accrued, or earned until the payout, if any, has been approved by the Board or Compensation Committee, as applicable.

(c) *Time Off*. During the Term, Executive shall be entitled to vacation consistent with Company practice and policy for executive-level employees, but not less than five (5) weeks of vacation per year. In addition, Executive shall be entitled to those paid holidays granted to Company employees while Executive is employed.

(d) *Executive Benefits/Perquisites*. Executive shall be entitled to such other benefits, including health insurance, dental, 401(k), and other benefits and perquisites in such form and in such manner and at such times as Company shall from time to time adopt and establish for its executive-level employees generally. Executive shall be subject to eligibility and other requirements of applicable benefit plans.

(e) *Expenses*. Company shall pay or reimburse Executive for all reasonable business expenses actually incurred or paid by Executive during the Term in the performance of Executive's duties and responsibilities under this Agreement, subject to and in accordance with applicable expense reimbursement policies as in effect from time to time.

(f) *Equity Awards*. Executive shall be entitled to annual equity grants, if any, as determined by the Compensation Committee. All stock options that are outstanding on the Effective Date, shall become fully vested on the Effective Date. If Executive resigns his employment on account of retirement (which, solely for purposes of this Paragraph 3(f), shall mean a resignation by Executive with or without good reason after Executive has attained at least age 57 and completed at least 10 years of service with the Company and if such termination is not for any other reason), all vested stock options that are outstanding on the Effective Date and that continue to be outstanding on the Termination Date shall remain exercisable in accordance with the terms of the stock option agreement evidencing such stock option for five (5) years after the Termination Date (or, if less, the expiration date of such stock option). Notwithstanding the preceding sentence, if, after the Termination Date, Executive becomes employed on a full-time basis or provides consulting services on a full-time basis for another employer or entity (as determined in the reasonable judgment of the Board) (the "Reemployment Date"), then the options shall remain exercisable in accordance with the terms of the stock option agreement evidencing such stock option until the earlier of (i) ninety (90) days following the Reemployment Date or (i) the expiration date of the stock option term. All other stock options outstanding on Executive's Termination Date shall remain exercisable for ninety (90) days following the Termination Date or for such longer or shorter period specified under the stock option agreement evidencing such stock option but in no event after the expiration of the stock option term. Executive shall provide written notice to the Company of any post-Termination Date employment that could reasonably be expected to constitute full-time employment for purposes of this Paragraph 3(f).

4. Payments and Benefits on Termination of Employment.

(a) *Termination for any Reason*. If Executive's Termination Date occurs for any reason, Company shall pay or provide to Executive (i) Executive's Base Salary for the period ending on the Termination Date; (ii) Executive's earned but unpaid Annual Bonus for any bonus year ending prior to the bonus year during which the Termination Date occurs; (iii) reimbursement of Executive's incurred but unreimbursed business expenses for periods prior to Executive's Termination Date; and (iv) any other payments or benefits to be provided to Executive by Company pursuant to any employee benefit plans or arrangements of Company or required by applicable law, to the extent such amounts are due from Company. Executive will be entitled to any other benefits in accordance with the terms of the applicable benefit plan or program. Unless Executive's Termination Date occurs as a result of a Qualifying Termination, all stock options outstanding on Executive's Termination Date shall remain exercisable for ninety (90) days following the Termination Date or for such longer or shorter period specified under the stock option agreement evidencing such stock option but in no event after the expiration of the stock option term.

(b) *Qualifying Termination—Non-Change in Control*. If Executive's Termination Date occurs by reason of a Qualifying Termination and if the Release Requirements (as defined Paragraph 4(e)) are satisfied as of the sixtieth (60th) day following the Termination Date (which sixtieth (60th) day shall be referred to as the "Payment Date"), then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a), Executive will be entitled to the following payments and benefits:

(i) Company shall pay Executive a cash severance payment in a gross amount equal to twelve (12) months of Executive's Base Salary (determined as of the Termination Date without regard to any reduction thereof under circumstances which constitute Good Reason) (the "Severance Payment"). Any Severance Payment to which Executive is entitled under this Paragraph 4(b)(i) will commence on the first regular payroll date after the Payment Date and shall continue to be paid in substantially equal payroll by payroll period installments for a period of twelve (12) months thereafter.

(ii) If Executive is entitled to and elects continuation coverage under Company's group health plans pursuant to "COBRA" ("COBRA Coverage"), Company shall continue to pay on behalf of Executive the same level of employer contribution that is provided by Company for corresponding coverage for similarly-situated active employees for the lesser of (1) twelve (12) months following Executive's Termination Date or (2) the date on which COBRA Coverage terminates by its terms (the "Post-Termination Coverage Benefit"). Company shall have no obligations under this Paragraph 4(b)(ii) if the Post-Termination Coverage Benefit would subject Company or any of its affiliates to tax penalties or materially increase the cost to Company and its affiliates of providing group medical coverage to employees generally. For the period commencing on Executive's Termination Date and ending on the Payment Date, the COBRA Coverage shall be provided at Executive's expense and, if the Release Requirements are satisfied on the Payment Date, Executive shall be entitled to a lump sum payment in an amount equal to the Post-Termination Coverage Benefit that would have been provided to Executive for the period beginning on the Termination Date and ending on the Payment Date, which lump sum payment shall be made on the Payment Date or the next scheduled payroll date.

(iii) All vested stock options that are outstanding on the Effective Date and which continue to be exercisable by their terms on the Termination Date shall remain exercisable for five (5) years after the Termination Date (or, if less, the expiration date of such stock option).

If the Release Requirements are not satisfied on the Payment Date, Executive shall not be entitled to any payments or benefits under this Paragraph 4(b).

(c) *Qualifying Termination—Change in Control*. If Executive's Termination Date occurs by reason of a Qualifying Termination on or within two (2) years following a Change in Control (as defined below), then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a), Executive will be entitled to the following payments and benefits (which shall not be subject to satisfaction of the Release Requirements):

(i) Company shall pay Executive the Severance Benefit in accordance with the provisions of Paragraph 4(b)(i).

(ii) If Executive is entitled to and elects COBRA Coverage, Company shall provide Executive with the Post-Termination Coverage Benefit in accordance with the provisions of Paragraph 4(b)(ii).

(iii) Company shall pay Executive a cash payment equal to the amount of the Annual Bonus that Executive would have received for the bonus year in which the Termination Date occurs had his/her Termination Date not occurred, based on actual Company performance and pro rated for the portion of the bonus year completed prior to the Termination Date, payable at the same time as the annual bonus is paid to similarly-situated active executive employees in accordance with the terms of the applicable bonus plan of Company.

(iv) All vested stock options that are outstanding on the Effective Date and that continue to be exercisable by their terms on the Termination Date will remain exercisable for five (5) years after the Termination Date (or, if less, the expiration date of such stock option).

For purposes of this Agreement, the term "Change in Control" shall mean, (1) for periods prior to an IPO, a "Corporate Transaction" as defined in the Potbelly Corporation 2004 Equity Incentive Plan, as amended, and (2) for periods after an IPO, a "Change in Control" as defined in the Potbelly Corporation 2012 Long-Term Incentive Plan. In no event shall an IPO be considered a Change in Control for purposes of this Agreement.

(d) *Company Property*. Upon Executive's Termination Date, Executive will promptly return to Company all the documents and/or property of or relating to Company or any of its affiliates within Executive's possession or control.

(e) *Release Requirements*. For purposes of this Agreement, the "Release Requirements" shall be satisfied as of any date if, as of such date, Executive (or, for purposes of Paragraph 4(f), the legal representative of Executive's estate) has signed a form of general release and waiver satisfactory to Company and Executive if prior to death (the "Release") and the Release has become effective in accordance with applicable law (including that the Release has not been revoked and the revocation period applicable under applicable law has expired).

(f) *Termination by Reason of Death or Disability*. If Executive's Termination Date occurs by reason of death or Disability and the Release Requirements are satisfied (which, in the case of death shall be satisfied by the legal representative of Executive's estate), then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a), Company shall pay to Executive or the legal representative of his estate, as applicable, a cash payment equal to the amount of the Annual Bonus that Executive would have received for the bonus year in which the Termination Date occurs had his/her Termination Date not occurred, based on actual Company performance and pro rated for the portion of the bonus year completed prior to the Termination Date, payable at the same time as the annual bonus is paid to similarly-situated active executive employees in accordance with the terms of the applicable bonus plan of Company.

5. Mitigation and Set-Off. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. Company shall not be entitled to set off against the amounts payable to Executive under this Agreement any amounts earned by Executive in other employment after termination of his/her employment with Company or any amounts which might have been earned by Executive in other employment had he/she sought such other employment; provided, however that Company shall be entitled to set off against the amounts payable to Executive under this Agreement any amounts owed to Company by Executive.

6. Reimbursements. To the extent that any reimbursements under this Agreement are taxable to Executive, such reimbursements shall be paid to Executive only if (a) to the extent not specified herein, the expenses are incurred and reimbursable pursuant to a reimbursement plan that provides an objectively determinable nondiscretionary definition of the expenses that are eligible for reimbursement and (b) the expenses are incurred during the Term. With respect to any expenses that are reimbursable pursuant to the preceding sentence, the amount of the expenses that are eligible for reimbursement during one calendar year may not affect the amount of reimbursements to be provided in any subsequent calendar year, the reimbursement of an eligible expense shall be made no later than the last day of the calendar year following the calendar year in which the expense was incurred, and the right to reimbursement of the expenses shall not be subject to liquidation or exchange for any other benefit.

7. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or sent by facsimile or prepaid overnight courier to the parties at the addresses set forth below (or such other addresses as shall be specified by the parties by like notice). Communications that are to be delivered by the U.S. mail or by overnight service are to be delivered to the addresses set forth below:

to Company:

Potbelly Corporation
222 Merchandise Mart Plaza
Suite 2300
Chicago, Illinois 60654

Attention: Chief Executive Officer

or to Executive, to Executive's home address as reflected in Company's records.

Each party, by notice furnished to the other party, may modify the applicable delivery address, except that notice of change of address shall be effective only upon receipt.

8. Non-Waiver. No waiver by either party or any breach by the other party of any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any such or other provision of this Agreement.

9. Governing Law and Choice of Forum. The construction, validity, and enforceability of this Agreement shall be governed by the laws of the State of Illinois, as that law applies to contracts made, and to be wholly performed, in the State of Illinois.

10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Company, Executive, and Executive's personal representatives, beneficiaries, heirs, and successors. Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Company would be required to perform it if no such succession has taken place.

11. Severability. If any provision of this Agreement or any part thereof be held invalid or unenforceable, the same shall not affect or impair any other provision of this Agreement or any part thereof, and the invalidity or unenforceability of any provision of this Agreement shall not have any effect on or otherwise impair or limit the other obligations of Company or Executive.

12. Counterparts. This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original hereof.

13. Disputes. Except as set forth in this Paragraph 13, any dispute, claim or difference arising between Company and Executive (each a "Party," and jointly, the "Parties"), including any dispute, claim or difference arising out of this Agreement, will be settled exclusively by binding arbitration in accordance with the rules of the Judicial Arbitration and Mediation Services, Inc. ("JAMS"). The arbitration will be held in Chicago, Illinois unless the Parties mutually agree otherwise. Nothing contained in this Paragraph 13 will be construed to limit or preclude a Party from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief to compel another party to comply with its obligations under this Agreement or any other agreement between or among the Parties during the pendency of the arbitration proceedings. Each Party shall bear its own costs and fees of the arbitration, and the fees and expenses of the arbitrator will be borne equally by the Parties, provided, however, if the arbitrator determines that any Party has acted in bad faith, the arbitrator shall have the discretion to require any one or more of the Parties to bear all or any portion of fees and expenses of the Parties and/or the fees and expenses of the arbitrator; provided, further that, with respect to claims that, but for this mandatory arbitration clause, could be brought against Company under any applicable federal or state labor or employment law ("Employment Law"), the arbitrator shall be granted and shall be required to exercise all discretion belonging to a court of competent jurisdiction under such Employment Law to decide the dispute, whether such discretion relates to the provision of discovery, the award of any remedies or penalties, or otherwise and provided further that Company may be required to pay filing or administrative fees in the event that requiring Executive to pay such fees would render this Paragraph 13 unenforceable under applicable law. As to claims not relating to Employment Laws, the arbitrator shall have the authority to award any remedy or relief that a Court of the State of Illinois could order or grant. The decision and award of the arbitrator shall be in writing and copies thereof shall be delivered to each Party. The decision and award of the arbitrator shall be binding on all Parties. In rendering such decision and award, the arbitrator shall not add to, subtract from or

otherwise modify the provisions of this Agreement. Either Party to the arbitration may seek to have the award of the arbitrator entered in any court having jurisdiction thereof. All aspects of the arbitration shall be considered confidential and shall not be disseminated by any Party with the exception of the ability and opportunity to prosecute its claim or assert its defense to any such claim. The arbitrator shall, upon request of either Party, issue all prescriptive orders as may be required to enforce and maintain this covenant of confidentiality during the course of the arbitration and after the conclusion of same so that the result and underlying data, information, materials and other evidence are forever withheld from public dissemination with the exception of its subpoena by a court of competent jurisdiction in an unrelated proceeding brought by a third party.

14. Assignment and Survival. This Agreement is personal to Executive and shall not be assignable by Executive. This Agreement may be assigned by Company only to a successor-in-interest to all or substantially all of the business operations of Company or any of its affiliates. The rights and obligations of the parties to this Agreement shall survive its termination or expiration of this Agreement to the extent that any performance is required under this Agreement after the termination or expiration of the Agreement.

15. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be used against any person.

16. Indemnification. If Executive (or his/her heirs, executors or administrators) is made a party or is threatened to be made a party to, or is involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Executive is or was a director or officer of Company or is or was serving at the request of Company as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, Executive (and his/her heirs, executors or administrators) shall be indemnified and held harmless by Company to the fullest extent permitted by Delaware Law. To the fullest extent authorized by Delaware Law, the right to indemnification conferred in this Paragraph 16 shall also include the right to be paid by Company the expenses incurred in connection with any such proceeding in advance of its final disposition upon delivery to Company of an undertaking by or on behalf of Executive to repay such amount if it shall ultimately be determined that Executive is not entitled to be indemnified. Company's obligations under this Paragraph 16 shall survive the termination or expiration of this Agreement for any reason.

17. Withholding. All payments and benefits under this Agreement are subject to withholding of all applicable taxes.

18. Special Section 409A Rules. It is intended that this Agreement will comply with section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), to the extent applicable, and this Agreement shall be interpreted and construed on a basis consistent with such intent. Notwithstanding any other provision of this Agreement to the contrary, if any payment or benefit hereunder is subject to section 409A of the Code, and if such payment or benefit is to be paid or provided on account of Executive's Termination Date (or other separation from service or termination of employment):

(a) and if Executive is a specified employee (within the meaning of section 409A(a)(2)(B) of the Code) and if any such payment or benefit is required to be made or provided prior to the earlier of (i) the first (1st) day of the seventh (7th) month following Executive's separation from service or (ii) termination of employment (the "Section 409A Payment Date"), such payment or benefit shall be delayed until the Section 409A Payment Date; and

(b) the determination as to whether Executive has had a termination of employment (or separation from service) shall be made in accordance with the provisions of section 409A of the Code and the guidance issued thereunder without application of any alternative levels of reductions of bona fide services permitted thereunder.

For purposes of section 409A of the Code, any installment payment or benefit under this Agreement shall be treated as a separate payment. If this Paragraph 18 applies to any payment or benefit hereunder, any such payments or benefits that would otherwise have been paid or provided to Executive between Executive's Termination Date and the Section 409A Payment Date, shall be paid in a lump sum on the Section 409A Payment Date.

19. Entire Agreement. This Agreement, together with Executive Confidentiality and Non-Compete Agreement in effect on the Effective Date, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes and cancels all prior or contemporaneous oral or written agreements and understandings between them with respect to the subject matter hereof, except as otherwise specifically stated in this Agreement, including the Prior Agreement. This Agreement may not be changed or modified orally but only by an instrument in writing signed by the parties hereto, which instrument states that it is an amendment to this Agreement.

IN WITNESS WHEREOF, intending to be legally bound, Company and Executive have executed this agreement as of the date set forth below.

Dated as of July 29, 2013

POTBELLY CORPORATION

/s/ Aylwin Lewis

By: Aylwin Lewis

Its: President and Chief Executive Officer

EXECUTIVE:

/s/ John Morlock

By: John Morlock

Its: Senior Vice President, Operations

EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of July 25, 2013 (the "Effective Date"), by and between Potbelly Corporation, a Delaware corporation (hereinafter referred to as "Company"), and Charles Talbot, an individual (hereinafter referred to as "Executive").

Statement of Purpose

WHEREAS, Executive is currently employed by Company and is party to an Executive Employment Contract dated as of September 9, 2009 (the "Prior Agreement"); and

WHEREAS, Company desires to continue to employ Executive as its Chief Financial Officer and Senior Vice President from and after the Effective Date and Executive desires to continue in employment with Company from and after the Effective Date, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below, it is hereby mutually covenanted and agreed by Company and Executive as follows:

1. Term, Employment and Duties.

(a) *Term*. The "Term" of this Agreement shall commence on the Effective Date and shall terminate on the date that Executive's employment with Company and its affiliates terminates for any reason (the "Termination Date"). Executive shall at all times be an at-will employee and nothing in this Agreement shall constitute or be evidence of any agreement or understanding, express or implied, that Executive has a right to continue to be employed by Company for any period of time or at any specific rate of compensation.

(b) *Title and Duties*. Effective as of the Effective Date, Company hereby agrees to continue to employ Executive, and Executive agrees to continue in the employ of Company, as Company's Chief Financial Officer and Senior Vice President. Executive shall also have the commensurate titles and positions with such subsidiaries of affiliates of Company as determined by Company and shall serve in such positions without additional compensation. Executive shall have the duties, responsibilities and authority customary for his/her position and shall perform such other duties consistent with such position as may be assigned to Executive, from time to time, by Company.

(c) *Performance of Duties*. Executive shall devote Executive's full business time, energy, loyalty, and ability exclusively to the business, affairs, and interests of Company and its affiliates, and shall use Executive's best efforts and abilities to promote the interests of Company and its affiliates and to perform the services contemplated by this Agreement and agrees that he/she will perform his/her duties faithfully and efficiently subject to the directions of the CEO. Without the prior approval of Company's CEO or the executive to whom he/she reports, Executive shall not, during the Term, directly or indirectly, render any other employment or consulting activities or services, including as a director, to any other person, firm, corporation, or other entity; provided, however, that, to the extent that the following activities do not conflict with or detract from the performance by Executive of Executive's duties, Executive may act as a director of, and may also engage in activities involving, charitable, educational, religious, and similar types of organizations, and similar types of activities.

(d) *Confidentiality, Non-Competition, Non-Interference and Intellectual Property*. Executive hereby acknowledges and confirms that Executive Confidentiality and Non-Compete Agreement previously signed by Executive and in effect on the Effective Date shall remain in full force and effect following the Effective Date and is hereby incorporated into and forms part of this Agreement.

2. Termination of Employment.

(a) *Termination Date*. Executive's Termination Date shall occur upon termination by Company for any reason or no reason or by Executive for any reason or no reason, including any of the following: (i) Executive's death; (ii) Executive being disabled by reason of physical and mental infirmity or both, thereby rendering Executive unable to satisfactorily perform Executive's duties under this Agreement (a "Disability"), said Disability to be determined in good faith by the CEO in consultation with no fewer than two (2) accredited physicians selected by the CEO and reasonably approved by Executive in the event that Disability is disputed; (iii) termination of Executive's employment by Company with or without Cause (as defined below) or (iv) Executive's resignation with or without Good Reason (as defined below). Executive's Termination Date shall be considered to be on account of a "Qualifying Termination" if the Termination Date occurs due to (1) termination by Company without Cause or (2) termination by Executive with Good Reason.

(b) *Cause*. The term "Cause" as used in this Agreement shall mean [an act, action, or series of acts or actions, or omission or series of omissions, by Executive which constitute or result in: (i) intentional misrepresentation of material information by Executive in Executive's relations with Company; (ii) Executive's indictment (or its equivalent) for the commission of a crime by Executive that constitutes a felony; (iii) commission of an act involving moral turpitude; (iv) the material breach or material default by Executive of any of Executive's written agreements with Company or obligations under any material provision of this Agreement or any written policy of Company (that remains unremedied within thirty (30) days after notice to Executive); (v) the commission of fraud or embezzlement on the part of Executive; (vi) failure to comply with any lawful written direction of Company's Board of Directors (the "Board") (that, if capable of cure without damage to Company, remains unremedied within thirty (30) days after notice to Executive); or (vii) willful action taken for the purpose of harming Company or any of its affiliates. For purposes of clause (vii) of this Paragraph 2(b), no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done or omitted to be done, by Executive in bad faith and without reasonable belief that Executive's action or omission was in the best interest of Company. An act, or failure to act, based upon written authority given by Company shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interest of Company.

(c) *Good Reason*. The term "Good Reason" as used in this Agreement means the occurrence, without Executive's consent, of (i) a material reduction in either Executive's rate of Base Salary (as defined in Paragraph 3(a)) or Executive's target bonus percentage (other than across the board salary or bonus reductions (target, actual or maximum) for management

employees); (ii) any material reduction in the position, authority, or office of Executive with respect to Company, or in Executive's responsibilities or duties for Company; (iii) any action or inaction by Company that constitutes a material breach of the terms of this Agreement; or (iv) any relocation of Executive's principal place of work with Company to a place more than fifty (50) miles from Company's headquarters at the Effective Date; provided, however, that any such occurrence under clauses (i) – (iv) above shall constitute Good Reason only if (1) Executive provides notice to Company within thirty (30) days after the occurrence, (2) Company fails to cure such occurrence within thirty (30) days after receipt of notice from Executive, and (3) Executive terminates employment within thirty (30) days following expiration of the cure period.

3. Compensation and Benefits During Employment.

(a) *Base Salary.* During the term of Executive's employment hereunder, Company shall pay to Executive a base salary at an annual rate of $350,000 (the "Base Salary"). The Base Salary may be increased from time to time at the recommendation of the CEO and approved by the Compensation Committee of the Board (the "Compensation Committee").

(b) *Annual Bonus*. With respect to bonus years beginning prior to an initial public offering of Company's common stock (an "IPO"), Executive shall be eligible for a discretionary "Annual Bonus" in accordance with Company's annual incentive plan for Senior Team Leaders (the "SLT Bonus Plan") as in effect on the Effective Date (including in accordance with established EBITDA targets) at a target rate of 40% of his/her Base Salary. Executive's Annual Bonus for bonus years beginning prior to an IPO shall be paid in a single lump sum cash payment after the end of the calendar year to which it relates and not later than June 15 following the conclusion of the calendar year to which the Annual Bonus relates, provided, however, that if the annual audit for such calendar year has not been issued by the Company's outside auditors by said June 15, then payment shall be made within thirty (30) days following the issuance of such audit, but in no event shall payment be made later than the end of the calendar year following the calendar year to which Annual Bonus relates. The Executive understands that the Annual Bonus is purely discretionary, not accrued, or earned until the payout, if any, has been approved by the Board or Compensation Committee, and the target is not a guarantee of any particular bonus payout or amount. For bonus years beginning on or after an IPO, the Annual Bonus amount and terms and conditions shall be determined in accordance with incentive plan metrics to be recommended by the CEO and approved by the Compensation Committee and shall be paid in accordance with the terms and conditions of the bonus plan in effect for such periods. Executive understands that the Annual Bonus is purely discretionary, not accrued, or earned until the payout, if any, has been approved by the Board or Compensation Committee, as applicable.

(c) *Time Off*. During the Term, Executive shall be entitled to vacation consistent with Company practice and policy for executive-level employees, but not less than five (5) weeks of vacation per year. In addition, Executive shall be entitled to those paid holidays granted to Company employees while Executive is employed.

(d) *Executive Benefits/Perquisites*. Executive shall be entitled to such other benefits, including health insurance, dental, 401(k), and other benefits and perquisites in such form and in such manner and at such times as Company shall from time to time adopt and establish for its executive-level employees generally. Executive shall be subject to eligibility and other requirements of applicable benefit plans.

(e) *Expenses.* Company shall pay or reimburse Executive for all reasonable business expenses actually incurred or paid by Executive during the Term in the performance of Executive's duties and responsibilities under this Agreement, subject to and in accordance with applicable expense reimbursement policies as in effect from time to time.

(f) *Equity Awards.* Executive shall be entitled to annual equity grants, if any, as determined by the Compensation Committee. All stock options that are outstanding on the Effective Date, shall become fully vested on the Effective Date. If Executive resigns his employment on account of retirement (which, solely for purposes of this Paragraph 3(f), shall mean a resignation by Executive with or without good reason after Executive has attained at least age 57 and completed at least 10 years of service with the Company and if such termination is not for any other reason), all vested stock options that are outstanding on the Effective Date and that continue to be outstanding on the Termination Date shall remain exercisable in accordance with the terms of the stock option agreement evidencing such stock option for five (5) years after the Termination Date (or, if less, the expiration date of such stock option). Notwithstanding the preceding sentence, if, after the Termination Date, Executive becomes employed on a full-time basis or provides consulting services on a full-time basis for another employer or entity (as determined in the reasonable judgment of the Board) (the "Reemployment Date"), then the options shall remain exercisable in accordance with the terms of the stock option agreement evidencing such stock option until the earlier of (i) ninety (90) days following the Reemployment Date or (i) the expiration date of the stock option term. All other stock options outstanding on Executive's Termination Date shall remain exercisable for ninety (90) days following the Termination Date or for such longer or shorter period specified under the stock option agreement evidencing such stock option but in no event after the expiration of the stock option term. Executive shall provide written notice to the Company of any post-Termination Date employment that could reasonably be expected to constitute full-time employment for purposes of this Paragraph 3(f).

4. Payments and Benefits on Termination of Employment.

(a) *Termination for any Reason*. If Executive's Termination Date occurs for any reason, Company shall pay or provide to Executive (i) Executive's Base Salary for the period ending on the Termination Date; (ii) Executive's earned but unpaid Annual Bonus for any bonus year ending prior to the bonus year during which the Termination Date occurs; (iii) reimbursement of Executive's incurred but unreimbursed business expenses for periods prior to Executive's Termination Date; and (iv) any other payments or benefits to be provided to Executive by Company pursuant to any employee benefit plans or arrangements of Company or required by applicable law, to the extent such amounts are due from Company. Executive will be entitled to any other benefits in accordance with the terms of the applicable benefit plan or program. Unless Executive's Termination Date occurs as a result of a Qualifying Termination, all stock options outstanding on Executive's Termination Date shall remain exercisable for ninety (90) days following the Termination Date or for such longer or shorter period specified under the stock option agreement evidencing such stock option but in no event after the expiration of the stock option term.

(b) *Qualifying Termination—Non-Change in Control.* If Executive's Termination Date occurs by reason of a Qualifying Termination and if the Release Requirements (as defined Paragraph 4(e)) are satisfied as of the sixtieth (60th) day following the Termination Date (which sixtieth (60th) day shall be referred to as the "Payment Date"), then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a), Executive will be entitled to the following payments and benefits:

(i) Company shall pay Executive a cash severance payment in a gross amount equal to twelve (12) months of Executive's Base Salary (determined as of the Termination Date without regard to any reduction thereof under circumstances which constitute Good Reason) (the "Severance Payment"). Any Severance Payment to which Executive is entitled under this Paragraph 4(b)(i) will commence on the first regular payroll date after the Payment Date and shall continue to be paid in substantially equal payroll by payroll period installments for a period of twelve (12) months thereafter.

(ii) If Executive is entitled to and elects continuation coverage under Company's group health plans pursuant to "COBRA" ("COBRA Coverage"), Company shall continue to pay on behalf of Executive the same level of employer contribution that is provided by Company for corresponding coverage for similarly-situated active employees for the lesser of (1) twelve (12) months following Executive's Termination Date or (2) the date on which COBRA Coverage terminates by its terms (the "Post-Termination Coverage Benefit"). Company shall have no obligations under this Paragraph 4(b)(ii) if the Post-Termination Coverage Benefit would subject Company or any of its affiliates to tax penalties or materially increase the cost to Company and its affiliates of providing group medical coverage to employees generally. For the period commencing on Executive's Termination Date and ending on the Payment Date, the COBRA Coverage shall be provided at Executive's expense and, if the Release Requirements are satisfied on the Payment Date, Executive shall be entitled to a lump sum payment in an amount equal to the Post-Termination Coverage Benefit that would have been provided to Executive for the period beginning on the Termination Date and ending on the Payment Date, which lump sum payment shall be made on the Payment Date or the next scheduled payroll date.

(iii) All vested stock options that are outstanding on the Effective Date and which continue to be exercisable by their terms on the Termination Date shall remain exercisable for five (5) years after the Termination Date (or, if less, the expiration date of such stock option).

If the Release Requirements are not satisfied on the Payment Date, Executive shall not be entitled to any payments or benefits under this Paragraph 4(b).

(c) *Qualifying Termination—Change in Control*. If Executive's Termination Date occurs by reason of a Qualifying Termination on or within two (2) years following a Change in Control (as defined below), then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a), Executive will be entitled to the following payments and benefits (which shall not be subject to satisfaction of the Release Requirements):

(i) Company shall pay Executive the Severance Benefit in accordance with the provisions of Paragraph 4(b)(i).

(ii) If Executive is entitled to and elects COBRA Coverage, Company shall provide Executive with the Post-Termination Coverage Benefit in accordance with the provisions of Paragraph 4(b)(ii).

(iii) Company shall pay Executive a cash payment equal to the amount of the Annual Bonus that Executive would have received for the bonus year in which the Termination Date occurs had his/her Termination Date not occurred, based on actual Company performance and pro rated for the portion of the bonus year completed prior to the Termination Date, payable at the same time as the annual bonus is paid to similarly-situated active executive employees in accordance with the terms of the applicable bonus plan of Company.

(iv) All vested stock options that are outstanding on the Effective Date and that continue to be exercisable by their terms on the Termination Date will remain exercisable for five (5) years after the Termination Date (or, if less, the expiration date of such stock option).

For purposes of this Agreement, the term "Change in Control" shall mean, (1) for periods prior to an IPO, a "Corporate Transaction" as defined in the Potbelly Corporation 2004 Equity Incentive Plan, as amended, and (2) for periods after an IPO, a "Change in Control" as defined in the Potbelly Corporation 2012 Long-Term Incentive Plan. In no event shall an IPO be considered a Change in Control for purposes of this Agreement.

(d) *Company Property*. Upon Executive's Termination Date, Executive will promptly return to Company all the documents and/or property of or relating to Company or any of its affiliates within Executive's possession or control.

(e) *Release Requirements*. For purposes of this Agreement, the "Release Requirements" shall be satisfied as of any date if, as of such date, Executive (or, for purposes of Paragraph 4(f), the legal representative of Executive's estate) has signed a form of general release and waiver satisfactory to Company and Executive if prior to death (the "Release") and the Release has become effective in accordance with applicable law (including that the Release has not been revoked and the revocation period applicable under applicable law has expired).

(f) *Termination by Reason of Death or Disability*. If Executive's Termination Date occurs by reason of death or Disability and the Release Requirements are satisfied (which, in the case of death shall be satisfied by the legal representative of Executive's estate), then, in addition to the payments and benefits to which Executive is entitled under Paragraph 4(a), Company shall pay to Executive or the legal representative of his estate, as applicable, a cash payment equal to the amount of the Annual Bonus that Executive would have received for the bonus year in which the Termination Date occurs had his/her Termination Date not occurred, based on actual Company performance and pro rated for the portion of the bonus year completed prior to the Termination Date, payable at the same time as the annual bonus is paid to similarly-situated active executive employees in accordance with the terms of the applicable bonus plan of Company.

5. Mitigation and Set-Off. Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. Company shall not be entitled to set off against the amounts payable to Executive under this Agreement any amounts earned by Executive in other employment after termination of his/her employment with Company or any amounts which might have been earned by Executive in other employment had he/she sought such other employment; provided, however that Company shall be entitled to set off against the amounts payable to Executive under this Agreement any amounts owed to Company by Executive.

6. Reimbursements. To the extent that any reimbursements under this Agreement are taxable to Executive, such reimbursements shall be paid to Executive only if (a) to the extent not specified herein, the expenses are incurred and reimbursable pursuant to a reimbursement plan that provides an objectively determinable nondiscretionary definition of the expenses that are eligible for reimbursement and (b) the expenses are incurred during the Term. With respect to any expenses that are reimbursable pursuant to the preceding sentence, the amount of the expenses that are eligible for reimbursement during one calendar year may not affect the amount of reimbursements to be provided in any subsequent calendar year, the reimbursement of an eligible expense shall be made no later than the last day of the calendar year following the calendar year in which the expense was incurred, and the right to reimbursement of the expenses shall not be subject to liquidation or exchange for any other benefit.

7. Notices. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or sent by facsimile or prepaid overnight courier to the parties at the addresses set forth below (or such other addresses as shall be specified by the parties by like notice). Communications that are to be delivered by the U.S. mail or by overnight service are to be delivered to the addresses set forth below:

to Company:

Potbelly Corporation
222 Merchandise Mart Plaza
Suite 2300
Chicago, Illinois 60654

Attention: Chief Executive Officer

or to Executive, to Executive's home address as reflected in Company's records.

Each party, by notice furnished to the other party, may modify the applicable delivery address, except that notice of change of address shall be effective only upon receipt.

8. Non-Waiver. No waiver by either party or any breach by the other party of any provision hereof shall be deemed to be a waiver of any later or other breach thereof or as a waiver of any such or other provision of this Agreement.

9. Governing Law and Choice of Forum. The construction, validity, and enforceability of this Agreement shall be governed by the laws of the State of Illinois, as that law applies to contracts made, and to be wholly performed, in the State of Illinois.

10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Company, Executive, and Executive's personal representatives, beneficiaries, heirs, and successors. Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Company would be required to perform it if no such succession has taken place.

11. Severability. If any provision of this Agreement or any part thereof be held invalid or unenforceable, the same shall not affect or impair any other provision of this Agreement or any part thereof, and the invalidity or unenforceability of any provision of this Agreement shall not have any effect on or otherwise impair or limit the other obligations of Company or Executive.

12. Counterparts. This Agreement may be executed in duplicate counterparts, each of which shall be deemed an original hereof.

13. Disputes. Except as set forth in this Paragraph 13, any dispute, claim or difference arising between Company and Executive (each a "Party," and jointly, the "Parties"), including any dispute, claim or difference arising out of this Agreement, will be settled exclusively by binding arbitration in accordance with the rules of the Judicial Arbitration and Mediation Services, Inc. ("JAMS"). The arbitration will be held in Chicago, Illinois unless the Parties mutually agree otherwise. Nothing contained in this Paragraph 13 will be construed to limit or preclude a Party from bringing any action in any court of competent jurisdiction for injunctive or other provisional relief to compel another party to comply with its obligations under this Agreement or any other agreement between or among the Parties during the pendency of the arbitration proceedings. Each Party shall bear its own costs and fees of the arbitration, and the fees and expenses of the arbitrator will be borne equally by the Parties, provided, however, if the arbitrator determines that any Party has acted in bad faith, the arbitrator shall have the discretion to require any one or more of the Parties to bear all or any portion of fees and expenses of the Parties and/or the fees and expenses of the arbitrator; provided, further that, with respect to claims that, but for this mandatory arbitration clause, could be brought against Company under any applicable federal or state labor or employment law ("Employment Law"), the arbitrator shall be granted and shall be required to exercise all discretion belonging to a court of competent jurisdiction under such Employment Law to decide the dispute, whether such discretion relates to the provision of discovery, the award of any remedies or penalties, or otherwise and provided further that Company may be required to pay filing or administrative fees in the event that requiring Executive to pay such fees would render this Paragraph 13 unenforceable under applicable law. As to claims not relating to Employment Laws, the arbitrator shall have the authority to award any remedy or relief that a Court of the State of Illinois could order or grant. The decision and award of the arbitrator shall be in writing and copies thereof shall be delivered to each Party. The decision and award of the arbitrator shall be binding on all Parties. In rendering such decision and award, the arbitrator shall not add to, subtract from or

otherwise modify the provisions of this Agreement. Either Party to the arbitration may seek to have the award of the arbitrator entered in any court having jurisdiction thereof. All aspects of the arbitration shall be considered confidential and shall not be disseminated by any Party with the exception of the ability and opportunity to prosecute its claim or assert its defense to any such claim. The arbitrator shall, upon request of either Party, issue all prescriptive orders as may be required to enforce and maintain this covenant of confidentiality during the course of the arbitration and after the conclusion of same so that the result and underlying data, information, materials and other evidence are forever withheld from public dissemination with the exception of its subpoena by a court of competent jurisdiction in an unrelated proceeding brought by a third party.

14. Assignment and Survival. This Agreement is personal to Executive and shall not be assignable by Executive. This Agreement may be assigned by Company only to a successor-in-interest to all or substantially all of the business operations of Company or any of its affiliates. The rights and obligations of the parties to this Agreement shall survive its termination or expiration of this Agreement to the extent that any performance is required under this Agreement after the termination or expiration of the Agreement.

15. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be used against any person.

16. Indemnification. If Executive (or his/her heirs, executors or administrators) is made a party or is threatened to be made a party to, or is involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Executive is or was a director or officer of Company or is or was serving at the request of Company as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, Executive (and his/her heirs, executors or administrators) shall be indemnified and held harmless by Company to the fullest extent permitted by Delaware Law. To the fullest extent authorized by Delaware Law, the right to indemnification conferred in this Paragraph 16 shall also include the right to be paid by Company the expenses incurred in connection with any such proceeding in advance of its final disposition upon delivery to Company of an undertaking by or on behalf of Executive to repay such amount if it shall ultimately be determined that Executive is not entitled to be indemnified. Company's obligations under this Paragraph 16 shall survive the termination or expiration of this Agreement for any reason.

17. Withholding. All payments and benefits under this Agreement are subject to withholding of all applicable taxes.

18. Special Section 409A Rules. It is intended that this Agreement will comply with section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), to the extent applicable, and this Agreement shall be interpreted and construed on a basis consistent with such intent. Notwithstanding any other provision of this Agreement to the contrary, if any payment or benefit hereunder is subject to section 409A of the Code, and if such payment or benefit is to be paid or provided on account of Executive's Termination Date (or other separation from service or termination of employment):

(a) and if Executive is a specified employee (within the meaning of section 409A(a)(2)(B) of the Code) and if any such payment or benefit is required to be made or provided prior to the earlier of (i) the first (1st) day of the seventh (7th) month following Executive's separation from service or (ii) termination of employment (the "Section 409A Payment Date"), such payment or benefit shall be delayed until the Section 409A Payment Date; and

(b) the determination as to whether Executive has had a termination of employment (or separation from service) shall be made in accordance with the provisions of section 409A of the Code and the guidance issued thereunder without application of any alternative levels of reductions of bona fide services permitted thereunder.

For purposes of section 409A of the Code, any installment payment or benefit under this Agreement shall be treated as a separate payment. If this Paragraph 18 applies to any payment or benefit hereunder, any such payments or benefits that would otherwise have been paid or provided to Executive between Executive's Termination Date and the Section 409A Payment Date, shall be paid in a lump sum on the Section 409A Payment Date.

19. Entire Agreement. This Agreement, together with Executive Confidentiality and Non-Compete Agreement in effect on the Effective Date, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes and cancels all prior or contemporaneous oral or written agreements and understandings between them with respect to the subject matter hereof, except as otherwise specifically stated in this Agreement, including the Prior Agreement. This Agreement may not be changed or modified orally but only by an instrument in writing signed by the parties hereto, which instrument states that it is an amendment to this Agreement.

IN WITNESS WHEREOF, intending to be legally bound, Company and Executive have executed this agreement as of the date set forth below.

Dated as of July 29, 2013

POTBELLY CORPORATION

/s/ Aylwin Lewis

By: Aylwin Lewis

Its: President and Chief Executive Officer

EXECUTIVE:

/s/ Charlie Talbot

By: Charlie Talbot

Its: Chief Financial Officer

Exhibit 10.9

FORM OF STOCK OPTION AGREEMENT
POTBELLY CORPORATION
2004 EQUITY INCENTIVE PLAN

THIS STOCK OPTION AGREEMENT – POTBELLY CORPORATION 2004 EQUITY INCENTIVE PLAN (this "Agreement") is made in Chicago, Illinois by and between the employee whose name appears below (the "Employee") and POTBELLY CORPORATION, a Delaware corporation (the "Company").

Recitals

A. The Company has implemented the Potbelly Corporation 2004 Equity Incentive Plan which, together with any amendments thereto, is hereinafter referred to as the "Plan".

B. The Company desires to grant to the Employee options (the "Options") to purchase from the Company shares of the Company's Common Stock, $.01 par value per share (the "Common Stock"), pursuant to the Plan.

Agreements

NOW THEREFORE, in consideration of the prior recitals, the Company hereby grants to the Employee, and the Employee herby accepts, the Options immediately described below on the terms and conditions contained herein.

EMPLOYEE:

GRANT DATE:

EXPIRATION DATE:

NUMBER OF SHARES:

OPTION PRICE ($ PER SHARE):

The Options shall vest and, subject and pursuant to the provisions of the Plan and this Agreement (including the immediately following paragraph), shall be exercisable to the extent of **[Insert Applicable Vesting Schedule**].

THE OPTIONS, AND THE RIGHTS AND OBLIGATIONS OF THE EMPLOYEE AND THE COMPANY WITH RESPECT OT THE OPTIONS (INCLUDING WITHOUT LIMITATION PROVISIONS GOVERNING THE EMPLOYEE'S ABILITY TO EXERCISE THE OPTIONS), ARE SUBJECT OT THE PLAN AND THE TERMS AND CONDITIONS OF THIS AGREEMENT ATTACHED HERETO (THE "TERMS AND CONDITIONS"), BOTH OF WHICH ARE INCORPORATED HEREIN BY REFERENCE.

Except as otherwise expressly provided in the Terms and Conditions, **the Options may not be exercised prior to the consummation of the Company's initial public offering of Common Stock issued pursuant to a registration statement declared effective under the Securities Act of 1933 ("IPO")**.

This grant of Options shall be null and void unless the Employee accepts this Agreement by executing it in the space provided below and returning an original executed copy to the Company on or before **[Insert Date]**. This Agreement may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

Initially capitalized terms used but not defined in this Agreement have the same meanings given them in the Plan.

* * * * *

IN WITNESS WHEREOF, the Company and the Employee have duly executed this Agreement as of the dates set forth below.

POTBELLY CORPORATION

By: _____

Date: _____

EMPLOYEE

_____
Signature

Social Security Number: _____

Date: _____

TERMS AND CONDITIONS OF STOCK OPTION AGREEMENT

1. Exercise of Options.

1.1 The Options may be exercised (to the extent vested) by giving written notice to the Committee specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefor in full using such method of payment as the Committee in its sole and absolute discretion deems appropriate.

1.2 Except as otherwise provided in Section 3 or Section 4, **the Options may not be exercised prior to the consummation of the Company's initial public offering of Common Stock issued pursuant to a registration statement declared effective under the Securities Act of 1933 ("IPO")**.

2. Termination of Option. In no event may the Options be exercised after they terminate as set forth in this Section 2.

2.1 If, prior to the Company's IPO, the Employee's employment with the Company terminates for any reason whatsoever, then the Options shall immediately terminate.

2.2 If, after the consummation of the Company's IPO:

(a) The Employee's employment with the Company terminates for any reason other than Cause, Disability or death, then, only to the extent it is vested at the time of such termination, the Options may thereafter be exercised by the Employee until and including the earlier to occur of (and to the extent it is not so exercised shall terminate upon): (i) the date that is 90 days after the effective date of the Employee's termination of employment, and (ii) the Expiration Date;

(b) The Employee's employment with the Company terminates by reason of Disability or death, then, only to the extent it is vested at the time of such Disability or death, the Options may thereafter be exercised by the Employee or the Employee's Legal Representative until and including the earlier to occur of (and to the extent it is not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Employee's termination of employment, and (ii) the Expiration Date;

(c) The Employee dies during the period set forth in Section 2.2(a) above following termination of employment for a reason other than Cause, then, only to the extent it is exercisable at the time of Employee's death, the Options may thereafter be exercised by the Employee's Legal Representative until and including the earlier to occur of (and to the extent it is not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Employee's termination of employment, and (ii) the Expiration Date; and

(d) The Employee's employment is terminated by the Company for Cause, or the Employee breaches a covenant set forth in the Employee's Confidentiality and Non-Compete Agreement with the Company or in any other agreement between

the Employee and the Company (each being referred to as an "Employee Agreement") at any time, then the Options shall terminate automatically upon such termination or breach.

2.3 Notwithstanding anything in this Agreement to the contrary, the Options shall terminate, to the extent not exercised or earlier terminated, on the Expiration Date.

3. Corporate Transaction. In the event of a Corporate Transaction (as defined in the Plan), the Board (as constituted immediately prior to such Corporate Transaction) may, in its sole and absolute discretion, take any one or more of the following actions with respect to the Options:

(a) provide that the Options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation or entity (of an affiliate thereof); provided, however, that any such options substituted for incentive stock options shall meet the requirements of Section 422(a) of the Code;

(b) upon written notice to the Employee, provide that (i) all vested but unexercised Options will terminate immediately prior to the consummation of such Corporate Transaction unless exercised by the optionee within a specified period following the date of such notice and prior to the consummation of such Corporate Transaction, and (ii) all unvested Options will terminate upon consummation of such Corporate Transaction;

(c) in the event of a merger or consolidation under the terms of which holders of the Common Stock of the Company will receive upon consummation thereof a cash payment for each share surrendered in the merger or consolidation (the "Merger Price"), make or provide for a cash payment to the Employee, in exchange for the termination of such options, equal to the difference between (i) the Merger Price times the number of shares of Common Stock subject to any vested Options whose exercise price is less than the Merger Price ("In the Money Options"), and (ii) the aggregate exercise price of all such In the Money Options; or

(d) provide that all or any outstanding Options shall vest in full immediately prior to such Corporate Transaction and shall terminate immediately following such Corporate Transaction.

4. Ability to Exercise prior to the Company's IPO. After the date hereof the Board may determine, in its sole and absolute discretion, to permit the Employee to exercise vested Options prior to the consummation of the Company's IPO (hereinafter referred to as a "Pre-IPO Exercise"). If the Board makes a determination in the future to permit a Pre-IPO Exercise, then (a) the terms governing such exercise, and (b) the shares of Common Stock acquired by the Employee upon any such exercise, shall be governed in accordance with the terms and provisions set forth on Schedule I hereto, which is deemed to be an integral part of this Agreement. **The Employee hereby (x) acknowledges and agrees that the Board is under no obligation (legal or otherwise) to permit a Pre-IPO Exercise, and (y) covenants and agrees that any shares of Common Stock acquired pursuant to a Pre-IPO Exercise shall be subject to the terms and conditions set forth on Schedule I.**

5. Initial Public Offering Lock-Up. The Employee hereby agrees that in the event of the Company's IPO, the Employee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of, any shares of capital stock of the Company (or any rights to acquire capital stock of the Company) then held by such Employee (including without limitation any shares of Common Stock acquired via an exercise of the Options, irrespective of whether such exercise occurred before or after the consummation of such IPO) for such period of time as may be established by the managing underwriter therefor; provided, however, that such period of time shall not exceed 180 days after the consummation of such IPO.

SCHEDULE I
PRE-IPO SHARES

Any shares of Common Stock acquired pursuant to a Pre-IPO Exercise (hereinafter referred to in this Schedule I as "Pre-IPO Shares") shall be governed in accordance with the terms and provisions of this Schedule I.

A. Pre-IPO Share Repurchase Right.

1. Repurchase Right. In the event that (a) the Employee's employment terminates for any reason, or (b) the Employee breaches any of his or her covenants or agreements set forth in any Employee Agreement, then the Company shall have the right (but not the obligation) to repurchase any or all of the Pre-IPO Shares. The Company's right to repurchase the Pre-IPO Shares (the "Share Repurchase Right") shall be subject to the terms and subject to the conditions set forth in this Section A. The Share Repurchase Right shall terminate with respect to Pre-IPO Shares upon the consummation of the Company's IPO.

2. Exercise of Share Repurchase Right. The Company may exercise the Share Repurchase Right by written notice to the Employee within 90 days after the latest of (a) the Employee's termination of employment, (b) notice to the Company that the Employee has breached a covenant or agreement set forth in an Employee Agreement, or (c) the date the Options are exercised; provided, that, if the Company reasonably believes that it may be subject to adverse accounting treatment if it exercises the Share Repurchase Right within 90 days after the date the Options are exercised, then the Company may extend the exercise of the Share Repurchase Right until 210 days after the Options are exercised. If the Company fails to give notice within such periods specified in the immediately preceding sentence, the Share Repurchase Right shall terminate unless the Company and the Employee or the Employee's Legal Representative have extended the time for the exercise of the Share Repurchase Right. The Share Repurchase Right may be exercised with respect to any portion or all of the Pre-IPO Shares, as determined by the Company in its sole and absolute discretion.

3. Payment and Return of Pre-IPO Shares. Within 30 days after the date of the mailing of the written notice of exercise of the Share Repurchase Right, the Employee shall deliver to the Company a certificate or certificates for the Pre-IPO Shares being purchased, duly endorsed or otherwise in proper form for transfer, and the Company shall pay to the Employee an amount equal to the sum of the number of Pre-IPO Shares purchased by the Company multiplied by:

(a) in the case of an Employee (i) whose employment is terminated for Cause, (ii) who voluntarily terminates his or her employment, or (iii) who breaches a covenant or agreement in any Employee Agreement, the Exercise Price (as may be adjusted in accordance with the Plan); or

(b) in the case of an Employee (i) whose employment terminates other than for a reason specified in paragraphs 3(a)(i) or (ii) above, and (ii) who has not breached a covenant or agreement in any Employee Agreement, the Fair Market Value of a share of Common Stock as of the date the Share Repurchase Right is exercised.

B. Transfer Restrictions on Purchased Shares.

1. No Employee shall transfer any Pre-IPO Shares except in compliance with this Section B.

2. Except pursuant to (a) a Corporate Transaction, (b) the Share Repurchase Right set forth in Section A, or (c) a transfer described in Section B.3., no Employee shall sell or otherwise transfer (including a transfer by gift or operation of law) any Pre-IPO Shares without the prior written consent of the Committee (which consent may be granted or withheld in its sole and absolute discretion).

3. The transfer of any or all of the Pre-IPO Shares to the Employee's Family Group during the Employee's lifetime or on the Employee's death by will or intestacy shall be permitted under this Section B. For purposes of this Section B, "Family Group" means (a) Employee's spouse, siblings and descendants (whether natural or adopted) and any of such descendants' spouses; (b) any trust that at the time of such transfer and at all times thereafter is and remains solely for the benefit of the Employee and/or the persons described in clause (a) and/or the entities described in clause (c); and (c) any family limited partnership, limited liability company, Subchapter S corporation, or other tax flow-through entity, the partners, members or other equity owners of which at the time of such transfer and at all times thereafter consist solely of the Employee and/or the persons described in clause (a) and/or the trusts described in clause (b). In such case, the transferee or other recipient shall receive and hold the Pre-IPO Shares so transferred subject to the provisions of this Section B, and there shall be no further transfer of such Pre-IPO Shares except in accordance with the terms of this Section B.

4. The restrictions on transfer described in this Section B shall terminate as to any Pre-IPO Shares upon consummation of the Company's IPO (with subsequent transfers remaining subject to federal and state securities laws).

C. Drag-Along Obligations.

1. If the Board and the holders of a majority of the outstanding shares of the Company's voting securities approve a Corporate Transaction, then the Employee covenants and agrees to vote for and raise no objections against such Corporate Transaction. If the Corporate Transaction is structured as a (a) merger or consolidation, each Employee covenants and agrees to waive any dissenters rights, appraisal rights or similar rights in connection with such merger or consolidation, or (b) a sale of shares of Common Stock, each Employee covenants and agrees to sell all of his or her Common Stock on terms and conditions

approved by the Board. In addition, each Employee covenants and agrees to take all necessary or desirable actions in connection with the consummation of the Corporate Transaction as requested by the Board.

2. The obligations of the Employee described in Section C.1. with respect to a Corporate Transaction are subject to the satisfaction of the following conditions: (a) the consideration payable upon consummation of any such Corporate Transaction shall be allocated among the holders of Common Stock based upon their pro rata share of the Common Stock, and (b) upon the consummation of any such Corporate Transaction, all of the holders of Common Stock shall receive (or shall have the right to receive) the same form of consideration.

3. If the Company enters into any negotiation or transaction for which Rule 506 (or any similar rule then in effect) promulgated by the Securities Exchange Commission may be available with respect to such negotiation or transaction (including a merger, consolidation or other reorganization), the Employee shall, at the request of the Board, appoint a "purchaser representative" (as such term is defined in Rule 501 promulgated under the Securities Act of 1933) designated by the Board, the cost of which shall be borne by the Company.

D. Irrevocable Proxy.

1. The Employee hereby irrevocably appoints the Committee or any designee of the Committee, as the attorney-in-fact and proxy of the Employee (the "Irrevocable Proxy"), effective at such time as the Employee acquires Pre-IPO Shares pursuant to a Pre-IPO Exercise, with full power of substitution, to vote, and otherwise act, in such manner as such attorney-in-fact and proxy or its designee shall in its sole discretion deem proper, with respect to any Pre-IPO Shares that the Employee is entitled to vote at any stockholder meeting, or any adjournment or postponement thereof, or any consent-in lieu of any such meeting.

2. This Irrevocable Proxy is coupled with an interest in the Pre-IPO Shares, and shall be irrevocable to the full extent permitted by law. This Irrevocable Proxy revokes any other proxy granted by the Employee at any time with respect to the Pre-IPO Shares, and the Employee hereby agrees not to give any subsequent proxy or power of attorney, or to execute any written consent to such effect, for so long as this Irrevocable Proxy remains in effect.

3. This Irrevocable Proxy shall remain in full force and effect indefinitely and only terminate upon the earlier of the (a) the consummation of the Company's IPO, or (b) the date on which the Employee no longer holds any Pre-IPO Shares.

* * * * *

Exhibit 10.10

FORM OF OPTION AGREEMENT

THIS OPTION AGREEMENT issued pursuant to POTBELLY CORPORATION 2004 EQUITY INCENTIVE PLAN (this "Agreement") is made in Chicago, Illinois by and between the employee whose name appears below (the "Employee") and POTBELLY CORPORATION, a Delaware corporation (the "Company").

Recitals

A. The Company has implemented the Potbelly Corporation 2004 Equity Incentive Plan which, together with any amendments thereto, is hereinafter referred to as the "Plan".

B. The Company desires to grant to the Employee options (the "Options") to purchase from the Company shares of the Company's Common Stock, $.01 par value per share (the "Common Stock"), pursuant to the Plan.

Agreements

NOW THEREFORE, in consideration of the prior recitals, the Company hereby grants to the Employee, and the Employee hereby accepts, the Options immediately described below on the terms and conditions contained herein.

EMPLOYEE:
GRANT DATE:
EXPIRATION DATE:
NUMBER OF SHARES:
OPTION EXERCISE PRICE ($ PER SHARE):

The Options shall vest and, subject and pursuant to the provisions of the Plan and this Agreement (including the immediately following paragraph), shall be exercisable to the extent of **[Insert Applicable Vesting Schedule]**. The Options shall be subject to accelerated vesting and exercisability as set forth in the Executive Employment Contract and Equity Incentive Plan dated as of June 16, 2008, between the Employee and the Company (the "Employment Agreement").

THE OPTIONS, AND THE RIGHTS AND OBLIGATIONS OF THE EMPLOYEE AND THE COMPANY WITH RESPECT TO THE OPTIONS, ARE SUBJECT TO THE PLAN AND THE TERMS AND CONDITIONS OF THIS OPTION AGREEMENT ATTACHED HERETO, INCLUDING SCHEDULE I THERETO (THE "TERMS AND CONDITIONS"), BOTH OF WHICH ARE INCORPORATED HEREIN BY REFERENCE; PROVIDED, HOWEVER, THAN IN THE EVENT OF ANY INCONSISTENCY BETWEEN A PROVISION OF THIS AGREEMENT (INCLUDING ANY PROVISION OF THE EMPLOYMENT AGREEMENT TO THE EXTENT REFERENCED HEREIN) AND THE PLAN, THE TERMS OF THIS AGREEMENT SHALL CONTROL; AND PROVIDED FURTHER THAT ANY DISPUTE BETWEEN THE COMPANY AND THE EMPLOYEE WITH RESPECT TO THIS AGREEMENT SHALL BE RESOLVED BY ARBITRATION IN ACCORDANCE WITH THE EMPLOYMENT AGREEMENT.

This grant of the Options shall be null and void unless the Employee accepts this Agreement by executing it in the space provided below and returning an original executed copy to the Company on or before **[Insert Date]**. This Agreement may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

Initially capitalized terms used but not defined in this Agreement have the same meanings given them in the Plan as in effect on the date of this Agreement.

* * * * *

[Signature Page Follows]

IN WITNESS WHEREOF, the Company and the Employee have duly executed this Agreement as of the dates set forth below.

POTBELLY CORPORATION

By: _____
[Title]

Date: _____

EMPLOYEE

_____

Social Security Number: _____

Date: _____

TERMS AND CONDITIONS OF OPTION AGREEMENT

1. Exercise of Options.

1.1 The Options may be exercised (to the extent vested) by giving written notice to the Committee specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefor in full using such method of payment as the Committee in its sole and absolute discretion deems appropriate; provided, however, that if Options are exercised after an initial public offering of the Company's stock, the Committee shall not unreasonably refuse to permit a cashless exercise.

2. Termination of Options. In no event may the Options be exercised after they terminate as set forth in this Section 2.

2.1 If:

(a) The Employee's employment with the Company terminates for any reason other than Cause, Disability or death, then, only to the extent they are vested at the time of such termination (taking into account any acceleration of vesting provided for in the Employment Agreement), the Options may thereafter be exercised by the Employee until and including the earlier to occur of (and to the extent they are not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Employee's termination of employment, and (ii) the Expiration Date;

(b) The Employee's employment with the Company terminates by reason of Disability or death, then, only to the extent they are vested at the time of such Disability or death (taking into account any acceleration of vesting provided for in the Employment Agreement), the Options may thereafter be exercised by the Employee or the Employee's Legal Representative until and including the earlier to occur of (and to the extent they are not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Employee's termination of employment, and (ii) the Expiration Date;

(c) The Employee dies during the period set forth in Section 2.1(a) above following termination of employment for a reason other than Cause, then, only to the extent they are vested at the time of Employee's death (taking into account any acceleration of vesting provided for in the Employment Agreement), the Options may thereafter be exercised by the Employee's Legal Representative until and including the earlier to occur of (and to the extent they are not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Employee's termination of employment, and (ii) the Expiration Date; and

(d) The Employee's employment is terminated by the Company for Cause or, prior to June 16, 2011, Employee terminates his employment without Good Reason (each as defined in the Employment Agreement), then the Options (whether vested or unvested) shall terminate in their entirety automatically upon such termination.

2.2 Notwithstanding anything in this Agreement to the contrary the Options shall terminate, to the extent not exercised or earlier terminated, on the Expiration Date.

3. Corporate Transaction. In the event of a Corporate Transaction (as defined in the Plan), the Board (as constituted immediately prior to such Corporate Transaction) may, in its sole and absolute discretion, take any one or more of the following actions with respect to the Options:

(a) provide that the Options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation or entity (or an affiliate thereof); provided, that, that any such options substituted for incentive stock options shall meet the requirements of Section 422(a) of the Code;

(b) upon written notice to the Employee, provide that the vested but unexercised portion of the Options will terminate immediately prior to the consummation of such Corporate Transaction unless exercised by the Employee within a specified period following the date of such notice and prior to the consummation of such Corporate Transaction;

(c) in the event of a transaction under the terms of which holders of the Common Stock of the Company will receive upon consummation thereof a cash payment for each share sold, disposed of or surrendered in the transaction (the "Transaction Price"), and if the exercise price of the Options is less than Transaction Price, make or provide for a cash payment to the Employee, in exchange for the termination of the vested position of the Options, equal to the difference between (i) the Transaction Price times the number of shares of Common Stock subject to the vested portion of the Options, and (ii) the aggregate exercise price of the vested portion of the Options; or

(d) provide that all or any portion of the Options shall vest in full immediately prior to such Corporate Transaction and shall terminate immediately following such Corporate Transaction.

Notwithstanding the foregoing, the Company shall (i) with respect to the vested portion of the Options, either allow the Employee to exercise such portion of the Options on or prior to any Corporate Transaction or pay to Employee, in cancellation of such portion of the Options, the price set forth in (c) above or take the actions specified by (a) above and (ii) with respect to the unvested portion of the Options, allow such portion to vest or take the actions specified by (a) above.

4. Initial Public Offering Lock-Up. The Employee hereby agrees that in the event the Company consummates an initial public offering of Common Stock issued pursuant to a registration statement declared effective under the Securities Act of 1933 ("IPO"), the Employee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, otherwise dispose of or take other actions prohibited by the managing underwriter with respect to, any shares of capital stock of the Company (or any rights to acquire capital stock of the Company) then held by such Employee (including without limitation any

shares of Common Stock acquired via an exercise of the Options, irrespective of whether such exercise occurred before or after the consummation of such IPO) for such period of time as may be established by the managing underwriter for such IPO. Executive further agrees that if requested by the Company or the manager underwriter to do so during the IPO process, he shall promptly execute such additional documents as may be necessary or appropriate to confirm the matters described above in this paragraph.

5. Other Applicable Provisions. The shares of Common Stock acquired upon exercise of the Options shall be subject to the terms and conditions set forth on Schedule I annexed hereto.

* * * * *

SCHEDULE I
OTHER TERMS AND CONDITIONS

Any shares of Common Stock acquired pursuant to an Exercise (hereinafter referred to in this Schedule I as "Shares") shall be governed in accordance with the terms and provisions of this Schedule I. Capitalized terms, unless otherwise defined herein, shall have the meanings set forth in the Employment Agreement.

A. Repurchase Right.

1. Repurchase Right. In the event that (a) the Employee's employment is terminated for Cause or (b) prior to the earlier of June 16, 2011, or the occurrence of a Corporate Transaction, Executive terminates his employment without Good Reason, then the Company shall have the right (but not the obligation) to repurchase any or all of the Shares. The Company's right to repurchase the Shares (the "Share Repurchase Right") shall be subject to the terms and subject to the conditions set forth in this Section A.

2. Exercise of Share Repurchase Right. The Company may exercise the Share Repurchase Right by written notice to the Employee within 180 days after the later of (a) the Employee's termination of employment, or (b) the date the Options are exercised. If the Company fails to give notice within the period specified in the immediately preceding sentence, the Share Repurchase Right shall terminate unless the Company and the Employee or the Employee's Legal Representative have extended the time for the exercise of the Share Repurchase Right. The Share Repurchase Right may be exercised with respect to any portion or all of the Shares, as determined by the Company in its sole and absolute discretion.

3. Payment and Return of Shares. Within 30 days after the date of the mailing of the written notice of exercise of the Share Repurchase Right, the Employee shall deliver to the Company a certificate or certificates for the Shares being purchased, duly endorsed or otherwise in proper form for transfer, and the Company shall pay to the Employee an amount equal to the product of the number of Shares purchased by the Company multiplied by (a) in the case of Executive's termination for Cause, the lower of Fair Market Value and the Exercise Price paid by Executive to exercise the Options, or (b) in the event Executive terminates his employment without Good Reason prior to the earlier of June 16, 2011, or the occurrence of a Corporate Transaction, the Exercise Price paid by Executive to exercise the Options.

B. Transfer Restrictions on Purchased Shares.

1. Employee shall not transfer any Shares except in compliance with this Section B.

2. Except (a) pursuant to (i) a Corporate Transaction, (ii) the Share Repurchase Right set forth in Section A, or (iii) a transfer described in Section B.3., or (b) after an IPO, Employee shall not during his lifetime sell or otherwise transfer (including a transfer by gift or operation of law) any Shares without the prior

written consent of the Committee (which consent may be granted or withheld in its sole and absolute discretion). The restrictions of this Section B shall not apply to a transfer of the Shares on the Employee's death by will or intestacy.

3. The transfer of any or all of the Shares to the Employee's Family Group during the Employee's lifetime shall be permitted under this Section B. For purposes of this Section B, "Family Group" means (a) Employee's spouse, siblings and descendants (whether natural or adopted) and any of such descendants' spouses; (b) any trust that at the time of such transfer and at all times thereafter is and remains solely for the benefit of the Employee and/or the persons described in clause (a) and/or the entities described in clause (c); and (c) any family limited partnership, limited liability company, Subchapter S corporation, or other tax flow-through entity, the partners, members or other equity owners of which at the time of such transfer and at all times thereafter consist solely of the Employee and/or the persons described in clause (a) and/or the trusts described in clause (b). In such case, the transferee or other recipient shall receive and hold the Shares so transferred subject to the provisions of this Schedule I, and shall execute and deliver a copy of this Schedule I to the Company and there shall be no further transfer of such Shares except in accordance with the terms of this Schedule I.

4. The restrictions on transfer described in this Section B shall terminate as to any Shares upon consummation of the Company's IPO (with subsequent transfers remaining subject to federal and state securities laws).

C. Drag-Along Obligations.

1. If a Corporate Transaction is duly authorized, then the Employee covenants and agrees to vote for and raise no objections against such Corporate Transaction. If the Corporate Transaction is structured as a (a) merger or consolidation, Employee covenants and agrees to waive any dissenters rights, appraisal rights or similar rights in connection with such merger or consolidation, or (b) a sale of shares of Common Stock, Employee covenants and agrees to sell all of his Common Stock on terms and conditions approved by the Board. In addition, Employee covenants and agrees to take all necessary or desirable actions in connection with the consummation of the Corporate Transaction as requested by the Board.

2. The obligations of the Employee described in Section C.1. with respect to a Corporate Transaction are subject to the satisfaction of the following conditions: (a) the consideration payable upon consummation of any such Corporate Transaction shall be allocated among the holders of Common Stock based upon their pro rata share of the Common Stock, and (b) upon the consummation of any such Corporate Transaction, all of the holders of Common Stock shall receive (or shall have the right to receive) the same form of consideration.

3. If the Company enters into any negotiation or transaction for which Rule 506 (or any similar rule then in effect) promulgated by the Securities Exchange

Commission may be available with respect to such negotiation or transaction (including a merger, consolidation or other reorganization), the Employee shall, at the request of the Board, appoint a "purchaser representative" (as such term is defined in Rule 501 promulgated under the Securities Act of 1933) designated by the Board, the cost of which shall be borne by the Company.

D. Tag-Along Rights.

1. If in connection with a Corporate Transaction which meets the requirements of Section 6.1 of the Fifth Amended and Restated Stockholders Agreement dated February 13, 2006, among the Company and the Stockholders listed on the Exhibits thereto, as amended, any stockholder or group of stockholders of the Company will be selling shares representing a majority of the outstanding shares of the Company, Employee shall have the right, by written notice to the Board within ten business days after having been notified by the Company of the terms and conditions of such Corporate Transaction (or sooner if required to meet the timing of the Corporate Transaction), to sell in such Corporate Transaction that number of Shares which bears the same ratio to the total number of Shares as the number of shares being sold by the selling stockholders bears to the total number of shares of the Company owned by such stockholders. Any such sale by Employee under this Section shall be at the same price per share and upon the same terms and conditions (including, without limitation, time of payment and form of consideration) as are applicable to selling stockholders. In order to be entitled to exercise his right to sell Shares to the proposed transferee pursuant to this Section, Employee must agree to make to the proposed transferee the same covenants, indemnities and agreements as the selling stockholders agree to make in connection with such sale and such representations and warranties (and related indemnification) as to his ownership of his Shares as are given by the selling stockholders with respect to their ownership of shares; provided, that the liabilities thereunder (other than with respect to the ownership of Employee's Shares being transferred, which shall be several obligations) shall be borne on a pro rata basis based on the number of shares sold by each of the selling stockholders and the Employee.

E. Transfers; Legend.

1. In the event of any purported transfer by Employee of any Shares in violation of the provisions of this Schedule I, such purported transfer will be void and of no effect and the Company will not give effect to such transfer.

2. Each certificate representing Shares issued to the Employee will bear a legend on the face thereof substantially to the following effect (with such additions thereto or changes therein as the Company may be advised by counsel are required by law or necessary to give full effect to this Schedule I, the "Legend"):

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO AN AGREEMENT AMONG THE COMPANY AND THE

HOLDER OF THESE SHARES, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION OTHER DISPOSITION OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH AGREEMENT. THE HOLDER OF THIS CERTIFICATE, BY ACCEPTANCE OF THIS CERTIFICATE, AGREES TO BE BOUND BY ALL OF THE PROVISIONS OF SUCH AGREEMENT TO THE EXTENT APPLICABLE TO THE HOLDER BY THE TERMS OF SUCH AGREEMENT."

THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

3. The Legend will be removed by the Company by the delivery of substitute certificates without such Legend in the event of a termination of this Schedule I pursuant to the terms hereof, provided however, that the second paragraph of the Legend will only be removed if at such time it is no longer required for purposes of applicable securities laws and the Company receives an opinion to such effect from counsel to the Employee in form and substance reasonably satisfactory to the Company.

Exhibit 10.11

FORM OF STOCK OPTION AGREEMENT
POTBELLY CORPORATION
2004 EQUITY INCENTIVE PLAN

THIS STOCK OPTION AGREEMENT – POTBELLY CORPORATION 2004 EQUITY INCENTIVE PLAN (this "Agreement") is made in Chicago, Illinois by and between the employee whose name appears below (the "Employee") and POTBELLY CORPORATION, a Delaware corporation (the "Company").

Recitals

A. The Company has implemented the Potbelly Corporation 2004 Equity Incentive Plan which, together with any amendments thereto, is hereinafter referred to as the "Plan".

B. The Company desires to grant to the Employee options (the "Options") to purchase from the Company shares of the Company's Common Stock, $.01 par value per share (the "Common Stock"), pursuant to the Plan.

Agreements

NOW THEREFORE, in consideration of the prior recitals, the Company hereby grants to the Employee, and the Employee hereby accepts, the Options immediately described below on the terms and conditions contained herein.

EMPLOYEE:

GRANT DATE:

EXPIRATION DATE:

NUMBER OF SHARES:

OPTION PRICE ($ PER SHARE):

The Options shall vest and, subject and pursuant to the provisions of the Plan and this Agreement (including the immediately following paragraph), shall be exercisable to the extent of **[Insert Applicable Vesting Schedule]**.

THE OPTIONS, AND THE RIGHTS AND OBLIGATIONS OF THE EMPLOYEE AND THE COMPANY WITH RESPECT TO THE OPTIONS (INCLUDING WITHOUT LIMITATION PROVISIONS GOVERNING THE EMPLOYEE'S ABILITY TO EXERCISE THE OPTIONS), ARE SUBJECT TO THE PLAN AND THE TERMS AND CONDITIONS OF THIS AGREEMENT ATTACHED HERETO (THE "TERMS AND CONDITIONS"), BOTH OF WHICH ARE INCORPORATED HEREIN BY REFERENCE.

This grant of Options shall be null and void unless the Employee accepts this Agreement by executing it in the space provided below and returning an original executed copy to the Company on or before **[Insert Date]**. This Agreement may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

Initially capitalized terms used but not defined in this Agreement have the same meanings given them in the Plan.

* * * * *

IN WITNESS WHEREOF, the Company and the Employee have duly executed this Agreement as of the dates set forth below.

POTBELLY CORPORATION

By: _____

Date: _____

EMPLOYEE

_____

Last 4 Digits of Social Security Number: _____

Date: _____

TERMS AND CONDITIONS OF STOCK OPTION AGREEMENT

1. Exercise of Options.

1. The Options may be exercised (to the extent vested) at any time by giving written notice to the Committee specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefor in full using such method of payment as the Committee in its sole and absolute discretion deems appropriate.

2. Termination of Option. In no event may the Options be exercised after they terminate as set forth in this Section 2.

(a) Subject to Section 2(e) below, in the event the Employee's employment with the Company terminates for any reason other than Cause, Disability or death, then, only to the extent they are vested at the time of such termination, the Options may thereafter be exercised by the Employee until and including the earlier to occur of (and to the extent they are not so exercised shall terminate upon): (i) the date that is 90 days after the effective date of the Employee's termination of employment, and (ii) the Expiration Date;

(b) Subject to Section 2(e) below, in the event the Employee's employment with the Company terminates by reason of Disability or death, then, only to the extent they are vested at the time of such Disability or death, the Options may thereafter be exercised by the Employee or the Employee's Legal Representative until and including the earlier to occur of (and to the extent they are not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Employee's termination of employment, and (ii) the Expiration Date;

(c) Subject to Section 2(e) below, in the event the Employee dies during the period set forth in Section 2.2(a) above following the termination of employment for a reason other than Cause, then, only to the extent they are exercisable at the time of Employee's death, the Options may thereafter be exercised by the Employee's Legal Representative until and including the earlier to occur of (and to the extent they are not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Employee's termination of employment, and (ii) the Expiration Date; and

(d) In the event the Employee's employment is terminated by the Company for Cause, or the Employee breaches a covenant set forth in the Employee's Confidentiality and Non-Compete Agreement with the Company or in any other agreement between the Employee and the Company (each being referred to as an "Employee Agreement") at any time, then the Options shall terminate automatically upon such termination or breach.

(e) Notwithstanding Sections 2(a) – (c) to the contrary, if (1) Employee is terminated without Cause (as defined herein) or terminates for Good Reason (as defined herein); (2) upon Employee's death; or (3) upon Employee's Disability, as defined in the Plan (any such termination (w) without Cause, (x) with Good

Reason, (y) at death, or (z) at Disability, hereinafter referred to as a "Qualifying Termination"), on or after the second anniversary of the date of Employee's hire, then Options which were vested on the date of the Qualifying Termination will continue to be exercisable from the date of termination: (i) for two years if Employee has been employed by the Company for two years; (ii) for three years if Employee has been employed by the Company for three years; or (iii) for four years if the Employee has been employed by the Company for at least four years (the two, three and four year exercise periods collectively and individually defined as the "Extended Exercise Period"); provided, however, the last day of the Extended Exercise Period will be no later than the date that is the earlier of the date that (I) the Option's original term would have expired or (II) is ten years after the date the Option was granted. If a Qualifying Termination occurs after the date of the consummation of an IPO, Options that are vested on the date of the Qualifying Termination will be subject to Section 5 below, which concerns Initial Public Offering Lock-up.

For purposes of this Agreement, "Cause," shall mean an act, action, or series of acts or actions, or omission or series of omissions, by Employee which constitute or result in: (i) intentional misrepresentation of material information by Employee in Employee's relations with the Company; (ii) Employee's indictment (or its equivalent) for the commission of a crime by Employee that constitutes a felony; (iii) commission of an act involving moral turpitude; (iv) the material breach or material default by Employee of any of Employee's written agreements with the Company or obligations under any material provision of Employee's employment agreement with the Company or any written policy of the Company (that remains unremedied within 30 days after notice to Employee); (v) the commission of fraud or embezzlement on the part of Employee; (vi) failure to comply with any lawful written direction of the Board (that, if capable of cure without damage to the Company, remains unremedied within 30 days after notice to Employee); or (vii) willful action taken for the purpose of harming the Company or any of its affiliates. For purposes of clause (vii) of this definition of Cause, no act or failure to act, on the part of Employee, shall be considered "willful" unless it is done or omitted to be done, by Employee in bad faith and without reasonable belief that Employee's action or omission was in the best interest of the Company. An act, or failure to act, based upon authority given by the Company shall be conclusively presumed to be done, or omitted to be done, by Employee in good faith and in the best interest of the Company.

For purposes of this Agreement "Good Reason" means the occurrence, without the Employee's consent, of (i) any reduction in either the annual base salary of the Employee or the target annual bonus percentage; (ii) any material reduction in the position, authority, or office of the Employee with respect to the Company, or in Employee's responsibilities or duties for the Company; (iii) any action or inaction by the Company that constitutes a material breach of the terms of Employee's employment agreement with the Company; or (iv) any relocation of the Employee's principal place of work with the Company to a place more than 50 miles from the Company's headquarters at the time the Employee entered into the

Employee's employment agreement with the Company; provided further, that any such occurrence under clauses (i) – (iv) of this definition of Good Reason shall constitute Good Reason only if the Company fails to cure such occurrence within 30 days after receipt from Employee of notice of such occurrence.

(f) Notwithstanding anything in this Agreement to the contrary, the Options shall terminate, to the extent not exercised or earlier terminated, on the Expiration Date.

3. Corporate Transaction. Except as provided in Section 3(e) below, in the event of a Corporate Transaction (as defined in the Plan), the Board (as constituted immediately prior to such Corporate Transaction) may, in its sole and absolute discretion, take any one or more of the following actions with respect to the Options:

(a) provide that the Options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation or entity (or an affiliate thereof); provided, however, that any such options substituted for incentive stock options shall meet the requirements of Section 422(a) of the Code;

(b) upon written notice to the Employee, provide that (i) all vested but unexercised Options will terminate immediately prior to the consummation of such Corporate Transaction unless exercised by the optionee within a specified period following the date of such notice and prior to the consummation of such Corporate Transaction, and (ii) all unvested Options will terminate upon consummation of such Corporate Transaction;

(c) in the event of a merger or consolidation under the terms of which holders of the Common Stock of the Company will receive upon consummation thereof a cash payment for each share surrendered in the merger or consolidation (the "Merger Price"), make or provide for a cash payment to the Employee, in exchange for the termination of such options, equal to the difference between (i) the Merger Price times the number of shares of Common Stock subject to any vested Options whose exercise price is less than the Merger Price ("In the Money Options"), and (ii) the aggregate exercise price of all such In the Money Options; or

(d) provide that all or any outstanding Options shall vest in full immediately prior to such Corporate Transaction and shall terminate immediately following such Corporate Transaction.

(e) Notwithstanding Sections 3(a) – (d) to the contrary, if Employee has been an employee of the Company for a period of at least 24 consecutive months as of the effective date of a Corporation Transaction, then 50 percent of his or her then non-vested and unexercisable Options shall vest and become exercisable as of the effective date of the Corporation Transaction. The portion of the then non-vested and unexercisable Options that shall vest shall consist of and shall be taken first, from the tranche of Options with the latest scheduled vesting date, second, from the tranche of Options with the next to last scheduled vesting date, and so on until the requisite 50 percent portion of the then non-vested and unexercisable Options shall vest and become exercisable. The remaining portion of the then non-vested and unexercisable Options shall continue to be subject to their original vesting schedule and shall vest and become exercisable on the dates they would otherwise have vested and become exercisable.

4. Pre-IPO Exercise. In the event Employee exercises vested Options prior to the consummation of the Company's IPO (hereinafter referred to as a "Pre-IPO Exercise"), then (a) the terms governing such exercise, and (b) the shares of Common Stock acquired by the Employee upon any such exercise, shall be governed in accordance with the terms and provisions set forth on Schedule I hereto, which is deemed to be an integral part of this Agreement. **The Employee hereby covenants and agrees that any shares of Common Stock acquired pursuant to a Pre-IPO Exercise shall be subject to the terms and conditions set forth on Schedule I**.

5. Initial Public Offering Lock-Up. The Employee hereby agrees that in the event of the Company's IPO, the Employee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of, any shares of capital stock of the Company (or any rights to acquire capital stock of the Company) then held by such Employee (including without limitation any shares of Common Stock acquired via an exercise of the Options, irrespective of whether such exercise occurred before or after the consummation of such IPO) for such period of time as may be established by the managing underwriter therefor; provided, however, that such period of time shall not exceed 180 days after the consummation of such IPO.

* * * * *

SCHEDULE I
PRE-IPO SHARES

Any shares of Common Stock acquired pursuant to a Pre-IPO Exercise (hereinafter referred to in this Schedule I as "Pre-IPO Shares") shall be governed in accordance with the terms and provisions of this Schedule I.

A. Pre-IPO Share Repurchase Right.

1. Repurchase Right. In the event that (a) the Employee's employment terminates for any reason, or (b) the Employee breaches any of his or her covenants or agreements set forth in any Employee Agreement, then the Company shall have the right (but not the obligation) to repurchase any or all of the Pre-IPO Shares. The Company's right to repurchase the Pre-IPO Shares (the "Share Repurchase Right") shall be subject to the terms and subject to the conditions set forth in this Section A. The Share Repurchase Right shall terminate with respect to Pre-IPO Shares upon the consummation of the Company's IPO.

2. Exercise of Share Repurchase Right. The Company may exercise the Share Repurchase Right by written notice to the Employee within 90 days after the latest of (a) the Employee's termination of employment, (b) notice to the Company that the Employee has breached a covenant or agreement set forth in an Employee Agreement, or (c) the date the Options are exercised; provided, that, if the Company reasonably believes that it may be subject to adverse accounting treatment if it exercises the Share Repurchase Right within 90 days after the date the Options are exercised, then the Company may extend the exercise of the Share Repurchase Right until 210 days after the Options are exercised. If the Company fails to give notice within such periods specified in the immediately preceding sentence, the Share Repurchase Right shall terminate unless the Company and the Employee or the Employee's Legal Representative have extended the time for the exercise of the Share Repurchase Right. The Share Repurchase Right may be exercised with respect to any portion or all of the Pre-IPO Shares, as determined by the Company in its sole and absolute discretion.

3. Payment and Return of Pre-IPO Shares. Within 30 days after the date of the mailing of the written notice of exercise of the Share Repurchase Right, the Employee shall deliver to the Company a certificate or certificates for the Pre-IPO Shares being purchased, duly endorsed or otherwise in proper form for transfer, and the Company shall pay to the Employee an amount equal to the sum of the number of Pre-IPO Shares purchased by the Company multiplied by:

   (a) in the case of an Employee (i) whose employment is terminated for Cause, (ii) who voluntarily terminates his or her employment, or (iii) who breaches a covenant or agreement in any Employee Agreement, the Exercise Price (as may be adjusted in accordance with the Plan); or

(b) in the case of an Employee (i) whose employment terminates other than for a reason specified in paragraphs 3(a)(i) or (ii) above, and (ii) who has not breached a covenant or agreement in any Employee Agreement, the Fair Market Value of a share of Common Stock as of the date the Share Repurchase Right is exercised.

B. Transfer Restrictions on Purchased Shares.

1. No Employee shall transfer any Pre-IPO Shares except in compliance with this Section B.

2. Except pursuant to (a) a Corporate Transaction, (b) the Share Repurchase Right set forth in Section A, or (c) a transfer described in Section B.3., no Employee shall sell or otherwise transfer (including a transfer by gift or operation of law) any Pre-IPO Shares without the prior written consent of the Committee (which consent may be granted or withheld in its sole and absolute discretion).

3. The transfer of any or all of the Pre-IPO Shares to the Employee's Family Group during the Employee's lifetime or on the Employee's death by will or intestacy shall be permitted under this Section B. For purposes of this Section B, "Family Group" means (a) Employee's spouse, siblings and descendants (whether natural or adopted) and any of such descendants' spouses; (b) any trust that at the time of such transfer and at all times thereafter is and remains solely for the benefit of the Employee and/or the persons described in clause (a) and/or the entities described in clause (c); and (c) any family limited partnership, limited liability company, Subchapter S corporation, or other tax flow-through entity, the partners, members or other equity owners of which at the time of such transfer and at all times thereafter consist solely of the Employee and/or the persons described in clause (a) and/or the trusts described in clause (b). In such case, the transferee or other recipient shall receive and hold the Pre-IPO Shares so transferred subject to the provisions of this Section B, and there shall be no further transfer of such Pre-IPO Shares except in accordance with the terms of this Section B.

4. The restrictions on transfer described in this Section B shall terminate as to any Pre-IPO Shares upon consummation of the Company's IPO (with subsequent transfers remaining subject to federal and state securities laws).

C. Drag-Along Obligations.

1. If the Board and the holders of a majority of the outstanding shares of the Company's voting securities approve a Corporate Transaction, then the Employee covenants and agrees to vote for and raise no objections against such Corporate Transaction. If the Corporate Transaction is structured as a (a) merger or consolidation, each Employee covenants and agrees to waive any dissenters rights, appraisal rights or similar rights in connection with such merger or consolidation, or (b) a sale of shares of Common Stock, each Employee covenants and agrees to sell all of his or her Common Stock on terms and conditions

approved by the Board. In addition, each Employee covenants and agrees to take all necessary or desirable actions in connection with the consummation of the Corporate Transaction as requested by the Board.

2. The obligations of the Employee described in Section C.1. with respect to a Corporate Transaction are subject to the satisfaction of the following conditions: (a) the consideration payable upon consummation of any such Corporate Transaction shall be allocated among the holders of Common Stock based upon their pro rata share of the Common Stock, and (b) upon the consummation of any such Corporate Transaction, all of the holders of Common Stock shall receive (or shall have the right to receive) the same form of consideration.

3. If the Company enters into any negotiation or transaction for which Rule 506 (or any similar rule then in effect) promulgated by the Securities Exchange Commission may be available with respect to such negotiation or transaction (including a merger, consolidation or other reorganization), the Employee shall, at the request of the Board, appoint a "purchaser representative" (as such term is defined in Rule 501 promulgated under the Securities Act of 1933) designated by the Board, the cost of which shall be borne by the Company.

D. Irrevocable Proxy.

1. The Employee hereby irrevocably appoints the Committee or any designee of the Committee, as the attorney-in-fact and proxy of the Employee (the "Irrevocable Proxy"), effective at such time as the Employee acquires Pre-IPO Shares pursuant to a Pre-IPO Exercise, with full power of substitution, to vote, and otherwise act, in such manner as such attorney-in-fact and proxy or its designee shall in its sole discretion deem proper, with respect to any Pre-IPO Shares that the Employee is entitled to vote at any stockholder meeting, or any adjournment or postponement thereof, or any consent in lieu of any such meeting.

2. This Irrevocable Proxy is coupled with an interest in the Pre-IPO Shares, and shall be irrevocable to the full extent permitted by law. This Irrevocable Proxy revokes any other proxy granted by the Employee at any time with respect to the Pre-IPO Shares, and the Employee hereby agrees not to give any subsequent proxy or power of attorney, or to execute any written consent to such effect, for so long as this Irrevocable Proxy remains in effect.

3. This Irrevocable Proxy shall remain in full force and effect indefinitely and only terminate upon the earlier of the (a) the consummation of the Company's IPO, or (b) the date on which the Employee no longer holds any Pre-IPO Shares.

* * * * *

Exhibit 10.12

FORM OF STOCK OPTION AGREEMENT
POTBELLY CORPORATION
2004 EQUITY INCENTIVE PLAN

THIS STOCK OPTION AGREEMENT – POTBELLY CORPORATION 2004 EQUITY INCENTIVE PLAN (this "Agreement") is made in Chicago, Illinois by and between the employee whose name appears below (the "Employee") and POTBELLY CORPORATION, a Delaware corporation (the "Company").

Recitals

A. The Company has implemented the Potbelly Corporation 2004 Equity Incentive Plan which, together with any amendments thereto, is hereinafter referred to as the "Plan".

B. The Company desires to grant to the Employee options (the "Options") to purchase from the Company shares of the Company's Common Stock, $.01 par value per share (the "Common Stock"), pursuant to the Plan.

Agreements

NOW THEREFORE, in consideration of the prior recitals, the Company hereby grants to the Employee, and the Employee hereby accepts, the Options immediately described below on the terms and conditions contained herein.

EMPLOYEE:

GRANT DATE:

EXPIRATION DATE:

NUMBER OF SHARES:

OPTION PRICE ($ PER SHARE):

The Options shall vest and, subject and pursuant to the provisions of the Plan and this Agreement (including the immediately following paragraph), shall be exercisable to the extent of **[Insert Applicable Vesting Schedule]**.

THE OPTIONS, AND THE RIGHTS AND OBLIGATIONS OF THE EMPLOYEE AND THE COMPANY WITH RESPECT TO THE OPTIONS (INCLUDING WITHOUT LIMITATION PROVISIONS GOVERNING THE EMPLOYEE'S ABILITY TO EXERCISE THE OPTIONS), ARE SUBJECT TO THE PLAN AND THE TERMS AND CONDITIONS OF THIS AGREEMENT ATTACHED HERETO (THE "TERMS AND CONDITIONS"), BOTH OF WHICH ARE INCORPORATED HEREIN BY REFERENCE.

This grant of Options shall be null and void unless the Employee accepts this Agreement by executing it in the space provided below and returning an original executed copy to the Company on or before **[Insert Date]**. This Agreement may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

Initially capitalized terms used but not defined in this Agreement have the same meanings given them in the Plan.

* * * * *

IN WITNESS WHEREOF, the Company and the Employee have duly executed this Agreement as of the date set forth below.

POTBELLY CORPORATION

By: _____

Date: _____

EMPLOYEE

_____

Last 4 Digits of Social Security Number: _____

Date: _____

TERMS AND CONDITIONS OF STOCK OPTION AGREEMENT

1. Exercise of Options.

1. The Options may be exercised (to the extent vested) at any time by giving written notice to the Committee specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefor in full using such method of payment as the Committee in its sole and absolute discretion deems appropriate.

2. Termination of Option. In no event may the Options be exercised after they terminate as set forth in this Section 2.

(a) Subject to Section 2(e) below, in the event the Employee's employment with the Company terminates for any reason other than Cause, Disability or death, then, only to the extent they are vested at the time of such termination, the Options may thereafter be exercised by the Employee until and including the earlier to occur of (and to the extent they are not so exercised shall terminate upon): (i) the date that is 90 days after the effective date of the Employee's termination of employment, and (ii the Expiration Date;

(b) Subject to Section 2(e) below, in the event the Employee's employment with the Company terminates by reason of Disability or death, then, only to the extent they are vested at the time of such Disability or death, the Options may thereafter be exercised by the Employee or the Employee's Legal Representative until and including the earlier to occur of (and to the extent they are not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Employee's termination of employment, and (ii) the Expiration Date;

(c) Subject to Section 2(e) below, in the event the Employee dies during the period set forth in Section 2.2(a) above following the termination of employment for a reason other than Cause, then, only to the extent they are exercisable at the time of Employee's death, the Options may thereafter be exercised by the Employee's Legal Representative until and including the earlier to occur of (and to the extent they are not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Employee's termination of employment, and (ii) the Expiration Date; and

(d) In the event the Employee's employment is terminated by the Company for Cause, or the Employee breaches a covenant set forth in the Employee's Confidentiality and Non-Compete Agreement with the Company or in any other agreement between the Employee and the Company (each being referred to as an "Employee Agreement") at any time, then the Options shall terminate automatically upon such termination or breach.

(e) Notwithstanding Sections 2(a) – (c) to the contrary, if (1) Employee is terminated without Cause (as defined herein) or terminates for Good Reason (as defined herein); (2) upon Employee's death; or (3) upon Employee's Disability, as defined in the Plan (any such termination (w) without Cause, (x) with Good

Reason, (y) at death, or (z) at Disability, hereinafter referred to as a "Qualifying Termination"), on or after the second anniversary of the date of Employee's hire, then Options which were vested on the date of the Qualifying Termination will continue to be exercisable from the date of termination: (i) for .two years if Employee has been employed by the Company for two years; (ii) for three years if Employee has been employed by the Company for three years; or (iii) for four years if the Employee has been employed by the Company for at least four years (the two, three and four year exercise periods collectively and individually defined as the "Extended Exercise Period"); provided, however, the last day of the Extended Exercise Period will be no later than the date that is the earlier of the date that (I) the Option's original term would have expired or (II) is ten years after the date the Option was granted. If a Qualifying Termination occurs after the date of the consummation of an IPO, Options that are vested on the date of the Qualifying Termination will be subject to Section 5 below, which concerns Initial Public Offering Lock-up.

For purposes of this Agreement, "Cause," shall mean an act, action, or series of acts or actions, or omission or series of omissions, by Employee which constitute or result in: (i) intentional misrepresentation of material information by Employee in Employee's relations with the Company; (ii) Employee's indictment (or its equivalent) for the commission of a crime by Employee that constitutes a felony; (iii) commission of an act involving moral turpitude; (iv) the material breach or material default by Employee of any of Employee's written agreements with the Company or obligations under any material provision of Employee's employment agreement with the Company or any written policy of the Company (that remains unremedied within 30 days after notice to Employee); (v) the commission of fraud or embezzlement on the part of Employee; (vi) failure to comply with any lawful written direction of the Board (that, if capable of cure without damage to the Company, remains unremedied within 30 days after notice to Employee); or (vii) willful action taken for the purpose of harming the Company or any of its affiliates. For purposes of clause (vii) of this definition of Cause, no act or failure to act, on the part of Employee, shall be considered "willful" unless it is done or omitted to be done, by Employee in bad faith and without reasonable belief that Employee's action or omission was in the best interest of the Company. An act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board shall be conclusively presumed to be done, or omitted to be done, by Employee in good faith and in the best interest of the Company.

For purposes of this Agreement "Good Reason" means the occurrence, without the Employee's consent, of (i) any reduction in either the annual base salary of the Employee or the target annual bonus percentage or maximum annual bonus percentage applicable to the Employee; (ii) any material reduction in the position, authority, or office of the Employee with respect to the Company, or in Employee's responsibilities or duties for the Company; (iii) any action or inaction by the Company that constitutes a material breach of the terms of the Employee's employment agreement with the Company; (iv) following initial election to the Board, Employee shall fail to be re-elected to the Board while employed as the

President and Chief Executive Officer of the Company; or (v) any relocation of the Employee's principal place of work with the Company to a place more than 50 miles from the City of Chicago, Illinois; provided further, that any such occurrence under clauses (i) – (v) above shall constitute Good Reason only if the Company fails to cure such occurrence within 30 days after receipt from Employee of notice of such occurrence.

(f) Notwithstanding anything in this Agreement to the contrary, the Options shall terminate, to the extent not exercised or earlier terminated, on the Expiration Date.

3. Corporate Transaction. Except as provided in Section 3(e) below, in the event of a Corporate Transaction (as defined in the Plan), the Board (as constituted immediately prior to such Corporate Transaction) may, in its sole and absolute discretion, take any one or more of the following actions with respect to the Options:

(a) provide that the Options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation or entity (or an affiliate thereof); provided, however, that any such options substituted for incentive stock options shall meet the requirements of Section 422(a) of the Code;

(b) upon written notice to the Employee, provide that (i) all vested but unexercised Options will terminate immediately prior to the consummation of such Corporate Transaction unless exercised by the optionee within a specified period following the date of such notice and prior to the consummation of such Corporate Transaction, and (ii) all unvested Options will terminate upon consummation of such Corporate Transaction;

(c) in the event of a merger or consolidation under the terms of which holders of the Common Stock of the Company will receive upon consummation thereof a cash payment for each share surrendered in the merger or consolidation (the "Merger Price"), make or provide for a cash payment to the Employee, in exchange for the termination of such options, equal to the difference between (i) the Merger Price times the number of shares of Common Stock subject to any vested Options whose exercise price is less than the Merger Price ("In the Money Options"), and (ii) the aggregate exercise price of all such In the Money Options; or

(d) provide that all or any outstanding Options shall vest in full immediately prior to such Corporate Transaction and shall terminate immediately following such Corporate Transaction.

(e) Notwithstanding Sections 3(a) – (d) to the contrary, if Employee has been an employee of the Company for a period of at least 24 consecutive months as of the effective date of a Corporation Transaction, then 75 percent of his then non-vested and unexercisable Options shall vest and become exercisable as of the effective date of the Corporation Transaction. The portion of the then non-vested and unexercisable Options that shall vest shall consist of and shall be taken first, from the tranche of Options with the latest scheduled vesting date, second, from the tranche of Options with the next to last scheduled vesting date, and so on until the requisite 25 percent portion of the then non-vested and unexercisable Options shall vest and become

exercisable. The remaining portion of the then non-vested and unexercisable Options shall continue to be subject to their original vesting schedule and shall vest and become exercisable on the dates they would otherwise have vested and become exercisable.

4. Pre-IPO Exercise. In the event Employee exercises vested Options prior to the consummation of the Company's IPO (hereinafter referred to as a "Pre-IPO Exercise"), then (a) the terms governing such exercise, and (b) the shares of Common Stock acquired by the Employee upon any such exercise, shall be governed in accordance with the terms and provisions set forth on Schedule I hereto, which is deemed to be an integral part of this Agreement. **The Employee hereby covenants and agrees that any shares of Common Stock acquired pursuant to a Pre-IPO Exercise shall be subject to the terms and conditions set forth on Schedule I.**

5. Initial Public Offering Lock-Up. The Employee hereby agrees that in the event of the Company's IPO, the Employee shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of, any shares of capital stock of the Company (or any rights to acquire capital stock of the Company) then held by such Employee (including without limitation any shares of Common Stock acquired via an exercise of the Options, irrespective of whether such exercise occurred before or after the consummation of such IPO) for such period of time as may be established by the managing underwriter therefor; provided, however, that such period of time shall not exceed 180 days after the consummation of such IPO.

* * * * *

SCHEDULE I
PRE-IPO SHARES

Any shares of Common Stock acquired pursuant to a Pre-IPO Exercise (hereinafter referred to in this Schedule I as "Pre-IPO Shares") shall be governed in accordance with the terms and provisions of this Schedule I.

A. Pre-IPO Share Repurchase Right.

1. Repurchase Right. In the event that (a) the Employee's employment terminates for any reason, or (b) the Employee breaches any of his or her covenants or agreements set forth in any Employee Agreement, then the Company shall have the right (but not the obligation) to repurchase any or all of the Pre-IPO Shares. The Company's right to repurchase the Pre-IPO Shares (the "Share Repurchase Right") shall be subject to the terms and subject to the conditions set forth in this Section A. The Share Repurchase Right shall terminate with respect to Pre-IPO Shares upon the consummation of the Company's IPO.

2. Exercise of Share Repurchase Right. The Company may exercise the Share Repurchase Right by written notice to the Employee within 90 days after the latest of (a) the Employee's termination of employment, (b) notice to the Company that the Employee has breached a covenant or agreement set forth in an Employee Agreement, or (c) the date the Options are exercised; provided, that, if the Company reasonably believes that it may be subject to adverse accounting treatment if it exercises the Share Repurchase Right within 90 days after the date the Options are exercised, then the Company may extend the exercise of the Share Repurchase Right until 210 days after the Options are exercised. If the Company fails to give notice within such periods specified in the immediately preceding sentence, the Share Repurchase Right shall terminate unless the Company and the Employee or the Employee's Legal Representative have extended the time for the exercise of the Share Repurchase Right. The Share Repurchase Right may be exercised with respect to any portion or all of the Pre-IPO Shares, as determined by the Company in its sole and absolute discretion.

3. Payment and Return of Pre-IPO Shares. Within 30 days after the date of the mailing of the written notice of exercise of the Share Repurchase Right, the Employee shall deliver to the Company a certificate or certificates for the Pre-IPO Shares being purchased, duly endorsed or otherwise in proper form for transfer, and the Company shall pay to the Employee an amount equal to the sum of the number of Pre-IPO Shares purchased by the Company multiplied by:

   (a) in the case of an Employee (i) whose employment is terminated for Cause, (ii) who voluntarily terminates his or her employment, or (iii) who breaches a covenant or agreement in any Employee Agreement, the Exercise Price (as may be adjusted in accordance with the Plan); or

(b) in the case of an Employee (i) whose employment terminates other than for a reason specified in paragraphs 3(a)(i) or (ii) above, and (ii) who has not breached a covenant or agreement in any Employee Agreement, the Fair Market Value of a share of Common Stock as of the date the Share Repurchase Right is exercised.

B. Transfer Restrictions on Purchased Shares.

1. No Employee shall transfer any Pre-IPO Shares except in compliance with this Section B.

2. Except pursuant to (a) a Corporate Transaction, (b) the Share Repurchase Right set forth in Section A, or (c) a transfer described in Section B.3., no Employee shall sell or otherwise transfer (including a transfer by gift or operation of law) any Pre-IPO Shares without the prior written consent of the Committee (which consent may be granted or withheld in its sole and absolute discretion).

3. The transfer of any or all of the Pre-IPO Shares to the Employee's Family Group during the Employee's lifetime or on the Employee's death by will or intestacy shall be permitted under this Section B. For purposes of this Section B, "Family Group" means (a) Employee's spouse, siblings and descendants (whether natural or adopted) and any of such descendants' spouses; (b) any trust that at the time of such transfer and at all times thereafter is and remains solely for the benefit of the Employee and/or the persons described in clause (a) and/or the entities described in clause (c); and (c) any family limited partnership, limited liability company, Subchapter S corporation, or other tax flow-through entity, the partners, members or other equity owners of which at the time of such transfer and at all times thereafter consist solely of the Employee and/or the persons described in clause (a) and/or the trusts described in clause (b). In such case, the transferee or other recipient shall receive and hold the Pre-IPO Shares so transferred subject to the provisions of this Section B, and there shall be no further transfer of such Pre-IPO Shares except in accordance with the terms of this Section B.

4. The restrictions on transfer described in this Section B shall terminate as to any Pre-IPO Shares upon consummation of the Company's IPO (with subsequent transfers remaining subject to federal and state securities laws).

C. Drag-Along Obligations.

1. If the Board and the holders of a majority of the outstanding shares of the Company's voting securities approve a Corporate Transaction, then the Employee covenants and agrees to vote for and raise no objections against such Corporate Transaction. If the Corporate Transaction is structured as a (a) merger or consolidation, each Employee covenants and agrees to waive any dissenters rights, appraisal rights or similar rights in connection with such merger or consolidation, or (b) a sale of shares of Common Stock, each Employee covenants and agrees to sell all of his or her Common Stock on terms and conditions

approved by the Board. In addition, each Employee covenants and agrees to take all necessary or desirable actions in connection with the consummation of the Corporate Transaction as requested by the Board.

2. The obligations of the Employee described in Section C.1. with respect to a Corporate Transaction are subject to the satisfaction of the following conditions: (a) the consideration payable upon consummation of any such Corporate Transaction shall be allocated among the holders of Common Stock based upon their pro rata share of the Common Stock, and (b) upon the consummation of any such Corporate Transaction, all of the holders of Common Stock shall receive (or shall have the right to receive) the same form of consideration.

3. If the Company enters into any negotiation or transaction for which Rule 506 (or any similar rule then in effect) promulgated by the Securities Exchange Commission may be available with respect to such negotiation or transaction (including a merger, consolidation or other reorganization), the Employee shall, at the request of the Board, appoint a "purchaser representative" (as such term is defined in Rule 501 promulgated under the Securities Act of 1933) designated by the Board, the cost of which shall be borne by the Company.

D. Irrevocable Proxy.

1. The Employee hereby irrevocably appoints the Committee or any designee of the Committee, as the attorney-in-fact and proxy of the Employee (the "Irrevocable Proxy"), effective at such time as the Employee acquires Pre-IPO Shares pursuant to a Pre-IPO Exercise, with full power of substitution, to vote, and otherwise act, in such manner as such attorney-in-fact and proxy or its designee shall in its sole discretion deem proper, with respect to any Pre-IPO Shares that the Employee is entitled to vote at any stockholder meeting, or any adjournment or postponement thereof, or any consent in lieu of any such meeting.

2. This Irrevocable Proxy is coupled with an interest in the Pre-IPO Shares, and shall be irrevocable to the full extent permitted by law. This Irrevocable Proxy revokes any other proxy granted by the Employee at any time with respect to the Pre-IPO Shares, and the Employee hereby agrees not to give any subsequent proxy or power of attorney, or to execute any written consent to such effect, for so long as this Irrevocable Proxy remains in effect.

3. This irrevocable Proxy shall remain in full force and effect indefinitely and only terminate upon the earlier of the (a) the consummation of the Company's IPO, or (b) the date on which the Employee no longer holds any Pre-IPO Shares.

* * * * *

Exhibit 10.13

FORM OF STOCK OPTION AGREEMENT
POTBELLY CORPORATION
2004 EQUITY INCENTIVE PLAN

THIS STOCK OPTION AGREEMENT □ POTBELLY CORPORATION 2004 EQUITY INCENTIVE PLAN (this "Agreement") is made in Chicago, Illinois by and between **[Insert Name of Director]** (the "Director") and POTBELLY CORPORATION, a Delaware corporation (the "Company").

Recitals

A. The Company has implemented the Potbelly Corporation 2004 Equity Incentive Plan which, together with any amendments thereto, is hereinafter referred to as the "Plan".

B. The Company desires to grant to the Director options (the "Options") to purchase from the Company shares of the Company's Common Stock, $.01 par value per share (the "Common Stock"), pursuant to the Plan.

Agreements

NOW THEREFORE, in consideration of the prior recitals, the Company hereby grants to the Director, and the Director hereby accepts, the Options immediately described below on the terms and conditions contained herein.

DIRECTOR:

GRANT DATE:

EXPIRATION DATE:

NUMBER OF SHARES:

OPTION PRICE ($ PER SHARE):

The Options shall vest and, subject and pursuant to the provisions of the Plan and this Agreement (including the immediately following paragraph), shall be exercisable to the extent of **[Insert Applicable Vesting Schedule]**.

THE OPTIONS, AND THE RIGHTS AND OBLIGATIONS OF THE DIRECTOR AND THE COMPANY WITH RESPECT TO THE OPTIONS (INCLUDING WITHOUT LIMITATION PROVISIONS GOVERNING THE DIRECTOR'S ABILITY TO EXERCISE THE OPTIONS), ARE SUBJECT TO THE PLAN AND THE TERMS AND CONDITIONS OF THIS AGREEMENT ATTACHED HERETO (THE "TERMS AND CONDITIONS"), BOTH OF WHICH ARE INCORPORATED HEREIN BY REFERENCE.

Except as otherwise expressly provided in the Terms and Conditions, **the Options may not be exercised prior to the consummation of the Company's initial public offering of Common Stock issued pursuant to a registration statement declared effective under the Securities Act of 1933 ("IPO")**.

This grant of Options shall be null and void unless the Director accepts this Agreement by executing it in the space provided below and returning an original executed copy to the Company on or before **[Insert Date]**. This Agreement may be executed in two counterparts each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

Initially capitalized terms used but not defined in this Agreement have the same meanings given them in the Plan.

* * * * *

IN WITNESS WHEREOF, the Company and the Director have duly executed this Agreement as of the dates set forth below.

POTBELLY CORPORATION

By: _____

Date: _____

DIRECTOR

_____
Signature

Social Security Number: _____

Date: _____

TERMS AND CONDITIONS OF STOCK OPTION AGREEMENT

1. Exercise of Options.

1.1 The Options may be exercised (to the extent vested) by giving written notice to the Committee specifying the number of whole shares of Common Stock to be purchased and accompanied by payment therefore in full using such method of payment as the Committee in its sole and absolute discretion deems appropriate.

1.2 Except as otherwise provided in Section 3 or Section 4, **the Options may not be exercised prior to the consummation of the Company's initial public offering of Common Stock issued pursuant to a registration statement declared effective under the Securities Act of 1933 ("IPO")**.

2. Termination of Option. In no event may the Options be exercised after they terminate as set forth in this Section 2.

2.1 If, prior to the Company's IPO, the Director's membership on the Board of Directors of the Company terminates for any reason whatsoever, then the unvested Options shall immediately terminate and may not be exercised.

2.2 If, after the consummation of the Company's IPO:

(a) The Director's membership on the Board of Directors of the Company terminates for any reason other than Disability or death, then, only to the extent they are vested at the time of such termination, the Options may thereafter be exercised by the Director until and including the earlier to occur of (and to the extent it is not so exercised shall terminate upon): (i) the date that is 90 days after the effective date of the Director's termination of employment, and (ii) the Expiration Date;

(b) The Director's employment with the Company terminates by reason of Disability or death, then, only to the extent they are vested at the time of such Disability or death, the Options may thereafter be exercised by the Director or the Director's Legal Representative until and including the earlier to occur of (and to the extent it is not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Director's termination of employment, and (ii) the Expiration Date; and

(c) The Director dies during the period set forth in Section 2.2(a) above following termination of Board membership, then, only to the extent it is exercisable at the time of Director's death, the Options may thereafter be exercised by the Director's Legal Representative until and including the earlier to occur of (and to the extent it is not so exercised shall terminate upon): (i) the date that is one year after the effective date of the Director's termination of employment, and (ii) the Expiration Date

2.3 Notwithstanding anything in this Agreement to the contrary, the Options shall terminate, to the extent not exercised or earlier terminated, on the Expiration Date.

3. Corporate Transaction. In the event of a Corporate Transaction (as defined in the Plan), the Board (as constituted immediately prior to such Corporate Transaction) may, in its sole and absolute discretion, take any one or more of the following actions with respect to the Options:

(a) provide that the Options shall be assumed, or equivalent options shall be substituted, by the acquiring or succeeding corporation or entity (of an affiliate thereof); provided, however, that any such options substituted for incentive stock options shall meet the requirements of Section 422(a) of the Code;

(b) upon written notice to the Director, provide that (i) all vested but unexercised Options will terminate immediately prior to the consummation of such Corporate Transaction unless exercised by the optionee within a specified period following the date of such notice and prior to the consummation of such Corporate Transaction, and (ii) all unvested Options will terminate upon consummation of such Corporate Transaction;

(c) in the event of a merger or consolidation under the terms of which holders of the Common Stock of the Company will receive upon consummation thereof a cash payment for each share surrendered in the merger or consolidation (the "Merger Price"), make or provide for a cash payment to the Director, in exchange for the termination of such options, equal to the difference between (i) the Merger Price times the number of shares of Common Stock subject to any vested Options whose exercise price is less than the Merger Price ("In the Money Options"), and (ii) the aggregate exercise price of all such In the Money Options; or

(d) provide that all or any outstanding Options shall vest in full immediately prior to such Corporate Transaction and shall terminate immediately following such Corporate Transaction.

4. Ability to Exercise prior to the Company's IPO. After the date hereof the Board may determine, in its sole and absolute discretion, to permit the Director to exercise vested Options prior to the consummation of the Company's IPO (hereinafter referred to as a "Pre-IPO Exercise"). If the Board makes a determination in the future to permit a Pre-IPO Exercise, then (a) the terms governing such exercise, and (b) the shares of Common Stock acquired by the Director upon any such exercise, shall be governed in accordance with the terms and provisions set forth on Schedule I hereto, which is deemed to be an integral part of this Agreement. **The Director hereby (x) acknowledges and agrees that the Board is under no obligation (legal or otherwise) to permit a Pre-IPO Exercise, and (y) covenants and agrees that any shares of Common Stock acquired pursuant to a Pre-IPO Exercise shall be subject to the terms and conditions set forth on Schedule I.**

5. Initial Public Offering Lock-Up. The Director hereby agrees that in the event of the Company's IPO, the Director shall not offer, sell, contract to sell, pledge, hypothecate, grant any option to purchase or make any short sale of, or otherwise dispose of, any shares of capital stock of the Company (or any rights to acquire capital stock of the Company) then held by such Director (including without limitation any shares of Common Stock acquired via an exercise of the Options, irrespective of whether such exercise occurred before or after the consummation of such IPO) for such period of time as may be established by the managing underwriter therefore; provided, however, that such period of time shall not exceed 180 days after the consummation of such IPO.

* * * * *

SCHEDULE I
PRE-IPO SHARES

Any shares of Common Stock acquired pursuant to a Pre-IPO Exercise (hereinafter referred to in this Schedule I as "Pre-IPO Shares") shall be governed in accordance with the terms and provisions of this Schedule I.

A. Pre-IPO Share Repurchase Right.

1. Repurchase Right. In the event that the Director's Board membership terminates for any reason, then the Company shall have the right (but not the obligation) to repurchase any or all of the Pre-IPO Shares. The Company's right to repurchase the Pre-IPO Shares (the "Share Repurchase Right") shall be subject to the terms and subject to the conditions set forth in this Section A. The Share Repurchase Right shall terminate with respect to Pre-IPO Shares upon the consummation of the Company's IPO.

2. Exercise of Share Repurchase Right. The Company may exercise the Share Repurchase Right by written notice to the Director within 90 days after the latest of (a) the Director's termination of Board membership, or (b) the date the Options are exercised; provided, that, if the Company reasonably believes that it may be subject to adverse accounting treatment if it exercises the Share Repurchase Right within 90 days after the date the Options are exercised, then the Company may extend the exercise of the Share Repurchase Right until 210 days after the Options are exercised. If the Company fails to give notice within such periods specified in the immediately preceding sentence, the Share Repurchase Right shall terminate unless the Company and the Director or the Director's Legal Representative have extended the time for the exercise of the Share Repurchase Right. The Share Repurchase Right may be exercised with respect to any portion or all of the Pre-IPO Shares, as determined by the Company in its sole and absolute discretion.

3. Payment and Return of Pre-IPO Shares. Within 30 days after the date of the mailing of the written notice of exercise of the Share Repurchase Right, the Director shall deliver to the Company a certificate or certificates for the Pre-IPO Shares being purchased, duly endorsed or otherwise in proper form for transfer, and the Company shall pay to the Director an amount equal to the sum of the number of Pre-IPO Shares purchased by the Company multiplied by:

   (a) in the case of the Director voluntarily terminating his service as a Board member, the Exercise Price (as may be adjusted in accordance with the Plan); or

   (b) in the case of Director whose Board service terminates other than for the reason specified in paragraph 3(a) above, the Fair Market Value of a share of Common Stock as of the date the Share Repurchase Right is exercised.

B. Transfer Restrictions on Purchased Shares.

1. No Director shall transfer any Pre-IPO Shares except in compliance with this Section B.

2. Except pursuant to (a) a Corporate Transaction, (b) the Share Repurchase Right set forth in Section A, or (c) a transfer described in Section B.3., no Director shall sell or otherwise transfer (including a transfer by gift or operation of law) any Pre-IPO Shares without the prior written consent of the Committee (which consent may be granted or withheld in its sole and absolute discretion).

3. The transfer of any or all of the Pre-IPO Shares to the Director's Family Group during the Director's lifetime or on the Director's death by will or intestacy shall be permitted under this Section B. For purposes of this Section B, "Family Group" means (a) Director's spouse, siblings and descendants (whether natural or adopted) and any of such descendants' spouses; (b) any trust that at the time of such transfer and at all times thereafter is and remains solely for the benefit of the Director and/or the persons described in clause (a) and/or the entities described in clause (c); and (c) any family limited partnership, limited liability company, Subchapter S corporation, or other tax flow-through entity, the partners, members or other equity owners of which at the time of such transfer and at all times thereafter consist solely of the Director and/or the persons described in clause (a) and/or the trusts described in clause (b). In such case, the transferee or other recipient shall receive and hold the Pre-IPO Shares so transferred subject to the provisions of this Section B, and there shall be no further transfer of such Pre-IPO Shares except in accordance with the terms of this Section B.

4. The restrictions on transfer described in this Section B shall terminate as to any Pre-IPO Shares upon consummation of the Company's IPO (with subsequent transfers remaining subject to federal and state securities laws).

C. Drag-Along Obligations.

1. If the Board and the holders of a majority of the outstanding shares of the Company's voting securities approve a Corporate Transaction, then the Director covenants and agrees to vote for and raise no objections against such Corporate Transaction. If the Corporate Transaction is structured as a (a) merger or consolidation, Director covenants and agrees to waive any dissenters rights, appraisal rights or similar rights in connection with such merger or consolidation, or (b) a sale of shares of Common Stock, Director covenants and agrees to sell all of his Common Stock on terms and conditions approved by the Board. In addition, Director covenants and agrees to take all necessary or desirable actions in connection with the consummation of the Corporate Transaction as requested by the Board.

2. The obligations of the Director described in Section C.1. with respect to a Corporate Transaction are subject to the satisfaction of the following conditions: (a) the consideration payable upon consummation of any such Corporate Transaction shall be allocated among the holders of Common Stock based upon

their pro rata share of the Common Stock, and (b) upon the consummation of any such Corporate Transaction, all of the holders of Common Stock shall receive (or shall have the right to receive) the same form of consideration.

3. If the Company enters into any negotiation or transaction for which Rule 506 (or any similar rule then in effect) promulgated by the Securities Exchange Commission may be available with respect to such negotiation or transaction (including a merger, consolidation or other reorganization), the Director shall, at the request of the Board, appoint a "purchaser representative" (as such term is defined in Rule 501 promulgated under the Securities Act of 1933) designated by the Board, the cost of which shall be borne by the Company.

D. Irrevocable Proxy.

1. The Director hereby irrevocably appoints the Committee or any designee of the Committee, as the attorney-in-fact and proxy of the Director (the "Irrevocable Proxy"), effective at such time as the Director acquires Pre-IPO Shares pursuant to a Pre-IPO Exercise, with full power of substitution, to vote, and otherwise act, in such manner as such attorney-in-fact and proxy or its designee shall in its sole discretion deem proper, with respect to any Pre-IPO Shares that the Director is entitled to vote at any stockholder meeting, or any adjournment or postponement thereof, or any consent in lieu of any such meeting.

2. This Irrevocable Proxy is coupled with an interest in the Pre-IPO Shares, and shall be irrevocable to the full extent permitted by law. This Irrevocable Proxy revokes any other proxy granted by the Director at any time with respect to the Pre-IPO Shares, and the Director hereby agrees not to give any subsequent proxy or power of attorney, or to execute any written consent to such effect, for so long as this Irrevocable Proxy remains in effect.

3. This Irrevocable Proxy shall remain in full force and effect indefinitely and only terminate upon the earlier of (a) the consummation of the Company's IPO, or (b) the date on which the Director no longer holds any Pre-IPO Shares.

* * * * *

FORM OF NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

POTBELLY CORPORATION
2013 LONG-TERM INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

* * * * *

Participant: _____

Option Grant Date ("Grant Date"): _____

Exercise Price: $_____ per share

Number of shares subject to Option: _____

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, by and between Potbelly Corporation, a Delaware corporation (the "Company"), and the Participant is entered into pursuant to the Potbelly Corporation 2013 Long-Term Incentive Plan (as the same may be amended, restated, supplemented and otherwise modified from time to time, the "Plan"). All capitalized terms not otherwise defined in the text of this Agreement have the meanings attributed to them in the Plan. This Agreement is subject to the terms and conditions of the Plan.

1. Grant of Options. Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants to the Participant a Non-Qualified Stock Option (the "Option") to purchase from the Company the number of shares of Common Stock set forth above (such shares of Common Stock are referred to herein as the "Option Shares") at the Exercise Price per share set forth above.

2. Vesting. Subject to the terms and conditions of this Agreement, the Option granted pursuant to this Agreement shall vest as follows: **[Insert Applicable Vesting Schedule]** (each a "Vesting Date"), provided that the Participant's Termination Date has not occurred before the applicable Vesting Date. Any portion of the Option that is not vested upon the Participant's Termination Date shall immediately expire and shall be forfeited and the Participant shall have no further rights with respect thereto, including the right to exercise the Option. The Participant may only exercise the Option with respect to Option Shares to the extent the Option is vested with respect to such Option Shares and if and to the extent that the Option is otherwise exercisable.

3. Expiration. The Option shall expire on the earliest to occur of:

(a) the ten-year anniversary of the Grant Date;

(b) if the Participant's Termination Date occurs by reason of death or Disability, the one (1) year anniversary of the Termination Date;

(c) if the Participant's Termination Date occurs for reasons other than death, Disability or Cause, the three (3)-month anniversary of the Termination Date;

(d) if the Participant's Termination Date occurs for Cause, the date preceding the Termination Date; or

(e) the date on which the Participant breaches any covenant set forth in the Confidentiality and Non-Compete Agreement between the Participant and the Company or any covenant set forth in any other agreement between the Participant and the Company.

The applicable date determined under the foregoing paragraphs shall be the "Expiration Date" for the Option. Notwithstanding the foregoing provisions of this Section 3 or Section 4, no portion of the Option shall be exercisable after the Participant's Termination Date except to the extent that it is exercisable as of the date immediately prior to the Participant's Termination Date.

4. Option Exercise. Subject to this Agreement and the Plan, the Option may be exercised only after and to the extent that it has become vested and exercisable in accordance with Section 2 and prior to the Expiration Date. To the extent exercisable, the Participant may exercise the Option by filing a written notice with the Committee in accordance with rules and procedures established by the Committee. Any such notice shall specify the number of Option Shares which the Participant elects to purchase, and shall be accompanied by payment of the Exercise Price for such Option Shares indicated by the Participant's election (except as otherwise provided by the Committee in connection with a broker-assisted cashless exercise program). Subject to applicable law, the Exercise Price shall be payable (a) in cash or cash equivalents, (b) by tendering, by actual delivery or by attestation, shares of Common Stock owned by the Participant for at least six (6) months prior to the date of exercise and valued at Fair Market Value as of the date of exercise, or (c) 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. The Option shall not be exercisable if and to the extent the Company determines that such exercise would violate applicable state or Federal securities laws or the rules and regulations of any securities exchange on which the Stock is traded.

5. Withholding. As a condition precedent to the issuance or transfer of any Option Shares, the Participant shall make such arrangements to the satisfaction of the Committee for the satisfaction of any federal, state or local withholding tax obligations that may arise including requiring the Participant to remit cash to the Company in an amount equal to such withholding. If the amount so requested is not remitted, the Company may refuse to issue or permit the transfer of the Option Shares. At the election of the Participant and subject to such rules and limitations as may be established by the Committee from time to time, withholding obligations may be satisfied through the surrender of Common Stock which the Participant already owns or to which a is otherwise entitled pursuant to this Agreement; provided, however, previously-owned Common Stock that has been held by the Participant Common Stock to which the Participant is entitled pursuant to this Agreement 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. Miscellaneous.

(a) *Administration.* The authority to administer and interpret the Agreement shall be vested in the Committee, and the Committee shall have all the powers with respect to the Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding on all persons.

(b) *Transfer Restrictions*. This Agreement, the Participant's rights hereunder, and the Option and Option Shares are not transferable by the Participant, except as provided in the Plan.

(c) *Securities Law Requirements*. Notwithstanding any other provision of this Agreement, the Company shall have no liability to make any distribution of Common Stock under this Agreement unless such delivery or distribution would comply with all applicable laws. In particular, no shares will be delivered to a Participant unless, at the time of delivery, the shares qualify for exemption from, or are registered pursuant to, applicable federal and state securities laws.

(d) *Notices*. All notices, consents and other exchanges of written material required or implied under this Agreement shall be in writing and delivered in person or by messenger, facsimile, overnight courier or certified mail and shall be sent to the following:

If to the Company:	Potbelly Corporation 222 Merchandise Mart Plaza Suite 2300 Chicago, Illinois Attention: Committee, General Counsel and Senior Vice President of Human Resources
If to Participant:	The address on file with the Company

All notices shall be deemed delivered and received by the receiving party (i) if delivered by messenger, on the date of delivery or on the date delivery was refused by the addressee, (ii) if delivered by facsimile transmission, upon receipt of facsimile confirmation of the party transmitting such notice, or (iii) if delivered by overnight courier or certified mail, on the date of delivery as established by the return receipt, courier service confirmation or similar documentation (or the date on which the courier or postal service, as applicable, confirms that acceptance of delivery was refused by the addressee). A party may change its notice information set forth above by giving the other party proper notice of the change, but a change to such notice information is only effective when it is actually received.

(e) *Successors and Assigns*. This Agreement shall be binding upon and inure to the benefit of all successors and assigns of the Company and the Participant, including without limitation, the estate of the Participant and the executor, administrator or trustee of such estate or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

(f) *Severability*. The terms or conditions of this Agreement shall be deemed severable and the invalidity or unenforceability of any term or condition hereof shall not affect the validity or enforceability of the other terms and conditions set forth herein.

(g) *No Rights to Continued Service; No Rights as Stockholder*. The grant of the Option does not constitute a contract of employment or continued service, and the grant of the Option shall not give the Participant 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 or the Agreement, unless such right or claim has specifically accrued under the terms of the Plan and the Agreement. The Participant and the Participant's beneficiary shall not have any rights with respect to Common Stock (including voting rights) issuable upon exercise of the Option prior to the date on which the shares of Common Stock are issued upon exercise.

(h) *Governing Law*. The grant of the Option and the provisions of this Agreement are governed by, and subject to, the laws of the State of Delaware, without regard to the conflict of law provisions, as provided in the Plan. For purposes of litigating any dispute that arises under this grant or this Agreement the parties hereby submit to and consent to the exclusive jurisdiction of the State of Illinois and agree that such litigation shall be conducted in the courts of Cook County, Illinois, or the federal courts for the United States for the Northern District of Illinois, where this grant is made and/or to be performed.

(i) *Amendment*. The Board may, at any time, amend or terminate the Plan, and the Board or the Committee may amend this Agreement, provided that no amendment or termination may, in the absence of written consent to the change by the Participant (or, if the Participant is not then living, the Participant's beneficiary), adversely affect the rights of any Participant or beneficiary under this Agreement prior to the date such amendment is adopted by the Board (or the Committee, if applicable). Certain adjustments under the Plan shall not be subject to the foregoing limitations. In no event shall this Agreement be amended to provide for any provision that is inconsistent with the terms of the Plan.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the Grant Date.

PARTICIPANT

Name: _____

POTBELLY CORPORATION

By: _____

Name: _____

Its: _____

FORM OF NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

POTBELLY CORPORATION
2013 LONG-TERM INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

* * * * *

Participant: _____

Option Grant Date ("Grant Date"): _____

Exercise Price: $_____ per share

Number of shares subject to Option: _____

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, by and between Potbelly Corporation, a Delaware corporation (the "Company"), and the Participant is entered into pursuant to the Potbelly Corporation 2013 Long-Term Incentive Plan (as the same may be amended, restated, supplemented and otherwise modified from time to time, the "Plan"). All capitalized terms not otherwise defined in the text of this Agreement have the meanings attributed to them in the Plan. This Agreement is subject to the terms and conditions of the Plan.

1. Grant of Options. Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants to the Participant a Non-Qualified Stock Option (the "Option") to purchase from the Company the number of shares of Common Stock set forth above (such shares of Common Stock are referred to herein as the "Option Shares") at the Exercise Price per share set forth above.

2. Vesting. Subject to the terms and conditions of this Agreement, the Option granted pursuant to this Agreement shall vest as to twenty-five percent (25%) of the Option Shares subject thereto on each of the first, second, third and fourth anniversaries of the Grant Date (each a "Vesting Date"), provided that the Participant's Termination Date has not occurred before the applicable Vesting Date. Notwithstanding the foregoing:

(a) **[Include for Grants in 2015 and 2016]** if the Participant's Termination Date occurs prior to a Vesting Date due to a Qualifying Termination (as defined in the Executive Employment Agreement between the Company and the Participant dated August 8, 2013 (the "Employment Agreement")) and if the Release Requirements (as defined in the Employment Agreement) are satisfied as provided in Paragraph 4(b) of the Employment Agreement, then the Option shall immediately vest with respect to all Option Shares then subject thereto;

(a) **[Include for Grants in 2017 and Later]** if the Participant's Termination Date occurs prior to a Vesting Date due to a Qualifying and if the Release Requirements are satisfied as provided in paragraph 4(b) of the Employment Agreement, then the Option shall immediately vest with respect to all Option Shares then subject thereto; provided, however, that if the Participant's Termination Date occurs at the end of the Term of the Employment Agreement pursuant to the last sentence of paragraph 2(a) thereof, this paragraph (a) shall not apply with respect to the Option or any of the Option Shares subject thereto;

(b) if the Participant's Termination Date occurs prior to a Vesting Date due to a Qualifying Termination and (i) on or within six (6) months prior to a Change in Control and at a time when the Company is a party to a letter of intent relating to transactions which, if consummated, would constitute a Change in Control or the Company is in negotiations regarding a transaction which if consummated, would constitute a Change in Control, (ii) within three (3) months prior to a Change in Control, or (iii) on or within two (2) years following a Change in Control, then the Option shall immediately vest with respect to all Option Shares then subject thereto;

(c) if the Participant's Termination Date due to death or Disability (as defined in the Employment Agreement), the Option shall immediately vest with respect to that number of Option Shares subject to the Option that would have otherwise vested on a Vesting Date occurring during the one (1) year period following the Termination Date.

Except as specifically provided above, any portion of the Option that is not vested upon the Participant's Termination Date shall immediately expire and shall be forfeited and the Participant shall have no further rights with respect thereto, including the right to exercise the Option. The Participant may only exercise the Option with respect to Option Shares to the extent the Option is vested with respect to such Option Shares and if and to the extent that the Option is otherwise exercisable.

3. Expiration. The Option shall expire on the earliest to occur of:

(a) the ten-year anniversary of the Grant Date;

(b) if the Participant's Termination Date occurs by reason of death or Disability, the one (1) year anniversary of the Termination Date;

(c) if the Participant's Termination Date occurs for reasons other than death, Disability or Cause, the three (3)-month anniversary of the Termination Date;

(d) if the Participant's Termination Date occurs for Cause, the date preceding the Termination Date; or

(e) the date on which the Participant breaches any covenant set forth in the Confidentiality and Non-Compete Agreement between the Participant and the Company or any covenant set forth in any other agreement between the Participant and the Company.

The applicable date determined under the foregoing paragraphs shall be the "Expiration Date" for the Option. Notwithstanding the foregoing provisions of this Section 3 or Section 4, no portion of the Option shall be exercisable after the Participant's Termination Date except to the extent that it is exercisable as of the date immediately prior to the Participant's Termination Date.

4. Option Exercise. Subject to this Agreement and the Plan, the Option may be exercised only after and to the extent that it has become vested and exercisable in accordance with Section 2 and prior to the Expiration Date. To the extent exercisable, the Participant may exercise the Option by filing a written notice with the Committee in accordance with rules and procedures established by the Committee. Any such notice shall specify the number of Option Shares which the Participant elects to purchase, and shall be accompanied by payment of the Exercise Price for such Option Shares indicated by the Participant's election (except as otherwise provided by the Committee in connection with a broker-assisted cashless exercise program). Subject to applicable law, the Exercise Price shall be payable (a) in cash or cash equivalents, (b) by tendering, by actual delivery or by attestation, shares of Common Stock owned by the Participant for at least six (6) months prior to the date of exercise and valued at Fair Market Value as of the date of exercise, or (c) 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. The Option shall not be exercisable if and to the extent the Company determines that such exercise would violate applicable state or Federal securities laws or the rules and regulations of any securities exchange on which the Stock is traded.

5. Withholding. As a condition precedent to the issuance or transfer of any Option Shares, the Participant shall make such arrangements to the satisfaction of the Committee for the satisfaction of any federal, state or local withholding tax obligations that may arise including requiring the Participant to remit cash to the Company in an amount equal to such withholding. If the amount so requested is not remitted, the Company may refuse to issue or permit the transfer of the Option Shares. At the election of the Participant and subject to such rules and limitations as may be established by the Committee from time to time, withholding obligations may be satisfied through the surrender of Common Stock which the Participant already owns or to which a is otherwise entitled pursuant to this Agreement; provided, however, previously-owned Common Stock that has been held by the Participant Common Stock to which the Participant is entitled pursuant to this Agreement 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. Miscellaneous.

(a) *Administration.* The authority to administer and interpret the Agreement shall be vested in the Committee, and the Committee shall have all the powers with respect to the Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding on all persons.

(b) *Transfer Restrictions*. This Agreement, the Participant's rights hereunder, and the Option and Option Shares are not transferable by the Participant, except as provided in the Plan.

(c) *Securities Law Requirements*. Notwithstanding any other provision of this Agreement, the Company shall have no liability to make any distribution of Common Stock under this Agreement unless such delivery or distribution would comply with all applicable laws. In particular, no shares will be delivered to a Participant unless, at the time of delivery, the shares qualify for exemption from, or are registered pursuant to, applicable federal and state securities laws.

(d) *Notices*. All notices, consents and other exchanges of written material required or implied under this Agreement shall be in writing and delivered in person or by messenger, facsimile, overnight courier or certified mail and shall be sent to the following:

If to the Company:	Potbelly Corporation 222 Merchandise Mart Plaza Suite 2300 Chicago, Illinois Attention: Committee, General Counsel and Senior Vice President of Human Resources
If to Participant:	The address on file with the Company

All notices shall be deemed delivered and received by the receiving party (i) if delivered by messenger, on the date of delivery or on the date delivery was refused by the addressee, (ii) if delivered by facsimile transmission, upon receipt of facsimile confirmation of the party transmitting such notice, or (iii) if delivered by overnight courier or certified mail, on the date of delivery as established by the return receipt, courier service confirmation or similar documentation (or the date on which the courier or postal service, as applicable, confirms that acceptance of delivery was refused by the addressee). A party may change its notice information set forth above by giving the other party proper notice of the change, but a change to such notice information is only effective when it is actually received.

(e) *Successors and Assigns*. This Agreement shall be binding upon and inure to the benefit of all successors and assigns of the Company and the Participant, including without limitation, the estate of the Participant and the executor, administrator or trustee of such estate or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

(f) *Severability*. The terms or conditions of this Agreement shall be deemed severable and the invalidity or unenforceability of any term or condition hereof shall not affect the validity or enforceability of the other terms and conditions set forth herein.

(g) *No Rights to Continued Service; No Rights as Stockholder*. The grant of the Option does not constitute a contract of employment or continued service, and the grant of the Option shall not give the Participant 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 or the Agreement, unless such right or claim has specifically accrued under the terms of the Plan and the Agreement. The Participant and the Participant's beneficiary shall not have any rights with respect to Common Stock (including voting rights) issuable upon exercise of the Option prior to the date on which the shares of Common Stock are issued upon exercise.

(h) *Governing Law*. The grant of the Option and the provisions of this Agreement are governed by, and subject to, the laws of the State of Delaware, without regard to the conflict of law provisions, as provided in the Plan. For purposes of litigating any dispute that arises under this grant or this Agreement the parties hereby submit to and consent to the exclusive jurisdiction of the State of Illinois and agree that such litigation shall be conducted in the courts of Cook County, Illinois, or the federal courts for the United States for the Northern District of Illinois, where this grant is made and/or to be performed.

(i) *Amendment*. The Board may, at any time, amend or terminate the Plan, and the Board or the Committee may amend this Agreement, provided that no amendment or termination may, in the absence of written consent to the change by the Participant (or, if the Participant is not then living, the Participant's beneficiary), adversely affect the rights of any Participant or beneficiary under this Agreement prior to the date such amendment is adopted by the Board (or the Committee, if applicable). Certain adjustments under the Plan shall not be subject to the foregoing limitations. In no event shall this Agreement be amended to provide for any provision that is inconsistent with the terms of the Plan.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the Grant Date.

PARTICIPANT

_____

Name: _____

POTBELLY CORPORATION

By: _____

Name: _____

Its: _____

FORM OF RESTRICTED STOCK UNIT AWARD AGREEMENT

POTBELLY CORPORATION
2013 LONG-TERM INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

*** * * * ***

Participant: _____

Restricted Stock Unit Grant Date ("Grant Date"): _____

Number of Restricted Stock Units: _____

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, by and between Potbelly Corporation, a Delaware corporation (the "Company"), and the Participant is entered into pursuant to the Potbelly 2013 Corporation Long-Term Incentive Plan (as the same may be amended, restated, supplemented and otherwise modified from time to time, the "Plan"). All capitalized terms not otherwise defined in the text of this Agreement have the meanings attributed to them in the Plan. This Agreement is subject to the terms and conditions of the Plan.

1. Grant of Restricted Stock Units. Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants to the Participant a Full Value Award in the form of restricted stock units (the "Restricted Stock Units"). Each Restricted Stock Unit constitutes an unfunded and unsecured promise of the Company to deliver (or cause to be delivered) to the Participant, subject to the terms and conditions of the Plan and this Agreement, a share of Common Stock if and when the Restricted Stock Unit becomes vested and payable as described in Sections 2 and 3 hereof.

2. Vesting of Restricted Stock Units. Subject to the terms and conditions of this Agreement, the Restricted Stock Units granted pursuant to this Agreement shall vest as follows: **[Insert Applicable Vesting Schedule]** (each a "Vesting Date"), provided that the Participant's Termination Date has not occurred before the applicable Vesting Date. Any portion of the Restricted Stock Units that are not vested upon the Participant's Termination Date shall immediately expire and shall be forfeited and the Participant shall have no further rights with respect thereto, including the right to acquire any shares of Common Stock hereunder with respect to such Restricted Stock Unit. Each Restricted Stock Unit which becomes vested on an applicable Vesting Date shall be referred to as a "Vested Restricted Stock Unit" and each Restricted Stock Unit which has not yet become vested on an applicable Vesting Date shall be referred to as an "Unvested Restricted Stock Unit").

3. Payment of Restricted Stock Units. Vested Restricted Stock Units shall be paid promptly upon (but not more than thirty (30) days after) the applicable Vesting Date by delivery of one share of Common Stock for each such Vested Restricted Stock Unit being paid as of such date, subject to the terms of the Plan and this Agreement.

4. Designation of Beneficiary. The Participant may designate a person or persons to receive payment in respect of the Participant's Vested Restricted Stock Units, in accordance with the terms of this Agreement, in the event that the Participant dies prior to the payment in respect of such Restricted Stock Units (a "Beneficiary"). Such designation, or any change to a prior designation of a Beneficiary, must be done by giving notice to the Committee on a form designated by the Committee. If, upon the death of the Participant, the Committee has determined that there is no designated Beneficiary for part or all of the Participant's Vested Restricted Stock Units, such Restricted Stock Units shall be paid, in accordance with the terms of the Agreement, to the Participant's estate (and the estate shall be deemed to be the Beneficiary for purposes of the Agreement).

5. Withholding. All payments or distributions for Vested Restricted Stock Units pursuant to this Agreement are subject to withholding of all applicable taxes. At the election of the Participant and subject to such rules and limitations as may be established by the Committee from time to time, withholding obligations may be satisfied through the surrender of Common Stock which the Participant already owns or to which a Participant is otherwise entitled pursuant to this Agreement; provided, however, that previously-owned Common Stock that has been held by the Participant or Common Stock to which the Participant is entitled pursuant to this Agreement 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. Miscellaneous.

(a) *Administration.* The authority to administer and interpret the Agreement shall be vested in the Committee, and the Committee shall have all the powers with respect to the Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Committee and any decision made by it with respect to the Agreement is final and binding on all persons.

(b) *Transfer Restrictions*. This Agreement, the Participant's rights hereunder, and the Restricted Stock Units are not transferable by the Participant, except as otherwise provided in the Plan and this Agreement.

(c) *Securities Law Requirements*. Notwithstanding any other provision of this Agreement, the Company shall have no liability to make any distribution of Common Stock under this Agreement unless such delivery or distribution would comply with all applicable laws. In particular, no shares will be delivered to a Participant unless, at the time of delivery, the shares qualify for exemption from, or are registered pursuant to, applicable federal and state securities laws.

(d) *Notices*. All notices, consents and other exchanges of written material required or implied under this Agreement shall be in writing and delivered in person or by messenger, facsimile, overnight courier or certified mail and shall be sent to the following:

If to the Company:	Potbelly Corporation 222 Merchandise Mart Plaza Suite 2300 Chicago, Illinois 60654 Attention: Committee, General Counsel and Senior Vice President of Human Resources
If to Participant:	The address on file with the Company

All notices shall be deemed delivered and received by the receiving party (i) if delivered by messenger, on the date of delivery or on the date delivery was refused by the addressee, (ii) if delivered by facsimile transmission, upon receipt of facsimile confirmation of the party transmitting such notice, or (iii) if delivered by overnight courier or certified mail, on the date of delivery as established by the return receipt, courier service confirmation or similar documentation (or the date on which the courier or postal service, as applicable, confirms that acceptance of delivery was refused by the addressee). A party may change its notice information set forth above by giving the other party proper notice of the change, but a change to such notice information is only effective when it is actually received.

(e) *Rights Are Unsecured*. Under this Agreement, the right of a Participant or Beneficiary to receive payment hereunder shall be an unsecured claim against the general assets of the Company and neither the Participant nor any Beneficiary shall have any rights in or against any specific assets of the Company or any of its affiliates. All amounts credited to the Participant shall constitute general assets of the Company, and may be disposed of by the Company at such time and for such purposes as it may deem appropriate.

(f) *Successors and Assigns*. This Agreement shall be binding upon and inure to the benefit of all successors and assigns of the Company and the Participant, including without limitation, the estate of the Participant and the executor, administrator or trustee of such estate or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

(g) *Severability*. The terms or conditions of this Agreement shall be deemed severable and the invalidity or unenforceability of any term or condition hereof shall not affect the validity or enforceability of the other terms and conditions set forth herein.

(h) *No Rights to Continued Service; No Rights as Stockholder*. The grant of the Restricted Stock Units does not constitute a contract of employment or continued service, and the grant of the Restricted Stock Units shall not give the Participant 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 or the Agreement, unless such right or claim has specifically accrued under the terms of the Plan and the Agreement. The Participant and the Participant's Beneficiary shall not have any rights with respect to Common Stock (including voting rights) issuable upon payment of the Restricted Stock Units prior to the date on which the Restricted Stock Units are paid or settled.

(i) *Governing Law*. The grant of the Restricted Stock Units and the provisions of this Agreement are governed by, and subject to, the laws of the State of Delaware, without regard to the conflict of law provisions, as provided in the Plan. For purposes of litigating any dispute that arises under this grant or this Agreement the parties hereby submit to and consent to the exclusive jurisdiction of the State of Illinois and agree that such litigation shall be conducted in the courts of Lake County, Illinois, or the federal courts for the United States for the Northern District of Illinois, where this grant is made and/or to be performed.

(j) *Amendment*. The Board may, at any time, amend or terminate the Plan, and the Board or the Committee may amend this Agreement, provided that no amendment or termination may, in the absence of written consent to the change by the Participant (or, if the Participant is not then living, the Participant's beneficiary), adversely affect the rights of any Participant or beneficiary under this Agreement prior to the date such amendment is adopted by the Board (or the Committee, if applicable). Certain adjustments under the Plan shall not be subject to the foregoing limitations. In no event shall this Agreement be amended to provide for any provision that is inconsistent with the terms of the Plan.

(k) *Code Section 409A*. This Agreement is intended to be interpreted and operated to the fullest extent possible so that the payments and distributions pursuant to this Agreement are exempt from the requirements of Section 409A of the Code ("Section 409A"). If an unintentional operational failure occurs with respect to Section 409A requirements, the Participant shall fully cooperate with the Company to correct the failure, to the extent possible, in accordance with any correction procedure established by the U.S. Internal Revenue Service.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the Grant Date.

PARTICIPANT

_____

Name: _____

POTBELLY CORPORATION

By: _____

Name: _____

Its: _____

Exhibit 10.17

INDEMNIFICATION AGREEMENT

This Agreement (this "Agreement") is made and entered into as of the day of , 2013, by and between Potbelly Corporation, a Delaware corporation (the "Company"), and ("Indemnitee").

WHEREAS, it is in the best interests of the Company to retain and attract as directors and officers the most competent persons available;

WHEREAS, the Board of Directors of the Company (the "Board") believes that highly competent persons are becoming more reluctant to serve publicly-held corporations as directors or officers unless they are provided with adequate protection against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, in order to induce Indemnitee to continue to provide services to the Company as a **[director][officer]** thereof and to provide increased certainty to Indemnitee of substantial protection against personal liability, the Board has determined that it is reasonable, prudent and in the best interests of the Company for the Company to obligate itself contractually to indemnify Indemnitee and advance expenses to Indemnitee to the fullest extent permitted by applicable law; and

WHEREAS, Indemnitee is willing to continue to serve the Company on the condition that Indemnitee receive the rights and benefits set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein and for certain good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Section 1. Definitions. For purposes of this Agreement:

(a) "Act" means the Delaware General Corporation Law, as amended from time to time.

(b) "Change of Control" means any one or more 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 of 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) 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 (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).

(c) "Disinterested Director" means a director of the Company who is not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(d) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(e) "Expenses" includes attorneys' fees and all other costs, retainers, filing fees, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, excise taxes, printing and binding costs, telephone charges, postage, delivery service fees, disbursements and expenses of any nature whatsoever paid or incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

(f) "Incumbent Directors" are directors who either (i) are directors of the Company as of the date of this Agreement, or (ii) are nominated for election to the Board by the Nominating and Corporate Governance Committee of the Board and endorsed by the Board existing as of the date of this Agreement or the directors' endorsed successors.

(g) "Indemnitee's Corporate Status" means the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company or of any other corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise which Indemnitee is or was serving at the request of the Company. References in this Agreement to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, Indemnitee with respect to an employee benefit plan, its participants or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement; and references in this Agreement to "fines" shall include any excise taxes assessed on a person with respect of any employee benefit plan.

(h) "Independent Counsel" means a law firm, or an attorney, selected in accordance with the provisions of Section 7(c) hereof, who is experienced in matters of corporate law and shall not have otherwise performed services for the Company or Indemnitee or any other party to the Proceeding giving rise to a claim for indemnification hereunder in the last five years. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement or who has been sanctioned or censured for ethical violations of applicable standards of professional conduct.

(i) "Proceeding" includes any claim, action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding whether civil, criminal, administrative or investigative.

Section 2. Indemnification—General. The Company shall indemnify and advance Expenses to Indemnitee as provided in this Agreement and shall indemnify and advance Expenses to Indemnitee as to matters arising from Indemnitee's Corporate Status to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit. To the extent permitted by law, if the Act (whether by statute or judicial decision) permits greater indemnity than the indemnity set forth herein, or if any amendment is made to the Act expanding the indemnity permissible under Delaware law, the indemnity obligations contained herein automatically shall be expanded, without the necessity of action on the part of any party, to the extent necessary to provide to Indemnitee the fullest indemnity permissible under Delaware law.

Section 3. Proceedings Other Than Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in the event that Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed Proceeding (other than a Proceeding by or in the right of the Company) by reason of Indemnitee's Corporate Status, against Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal Proceeding, had no reasonable cause to believe that Indemnitee's conduct was unlawful. With respect to Proceedings relating to employee benefit plans of the Company, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of such employee benefit plan, Indemnitee shall be deemed to have acted in a manner not opposed to the best interests of the Company.

Section 4. Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in the event that Indemnitee was or is a party or is threatened to be made a party to any threatened, pending or completed Proceeding by or in the right of the Company to procure a judgment in its favor by reason of Indemnitee's Corporate Status, against Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with the defense or settlement of such Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. Notwithstanding the foregoing, no indemnification against such Expenses shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company unless and only to the extent that the Court of Chancery or the court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses which the Court of Chancery or such other court shall deem proper.

Section 5. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines and amounts paid in settlement in connection with a Proceeding but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee is successful on the merits or otherwise in any Proceeding referred to in Section 3 or Section 4 hereof, or in defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith, without the necessity of any further authorization.

Section 6. Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall advance all reasonable Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding referred to in Section 3 or Section 4 hereof within twenty (20) days after the receipt by the Company of a written statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay all Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company against such Expenses. Any advances and undertakings to repay pursuant to this Section 6 shall be unsecured and interest free.

Section 7. Procedure for Determination of Entitlement to Indemnification. (a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to the first sentence of Section 7(a) hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change of Control shall have occurred, by Independent Counsel (unless Indemnitee shall request that such determination be made by the Board or the stockholders, in which case such determination shall be made by the person or persons or in the manner provided for in clauses (ii) or (iii) of this Section 7(b)) in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; (ii) if a Change of Control shall not have occurred, by one of the following (as determined by a majority vote of Disinterested Directors, provided that if there are no Disinterested Directors, alternative (C) shall apply): (A) by a majority vote of Disinterested Directors, even though less than a quorum or (B) by a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, even though less than a quorum or (C) by Independent Counsel in a

written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) by the stockholders of the Company; or (iii) as provided in Section 8(b) hereof; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within twenty (20) days after such determination. Indemnitee shall cooperate with the persons making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such persons upon reasonable advance request any documentation or information which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the persons making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies Indemnitee against such Expenses.

(c) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 7(b) hereof, the Independent Counsel shall be selected as provided in this Section 7(c). If a Change of Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected. If a Change of Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within seven (7) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1 hereof, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. If, within twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 7(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Court of Chancery of the State of Delaware or other court of competent jurisdiction for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom an objection is so resolved or the person so appointed shall act as Independent Counsel under Section 7(b) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 7(b) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 7(c), regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 9(a)(iii) hereof, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 8. Presumptions and Effect of Certain Proceedings. (a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 7(a) hereof, and the Company shall have the burden of proof to overcome that presumption in connection with the making by any persons of any determination contrary to that presumption.

(b) If the persons empowered or selected under Section 7 hereof to determine whether Indemnitee is entitled to indemnification shall not have made a determination within ninety (90) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statements not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such ninety (90) day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the persons making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 8(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 7(b) hereof and if (A) within thirty (30) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within thirty (30) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to
Section 7(b) hereof.

(c) It shall be a defense to any action brought by Indemnitee against the Company to enforce this Agreement (other than an action brought to enforce a claim for Expenses incurred in defending a Proceeding in advance of its final disposition where the required undertaking has been tendered to the Company) that Indemnitee has not met the standards of conduct that make it permissible under the Act for the Company to indemnify Indemnitee for the amount claimed. Neither the failure of the persons empowered or selected under Section 7 hereof to have made a determination prior to the commencement of such action that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct set forth in the Act, nor an actual determination by the persons empowered or selected under Section 7 hereof that Indemnitee had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(d) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(e) For purposes of any determination under this Agreement, Indemnitee shall be deemed to have acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal Proceeding, to have had no reasonable cause to believe Indemnitee's conduct was unlawful, if Indemnitee's action is based on good faith reliance on the records or books of account of the Company or another enterprise, or on information supplied to Indemnitee by the officers of the Company or another enterprise in the course of their duties, or on the advice of legal counsel for the Company or another enterprise or on information or records given or reports made to the Company or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Company or another enterprise. The term "another enterprise" shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, employee or agent. The provisions of this Section 8(e) shall not be deemed to be exclusive or to limit in any way the circumstances in which Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

Section 9. Remedies of Indemnitee. (a) In the event that (i) a determination is made pursuant to Section 7 hereof that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 6 hereof, (iii) the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 7(b) hereof and such determination shall not have been made and delivered in a written opinion within ninety (90) days after receipt by the Company of the request for indemnification or (iv) payment of indemnification is not made within twenty (20) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 7 or Section 8 hereof, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Delaware, or in any other court of competent jurisdiction, determining whether Indemnitee is entitled to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within one hundred eighty (180) days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 9(a). The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 7 hereof that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 9 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 9 the Company shall have the burden of proving that on the merits Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made or deemed to have been made pursuant to Section 7 or Section 8 hereof that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 9, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statements not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 9 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement.

(e) In the event that Indemnitee, pursuant to this Section 9, seeks a judicial adjudication of or an award in arbitration to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company against, any and all Expenses actually and reasonably incurred by Indemnitee in such judicial adjudication or arbitration, but only if Indemnitee prevails therein. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advancement or Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

Section 10. Non-Exclusivity; Survival of Rights; Insurance; Primacy of Indemnification; Subrogation. (a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of the rights of Indemnitee under any Article or section of the Certificate of Incorporation of the Company (as it may be amended or restated from time to time) or any other rights to which Indemnitee may at any time be entitled under applicable law, the Bylaws of the Company, any agreement, any policy of insurance, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or termination of this Agreement or any provision hereof shall be effective as to Indemnitee with respect to any action taken or omitted by Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or termination.

(b) Except as provided in paragraph (c) below, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee (other than against the Fund Indemnitors), who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) So long as Indemnitee shall continue to serve the Company or a subsidiary or affiliate of the Company and thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed Proceeding as a result of an event occurring during such service, the Company shall use reasonable efforts to obtain and maintain for the benefit of Indemnitee as an insured liability insurance applicable to directors, officers, employees, or

agents or fiduciaries of the Company in an amount and on terms determined by the Company's board of directors; *provided, however*, that nothing in this Section 10 shall relieve the Company of its obligations hereunder (or allow the Company to delay in its performance of its obligations hereunder) to provide indemnification for or advance any Expenses with respect to the Expenses of any claim. To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents or fiduciaries of the Company or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person serves at the request of the Company, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any director, officer, employee, agent or fiduciary under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(d) The Company hereby acknowledges that Indemnitee has certain rights to indemnification, advancement of expenses and/or insurance provided by [Name of Fund/Sponsor] and certain of its affiliates (collectively, the "Fund Indemnitors"). The Company hereby agrees (i) that it is the indemnitor of first resort (*i.e.*, its obligations to Indemnitee are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) that it shall be required to advance the full amount of expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the terms of this Agreement and the Certificate of Incorporation or Bylaws of the Company (or any other agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Fund Indemnitors, and (iii) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Company and Indemnitee agree that the Fund Indemnitors are express third party beneficiaries of the terms of this Section 10(d).

(e) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 11. Duration of Agreement. This Agreement shall continue in effect and shall survive the termination of Indemnitee's Corporate Status. This Agreement shall be binding upon the Company and its successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company) and shall inure to the benefit of Indemnitee and Indemnitee's heirs, executors, administrators and personal and legal representatives.

Section 12. Severability. If any provision (including any provision within a single section, paragraph or sentence) of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions hereof shall not be affected thereby, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.

Section 13. Exception to Right of Indemnification or Advancement of Expenses. Notwithstanding any other provision of this Agreement, except as provided in Section 9(e) hereof, prior to a Change of Control Indemnitee shall not be entitled to indemnification or advancement of Expenses pursuant to this Agreement with respect to any Proceeding, or any claim, issue or matter therein, initiated by Indemnitee against the Company or any director or officer of the Company unless the Company has joined in or consented to the initiation of the Proceeding. In addition, Indemnitee shall not be entitled to indemnification or advancement of Expenses pursuant to this Agreement for an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of state statutory law or common law.

Section 14. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 15. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 16. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 17. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise unless and only to the extent that such failure or delay materially prejudices the Company.

Section 18. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and received by the party to whom said notice or other communication shall have been directed, upon such delivery and receipt, (ii) sent by facsimile or other wire transmission (receipt confirmed), on the date of transmission or (iii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to:

[INSERT NAME]

(b) If to the Company, to:

Potbelly Corporation
222 Merchandise Mart Plaza, 23rd Floor
Chicago, Illinois 60654
Attention: General Counsel

or such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 19. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware without giving effect to principles of conflicts of laws. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Delaware (the "**Delaware Court**"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

POTBELLY CORPORATION

By: _____
Name:
Title:

INDEMNITEE

_____
[INSERT NAME]

Exhibit 21.1

SUBSIDIARY NAME	STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION
Potbelly Illinois, Inc.	IL
Potbelly Sandwich Works, LLC	IL
Potbelly Franchising, LLC	IL
PSW 555 Twelfth Street, LLC	IL
PSW GENEVA IL, LLC	IL
PSW LINCOLNSHIRE, LLC	IL
PSW NYAVE, LLC	IL
Potbelly Sandwich Works DC-1, LLC	IL
PSW Clark, LLC	IL
PSW DC ACQUISITION LLC	IL
Potbelly Airport I Joint Venture, LLC	IL
Potbelly Airport II Boston, LLC	IL
PSW IC, LLC	IL
PSW 55 West Monroe, LLC	IL
PSW Naperville, LLC	IL
PSW North Bridge, LLC	IL
PSW Old Orchard, LLC	IL
PSW PBD ACQUISITION LLC	IL
PSW Rockville Center, LLC	IL
PSW West Jackson, LLC	IL

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form S-1 of our report dated May 20, 2013 relating to the consolidated financial statements of Potbelly Corporation and subsidiaries appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the headings “Experts” in such Prospectus.

/s/ Deloitte & Touche LLP

Chicago, Illinois
August 29, 2013

MAYER • BROWN

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71 South Wacker Drive
Chicago, Illinois 60606-4637

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August 29, 2013

VIA EDGAR AND OVERNIGHT DELIVERY

Edward S. Best
Direct Tel +1 312 701 7100
Direct Fax +1 312 706 8106
ebest@mayerbrown.com

Loan Lauren P. Nguyen
Special Counsel
U.S. Securities and Exchange Commission
100 F. Street, N.E.
Washington, D.C. 20549

Re: Potbelly Corporation
Amendment No. 3 to Confidential Draft Registration Statement on Form S-1
Submitted August 9, 2013
CIK No. 0001195734

Dear Ms. Nguyen:

This letter is being furnished on behalf of Potbelly Corporation (the "***Company***") in response to comments received from the staff of the Division of Corporation Finance (the "***Staff***") of the U.S. Securities and Exchange Commission (the "***Commission***") by letter dated August 27, 2013 to Aylwin Lewis, Chief Executive Officer of the Company, with respect to the above-referenced filing.

The text of the Staff's comments has been included in this letter in bold and italics for your convenience, and we have numbered the paragraphs below to correspond to the numbers in the Staff's letter. We have also set forth the Company's response to each of the numbered comments immediately below each numbered comment.

In addition, on behalf of the Company, we are hereby publicly filing a registration statement for an offering of the Company's common stock (the ***"Registration Statement"***). The Registration Statement has been revised to reflect the Company's responses to the comments from the Staff and certain other updating and conforming changes. All page numbers in the responses below refer to the Registration Statement, except as otherwise noted. We have enclosed a courtesy package, which includes four copies of the Registration Statement, two of which have been marked to show changes from the filing of the most recently amended confidential draft registration statement.

Prospectus Summary, page 1

The Neighborhood Sandwich Shop, page 1

1. We note your response to our prior comment 1 and reissue in part. Please revise the first sentence in this section to remove the word "welcoming" and "unique" or state

that it is your belief the your menu items are sold by welcoming people in a unique environment. We note that the terms are subjective in nature and that you disclosed on page 2 that the Potbelly stores each have a "similar" look.

Response: The Company acknowledges the Staff's comment and has revised pages 1, 39 and 60 of the prospectus to state the disclosure in a different way.

Our Competitive Strengths, page 2

2. ***We note your response to our prior comment 3 and reissue in part. Please remove the term "wholesome" food or provide a definition of this term as we continue to believe that such terms are not helpful to investors without a clear explanation of what you mean by such term.***

Response: The Company acknowledges the Staff's comment and has revised pages 2, 40 and 61 of the prospectus to state the disclosure in a different way.

A majority of the proceeds we receive in this offering will be paid to related parties, page 28

3. ***Please expand the risk factor to address the risks related to the declared cash dividend, including the risk that the company will be unable to use the majority of the proceeds for the benefit of the company. Also revise the last sentence to clarify that your management will have broad discretion over the use of the remaining proceeds.***

Response: The Company acknowledges the Staff's comment and has revised the risk factor on page 28 of the prospectus accordingly.

Site Selection and Expansion, page 69

4. ***Please balance the disclosure in the first sentence of the second paragraph to clarify that you cannot guarantee that you will be able to grow or sustain growing your number of shops by at least 10% annually.***

Response: The Company acknowledges the Staff's comment and has revised the disclosure on page 69 and throughout the prospectus accordingly.

Related Party Transactions, page 100

2011 Stock Repurchase, page 101

5. ***We note your response to our prior comment 29 in our letter dated January 10, 2013 that you were currently in the process of issuing replacement options to Mr. Keil for Mr. Kiel's 50,000 options that expired on February 6, 2013. Please disclose that Mr. Keil elected to terminate these options prior to the expiration or advise. In addition,***

please disclose when you anticipate issuing the replacement options, the number of options you intend to issue and the exercise price of such options.

Response: The Company acknowledges the Staff's comment and has revised page 101 of the prospectus to provide additional information regarding the issuance of replacement options.

* * *

If you have any questions regarding the foregoing, feel free to contact the undersigned at (312) 701-7100.

Sincerely,

/s/ Edward S. Best

Edward S. Best

Cc: Sonia Bednarowski, Securities and Exchange Commission
Kristin Shifflett, Securities and Exchange Commission
Margery Reich, Securities and Exchange Commission
Aylwin Lewis, Potbelly Corporation
Charlie Talbot, Potbelly Corporation
Matt Revord, Potbelly Corporation